

## Q3 2025 Pre-Close Call

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Raj Junginger: Thank you, all, for joining our pre-close call for the third quarter '25.

As always in these calls, we'd like to remind you that the following trends and statements are based on our current view on the third quarter and that some of the developments we will describe here are still subject to change.

Especially in Q3, September is a very decisive month after the summer months of July and August, and we don't have the actuals yet for last month.

So let's start off with our ITS segment as usual.

With regards to order intake in units, we have not seen much of a change in the year-on-year momentum from what we observed in the first and second quarter.

It still feels like this year may show typical seasonality, meaning that Q1 and Q3 tend to be seasonally weaker, and Q2 and Q4 tend to be seasonally stronger quarters in a normal year.

In that context, Q3 '25 looks like a normal Q3, with orders in units decreasing sequentially, maybe by a mid-teens percentage.

The year-over-year growth rate may be somewhat higher than what we saw in Q1 and Q2 based on a low level in the prior-year quarter.

We believe we have seen growth particularly in EMEA and APAC.

The order intake in value terms has likely increased less than proportionately to unit growth in a year-over-year comparison due to -- for the first time in several years -- new truck business in '25 growing faster than service growth.

The year-on-year growth rate could be comparable to the growth rate we have seen in Q2.

Before we move over to the revenue development, please recall that revenue in '24 benefited from the tailwind of a high order backlog, the effect of which now has been pretty much exhausted.

Consequently, revenue in ITS is expected to be marginally below the prior-year level.

In combination with our earlier commentary on order intake, the revenue development should result in a book-to-bill ratio somewhat below 1.

Unsurprisingly, the order book is expected to be lower again in a year-on-year comparison.

As outlined before, the lack of tailwind from the order backlog has an adverse effect on our factory utilization levels, which leads to a substantial but temporary decline in the adjusted EBIT margin in 2025.

Lower gross margins due to the reduced pricing realized in '24 in the new truck business also contribute to the year-over-year decline in the adjusted EBIT margin in 2025.

You have already seen the impact of this in the Q1 and Q2 adjusted EBIT margin in ITS, and you will see it again in Q3.

What also has an impact on Q3, not only in ITS but also in SCS and especially in the Corporate Services and Consolidation line, is that we will incur additional expenses for our long-term incentive programs as a result of the higher KION share price.

Moving on to our SCS segment, in terms of order intake, fiscal years '23 and '24 were characterized by customer delays in signing new orders, even though the pipeline remained well filled.

Some of the orders pushed back at the end of '24 were signed early this year, and quite a bit more were signed in Q2, which led to the record quarterly order intake which, as we all well know, also benefited from positive timing issues.

Therefore, we had flagged early on that neither that number nor the growth rate should be extrapolated forward.

While we believe we 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.

What we have seen so far in Q3 supports year-on-year growth in order intake.

With the healthy order intake so far in 2025, the order book in SCS should again show a favorable development.

Revenue may be starting to benefit from the recent recovery in order intake and could show a year-over-year as well as a sequential increase.

Book-to-bill is therefore anticipated to be just above 1.

Adjusted EBIT is expected to have again increased strongly year-over-year, with the year-over-year growth rate maybe lower than what we saw in the last quarter.

The sequential improvement in adjusted EBIT from Q2 to Q3 could be lower in absolute terms than the strong increase seen from Q1 to Q2.

Additional expenses for our long-term incentive programs as a result of the higher KION share price also contributed to the limited improvement.

For KION Group as a whole, the development in ITS and SCS means that we are likely to see year-over-year higher order intake, possibly close to what we saw in Q2 '24.

It goes without saying that the order intake in Q3 will be down sequentially due to the seasonal decline in ITS and the record Q2 in SCS.

The KION Group order book is likely near the prior quarter and slightly higher than the prior-year level.

Group revenue is maybe going to be marginally higher, both sequentially as well as year-over-year.

Group adjusted EBIT is likely to see a decline, both sequentially as well as year-over-year, based on a more negative contribution in the Corporate Service and Consolidation line compared to the prior quarter and the prior-year quarter.

Again, a lot of this is driven by additional expenses for our long-term incentive programs as a result of the higher KION share price.

All in all, Q3 '25 is likely to have been another solid quarter.

I'd like to add some color on the housekeeping items in Q3 '25.

You may recall that €197 million of nonrecurring expenses for the efficiency program were recorded in the first half of 2025.

We have progressed further in our negotiations with the employee representatives and expect to be able to provide a more detailed update on the efficiency program when we report Q3.

One thing we already observe is that many leavers have for tax reasons opted for their severance payment to be paid out in Q1 '26 rather than at the end of this year.

Accordingly, this will shift a significant portion of the expected cashout for the efficiency program from Q4 to Q1.

If you ask me how significant that portion will be, we don't have a final figure yet, as we are still in the process, but it could be a very, very high double-digit million-euro amount.

We are not expecting any material nonrecurring items in Q3 '25.

With regards to PPA, you are likely to see the usual quarterly amount, similar maybe to last quarter.

Net financial expenses could also be comparable to the prior quarter.

The developments described earlier could result in a pretax profit close to the level of the previous quarter and the prior-year quarter.

We expect a low tax expense in Q3 '25. As flagged at our Q2 call, we will record a tax gain in the third quarter '25 due to a revaluation of deferred tax liabilities following a June '25 resolution of the German government to cut the federal corporate income tax rate from the fiscal year '28 onwards.

Accordingly, net income could be around 30% higher than the prior-year quarter and the prior quarter.

And finally, free cash flow is expected to be solidly positive and somewhat lower than in the prior-year quarter, which did not include any additional pension funding, while this quarter's free cash flow does include around €35 million euro of additional pension funding. Remember we already funded €15 million euro in Q2.

This concludes our prepared remarks. Please remain aware that these are only preliminary statements based on our current view, and some of the trends we have discussed here are subject to change.

We will take a couple of questions, but please restrict your questions to the purpose of this call, i.e., to clarify the presented prepared statements. Let's leave all other questions for our management to answer when we report on October 30 and have a better basis for answering your questions in more detail.

All right. Sven, I think your hand was the fastest. Good morning, Sven.

Sven Weier: Yeah, hi, Raj. Good to see you. Thanks for doing the call. Thank you.

Just two follow-up questions I have. Is it possible to quantify the total impact of the share price in terms of euro numbers for the quarter?

I don't expect you to specify that by division, but maybe what is kind of the total impact? And is it like a one-time -- let's say, if the share price doesn't go up further from here, is that then limited to Q3, or are you phasing the charge?

I know you had this in the past, but I don't remember how it precisely went. Thank you.

Raj Junginger: Yeah. The effect in Q3, I think, is going to be a mid-single-digit million number for KION as a whole. And should the share price stay here or increase further, it's likely to have another impact in Q4.

Sven Weier: And what did you -- because it was a little bit fast on the truck margins, what did you say, the overall conclusion on the truck margin, what was that in Q3?

Raj Junginger: The overall conclusion is that the effect you saw in Q1 and Q2 you will continue to see also in Q3.

Sven Weier: The mix effect.

Raj Junginger: The effect of lower utilization and the effect of -- we had lower prices in the second half of last year in the order intake, which is feeding through the revenue this year.

Sven Weier: But you didn't say whether the margins -- what the margins specifically would do, right? You left it at this, in terms of this comment.

Raj Junginger: Maybe that means it's maybe not a significant change compared to Q2. There might be a mild change but not a significant change.

Sven Weier: Thank you. And the last follow-up I had was just on SCS orders. I think you said it will be below 1 billion for the next quarters, not just Q3, right?

Raj Junginger: That would be our expectation, yes.

Sven Weier: And with that, you mean Q3 and Q4, I guess.

Raj Junginger: Yes, I am not yet looking into Q1.

Sven Weier: Okay. Thank you, Raj. I go back in line. Thanks.

Raj Junginger: Not at all. Thanks, Sven. Ben, I think you were next.

Ben Uglow: Brilliant. Thank you. Thank you, Raj.

A couple of questions, one is slightly nerdy question on the model and then a bit more qualifying. But you talked about the value increasing less proportionally, I think, in --

Raj Junginger: ITS order intake.

Ben Uglow: In ITS, exactly. Could you just give us a hint, if possible, on the actual units? So if I look at what happened last year on your units, there was quite a big step down, as normal, between 2Q and 3Q. They came in at, I think it was 52,000 or something.

Are we saying -- I just want to sort of make sure I understand. Do we still expect the year-over-year units, not the value, to actually be up? So that was my first question.

The second one is just, can we just step back? How is the business environment, right, for truck, particularly in Germany? How are you seeing -- let's call it the overall trend? How does it feel?

Raj Junginger: Okay. First one is an easy answer. I did hint towards it. We said that it could be a sequential mid-teen decline.

Ben Uglow: Okay. Okay. Okay.

Raj Junginger: That still brings us up year-over-year.

Ben Uglow: That should still be up 4% or 5%, but let me get my head around that.

Raj Junginger: Probably even more than that. Actually, the growth rate could be -- but now we need to differentiate a little bit to not get too excited.

The growth rate could be a little bit higher than what you saw in Q1 and Q2, the year-on-year growth rate, but as you correctly said, the Q3 '24 number was very low.

So the little bit higher growth rate in Q3 is more a function of the low base and not that Q3 was particularly strong.

In terms of overall business environment, it is -- you see we had a nearly double-digit increase in orders in units in the first two quarters, 9% and 10%.

That's not a usual run rate. A usual run rate would be 4% to 5%. But then again, we had 2 to 3, 2.5 declining years before that.

So I think you are seeing a recovery, but you are seeing, particularly in EMEA, a recovery with your handbrake kind of half on.

Lots of wait and see. There's a lot -- as you know, I don't have to tell you -- a lot going on geopolitically that it's like 1.5 steps forward and one step back.

So I would call it a cautious recovery, pretty stable, but I think the expectations that many particularly overseas investors had in the March-April time frame when the German government or the new to-be German government said, "We're going to do this invest investment boost and whatever," I think there was some expectation that you'll see the stops coming out everywhere, and that's certainly not happening.

And I think you have a certain amount of sobriety now arriving and saying, "Okay. It's there. It'll come. The money will come, but it will take longer, and it's going to be trickling rather than flowing." And I think that characterizes the business environment.

Ben Uglow: Understood. That's very kind. Thank you. I'll pass it on.

Raj Junginger: Thank you. Tore, good morning. I think your hand was next.

Tore Fangmann: Yes, hi, Raj. Thank you for taking my question.

Just could you remind us again? During the quarter, I think, at a few conferences, you spoke about the current mix and the counterbalance versus other warehouse equipment in your orders. And from this, we can maybe think about how we could see like margins trending then over coming quarters. Could you just repeat what you've said over the course of the conferences?

Raj Junginger: Yes, we had talked about -- we haven't talked so much about Q3 because, obviously, at that point, we didn't have much of Q3. We talked about the trends in the first two quarters, that we did see a pretty good performance of counterbalance trucks vis-a-vis warehouse, in contrast to the past 2 years at least.

But the other maybe even more interesting mix change that we saw is that we see the new truck business growing quite a bit faster than the service business, which again has been different the past 2 years.

I think that mix effect is probably more impactful in the short term than the actual mix within the products.

Tore Fangmann: Understood. Thank you.

Raj Junginger: I think, Lasse, you were next. Good morning.

Lasse Stueben: Hi, good morning.

Just to follow up on SCS, you commented that revenues are starting to see or benefit from the recovery in orders in the prior quarters. So does that mean that the orders you saw, to some extent, in Q2, are those slightly faster moving in terms of revenues than what we saw historically, or just some more color on that comment would be great.

Raj Junginger: Yeah, maybe not yet Q2, but do remember that Q1 also showed an increase. And while that increase was more driven by the services business, it was driven very much by the mods and upgrades we have been talking about for a while. And those actually turn into revenue faster than some project business does.

The other thing I'll remind you -- but this is less a Q3 issue and could be more a Q4 theme -- is remember that a big chunk of the Q2 order intake in new business was related to pure-play e-commerce. And pure-play e-commerce does convert a little faster into revenue than projects from other verticals.

So it's not going to be the entire order intake, but some of that Q2 will be revenue in Q4.

Lasse Stueben: Okay. And then maybe one follow-up on ITS margins, with some of the savings coming through slowly, slowly, does this mean, does Q3 kind of trough margin or sort of an inflection point, or how do you think about it internally? You probably can't answer that, but I'll try anyway.

Raj Junginger: Yeah, yeah, yeah, that's completely fair. What we'd really like to do is have the September actuals and then look at our forecast again and then comment on that. And that's why I'd like to defer that to the 30th of October. Sorry.

Lasse Stueben: Understandable. Thank you.

Raj Junginger: Okay. Thank you. Jorge, buenos dias.

Jorge Gonzalez: Buenos dias. Can you hear me, Raj?

Raj Junginger: Yes, I can. Good morning.

Jorge Gonzalez: Thank you very much. I have only one question, and I'm sorry because it's a catch up on your comments on the value for the order intake of ITS.

It is very clear to me the evolution in units, but taking into account that your main competitor in Europe gave some bad news in terms of the pricing, can you repeat, please, your view on the mix in terms of price, value, total value? I missed that part.

Raj Junginger: For Q1 or Q2 or --

Jorge Gonzalez: For this quarter, for Q3, yeah.

Raj Junginger: Yeah, I think we would like to defer that to the 30th of October because we don't have September yet, right? September, we probably have the first 2 weeks. So we want to have full September view, i.e., a full actual view on the third quarter, before we really start talking about the individual elements.

Jorge Gonzalez: But I think you commented something on the book-to-bill, no, for ITS, if I'm not wrong.

Raj Junginger: I commented on the book-to-bill in Q3 will be below one.

Jorge Gonzalez: Perfect.

Raj Junginger: But I didn't comment on the individual mixed components. That's what I was saying.

Jorge Gonzalez: And not in the sequential development of the price, isn't it?

Raj Junginger: Not yet, not yet. We'd like to have September in the books first. Thank you.

Jorge Gonzalez: Okay. So then I wait for the final results. Thank you very much, Raj.

Raj Junginger: Thank you, Jorge. I've got Nicholas. Good morning. Nicholas Tan, did you want to ask a question?

Nicholas Tan: Can you hear me?

Raj Junginger: Yes, I can. I can.

Nicholas Tan: How are you doing? Thanks for hosting the call.

It's not related to the quarter, but I just wondered if you had commented about this Section 232. I think it included forklifts going into the US. So maybe, if you can just remind us what you've said there and how that's affected things in the US, if at all.

Raj Junginger: Absolutely. So basically, let me start off with SCS. SCS does not have a lot of imports from Europe. So whatever the impact may be, I think, is well covered within our guidance brackets.

In terms of ITS, there is not a lot, but there is some imports going from Europe into the US. And we're still in the process of actually calculating the impact because -- and I think you've probably heard this from other companies before -- it's not a trivial issue. It's actually quite complicated because, for every single product type, you have to go through your bill of materials and then basically identify if the steel -- aluminum is not such a big issue for us, but the steel components -- and then apply the 50% on that and the 15% on the rest. So we're still evaluating that. And we are planning to provide a more concrete update on that on the 30th of October.

Nicholas Tan: Got it. Cool. Thank you.

Raj Junginger: Sven, I think you had a follow-up question?

Sven Weier: Yeah, sorry, one follow-up on service, please, Raj. On service, right, I think you said service is growing slower than new equipment on the order intake?

Raj Junginger: No, I'm saying new business is growing faster than service. So service growth rate is not changing much. The change is coming from the new business, the new truck business.

Sven Weier: Because I think that's already what we had in Q2, right, that the new equipment was growing faster. So it's not like you're seeing -- we don't see cannibalization here, right, if people buy more new trucks and don't sweat the existing assets harder, no longer.

Raj Junginger: No, no, I wouldn't say that. I would say the service is just a very continuous growth path, and it's the new business that is growing faster.

Lucas, you may have the honor of the last question. Good morning.

Lucas Ferhani: Thank you. Good morning.

My first one is on the ITS margins in the quarter, just to come back on the commentary. So lower year-on-year kind of as expected, the similar effect we saw in Q1, Q2, and then you said, I think, mild changes, but not significant in terms of where the margin will be versus Q2?

Raj Junginger: Correct.

Lucas Ferhani: And did you say whether they'll be higher versus Q2? Because I think there was a question on whether it hit the trough. I don't know if you replied to that.

Raj Junginger: It would be -- so again, I can only repeat, we don't have September yet, and September is a big month in Q3, but where we stand today, Q3 is usually a sequentially weaker quarter because we have the factory shutdowns in the summer.

So even if it's not much change from Q2, I would look at it more from lower than Q2 rather than higher than Q2.

Lucas Ferhani: Perfect. That's super clear. And then the other one was just on the comment you made on German stimulus.

You're saying there were quite elevated expectations, and you're not seeing kind of much in the environment. Do you still see, I guess, signs that something could happen, or do you no longer really count on it, just to understand a little bit the background or the context behind that?

Raj Junginger: Yeah, it will happen, but Lucas, remember, the day Merz announced the package, our stock was up like 20%. It lost it within a day or two, but I think a lot of German industrial companies were massively benefiting from that expectation to be visible very, very quickly. And that's what I was referring to.

I think, if you ask the German companies in Germany or German IRs or German board members, they would have said from the very beginning, "It's nice. It's good. Let's not get overexcited. It will take time to pass through the government, and then there will be a discussion between the government and the states, who is getting what portion, and in what form are we going to pass this on to the companies, and who is getting what first?"

So we are quite used to these things moving forward slowly, and that's what they're doing. But I think these are the expectations, particularly from non-German investors. This is probably a little bit of a sobering moment.

Lucas Ferhani: Okay. Super clear. Thank you.

Raj Junginger: Gael, I'll take your question, and that will be then the last one. Gael, Deutsche Bank?

Gael de-Bray: Yeah, sorry, can you hear me?

Raj Junginger: I can hear you.

Gael de-Bray: Raj, yeah, good morning. Thanks very much for the opportunity. I just wanted to ask about the pricing dynamics. Would you say the forklift PPA in Germany is a good guide for what's going on, on the pricing side for you?

Raj Junginger: I think that's probably fair. There will be differences. There will be differences between producers, obviously, because you're talking about different types of products. But until we provide more clearer messaging, I'm happy for you to take that.

Gael de-Bray: So that's marginally negative then.





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Raj Junginger: Again, before, when we went out in Q2, we said we hadn't seen a step down, and we saw stable pricing since the end of last year. And for Q3, we'd really like to see September before we make -- we don't comment on monthly pricing. We'll comment on quarterly pricing, and that's why we just need September.

Gael de-Bray: Understood. Thanks very much, Raj.

Raj Junginger: Thank you, guys. Thank you for calling, for joining into the pre-close call. We will speak to each other again in 28 days, in 4 weeks. Thank you, all.