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Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Natalia Valtasaari

Head Of Investor Relations, Kone Oyj

Good afternoon, and welcome to KONE's First Quarter Earnings Call. My name is Natalia Valtasaari, I'm Head of Investor Relations at KONE and I'm joined here today by our President and CEO, Henrik Ehrnrooth; and our CFO, Ilkka Hara. As usual, Henrik will start by going through the highlights of the quarter, both in terms of financials, business performance and market developments. Ilkka will then follow up with a bit of a deep dive into the financials and Henrik will end the presentation with the business and market outlook before we move into your questions. When we do go to the Q&A session, please try to limit yourself to two questions and then you can rejoin the queue. And that's to make sure that as many as possible have the opportunity to ask questions.

But with that, I will hand over to Henrik.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

Thank you. Welcome to this call. To start with, it's clear that it's been a very eventful quarter; a lot of good things or very good developments. Also, we know that there're a number of challenges in the market.

So if we start with the highlights for Q1. Really, the key highlights were that we had very good growth in our orders received and I would say an excellent start to our Services business for the year there. So really a great continuation to what we did last year in Services. At the same time, it is clear that I wish I could present this in a more positive environment. We have some significant concerns around us. Of course, the war in Ukraine is creating lot of concerns and of course, there what we are doing a lot is to make sure that all of our people everywhere are safe; and for example in Ukraine, we do check in with our employees there every day and we're able to do so again yesterday. For us, also, the COVID-19 restrictions in China are causing a lot of challenges overall. So we know that supply chain disruptions have intensified as a result of this. However, what is also positive though is that we have progressed very well in our actions to offset the impacts from costs in the supply chain and we'll talk about that more, but it's clear that that remains a top priority for us, but clearly momentum there is very positive.

If I start with the highlight numbers for first quarter, as I mentioned already it was really about growth in orders received. However, our operating income was clearly burdened, which is a concern of ours. The orders received at €2.4 billion, grew at 10.6% in comparable currencies, really broad-based and good growth. As a result of that, order book hit again an all-time high at €9.3 billion and growth of 7.3% compared to last year. Sales was more or less flat in comparable currencies at €2.4 billion, and our operating income was down from €250 million to €171 million. So that's clearly a concern of ours and the adjusted EBIT from €250 million to €196.5 million and our adjusted EBIT margin from 10.7% to 8%. So it's clear that top priority for us is to restore our margins. Our cash flow was at an okay level of €280 million compared to €425 million last year. €425 million was clearly an exceptionally good number and EPS of €0.25 compared to €0.37.

Just I mentioned at the beginning, it's been an eventful quarter and we all know that a lot of things have changed and a lot of developments. What I'm very pleased about is, again, the resilience of our people, of our whole organization about the motivation when I look at people being locked down in China, how they continue to do

great work with good motivation and all around the world how KONE's employees are performing in this environment is just excellent that I'm very, very happy about. So big thanks to all of them.

Now, let's start with a few highlights of our business and let's start with some innovations that we launched in March this year. So, in March this year, we had the first, we'll call, KONE Experience event, a very big event for our customers and partners and there we launched three types of solutions that I think reflect extremely well the needs of our customers just in this current environment. We strengthened our offering for smart and sustainable buildings. We're really showing the way here; key part of our strategy. We launched solutions that help our customers compress their schedules, improve their productivity and construction sites and also broadened our offering of our connected solutions to enable better adaptability by the launch of DX Class elevators now also in the United States and Canada, but if I look a little bit closer to this, what have we done on solutions to accelerate the construction productivity for our customers? So, it's all about our Construction Time Use solutions that we brought digital services to improve insights and uptime for those units that are in very heavy use during construction.

Now the point here is really that now we brought again a broader offering so we can bring elevator services into buildings at a much earlier stage that really significantly improves the productivity for our customers when they can start bringing workers much more efficiently in the buildings. An example of this is that we launched a standardized version of KONE JumpLift for machine-roomless elevators and it's really available for all building heights. So really, a long time ago, we brought a clear revolution to the industry by bringing JumpLift that goes up as the building goes up. Now we can bring that also to lower rise buildings and really customers who have used this so far have seen really clear, clear improvements in their productivity. So, I think very well suited to a highly inflationary environment where productivity is a top of everyone's agenda.

Today, we have also launched our 14th sustainability report, the 14th year in a row we've done that and some of the highlights from it. You can find it, I'm not sure, on our website. As you know, we are committed to science based targets to a 1.5 degree pathway. We have the most ambitious targets in this respect in our industry, both for our emissions from Scope 1 to Scope 2, but also lifecycle Scope 3. Now for so-called Scope 1 and Scope 2, so emissions from our own operations, here target is a 50% reduction by 2030. We now reduced in absolute terms from the baseline in 2018 by 15%. Today, already 80% of the electricity that we use is renewable. Target is 100% so we clearly there we are ahead of schedule.

Now then we also have a target to reduce the emissions relative to products order Scope 3, so the lifecycle emissions for our products and solutions. Now here you can see plus 0.4% go in the wrong direction. Well, what's going on here is that actually the energy efficiency of our products has clearly improved again since 2018, the baseline. However, when we're selling more into countries that use more fossil fuels, therefore that is increasing the lifecycle emissions. So, fundamental improvement, but clearly here we are speeding up our actions as well. We also have a clear target for diversity, equity and inclusion. One of those targets is to have 35% of our director level positions held by women. Last year, we increased that from 19% to 21%, so we made some progress there. So we are in the path of getting to our 35% target. And in safety, we continued our good performance with a industrial injury frequency rate globally of 1.6% which was an improvement compared to pre-pandemic levels. So, it's clear that we're in the path, we have a lot to be done and at the same time we are progressing.

Also an important event during the quarter is we announced that Karla Lindahl has been appointed Executive Vice President responsible for South Europe and the Mediterranean region and a Member of the Executive Board on 1st of April. So Karla has a 18-year career as KONE and she's held many leadership positions within the company, latest as the Managing Director for Finland and the Baltics; so very happy to welcome Karla into my

direct team. So those are some highlights. First, innovations, sustainability and some appointments also in the quarter.

As I think many of you remember, in connection with the first quarter result, we dive a little bit deeper into the prior year development of markets and market share. So now we have that data ready and what I'm happy to say is that we had good development last year as well. So, just to give the context first; global new markets were a bit over 1 million units last year and the markets grew at about 7%. At KONE, we sold last year 196,000 elevators and escalators and we grew overall 9%, so slightly faster than the market. The maintenance market was close to 20 million units growing at 5%. We grew 5% in units and 7.5% in value, so in value again we were the big player with clearly the fastest growing again last year. Now, best performance in new equipment we had in the Americas and in Asia-Pacific outside of China. And in maintenance, we progressed in most places. I think one highlight there in maintenance was that in the large India market we became the market leader last year with a very fast growth and great trajectory. So that was one of those nice milestones to take a number one position, and in many parts of Europe, we are also improving our position; so overall, slight improvement in many places.

Now what about the markets in Q1? As I mentioned already beginning, the positive thing is that we have a very positive market backdrop. New equipment markets are growing, particularly strong growth in North America. Europe also growing, then more stable in Middle East, Asia-Pacific outside of China, recovering strongly, although the China market because of liquidity constraints was down 5% to 10%. So therefore, we had some decline in Asia-Pacific, but a lot of good growth opportunities still around the world as we could see that we were able to capitalize on.

The Services markets also developed nicely. Maintenance markets, I would say, very much [indiscernible] (00:11:53) growth – slight growth in the material markets and good growth in Asia-Pacific. Perhaps the highlight was a very positive market backdrop in modernization. Very strong growth in Europe, Middle East and Africa, Asia-Pacific; and also good growth in North America, and as you saw we were very well able to capitalize on this. So modernization is really a highlight of great growth in the markets right now.

Then little bit more on China. We all know that the Chinese market has been more uncertain. If we think about the market overall, we can see that liquidity restrictions continue to have an impact on market. So the markets declined, as I said about 5% to 10% and very tough pricing environment. Now, we started to see the first easing measures introduced in Q1 to support housing demand. So, when we have restrictions, we know both on the demand and supply side is really demand side we started to see the local authorities are starting to ease restrictions. And now in the past weeks, those have accelerated. So let's see how that will impact the market. Of course, as everyone knows, the really big thing now are the COVID-19 restrictions which have increased uncertainty and have had a big impact throughout the market. So, today, more than 50 of the 100 largest cities in some form of lockdowns, 90 or 100 large cities have some form of restrictions, so really a big impact. And really where this has impacted the most is on logistics and ability for anyone really to operate businesses and to deliver to their customers irrespective of what business you are in. So this uncertainty is expected to impact second quarter market activity, and particularly, of course deliveries because of a, I would say, very disrupted logistics environment in the country overall.

If I look at our operations, we could see a solid demand for KONE's solutions. Q1 deliveries was somewhat impacted towards the end of March because of site closures and logistics while their maintenance remained resilient. Our factories in Kunshan and Nanxun were closed for about three weeks in April. Now both are gradually opening up, but like for anyone, getting supplies and logistics continues to be challenging in the market because of the restrictions that are in place quite broadly, so that is about markets overall.

And with that backdrop, I'll hand it over to Ilkka to talk more about our financial performance.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

Thank you, Henrik. And also warm welcome on my behalf to this first quarter results announcement webcast. I'll start going through our financials with orders received development. Overall, we saw strong growth in our orders received in the first quarter. Orders received was €2.4 billion on a reported basis, growth of 16.7% and also on a comparable basis, 10.6% growth is a very strong performance for the start to the year. Strongest growth in our orders received was in Americas followed by Europe, Middle East, Africa, in the Asia-Pacific, we also grew. If I look at particularly China within the Asia-Pacific market, then in China, we grew slightly in units and were stable in monetary value as both mix and pricing contributed negatively. That is a good performance against the market, which as Henrik highlighted, was down 5% to 10% in the first quarter. And if I look at the orders received development from a margin perspective, although we need to continue to see a slight decline in our orders received margin year-on-year, we did continue to see an increase in margins sequentially. So from Q3 to Q4, we were able to increase slightly our margins and now that continues in Q1 as well. Our actions on a product cost as well as on a pricing front continue to yield results, and if the momentum is good. From a new equipment perspective, if I look at the total take sentence of increased costs over the last year as well as then what we've done in terms of product cost and pricing actions, we are now roughly 50% there in countering the headwinds we've seen in our new equipment business globally.

In the modernization business, we actually are doing better and we are close to being able to mitigate these cost increases, on the cost level that we now see for the orders that we booked in the first quarter. And although it's not impacting orders, I think still from a pricing perspective where we've seen best opportunities to increase prices in this environment is in the maintenance business and that contributes positively to the overall business as a whole. So, good progress there; although we continue to see our costs increasing and the raw material headwind that we highlighted earlier to be €100 million to €150 million in this year now is €150 million to €200 million for the 2022.

Then to sales; our sales grew on a reported basis 5% and we're €2.442 billion. From a geographical perspective strongest growth in Europe Middle East Africa where we grew 7%; in Americas our sales grew slightly at 0.4%, and in Asia-Pacific our sales declined 7.7%, and there that development was largely driven by China where our developer customers, their tight liquidity impacted our deliveries. We wanted to continue to be very focused on our payment terms and that had an impact to our deliveries. And as Henrik said towards the last week of March also a slight impact from the restrictions that we've seen in China due to COVID-19. From a business perspective, China impacted our new equipment deliveries and we saw a decline of 9.4% in the revenue, but as Henrik already highlighted, very good performance in our Services business; modernization growing 11.5% and also our maintenance growing very strongly at 8.7%. Good performance there, most units contributing to this, but also as I highlighted, pricing having an impact as well as our 24/7 connected service and other value-added services.

Then to adjusted EBIT and profitability; our adjusted EBIT for the quarter was €196 million and adjusted EBIT margin was 8%. We can't be happy with the development here. While we had positive contribution from the good development in Services at the same time, from a growth perspective, our profits were impacted by the new equipment sales decrease in China. At the same time, we continued to see profitability positively being impacted by quality, which continues to then help us to drive good productivity in our operations. At the same time, the headwind for this quarter from the increased material component and logistics costs is around €80 million, then impacting our adjusted EBIT development as a biggest item.

Cash flow was for the quarter €218 million. Against last year's exceptionally high cash flow, this is a more normal development and we saw in the quarter net working capital having a slight negative impact, but if I compare it to last year, our cash flow was down due to our operating income being down €79 million as well as then from a net working capital perspective, although maintenance business growth and invoicing in first quarter had a positive impact, we did have higher than average inventories due to the supply chain disruptions. We see that's a good thing we can deliver to our customers while having a slightly higher inventories, but as highlighted also in the fourth quarter results, we did have payables that from the fourth quarter slipped over to the first quarter and had a negative impact to our net working capital then in first quarter but all-in-all, as I always said, cash flow on a quarterly basis does fluctuate and you need to look at in a longer-term.

But with that, I'll stop the financials' review and hand over back to Henrik to talk about markets and business outlook for the year.

Henrik Georg Fredrik Ehnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

Thank you, Ilkka. As Ilkka said, let me wrap up with the outlook. If we start about overall market outlook for 2022 in new equipment we expect that the Chinese market will decline significantly. That means in practice, 10% to 15%, of course, due to the liquidity restrictions and COVID-19 restrictions. In the rest of the world, we expect the new equipment markets to be positive and improve. Modernization markets continued to be growth markets across all regions that is positive and maintenance is expected to return to pre-pandemic growth trajectory, so slight growth in mature markets and clear growth in Asia-Pacific. So that is the market outlook, in most places quite positive, and then we look at our business outlook for 2022. We specified we now expect that our sales to be in the range of – growing in the range of 2% to 5% in comparable currencies compared to 2% to 7% previously and we expect adjusted EBIT to be in the range of a €1.180 billion to \$1.280 billion of course, assuming that foreign exchange rates remain above the current level, they would give us a tailwind about €70 million, and what is important is that this outlook is dependent on the COVID-19 restrictions in China being lifted during the second quarter and that we can see a rapid recovery thereafter, and that is of course something that will impact – the level of restrictions will impact our deliveries particularly in China.

Now we have a number of things that are supporting our performance, particularly the positive outlook and the great performance we have had in Services as well as our solid order book. And we expect that the effects of our product cost actions, productivity actions and pricing will start having a positive impact towards the latter part of the year. And as Ilkka mentioned, we have had good momentum in these areas now in the quarter. What's burning our results is clearly further headwinds from material component and logistics. So we expect that to be further €150 million to €200 million this year. It was about €200 million last year; so another €150 million to €200 million this year. Clearly, COVID-19 restrictions in China are having an impact on deliveries and also the competitive dynamics and liquidity constraints in the Chinese property market. So that's our outlook.

And if I wrap up, the good thing is that while there's been a lot of uncertainty in the world, we have good growth opportunities and we can see good market activity in our industry. We can also see that the actions we have taken to address our headwinds from supply chain cost and others are actually going very well. So pricing is improving, productivity is improving, our product cost actions are actually quite good at the moment and we continue to drive differentiation through adaptability, productivity and sustainability. Those are at the core of our ambitions.

So with that, Natalia and Ilkka, we'll start taking questions

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We will now take our first question from Andrew Wilson of JPMorgan. Please go ahead.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

Hi. Good afternoon, everyone. Thanks for taking my questions. And if I can start with the first one; you mentioned around the easing actions in China, having been taken in recent weeks and having started in the Q1, what sort of typical lag do you see in terms of easing actions before we actually see that in terms of an improved market conditions? And sort of I think I've heard previously sort of six months to nine months in terms of a thought process, but very interested in terms of, I guess, your experience in terms of when you would expect to see that come through in the market?

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Thanks. So, yes the easing what we were talking about is really on the demand side. So, for property buyers to be able to finance and buy apartments better, it's clear that, that is a little bit further out because first you need to get demand there, but that clearly then gives more confidence to builders to start again buying land and starting new projects. So usually that lead time is not too long, maybe a couple of quarters or so that they should have a positive impact still this year.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

Thank you. Second question is, I guess, it's a bit of a kind of philosophical question in terms of running the business in this period. It seems to me if I look at obviously the strong market share performance in 2021, the very strong orders you've reported for the Q1, it doesn't seem to me that the business is losing a great deal in terms of, I guess, that productivity towards growth and that focus on growth. And I'm just wondering sort of how you're balancing the longer term prospects which seem to be going very well versus obviously the short-term challenges and kind of, if any, the actions that you're taking at the moment, do you think are going to be kind of sticky actions which help over the longer-term? And I guess linked to that is, do you think you're dealing with this downturn in a different way to some of your competitors, so appreciate it's quite a broad question, just interested in terms of how you're thinking about it?

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Sure. Well, clearly, the impact we're seeing from supply chain disruptions and things like that is something we haven't experienced for a very long time and something of course, we hadn't expected, but it's clear that when you have a tough situation like this, you take a lot of actions. You learn to do things in a new way. I think every business around the world had to learn to live in a total different environment. So we have to remember that we come from a 15-year period of, I would call it, extreme price stability in the markets if you think from inflation or material cost or so, clearly fluctuated but still longer-term, quite stable. And that has, of course, for every industry, every business, given a certain backdrop of how you need to operate, that you've been able to make longer-term commitments and being able to do it in a stable way. I think now business is changing. I think everyone will have to have more indexation in contracts, will need to reflect that inflation and product cost changes in a more

dynamic way than in the past. So it's clear that we all have to change a little bit the way we operate and that will differently be for the better longer-term.

And what I see, usually I would say when you benchmark across industries, on a product cost basis, fundamentally most companies are getting, let's say, 3% 4% fundamental product cost improvement year-over-year. Now when you really put an enormous focus on because here you can get much, much more and how do you continue driving that, so there're a bunch of things that are improving how you operate your business, but I think this way that how you operate in a totally different environment where we don't have this extreme price and cost stability that the world was used to over a long period of time means that we all have to operate in a slightly different way. We're actually quite much in a different way in many places.

Andrew Wilson

Analyst, JPMorgan Securities Plc

Q

That's very helpful, Henrik. Thank you.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Thank you.

Operator: We will take our next question from Klas Bergelind of Citi. Please go ahead.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Thank you. Hi, Henrik and Ilkka. Klas at Citi. So, the first question I have is on the revenue recognition out of the backlog and it's a pretty big growth step up that is required for the rest of the year at the midpoint of the guide. I always appreciate that the backlog is up 7% organically, but you've started the year weak with sales – weak both in Asia-Pac and Americas. I mean, obviously, maintenance growth is solid, but what gives you the confidence you can convert that backlog as we have this both, like you say, that China is – depending on China, but is that really enough and I will start there, thank you.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

I'll maybe start. And first I would say that we have a very good backlog as we highlighted. Our order book gives us a good visibility and an opportunity to deliver against that guidance. And as you've seen also in our maintenance business, we've seen very good growth now for a few quarters now starting from last year and now continuing to the first quarter. So, all of those contribute positively but I said one of the assumptions we are having in our guidance is that we do expect and assume that the markets and the restrictions in China are lifted and we can operate more normally during the second quarter and therefore be able to catch up during the second half of the year from a revenue perspective in China. So those are the assumptions. And at this point of the year, we still are booking orders for especially modernization business that we will deliver during the year. So yes, we do continue to also expect new orders in second and maybe beginning of the third quarter. That will still be recognized as revenue during 2022.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

And I guess the conversion is quite quick in China when that opens up. Then my second one is on the mining performance. And listening to you now, Henrik, it still feels like the second quarter can be pretty tough considering the China lockdowns that feels more like a second half opportunity than being lifted. The liquidity constraints impacted deliveries in the second quarter, and the pricing is yet to feed through from the longer backlogs outside China. And when I then consider your EBIT guidance with a still tough margin for the second quarter, yes, quite a big margin uplift in the second half sequentially. What gives you the confidence on pricing in EMEA and Americas gradually kicking in? Is that really what you drive it then from a margin point of view if the second quarter is maybe 10%-plus?

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Well, I'm not going to go into each quarter how they are sequentially going to go. We have our overall guidance, as you mentioned. Clearly, second quarter will be quite lot influenced by the lockdowns in China. It's clear that for everyone deliveries in April are a low level. I think orders are probably the better level but that clearly has an impact on revenues and therefore margins and then we have to see how it recovers from thereafter. We have given our assumption the way we see it, but as you know, that always seasonally for us, Q1 always has a lower margin and then we have better margins in the other quarters. But as we have said also that we expect that the action will be taken on pricing and productivity, our products costs and so forth will start to impact us towards the latter part of the year. In a pricing improvement that we're doing now, it's clear that that is something that impacts more. I think the new equipment impacts more 2023, whereas in the Services business we are seeing a faster drop through of that.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

And I would maybe do that also that the product cost actions that we're making, they will take some time to get to then production and then do deliveries, and that's impacting more the latter part of this year, and those actions we have quite good visibility on.

Klas H. Bergelind

Analyst, Citigroup Global Markets Ltd.

Q

Yeah. No, I appreciate that. It was just the – I know that the money would be better with the second half, but it looks like a flattish mode in implied if you're reporting it'll be like 10-ish second quarter, but I'll get the moving parts. Thanks.

Operator: We'll take our next question from Jeff Sprague of Vertical Research. Please go ahead.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Thank you. Good day, everyone. Just hoping we could clarify if you don't mind the price cost side of the equation; and specifically my first question is you'd noted that the price was covering about 50% of the inflation on the new equipment side. Could you clarify, was that an order comment related to Q1 or is that what you're expecting for the full year?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

I'll take that. So my comment was related to both our actions in pricing as well as in product cost. Those are the mitigating actions, and it was related to our orders received, orders that we're booking in first quarter. How much in those we've been able to counter the cost inflation that we've now seen, and it is in new equipment about 50%. In modernization it is clearly higher than that. It's close to being able to mitigate the cost increases we've seen; and that was my comment and it is about the orders.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Great. And then just taking that a step further then, the comment that the cost headwind is €150 million to €200 million for the year, could you give us the context on expected price realization against that headwind?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, I guess we don't have a habit of commenting pricing in a forward-looking manner. And the reason is that you have to customer-by-customer, order-by-order at the end, negotiate the deal and as an outcome you get the pricing level. So we comment what we've been able to achieve but not in a forward-looking manner.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Q

Understood. Thank you.

Operator: We'll take our next question from Andre Kukhnin of Credit Suisse. Please go ahead.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Hi. Good afternoon. Thanks for taking my questions. Can I ask about China orders to sales conversion phasing? It's interesting to see that you haven't had a quarter, I think, with orders down in units yet and yet I think you're seeing a revenue downturn. So I just wanted to check if that has changed structurally or was the kind of early impact from lockdowns in Q1 already, and how would you expect that kind of orders to sales phasing to play out in China over 2022?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

I'll take it...

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

[indiscernible] (00:38:02).

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Yeah. So I'll start with a smaller part then. And just to your question on the COVID-19 restrictions impacting first quarter, so it really impacted the last week or so in the quarter. So that was not impacting the conversion for the quarter that much, but we did see that the order book rotation in the first quarter as expected, was slower and the main reason for that was that we've been quite focused on making sure that we have a good control of our credit risk and also payment terms, and that impacted our capability to deliver. So, we expect to be able to control both

and therefore the order book quotation was slower than we've seen in the past, but we do expect as we talked about earlier, that that the market would return and that would mean that order book quotation then is more normal or more similar to what we've seen in the past.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Thank you. And if I could come back to one angle on the pricing, we've heard from a peer of yours mentioning going back to existing orders and just I think existing responses to request for proposals and looking to adjust prices there for the latest inflation and raw materials costs. Is that something that you were alluding to when you were answering the question on maybe doing things differently? Is there scope for that? And if there's any scope for that, could you give us some idea of how much of a backlog could be subject to these kind of practices?

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

I think my comment was more when we think about booking new orders that probably having fixed prices for a very long period of time on any side is probably unlikely going forward, and there probably needs to be more indexation and reflections on what was real costs are at that point in time. And we can see that our customers, builders are doing as well. So I think that this is a general trend that we see in the market. Then clearly you also need to take action on how do you improve margins of existing orders. Of course, you have your contractual commitments that we are a company. I think we made a commitment with the customer. We will hold to that. In some of those cases, there are some indexations not in a very high proportion of contracts. There you have an opportunity. Then, of course, you have an opportunity if you can provide more value-add, you can sell more during that period and things like that. So there are – and you can improve your productivity. So there're a lot of things you can do on that side as well and it's clear that that's part of the toolbox. That's very clear.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

If I may just follow-up on that. Is there much of kind of that practice baked into your guidance for second half because I assume going to existing contracts and enforcing escalation clauses or proactively increasing value-added, as you've just described, should have a fairly immediate effect, should not be subject to that 12-month lead time. So, is there much of that baked into your second half guide?

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Some things you can improve and you can improve a bit, but it's not going to frankly change the big picture through.

Andre Kukhnin

Analyst, Credit Suisse Securities (Europe) Ltd.

Q

Got it. Thank you very much for your time.

Operator: We'll take our next question from Lars Brorson of Barclays. Please go ahead. Please go ahead. Your line is open.

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Q

I apologize I was on mute. Hi, Henrik, Ilkka. Maybe first on the China market outlook, Henrik. I just want to clarify, so the rapid recovery expected in H2 that your business outlook for deliveries, installations, it's not your market outlook orders, you're still guiding of course down over 10%. That will be on a par with what we saw, I guess, the market in Q1; so not much of a second half recovery which I think you expected in your early assumption. Just wanted to check that that is – so what you see right now, that there isn't any evidence of any stabilization? And secondly, maybe on China, just to like-for-like pricing, it declined slightly now in Q1, felt like we were tracking a bit better in the fourth quarter. We started talking about price hikes in Q2 last year. Takes a bit of time for that to filter through, but I felt sequentially things were improving somewhat. Can you talk a little bit about the broader market pricing trend in China in new equipment and what is sort of driving that step-down sequentially that it appears to be the case for your new equipment business? Thank you.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Okay. Should I start with the market outlook, so.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

I can take the pricing then.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Yeah. So, that's right, that in in our outlook we expect the markets to be somewhat softer now second half really driven by continued challenging property markets and the impacts of the restrictions that we're seeing now. Then we have to see how these easing measures, and if therefore easing measures, how they impact, but that is our current outlook and estimate.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Then from a pricing perspective, just wanted to clarify first. Yes, in the first quarter, we did see pricing having slight negative impact into our orders received and competitiveness in the market continued to be on a high level. So, it is a very tough pricing environment in the market. But at the same time, I think what this always combination of pricing and product cost actions, and from our perspective even though the pricing has been more difficult actually where we've seen very good progress and I would say best progress within the different regions is on the product cost side in China. There we've been really able to find savings more than elsewhere and that's contributing then positively. And pricing overall, I mean, has been more stable throughout the last year or so, throughout the most of last year for us. So, I wouldn't read too much into it. I would say this way.

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Q

Thank you. Ilkka, secondly can I ask you just on the raw materials guidance, the €150 million to €200 million, we had negative €80 million in the first quarter. How to think about the cadence through 2022, is it another €80 million in Q2 and a stabilization. I appreciate it's a very volatile environment. I'm just trying to understand what you're baking in in terms of the recent moves you've seen in some of your key input exposures, particularly steel, of course and what you're baking in as far as that cadence is concerned, please?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Yes. I guess the benchmark from last year was that in the first and second quarter, we saw less of the impact of the increase in raw materials and then it was mostly impacting Q3, Q4. So, from a comparison point of view, it is more in the first half where we see the increase year-on-year and then gradually easing towards the latter part of the year. That's the way I would think about it.

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Q

Sorry. Can I finally just ask to maintenance pricing? It's a clear contribution from pricing. I wonder whether you could help us quantify the maintenance pricing. Are we talking about like-for-like maintenance pricing of, say, 100 basis points, 150 basis points and how much of that, if any at all, is associated with as you said, ARPU uplift as you transition from legacy to digital? I presume that will be on top of what you refer to as like-for-like improvement in maintenance pricing, please?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, we've seen in number of markets quite good possibilities to increase prices. I would say a high-single digit and even above in some cases. Overall, it contributes to our revenue; some percentage points on top of the unit growth and then from a 24/7 connected service, we get a bit more on top of that. So that's the level I would talk about it in an overall level. That's really something that has continued to be a good source of growth over the last few years and we continue to see opportunities going forward.

Lars Brorson

Analyst, Barclays Capital Securities Ltd.

Q

Understood. Thank you.

Operator: We'll take our next question from Guillermo Peigneux of UBS. Please go ahead.

Guillermo Peigneux

Analyst, UBS

Q

Good afternoon, gentlemen, and thank you for taking my question. I wanted to ask a little bit about the divergence between service and equipment modernization margins, as we stand. Would you basically be able to – I know that you don't provide the margins between the different segments, but I was interested in understanding the dynamics as we stand and with potentially what you see here on the backlog, as we speak. Could you, in a way, give us a little bit of granularity around the level of margins for equipment in North America and Europe as we stand today? Where do you expect the margins to trough and maybe just a similar comment on China equipment margins, if I may? Thank you.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, as you know, we're not going to disclose our margins per business line, but what I would characterize is that from a pricing perspective which was the original part of the question, we are seeing that modernization projects are maybe more unique. They are really about that single unit, that single building. And in that environment we've been able to find better ways to drive pricing upwards and counter the cost headwinds, and there we also are closer to customer and that has contributed positively. The competitive nature of the new equipment market may

be it a bit different and therefore it is – the pricing has not progressed as well as in the modernization side. Then where do we see the biggest opportunities geographically? I would say overall our pricing has developed in the equipment businesses in North America quite well and then followed by Europe, and as we said already last year that Asia-Pacific has been a bit slower, but I think now is making also good progress.

Guillermo Peigneux

Analyst, UBS

Q

And if I follow-up maybe a little bit on the China equipment margins. May I ask, obviously these margins peaked in the past very close; it's not basically 20%. We've been gradually going down with some volatility up and down, but gradually going down throughout 2021. I was wondering whether you could give us basically now some in a way guidelines as to think about now single digit margins for 2022-2023 or is it too abrupt what I just said, thank you.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, we are again on this part not discussing margins, neither by business or geography. And on an annual basis, I think if I look at China it continues to contribute positively to our margins. So, it's slightly [indiscernible] (00:50:30) said already earlier.

Guillermo Peigneux

Analyst, UBS

Q

Okay.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

It's clear Guillermo for everybody to think about the environment right now and the pricing that, of course, China is facing a lot of headwinds from this perspective, but at the same time we're making a lot of progress there, improving as well. So clearly, new equipment is the toughest business from margin perspective at the moment. And China is, of course, really, really big there. So that goes without saying, but at the same time we are making good progress there right now.

Guillermo Peigneux

Analyst, UBS

Q

All right. Thank you very much.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Thank you.

Operator: We'll now take our next question from Miguel Borrega of BNP Paribas Exane (sic) [Exane BNP Paribas] (00:51:17). Please go ahead.

Miguel Borrega

Analyst, Exane BNP Paribas

Q

Hello everyone. Just two questions from me. Just on your expectations for China, we've seen inventory levels going up. The situation we developed is not really improving. I understand your expectation for the market to return to 2019 levels. You've now downgraded your expectations to between 10% and 15%. Was this mostly

because of a weaker first half or does that imply also for the market to be down in the second half because I remember you were saying your expectations for a flattish market in the second part of the year, and then are you expecting the market to kind of stabilize in 2023 or to keep going down further in units in monetary value in 2023?

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

I think it's too early to comment on 2023. Clearly, as you said, that the situation is quite challenging for many developers and that is reflective because of liquidity constraints and others. That's reflecting now in the second half or the rest of this year. If we think the market is going to be down 10% to 15% for the full year and it was down 5% to 10% now that clearly we're going to see a decline throughout this year with this outlook. Then what is 2023 going to be? That's going to depend a lot on the policies in the market and we are now starting to see some easing. So let's see, because we know there're many strong markets around China. If we look at the mega city hubs and all the satellite cities around, those continue to be very active and also the secondary hubs. Those are active then they are, of course, lower tier cities where the situation is more challenging. So, we still expect to have a good and solid market in China this year, of course, down as we have expected. And what our strategy in China is to transition all the time to grow more and more into services and that's why we're growing our Service business so fast there, right now. So that's kind of how we think about it overall.

Miguel Borrega

Analyst, Exane BNP Paribas

Q

Okay. Thank you. And my second question on your order is just to understand the moving parts between margins down year-on-year but sequentially up being the second consecutive quarter, you are seeing margins on orders up sequentially even with prices down in China and I suppose just wanted some clarification here. When you talk about prices down in China, is that year-on-year and also sequentially or sequentially is more flattish? And then when would you expect margins in new equipment to stabilize? Do you think pricing and cost actions will be enough to stop margin pressure in 2023? Thank you.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

First on the pricing front, so prices were down in China both sequentially as well as year-on-year slightly. So, that was a comment on the pricing. But when I talk about margins, it's good to remember that it's not only about pricing. It's also the product cost and of course for the development for the product cost. And while pricing has been more challenging in China, as I already said, product costs have actually we've been able to drive savings there in the best way in our China operation. So, that's then been contributing positively towards the margins also in China.

Miguel Borrega

Analyst, Exane BNP Paribas

Q

Thank you. If I could squeeze in just one last question on M&A and the situation with Toshiba Elevator, do you know if that asset is still up for sale? Can you update us if you've had conversations with them since the last quarter? Are they more open to talk or is this no longer happening? Thank you.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

Of course as you know we don't comment on any rumors or speculations around that. And I think if you look at what Toshiba has said, it's not right for us to comment on anyone's behalf or speculate what they may do. They have made their own announcements and I think that's as much as we can say.

Operator: We'll take our next question from Martin Flueckiger of Kone (sic) [Kepler Cheuvreux] (00:55:55). Please go ahead.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Yeah. Thanks for taking my question. Martin Flueckiger from Kepler Cheuvreux. My first one is on, I think, yesterday's or today's news regarding Russia stopping natural gas exports to Poland and Bulgaria. Now, I realize or I seem to think that Poland and Bulgaria are not significant markets for KONE, but let's just assume that these natural gas export holds are expanded across other more important markets like Germany, for instance, or France or who knows maybe even Finland, the way the geopolitical things are going. I was just wondering, what do you make out of this with regards to the potential impact on your industry overall, and particularly with respect to your own company? That's my first question and I'll follow-up with the second one.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

I think it's pretty clear. I'm not going to speculate what's going to happen. As a company directly, we are not so dependent on natural gas as many other industries would be, but it's clearly if something like this happens, it's going to have impacts on all through what its impact going to be an economy on ability to use energy and energy savings required. So I don't think it's worthwhile for me to speculate, but I think as an industry we are not one of the ones are going to be impacted the most, probably at the lower end.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Our energy consumption is quite low. So we're talking about maybe 10 million or so in a year and the gas is close to non-existent, to my knowledge.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Perfect, thanks. And the second one is on your targeted productivity and efficiency gains. Just wondering, trying to do an EBIT bridge here; just wondering how much – do you think that's going to contribute to EBIT as a tailwind for this year?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, I think, there's two things. We talked a lot today about the product cost. And to me, that's really about manufacturing efficiency and productivity in the manufacturing and there we've progressed well in this year. Then on the productivity of our field there, we continue to make good progress, and in this environment where costs are inflating when it comes to labor cost subcontracting to install elevators to maintain them, really the clear goal is to be able to take also productivity off-the-counter most of that inflation. So far, we've actually done quite a good job there.

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Q

Okay. So no specific quantitative guidance?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

No, I...

A

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

I take it. That's what I was looking for actually.

Q

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

No, no. Not a specific number that I would highlight here.

A

Martin Flueckiger

Analyst, Kepler Cheuvreux SA (Switzerland)

Okay. Thanks.

Q

Operator: We'll take our next question from Joel Spungin of Berenberg. Please go ahead.

Joel Spungin

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Yeah. Good afternoon. Actually I think I've just got one outstanding, which is maybe I can just come back to I think you've made the comment a couple of times about being about the order book rotation in China and being disciplined about credit and getting paid there. Could you maybe just elaborate sort of what that means in practice? Are you actually now insisting that you're paid upfront before you will deliver to customers in China? And I'm just kind of wondering what the implications are in terms of your debts outstanding in the Chinese market. Is there any risk that orders are cancelled?

Q

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

Well, we continue to manage our credit risk customer-by-customer, project-by-project basis very diligently. And I would say that our team actually in China has been doing a very good job there. And in an environment where there's an increasing liquidity concerns with developers, that's naturally very, very important. And yes with some customers where we see the risk being on a very high level, then it means that we're dealing on a cash basis with them, but it doesn't mean that we would be dealing with all customers on that front. So, it is really about judgment and understanding the risks that we're taking, and in the first quarter clearly, we could have delivered more if we would have been relaxing the rules for that.

A

Joel Spungin

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Thank you. Maybe just a quick follow-up. If you look at the development versus Q4 in China, have you – has the [indiscernible] (01:01:00) customers deteriorated or you had to make any adjustments to any outstanding provisions or anything like that?

Q

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, from a bad debt provision perspective, we've increased somewhat but more normally I think where the biggest impact is that from – in the first quarter, the liquidity was very tight. So we had to make – we had to scrutinize more and more of our deliveries, and that had more of an impact to our volumes than anything else.

Joel Spungin

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Okay. Thank you very much for that.

Operator: We'll take our next question from Christian Hinderaker of Liberum. Please go ahead.

Christian Hinderaker

Analyst, Liberum Capital Ltd.

Q

Yes. Good afternoon. Thank you for taking my questions. Both of them are on inventories. Firstly, just be interested if you could provide an indication even if it's just a broad ranking as to how much of the inventory build was the result of, say, strategic choice to increase your buffer stocks versus cyclical factors, be they're component shortages or some of the bottlenecks related to COVID lockdowns. And then secondly, interested in the intentions for inventory management as we move through the year appreciating obviously that inflationary effects may mean the value goes up, but interested in volumes in particular, if I can put it like that. Thank you.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Well, overall, our inventories are quite low. And yes, we did make some choices to increase inventories for certain components that are difficult to get access to, but I would say that still most of this is really related to the complexity of operating. In a number of markets we see our customers being impacted by shortages of also material for them to build their construction sites. And therefore, it is more complex to see which projects are going forward and the inventory is really tied up to do these deliveries where we have distribution centers having a bit more content than normally, but we're relatively still talking about tens of millions rather than bigger numbers. So, in the big scheme of things, it's still – we have a relatively low inventory levels.

Christian Hinderaker

Analyst, Liberum Capital Ltd.

Q

And so the forward planning for the year ahead?

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

Forward planning of year ahead; so I think I guess just in time is more just in case, but I don't see right now that it would have a more dramatic effect or impact our inventory levels, but clearly we need to think about it differently. And so far I have to say that the combination of our manufacturing as well as our sourcing has done a very good job being able to deliver in this environment to our customers when they need the products and solutions. So, I think it's a bit more just in case, but I wouldn't say that it's a dramatic change. I don't know Henrik if you have anything to add to that.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

A

No. I think that sounds – that's good.

Christian Hinderaker

Analyst, Liberum Capital Ltd.

Great. Thank you.



Operator: We'll take our next question from Alexander Virgo of Bank of America. Please go ahead.

Alexander Virgo

Analyst, Bank of America

Thanks very much, Henrik, Ilkka. Quick couple of clarifications, please. I'm still not quite sure I understand why revenues were down in Q1 in China and orders were flat. I was expecting it to be somewhat the other way around. So, if I understood you correctly, the revenues were down partly because of your own actions around concerns around customer health. And I guess where I'm going with this is I'm not sure that gets an awful lot better in the very near-term next couple of quarters, so I'm wondering why that improves? That's the first question. And then the second question, if I could just follow-up on impact of lockdown, could you help us understand, I guess it's probably non-China, Asia but how much of your China production supplies non-China or Asia or rest of world KONE just so we understand the broader implications of the logistics difficulties that are going to be exacerbated by the lockdowns we're living through at the moment. Thank you.



Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

I think Ilkka can probably give a more accurate answer to this, but you also to remember that first half of last year, particularly first quarter, there was actually a very rapid rotation in the order book in China. It actually increased a lot in the first half last year. Then what developers did is they speeded up projects to be able to sell them to improve their liquidity. Then it started slow down. So we also have a compared that was actually a very rapid rotation. I wouldn't make a big point out of this that we have, you know, as Ilkka said that on payment terms, what we've done is that we've ensured that we kept our payment terms and we haven't eased them. As we know the credit situation can be challenging. We can see that actually things are at the moment progressing there. So, I would put this in perspective that the challenge, I think, for the second quarter and going forward is now the restrictions and lockdowns because of the lockdowns. Logistics is really very challenging in China at the moment because restrictions where drivers can go to the Shanghai port is, as we all know, clogged up. So, those are really the bigger challenges right now. But my understanding is that the message from customers is that they want as soon as they can proceed, they proceed.



Now, if we look at the rest of Asia, yes, we supply a lot from China. Of course, we have a factory in India as well, but also there you have to put it in perspective. I would claim that almost every building that goes up in Southeast Asia, Australia or these countries, are built very much with Chinese components; be it maybe not the basic building materials, but facade elements or plumbing and HVAC and everything. So all of these constructions will be delayed and at the stage we come in, I don't think we are the bottleneck. And at the moment we've been able to find alternative logistics ways to actually continue to deliver. So, how it impacts our restoration business will depend on how long the lockdowns are continuing, but I've said I think, you're going to see a big impact through the whole construction phase just because of all the materials, how they are supplied to these building sites.

Alexander Virgo

Analyst, Bank of America

Great. Thank you.



Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

A

And to add to Henrik's answer that, relatively speaking, we are still quite local in terms of manufacturing if you look at the global footprint, North America, Europe, India, China so it is still an industry where distance does matter.

Alexander Virgo

Analyst, Bank of America

Q

Okay. Thank you very much.

Natalia Valtasaari

Head Of Investor Relations, Kone Oyj

Thanks to everyone for listening in. Henrik, did you have anything that you wanted to say now?

Henrik Georg Fredrik Ehnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

I could just say a couple of further comments. So thank you first of all, everyone, for your activity. As I started this event today, I'd say it's been an eventful quarter once again and easily we can think about all the disruptors that we're seeing. I've seen time the many good things going on there. With market growth, we've been able to capture that growth very nicely. I would really highlight our Service business. I don't think we can see anyone performing growing it as fast. So really the strategy we have had on our Service business with how we're building it up, how we're growing it and the digital aspect of it is really coming through very nicely, so that is something where we're definitely pushing to accelerator as much as we can.

The Chinese property market is challenging. At the same time, orders keep coming in. So, there is still a belief there and it's definitely belief there, but we have to see how long these lockdowns go on, how that's going to impact deliveries. That's clearly a question that we don't have all answers for, but at the same time, I can see the motivational theme is that once we can get going, we are very eager again to get going full speed. And if we remember how quickly we at KONE came out of the COVID lockdown in 2020, I think we have some good abilities there. And of course huge focus for us is to improve pricing, improve productivity and product cost. And momentum is good. Yes, we are not where we need to be. We need to make further progress, but I think the momentum is really good at the moment. So there also we are pushing as much as we can going forward.

So with that, happy to – Natalia, any final comments from you?

Natalia Valtasaari

Head Of Investor Relations, Kone Oyj

Yes. Just one reminder to everyone; so we just actually sent out our CMD invitations yesterday. So it would be great to have you all attending. You can find more information on the event on the IR pages, and the registration information as well. Hope to see you in Helsinki in June. Otherwise, thank you for the questions. Thank you for dialing-in. If there are any follow-ups, please feel free to reach out to me and with that, have a great rest of the day.

Ilkka Hara

Chief Financial Officer & Member-Executive Board, Kone Oyj

Thank you.

Henrik Georg Fredrik Ehrnrooth

President, Chief Executive Officer & Member-Executive Board, Kone Oyj

Thank you, everyone.

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