Q4/FY 2025 Pre-Close

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Raj Junginger: Good morning, everyone. Thank you for joining our pre-close call for the fourth quarter 2025.

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 fourth quarter and that some of the developments we will describe here are still subject to change, as we have not yet completed year-end closing procedures.

Let's start off with our ITS segment as usual. With regards to order intake in units, we can confirm what we said throughout 2025 that we expect to see typical quarterly 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, Q4 '25 looks like a normal Q4, with orders in units increasing sequentially and reaching a level comparable to the Q2 '25 level.

In 2024, the fourth quarter was by far the strongest quarter of the year. Accordingly, the year-over year growth rate in Q4 2025 is likely to be much lower than in the first 3 quarters.

The order intake in value terms is likely marginally below the prior-year quarter level, likely due to the geographical and product mix.

Before we move over to the revenue development, please recall that revenue in 2024 benefited from the tailwind of a high order backlog, the effect of which has now been pretty much exhausted.

Consequently, new business revenue in ITS is likely to be down year-over-year by a similar magnitude as in Q3 2025.

Service revenue has likely remained stable; therefore, we expect ITS total revenue in Q4 '25 around a mid-single-digit percentage lower than in the prior-year quarter.

In combination with our earlier commentary on order intake, the revenue development should result in a book-to-bill ratio just 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 had an adverse effect on our factory utilization levels, which was a major driver of the substantial -- but temporary -- decline in the adjusted EBIT margin in 2025.

You have already seen the impact of this in the first 3 quarters of the year in the adjusted EBIT margin in ITS, and you will see it again in Q4.

What also had an impact on Q4, not only in ITS but also in SCS and especially in the Corporate Services and Consolidation line, is that we incurred some additional expenses for our long-term incentive programs as a result of the higher KION share price at the end of 2025.

If you look at the full-year 2025 in ITS, I think it is safe to say that we are likely to reach the midpoint of the guidance range, which we narrowed with the Q3 2025 reporting, both in revenue and in adjusted EBIT.

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 2024 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, and this is what happened in Q3 and what we expect for Q4, which is likely to be slightly higher than the prior-year quarter level.

I can only encourage you again and again to not look at a singular quarter in SCS, whether that quarter is particularly strong or not. A multiple-quarter rolling average gives you a much better picture of the expected development in revenue and earnings for the quarters ahead.

For example, our 2025 full-year order intake in SCS was exactly in line with our expectations, but the quarterly distribution was quite different from what we thought.

With the healthy order intake in 2025, the order book in SCS should continue to show a favorable development.

Revenue in Q3 started to benefit from the recovery in order intake since the beginning of the year, and you should see this development accelerate in Q4, likely showing a healthy year-over-year and sequential increase.

Adjusted EBIT is expected to have again increased strongly year-over-year, likely leading to an adjusted EBIT margin comparable to Q3 ‘25.

As mentioned before, some additional expenses for our long-term incentive programs as a result of the higher KION share price at year-end ‘25 prevented a sequential margin improvement.

If you look at the full-year 2025 in SCS and compare it to the narrowed guidance range presented with our Q3 reporting, you might see the full-year revenue a shade above midpoint and the full-year adjusted EBIT just minimally below the midpoint.

For KION Group as a whole, the development in ITS and SCS means that we are likely to see year-over-year stable order intake in Q4 ‘25.

The KION Group order book is likely very slightly higher than the prior year-end level.

Group revenue is maybe going to be very slightly higher year-over-year.

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

The Corporate Services and Consolidation line is likely to be comparable to 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 at year-end 2025.

All in all, Q4 ‘25 is likely to have been another solid quarter and, thus, full-year 2025 a solid look-through year.

I’d like to add some color on the housekeeping items in Q4 2025.

You may recall that €161 million of nonrecurring expenses were recorded in the first 9 months of 2025 for the efficiency program.

For the final quarter of the year, you should only expect a high-single-digit million-euro further expense, taking the full year 2025 efficiency-program-related expenses to the lower end of the €170 million to €190 million range provided last October.

Total nonrecurring items in Q4 2025 are likely to be a very low double-digit million-euro amount relating to a number of very small year-end closing topics in addition to the efficiency-program-related expenses.

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 could result in a pretax profit close to the level of the previous quarter.

We expect quite high tax expenses in Q4 2025. A main driver of this is related to a revaluation of deferred tax assets and liabilities, something that is common as part of the year-end closing process. This is likely to bring our full-year 2025 tax rate to slightly above the guidance range.

Accordingly, net income will be down year-over-year, likely around the levels seen in Q2 ’24 or Q3 ‘24.

Finally, free cash flow is expected to be very strong in Q4 ‘25. This is not just because the overall expenses for the efficiency program are lower than what we initially expected and because a significant part of those expenses are shifting into Q1 ‘26 but also because both segments improved free cash flow operationally.

This is likely to bring our full-year 2025 free cash flow to the very upper end of the guidance range which we updated in October to between €600 million and €700 million.

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, if necessary, the presented prepared statements.

We will post a transcript of this call on our Website after the call has concluded.

Let’s leave all other questions for our management to answer when we report on February 26 and have a better basis for answering your questions in more detail. This also applies in particular to matters pertaining to our 2026 guidance.

I now hand over to the operator to start the Q&A session. Sergen, would you please poll for questions?

Operator: Thank you very much, Raj. Ladies and gentlemen, we will now begin the question-and-answer session.

Sven Weier: Hi, Raj. Thanks for doing the call. Look, my question is around German stimulus, one of the favorite topics, of course, and I know that you guys have been quite active at conferences, and I’m just wondering if you could remind us whether, in Q4, towards the end of the year, you saw any potential initial signs of that stimulus starting to have a positive impact. That’s my question. Thank you, Raj.

Raj Junginger: I think we will dive into that in a little bit more detail at the end of February, but what I can confirm is what we saw all throughout the year that we did have positive growth in EMEA, but that was not primarily driven by big economies like Germany and France, and that was also true for Q4.

Sven Weier: Because the reason I’m asking is, obviously, we start to see -- when we look at our tracker, obviously, we start to see that massively coming through on the defense side but also on the civil construction side.

Raj Junginger: Correct.

Sven Weier: So I guess there are some green shoots, and you guys are early cycle. So yeah, looking forward for those comments at the end of February. I go back in line. Thank you, Raj.

Lucas Ferhani: Hello, and thanks, Raj, also for taking the time. I just had a question on price versus cost. Just usually year-end and into January is the time to potentially think about pricing into next year, and we're seeing a lot of commodity inflation broadly, still probably important for you guys. So how do you see kind of cost evolving into this year-end, and any comment on kind of pricing?

Raj Junginger: Yeah, sure. What we have commented so far is that -- and I'm guessing you're talking about ITS. I just take that for granted. What we are looking into 2026, we have as a tailwind, definitely the savings from the efficiency program that we underwent last year.

And also, we would expect to see again some improved volumes, which hopefully, after last year, still in 2025, our utilization rates were down, despite higher orders because we no longer had the tailwind from the order backlog normalization.

Looking into 2026, we would expect order intake and revenues, i.e., factory utilization, to trail more closely. So those two would definitely be positive or tailwinds.

And then on the headwinds, we would definitely, as you mentioned, expect material cost inflation but also personal cost inflation.

I think any further comments we would like to reserve until we actually publish the '26 guidance, and then we can talk to you about what assumption is going into the guidance. And we will talk about further individual components then.

Martin Wilkie: Just a clarification, just to clarify on the cash flow, the higher end of the range, I think, last quarter, you'd already said that some of the cash effect of the restructuring had moved into 2026. Has incrementally more of it moved into 2026 now compared to what you said --

Raj Junginger: No, the increment is actually operational.

Martin Wilkie: Okay. That's good to hear. And given that the EBIT looks to be sort of slightly in line or even slightly below, does that mean that the sort of long term incentive program effect that is in EBIT is not a cash drag then? I'm guessing it's not if it's deferred stock and this kind of thing. But is that the way we should think about it?

Raj Junginger: This is correct.

Martin Wilkie: Great. Thank you very much.

Raj Junginger: You're welcome, Martin.

Adrian Pehl: Hi, Raj.

Raj Junginger: Morning, Adrian.

Adrian Pehl: Good morning. Just a quick one, first of all, on clarification, actually, you said, when I got this correctly, that we shouldn't expect the €1 billion order intake mark in SCS for the coming quarters, right, so not necessarily --

Raj Junginger: Relating to Q3 and Q4.

Adrian Pehl: Okay. So no, that wasn't a statement you wanted to convey for 2026, right?

Raj Junginger: No, I was trying to limit myself to the Q4 2025 pre-close call.

Adrian Pehl: All right. And on the acceleration that you were mentioning on the side of revenues going into Q4, obviously, you've got some orders from the e-commerce side of things. We should expect, obviously, those to come into revenue quite fast, I assume, but maybe you could remind us of the lead times on the different verticals that you saw.

And just from a perspective of Q4 e-commerce versus non-e-commerce, maybe you could add a bit of statements on that, how it actually developed and what sectors drove the order intake in Q4. Thank you.

Raj Junginger: Yeah, let us defer the latter part of that question in terms of the vertical makeup of the Q4 orders. Let us defer that to February 2026.

First part of your question was absolutely correct. So yes, there is a different tendency of lead times between different verticals and our large e-commerce, pure play e-commerce customer, while a large customer is actually not a typical customer.

That customer is a very professional warehouse operator. So when he places orders with us, he knows very much what kind of systems and equipment he needs. There is not a lot of consultancy required upfront.

And that is why the lead times here tend to be quite short, depending on the size of the orders, anywhere between 3 months to 12 months, whereas with most of our other verticals, they tend not to be professional warehouse operators.

And as a result, when they have a project with us, there is a considerable amount of R&D and development going upfront, which obviously means that the actual revenue and earnings gets deferred.

And again, this is very different from project to project, not even vertical to vertical, very different from project to project, but here, you should at least expect a lead time of between 6 and 12 months. And depending on whether it's a brownfield or a greenfield, is the customer -- does he still have to buy the land? Does he have to build a warehouse? It can be even up to 24 months.

Gael de-Bray: Okay. Good morning, Raj. I have a couple of questions for you. The first one is for ITS. Based on what you've said, it appears that the average price per machine will likely come down on a sequential basis, right? Just wanted to confirm this and to check whether this is just because of the mix, or maybe there's a bit of pricing dynamics into this as well. So that's question number one.

Raj Junginger: Again, that's the kind of question I would like to, in detail, defer to the 26th because, as you know, we provide additional information in the backup of the presentation in terms of what the geographical mix was and what the product mix was, and that will be more helpful in answering the question, but the main driver was mix, so product mix as well as geographical mix.

Gael de-Bray: And then for SCS, so I think you said orders should be up on a year-on-year basis.

Raj Junginger: Marginally, yes.

Gael de-Bray: Marginally up on a year-on-year basis, so okay, so clearly down on the sequential basis then. All right.

Raj Junginger: Yes.

Gael de-Beay: Okay. That's it. Thanks very much.

Raj Junginger: Thanks, Gael.

Akash Gupta: Yeah, hi. Morning, Raj.

Raj Junginger: Morning, Akash.

Akash Gupta: I have a question on your medium-term guidance. So I think, you guide 10% margin for 2027, which is not far off from where we are today. It looks like you will be doing roughly around 7% margin in 2025. So that would mean that you would probably need around 300 basis points plus-minus margin improvement to get there in the next 2 years.

The question I had was that, when management was on road recently and late last year, what was the message on the medium-term 2027 target? Like how comfortable do you feel about those, and is there any risk that we might need to shift the goalpost beyond 2027? Thank you.

Raj Junginger: Yes, as you know, we have been on the road as recently as 2 weeks ago, 10 days ago, and the message has been a clear commitment to achieving the at least 10% EBIT margin in both segments as well as for KION as a whole.

And I think it probably goes without saying that it’s possible that that target could be achieved in one segment a little bit earlier than in the other segment, but yeah, that has been the message, and I’m sure we’ll elaborate more on that on February 26.

Akash Gupta: Thank you, Raj.

Raj Junginger: Thank you, Akash.

Operator: Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Raj Junginger for any closing remarks.

Raj Junginger: Thank you, Sergen. I really apologize for the technical difficulty at the beginning of the Q&A session, but we hopefully made it work. Thank you, all, for listening in to our Q4 ‘25 pre-close call. We will now be in quiet period until our reporting on February 26.

And until then, I wish you all the best, and I look forward to speaking to you again at the end of February. Thank you.