



KION GROUP AG

Q2 2025 Update Call

Conference Call Transcript

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Speakers: Rob Smith (CEO)  
Christian Harm (CFO)

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Rob Smith

Thank you, Sergen. Good afternoon, ladies and gentlemen, and welcome to our Update Call and Webcast on our Q2 results. You can please see the Update Call presentation on the IR Website as we go through the presentation together.

I'm going to start with a summary of our second quarter 2025 results, and then Christian will take you through our Q2 financials in detail and reiterate our outlook for 2025. I'll come back with some key takeaways, and then Christian and I look forward to your questions after that.

Let's start together on page 3. Q2 was another solid quarter and in line with our expectations. Group order intake was €3.5 billion, a 33% increase compared to the prior year and reflects a record quarter for order intake in Supply Chain Solutions.

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

Adjusted EBIT was €189 million, corresponding to an adjusted EBIT margin of 7%. While adjusted EBIT in Supply Chain Solutions continued to improve its profitability, performance in ITS reflected the expected negative impact of lower volumes.

Free cash flow was again positive at €132 million.

Earnings per share were €0.72, an increase of 38% year-on-year.

I turn you over to Christian now, and he'll take you through our Q2 financials and reiterate our outlook for the full year.

Christian Harm:

Thank you, Rob. So please, everybody, let's go to slide 5 for the key financials of the ITS segment. Order intake reached 70,000 units in the second quarter, and that is a sequential increase of 7%, a pretty normal seasonal development in the second quarter of the year. Year-over-year, the increase was 9%, meaning that the growth seen in the first quarter '25 held its pace.

New orders in money terms increased 5% year-on-year, driven by an 8% increase in the new truck business. And the service business also showed continued growth at 3%. The order book reflects now ongoing the lead time normalization, and its margin quality is in line with our expectations as reflected in our outlook.

With this development, the book-to-bill ratio was above 1.

Revenue declined by 6% year-over-year to slightly over €2 billion. The 2% growth in service only slightly made up for the expected 13% 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 €173 million and the corresponding adjusted EBIT margin at 8.6% reflects the expected impact from lower volumes resulting in reduced fixed cost absorption as well as lower gross margins due to the reduced pricing realized in the second half of 2024 in the new truck business.

On page 6, I will now continue with the summary of the key financials for SCS. We had a very strong quarter in order intake, in fact, a record level of more than €1.4 billion. In contrast to recent quarters, this significant increase was primarily driven by Business Solutions, which more than doubled, also thanks to the favorable timing of some order signings. The service business continued to grow.

This a very good development, but I would ask you not to extrapolate that number for every quarter going forward. While we may have passed the trough, we are still in a lumpy recovery trajectory, and we are likely to see the next quarters below the €1 billion mark again.

You will note that the increase in demand was very much driven by the pure-play e-commerce vertical, while most of the remaining verticals continue to be impacted by customers' ongoing hesitancy to sign new contracts due to the geopolitical uncertainties.

As a result of the high order intake, the order book increased both sequentially and year-over-year. This year-over-year increase would have shown an even higher growth rate without the adverse FX translation effects of approximately €225 million.

Overall, revenue increased slightly sequentially and declined year-on-year. The 6% growth in the service business partially made up for the 12% decline in the project business, again which was impacted by the lower order intake in the past quarters.

The adjusted EBIT improved strongly year-on-year to €42 million with a near doubling of the adjusted EBIT margin to 6%, and that's mainly due to the growth in the service business and the solid project execution.

Now let me quickly run through the key financials for the Group on page 7. Order intake benefited from growth across all businesses: new trucks in ITS, new projects in SCS, as well as continued growth in the service business in both segments.

The continued lead time normalization in ITS and the FX translation losses in SCS led to the year-over-year decline in the order book.

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

And adjusted EBIT at €189 million and the adjusted EBIT margin at 7% was mainly impacted from the lower fixed cost absorption in ITS, which was partially compensated by the strong earnings improvement in SCS.

Page 8 then shows the reconciliation from adjusted EBITDA to Group net income. The nonrecurring items in the quarter did not include any material expenses for the efficiency program.

With regards to PPA items, remember that the prior-year quarter was impacted by the €22 million goodwill impairment for KION ITS Americas. In the second quarter of 2025, PPA items were back at the usual quarterly level.

The net financial expenses improved year-over-year mainly due to positive currency effects.

This resulted in pretax earnings of €131 million in the quarter. The net loss attributable to shareholders increased by 38% to €94 million, and that's corresponding to earnings per share of €0.72.

The tax expenses of €38 million corresponded to a tax rate of 28%, significantly lower than in the prior-year quarter. The main driver for the lower tax expenses in the quarter resulted from a positive tax effect relating to prior years.

In June 2025, so June this year, the German government resolved to cut the federal corporate income tax rate from the fiscal year 2028 onwards, and that's leading to a revaluation of deferred tax assets. This is expected to lead to a tax gain in a low to middle double-digit million euro amount in the third quarter.

This effect, together with the low effective tax rates in the first two quarters of this year, has led us to update our full-year 2025 tax rate indication to between 25% and 30% from previously 35% to 39%. You will find this information on the housekeeping slide in the appendix of this Update Call presentation.

Now page 9, let's continue with the free cash flow. Free cash flow in the quarter reached positive €132 million, substantially driven by an improvement in net working capital in both operating segments.

In contrast to the prior 2 years, where we had a €50 million cash-out in Q4 for additional pension funding, we are planning to spread the cash amount across 3 quarters this year: €15 million were funded in the second quarter, and additional funding in similar magnitude are earmarked for the third and the fourth quarter.

The expenses relating to the efficiency program were not cash effective in the second quarter. They are expected to become cash effective in the second half of this year. And this is 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 increase in the net debt at the end of the second quarter 2025 but continued to remain below €1 billion.

This had no impact on the leverage ratios across both net debt definitions compared to the end of March of this year.

Our leverage ratios remain slightly lower than the level last seen post our December 2020 capital increase, but again, this time, we achieved the improvement entirely through self-help measures.

Let me quickly touch on the Standard & Poor's global rating downgrade to BB+ with stable outlook that was published at the end of June. While disappointing, our analysis shows very limited impact on our financing costs and our refinancing ability.

The margins agreed with our banks under the revolving credit facilities are driven by a margin grid, and margins will rise by a very low double-digit number of basis points.

As you can see in the maturity profile included in the appendix of this presentation, our industrial indebtedness has virtually no maturities until 2028, following the early refinancing of the upcoming bond maturity in September of this year, for which we had issued a new bond back in November of last year. Consequently, the impact on our industrial indebtedness is very limited.

Our net financial debt of less than €1 billion carries fixed coupons for a large part, and the variable part is contracted with fixed margins fluctuating only with EURIBOR. Only the currently undrawn revolving credit facility maturing in 2028 would be impacted by the margin increase in case of utilization and minimally with respect to the commitment fees.

The leasing refinancing will be slightly impacted for the variable part of the existing portfolio financed by a revolving credit facility maturing in 2029. For future customer contracts, the slightly increased refinancing costs will be included in our end customer offerings.

Overall, we expect a very low single-digit million € impact on our interest result in 2025 and beyond. We enjoy a very stable banking group and will continue to work very closely with the rating agencies to establish a path back to a consistent investment-grade rating over time.



Now I'm moving on to slide 12. We had a good start to the year, with the Q1 as well as the Q2 performing in line with our expectations.

Looking ahead, we note that the economic environment is still characterized by considerable uncertainty.

Geopolitical risks and potential negative impacts on our value chains and our markets could materialize from the ongoing 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 disruption to our supply chains as a result of trade barriers, especially tariffs and restrictions on access to critical commodities.

Slide 13 lays out our guidance as presented with the full-year 2024 results. Since I provided a detailed walkthrough of our guidance at the Full-Year 2024 Update Call at the end of February, I will skip it here in the interest of time.

For those who are interested in the explanation, please refer to the transcript which is posted on our Investor Relations Website.

I know you are going to ask me anyway, so let me share with you how we currently think about the phasing over the next 2 quarters. As you know, Q3 is often a weaker margin quarter in ITS, with July and August being holiday months with some seasonality due to summer factory shutdowns especially in our key market EMEA. I don't think this year will be any different. Q4 is often a stronger margin quarter, and again, this should not be any different this year, but how much stronger is a discussion I'd like to postpone then when we present our Q3 results.

For SCS, as you know, in general, we're looking for a margin improvement every quarter. Since the margin improvement was quite pronounced from the first to the second quarter, maybe the next sequential improvement won't be as strong and then may be stronger again in the fourth quarter. Again, let's discuss Q4 when we publish Q3. Obviously, by then, we will have much better visibility.

And with that, Rob, I hand back to you for the key takeaways.

Rob Smith

Thank you, Christian. Our key takeaways you'll find on page 14. KION had a solid start to this year, with Q1 and Q2 2025 performing in line with our expectations. Looking ahead, the economic environment is characterized by considerable uncertainty. In particular, the ongoing trade conflict could potentially have negative impacts on our value chains and/or on our markets.

Over the last 2.5 years, our Supply Chain Solutions business Dematic has been on a consistent and sustainable profitability improvement journey, and this has been based solely on self-

help measures such as the completion of legacy projects, improved project execution, and service growth. And with the order intake now beginning to recover, Supply Chain Solutions is on the right track to deliver over 10% adjusted EBIT margin profitability in 2027.

We confirm our outlook for the fiscal year 2025 for the Group and both of our operating segments, subject to no significant disruptions to supply chains as a result of trade barriers, especially tariffs and restriction on access to critical commodities.

This does conclude our presentation. Thank you for your interest so far. We're looking forward to some great questions. Back to you, Sergen. Let's open the line.

Operator

Thank you very much, Mr. Smith. Ladies and gentlemen, we will now begin the question-and-answer session.

Akash Gupta

Yes, hi, good afternoon and thanks for your time. I got two, and both are on Supply Chain Solutions segment. So the first one I have is on the order pipeline. You had a very strong Q2, and I'm curious. How does the pipeline look after such a strong quarter? Can you give us any insight on what you're seeing out there, and how does it compare at the same point in time last year?

And when we look at the prospect for second-half orders, is there any room to grow orders in the second half, or we should expect weaker orders? That's the first one.

Rob Smith

Hey, Akash, thank you for that question. I'll take that one. Look, orders moving between quarters, shifting between quarters is quite normal business in Supply Chain Solutions. And that's why it's important to look at the trend over several quarters.

Q2 was a very strong quarter and was a convergence of several different elements within the customer seasonal schedule and internal approval processes and overall strategy. And we took multiple large orders in this quarter, leading to some very, very strong performance in this quarter. We don't see it at that level in the quarters to come.

However, we do expect that the second half of this year is up versus the second half of last year, and I think, therefore, we'll be showing the trend is continuing.

Akash Gupta

Thank you.

Rob Smith

And you asked about the pipeline, Akash. Look, our pipeline is strong. I've been telling you for many quarters we've got very good visibility to the projects in the pipeline. We've got very good visibility to the projects in the pipeline, and the pipeline is a strong pipeline. It's looking good.

Akash Gupta

Thank you. And my second question is on pricing in SCS. Maybe you can comment on -- what are you seeing there in the market? And when we look at your pricing in Q2 orders, can you comment if that is consistent with your 10% margin objective set for 2027? Thank you.

Rob Smith

Thanks, Akash. Look, the pricing there is completely consistent with our 10% margin profitability and our plans to deliver that, very consistent with that. And you'll recall that we've been building protections into our contractual wording. We've intensified that in 2025 by adding obviously tariff fluctuations to our general terms and conditions in those contracts as well.

Akash Gupta

Thank you.

Gael de Bray

Thanks very much for the time. Good afternoon, everyone. Can I start maybe with the slight miss this quarter in terms of sales? And maybe it's at least relative to the consensus expectations and maybe relative to the expectations that had been set with the pre-close call a few months ago.

So I wonder if June was perhaps a bit weaker than expected. That'd be great if you could talk a bit about the momentum throughout the quarter and what you've seen also so far in July. So that's question number one.

Christian Harm

So Gael, that question, maybe I take the first one. I think you make a reference actually to the pre-close call, I guess, which at that point, actually, what we were looking at was the forecast. Now we look at actuals. And the main difference that we actually look at is from the corporate services consolidation line as a difference. So it's not to make a reference back to the market and the development in the markets.

Gael de Bray

Okay. And then the second question I have is around SCS, firstly, whether you expect the book-to-bill ratio to be clearly above 1 in the next couple of quarters and, secondly, trying to

judge your level of confidence in reaching a margin of more than 10% for SCS because this is clearly an area where the consensus is obviously slightly different.

And looking into some of the details here, the gross margin for SCS is apparently now nearly back to what it was pre-COVID, but SG&A expenses are still way above what they used to be as a percentage of Group revenue, right? So, what do you think needs to happen for the SG&A ratio to come down by 4, 5 points for you to deliver the 10% margin objective? Is this just a function of growth coming back and a better absorption through higher volumes, or is there something else that you expect to do to reduce the SG&A ratio? Thank you.

Christian Harm

So Gael, again, I take this one. The first question that you had is, do we now consistency book-to-bill with the quarters above 1 in SCS? Well, most likely not. I said before that there is a certain lumpiness in the order intake in the quarter. So while we are looking at the second half of the year that will have a growth against prior year in the order intake, for the individual quarters, we might see a book-to-bill that has a different number there.

So again, to what it actually takes to get to double digit, it's the same elements that we make a reference to that hold true. So the one is we are improving our project execution. And I think the continuous improvement that we are seeing in the margin profile of the SCS business speaks to that actually. We have to get rid of our legacy projects. We are on a good path to that, but some are still there, and they have they have an impact, and then them going out will actually help us and will also help us on the gross margin.

It's the service business. We have made repeatedly the reference to the good growth and the margin favorability of the service business. And then the rest is operating leverage in terms of the overall size of the business that then will be on top of an SG&A setup that we are having. And those 4 elements are still all true, and they need to fall in place in order to get us to the 10% by 2027 that we always make a reference to.

Gael de Bray

Okay. Thanks very much.

Sven Weier

Good afternoon. Thanks for taking my questions. The first one is just following up again on the SCS pipeline, Rob. We've been talking about a good pipeline for some time, but now with this big e-commerce client obviously moving ahead on a few things, they used to be the canary in the coal mine in the past cycles, both on the way up and on the way down. Is that still the case that other e-commerce companies look what these guys do and maybe speed things up, or are they just stubborn? They're looking at interest rates and tariffs but not what these guys are doing. That's the first one. Thank you.

Rob Smith

Thanks for giving me a chance to talk on that some more, Sven, very nice question. Look, we do see the main key e-commerce player as a leading indicator. And you're right, early in and going up and early in going down, and that's been our observation, and we think that continues to hold.

What I would say is, in addition to that, if you look at our modernization and upgrades line, the line item modernization and upgrade, that's up 57% year-on-year in the first half. And I

think that's another indicator of need for capacity in the market demand coming. I think both of those together give us a good indication that we should expect that the market is in an upturn now or is going up.

And the observation on the modernization and upgrades, I think, is also still consistent with people being hesitant to double down and start brand new, very large, big greenfield projects. Why? Because it's existing capacity. We've got a very interesting offering where we can, over a short period of time, up the capacity, up the throughput, sometimes over just a weekend, and give customers extended capacity on existing installations.

And that's an interesting offer for them. I think those two together is your leading indicator that you're asking about, Sven.

Sven Weier

That's very clear. Thank you, Rob. The second question I had was just also again on SCS -- promise next time I'll do more justice to ITS maybe -- but it's on NVIDIA. Just wondering what's the latest there. It's now been like almost 6 months that you announced this. What kind of momentum are you seeing on the back of this and maybe kind of a more mid- and long-term perspective? Thank you.

Rob Smith

You're right, Sven. We announced in January, together with the Jensen and NVIDIA at the CES in Las Vegas, that we're the first industrial company worldwide to be bringing physical AI into industry, physical AI into the supply chain. And that is a very exciting innovation, and it's coming and developing well. The teams are working very strongly and very well together.



We've been taking out a piece at a time at each of the trade shows. We did that at CMAT. We did that at ProMat. We did that at LogiMAT, both in the States and in Europe. The next one, the next big one, is going to be the CMAT in Shanghai, where you'll see an integrated fleet of our own offerings as well as third-party offerings being orchestrated -- the physical twin will be orchestrated by the digital twin in real life right there on the trade show.

And we've been working with customers now who are quite interested in this to bring some lighthouse projects into our pipeline and their pipeline. And I would say it's progressing well, and it's a very exciting innovation. Thank you for your interest in that, and thanks for calling that out.

Sven Weier

Yeah, thanks for the color, and I go back in line. Thank you, Rob.

Tore Fangmann

Hi, good afternoon. Thank you for taking my question. Hi, Rob. Hi, Christian. Two questions from my side, I'll take them one by one. First would be, again -- sorry for this -- on SCS, could you give us a bit of a flavor on how the discussions with the non-e-commerce customers are right now? And do you expect e-commerce activity to also remain high in the quarters following Q2? Appreciate maybe not on the level of €1 billion now per quarter, but is it more like a one and done with one large order and then we have to wait for new orders to come in, or there's something where you will see more projects starting over the coming quarters already? I'll take the second question after. Thank you.

Rob Smith

Sure, Tore. Thanks for that. Look, first of all, it was not just one big project that made the second quarter. We had a multitude of very good-sized projects, easily a handful between €100 million and €200 million in size, so multiple ones.

The pipeline continues to be strong. The hesitation by verticals outside of e-commerce continues to be the case. The trend I was just describing to Sven though, if the e-commerce and the mods and upgrades are the leading indicators that we anticipate that they are, we think the other verticals will be coming from the pipeline into starting those projects.

So I point out to you as well e-commerce was a vertical all by itself before COVID. During COVID, it became so embedded in people's expectations of the performance of the supply chain, real time transparency, and visibility and very, very fast that they brought those expectations back to all their other verticals when they went back to the office.

So lots of verticals have an element of e-commerce in it. And I think that you'll continue to see e-commerce as a -- we call it out every quarter. So you'll be able to track it. But you'll continue to see e-commerce as a part of the order intake on a go-forward basis.

What we're looking for now is for the other verticals to get out of hesitation mode and get into a starting mode. And we think that we have some leading indicators that should indicate this. That will be coming.

Tore Fangmann

And do your discussions with these other verticals also indicate this, or is this rather your leading indicators?

Rob Smith

Well, we're watching the market just like everybody else is, and that's clearly a conversation you have with all customers, right? I think that there's been quite a bit of robustness in the middle of all of the volatility these last months and quarters. And I think that, as one trade deal gets done and another trade deal gets done, and I think there's becoming a little bit more certainty out there, and that's part of what's giving customers the confidence we would expect they will want to have when they make their starting decisions.

Tore Fangmann

Okay. Understood. Thank you. And just my second question would be -- I'm trying to quantify the benefits from your cost-base adjustments in SCS that already seem to pay off. Do you think you could achieve a double-digit margin already before reaching around €4 billion annual revenues, or does this volume that is needed for double-digit margin still hold on?

And if and when the volume in SCS comes back, could you try and quantify for us a little bit, could margins be ahead or rather on the level where they used to be with the past manufacturing footprint that you had and, let's say, pre-COVID? Thank you.

Christian Harm

Yeah, so Tore, appreciate the question. And so if you know, I think I described before the 4 levers that it takes. And the revenue line, the €4 billion that you also make a reference to, I think that's not by accident because that's basically always also the mark that we are using for that one. I think that's the area where we need to get to. We should not expect now not double-

digit before that. But I think the order intake that we have had so far and how we look at the development now going forward is a solid step into laying that foundation.

Let us reach the 10% double-digit EBIT margin in SCS in 2027. That has been now for a while our goal. 2027 is yet to come. We are in a good progress in that. One once we're there with the setup we have, we will then talk what's standing ahead of us. But so far, 10% in 2027 is ahead of us.

Tore Fangmann

Great. Thank you.

Lucas Ferhani

Good afternoon, and thanks for taking my question. Just a follow-up on SCS and the Q2 order intake, is there anything to say on client concentration maybe in that quarter when you look at these orders? Was it maybe a couple of very large kind of customers coming in?

And also, regarding those orders, was there any change in the customer behavior potentially related to tariffs, specifically kind of some prebuying thinking tariffs are coming? So potentially, that would lead to price increases. Do you get kind of any sense related to that?

And the last on that would be on a new contract signed during Q2. Did you kind of change anything in the setup to take into account the uncertainty on the tariffs and what that might mean for kind of your own cost base and so pricing, or is that kind of the usual, and you expect that to change of law would kind of help you if there were kind of change in the costing of those orders? Thank you.

Christian Harm

So maybe, Lucas, I start with sort of your questions on tariffs and potential pull-forwards in that context. So first of all, in 2022, we have adapted our contractual language to deal with uncertainties that we get from external factors and bring that into our contract language.

At the beginning of the year with the trade conflict arising and now becoming specifically a topic also on tariffs, we have actually made our wording more precise to reflect tariffs there as well, make sure that we are covered from a contract terminology point of view.

There is no pull-forward for tariffs because, basically, you pay tariffs when you ship products. So actually, ordering now would not help you in any respect for avoiding a tariff in that sense. So therefore, we don't see pull-forward effects to any extent from any of our customers in this context.

Rob Smith

And let me help you out with the first part of your question, Lucas. Our Dematic business is a key integrator for the e-commerce vertical. And our position in that market is a very strong and stable position. And it's a direct result of very reliable execution, our on-time delivery, our high-quality standards, and industry-leading technologies.

So that makes Dematic a very trusted partner in high-performance fulfillment operations, as you have in e-commerce. And if there's a vertical concentration, yes, there was a vertical concentration in the second quarter. You saw 87% of the Business Solutions order intake was from that vertical.

We are real pleased to have those orders. They are good orders for us. We expect to execute them very well. And we're looking forward to other verticals coming back to the table and starting the new projects with us that we see in the pipeline together.

Lucas Ferhani

Thank you. And just a second one on ITS, do you have any kind of change of your view for the year? Obviously, you have a competitor that is pointing to maybe more weakness than they expected. And in the second half, obviously, you didn't have as bullish of a guidance. So you already pointed to some weakness before, specifically in the margins. But just wondering if what you've seen so far and now kind of into July for ITS shows that maybe there's a bit more kind of competitive pressure or you have to deal with a bit more threats than you thought maybe at the start of the year? Thank you.

Christian Harm

Well, Lucas, thanks for the question on the ITS here. Basically, we don't see a different dynamic. We had good order intake, good dynamic in the first quarter, good dynamic in the second quarter. We don't see any indication of that changing. That's all incorporated in our outlook for the full year. And as such, that's the basis why we have actually confirmed that.

Lucas Ferhani

Great. Thank you.

Timothy Lee

Hi, thanks for taking my questions. So my first question is also on the SCS segment. Can you please help quantify a little bit how much of the order in the second quarter was benefited from timing? And how big is scale of the order from the pure-play e-commerce vertical? Probably any numbers that you can quantify

on the large-scale orders from the vertical, that would be super helpful.

Rob Smith

Sure, Tim. Let me help you with that one. As I mentioned, easily a handful of orders between €100 million and €200 million came in, in the second quarter. And what I said before at the beginning, orders come in that business in kind of a lumpy fashion. And an order moving from one quarter to the next or coming forward, shifting between quarters, is very normal business. So there's no point in talking about which -- those came in the second quarter, and we're looking to get more in the third and more in the fourth and converting the pipeline into orders, so no particular timing issue there is beyond what we've discussed so far.

Timothy Lee

Understood. Can I follow-up a little bit on that? So how should we think about the timing of this order intake to flow into the revenue? So as long as you're keeping your guidance unchanged for the full year in terms of the revenue for the SCS segment, we should assume the revenue contribution should probably start in next year for these big orders?

Rob Smith

Sure, also good question, Tim. But look, going back to your previous one, yeah, you see in our reporting, we call out the pure-play e-commerce percentage as a percentage of the Business Solutions order intake, and that was 87% in the last quarter.

On those e-commerce orders, the e-commerce orders convert a little faster than other orders. They convert over about 18 to 24 months usually. And the first 6 months is kind of the low part, and then there's some conversion in the first 6 months. That's

what makes him interesting too, but the 6 months are usually -- the first 6 is the lightest, and the last 12 to 18 are where it picks up in terms of converting from order intake into revenue over time, so about 18 to 24 months for those kind of projects.

Timothy Lee

Understood. Very helpful. My second question is on forklifts. So you also just mentioned you don't see any change in also the dynamics for the overall industry. But how do you see the completion from the Chinese forklifts? As long as -- if you look at the industry data, it seems like that there was quite a meaningful increase in the imports of the Chinese forklifts, especially in the first quarter. So any change in terms of the competitive landscape that you can call out from the Chinese players in the industry?

Rob Smith

Sure, Tim. Over time, the Chinese players have grown to be a larger influence in the industry. And as the market is getting tighter in China, there's more and more focus of those Chinese players, not just in our industry but others as well, on export into other regions.

But having said that, let me just be very clear about this. KION is extremely well positioned in China. China is a home game. It's a home market for us with our footprint, with our investment, with our capabilities there, just like the EMEA market and the Americas market are home games for us and home markets for us.

We're basically the only Western player in the China market at this point in time. The other ones have diminished or left. And we're the third largest manufacturer of industrial trucks in the



entire country. So that gives us a great capability in China. And now with the introduction of some new global project products, the first one being the global counterbalanced truck -- but we have others in the pipeline for our warehouse trucks too -- we're using China in China for China as well as China as an export base. So we see ourselves as quite well positioned, very well positioned to be meeting those challenges that you're describing.

Timothy Lee

Sorry, actually, I was actually focusing a little bit more on the import of Chinese products in the euro market. Sorry if I was not clear enough.

Rob Smith

No, as I covered it, Tim, China is focused on the Chinese players are focusing on the China market and now intensively on export to all other regions, and we do too. We export from China to the Americas. We export from China into Europe. We export from our China operation into Southeast Asia and are the third largest player in the entire market in industrial trucks in China.

Timothy Lee

Understood. Thank you.

Jorge Gonzalez

Hello, good afternoon. Thank you, Rob, Christian, for taking my questions. I would like to go back also to ITS, very direct and quick questions. It was very useful during the case on SCS, 10% margin for '27. Would you say that, with the current backlog for ITS and the expected delivery of the cost synergies you are in the position to recover 10% in '26 for ITS? That was, if I'm not wrong, the message that you sent with the full-year '24 results. That would be my first question.

Rob Smith

Muy buenos dias, Jorge. Look, we're still talking '25. When we come back and talk to you in February of next year for our good results in 2025 and our outlook for 2026, we'll be giving you the guidance on that. We have been explicit that we're working very hard to deliver a look-through year in the ITS segment and, in the SCS segment, a year of continued increases in profitability on a sequential and quarterly basis. So that's what we're doing in 2025. Our objective is to have both of our segments and our Group above 10% by 2027, and we feel that we're well on track to be doing that.

Jorge Gonzalez

Okay. So my second question is, basically, reading between the lines on the message is that we have already seen the worst probably in the demand in Europe. And then it's more a question when the pickup demand allows for better pricing. It could be maybe remaining as sensitive to know the profitability for next year, or you think it's the cost savings that you are planning are going to basically be the most important factor or driver for your profitability next year?

Rob Smith

Let me pick you out the parts that I think are appropriate to be answered, and I am not going to be talking about '26 explicitly until we come back in February of next year to give the 2026 outlook and ask you, please, respect that. The part, however, about the increasing demand, we do see the market is growing. It happens to be growing in most of the regions. And the first quarter was quite -- was indeed that case. The second quarter statistics will be coming out still a period of time from now. They come out 3 months -- with a 3-month delay.

But our business, as Christian explained, is up 10% first half versus first half of last year. We see that as a very good performance. Our expectations is that the market is growing in all regions, and we'll have that confirmed when the statistics come out.

But clearly, that will be helpful. And I think that you're asking, are we passed the trough? We've got 2 quarters in a row where we see good growth, and we are expecting market growth. And so it takes 3 points to make a trend though, Jorge. So we'll see how it goes, but our expectation is that we passed -- the trough is behind us, and the markets are growing.

Jorge Gonzalez

Muchos gracias, Rob, very useful. Thank you. I'll go back to the line.

Lasse Stüben

Hi, good afternoon. Just a follow-up on the mix in ITS. You were very clear in the past when you were flagging the mix effects headed into 2025. So I'm just wondering if there's any color you can give on the mix of the new orders coming in? You show the development of the regions in the appendix, which looks like EMEA and Americas is performing better. So just wondering if you can flesh out any color on mix headed into the second half and potentially into early parts of '26? Thank you.

Christian Harm

Yeah, so Lasse, thanks for the question. Actually, there's several mix elements always, and they need to be looked at in ITS. The one is the regional mix that you make a reference on, and rightly so, you hint to the sort of page in the appendix that actually speaks to that. I think we had a good mix from a regional perspective in the first quarter, and that also continued in the

second quarter. We had 11% and 10%, the unit growth in the EMEA region. And as everybody understands, that's obviously helpful from a mix perspective, from a regional mix perspective.

So in terms of the product mix, we had a very favorable development in the first quarter. I think we still had a good development in the second quarter also from a mix perspective, with sort of a good growth also coming from counterbalanced trucks and then sort of also growth obviously in the warehouse segment. So the mix actually in the first half of the year was supportive.

Lasse Stüben

Right. If I could just ask a follow-up on North America, destocking has obviously been a topic in previous quarters as well. I'm just wondering what the tariff situation is doing in terms of the expected pace of that destocking. Has that slowed somewhat, or are you still kind of on track to see that, I guess, finish by the end of this year?

Christian Harm

Yeah, so in the market overall, there were some pull-forward effects from the tariffs from when sort of people tried to get before expected further increases on the tariffs. So that's sort of, if you will, aggravating a bit the situation on destocking in the market because that's an additional element that has now flown into the market. And therefore, the destocking overall will probably take a few months longer because also the sort of pull-forward things in the market now need to flow to the end customer in a sense.

So I guess, for North America, the US in particular, we will see that for a while before it actually is normalizing again with fluctuating just with the order intake from end customers.

Lasse Stüben

Understood. Thank you very much.

Lucas Ferhani

Thanks again. Just very clear, I wanted to ask about your partnership with the Chinese manufacturer EP Equipment that was signed kind of several years ago. Is this still kind of live? How is this kind of developing? Is there a decent amount of units? Is it for the China market or more globally? Can you talk a bit more about it if it's still something that is active? Thank you.

Rob Smith

Sure, Lucas, good question. KION remains well invested in EP. EP completed its IPO at the end of 2024, and it's now a listed company. And KION remains invested and indeed a very good partner. We have other partners as well in different elements and different parts of the ITS as well as the SCS segments. But you're asking about EP specifically. We're impressed with their performance, and they're a good partner for us, and we remain invested.

Lucas Ferhani

Understood. Thank you.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Rob Smith for any closing remarks.

Rob Smith

Sergen, thank you, and thank each and all of you for your very good questions today. We appreciate them very much.

We hope you have a very good summer. We're looking forward to continuing the dialog after the summertime in the multiple conferences in September. And we'll be back at the end of October to give you our third quarter results and talk about how we expect the rest of the year to go. Looking forward to that, and thanks very much. Have a good summer. Bye, bye.