KION GROUP AG

Q1 2025 Update Call

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Christian Harm (CFO)

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Rob Smith

Thank you, Moritz.

Good afternoon, ladies and gentlemen, and welcome to our update call for the first quarter. Please refer to our update call presentation on the IR Website for continuity during this call.

I'm going to start with a quick summary of our first quarter 2025 and share some key highlights of the quarter, especially coming from some key trade fairs in Europe and the United States last month.

Then Christian's going to take you through our detailed financials. He'll reiterate our guidance for 2025. And I'll be back with some key takeaways, and we'll go into questions and answers.

So let's go together, please, to page 3.

KION had a solid start this year, in line with our expectations. Group order intake was €2.7 billion, an 11% increase compared to the prior year, and reflects higher demand in both operating segments during the first quarter, despite the increasing geopolitical uncertainties surrounding tariffs and their impact or potential impact on economic developments around the globe.

Revenue was down slightly at the KION level and in both segments due to the subdued demand in the new truck and project business in recent quarters.

Adjusted EBIT decreased 14% and was €196 million, corresponding with an adjusted EBIT margin of 7%.

While adjusted EBIT in Supply Chain Solutions improved strongly, performance in ITS reflected the expected negative impact of lower volumes.

Free cash flow was positive €30 million. And earnings per share were minus €0.36, reflecting €191 million expenses for the efficiency program recorded in the first quarter.

Moving to page 4, you will recall that, at the Consumer Electronics Show in Las Vegas in January this year, we announced first results from our cooperation with NVIDIA and Accenture.

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

We've seen three developments in recent years. We've seen a huge rise of e-commerce and software centricity in the warehouse. We've seen a demand for speed in delivery. Delivery overnight or same-day delivery is now the new normal worldwide. And supply chain resilience is a crucial factor and is increasing in importance in all our customers' minds.

Physical AI is an exciting part of KION's Supply Chain Solutions for our customers that address these important developments in our market.

March was a busy month for KION at key trade fairs in Europe and the US. At LogiMAT in Stuttgart, Linde Material Handling presented a physical AI-powered Omniverse solution in the form

of a fully integrated goods-in solution, featuring an autonomous mobile robot -- we call those AMRs -- and an electric truck, both AI-powered and both digitally represented in NVIDIA's Omniverse in real time.

The onboard and stationary cameras in the solution run on NVIDIA hardware, capturing and processing live operational data, and they work in an ever-evolving physical and digital environment, preparing to optimize vehicle coordination and route planning at scale.

Our brand STILL also offered exciting insights into the entire spectrum of automation to LogiMAT visitors, demonstrating fully automated material flow using stationary solutions such as STILL's pallet shuttle warehouse with STILL's serial production automated trucks.

Customers saw that, with our smart software, our standardized series-production trucks, and our consulting and service expertise, we can implement automation projects of all sizes.

And at NVIDIA's GTC Technology Conference in San José, California, in March, Dematic demonstrated its AI Control Tower, which represented in a digital twin built with NVIDIA Omniverse technologies and the Mega Omniverse Blueprint.

This solution will give customers the ability to run an almost infinite number of scenarios of their supply chain, constantly optimizing their operations, and thus showcasing the capability of physical AI technology for applications to automated intralogistics.

And at ProMAT in Chicago, Illinois, Dematic reinforced its commitment to industry-wide innovation, demonstrating how our technology can advance and enhance operational efficiency, scalability, and adaptability in today's evolving supply chain landscape.

Customer interest and feedback on all of these events have been extremely positive, and we're following up on the many, many leads that we've got.

We expect to provide you with the next update on innovations after we've attended the CeMat in Shanghai, China, in October of this year.

I'll now hand over to Christian, and he'll take you through our detailed first quarter financials and will reiterate our outlook for 2025.

Christian Harm

Thank you, Rob. So let's go to slide 6 now for the key financials of the ITS segment.

Order intake showed the usual sequential seasonal decline but increased by 10% year-over-year to 65,200 units.

New orders in money terms increased 9% year-on-year, driven by a 14% increase in the new truck business.

The service business also showed continued growth at 4%.

The order book reflects the ongoing lead time normalization, and its margin quality is in line with our expectations, as reflected in our outlook.

The revenue declined by 2% year-over-year to €2.1 billion. The 4% growth in service almost made up for the expected 7% decline in the new truck business.

Remember that, in 2024, the new truck business revenue significantly benefited from the tailwind of a high order backlog.

Adjusted EBIT at €186 million and the corresponding adjusted EBIT margin at 8.8% reflected the expected impact from the lower volumes, resulting in reduced fixed cost absorption as well as lower gross margins due to the reduced pricing realized in 2024 in the new truck business as a result of the increased competition.

I will now continue on page 7 on the summary of the key financials for the SCS segment. Order intake significantly benefited from the 47% growth in the service business, driven by modernization and upgrade projects.

Business Solutions orders were down 2% year-on-year. Demand from the pure-play e-commerce vertical increased, while the remaining verticals continued to be impacted by the customers' ongoing hesitancy to sign new contracts due to the geopolitical uncertainties.

The year-on-year decline in the order book reflects the subdued order intake of the past quarters but is starting to stabilize sequentially.

Overall, revenue declined sequentially and year-on-year. The 14% growth in the service business partially made up for the 16%

decline in the project business, which was impacted by the lower order intake in the past quarters.

The adjusted EBIT improved strongly year-on-year to €36 million, with a near doubling of the adjusted EBIT margin to 5.3% mainly due to the growth in the service business and solid project execution.

Now let's quickly run the key financials for the group on page 8. Order intake benefited from the improvement in new truck demand and the continued growth in the service business in both segments.

Continued lead time normalization in ITS and subdued demand in past quarters in SCS led to the decrease in the order book.

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

Adjusted EBIT at €196 million and the adjusted EBIT margin at 7% was impacted mainly by the lower fixed cost absorption in ITS, which was partially compensated by the strong earnings improvement in SCS.

Now page 9 actually shows the reconciliation from the adjusted EBITDA to group net income.

Non-recurring items amounted to minus €194 million, and this included €191 million of expenses related to the efficiency program.

You will recall that we expect the total expenses for the efficiency program to be between €240 million and €260 million. Therefore, you should expect some further expenses for the efficiency program in the following quarters.

PPA items were at the usual quarterly levels.

The net financial expenses improved year-on-year mainly due to FX as well as an improved interest result relating to the leasing and the short-term rental business.

This resulted in pre-tax earnings of minus €59 million in the quarter.

As a majority of the expenses for the efficiency program is tax deductible, we had a tax income in the quarter.

This resulted in a net loss attributable to shareholders of minus €48 million in the quarter, corresponding to earnings per share of minus €0.36.

On page 10, let’s continue with the free cash flow statement. Free cash flow in the quarter reached positive €30 million. The development in the net working capital reflects the usual seasonality of the first quarter.

The expenses relating to the efficiency program were not cash effective in the first quarter. They are expected to become cash effective in the second half of this year. And this is fully included in our full-year 2025 free cash flow guidance.

Page 10 then shows the development of net financial debt and our leverage ratios. We had a slight decrease in net debt at the end of the first quarter 2025 but continued to remain below €1 billion.

This had no impact on the leverage ratio across both net debt definitions compared to the end of December 2024.

Our leverage ratios remain slightly lower than the level last seen post our December 2022 capital increase, but this time, we achieved the improvement entirely through self-help measures.

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

Now moving on to page 13, we had a good start to the year, with Q1 2025 performing in line with our expectations.

Looking ahead, we cannot ignore that the economic environment is characterized by considerable uncertainty.

Geopolitical risks and potential negative impacts on our value chains and our markets could arise from the escalating trade conflict.

Over the past years, we have invested in our production and R&D capacities and into our sales and service networks, particularly in the APAC and Americas regions, to prepare for shifting geopolitical scenarios.

We therefore confirm our outlook for fiscal year 2025 for the group and our two operating segments as of today, subject to the condition that there is no significant deterioration of the overall economic environment.

Consequently, slide 14 lays out our guidance as presented with the full-year 2024 results. Since I provided a detailed walkthrough of our guidance at the end of the full-year 2024 update call at the end of February, I will skip it here in the interest of time. For those of you who are interested in the explanation, please refer to the transcript which is posted on our Investor Relations Website.

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

I will now hand back to Rob for our key takeaways.

Rob Smith

Thank you, Christian. Let’s turn together to page 15 for our key takeaways.

We had a solid start to the year, with first quarter 2025 performing in line with our expectations.

Looking ahead, the economic environment is characterized by considerable uncertainty. In particular, the escalating trade conflict could potentially have a negative impact on our value chains and our markets.

KION’s innovative AI and automation solutions are very well received by our customers.

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Europe is historically a home market for us. Thanks to the considerable investments we've made in past years to strengthen our footprint in production, in sourcing, in R&D, as well as our sales and service networks, in particular in APAC and the Americas region, APAC and Americas are also home markets for us.

We're therefore well prepared for shifting geopolitical scenarios. We're monitoring these situations very carefully and will manage changes in the market conditions in an agile manner.

We confirm our outlook for fiscal year 2025 for the group and for our two operating segments, subject to no significant deterioration in the overall economic environment.

This concludes our presentation. Thank you for your interest. And now we look forward to taking your questions. Moritz, let's go back to you, and let's open the line, please, for the Q&A.

Operator — Ladies and gentlemen, we will now begin the question-and-answer session.

Gael de Bray — Well, thanks very much. Good afternoon, everybody. Actually, I have a few questions, so maybe one at a time. The first one is around the mix for the ITS business. With Q1 orders clearly showing a better mix with a higher share of EMEA and counterbalance trucks, so do you think the trough in terms of the mix was reached last year and is now firmly behind the group? That would be question number one, and then I'll come back after.

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Rob Smith

Gael, let's go to that mix because, as we shared, we had a 10% year-on-year pickup in order intake in the ITS segment, and the mix was for counterbalanced plus 15% year-on-year, and for warehouse trucks, it was plus 8%, giving us an overall 10% pickup.

In addition, the increases year-on-year were seen throughout all regions. It was 10% worldwide. It was 11% in the EMEA market. It was 1% in APAC. And in the North American market, it was a 67% pickup.

So that is a positive year-on-year increase. It's also positive from our perspective to see that across all regions. And the counterbalanced is a favorable mix for us.

Maybe if we go to two follow-on thoughts, we did not see in the first quarter any pull-forward effects, in fact, in either segment. And in current trading in the month of April, we have not seen any reversals in the positive development so far going into this year.

Gael de Bray

Okay. That's great. So maybe just a follow-up on this one, on this commentary you've just had. What sort of discussions do you have with clients now? Are they all rather on the wait-and-see attitude because of the correct uncertainties coming from the tariffs, or is it rather the opposite that you feel that more and more corporates now have been forced to rethink their supply chain organizations because of the tariffs and are accordingly ready to invest more in logistics because these trade tensions eventually mean that they have to relocate production, shift sourcing, shorten supply chains, and so on?

Rob Smith

Thanks, Gael. A couple of thoughts on that. I think it's truly too early to tell. And you got to put yourself in the shoes of companies all over the world. With the tariff story changing daily or hourly, it's very difficult to get some planning stability for people to be making new investments.

And so we've been discussing geopolitical and economic uncertainties. And the tariff discussions are certainly exacerbating these uncertainties. And so we've described people slow to be making new invest -- to start new investments on large scale, for example, greenfield automation projects.

What we do see though and you do see in our results is a very significant pickup, almost a doubling, in the order intake for our modernizations and upgrades, which are brownfield projects, we report them in our service business. However, they're like small automation projects, small new business projects on a brownfield basis.

We've got a very exciting product offering or solution offering for that, where the customers will run their facility until basically lunchtime on a Friday. And between lunchtime Friday and Sunday afternoon, we've been able to tear out, rebuild, and upgrade their brownfield facility to have better throughput and better productivity.

And so what you see is customers that have existing facilities and existing automation solutions choosing to modernize and upgrade those rather than doubling down on new greenfields. And we think that's a normal and natural reaction against a climate like this.

We do see that growing. And we think, as I say, that's a normal and natural reaction in an economic climate like this.

Gael de Bray: Okay. Very, very helpful. Thanks very much.

Tore Fangmann: Hi, Rob. Hi. Christian. Thank you for taking my question. I would start with the first one, basically a bit of an add-on of the last warehouse automation question. So if I see it correctly now, the service part or, as you said, the modernization part is growing strongly. And can this -- going forward, if this is the case that this will improve over coming quarters -- then also improve the margin trajectory of the segment, or should we not assume a higher margin for this business than for the greenfield part of your offering? And I'll wait with the second question. Thank you.

Christian Harm: So I think it's a fair assumption that the margin quality on sort of the service business overall -- and that does also include these modernizations and upgrades -- actually has a favorable margin profile for us.

So we had -- like we said, we had a very good development, not just now in the first quarter, actually over the past quarters already with modernizations and upgrades. And that's to the point that Rob described actually.

We had almost a doubling in the first quarter in the order intake for mods and upgrades compared to the same quarter last year. We should not expect that we will grow that business compared to last year at the same rate though. But that's helpful obviously to our margin and the margin development going forward.

Tore Fangmann

Okay. Very, very well understood. And then the next one is -- let's call it double question on your IT&S margin. On the one side, we saw year-on-year now revenues coming slightly down by 2%, but the EBIT was much lower. So to me, it just feels like there's a little bit more than just the usual missing operating leverage here. So maybe you could go deeper into this.

And then here as an add-on, on the efficiency program, do you still feel well on track to be back to the over 10% margins in IT&S by 2026? Thank you.

Christian Harm

So to tackle your first one there on the ITS margin development, you lay out the elements already. There is an element there. We had the rundown of the order book last year, and we have less of that effect, obviously, as we have said, starting this year, as the order book has normalized. So that has an impact on our volume and as such has an impact on the operating leverage, if you will, and the consequence on the margin.

We have also seen that and then also included in our guidance for the revenue as well as for the EBIT for this year in the ITS segment. We have included that, not just that we see lower volumes for new business this year in the revenue but that we also see that the pricing that will transfer into revenue this year will be lower than sort of the pricing that we have seen throughout 2024.

And as such, the order intake and then also the margin quality of the order intake and also the revenue is in line with what we have expected and is a combination of those factors.

When it comes to your second question, which is then on the efficiency program, we have announced that, and we have said we are starting the process. We are 100% in time on the process. And the effects that we are looking at -- so to remind everybody, €140 million to €160 million full year effective fully for 2026 -- we're still looking at that.

We also look at the same number of restructuring, as I said in my presentation already. We have built a provision for a significant part of that in the first quarter, but we still look at the same NRI level, if you will, for the full year then for €240 million to €260 million, fully in line with what we have laid out and in line with our plans.

Tore Fangmann — Okay. Great. Thank you, both.

Sven Weier — Good afternoon. Thanks for taking my questions. The first one is kind of again -- sorry for following up on ITS, but my simple question would be to say, is the sales mix that you had in Q1 in terms of split between the lower-margin warehouse units and the higher-margin CB trucks, is that consistent with the split that you have also now on the order intake?

So is that the same, or should we see any difference going forward in the sales mix then on the back of what you had as the Q1 order intake? That's the first one. Thank you.

Christian Harm — So just to clarify, Sven, you're referring to a difference in the mix in revenue to the mix in order intake. Is that your question?

Sven Weier — Yes, because you've been thankfully talking about the order momentum and the counterbalanced trucks and the warehouse

trucks. And I was just wondering, is kind of the mix that you see on the revenues, between warehouse and the others, kind of relatively similar to the mix you have in the order intake?

Christian Harm — So Rob made this explanation, and actually, he referred to the order intake mix in the first quarter. So obviously, when we are -- the way we came out of last year, we had a slightly different mix. So the order intake in the first quarter turned to the positive, if you will, compared to what we have overall in the order book.

Sven Weier — From that end, we rather get margin support in the coming quarters as well as from increasing amount of cost savings, I guess, as we go closer to the second half.

Christian Harm — Well, the cost savings, like I said before, we expect to have effect of the efficiency program in 2026. So it would be -- because you say later in the year, I would more look into sort of the effect is in 2026 for the cost savings program. And the sort of mix, like we saw the mix now also in the order intake when it comes to the product mix, regional mix, this is sort of what we have also sort of incorporated in our outlook for the full year already. So therefore, the mix that we have seen now in the order intake does not change our view on the full year for the segment.

Sven Weier — That’s exactly what I was after. Thank you. And the second question is just on warehouse automation orders, where you obviously saw the sequential pickup. My understanding in the pre-close call was that you had some order slippage from Q4 into Q1 on the OE side actually and that this would be helpful kind of.

But I think the message we’re getting today is a bit different, that you actually had very good order momentum on the service side,

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on the smaller project side, which would sound more sustainable to me as an order level rather than if you had slippage. Can you just give some more color on this point?

Rob Smith

Certainly, we're not dampening any order intake expectations, Sven. There were indeed -- there was a reference in the pre-close call to several large greenfields that move from Q1 to Q2, that did move from Q1 to Q2. So I expect that that'll be what we're talking about 3 months from now, or they will be part of our discussion 3 months from now. But they will certainly be part of order intake in Q2.

And maybe, actually, this gives me an opportunity to pick up on where Gael's question was going a bit and where I think yours is too. I've been talking now for several quarters -- we've been having a discussion about, when was the warehouse automation market going to be turning to the positive.

And we all recall back in COVID when there was such a massive investment in warehouse automation, especially in e-commerce, that it's taken the industry a couple -- several years actually to grow into the capacity that we helped put in place during COVID.

And you'll recall now, for about 3 quarters, I've been discussing it's been a positive step to see the e-commerce customers coming back now to the table and restarting their ordering for greenfields.

I've also talked about that that's been a continuing trend and the e-commerce that we report, that part of our -- so you see that now for several quarters. I see that as a harkening for maybe an early demonstration of the market coming back.

And I think, on top of that now, this pickup in the modernization and upgrades is another demonstration of people needing to improve their capacity.

I talked last time about the warehouse or the e-commerce customers coming back and now putting us on good visibility to their future needs. And they do need and are asking for more capacity.

And the fact that customers with existing facilities -- and I guess what I would say is not only is that a brownfield trend now, but it's beneficial because KION's got a very large installed base of automation projects worldwide.

And so with -- the reason customers are upgrading and doing modernizations and upgrades is because they need more capacity and are choosing to do that on existing facilities as opposed to starting brand new greenfields with some of the uncertainty out there.

But both of those trends are saying that the market needs more capacity and is investing in that. And I think that's a demonstration or another data point that we can all be seeing together that the warehouse market -- automation market is in indeed returning into growth mode.

I think it'll certainly be helpful for the world to get through some of these tariffs gyrations and get into a bit more stable planning environment. And I think that will be some tailwind to the trend that we're discussing.

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Sven Weier: Thanks for the additional details, Rob. Just to reconfirm, so you did not have slippage from Q4 into Q1, but you actually had slippage from Q1 into Q2. So that -- I must have misunderstood that on the pre-close call then, right?

Rob Smith: No, Sven, look, talking about slippage and this and that, people push buttons at different points in time. In fact, there were some Q4 projects that we expected to get in Q4 that came in Q1. In fact, in Q1, there were a couple of projects we expected to come that indeed came in the first couple weeks of Q2.

It's kind of a natural -- that's why we've talked for many years about lumpy order intake is because projects -- each one of them is discrete, and they push buttons at different points in time.

So your understanding was accurate. There were a couple from 1 that moved into 2, and there were a couple from Q4 that moved into Q1. And I think, in any given quarter, you'll probably see that. And so I wouldn't call that out as unusual.

Sven Weier: And given that you are a big partner of AutoStore, has that caused any disruption for you? Because, obviously, they had a major disruption in Q1 the way they generate their revenues. Has that maybe also affected you, or is that not really relevant for you guys?

Rob Smith: No, you'll recall, please, Sven, we integrate our own technology. We integrate third-party technology. We've put an entire software stack around that and have solutions to all our customers' different automation needs.

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And the integration of AutoStore technology as one technology in our overall solutions is clearly part of our offering. And you're exactly right. We are a major player in the market with that.

On the other hand, that's had no impact on our overall business, so no.

Sven Weier — Good. Very clear. Thank you, Rob.

Ben Uglow — Good afternoon, Rob and Christian. Thank you for taking the question. I had a couple. I guess one is almost a follow-up. And thank you, Rob, for quite a lot of helpful color around the warehouse automation segment.

I think we've all seen the kind of improving trend from e-commerce over the last couple of quarters. The question on my mind is, from your customer conversations -- and I appreciate that we're talking about things that are happening week by week, but obviously, you've had ProMAT and all of those conferences and events a month or so ago.

Then we've had Liberation Day and tariffs. And I guess, have those customer conversations changed at all? Are you detecting a pause in the greenfield environment, and have any of the projects that you were originally talking about been pushed to the right? If you can just give us a recent sense of those conversations, that would really help. Thank you.

Rob Smith — Ben, let me just share I think people all over the world are scratching their heads around Liberation Day at this moment. However, we work with a long-term pipeline. We're working with our customers on really solutioning for them to meet multiyear

and long-term needs for their automation and helping them set up their supply chains and their supply chain automation.

And therefore, those long-term pipeline discussions are not particularly interrupted at any one given point in time. They continue. They usually conclude with a bunch of head scratching around Liberation Day in the past 3 weeks, but those conversations continue. We've got a very solid pipeline. We've got a very strong customer base. We're in this together for the long run.

If anything -- and I've called this out a couple times before -- I think the world's waking up to the fact that more and more optionality in their supply chains is a good thing or incrementally more. You can overdo it and invest everywhere in everything, but increasing the optionality in your supply chain through adding incremental capacity in places where they consider their supply chain underrepresented in terms of presence and footprint is something that's going through the minds of warehouse automation and CEOs all over the world.

And so I anticipate that this kind of wanting to have a supply chain that enables further optionality as geopolitical shifts come should be a positive thing for the warehouse automation market.

And I think trying to call that shot inside of 3 weeks of gyrations on Liberation Day would be a short-term call. I think the long-term trend of people wanting to have increased flexibility will be a positive thing for the market.

Ben Uglow

That's understood. Thank you. And then my second -- it's really just about the cost. Are you beginning to see or have you begun

to think through the higher cost of components and/or raw materials? Is that something that you are already dealing with? I guess my question is remembering obviously what happened in COVID. Are you yet implementing sort of unusual price actions or surcharges to offset any of those increases, i.e., where are we right now in your kind of pricing fight back?

Christian Harm

So the point is we have to see where we are actually affected at this point in time. That's the starting point. And basically, we have very much -- and that's true for both segments of the business -- we have very much a setup that is sort of in the region for the region.

So that is, if you will, already sort of a natural hedge in this context. So if you look at our effectiveness at this point in time or so, it's very much focused on North America or US in particular obviously. It's very much focused on the US and the relationships that we have, what we trade into the United States basically.

So therefore, there's one particular element. Everybody knows we have a facility in Monterrey in Mexico that supplies the Supply Chain Solution segment, Dematic for the US. That is run under the so-called USMCA agreement, the successor to the NAFTA agreement. And so far, even after Liberation Day and the Rose Garden event, that is still exempt from the tariff situation. So therefore, that actually limits our exposure to a tariff for a cost increase to a vast extent.

We have other cost elements that are also affecting us. Obviously, there is an import from very few products on the SCS side from Europe. We have a bit of sort of imports from other countries, and we also have this on the ITS side.

Now we have put in place contract language. You made a reference to COVID and the times 2020 to 2022, rightfully so. We have put language in place that allows us to actually transfer cost increases of significance to our customers. And to the extent possible, we're going to use that language now and transfer that to our customers.

And therefore, overall, we feel that's also a reason why we are in a position to actually confirm the guidance that we have put out a few weeks ago because we feel that the exposure that we are having is well covered within the ranges that we have been providing.

Ben Uglow — That's understood. Thank you very much. I'll pass it on.

Martin Wilkie — Thank you. Good afternoon. It's Martin at Citi. Just a couple of questions. The first one, just coming back to SCS, it was very encouraging, the end market commentary you've given there. When we look at a different customer segment, have there been any where you've noticed a change in trend? I'm guessing there are -- some of your US customers are more at risk themselves from tariffs, whether it's in electronics or apparel and clothing or areas like that, or is it simply too early to see even at the customer level if there's been any change in investment intention?

Rob Smith — I think it's a good question, Martin. Maybe if there's a segment to call out, we've already talked about e-commerce. Where I also see continued focus and maybe some pickup is, over the last several quarters, even the last couple of years, the grocery segment has been quite consistent in its drive to move from manual operations to automated operations.

All of the trends that work in general on the automation segment also certainly applied to the grocery segment. And you've seen good consistent focus in the grocery segment on automation in addition to what we've talked about around e-commerce.

Martin Wilkie

Great. That's really helpful. And if I could have one other question just on the truck business, obviously, a lot of hope earlier in the year about Germany and the infrastructure spend and so forth. And I recognize a lot of that clearly has yet to sort of flow through to German economy, but we are seeing some signs that the Ifo are reading and others that some sentiment in Germany has picked up a little bit.

Is it too early for you to see those kind of conversations with your customers about their capacity expansions that might lead to a pickup in the truck business in Germany, or what are you seeing specifically in the German market?

Rob Smith

I tell you, maybe I do a shout out, Martin, for Gael from Deutsche Bank. He's put out a week, 10 days ago a quite good analysis of expectations of the beneficiaries of the infrastructure investment expected to come from the decisions being taken in Germany.

What I would tell you is that we're still 6-7 days shy of the new government starting, and that should happen on 6 May. And I think part of that new government's success and longevity is going to be underpinned by indeed implementing the infrastructure investment that is foreseen and announced a little over a month ago.

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Should that not transpire, I think that will put quite a bit of pressure on the government. I think the whole country is very focused on the new government being successful. So I would expect intensity of working to implement that investment program in the country. And I think that will certainly have macro benefits.

And Gael's done a nice job of calling out who he thinks is going to benefit from that. And you might want to check into his report. We think that's certainly going to be good for our company.

Martin Wilkie — Very good. All right. Thanks for the answer.

Alexander Hauenstein — Yes, hi. Thanks for taking my questions. I would like to come back to the optionalities you mentioned. You also have spoken on some of your slides about the prepared different scenarios for capacity, R&D, distribution network, etc.

So what are these kind of scenarios you have been preparing for? Maybe you can share some views here. Which stage are they in, and what can you tell about your ideas about how to --

Rob Smith — So, Alexander, thank you for the question. Look, I think optionality in running a supply chain gives people the opportunity to, as Christian was describing earlier, have a natural hedge, an operational hedge, as conditions change.

Those conditions could be FX conditions. They could be scarcity of supply conditions. Those could be tariffs increasing cost conditions in any one location or in any given market. And so constructing the supply chain to having indeed optionality for sourcing in different -- having alternatives for sourcing and alternatives for manufacturing sites, and indeed, you could even

consider alternatives for R&D, depending on geopolitical scenarios.

All those things give companies an ability to have continuity of operations as some of the different scenarios change or their current state is changing in a geopolitical or supply chain or natural disaster or any other kind of potential interruptions.

If you don’t have any options and you get an interruption, you’re in real trouble. And so having more options on the table and having your supply chain set up to deliver that for you in reasonably short time gives companies an opportunity and an ability to have better continuity of performance and continuity of operations than companies that don’t have that.

And so when I talk about KION, actually, we have a home game in all the world’s major markets. We have a footprint that gives us the opportunity to do R&D, to have a sales and service network, to have a supply chain, to have a sourcing team and supply base, and to have manufacturing and assembly operations in all the world’s regions.

Obviously, no company has 100% vertical integration and complete coverage on every part in their bills and materials and for every product line in every market. That would be exorbitantly expensive on a CapEx side and would be a drain on margin.

But the trick is to give quite a bit of thought to that and be selective on how you set up that optionality in your supply chain. And that’s indeed how we’ve worked to set up ours. And it gives us a certain amount of natural hedging, as Christian was describing a while ago.

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And so as you work through different potential scenarios, you wind up -- all of them lead to having more optionality. A certain amount of optionality and flexibility gives you an ability to have better performance in unpredictable environments.

Alexander Hauenstein

So I understand you have kind of combined and bundled the things that you were looking into also in the past and especially since the pandemic, have kind of bundled them and put them into different scenarios where you can take them more out of the box in the case you need them.

But generally, you've probably done this kind of work on the several items you mentioned already. Has that materially intensified, or is that well far progressing, or how should I think about the way how intensive this is consuming your time, for example?

Rob Smith

Look, I think, if you equate intensity to urgency to short-term trying to turn it on, companies that are in the short-term trying to turn on flexibility are probably already behind the game.

And we've consistently invested and built those capabilities in all the world's regions over many years. And so there's a certain amount of installed base and capability and flexibility we've already built into our operations. And that certainly is something that we think was appropriate and responsible decision-making over time and gives us a certain amount of flexibility in this time frame.

And we're happily not trying to create flexibility in the short term. That would be quite difficult to do. We'll continue to build it out,

	but it's been important to have a significant amount of installed base that already creates that flexibility, Alexander.
Alexander Hauenstein	Okay. So understood. So I understand you're well prepared, and there's no big need for you to take more actions in order to take up this options path, so to say. Okay. And so let's come to my question number two, please, looking into Supply Chain Solutions. I was wondering whether you could give us some idea about the margin progression path over the next couple of quarters until year end here. Is there any straight, let's say, linear development to be expected or anything that could come across the lines apart from, let's say, the normal fluctuations of the one or the other project being slipped into another quarter?
Christian Harm	Thanks for the question, Alexander, because that gives me the opportunity to sort of lay out that again, as it is underpinned with the guidance that we have provided for the full year. And as we have said also last time, we look at the continued progression on the margin profile on our way to a double-digit margin that we portray for the SCS segment also by 2027. And this year and the progress that we expect throughout the year will actually be on that path and in line and consistent with that path for 2027.
Alexander Hauenstein	Okay. Thank you.
Philippe Lorain	The first question I have is, could you confirm please for SCS that the order intake and sales of the service activities are 100% comparable in any specific period? Because at the end of 2023,

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	you were actually mentioning that the methodology was being aligned with ITS and that modernizations and upgrades would be excluded from the service order intake, which does not seem to be the case anymore in this quarter. So that's the first one. And I'll wait with the second one.
Christian Harm	Okay. Then I'll do the first one. Modernizations and upgrades are both shown in services in the order intake and in the revenue obviously. But the mods and upgrades follow the same percentage of completion logic like the projects, the business solution pieces. Therefore, order intake of mods and upgrades -- that is shown as service order intake --, will actually translate then into revenue, into services as the completion of the projects under POC is done.
Philippe Lorain	Okay. So you confirm that actually now the whole service order intake and the whole service sales is not 100% comparable in any quarter?
Christian Harm	It's not identical.
Philippe Lorain	Okay. That was the first question. And the second question is, could you quantify a little bit the price reductions that you warranted to clients in 2024 in ITS, the ones that are mentioned on the specific slide, or maybe slightly differently as well, you mentioned some pressure on the gross margins due to this reduced pricing. So can you quantify a little bit that pressure, please?
Rob Smith	No.

Philippe Lorain — Okay.

Rob Smith — No, look, our actions are rational, and the markets actions are rational. And it's all the more we'd really be commenting on that. So appreciate the questions, Philippe. Actually, we appreciate everybody's questions today. We're at the end of the time frame. I think, Moritz, if you wanted to -- and we could finish up here.

Operator — Yes, this will conclude our question-and-answer session for today. For any people who were not able to ask their question, please contact the IR team of KION, and they will happily reply to you offline. So it's my pleasure now to hand back over to Rob Smith for any closing remarks.

Rob Smith — Thanks, Moritz, and thanks, everyone, for joining our call today and these very good questions. I felt like we were able to have a very good discussion about the dynamics and the state of play of the business and appreciate that together very much.

We look forward. We'll be continuing this dialog with you in the next months at the upcoming conferences. We'll see each other in person at those. And we'll be back in 3 months with our second quarter results at the end of July. So until then, take care and best wishes. Bye.