KION

Q2 2026 Pre-Close Call

02.07.2026, 11:00 CEST

Raj Junginger: Thank you, Valentina. Good morning, everyone. And thank you for joining our Pre-Close Call for the Second Quarter of 2026.

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 second quarter as discussed in the investor meetings and conferences we attended over the last weeks. Some of the developments we will describe here are still subject to change, as we do not have June actuals yet.

Let's start off with our ITS segment as usual. You will recall that ITS grew its unit order intake by 11% in Q1 2026, driven by a 14% growth in EMEA.

The strong growth in EMEA was supported by significant pre-buying activities by customers ahead of a price increase announced in March and effective April 6, 2026.

This is a good example of our agile pricing strategy, where we regularly review the appropriateness of the current pricing. This price increase was announced to cover expected increases in material and energy costs resulting from the war in Iran.

Q2 2026 will likely not show the typical seasonally driven sequential increase due to the high, pre-buy driven base of Q1 2026.

While April was up year-on-year, this could have been also positively impacted by a price increase announcement for APAC, which became effective in May.

Accordingly, May showed an expected reversal. We expect a rather flattish year-on-year development in June, but we do not have final numbers yet.

I think the most important takeaway in all this is that, year-to-date, we expect to remain in positive territory in unit terms if June comes in as we estimated. And while you know we don't provide guidance for order intake, we can share that the year-to date performance is broadly in line with our internal expectations.

In value terms, the anticipated unit development in Q2 is likely to translate into year-over-year lower order intake in the new truck business. Service order intake is likely to have grown again but not nearly enough to compensate for the lower new truck business.

Accordingly, total order intake in ITS could be lower by a mid- to high single-digit percentage compared to the prior quarter and the prior-year quarter.

Revenue development in Q2 is likely positively influenced by the good order intake in Q1. We would therefore expect a slight year-over-year increase driven by both the new truck business and the service business.

In combination with our earlier commentary on order intake, the revenue development should result in a book-to-bill ratio below 1 in Q2 ‘26.

Adjusted EBIT is likely to be higher by a very low double-digit percentage compared to the prior-year level, resulting in an improved adjusted EBIT margin.

Like in Q1, the main positive drivers of this development are the savings from the efficiency program and lower share price-driven expenses for the long-term incentive programs. The main negative development is the still insufficient factory utilization.

In addition, the improvement is expected to be supported by US tariff refunds, which we had anticipated later in 2026.

Moving on to our IAS segment, in terms of order intake, fiscal year 2025 was a very good year with 40% growth in order intake and a quarterly record in Q2 of €1.4 billion, which as we flagged repeatedly, also benefited from timing issues. We also saw year-over-year growth in every quarter including Q1 of 2026.

Based on the actuals for April and May ‘26 and our estimate for June, we would expect a continued good order intake development, maybe taking the H1 ‘26 order intake to about half of the 2025 full-year order intake.

At this point, we always remind everyone not to look at a singular quarter in IAS, 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 IAS was exactly in line with our expectations, but the quarterly distribution was quite different from what we thought.

Revenue in Q2 continues to benefit from the growth in Business Solutions order intake in recent quarters and is expected to show both sequential and year-over-year growth, reaching a level maybe between Q3 and Q4 2025.

Adjusted EBIT is likely to have increased substantially again year-over-year, likely leading to an improved adjusted EBIT margin, both sequentially and in a year-on-year comparison.

Next to increased top line, a major contributor of this improvement was the lower share price-driven expenses for the long-term incentive programs.

For KION Group as a whole, the anticipated development in ITS and IAS means that we will see year-over-year lower order intake in Q2 2026. This is, of course, a result of the record quarter in IAS in the prior year as well as the pull-forward effects in ITS in Q1 2026.

Group revenue could see growth by a mid- to high single-digit percentage year-over-year.

Group adjusted EBIT is likely to see an increase by a low to mid-double-digit percentage year-over-year, based on a Corporate Services and Consolidation line which is comparable to the prior quarter.

All in all, Q2 ‘26 is likely to have been another solid quarter. The impact from the conflict in the Middle East remains limited, and expected higher costs for raw materials and energy have not yet materially impacted the P&L.

Of course, we continue to monitor the situation very closely. As outlined in the Q1 Update Call, our experience with inflation and supply chain disruptions in 2022 had led us to develop and implement measures to become more resilient in unstable times, and these measures are serving us again in 2026.

I’d like to add some colour on the housekeeping items in Q2 2026. Following the completion of the efficiency program at the end of ‘25, you should only expect a mid-single-digit million-euro amount in non-recurring expenses.

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

Net financial expenses could be comparable to the prior-year quarter.

These developments could result in a pre-tax profit which could be higher by a low to mid-double-digit percentage compared to the prior-year quarter.

The tax rate should be in line with our full-year expectations of between 32% and 36% as provided on the housekeeping slide in our Q4 ‘25 Update Call presentation. As a reminder, the prior-year quarter benefited from an unusually low tax rate.

Accordingly, net income is expected to be higher by a very low double-digit percentage compared to the prior-year quarter.

As flagged in the Q4 ‘25 and Q1 ‘26 Update Calls, we have broadened the financing of our leasing business to include debt capital market instruments with general corporate purpose.

In order to make future free cash flows comparable to past reported free cash flows, we have amended our free cash flow definition to include cash flows resulting from additions to and repayments of financial liabilities relating to instruments used for the Company’s general funding, including the associated interest and borrowing costs, to the extent that they are solely for the financing of the lease and short-term rental business.

This means that the impacts from those refinancing transactions are reclassified from financing into operating cash flow for the purpose of determining the adjusted free cash flow. This had no impact on the Q1 ‘26 free cash flow, as the proceeds from the bond that we issued in late March ‘26 were only used to refinance existing leasing liabilities during Q2.

Therefore, from Q2 onwards, we will be reporting an adjusted free cash flow, but please don’t be confused. We have made this definition change so that the prior-year free cash flows remain comparable. This is just a heads up. It will become clear when you see the actual numbers in the report at the end of the month.

We have also made similar adjustments to the net debt and leverage calculations, again, to ensure that these remain comparable to prior years. Again, all will be clearly transparent in our published report.

So adjusted free cash flow is expected to be a negative mid-double-digit million-euro amount, including not only the cash out for the efficiency program implemented in 2025 but also the purchase price for the 35% stake in ZIKOO Robotics that we announced last quarter. The underlying free cash flow development is in line with our expectations.

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 still 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 needed, the presented prepared statements. We will also provide a transcript of this call on our website shortly.

Let's leave all other questions for our management to answer when we publish our Q2 '26 report on July 30 and have a better basis for answering your questions in more detail.

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

Operator: Thank you, Raj. We will now begin the question-and-answer session.

Sven Weier: Thanks for taking my question. Morning, Raj. First, I have a follow-up question to the statements you've just made because it's been a bit too fast for me. I was just wondering. On the truck side, you said revenues in Q2 would increase year-on-year and sequentially. Then book-to-bill would be below one, but you didn't specify that increase any further than just saying an increase, right?

Raj Junginger: Morning, Sven. What we said is that revenue would be up slightly year-over-year.

Sven Weier: I missed the slightly. Okay. Thanks.

Raj Junginger: And I tried so hard speaking slowly.

Sven Weier: Yes, but I'm getting too old. But then on the EBIT side, on automation, you said it would be better Q-on-Q and year-on-year with the margin up. Was there any further refinement on that?

Raj Junginger: We said the adjusted EBIT will increase substantially, and we did not qualify further the adjusted EBIT margin improvement.

Sven Weier: Okay. Good. Understood.

Raj Junginger: If you total them, we did do a little bit of a refinement on the group level. So if you take the statements on ITS, IAS, I made a statement on the CS line, I think that may help you to get to a more narrower IAS view.

Sven Weier: And on the group, you said EBIT would be up low to mid-double digits.

Raj Junginger: Low to mid double-digit percentage.

Sven Weier: Okay.

Raj Junginger: And Corporate Services and Consolidation is comparable to Q1 ‘26.

Sven Weier: Understood. And then I was just wondering because I think, when you talked about the special effects in Q2, you had some tailwind from lower compensation, you had the tariff refunding. So should we assume that the overall Q2 EBIT was therefore benefiting more from net positives, and that’s why we should definitely not extrapolate this for Q3, which is seasonally a bit slower anyhow?

Raj Junginger: Generally, I would definitely confirm that. Obviously, we don’t know what the share price will be at the end of Q3. If it increases, the benefit we got from the lower share price would, of course, reverse.

The tariff refund is definitely a pull-forward effect, if you like. That can certainly not be extrapolated. And the relief coming on the share price-based incentives for the long-term programs, that’s of course dependent on the share price at the end of the quarter.

Sven Weier: Did you say that the price increase is stuck that you made? So are you basically at the usual rate, let’s say?

Raj Junginger: I don’t think I commented that. I think we just said that there was a price increase that led to pre-buying effects.

Sven Weier: Okay. Understood. Thank you, Raj.

Raj Junginger: Thank you, Sven.

Martin Wilkie: Thank you. Just to come back on the pricing, you mentioned you had the European one in the first quarter and then APAC effective May. Should we see that as what is needed for the offset for the raw materials and the energy that you talked about? So is that the totality of price increases that we should expect in the first half, just to understand there’s no further pre-buy during Q2 for Q3, and just in terms of the announced price increases you put through already?

Raj Junginger: Well, what you’ll remember is, both from the Q1 Update Call as well as today, we do not wait until we have full clarity on cost increases to then implement a price increase because that would make the time lag between actually having the new business with the new prices and experiencing the cost increases too long. We do it early based on assumptions.

If later on this year we realize they are not enough, we could do another one. We did 4 in 2022.

Martin Wilkie: Okay. That is helpful. And in terms of the IAS business, so can I just clarify that I got the comment there correctly? So the first-half orders for IAS in nominal terms, in actual euro terms, should be broadly equivalent to half of the total in euro terms in 2025. Is that the comment?

Raj Junginger: Correct, but in IAS, we only do euro terms anyway.

Martin Wilkie: Okay. That's fine. All right. Thank you very much.

Raj Junginger: Not at all.

Akash Gupta: Yes, hi. Morning, Raj. I just have one high-level question. If you look at the macro data point and some of the leading indicators, IFO has improved in past couple of months after taking a hit post the war. Manufacturing PMI in both Germany and Euro area has remained above 50. And also, you tend to guide conservatively with Q4 results.

And on the other side, we see the share price, which is probably down the most in European capital goods sector, and the market is concerned about a potential profit warning. The question is that, where are these concerns coming from? Like did you say anything during the quarter that might have interpreted that way, or is it coming from competitor? Any colour you can share would be helpful. Thank you.

Raj Junginger: Well, what the competitors are doing, Akash, I think you know at least as well as I do, so I'm not going to comment on that on this call.

In terms of what we've been saying at conferences and investor meetings is basically reflected in what I presented you in prepared remarks.

I think a possible explanation or part of an explanation could be that -- and we said this from the beginning -- that the phasing in ITS specifically -- and this was even before the Iran war because, remember, we reported full-year numbers, and thus the guidance for '26, 2 days before the war actually started.

And our expected phasing was biased towards Q4. And I think some people are just speculating, how much does Q4 have to improve so that we reach our guidance? But it is based on nothing that the company has said.

Akash Gupta: And if I take your commentary in your prepared remarks, I think you did mention that first-half performance in ITS is in line with your internal expectations.

Raj Junginger: In terms of order intake in unit terms, yes, based on whether June comes in like we estimated.

Akash Gupta: That's good. Thank you very much, Raj.

Raj Junginger: Pleasure, Akash.

Lucas Ferhani: Hello. Thanks, Raj, for the commentary. Just one question on the US tariff refunds, can you provide more details? What did you kind of mean by that comment?

Raj Junginger: Well, we will provide more quantification with the full-year report, but if you remember, the Supreme Court deemed the reciprocal tariffs as non-constitutional, and so companies were open to ask for a refund. And so a lot of companies have asked for refunds, and the refunds are starting to come in.

Lucas Ferhani: I think, on the Q2 specifically, you got some of those refunds. That's maybe helping the business, and you didn't expect it at that point. Is that --

Raj Junginger: We expected it in H2. We did not expect to get the refunds already in Q2. So yes, it supported the ITS performance in Q2.

Lucas Ferhani: Perfect. Thank you.

Adrian Pehl: Yes, hi, Raj. Good morning. Actually, also a question of understanding, on ITS, on the EBIT and the margin, you said higher. Was that both year-over-year and quarter-over-quarter? And consequently, also, the margin improved. Did I get this right?

Raj Junginger: So what we said is that adjusted EBIT in ITS in absolute numbers is going to be up compared to the prior-year level by a very low double-digit percentage.

And we talked about an improved adjusted EBIT margin, that is year-on-year improvement, but we have not further qualified that.

Adrian Pehl: Okay. Awesome. Thank you for that. And then a question in general, obviously, we know that one of your friendly competitors has also increased the prices, probably more or less kind of parallel to you. But more in general, did you observe in the markets a broader kind of movement like that, including the Chinese rivals, if they also are -- have they also went to higher pricing?

Raj Junginger: We don’t really comment on pricing of our competitors, but let me give you food for thought. Back in 2022, if you remember, we also had inflationary pressures, but these were focused on Europe. So it did actually improve non-European competitive positions.

This time around, though, the inflation is a global phenomenon. And actually, in terms of things like freight costs, you could say that the further away a competitor is from Europe, the bigger the disadvantage he has. So this time around, we did not have a situation which affrected the European players disproportionately.

Adrian Pehl: All right. That’s been helpful. Thank you, Raj.

Raj Junginger: Thank you, Adrian.

Gael de-Bray: Yes, good morning, Raj. Thank you. Just wanted to clarify some of the indications you provided at the very beginning. I’m afraid I missed some of them for ITS, for ITS orders. So you said units now are expected to be in positive territory, right, so overall, not so much of an impact coming from the --

Raj Junginger: In the first 6 months.

Gael de-Bray: In the first 6 months, okay, so expected to be down then in the second quarter.

Raj Junginger: That would be because we were up 11% in the first quarter.

Gael de-Bray: And what about the mix dynamics? You had these --

Raj Junginger: Gael, we’ll talk about mix when we have the full Q2 picture.

Gael de-Bray: But you said, right, that you expected orders to be down mid- to high single-digit down. So I guess, when I try to put all of that together between volumes still seem kind of flat in June and the price rises globally, I guess, it does imply that the mix effects should be fairly negative, right?

Raj Junginger: Gael, we'll talk about mix when we have full numbers.

Gael de-Bray: Okay. All right.

Raj Junginger: Sorry.

Gael de-Bray: No problem. I understand. The second question is on the impact from the refund from tariffs, so apparently positive in Q2 a bit earlier than you had anticipated. Any quantification of that maybe would be helpful.

Raj Junginger: On July 30, sorry.

Gael de-Bray: And how come ITS had an impact and not IAS?

Raj Junginger: We don't import a lot out of Europe in IAS into the US, but we do some from Europe to the US in KION North America.

Gael de-Bray: Okay. So similarly, there should be no impact from this reference in coming quarters for IAS. You're done with that at the group level.

Raj Junginger: Again, let's update you on that at the end of the month.

Gael de-Bray: Okey-dokey. All right. Thank you. Thank you, Raj.

Raj Junginger: Sorry, Gael. Thanks.

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

Raj Junginger: Sorry about that. We have run out of time, but I would like to remind you that we will post a transcript as soon as possible after the call. So anyone who has joined late or wants to understand what was exactly said, you can read that in the transcript.

Thank you for joining our Q2 '26 Pre-Close Call. We will now be in quiet period until our reporting on July 30. Until then, we wish you all the best, and for those going on vacation, have a wonderful and relaxing time off, and we look forward to speaking to you again at the end of the month.