KONE Q4 2020: Annual Review 2020

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Sanna Kaje: Good afternoon, and welcome to KONE's Q4 and 2020 Results Presentation. I'm Sanna Kaje, the Head of KONE's Investor Relations. As always, I have here with me, our President and CEO, Henrik Ehrnrooth, and CFO, Ilkka Hara.

Henrik will first present to you the Q4 and 2020 highlights. Ilkka will then walk you through the numbers. And in the end Henrik will talk about the outlook for 2021. As we also announced today that we entered a new exciting phase in KONE's strategy, Henrik will also talk a little bit about that at the end. And then we have plan for your questions.

Henrik please?

Henrik Ehrnrooth: Thanks, Sanna. And welcome everyone. Thank you for joining us online today. We have some good news to share with you today. Today's presentation will be a bit longer than usual, because as Sanna mentioned, we will not only talk about Q4 last year's achievements, but we also look more forward into the coming years and what our strategic focus areas will be.

But let's get started immediately just with some of the highlights for Q4. The highlights to me, whereas we grew, our orders received, and also our earnings continue to grow in what I would call a tough environment. China continued to be good for us. We performed very strongly there. We had some good performances in many other places as well, but it was mixed elsewhere.

We have today announced that we enter a new phase in our strategy as we have done every third or fourth year consistently and name our new strategy is sustainable success with customers, and I'll talk about that at the end a bit more. Because of our very strong financial position, because of our good performance last year, our Board has today proposed that we pay a dividend of €1.75, plus an extraordinary dividend of €0.50 for every Class B share. So in total, €2.25.

But let's start with the key figures for last year. We had a good growth in our orders received, just shy of €2.1 billion, and growth of 7.9% in comparable currencies. In this environment, I think this is an excellent outcome. Our order book is solid at €7.7 billion. In comparable currencies, it's actually up 0.7% year-over-year. So that again gives us a great situation going into the New Year. But after a year like this, that our order book has actually grown slightly, I think is a great achievement.

Sales of €2.6 billion or 0.8% growth, so slightly less growth now and in the prior quarter are still growing. And our operating income improved from €356 million to €367 million. And our adjusted EBIT from €368 million to €381 million, and here really the highlight was the improvement in our adjusted EBIT margin from 13.7% to 14.5%. This, I'm very happy about, shows we had a strong performance in Q4.

Cash flow continued to be solid. It wasn't as exceptional as in Q2 and Q3, but at a solid level. And €0.55 per share EPS for the quarter. One quarter is very short period of time. Now we have a full year behind us gets longer perspective. And we can say what a year it's been. A year ago when we looked into the year we expect that we will have a very strong year actually with improvement across the board, but that was just when the pandemic was starting to hit. But despite the pandemic, we have performed strongly.

Orders received just shy of €8.2 billion, a decline of 0.6%. If you remember we had a good first quarter, then bigger decline in Q2, and then recovery with a strong finish to the year in Q4. Sales €9.9 billion, growth of 1.4%, also a good achievement in this environment. And our operating income grew by 1.7%.

Adjusted EBIT from €1.237 billion to €1.250 billion and a slight improvement in our margin. Here also, Q1, we were down about 1 percentage point year-over-year. Q2 and Q3 we started to recover and a strong finish to the year. And then our cash flow, exceptionally strong. This really tells a lot about how operations have been running and the fact that we've been able to deliver on our customer promises. If you don't do that, you're not going to have cash flow like this. So this is something that's very proud for us as well. An EPS of €1.81 compared to €1.80 before.

At this stage, as usual, I'd like to extend my thanks to KONE's employees. I must say I could not be prouder of the team that I'm right now, of what they've done in a year like this. There's been everything from incredible care for each other to help each other out in tough situations by showing that your colleague is doing well, incredible team work, recovery from adverse situations and a very strong persistence delivering on customer promises. This is what this result is based on. So a heartfelt thanks to our teams. They've done a just tremendous job.

So some business highlights for 2020. Last year, we sold in total 180,000 elevators and escalators, up 4% year-over-year. It's a new record there as well. Maintenance base continued to grow at 4.5% and was now over 1.4 million units, so also a good growth there. So overall, we can say that our business was very resilient despite restrictions. And some of the highlights were that our Connected Services and Solutions that deliver additional value for our customers that we clearly improved there again, built some strong momentum.

We rolled out our DX Class elevators throughout Europe, Asia Pacific and Middle East, a very fast rollout. And I must say this has been very important for us in the past year. We're really seeing the customers taking this very well and that has enabled us to perform strongly also in tough environment.

Reliability, safety, transparency for our customers through 24/7 Connected Services, really picked up speed, particularly in the second half of the year. Now we have over 100,000 units commercially connected under 24/7 Connected Services. In total, as you know, we have about 0.5 million connected units, but the ones that we have sold to our customers and are now revenue generating, is around 100,000 units. And we have a very strong pipeline of what we have sold through our new equipment business that comes when the equipment gets installed or that we have sold through services that we are about to install now. So this growth has really picked up very nicely and creating some real good revenues for us today.

And end of last year, we launched our KONE Office Flow solution for smart and adaptive offices. And this market adaptability will be really a key word going forward. We can talk about it more. But I believe that offices have a very big role in the future. And we can say that the longer this pandemic goes, the more we see the need for offices, and here adaptability and intelligence will really be key words.

We also significantly raised our ambition in sustainability last year. In the second half, we made our science-based – we committed to science-based targets to be carbon neutral by 2030 and significantly reduced the lifetime carbon footprint of our products and services, and we were again on the CDP A list, a small number of companies that gets this top mark on CDP.

So overall, many highlights of last year on sustainability. I'll talk about more when we come to our strategy.

And then to our dividend €1.75 and extra dividend of €0.50 continues our good payout and continues the growth of the dividend. And then because of our very strong balance sheet, we are paying this extra €0.50, or that is the proposal from our Board of Directors to the Annual General Meeting in the beginning of March.

We also had some changes in our Executive Board. It started by two of our Executive Board members retiring. Klaus Cawén after 37 years at KONE and 29 years as a member of the Executive Board, and Pierre Liautaud, after 10 years of leading South Europe, Middle East and Africa, are both retiring. Klaus will continue as an Executive Advisor to KONE, but both I've been privileged to work with these phenomenal leaders, and I thank them for their massive contributions to KONE.

Thomas Hinnerskov, who has currently led our Central and North European region, will take over South Europe, Middle East and Africa, so move a little bit south here in Europe. Axel Berkling, who has been leading our Asia Pacific, excluding China region, is taking over Central and North Europe.

Then two new appointments. Johannes Frände has been appointed EVP, General Counsel succeeding Klaus. And Samer Halabi has been appointed EVP for Asia Pacific, excluding China, and is exceeding Axel. Very happy to have both Johannes and Samer joining the team, two accomplish leaders who will strengthen our team. So these are some positive rotations that we announced recently. So those are about KONE's development.

Let's then next go to how the overall markets are developing. As you remember in Q3, we also showed this same graph where we look at a number of elevator starts in a few countries just to show the activity we are seeing. Why it is important? But clearly this activity has an impact on repairs and maintenance and partly modernization, so the more discretionary aspect. And we also want to understand, of course, how the situation looks from our customers' perspective.

So after a sharp drop in last spring in the usage of elevators, we saw a clear recovery throughout the summer and early fall. And we can see Germany got close to normalized levels and now we're going to see stronger lockdowns, but it's clear we are not at the same levels as we were last spring. And we can see there for a situation from that perspective is better although we know that the COVID situation is critical in many parts of the world.

Then about our markets. New equipment markets continue to have mixed development. North America market, which we all know, is very much driven by commercial construction for our business. It continues to decline significantly. Europe, Middle East and Africa, we saw somewhat better performance than in Q3 for example, only a slight decline. Central and North Europe stabilized from previous quarters. South Europe also continue to decline significantly, although we start to see some green shoots in some places. Same thing in North America. And Middle East also declined clearly.

Asia Pacific, again highlights, China continued to grow, not quite a strong growth as Q3, but still mid-single digit growth. And for the full year high single-digit growth in China in the market. And rest of Asia Pacific continued to decline significantly. So very mixed market.

Services maintenance growing slightly or at a good rate in Asia, particularly China is the strongest, but slight growth everywhere. So again showing – seeing the resilience of this market. North American market had been dropping a lot in modernization – had been dropping a lot in Q2 and Q3. Now it grew significantly, but that was really due to some individual significant major projects, otherwise normal modernization business continue to decline there.

Europe, Middle East and Africa, modernization market performed now better. Some recovery. So only a slight decline in Q4. And stable market in modernization in Asia Pacific. Good growth in China – actually a very strong growth in China. And then the big Australia market was more challenged.

So what about China? So, as I mentioned, units ordered, the new equipment market continued to grow slightly year-over-year. And markets, as I think it's familiar to all of you, continue to be very competitive. It's clear that everyone who's looking for growth have been looking for it in China.

What is driving the markets? It's really residential, as well as infrastructure, but residential is clearly the biggest market. And then the major hubs – the three major hubs and the slightly three smaller hubs, that's where much of the activity is happening. But we continue to have order restrictions in the residential market, both for developers as well as for consumers through mortgages and other purchase restrictions and price restrictions. So really trying to keep a lid on the residential market.

Real estate investments, which is a good indicator for growth, continues to grow much because of land purchase. And we can see the residential market is active and prices are going up slightly, but I would say restrictions are still quite tight. The trend we've seen of consolidation amongst our customers has continued and that has been something we've been able to benefit from.

So overall, a solid and robust Chinese market and continued strong restrictions from government on residential. So that is about little bit our performance for highlights for the year and the markets. And next, as usual, I'll hand over to Ilkka, to talk more about our financial development in Q4.

Ilkka Hara: Thank you, Henrik. And also a warm welcome on my behalf to this fourth quarter results announcement webcast. I'll go through financials in more detail. And I'll start with an overview, as I did last time.

And I think the highlight from this page is that we continue to see very strong performance in China. Henrik was talking about the market, but it's also visible in our performance. So both, orders as well as sales continued strong growth over 10% growth in the fourth quarter. At the same time, both the restrictions, as well as the uncertainty seen in the market, has impacted to other markets. And especially, in rest of Asia Pacific and in Americas that's been visible. But all in all, I think, it's good to note that we saw growth in our orders received in all businesses in the fourth quarter.

Let's look at the numbers in more detail, and start with orders received. So orders received for the fourth quarter was €2.069 billion, representing, on a reported basis, 4% growth, and on a comparable basis, strong growth of 7.9%. In EMEA, as you saw on the last page, we saw slight growth in orders received. We saw significant growth in Americas, in our orders received, driven by major projects, as Henrik was highlighting, which were driving the performance there in the fourth quarter. And then also clear growth in Asia Pacific driven by strong performance in China, where our orders received grew significantly, both measured in units as well as in value.

This quarter pricing in China like-for-like basis was stable, and the mix had a slight negative impact to our orders.

And then lastly, for the fourth quarter, the margin of our orders received was stable. So we've been able to see disciplined pricing as well as good productivity actions that have been able to then neutralize the impact of increasing raw material prices that we've seen.

Then to sales. Our sales for the fourth quarter were over €2.6 billion. On a reported basis, a decline of 2.4%, as you see currencies had a negative impact, but on a comparable basis, 0.8% growth. Asia Pacific was – had a strong growth of 10%, driven by our performance in China. And our sales grew in China approximately 10% in the quarter. So the recovery and strong activity levels that we've seen since second quarter continues to be the case in China also in the fourth quarter. At the same time, in other markets, we continue to see decline, and in EMEA declined by 2.7% and Americas 8.7% in sales. From a business perspective, new equipment grew 1.6%. We saw resilient sales in maintenance of 2.3%, and modernization declined 4.7%.

Then to adjusted EBIT. For the fourth quarter €381 million, growth from previous year 1.1%. And most importantly, to me, adjusted EBIT margin reached 14.5%, up from previous year's 13.7%. So clearly, we've seen now that our profitability has been improving and that trend continues also in the fourth quarter. The key drivers for this development growth had a slight positive impact, but clearly the improved pricing, which has been visible in our orders received earlier, as well as overall cost efficiency, both productivity as well as efficiency driven by quality improvements and overall productivity, has developed positively.

For the last quarter, now we're at the end of our Accelerate program. The cost for the program were €13.5 million and the savings approximately €15 million in the fourth quarter.

Then finally to cash flow. For the fourth quarter, we had a solid cash flow of €368 million, slightly down from previous year. But for the full year, we are at €1.9 billion. That's exceptionally strong cash flow. And I'm happy to say that networking capital broadly contributed to this positive development. So several networking capital items having a positive development there.

And with that, I'll stop the financial part and hand over to Henrik to go through our market and business outlook, as well as a few words about our new strategic phase. Henrik?

Henrik Ehrnrooth: Thank you, Ilkka. So let's first wrap up 2020 and look into 2021 with our outlook. Markets, we expect that the China market in new equipment is going to be stable or grow in the coming year. We continue to see, at least, beginning of the year now a good momentum there. So that's positive. Rest of the world in new equipment, we expect the market to be down in Q1, because remember that Q1 in 2020 was actually a very good quarter in most parts of the world.

So we have a high comparison points. We're still down on that. But after that, we expect the market to start recovering.

Maintenance markets are expected to be resilient, as they have been. Of course, lockdown measures impact repairs and other discretionary activity. So how that develops will depend much on how the economy and lockdowns and pandemic develops.

Modernization, fundamental growth drivers are very much intact, but the uncertainty means that the decision-making has been delayed in many cases. So that's the market. And then KONE's business outlook. We expect our sales to grow between 0% and 6% in comparable currencies and we expect our adjusted EBIT margin to be in the range of 12.4% to 13.4%. So our message with this is that we expect a continued good development at KONE, although, we know that there are risks in the market and uncertainty.

We have many good things that are driving our performance. Our order book is very solid, actually slightly up year-over-year despite the year and our maintenance base has grown and is in a good shape. The improvement we have had in our margins and our orders received in the past couple of years, we can see that is impacting our performance and we expect that to continue to drive positive improvement. And then the continued improvements in quality and productivity, which we've seen good development and again we expect to continue.

But then there are the uncertainty factors, COVID-19. We don't need to talk about that anymore. Then I think you've also seen a lot about very sharp increases in raw material costs and logistics costs recently. And we continue in a positive sense to invest in our capability to sell and deliver digital service and solutions. Despite the environment, we are definitely committed to this and putting in the investments here.

Exchange rates, if they stay at the current level, they're going to impact about €20 million negative on our result. So overall, we expect to continue a good development in the coming year. But of course we know that there is uncertainty in the market.

So then more forward looking. We are entering a new phase in our strategy, but let's first close the previous strategy phase. We've been now, for four years, working on our Winning with Customers Strategy and there are many good achievements. One important aspect of the strategy was to really build and foster an outside in mindset. And we've seen that we developed a lot in customer centricity, really understanding better how we can help our customers succeed in their businesses that we add value to them and grow with our customers, build new capabilities of co-creation and creating solutions that really fits our customers' individual needs. Here, we've seen a big step in four years.

On our offering side, we have had many important launches and introductions in markets. 24/7 Connected Services, we will be changing the market with that. That's core part of our maintenance today. Our DX Class elevators or Office Flow, many important strengthenings of our competitiveness. And then our Accelerate Program has made us – made our organization smarter and more efficient to really help us succeed in the faster moving environment. So those are some positive changes.

But as you know, we measure our success through our five strategic targets. And if I now look back over the past four years, most for our customers we've seen a constant improvement in our net promoter score. Great place to work. We finished the period with a very positive development in employee engagement. Before that, we were already in a high-performance category, and now went much above the so-called high performance category.

Faster to market growth, we have clearly taken market share in new equipment during the period and we continue to be the fastest growing of the major players in the services business. So we have grown faster than the market.

Our financial development, we cannot be fully satisfied, as you remember beginning of the strategy phase, the first couple of years, our margins were burdened and did come down because of the very tough situation in China at that point. But even in a COVID-19 environment, we have now started to recover fast and we're going in the right direction.

Leader sustainability, we continue to be the leader in eco-efficiency. We have constantly reduced our carbon footprint relative to our sales. We have clearly improved in safety. And we are making some improvements in diversity and inclusion, although we still have a long way to go here. But overall, we can say that broad-based development. But of course, we can always improve and we can always renew ourselves and that's really the key and that's what our next strategy phase is all about.

Next strategy phase is very much building on our winning with customers strategy by taking into the next level and we call it sustainable success with customers. It tells a lot what we are driving towards in this strategy phase. And as I think you've become used to through our previous strategy phases, we have one big picture through which we can talk about our strategy [inaudible].

The most important thing is that we continue to be in a good industry with mega trends that continue to drive growth. Urbanization is continuing. Over the next roughly 10 years, almost a billion additional people are moving into cities continuing to drive opportunities throughout the world. Sustainability is really becoming a business imperative. That is something that we can see very important for our customers, for societies and we simply believe that the winning companies will be the ones that embed sustainability in all aspects of their business.

Here, we are raising our ambitions a lot. And we think this will be a significant growth driver. And then always change is important. That creates new opportunities. And we see that many new technologies are creating a lot of opportunities for us to solve many of the problems that we can see in societies and that our customers are facing.

Our mission is very clear, which is to improve the flow of urban life. And our vision is very clear. We create the best people for experience, a slight word change here, but the point with our vision is its very end user focused. When we can help and create the best experience for our users, then our customers benefit, we help them succeed in their business and we become good partners for them.

Top right, we have our strategic targets, which aren't changed. Just slight change in emphasis. And we have a place, great place to work to be the first target because that is always the starting point engaged, motivated skilled people ready to succeed in a changing world is absolutely the most important driver for success. And the leader in sustainability will simply raise our ambition level a lot.

Then really the beef of the strategy. You can see in the middle, where to win; at the right our ways to win. That's really how we execute our strategy. And I'll talk about those a little bit more. And then everything is based on our culture, on our core principles, safety, quality and sustainability where we never compromise. These are absolute for us. And then our values of care, customer collaboration and courage.

But then I'll probably talk about the beef, the where to wins and the ways to win. I will not go in detail into this, but I think this is important for our framework. Where to win? That's where we expect to find the biggest growth opportunities and the best ways to differentiate and that way drive profitable growth. And the good thing is that there are many good growth opportunities in our industry.

Our core products and services, it's about further strengthening our competitiveness here through our connected products and services, sustainable products and services to deliver solutions and services that meets our customers' individual needs. When we do that well and even better than today, you can constantly build new solutions for customer value that really bring new services to our customers that helps them succeed in their businesses, such as KONE Office Flow recently that build on our 24/7 Connected Services and DX Class elevators. And those two are core for us today.

Sustainable city development is a huge growth area. There's big need for cities to drive this. We simply want to be the best partner in this area and that way strengthen our market positions in several key cities. Here we see great growth opportunities. But the biggest growth opportunity of them all, it's a service business in China. We know that this is a fast-growing fragmented market. We're starting from positional strength, given where we are in new equipment and given where we are already in services. So a clear ambition here is to be a clear market leader in China services and drive significant growth from there.

Our ways to win. Those are KONE-wide transformations that helps us to capture the growth opportunities and succeed in a very dynamic environment. It starts with empowered people, where we provide continuous learning opportunities for our people to help everyone at KONE succeed in a changing world, a lot of focus on skills. We also want to simply have the most engaged and empowered people with a lot of focus on diversity and on inclusion.

Market and sales renewal. It's about creating a unified strong experience for our customers across channels to simply serve our customers even better the way they want to be served and really raise our game in digital marketing and digital lead generation. We simply want this to be a clear competitive advantage for KONE.

Lean KONE. It's about continued improvement, even strengthening our capabilities here. By reducing waste we can make the work for every KONE employee even more meaningful and that way they can deliver even more value to our customers through lean practices, mindset and leadership.

And then digital plus physical enterprise as we call it. It's about enabling our strategic transformation by leveraging much more data and analytics in our business and having a platform through which we can scale new service and solutions even faster and make sure that we have an infrastructure that is ready for the future.

So many exciting things where we expect to find growth and how we will do it. But again, we're in a good industry. There are a lot of good growth opportunities despite the overall economic situation in the world.

So with that, if I summarize. Q4 was a great finish to the year, a very tough year, but a year which we've showed again that we can perform also in difficult circumstances and we're really – every KONE employee really rose to the occasion. And I must say, I'm so proud and thankful for what they all have done. And we are entering our next phase in our strategy from a position of strength and also optimism given where we are.

So with that, I close the presentation now. And happy to open up now for your questions.

Operator: If you would like to ask a question on today's call, please press star one on your telephone keypad. That's star one to ask a question. We can take our first question from Klas Bergelind from Citi. Please go ahead.

Klas Bergelind: Yes. Hi, Henrik, Ilkka, Sanna. It's Klas at Citi. So the first one is on the project side of the business. So if I look at orders, you had a slight decline in the volume segment, but more than offset by strong project orders. Can we talk, Henrik, about this a bit? Was this strength at year end completions catch-up post the flow activity at the start of COVID? Or was this actually an underlying improvement? It's just interesting as the commercial side of the business was very weak in the third quarter. And I totally get that Americas were still weak there. But I wondered whether the commercial side in EMEA saw an underlying improvement, or if it was just catch-up? Thank you.

Henrik Ehrnrooth: Well, I would say, first of all, as you know that larger projects that they can fluctuate a lot quarter-to-quarter. If you look at the previous quarters, we have had clearly better development in the volume business, and then there's been weaker major projects. Now it was a little bit the other way around.

I would say that particularly if I look at Europe, Middle East, Africa, I think in some cases in North America that people are starting to get their confidence back that they had things on the table, but now decided to move forward. So there was some further optimism. But I think usually, as you know, Klas, that these can fluctuate quite a lot quarter-to-quarter, particularly larger projects. And now we just happen to have a bit more.

Klas Bergelind: Okay. My second one is on the 0% to 6% guidance. If I look at your backlog growth of 0.7% organic end of the year versus your growth guide, it suggests a lot of orders in for out. And I totally get that maintenance outside of the backlog is facing an easy comps through the year, and you have higher pricing on connected. But the upper end still looks a bit punchy. So have the lead times, Henrik, changed at all across the regions. They're still pretty short in EMEA and China. They're longer in Americas. But isn't the backlog pretty weak on equipment in EMEA going into 2021?

Henrik Ehrnrooth: Ilkka, you can comment at the rotation. But actually if I look at the backlog in EMEA, it's actually in good shape as well. And so clearly, beginning when the crisis hit, there was a slowdown in deliveries. So actually backlog is in good shape in EMEA as well. On the rotation?

Ilkka Hara: On the rotation side, I think we've discussed a bit about this in the third quarter as well. But in China, the rotations are clearly the fastest and we are below nine months on the rotation. And as we've spoken, some of the customers actually really appreciate us being able to deliver materially faster even in seven days orders when needed.

And then for the rest of the world, so next rotation in EMEA and then the longest rotation in North America. But as said so, we have an order book which is in a good position for this year.

Henrik Ehrnrooth: Particularly new equipment. Perhaps you can – we start to see already some impact in modernization. But new equipment backlog and service business very resilient, and that gives us confidence going into this year.

Ilkka Hara: And then to add, so obviously with this information, we do need to have orders as well in the first quarter and maybe some in second quarter as well that will be delivered also this year.

Klas Bergelind: Yeah. No, for sure. It's just a biggest gap between yearend backlog growth and the high end that I've seen in a long time. So I was just curious about that in for out. But okay, China is obviously a big backlog. We had a lot of strong growth there. My third and final question is on raw material. There is no guide explicitly, Ilkka, but I have a €50 million headwind starting second half with upside risk. Can you comment a bit on internal sensitivity and how this will be spread through the year, given the hedges?

Ilkka Hara: Well, this is one where there's still quite a bit of uncertainty both in – exactly in which time we deliver which orders and where. And as you've seen, also raw material prices have been very volatile lately. But plus or minus €50 million is a good proxy of the headwind at this stage, which we're facing in '21 and that's including raw materials as well as then the increased logistics cost that we talked about in Henrik's comments about that headwinds for 2021. But naturally, it's something that's still fluctuates, so we'll get more visibility as we start the year now.

Klas Bergelind: Okay. Thank you.

Operator: And our next question comes from Lars Brorson from Barclays. Please go ahead.

Lars Brorson: Thank you. Hi, Henrik, Ilkka. Lars from Barclays here. Three questions, if I can. If I can just follow-up, Henrik, on the prior question with regards to large projects. And excuse me for pushing back a bit on your answer. You're sort of brushing it off as a bit of a one-off on larger projects. So we've just had four consecutive quarters of significant declines in your major projects business and now it's showing strong growth in both new equipment and modernization. So I wonder whether you can give a little more color as to how much sort of pent-up demand do you see? When you look at quotation activity, postponed projects and the broader pipeline, could we see another couple of quarters of strong growth around major projects?

Henrik Ehrnrooth: I will still come back to this fluctuate quite a lot quarter-to-quarter. There was maybe some pent up demand that – where customers made more decisions and perhaps we performed a little bit above the market as well in Q4, but still not a huge shift. As I said, we started to see in some parts of the market some green shoots, where customers are starting to plan more, but it's still, I would say, in the opportunity phase.

When we overall look at the opportunity book and tender book, those – that actually stayed at pretty healthy levels, but it's clear that as you have in situations such as this that decision gets delayed, some projects don't go forward and others go forward. So I would not actually make a huge point out of this other than – we had this quarter we had good performance here.

Lars Brorson: Understood. That's good color. Thank you. Secondly, if I can ask you to your China market outlook for '21, flat to up. I appreciate the construction date in China as we got out of 2020, perhaps a bit better than we were expecting. So the run rate going into '21 clearly quite strong. At the same time, it feels like a year or two halves as I think you alluded to at your Capital Markets Day back in September, bit of concern around second half. Question really is, what sort of visibility would you say you have at this stage of the year versus prior years? Are we still to see an impact? And I assume we are around three lines, call it three red lines policy on the developers. And what that does to your residential business? And maybe you can help with a little bit of segmental color for the year, residential versus non-res and a bit of commentary about your infrastructure business as well?

Henrik Ehrnrooth: Yeah. I'll probably hand over to Ilkka then. I'll start first, but Ilkka can comment on the impact of the three red lines policy what there is and what we think the impact may be?

So when we look at 2021, we can see that we're going in with a good momentum in the markets. But as we know, that regulation in China is incredibly important. We think that residential will be the most important segment. We think that the infrastructure will be active, but probably not as active as in the past years. So residential will be important. That is, of course, dependent on government policies, which I think they've again steered it very well.

And that means that we don't have full or so much visibility in the second half, but what we can see that we expect that beginning to be solid.

Ilkka Hara: And then to add to that, on three red line policies. So at this stage it is a pilot phase, so we have about a dozen companies that are piloting it in China. And it is not clear how the government will take it forward as such. But clearly some of these companies that are within the dozen obviously they're in a phase that where they need to assess how they go forward, if they're breaking the red lines with the measures.

And clearly, we've seen some action being taken as such. But overall, I would emphasize that the goal for three red lines are not help of the market. So de-levering companies which are maybe too levered and I think that's good overall and for long term.

Lars Brorson: Finally, and thirdly if I can ask, Henrik, just a slightly bigger – thank you Ilkka. A slightly bigger picture question around China new equipment pricing and the environment as we go into 2021, whether you can help us frame sort of what you see? I recall five years ago as you were exiting 2015, pricing on your new equipment business was sort of flattish, not dissimilar to as we exited 2020. But of course that was followed by a period of mid-single digit pricing decline on a like-for-like basis through '16 and '17 at a time when steel price inflation was accelerating. The question really is, what do you see is structurally different today from what it was back then? Should we embrace for something similar? I can clearly see domestic OEMs perhaps a little more rational, but I also see some of your key competitors perhaps better positioned today than they were five years ago from a cost or modularity standpoint in the new equipment business, notably Schindler and Hitachi. So a little bit of color would be helpful, if you would?

Henrik Ehrnrooth: I think the big difference is that if you go back to that time that you mentioned, there the markets were also declining and actually started to come down a fair bit the overall volumes and also mix was going in an unfavorable situation. What is similar now is that raw material costs are coming up. And clearly there's competition. There's always been strong competition in China.

If you want to find significant growth from somewhere at the moment, it's been China. And clearly, everyone has been focusing on that. And I think we've done it – our team there has done an excellent job in the past year in finding those growth opportunities and having stable pricing.

Lars Brorson: Thank you both.

Operator: Our next question comes from Andrew Wilson from JP Morgan.

Andrew Wilson: Hi. Good afternoon everyone. Thanks for taking my question. I've got a couple please. If I start with the comment you made actually on the – on new equipment in EMEA and Americas expecting to see a pickup from the Q2 onwards. Now appreciating there's obviously comps at play here. But just interested in terms of, I guess, where the confidence on that comes from given some of the fairly bearish, I guess, forecast along particularly non-resi construction. I'm just interested how much of that is driven by expectations in resi markets. Just in terms of sort of where the confidence comes from there?

Henrik Ehrnrooth: Clearly, residential is the biggest segment and that is the most important one. And you have to remember that then the comparison starts to be at a lower level. That is the expectations we see when we talk to customers opportunities being created. Of course, if this pandemic continues the way it is, that recovery may be delayed, but that is our current expectation.

Andrew Wilson: Great. And then maybe just a couple of questions probably for Ilkka on the kind of 2021 margin. I just wanted to check, do we have any remaining cost savings to come through from the Accelerate program? I appreciate the program itself is complete. But wondering if there's some sort of incremental benefit to come through? And I guess anything else you'd kind of call out in the bridge just in terms of helping us obviously with all these moving parts around raw mats in pricing as always?

Ilkka Hara: Thanks. And from – I'll start with – in order of your questions. So first on Accelerate. So on the cost side now, the program now is at its end. At the same time, we're obviously benefiting from all of the benefits that we've had from the program in terms of being faster more customer-centric. And we do expect also a bit of tailwind on the program in terms of cost savings, so maybe a few tens of millions in 2021 to be there.

And then further bridge in terms of profitability or profit. So we talked about our orders received margins. So we've seen good pricing in the past and that's positive. And then also we are expecting growth with this guidance, so that's contributing positively as such. And then at the same time for raw materials, there will be a headwind for us, as I said. At the same time then, productivity is something we're continuing to work in hard and that will then be a positive.

Andrew Wilson: That's very helpful. Thank you, Ilkka.

Operator: Our next question comes from Andre Kukhnin from Credit Suisse. Please go ahead.

Andre Kukhnin: Good afternoon, and thanks for taking my questions. Can I start with a broader one, on China services that you flagged as the kind of biggest opportunity for the next strategy cycle? Do you anticipate any change to your approach there that has been strictly organic only, or any other changes in how you attack that market?

Henrik Ehrnrooth: Clearly, when you put emphasis on something, we will invest of course more in that – in developing that market than in the past. Of course, we've done a lot, but we still think we can do more. The main growth is going to be organic. Are we then going to look at some other things? Perhaps, but that's not top of the agenda at least right now.

Now it's about developing even stronger differentiation there and really solutions that are even better suited to the Chinese market. So a lot of focus on investments going into that area now.

Andre Kukhnin: And if I may follow-up in terms of shifting towards more acquired growth there, is that an agenda or friendly article?

Henrik Ehrnrooth: I would say – as I said, it's not top of the agenda right now. If we find some good opportunities, then yes, and we would have to figure out what the model would be then. So I would say primary focus is on organic at least at the moment.

Andre Kukhnin: Thank you, Henrik. And the other question I had is just on the order book mix for new equipment now. Could you give us just a rough idea on how much is DX versus non-DX now?

Henrik Ehrnrooth: I would say what we sell in Europe today is DX, and we rolled it out during last year starting in some countries in Q1 and then went out. So what we sell is DX Class products. But last year, or total what we sold, it was over half in Europe. But that means that it's still less than half of the order book but that's of course increasing all the time.

Ilkka Hara: So we've seen in some cases customers actually switching to DX when offered their old orders. So – but that I think that's a good proxy of it.

Andre Kukhnin: So roughly half of the order book will include China?

Henrik Ehrnrooth: No, because China we just launched it. So we're just rolling it out in China now.

Andre Kukhnin: And does that kind of drive that similar sort of low-to mid-single digit premium on ASP in China as well, as you mentioned in Europe before?

Henrik Ehrnrooth: We expect that to have a slight premium. That's of course a – has really helped us in a very competitive market in Europe and other places to defend our pricing with more value to customers with new solutions. So that has been critical. And we expect, of course, it will have some positive impact in China as well. But let's see. We just launched it now very recently and are starting to roll it out now.

Andre Kukhnin: Great. Thank you. If I may, just a very last one on digital. You mentioned investing in digital on the slide with tailwinds/headwinds. But obviously we've got the new converted units revenue contribution coming in as well. And before I think you talked about this business coming – digital as a business coming to breakeven, I think about this time. Could you update us on that where kind of digital is right now in terms of revenue versus – generating versus costs incurred, and which way do you expect that to move in 2021?

Henrik Ehrnrooth: Do you want to take that?

Ilkka Hara: Yeah. I'll take it. So, I guess, just to be specific, you're saying that cost incurred. So cumulatively I think it's still – we're not being breakeven, yet we've been investing to development before we launched it and so forth. But then from a profitability perspective, we are still, I would say, neutral impact to profitability. So we're still continuing to invest and that's something that we look at opportunities where we are going forward. So I would say that it's not yet improving profitability.

Henrik Ehrnrooth: But still I would say a good situation is that we are generating real revenues from that to be able to finance our development cost. So from that perspective, a fast growing new service. I think we're in good shape. And we – because we see the opportunities, we continue to push forward and drive growth now and really build our base here.

Andre Kukhnin: Great. It's very helpful. Thank you very much to both of you.

Henrik Ehrnrooth: Thank you.

Operator: Next question comes from Lucie Carrier from Morgan Stanley.

Lucie Carrier: Good afternoon, everyone, and thanks for taking my question. I have three questions and I will go one at a time. The first one was actually on the share in the maintenance market. We have observed for the past few years that the share of new equipment that go into your maintenance base keeps from being negative in terms of the units you acquire versus the units you don't convert. And I was hoping you could give us some color on whether that phenomenon is driven essentially by the fact that the conversion rate and probably the structure of the market means in China for maintenance is quite different or whether you are also seeing, what I would call, some erosion of your overall share for maintenance in EMEA and in North America?

Henrik Ehrnrooth: So I would like first of all separate two different things. First of all, our conversions from new equipment we have installed, so our service base continues to be strong. And that is, of course, the fundamental growth driver, while our service base continues to grow year after year. And the other aspect you have is always in the market. You're going to win units in the market, and you're going to lose some units in the market. And particularly in the countries where there is a lot of small players, there's been a slightly negative balance that we've lost a little bit more in the market, than we won in the market, but that's totally separate from conversions.

But despite this, we have constantly grown at 5% plus usually. Now in this year, it was a little bit lower 4.5%, but a constant good growth in our maintenance base because of conversions. And yeah, that's really what's been driving the growth. And yes, conversion rates are slightly lower in China, but there also we have them at a pretty good level.

Lucie Carrier: Then just to follow-up on the unit lost and the unit won. The negative delta you have, to go back to my question, is that driven overall by China, or is it also you have a negative or deficit also in EMEA and North America?

Henrik Ehrnrooth: It varies. It kind of varies year-to-year market-to-market, but it can be in all of those markets. I would say, if it's in EMEA, it tends to be the small players, very small regional players that win and it can be North America as well and it varies. North America, you have bigger commercial contracts and depends on how you win and lose some of those, it will have impact. So it's across the world.

Lucie Carrier: Thank you. My second question a follow-up on the China service strategy, which you highlighted as the next phase. Can you maybe comment on how you see the changes notably around policy to obviously encourage more professionalized kind of property management, but also similarly the large developer is very interested in capturing this for themselves? And whether you think in the long-term that the China maintenance market could be similar from, I guess, a profit standpoint to what you have in North America and in EMEA?

Henrik Ehrnrooth: First of all, we have a good and profitable maintenance business in China. And so therefore, we want to grow it. There are many different types of competitors in China, small players, larger players and even self-maintenance. The way you succeed in a market like this is that you show constantly that the service you provide is superior to the alternative that you have, and then you have it that right price point.

So there's a lot of development that probably needs to be quite China specific because it's quite a specific market and a very large market, so it makes sense to develop for that. And you need to be competitive with competitor to all of these and we have seen that we can be that when you really do a good service and you have services that add value to your customers. China is a very fast digitalizing market, where customers are very prone and happy to take on new services, but very often do they need to be quite specific for China. So you need to develop them locally for that local market.

Lucie Carrier: Thank you. And lastly on – to go back please on the – on your KONE Office Flow. Can you maybe give us a little bit more details about that, i.e., is that something that you now systematically offer to kind of all of your customers? Is it something that – are you able to communicate any additional revenue that maybe you could generate from that? And is it essentially a kind of software base? And how does that position versus other kind of offering in terms of a building management system or occupancy building management systems that are out there in the market?

Henrik Ehrnrooth: So that's something we launched in Q4 last year. And – but we have some pilot offices where we are installing it already, aspects of that. And it's both new hardware, and actually new – built a new architecture behind the hardware and quite a lot of software and mobile-based services, which means that you can expand them over time.

And yes, you can have in a very basic form, which just means it's a new destination control system. But we think superior to what there is in the market, both in terms of performance and in terms of design. So that is the first point. But then the actually addition is that all the additional services to create a smooth journey both for access for communication and different types of access for calling and information that you can provide and adaptability, how you can do – steer those things. So they're are all different kinds of services you can build on top.

And given the digital platform we have, we have a certain set of services now but they're definitely going to develop over time. So you launch one package and then that's going to evolve as time goes by and therefore you can add services. And that is of course our ambition to therefore add revenues by selling additional values that are valuable to our customers to their operations.

Lucie Carrier: Okay. Thank you very much.

Henrik Ehrnrooth: Thank you.

Operator: Our next question comes from Daniela Costa from Goldman Sachs.

Daniela Costa: Thank you very much for taking my question. Good afternoon. I wanted to ask three quick things. First you've mentioned 100,000 24/7 install base now. I think in the past you had comment on the ASP of when you sell an elevator with the 24/7 contracts being up on the double digits. I guess, we've seen more market participants launching things in the same type of offer. Are you still seeing sort of those double-digit price increases? That's question number one. I can ask the others after it.

Henrik Ehrnrooth: Good double-digit price increases and they have – prices have continued to be good. So we think that – and of course, I'm a bit subjective here. But we think this is a market-leading solution. We have a lot of proof that customers are appreciated and they can see benefits, and therefore pricing has stayed good. And therefore, this 100,000, we have clearly sold many more than that but this is now what is installed and revenue generating today.

Daniela Costa: Thank you. And then a follow-up from a few of the questions that have been asked about your new strategy to focus more on the service opportunity in China. I guess at the moment is only a couple of percentage points. On your earnings, you've mentioned you're more focused organically. I think historically conversion rates in China were somewhere between 50%

to 60%. So how meaningful can this be in the next strategic plan? And I guess, does it pass-through increasing conversion rates significantly? And how do you do that?

Henrik Ehrnrooth: So there are many aspects. It's not only maintenance, because we think that modernization will be a very big opportunity in the coming years in China. And that is really – it's a market that is growing already. It's not huge yet, but we can see that's growing fast. So we want to really capture that growth in a leading way. So it's both maintenance and it's modernization and it's retrofitting buildings with elevators all of those aspects.

So it's, of course, not conversion rate. It's about capturing units in the market. It's about selling more added value services and modernizations, all of these aspects and really to build this very strong market position now in the coming years. And of course, it's a long term bet how it's going to impact. But we see good growth opportunities there in the coming years.

Daniela Costa: Thank you. And finally, just interested on how did you decide on the sizing of the special dividend, like why €0.50, why not a bigger one, given your financial position and strong cash generation? If you could add any color there?

Henrik Ehrnrooth: I think our Board thought that that was a good number. We continue to have a strong balance sheet. What we said is we had an extremely strong balance sheet. Now we paid, I would say, a very good dividend and then this extraordinary on top. We continue to have a strong balance sheet after that, which means that if the opportunities arise in the market, we are interested and we are ready.

Daniela Costa: Okay. Thank you.

Operator: We can now take our next question from Jeff Sprague from Vertical Research. Please go ahead.

Jeff Sprague: Thank you. Good day, everyone. Just two from me actually picking up on service attachment. Could you actually level set us here and be specific on what your service attachment rate was in 2020 in China? And this will be something that I think we all want to watch closely given your new priorities. So if we could have the baseline precisely defined here, that would be helpful.

Ilkka Hara: Yeah. So in China, and we talk about it conversions is the word Henrik used earlier. So in China, our conversions for the KONE brand are about 60% and then for GiantKONE it's lower, so on average about 50% is the conversion.

Jeff Sprague: Thank you. And then on the large maintenance projects in North America that you called out, is that a multi-quarter revenue impact for you or was most of that benefit actually incurred in the quarter? And perhaps you could just give a little bit more detail on what those projects are?

Henrik Ehrnrooth: So those are just large projects. We don't usually mention individual projects, unless our customers want us to do that. So these are large projects. And usually in a major project, it's something that also has a longer-term revenue impact that you install over multiple years rather than just in one go.

Jeff Sprague: Great. Thank you.

Operator: And our next question comes from Joel Spungin from Berenberg.

Joel Spungin: Yeah. Hi. Good afternoon. I was wondering, if I could just come back actually on one of the earlier questions about the connected units. Just to clarify, I think, you said you've clearly sold more than the 100,000 and you're currently earning revenue on it. Is that the 500,000 number that you mentioned? Could you just clarify that?

Henrik Ehrnrooth: The 500,000 includes what I would call legacy connectivity. So always when we talk about connectivity in our industry, there are so many different pipes. We have had a connected unit for a long period of time. So there are – the ones – not with the latest generation of connectivity about 400,000 installed and installed now around 100,000 revenue generating 24/7 Connected units.

But I said the pipeline, when we sold a lot of 24/7 Connected Services in connection with the new equipment. So those will come into service once that new equipment is installed. There is a good pipeline. And of course also the services, if we sell something today, it may take some weeks or month or so or two even before it's installed. And that pipeline is very strong. So we are now growing that base at a quite nice rate every month.

Joel Spungin: Okay. Understood. Thank you for clarifying that. If I could just maybe ask another one on this, you mentioned obviously that you think that the service – that your Connected Service is obviously superior to your customers – or to your competitors, sorry. I mean, I suspect, if I asked Otis or Schindler, they would tell me that they have the best connected technology. Can you maybe just help us understand why it is that you think you can differentiate in the connected market versus some of the other things that are out there at the moment?

Henrik Ehrnrooth: Yeah. As I said – when I said that I said it's a very subjective opinion, because I think you're absolutely right there that we're all proud of what we do. We've been doing this now for a few years, and we have quite a lot of connected base out there. And the more you have units, the more you learn. And this is really a game that we have realized that every month the more units we have there, the more data we have, the better our service needs become, the better our execution becomes.

And here, therefore, scale is hugely important. At the rate we are increasing, we are staying at a good rate. But we've just been developing this very actively for several years. And it's always, when you have a new service like this, it's – there are some things that you learn that don't work, other things that work and then you build on those and a little bit different things how technology works in some countries. So a lot of differences here, but I think we've learned a lot and we can now show very tangible benefits that we seem to really hit a positive note with our customers.

Ilkka Hara: And just to add to Henrik, so also data plays a key role. So the more data we get, which is behind the intelligence of the service, so the more we can actually add value as well. So in my mind, this is very interesting area where the scale really matters.

Joel Spungin: Okay. Thank you for that. That's very helpful. And maybe just one final one changing topic slightly. With regards to the new strategy, obviously I noticed from the press release you're still talking about a long-term aspiration for a 16% EBIT margin. I mean maybe just to be clear, I mean, is there a road map to 16%, or is that something that you think is like to get to eventually but there's no sort of plan or long-term plan to get there?

Henrik Ehrnrooth: Clearly we have a plan to constantly improve our margins and we think through more value-added services and through growth, that is how we do it. We haven't committed to a certain timeline. Of course, we can have internally some targets, but we haven't committed to a timeline, because again, margin is very important to us and we want to improve that.

On the other hand, as we said that the most important thing is absolute profit growth because we don't really employ much capital in this business with over €1 billion negative working capital. So therefore, to generate return on capital, most important thing is to improve the absolute operating income. But of course a good way to do that is improve your margin. So that's where we're focused on most of these and we haven't given a time line, but I think the message is that margin expansion is important to us.

Joel Spungin: Okay. Thank you very much.

Operator: Next question comes from Maddy Singh from Bank of America.

Madhvendra Singh: Yes. Hi. Thank you for taking my question. Just a couple of questions. Firstly, if you could talk about the outlook for non-residential market overall as well as regionally? And if you could also state the importance of non-residential market as well, like what portion of your orders overall are from non-residential segment? And secondly, if you could talk about your market share in the aftermarket maintenance space within China, given the increased activity from the smaller over-the-top maintenance providers, if you could talk about if that is a potential threat? And how would you rate their ability to prevent KONE from increasing your share of maintenance market, especially given the price sensitivity of Chinese market? And I presume these OTT players do offer cheaper prices.

Henrik Ehrnrooth: Okay. So in total, the globally residential for us is 60% plus.

Ilkka Hara: Plus, yeah.

Henrik Ehrnrooth: So residential is clearly very important. Non-residential, particularly, retail tourism-related, of course those are very challenged. And also offices all of those are declined – have been declining, I would say, across the world. And what has been growing has been residential and infrastructure. So those are the trends. But of course residential is by far the biggest segment and China probably 70% plus today. So that just gives a flavor how important it is.

When we come out of this current situation, I would expect that the office segment is probably one of the first ones to recover. So I still believe that offices, as I mentioned, are very much needed. Offices will be different. They will need to be much more adaptable not static places where you sit and work and have your own spaces. Even in open space, it needs to be much more dynamic, versatile and you can adapt it to the needs of people getting together resolving problems.

And that also means that there's going to be opportunities for us to help our customers make sure that their buildings are more adaptable. And that's why I talked in the beginning that adaptability is hugely important and that's been a real focus area for us. But then it goes without saying that retail and – will take some time. It's probably going to be weak in the coming years. Travel, tourism that I think we have to still wait and see. Question on China services.

Ilkka Hara: I guess competitiveness and pricing related to that.

Henrik Ehrnrooth: I mean, I think in our maintenance business throughout the world we have always have had a lot of competitors. They have been the big players which we compete with and they of course compete with us. And then there is small local players. So I don't see a big difference. You always have new players coming in competing, sometimes more self-maintenance and new players.

So from that perspective, you haven't seen a big change in the overall competitive dynamics because competition has always been there and of course always been the same threats that someone comes and takes it. And then, of course, the only way we can continue to succeed is very active development at KONE and driving forward our agendas as we have done and in a humble way and recognizing we have some tough competitors and that we constantly need to run fast and smart.

Madhvendra Singh: I also meant to ask especially with regard to the completion of the digital maintenance space, given how much you are focusing on the connectivity side, there are OTT players coming on that side as well. How do you see risks around that area?

Henrik Ehrnrooth: So again I mentioned, of course, we are always looking with respect to every competitor and taking everyone seriously. As I mentioned, we always have had small and mid-sized players in this industry. And the only thing, I would say when it comes to data-driven business models, as Ilkka mentioned, just the amount of data what we learn every day is hugely important. And the scale we have that compared to small players is quite an advantage. But we are look at everything seriously and continue to develop KONE as actively as we had.

Madhvendra Singh: And if I were to just ask the last final follow-up on that. Given your market share in the new equipment market and comparing that with your market share in the maintenance market, would you give yourself – what kind of – how many years would you think it will take for you to bring that gap to minimal possible? And what should be that gap in your – what would be the acceptable gap for you, let's say, in three to five years' time as well?

Henrik Ehrnrooth: The maintenance markets have always been more fragmented than new equipment markets, just given a number of players. So I don't think anyone in our industry have had service market share that has matched the new equipment market share. But of course given the strong position we have in new equipment gives us a very strong growth potential for services. So you can hear that our ambition is to grow our market share, but again we haven't quoted any number just that we want to clearly outgrow the market here.

Madhvendra Singh: Okay. Thank you very much.

Operator: Next question comes from Antti Suttelin from Danske Bank.

Antti Suttelin: Yes. Hi. This is Antti from Danske. I struggle with your growth guidance for ‘21 because the way I understand is that your order book was up 1% and this should be a fairly good proxy for your equipment sales and modernization sales. And even if your maintenance sales would grow a lot, it makes your upper end 6% a really, really demanding target it would seem. So can you explain what is your logic in putting the 6%? What would need to happen for KONE to reach 6% growth this year?

Henrik Ehrnrooth: Very strong orders intake in China in the first half of the year.

Antti Suttelin: And is that something you think likely just reflecting back on what you say on your outlook for China equipment market, you say stable to potentially grow? So what is your China view then if I ask it that way?

Henrik Ehrnrooth: As you know, Antti, we don’t give any guidance on what we think our order intake is. Now we talk about the market, and as I said, I think, we think the market overall has good momentum beginning of the year is flat to up. I mean, what we also said in Capital Markets Day a while ago, we think the first half at least looks pretty solid. Second half it’s too early to say simply.

Antti Suttelin: Yeah. Just that I understand, is it that you think you have a chance to win a lot of market share in the Chinese market in the first half or do you think that the market –

Henrik Ehrnrooth: Antti, I just said that we would make no comments on that. It’s not as linear. I remember we have had many questions in the past that said, hey, your order book has grown X percent, but why do you think your sales can be lower? So it’s not linear. It depends on what projects you have there, which geography and all of that. So it’s not quite that linear. It can fluctuate by a few percentage points what your order book is. So therefore – but still to get to the top end of the range, clearly we will need to have strong order intake at the beginning of the year that we can still deliver during the year. And we say we don't know if it's going to happen but we want to have it within the range.

Antti Suttelin: Okay. Thank you.

Henrik Ehrnrooth: Thank you.

Operator: Next question comes from Wasi Rizvi from RBC Capital Markets.

Wasi Rizvi: Hi. Yes, thanks for the detail. And a couple from me. One just following up on kind of maintenance growth, and I think you answered in some detail on China. But I guess if I think about markets ex-China, particularly kind of North America and the EMEA, where you think volumes will be challenged, how does – if I think about the components or maintenance growth, there's conversion of your installed base, which from what you guys say doesn't really change that much. And then the other two components, the churn, some you win, some you lose. And also pricing. And how do you think they might be impacted at the moment? Is there any change in the dynamic there? I mean, do people want to go with get bigger service companies or people afraid of using smaller companies? Or is there not really any meaningful change in that dynamic? And then the second one on bolt-on M&A. I mean, do you think the environment is any different? I mean, are there more potential candidates that you could be buying at the moment in terms of acquiring smaller service companies? Or is it kind of no change to the normal situation?

Henrik Ehrnrooth: Your first question in terms of growth and capturing the market, I don't think there's a big change in dynamics. What's been positive is that we've seen that our value-added services has helped us to drive pricing in a positive direction. And I think that's a trend that, of course, we are aiming to continue.

Bolt-on acquisitions, of course, we would hope that there will be more smaller and midsized companies for sale. But, I don't know, maybe we're a strange industry where no one wants to sell. Everyone just wants to buy.

Wasi Rizvi: Okay. But in terms of the pipeline, are you seeing more things in your pipeline, or is it – have not really seen a change yet?

Henrik Ehrnrooth: Not a meaningful [inaudible].

Wasi Rizvi: Okay. Thank you.

Operator: There are no further questions at this time. I would now like to turn the call back to the host for any additional or closing remarks.

Henrik Ehrnrooth: Thank you, everyone.

Ilkka Hara: Thank you.

Sanna Kaje: Thank you, Henrik. Thank you, Ilkka. And thanks everyone on the line for active participation. If you have any further questions, please don't hesitate to reach out. Have a great rest of the week.