

# KONE Result presentation 2022

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HENRIK EHRNROOTH, PRESIDENT & CEO  
ILKKA HARA, CFO

## Q4 2022 Highlights

- Solid sales development in the prevailing market conditions
- Strong growth in services continued
- Weakness in China markets impacted orders and cash flow
- Successful price increases drove order margin recovery
- Dividend proposal EUR 1.75 per B class share

# Q4 2022 Key figures



Q4 DEVELOPED LARGELY IN LINE WITH EXPECTATIONS

		Q4/2022	Q4/2021	Change	Comparable change
Orders received	MEUR	1,944.2	2,155.1	-9.8%	-11.2%
Order book	MEUR	9,026.1	8,564.0	5.4%	5.4%
Sales	MEUR	2,911.5	2,766.8	5.2%	2.9%
Operating income (EBIT)	MEUR	367.1	351.9	4.3%	
Operating income margin (EBIT %)	%	12.6	12.7		
Adjusted EBIT	MEUR	365.0	359.4	1.6%	
Adjusted EBIT margin	%	12.5	13.0		
Cash flow from operations (before financing items and taxes)	MEUR	33.3	525.0		
Basic earnings per share	EUR	0.53	0.53	-1.1%	

# 1–12/2022 Key figures



STRONG GROWTH IN SERVICES, NEW EQUIPMENT BUSINESS IMPACTED BY CONSIDERABLE CHANGES IN MARKET CONDITIONS

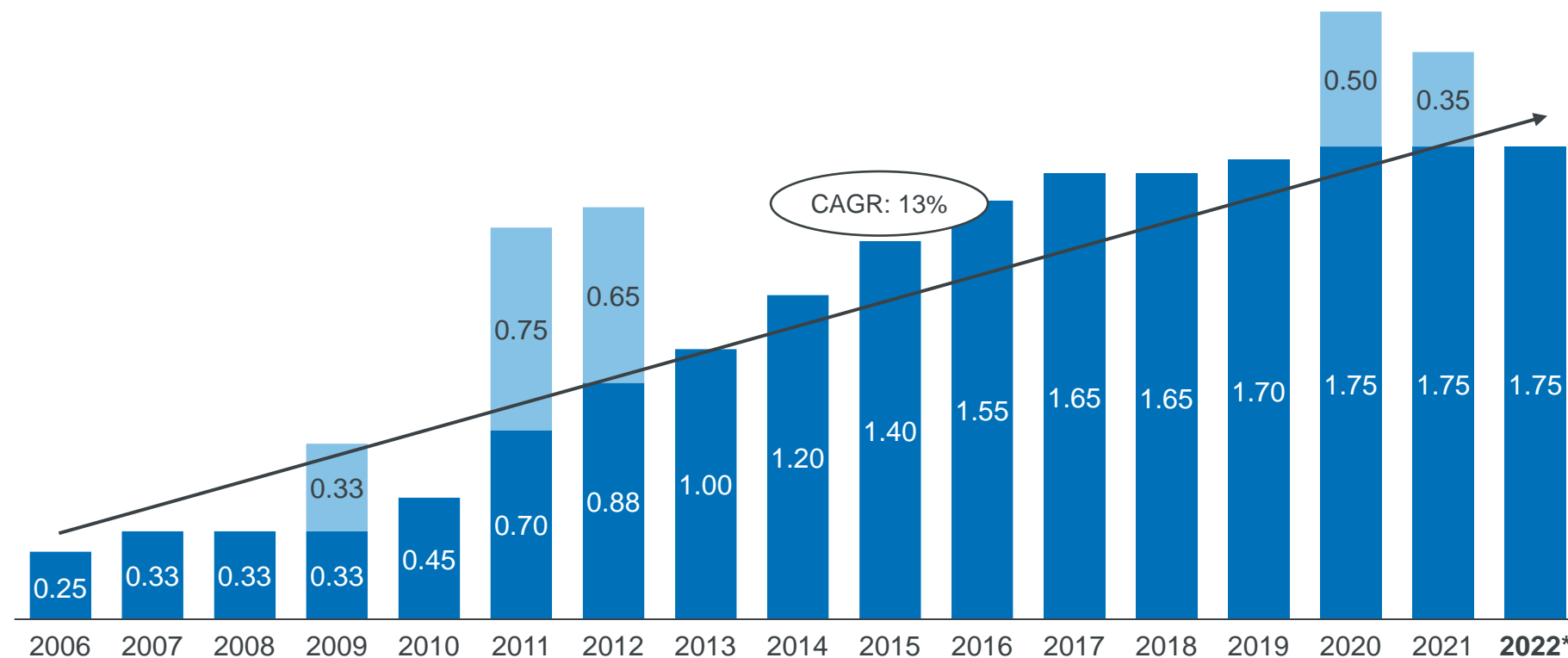
		1–12/2022	1–12/2021	Change	Comparable change
Orders received	MEUR	9,131.3	8,852.8	3.1%	-2.5%
Order book	MEUR	9,026.1	8,564.0	5.4%	5.4%
Sales	MEUR	10,906.7	10,514.1	3.7%	-1.8%
Operating income (EBIT)	MEUR	1,031.2	1,295.3	-20.4%	
Operating income margin (EBIT %)	%	9.5	12.3		
Adjusted EBIT	MEUR	1,076.6	1,309.8	-17.8%	
Adjusted EBIT margin	%	9.9	12.5		
Cash flow from operations (before financing items and taxes)	MEUR	754.7	1,828.7		
Basic earnings per share	EUR	1.50	1.96	-23.6%	

# Dividend proposal: EUR 1.75 per class B share



## Split-adjusted dividend per class B share

EUR, 2006–2022



Adjusted for share splits in 2008 (1:2) and 2013 (1:2)

\* Board's proposal

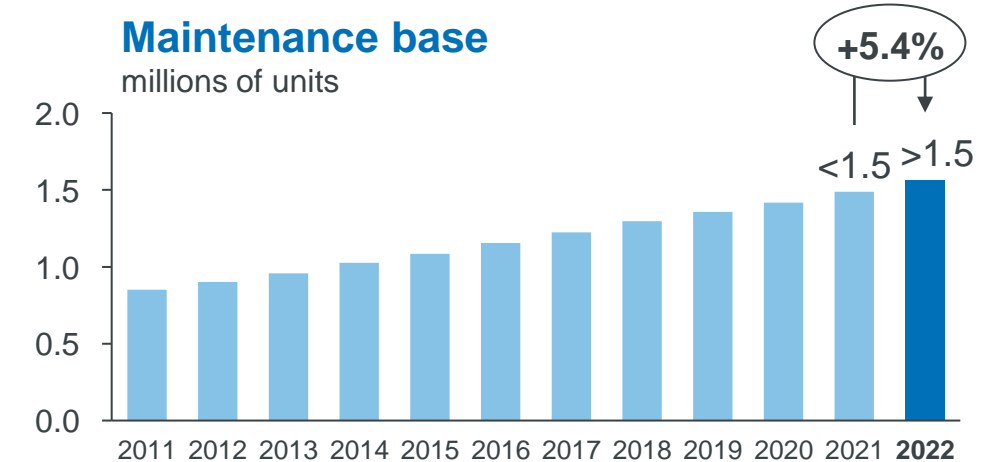
- Dividend payout in 2022: 117% of earnings per share
- Effective dividend yield\* in 2022: 3.6%

■ Dividend  
■ Extraordinary dividend

\* Calculated based on the price of class B shares at end of reporting period

# Good progress in business priorities for 2022: pricing, productivity and service growth

- Successful price increases resulted in the margin of orders received improving compared to the end of 2021
- Offering development drove good development in installation productivity and product costs
- Continued strong growth in services business



## STRATEGIC TARGETS

Great place to work

Most loyal customers

Faster than market growth

Best financial performance

Leader in sustainability

# Good development towards our strategic targets

**Employee engagement** continues clearly above the global norm

Sustained upward trend in **customer loyalty**

Strong growth in **services**,  
**new equipment** development in line with the market

**Profitability** burdened by cost headwinds and the decline in new equipment delivery volumes

Good progress in all areas of **sustainability**



# Planned operating model renewal strengthens competitiveness and customer focus



## What

Simplify our operating model

Strengthen local accountability

Benefit from global scale

## Why

Respond faster to local customer needs and market conditions

## Targeted outcome

Better capture regional growth opportunities

Improve competitiveness and profitability

MEUR 100 savings



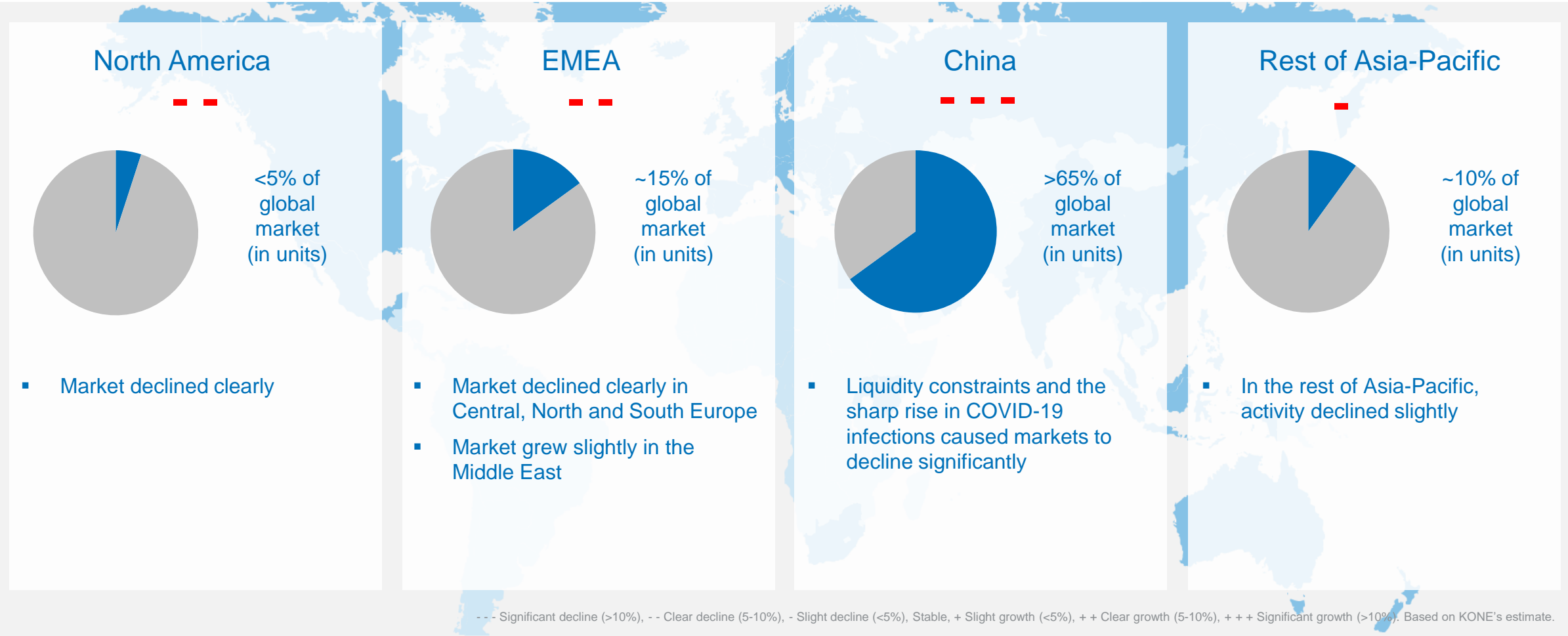
# Market development



# New equipment market development in Q4 2022



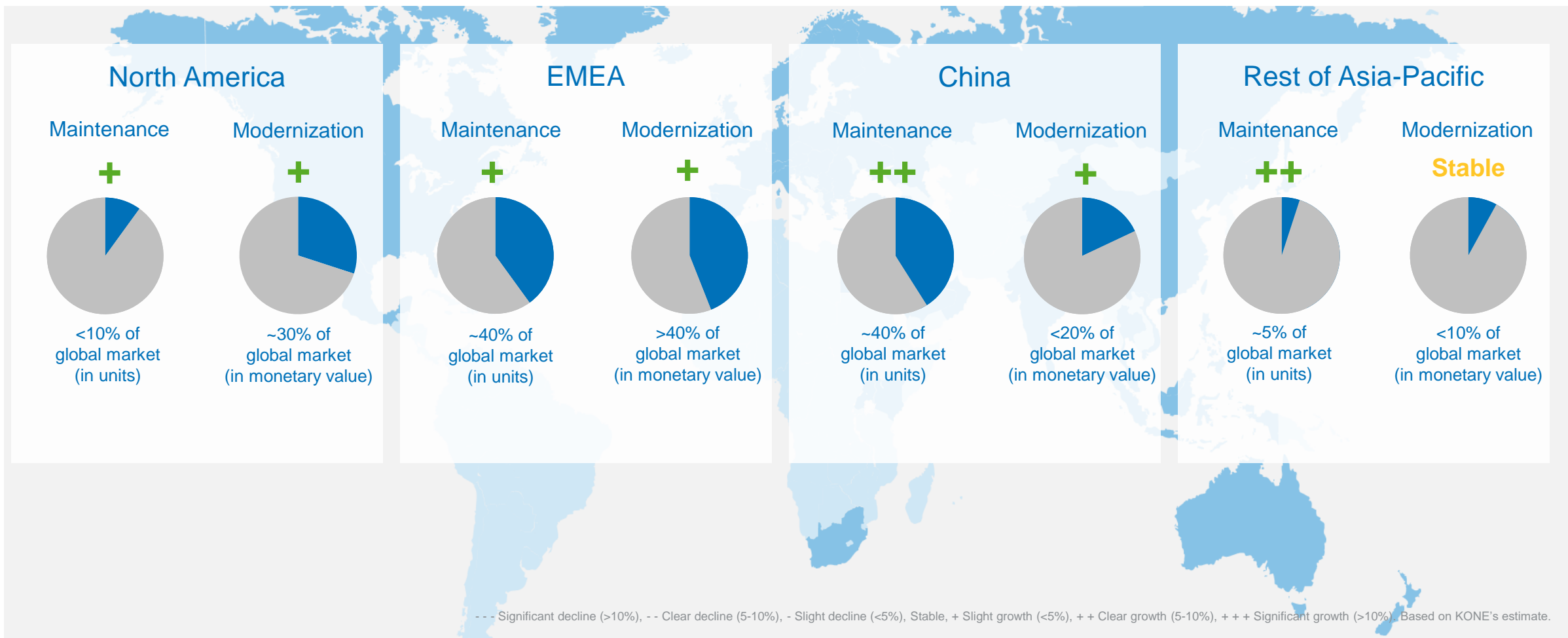
MARKET CONDITIONS REMAINED WEAK IN CHINA, ECONOMIC ENVIRONMENT IMPACTED SENTIMENT IN MORE MATURE MARKETS



# Service market development in Q4 2022



CONTINUED BROAD-BASED GROWTH IN MAINTENANCE AND MODERNIZATION



# Chinese property market in Q4 2022



- In units ordered, the new equipment market declined significantly y-o-y
- The pricing environment continues to be characterized by intense competition



- Economic environment impacted by COVID-19 restrictions and rising infections
- Financing for developers remained tight
- Numerous easing measures announced to stabilize the property markets



	1–12/22 y/y	Q4'22 y/y
Real estate investment	-10.0%	-16.3%
Residential sales volume	-26.8%	-29.8%
New starts	-39.4%	-43.8%
Completions	-15.0%	-10.0%
New home prices in 70 largest cities (Dec)		-2.3%

# Q4 Financials

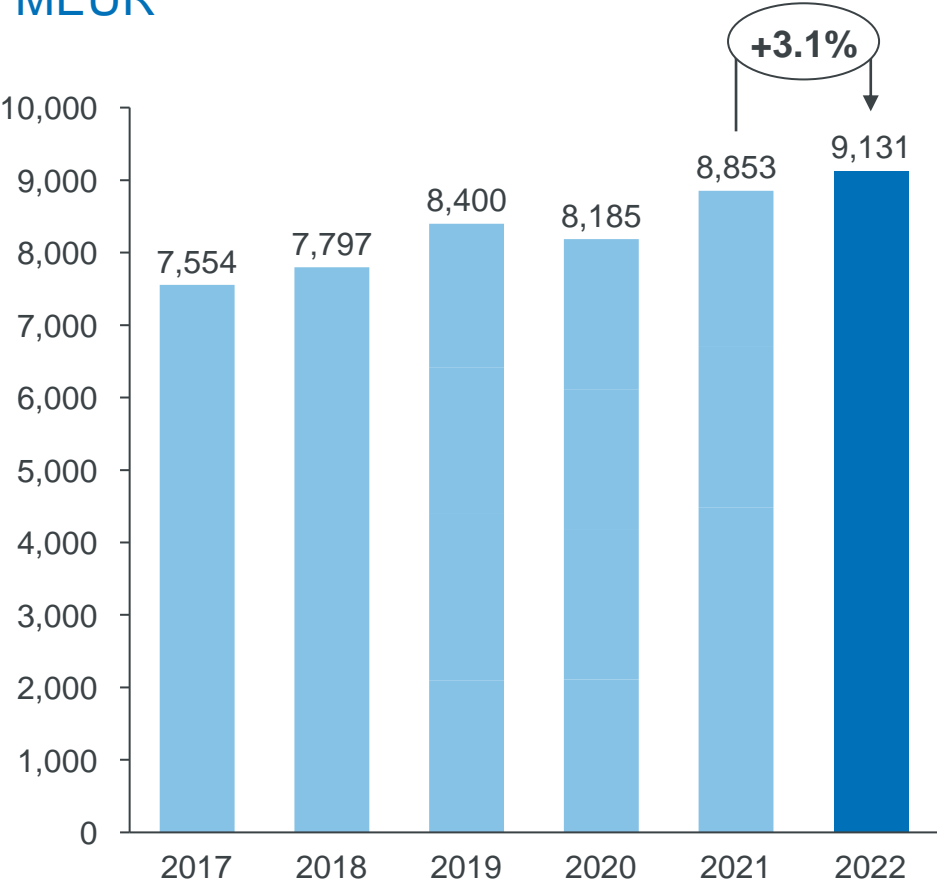


# Orders received

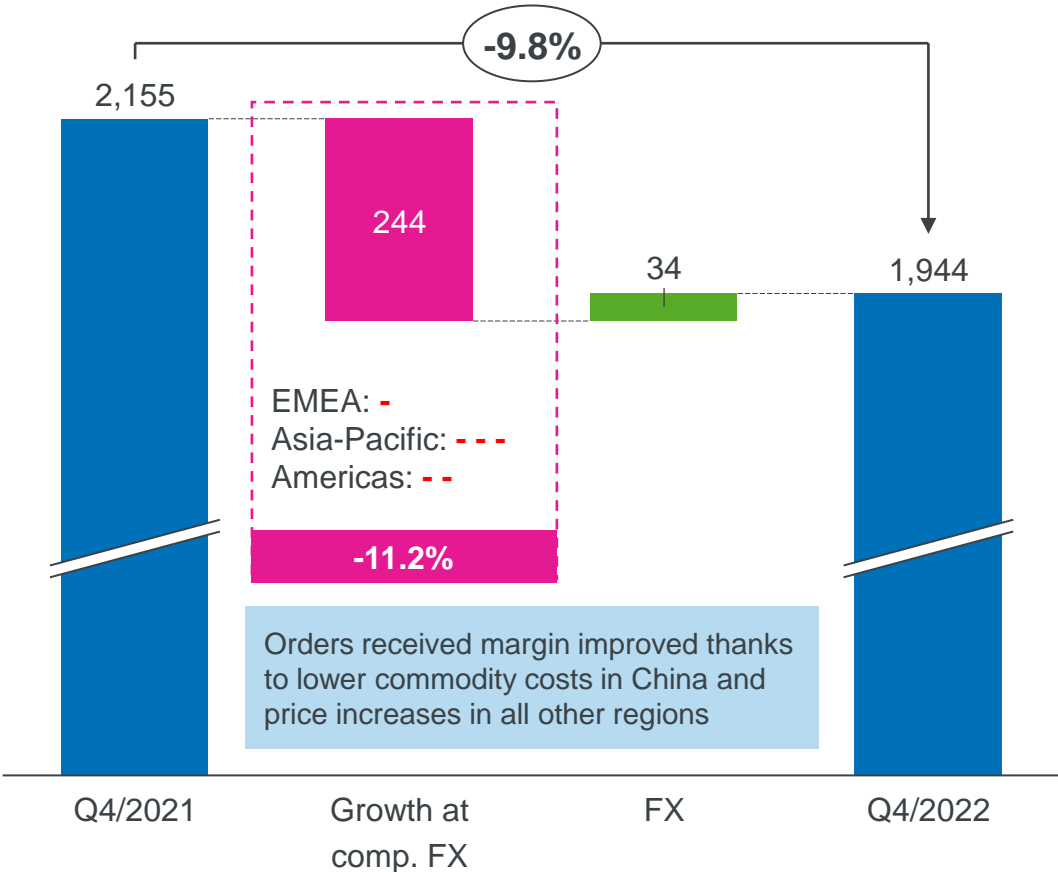


ORDERS IMPACTED BY WIDESPREAD DIFFICULTIES IN CHINA'S PROPERTY SECTOR;  
CONTINUED IMPROVEMENT IN MARGIN OF ORDERS RECEIVED

MEUR



MEUR

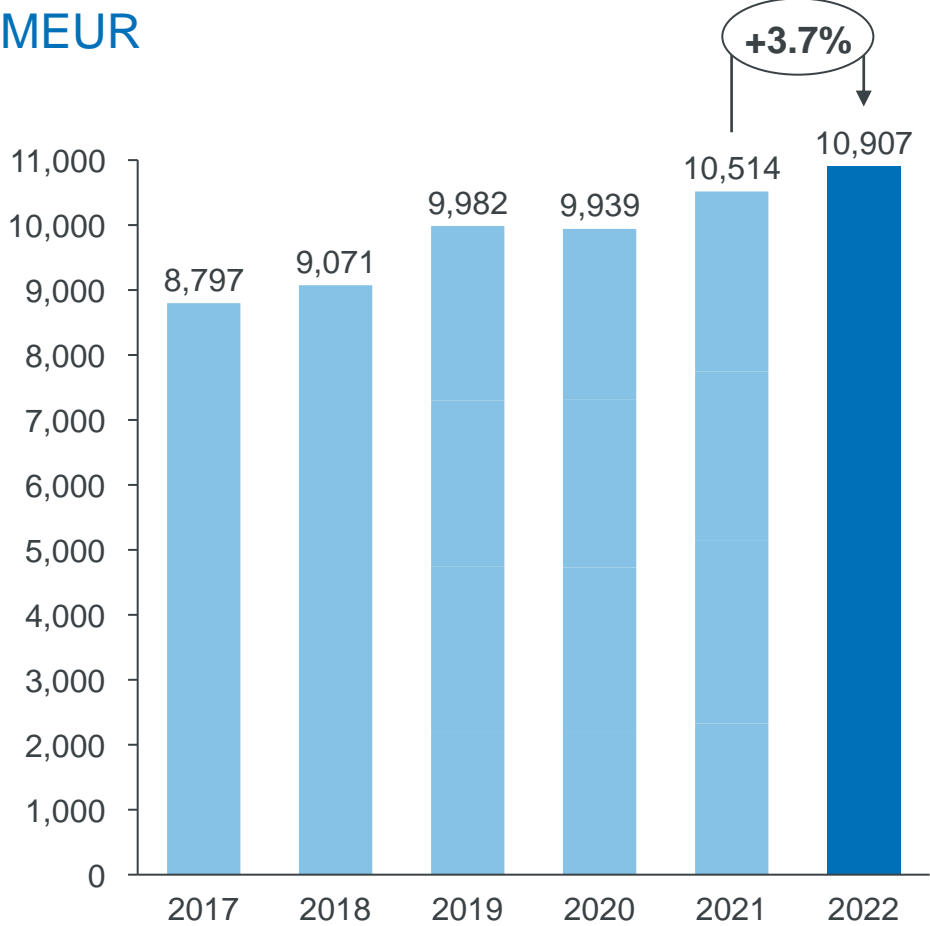


# Sales

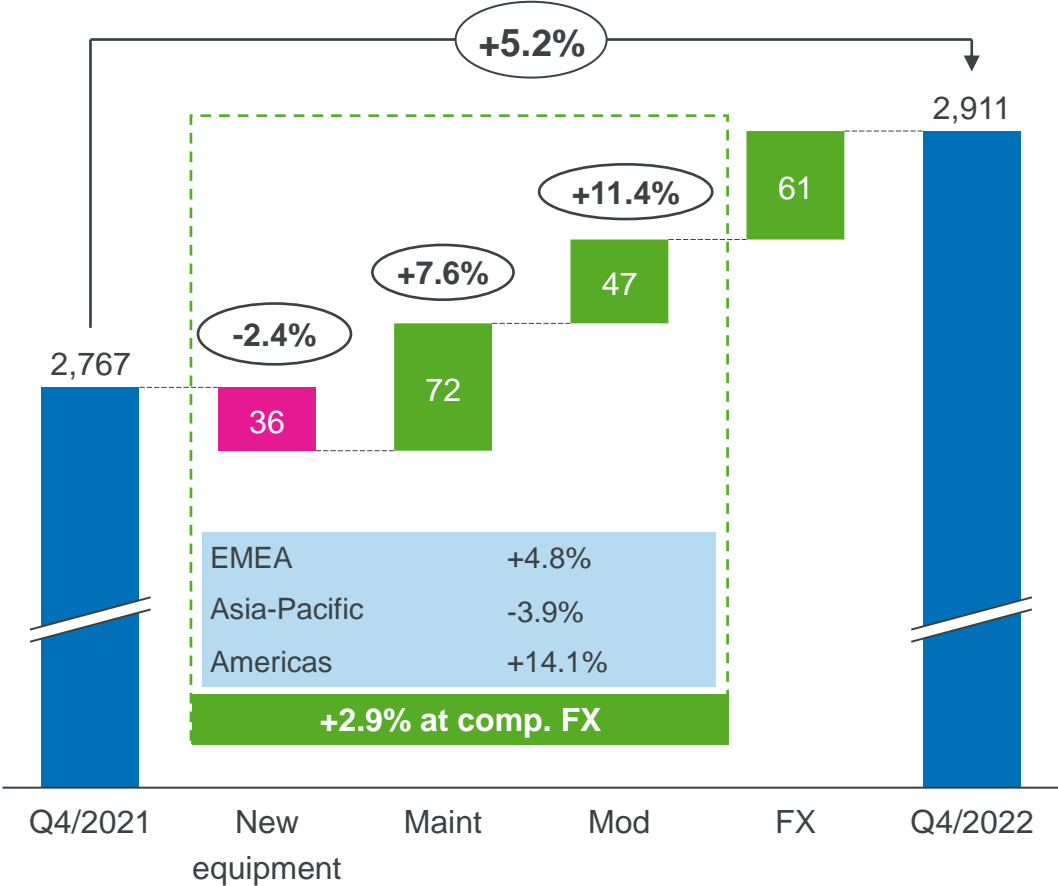


## Q4 SALES DRIVEN BY STRONG GROWTH IN BOTH SERVICES AND THE AMERICAS REGION

MEUR



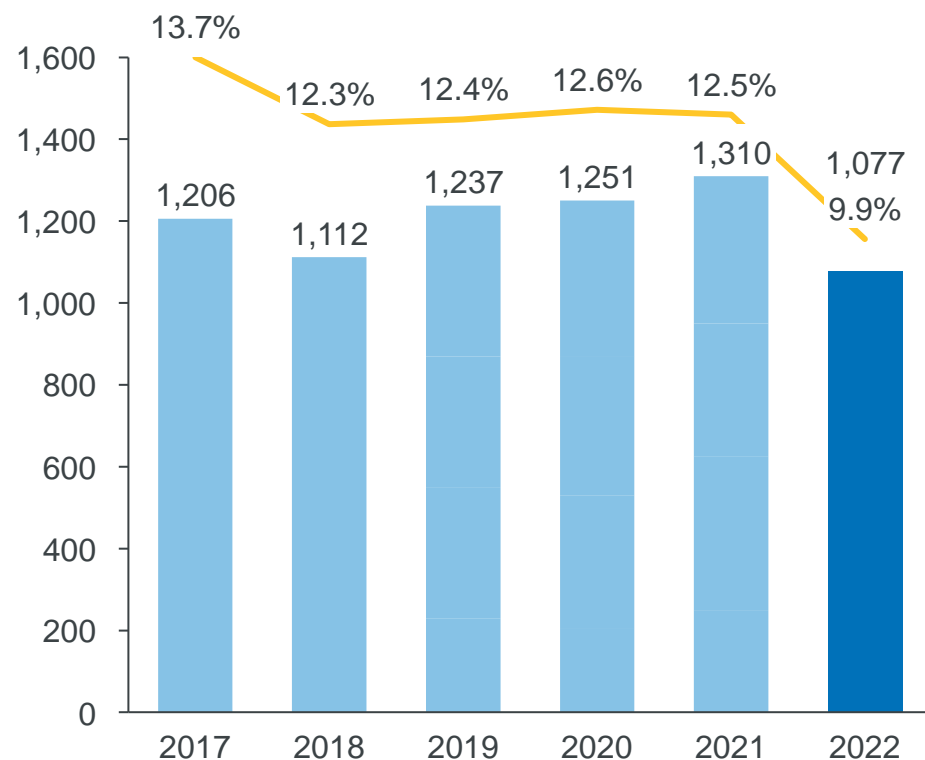
MEUR



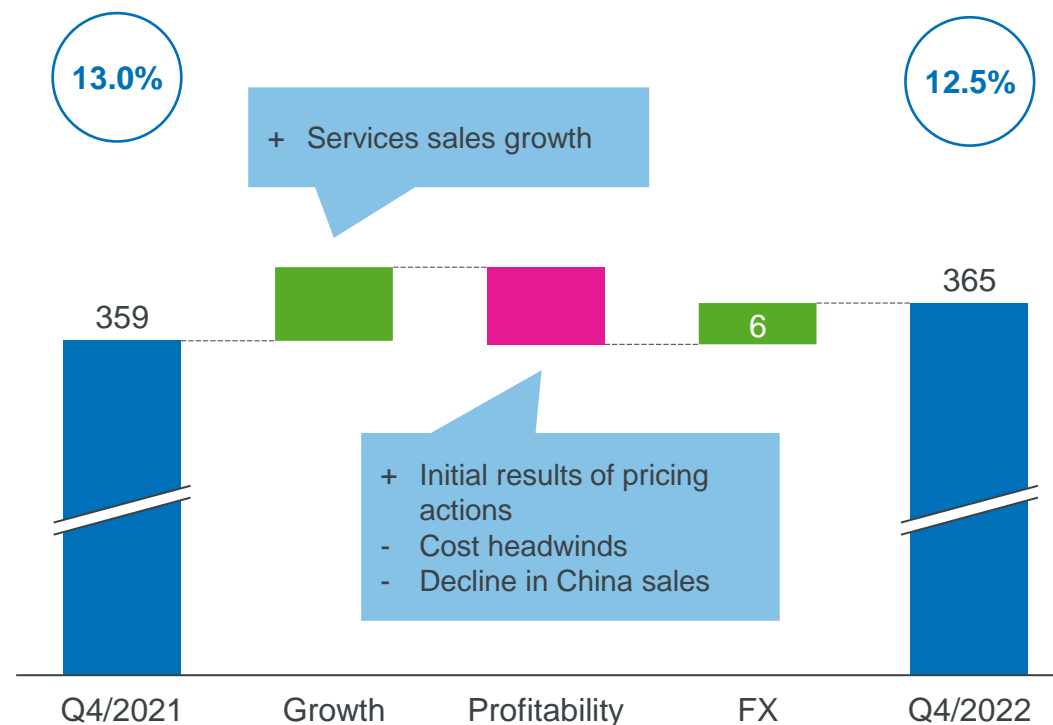
# Adjusted EBIT and profitability

FULL-YEAR PROFITABILITY BURDENED BY COST HEADWINDS AND THE DECLINE IN NEW EQUIPMENT DELIVERIES, IMPROVEMENT IN Q4

MEUR, %



MEUR, %



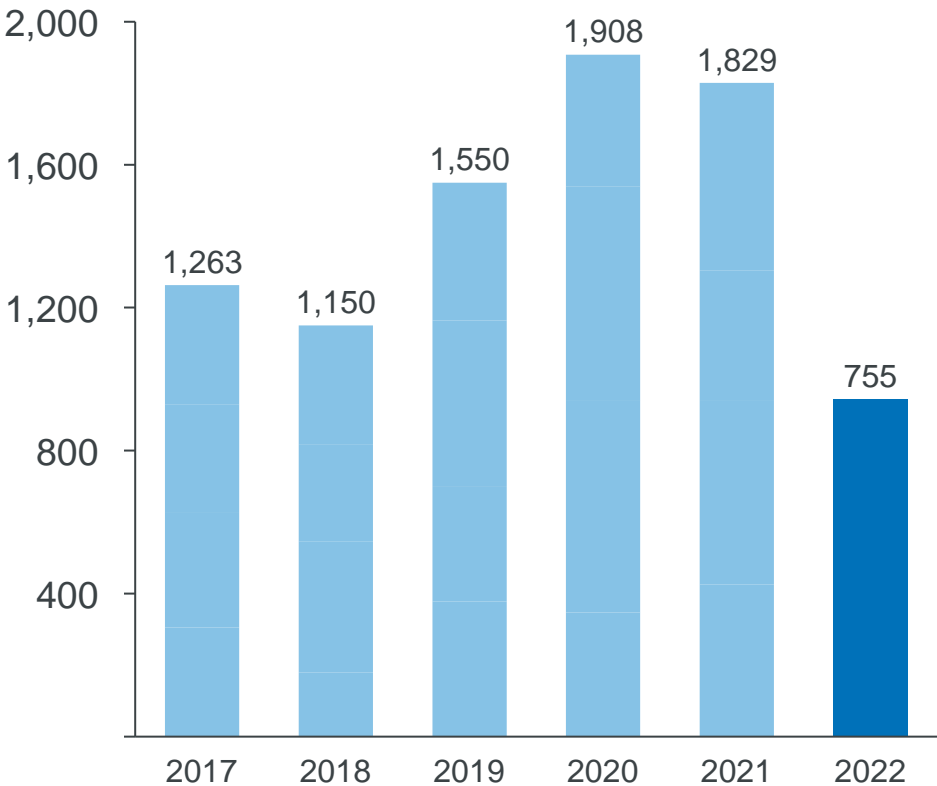
KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–December 2022, items affecting comparability amounted to EUR 45.4 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. In the comparison periods, items affecting comparability consisted of restructuring costs.

# Cash flow from operations\*



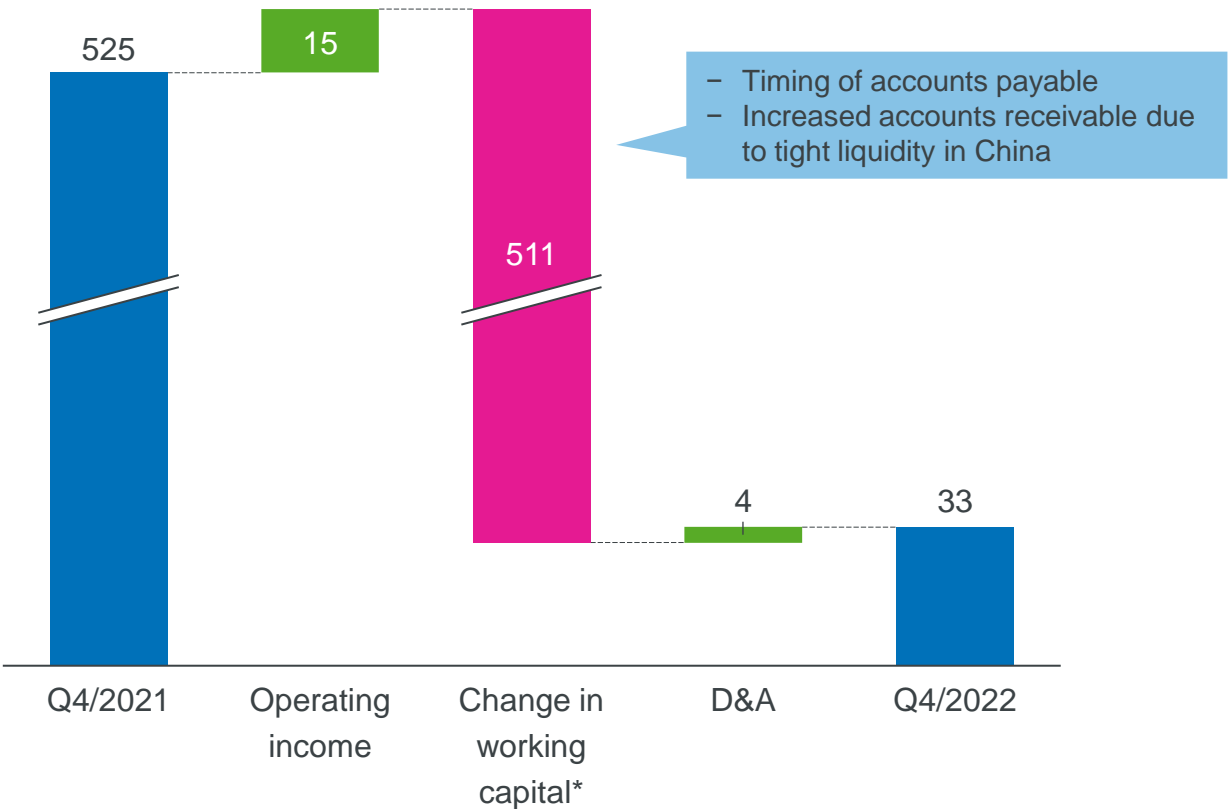
2022 CASH FLOW IMPACTED BY THE DECLINE IN OPERATING INCOME AND INCREASED WORKING CAPITAL

MEUR



\* 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.

MEUR



# Market and business outlook



# Market outlook for 2023

## New equipment markets

- The Chinese new equipment market is expected to decline by somewhat over 10%. Markets are expected to start to recover towards the end of the first half as a result of the broad stimulus measures that have already been announced
- In the rest of the world, activity is expected to grow clearly in Asia-Pacific excluding China, be stable in the EMEA region and decline slightly in North America from a high level

## Modernization markets

- Modernization markets are expected to grow in all regions

## Maintenance markets

- Maintenance markets are expected to grow slightly in the more mature markets and grow clearly in Asia-Pacific



# Business outlook for 2023



## Sales

- KONE expects its sales at comparable exchange rates for the year 2023 to be at a similar level as in the previous year

## Adjusted EBIT

- The adjusted EBIT margin is expected to start to recover due to better margins on orders received in 2022 and continued solid performance in the maintenance business

The business outlook assumes that construction activity in China starts to recover towards the end of the first half as a result of the measures introduced to create stability in the property sector

### Supporting our performance

- Positive outlook for services
- Strong order book and improved margins on orders received in 2022
- Easing commodity cost headwinds in Asia

### Burdening our result

- Slower order book rotation
- Anticipated decline in China's new equipment market
- Wage inflation and increasing component costs

## Summary

- Growth opportunities in services and positive results on profitability actions
- Competitive offering and customer focus driving long-term growth
- Further improve competitiveness with planned operating model renewal



Dedicated to People Flow™

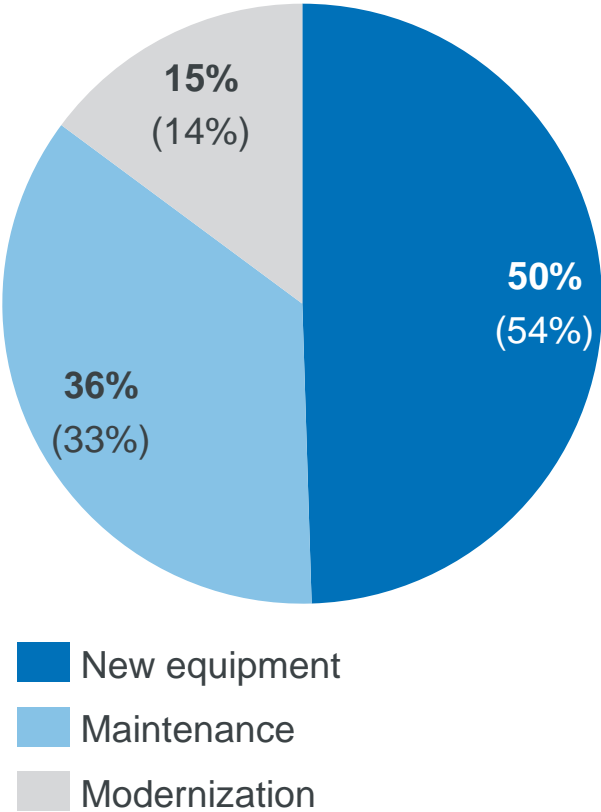


# Appendix

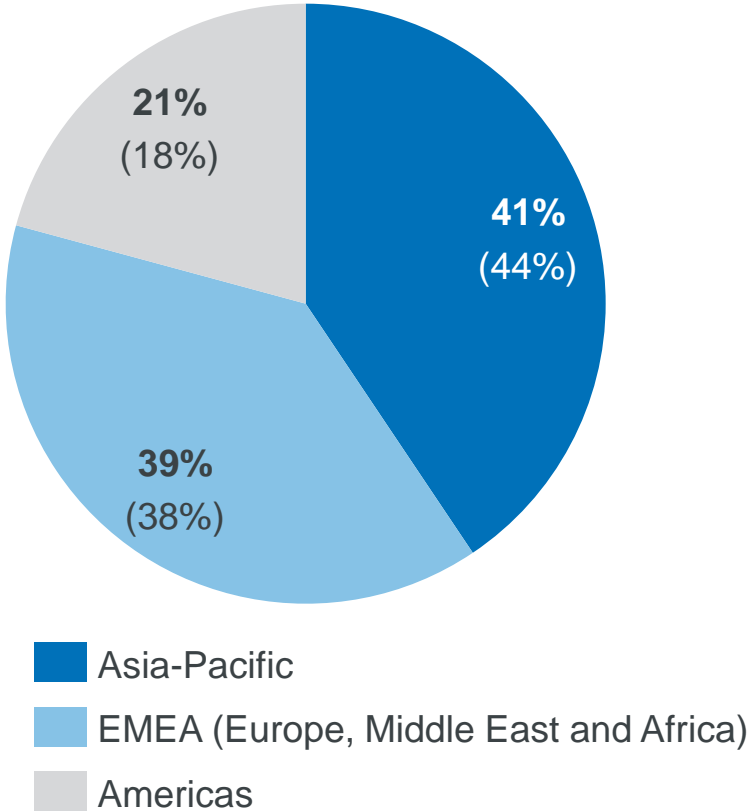
# 1–12/2022 Sales split



By business



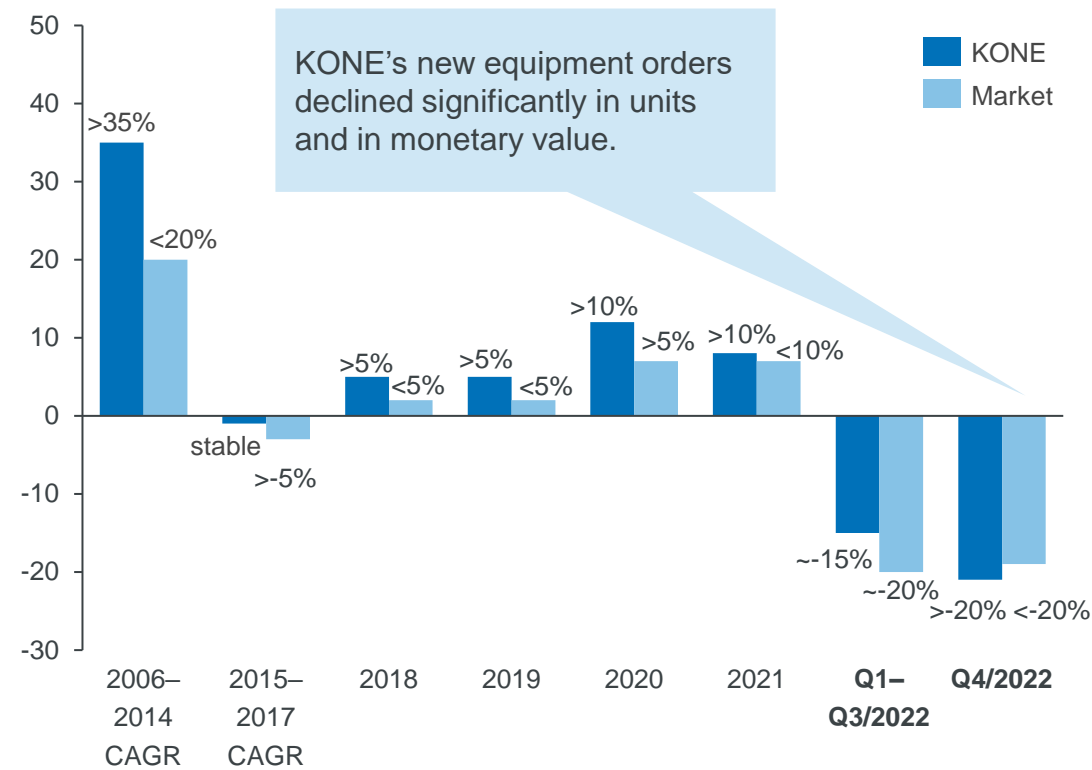
By region



1–12/2021 figures in brackets. Figures in charts are rounded and at historical exchange rates.

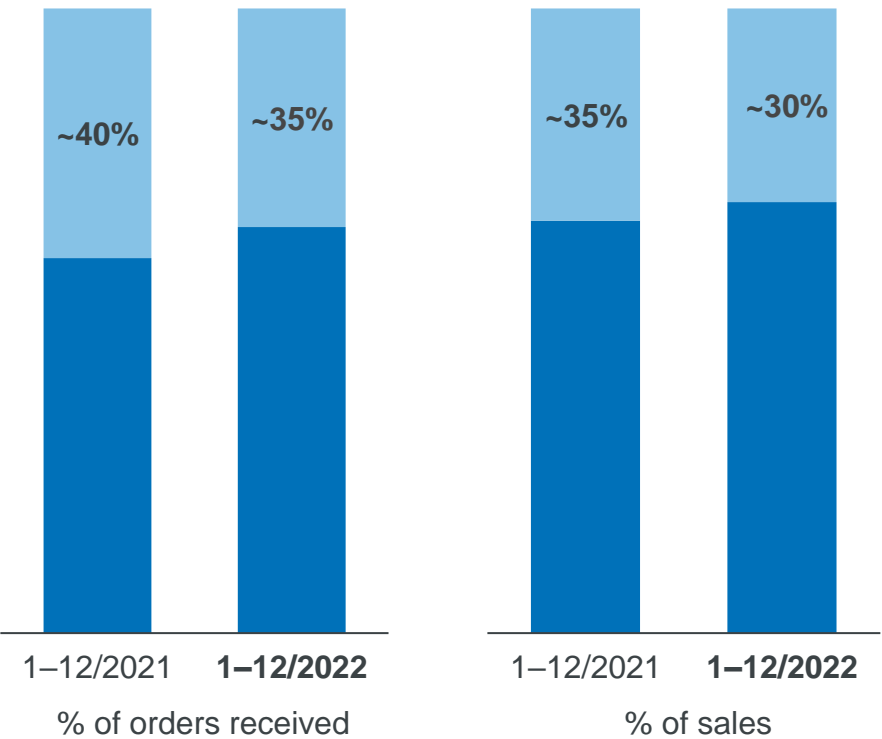
## New equipment market

New equipment orders received in units vs. market development



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

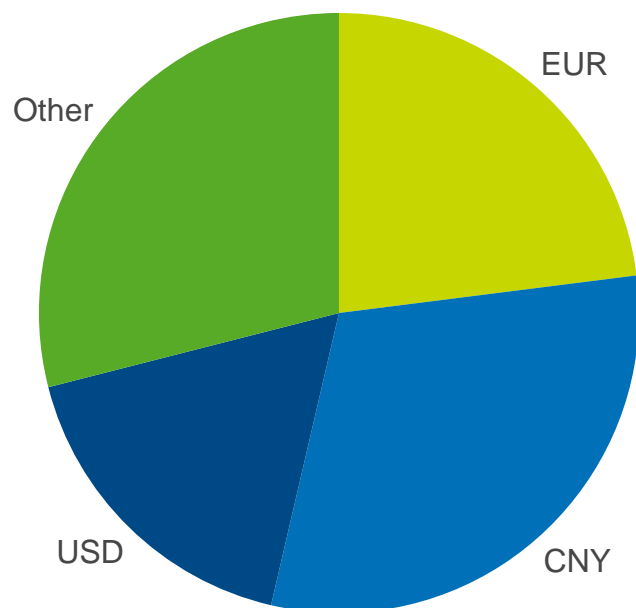
Monetary value



# Currencies



## Sales by currencies 1–12/2022



## Currency impact\*

MEUR	Q4	Full year
Sales	61.2	592.6
EBIT	6.1	64.8
Orders received	33.5	515.1

## Main currencies

	Q4/2022 average	2021 average	Dec 31, 2022 spot
EUR / CNY	7.0836	7.6388	7.3582
EUR / USD	1.0563	1.1851	1.0666
EUR / GBP	0.8537	0.8615	0.8869
EUR / AUD	1.5189	1.5792	1.5693

\*The impact of retranslating Q4/2021 and 1–12/2021 amounts with comparable exchange rates.

# Balance sheet – assets employed



MEUR	Dec 31, 2022	Dec 31, 2021
<b>Assets employed</b>		
Goodwill	1,414.7	1,405.2
Other intangible assets	208.2	216.9
Tangible assets	716.8	736.7
Investments	121.7	144.6
Net working capital	-903.9	-1,468.2
<b>Assets employed total</b>	<b>1,557.5</b>	<b>1,035.1</b>
<b>Financed by</b>		
Equity	2,866.5	3,199.2
Net debt	-1,309.0	-2,164.1
<b>Equity and net debt total</b>	<b>1,557.5</b>	<b>1,035.1</b>

# Net working capital



MEUR	Dec 31, 2022	Dec 31, 2021
<b>Net working capital</b>		
Inventories	843.6	717.8
Advance payments received and deferred revenue	-1,973.8	-1,957.0
Accounts receivable	2,668.1	2,421.4
Deferred assets and income tax receivables	826.9	898.1
Accruals and income tax payables	-2,181.2	-2,268.2
Provisions	-177.4	-152.3
Accounts payable	-1,132.8	-1,310.2
Net deferred tax assets / liabilities	222.7	182.2
<b>Net working capital total</b>	<b>-903.9</b>	<b>-1,468.2</b>