KION

Q3 2026 Results Update Call
29.10.2026, 15:00 CET

Rob Smith: Thank you, Chloe.

Good afternoon, ladies and gentlemen, and welcome to our Update Call and Webcast on the Q3 2026 Results. Please refer to our Update Call presentation on the IR website if you're joining by telephone.

I'm going to start with a quick summary of the third quarter and some recent business developments. And Christian will then take you through the detailed Q3 financials and talk about our outlook for 2026, which we updated on October 14th. Then I'll be back with some key takeaways, and we'll start the Q&A session.

Let's start on page 3. Order intake was €2.7 billion, 1% lower versus last year. This was driven by ITS, where order intake in EMEA fell behind our expectations as well as market growth, especially in the value and the economy truck segments.

In contrast, we're showing outperformance in APAC, particularly in China, which shows that we can succeed in a very competitive market environment. It also shows that we need to further leverage our existing capabilities in China even more to reverse the developments in EMEA.

Revenue was up 5% at €2.8 billion, driven by both segments. Adjusted EBIT increased 7% to €203 million, driven by IAS. And the adjusted EBIT margin amounted to 7.2%. Free cash flow was positive at €99 million and included cash out for M&A.

With physical AI, KION is already creating measurable value in real supply chain operations. Artificial intelligence, digital twins, autonomous vehicles, and technology partnerships help customers deploy automation faster, improve safety, and boost performance.

At GXO's site in Épinoy, France, KION has integrated autonomous vehicles into daily warehouse operations. The deployment reduced on-site implementation time by more than 60%. And with further new AI capabilities, we expect to further reduce implementation time beyond that point.

KION used AI-powered digital twins and simulation technologies to test, validate, and optimize autonomous systems before the physical deployment. This cuts commissioning time from weeks to just a few days.

KION is working with NVIDIA on AI-based safety concepts, using the NVIDIA Halos blueprint to support safe operation of autonomous vehicles alongside warehouse staff.

We're collaborating with NVIDIA, Accenture, and other partners to combine expertise in simulation, computing, spatial intelligence, perception, and autonomous operations.

At a ROSSMANN regional warehouse, KION delivered the Robotic Case Picker in October 2026. The AI-enabled autonomous truck identifies, picks, and stacks packages in a challenging commissioning environment. Following strong pilot results, ROSSMANN is increasing the onsite fleet.

Christian Harm: So let me take over then. Let's go to slide 6 for the key financials for the ITS segment. Order intake in units in the third quarter 2026 increased by 13% and was mainly driven by warehouse equipment and regionally by APAC and Americas.

Order intake in value terms was 1% lower year-on-year. Service growth of 5% almost entirely compensated for the mix-driven 9% lower new truck orders.

Revenue increased 1% year-over-year. Service growth of 4% more than compensated for the 3% lower new truck revenue.

Adjusted EBIT reached €163 million, mainly due to lower capacity utilization and adverse currency exchange effects, offsetting savings from the efficiency program and lower expenses for long-term incentive programs. The adjusted EBIT margin was 8.3%.

I will now continue on page 7, which summarizes the key financials for IAS. Order intake showed a slight increase of 1%, driven by a 7% growth in Services, which benefited from a double-digit increase in Modernizations & Upgrades in particular. Orders from the pureplay e-commerce vertical more than doubled and accounted for 61% of Business Solutions orders. IAS also grew its orders in the General Merchandise and Apparel verticals.

Overall, revenue increased by 16% year-over-year due to higher order intake in recent quarters and driven by a 22% growth in Business Solutions. Service revenue increased by 8%.

Adjusted EBIT showed a strong increase of 39% year-over-year to €66 million, and the adjusted EBIT margin increased by 120 basis points to 7.4%. Higher revenues as well as lower expenses from long-term incentive programs contributed to the increase in profitability.

Now let's quickly run through the key financials for the Group on page 8. Order intake reflects the development in the 2 operating segments. Revenue growth of 5% was driven by both operating segments.

Adjusted EBIT increased 7% to €203 million, corresponding to an adjusted EBIT margin of 7.2%. The profitability improvement was driven by the IAS segment and slightly lower expenses in the Corporate Services and Consolidation line.

Page 9 shows the reconciliation from adjusted EBITDA to Group net income. The only thing that may stand out here is the asymmetrical development in the earnings before and after tax. This is due to the unusually low tax rate in the prior-year quarter. Last year, there was a benefit from a one-time revaluation of deferred tax liabilities, resulting from Germany's Federal Government's decision in June 2025 to reduce the corporate income tax rate starting in 2028.

Let's now continue with the free cash flow statement on page 10. Free cash flow in the quarter reached €99 million. The increase in net working capital is due to higher trade receivables in IAS from outstanding milestone payments. A large part of these receivables are expected to be paid by the end of this year.

Free cash flow included €53 million cashout for M&A especially for the 70% stake in Smart Innovation NV and the strategic expansion of the portfolio of product solutions for warehouse automation and supply chain robotics.

Moving on to page 11, which shows the development of net financial debt and our leverage ratios, please let me remind you that, beginning June 30th, 2026, the calculation of industrial net operating debt was adjusted and deducts the €495 million financial debt used for refinancing of the leasing business included in net financial debt.

We had a slight decrease in net debt and in the INOD as of September 30th. The leverage ratios remained unchanged compared to the level as of June 30th.

Slide 13 lays out our updated guidance for fiscal year 2026, which we published on October 14th. For ITS, we have lowered the midpoint of the guidance range based mainly on the order intake in the third quarter and its expected impact on Q4 revenues as well as on the adjusted EBIT.

We expect revenue between €8.1 billion and €8.3 billion and adjusted EBIT between €690 million and €740 million in the full year 2026.

For IAS, we have narrowed the guidance brackets based on better visibility on the remaining weeks of the year. We expect revenue between €3.35 billion and €3.45 billion and adjusted EBIT between €230 million and €250 million for the full year 2026.

For KION, this results in narrowed guidance ranges with lower midpoints in all outlook metrics.

Please note the slide on the housekeeping items in the appendix. You will find that we have made a minor adjustment to our full year expectations for non-recurring items.

With that, I hand back to Rob for our key takeaways.

Rob Smith: Thank you, Christian. Let's turn to page 14 for our key takeaways. KION grew revenue and adjusted EBIT in the third quarter of 2026. Our IAS segment showed another strong quarter with double-digit growth in revenue as well as adjusted EBIT and developed in line with our profitable growth strategy.

Order intake in ITS segment remained below expectations in EMEA, especially in the value and economy truck segments, while APAC showed strong performance. This shows that we can succeed in a competitive market. It also shows we need to further leverage our existing capabilities in China even more to reverse the development in EMEA.

With 9 months in 2026 behind us and increased visibility on the remaining weeks of the year, we've narrowed and lowered our guidance ranges for revenue, adjusted EBIT, ROCE, and free cash flow.

This concludes our presentation. Thank you for your interest, and now we're looking forward to taking your questions. Back to you, Chloe. Let's open the line, please, for Q&A.

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

Sven Weier: Good afternoon. Thanks for taking my questions. So I'll start with the first one. It's on the truck EBIT. When I take the midpoint of the new guidance, we are down slightly year-on-year, despite the fact that you had more than €100 million of cost savings and double-digit help from the share price.

I was just wondering. If I look into next year, you don't have these factors probably from today's point of view. Does it mean that we should prepare ourselves for declining EBIT next year, or what could be the potential countermeasures? That's the first one. Thank you.

Christian Harm: So Sven, you make a reference to the development of the EBIT and also the adaptation of the outlook, as we have published that a few weeks ago. Now if I look at that and at the implied margin for the fourth quarter in the midpoint, from today's perspective and with our best view, we would not expect ITS in 2027 to have a different adjusted EBIT margin from that implied exit margin in 2026. So that gives our view from this perspective and reflects our view as we see it at this point.

Sven Weier: So basically, this 8.5% exit rate is also a fair assumption for next year from today's point of view.

Christian Harm: As I said, from today's perspective, we would not expect an improvement from that exit rate that you rightly referred to as an implied rate for Q4.

Sven Weier: And what do you do about the risk of a decline? Because, as I said, this year, you had this huge tailwind from cost savings and the share price. What other measures do you have to mitigate then next year instead of those?

Rob Smith: Sven, let me pick that up, and let me step back just a second and talk about the order intake and growing in the EMEA market not as fast as the market's growing. And then let me talk about some countermeasures.

But let's differentiate the answer by market segment. And let's start in the premium segment. In the premium segment, we kept our pricing discipline in the third quarter and have positive price assertion to show for that. On the other hand, the negative impact it had was on order intake, which lagged behind the market.

In the value and eco segment, it's clear we're not sufficiently addressing the value and eco segment in EMEA, and this is where the market did grow the fastest.

So now what are we doing about that? In the premium segment, we'll be very carefully reviewing the full portfolio of sales measures, including pricing, to ensure competitiveness in that premium market. And for the value and eco segment, Sven, our outperformance in China is proof that we have the right capabilities and we are able to perform and even outperform in the most competitive market in the world. So what we need to do is further leverage our own China capabilities to grow the market share in EMEA.

Sven Weier: And maybe just to follow up on that, when we think about the counterbalance trucks because, when we look at other industrial companies, some companies have started to benefit from economic upswing in Germany. In Q3, I think your counterbalance truck numbers have not shown it yet. Is it still a utilization problem of your clients that the utilization is still not high enough to buy new counterbalance trucks? And what do you reckon, out of your service activities, how far are we from that point that they start to buy new counterbalance trucks?

Rob Smith: Sven, let's be clear. The market grew. And our performance, we kept our pricing discipline in the third quarter in the premium segment, and we have good price assertion to

demonstrate that. But we didn't get an increase in order intake year-on-year. Did we get counterbalanced orders? Sure we did, but we didn't get a year-on-year growth.

As we reevaluate all the different commercial measures, including pricing, we expect that we will be very competitive in that market, and we expect that we'll be growing with the growing market, which as you point out, is indeed growing. It's actually growing in each of the regions, including EMEA.

Sven Weier: Okay. Thank you, both.

Tore Fangmann: Thank you. Good afternoon. Thank you for taking my questions, 2 from my side. The first is on your strategy in ITS. It sounds to me like you're aiming to import more from your own Chinese plant into Europe. And my question here would be, how long would it take for you to see a positive impact or like a change to the growth versus the European market then from your side? Thank you.

Rob Smith: Thank you, Tore. Good question. You picked up on that right. We expect we will be ramping up the production of our China factory footprint even further, and we'll be using that to be addressing the value and the eco segments in EMEA. And I would expect you'll be seeing impact there during the course of next year.

Tore Fangmann: Great. Appreciate this. And then second question would be a little bit on the pricing, pricing strategy here. Could you comment on how you currently see inflation impacting your business? And at the same time, how are you seeing your own pricing strategy? Are you pricing through, or are you rather tackling this a little bit more similar to one of your European competitors with selective price decreases?

And then just as a clarification, following up on Sven's question here, did I understand correctly that you would say it's fair that the 8.5% EBIT margin from Q4 is a rate that you could see in 2027 as well? Thank you.

Christian Harm: So let me dissect your question a bit Tore into the different pieces. The one element you started with costing. The question was, how do we see costing, right? And so basically, what we've seen in the course of the third quarter, the costing impact that we've also identified as a potential consequence out of the Iran war also started to hit us but a bit slower than we initially expected when we put the price increase in April into place.

But in the course of the third quarter, as expected, impacts started to hit us. We've talked about it initially. We obviously had the direct consequences of freight costs and fuel costs and so on, but now it also comes through with some selected material costs. So that's starting to hit us.

However, I want to reiterate what Rob just said before because we put that price increase in place in April, and so far, we have actually maintained that and asserted that price increase in our order intake. So basically, we were covering the cost development that we are having, but obviously, that has a consequence on the order intake.

Your third element was just a follow-up question, I think, to the one from Sven. And again, just let me repeat here. From today's perspective, I think the exit rate from the fourth quarter is what we also would see going forward. We would not have an indication right now for anything different than that.

Tore Fangmann: Appreciate it. Thank you.

Akash Gupta: Yes, hi, good afternoon, Rob and Christian. I have 2 as well. My first one is on restructuring. I was a bit surprised that you lowered your guidance for full-year restructuring, while I think a lot of people were anticipating you might increase the step-up restructuring to optimize your cost base further. So maybe if you can talk about what drove that change, is it because people are leaving on their own, or maybe you are more optimistic on recovery? So yes, thoughts on what's driving this change in restructuring charges this year, that's the first one.

Christian Harm: So you make a reference to the change in the non-recurring items in the appendix. Like every quarter, basically, we make an assessment. We also made an assessment after now 3 quarters of the year for the remainder of the year, and the assessment, we came to the conclusion that we actually don't need the non-recurring items as such as we had prior in our housekeeping. We don't need that for the remainder of this year. Maybe, Rob, you want to add on?

Rob Smith: Yes, Akash, good questions. Appreciate that. Look, as I just described, we've got a review underway of the full measures of different sales measures we can take, the full portfolio of those, including pricing, to ensure competitiveness in the market. And we need to see how effective these different measures are going to be and how that's driving the demand.

And based on that, we will continue to do what we always do, which would be very focused on cost. You're right. We did complete the efficiency program in 2025 and delivered sustainable indirect cost savings of about €150 million per year by changing organizational structures and business processes focused in the ITS segment in the EMEA region.

And we continue to review our efficiency and continue to drive our efficiency and review the cost structure and all footprint elements, Akash. So we'll continue to do that.

Akash Gupta: Thank you. And my second question is on the portfolio. I think, when we look at your portfolio, you have a forklift business where I think a lot of people in the market see some structural headwinds. On the other hand, you have a portfolio of warehouse automation business where I think, when we look at some of the peers, they have traded quite well this year, and outlook is quite different.

And when we look at current share price, it looks like you are not getting benefit of some of the growth prospects in warehouse automation that we see ahead of us. So the question is that, if this low valuation persists, would you be more open to also look at the structure of the company, or that is not going to be on the agenda? Thank you.

Rob Smith: Sure, Akash, good question. Look, what you're actually asking is all the rest of the analysts to start doing the sum-of-the-parts analysis, which we would highly encourage, as a matter of fact, because we see clear growth in both of our segments, and we see a very exciting orchestration capability to help our customers benefit from KION solutions, whether it's in fully mechanized startup and flexible automation, large-scale automation, all the way up to lights-out automation.

And most of our customers have in their footprint that entire portfolio of automation needs. And so our addressing those automation needs across the full portfolio with a very strong

orchestration capability is a fundamental part of KION becoming the supply chain solutions company. And we're clearly on that route, and we are excited about the journey we're on and the prospects it has for us and for our share price and for our shareholders.

Akash Gupta: Thank you, Rob.

Gael de-Bray: Thanks very much. Good afternoon, everybody. As you've been losing market share in the premium segment in Europe, it's pretty obvious, right, that you've priced yourself up a bit too much. So the question, I guess, is by how much? What could be the magnitude of the pricing concessions you're ready to make to regain the lost ground?

Rob Smith: You got to be kidding, Gael. Come on now. Look, we're reviewing all our commercial measures. We're looking at the whole portfolio, also including pricing, but it's a very competitive market, and we're going to be competitive in that market.

We did sell trucks in the third quarter. We just didn't grow year-on-year as fast as the market did. We'll continue to sell significant trucks in the fourth quarter and going beyond in the next year too, and we'll be calibrating to make sure that we're doing that and taking advantage of a market tailwind.

Gael de-Bray: So let me try perhaps maybe from a different perspective. So then I suspect you need obviously a new round of cost-cutting initiatives to achieve the medium-term margin objective of about 10% for the ITS division. So how long do you think you need to sort of prepare a more comprehensive plan to get back to the 10% margin level? Could you elaborate perhaps on what can be done to further reduce the breakeven point?

Rob Smith: So Gael, you're asking a real good question about the midterm targets here, and I'm looking forward to addressing that one, and I appreciate you bringing it up. Look, our IAS segment is improving. The improving performance in our IAS segment is on a very good way. And for our ITS segment, as our measures gain traction, we'll be back in position to be talking about the timing for the updated midterm targets.

So as we get that traction and as we bring that traction in the ITS segment, we'll be back talking about the timing for delivering on our midterm targets.

Gael de-Bray: Thanks.

Philippe Lorain: Yes, good afternoon. I wanted to follow up a little bit on the order intake trend in ITS in Q3. How do you reconcile the fact that units were up 13% year-on-year? That it was driven, of course, by warehouse equipment but also to some extent by e-trucks, i.e., counterbalance trucks that were also up 13% year-on-year, yet the new business order intake was down 9%, so that's a pretty steep gap that we have between plus 13% and minus 9%.

I understand that there are mixed impacts and so on and so forth, but I would like to get a bit more colour on that, please.

Christian Harm: Philippe, I think that fair enough, a very good question, and I think that's on many people's minds, so very obvious here.

I think the word that I'm going to use repeatedly now is mix because, basically, that's what we have, but we don't just have one mix. We actually have several mixes overlaying each other and all playing into the development that we have seen.

The first one is actually a regional mix in the third quarter because, basically, we've seen a very different development in the third quarter in the growth versus last year versus prior year from our 2 largest regions, EMEA and APAC.

And so the share of EMEA this year in the third quarter in the order intake is significantly lower than the share was a year before. So that's the regional mix because we were growing in APAC actually pretty well, and we had a comparatively low growth year-on-year in EMEA.

The second one is -- and we have been talking about for a while now -- is the product mix, which is basically, again, a growing share of the warehouse entry-level trucks that have a significantly lower price point compared to the entire portfolio, and that share again grew.

The third element -- and that comes back if you just think back in terms of also the initial statements that also Rob did. I think we need to understand the segments in the market and the price segments in the market. We have a premium segment. We have a value and eco segment that also command different price points. And we have that not just in Europe. We actually have that in the different markets. So that's the third mix element.

We actually have seen significant growth also in the lower -- in the value/eco segments. But again, then in APAC, and if you combine all those elements, the result then is that, basically, in value terms, we have a significantly different development than we have in unit terms.

Philippe Lorain: Thanks a lot for this explanation. So maybe a follow-up on that. First, did you have significant impacts as well from the rental fleet ordering into and leading to volumes but no monetary impact and maybe as well from the partnership that you have with EP equipment? So has this been also distorting the picture or not really?

Christian Harm: No, that had not a major impact.

Philippe Lorain: Okay. Perfect. And a last follow-up on that -- and I'll be back in the queue -- is, would you expect that negative combination of mixes at different levels, so to say, to continue also in Q4 and maybe up to Q2 next year? Because that's when we really started to have this very, very big headwind.

Christian Harm: No, I think I would like to relate that also again to the statement that Rob made before in terms of the measures, the sales measures that we going to take and the measures that we take to leverage also our China capabilities in the market overall.

So obviously, that should help us play in the regional mix. The product mix has been a longer-term development, and that probably is going to continue, but our development then across the regions and then across the price segments in the different product segments is also a function of how our measures actually gain tractions to address that.

Philippe Lorain: But I guess these are actually like the -- especially the price segment stuff is the one that is going to probably hit a bit more or a bit longer.

Christian Harm: Sorry, Philippe, there is this market development that we have also said that the value and eco market basically has shown stronger growth than the premium segment. So that market implication is probably also a persistent development, at least over the more near term. And then it will depend on our performance in terms of how to address this.

Philippe Lorain: Yes. Okay. Perfect. Thanks. I'm back in the queue.

Martin Wilkie: Thank you. Good afternoon. It's Martin at Citi. Thanks for the question. You've had a few press releases in the last few weeks on your physical AI offering. I just wanted to understand a little bit more about whether we're now ready for this to really scale and to what extent this is still in the early stages of pilot testing.

Obviously, we read a lot about the capabilities of introducing physical AI into logistic systems and elsewhere, but just to understand sort of where we are in the adoption phase for that, can we see that becoming quite a big tailwind as we go into 2027?

Rob Smith: Good question, Martin. Yes, we're very excited about the developments there. And as a matter of fact, what we just demonstrated with our customer GXO in their France location was very exciting, being able to commission trucks on site much, much faster because we had basically done the commissioning virtually as a simulation using the digital twin in advance of bringing the customer or the trucks on site.

And therefore, the fine-tuning of the commissioning was very significantly reduced. And as AI develops further, each of these new foundation models that are coming out are helping us even further reduce that by heightening, by accelerating the speed in which we're able to put the digital twin together in an operation and to enhance the simulation capabilities of that twin.

I still expect it's back end next year that it'll be starting to come into our financials, but the trend is on the right track. The developments are on a good track, and the trick is taking those very impressive results and then scaling them, and that'll take a period of time.

Martin Wilkie: Thank you. And another question on projects is, in the past, I think we've seen that high interest rates really limit the number of large projects because customers want to do more a series of bite-sized projects because of the interest rate environment rather than sort of 1 big scale-up upfront.

Are you seeing that again this time around? And is that sort of limiting the number of large orders do you get in IAS? Because customers really just want to make smaller investments with a short payback given the interest rate environment, and perhaps we have to wait for rates to come down before we begin to see lots of larger projects.

Rob Smith: That's a good question as well, Martin. We have not yet seen any change in customers' appetites on starting projects based on interest rates. And we're looking for that, and we're monitoring that carefully, but our pipeline is very good, and that behaviour has not manifested itself.

You have to ask yourself if people think that getting in now is a good idea because they might go up further, right?

Martin Wilkie: That is true. Okay. Thank you very much.

Adrian Pehl: Yes, hi, everyone. Thanks for taking my questions, actually 1 on ITS. I think the topic on how to leverage your Chinese footprint is -- I don't know -- probably not well understood in the sense of, what are you doing there already in terms of exports from China into Europe? And maybe you're also doing some component manufacturing that you're also exporting. And what are the plans? For example, is it more component content then going into your high-end trucks, or maybe you could give some examples on what your thoughts are, what you're going to do, and where we currently stand at that line.

And the second one is on IAS. Given also that now the order intake last 12 months is waning a little bit, on the other hand, you still have these loss-making contracts to be worked through. I just wanted to hear your directional thoughts on the current level of revenues and how we should think about 2027 and your ability to increase the adjusted EBIT margin from these potential effects. That's it from my side. Thank you.

Rob Smith: Okay. Another very good question. Look, our European factories are primarily addressing the premium segment in Europe. And as we adjust and calibrate our commercials there, I think that will benefit the orders going to those European factories.

You're asking about, how do you leverage the China footprint? And I think that's a very good question. We've got a very, very strong footprint in China. We're the only non-Chinese company that has a footprint there. And it's substantial. It's profitable. It's a very good size, and it's the whole value stream from design and development, R&D, to the supply chain and to production. And we have a very strong sales and service network there. Matter of fact, we're the third largest player in the China market. And so we've got a very strong capability there.

And you saw 36% growth in the third quarter was the order intake growth in APAC. That was very substantial, and our expectation when WITS comes out 3 months from now is we will have outperformed the market there.

We are performing head-to-head with the same players that we're competing against in other regions in China, and we're doing a good job there and are competing well there. So I expect, as we leverage further those capabilities to benefit largely the value and eco segment is we're underrepresented there in the sales channel and bringing the value and eco products to the market in EMEA.

And we'll be working very hard on doing that, and as fast as we can do so, we'll be increasing that flow from China to the value and eco segment, which you've got another very good point, which is the whole supply chain cost and componentry. Componentry can affect and benefit all product, all market segments, and we've got a very strong cost-driving efficiency program across the company. Christian runs that, and we're making very good productivity on cost reductions on existing models too.

Good example is taking a significant amount of cost out of the battery for the ECB counterweight trucks across our whole portfolio. That's a benefit that's helping the whole portfolio there. So we'll be using the China footprint to further benefit components. We'll be using it for full trucks and full machines for the value and eco segment. And as we ramp that up, we'll be playing very strong in all segments in the EMEA market, and I expect we'll be doing so in a winning fashion.

Now you ask about IAS too, and you asked me to tell you about next year before March, and so I'm not going to do a lot of that, but what I will tell you is we had -- go back to 2024 with €2.6 billion of order intake, and then fast forward to '25 with €3.6 billion of order intake. If it even just stays flat this year, that's 40% over 2 years. That's 20% year-on-year-on-year and is a very good order intake performance.

We're not guiding on that, but we're very confident that the market that we see is continuing to be very strong and very active. The pipeline is certainly strong. I mentioned before that we're not seeing customer hesitation in terms of interest rates being a case.

So I expect that we will maintain a very good trajectory and a very good momentum in our IAS segment. And we've talked multiple times about the different levers that drive the profitability in the IAS segment. You correctly point out burning through the legacy projects and closing those off, and we got a bunch more this year closed off, and there's a nice trajectory on finishing those out. That has a -- you can see it in the margins.

So then there's the execution and the project processes and project execution, which has tightened up very nicely and continues to be on a good track, and we've underpinned that with hard-coded measures to make that efficiency work well.

And then you've got driving the service business, which is a nice growing piece of the work, and that's continuing on a good way. And then you see we've got good order intake in previous quarters, which will benefit future quarters. So our confidence in the trajectory and continued performance in IAS is very good, and you should be as well.

Adrian Pehl: Just a very quick follow-up, so the working through on those legacy contracts margin-wise, would this more than compensate any kind of cost inflation? You were referring to -- I think Christian was referring to the ITS division on higher costs, but you should have that also in IAS going up, at least to some degree. So would that net be a positive margin effect for you?

Rob Smith: It's been quite a while since we needed to talk about this, but you bring it up, and so I just remind you. Back in the third quarter of 2022, as we recognized, we had no inflation protection against hyperinflation and very significant project interruptions in the IAS segment projects, we put in place commercial agility measures that enabled us to, for all the contracts we've taken since then, protect ourselves from hyperinflation and significant project deviations, and we continue to do so.

And so clearly, there's a range and a band, etc., but we don't see ourselves in a similar situation back in 2022, where we had no protection at all and could only work on productivity. We drive productivity, and we have contractual clauses that protect us from significant deviations in cost development.

Adrian Pehl: Very good. Thank you.

Timothy Lee: Hi, thanks for taking my question. My first question is, again, on the measures that you can do on your China resources. And I think one element is actually from your major shareholder Weichai. I'm not sure whether there will be anything that you believe Weichai can do a bit more on helping on your production course or anything that can help on leveraging your benefits in the China market and eventually help your EMEA business. So that's my first question. Thank you.

Rob Smith: Hi, Timothy. So you're referring to our anchor shareholder Weichai Power in China. They give us -- I just talked about this great footprint that we have in China being the third largest player in the entire market. It's a home game for us in China, and Weichai being an anchor shareholder for us is a good part of that, enabling market access.

You'll recall that, back in 2021, we built a brand new factory during COVID in less than a year and a half, if you will, and ramped it up with very good support from Weichai, especially in terms of zoning and permits and things like that, making it work well.

There's good market access through their customer base, etc. So you're asking if there's more. There's already a lot of very good benefit from their anchor shareholding, especially in the China market.

Timothy Lee: Got it, but do you think any further step up in terms of what Weichai can do can help your business further? Any colour on that would be helpful. Thank you.

Rob Smith: As I was saying, there's already a very good collaboration and good market access and good support when we have projects underway there, capital projects, etc. So no, I don't see additional measures that you would want to factor into any models that you're driving.

Timothy Lee: Okay. Got it. Thank you. And my second question is on IAS. I think you kind of mentioned in the previous question you were expecting the order intake this year could be kind of flattish compared to last year. Is that still your expectation?

And because if I look at the year-to-date order intake, it is still down year-on-year. And I know the order intake's still kind of lumpy quarter-on-quarter, but how are we seeing the order intake in the next couple of quarters in order to support our revenue for next year? As long as -- if we don't see order to pick up meaningfully in the next 1 or 2 quarters, then probably in 2027, we may not see meaningful revenue growth on the IAS segment. So I would like to get a little colour on that. Thank you.

Rob Smith: Okay, Timothy. Let's go back to that last question. That's a good point. What I was describing is, even if it were flattish this year, it'd be up 40% over 2 years, which is about 20% year-on-year, which is demonstrating very substantial growth.

I talked 8 quarters ago now about the trough in the market being behind us. We've been in a growing market now for at least that amount of time. We expect it's a growing market going forward. And we're the leader in that market worldwide, and we expect to continue to participate well in the growth in that market.

And so that's what I'm expecting. You put a good finger on one point there about lumpiness. Yes, some orders drop into one quarter. Some orders push into another quarter. So it is on a quarter-on-quarter basis a bit lumpy at different points in time.

We go back to that over the course of 2 years. A very good order intake trajectory is what we've been able to demonstrate. And as I say, continuing to be the leader in a continuing growing market gives us expectations that we'll continue to be growing our business.

Timothy Lee: Understood. Thank you very much.

Alexander Hauenstein: Yes, hi. Alex Hauenstein, DZ Bank. Thanks for taking my question. First of all, coming back to the medium-term target of 10%-plus margin, I was wondering whether you could share some of your views or underlying assumptions when you roughly intend to reach this goal, maybe on ITS but also maybe on IAS, which is probably not going in line into the 10% range on the same year. But maybe you can just share some views about beyond what we have been talking about all today, just to get a bit of a feeling on the timeline.

And looking into all that, is it possible to give us some kind of a bridge here of what the big elements could be and maybe where you set the focus on and where you see it a bit of a less relevant part, so just to get a better feeling about what we should really focus on and what your way of thinking is on that?

Second question with regard to the competitive position, I'm wondering whether you could comment a bit about whether you see multiple Chinese players entering the EMEA scene more aggressively here. I'm wondering whether there's some kind of initial push more into this EMEA region now taking place. Is that something which you see increasing going forward, which you see a bit of a less of a pressure environment, pressures environment within the next 12 months, or do you think it will increase this pressure over the next 12 months? Thank you.

Rob Smith: Let's answer your questions maybe in reverse order there, Alex. If you look at a lot of different industries and you look at the growth, the GDP growth in China, there's kind of an inverse correlation between, if it's going down, the focus on export is going up.

And so you're asking about what kind of a trend we should expect in our industry as well. If China GDP is on a downward trajectory, there's a lot of pressure in there. It's the most competitive market in the world. There's a lot of pressure for companies to export. And so I would think that an inverse correlation between the amount of exports going out of China into different markets is the right correlation to understand with the China GDP.

Now if I were going to come back to your question on midterm targets, our objective, our target in the midterm is to have both our segments and the Group KION over 10% adjusted EBIT profitability. And you asked my view. My view is that it's clearly a doable set of midterm targets.

As I described a couple minutes ago, our IAS segment, I think, as you rightly pointed out, has improving performance. It's on a very good way, and we think the market is going in the right direction to be supportive of that.

I just described also some current-term challenges we're facing in our ITS segment. I also described to you that, with a good understanding of the market and a differentiated approach in the premium and the value and eco segments, that we're confident that we can be handling those challenges as well.

In the premium segment, we think there's a portfolio of different commercial measures we can take to make sure that we're good and effective. We've got a very good cost-driving efficiency program on a constant basis, all different elements of cost across the company. So there's a good underlying capability there.

And we have the only Western company with an outstanding footprint, überhaupt with a footprint in China, and we have an outstanding one. We're the third largest player there, and

we're very confident we can ramp production from our footprint there and have the capabilities of our China footprint benefit our businesses worldwide, including certainly here in EMEA, to get a good trajectory there.

I think that, as we get good traction on those ITS measures, we'll be in a position to come back and talk to you about timing of midterm targets. I think that the fact that we've got a very strong service business in both segments and are able to continue to drive our installed base in both segments and service that with an extremely competent service workforce in both segments worldwide is a very important element of this underpinning tailwind.

And as we drive the software capabilities and the orchestration capabilities to be giving customers a smooth orchestration across their full range of automation, I think that will have a good element of that trajectory as well. So primarily as we're getting a good traction in the ITS segment, we'll be back., and we'll be talking about those midterm targets.

Alexander Hauenstein: But you would probably say it's quite some sound market improvement overall to reach the 10% in ITS, right? So how big -- it's difficult to quantify, I know, but just to get a feeling, how big are you betting on a market recovery here in order to reach this ITS goal, or is it more or less purely reachable within the measures you have been speaking about?

Rob Smith: Yes, Alex, let me help you with that. Look, the market is doing well in the ITS segment actually, in each of the regions. And we want to participate strongly in that market growth on a go-forward basis and need to be addressing that and are addressing that.

Alexander Hauenstein: To put it differently, if the market keeps growing as it is, you're confident to reach the target with the self-help and internal measures, right? So you don't need any incremental bigger push from the market side to reach it. Is that the correct way to interpret this?

Rob Smith: Actually, Alex, if you look in our different elements of the IR pack, you'll see our long-term strategic planning horizon expectations of the market growth in the ITS market and the IAS market, and current this year, the ITS segment is above those growth expectations. And on the basis of those long-term growth expectations is what I'm basing my confidence in the ability to perform better than 10% in that segment. So I hope that helps you understand the answer to the question there.

Alexander Hauenstein: Yes, okay. Thank you. Maybe a very quick follow-up on the physical AI thing, when you were talking or referring to the ROSSMANN case here specifically, and just talk about physical AI and the AI-enabled Robotic Case Picker. Is that specifically referring to the use of humanoids, or is that some other kind of robotic case picking thing?

Rob Smith: That's a very exciting commissioning machine that is driven and autonomously operates in the ROSSMANN factories.

Look, we've got a couple pieces more information we want to get out to everybody before they got to go hop on a 16:00 call. If you'd like to follow that one up with our IR team, we'd be more than happy to.

Chloe, it's time to give it back to you so you can give it back to Christian and we can share the rest of the information we want to put out to everybody.

Operator: Thank you. Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Christian Harm for closing remarks.

Christian Harm: Yes, thanks, Chloe, and many thanks to everybody who participated in the call today. In addition to the call, we have an announcement to make. KION will separate most of its leasing activities into a new Financial Services segment from the first quarter 2027 onwards to improve the transparency, the steering, and the funding flexibility. In connection with the mandatory application of IFRS 18, the presentation of the income statement, of the balance sheet, and of the free cash flow statement will change.

Now to help you understand the upcoming changes, we are offering a teach-in call on November 5th, where we will outline and explain the reporting implications to you based on fiscal year 2025 figures. Should you not be able to participate, you will find the presentation and the transcript posted on our IR website.

On March 4th, 2027, then, we will provide further information based on full year 2026 figures. And we will go live with the new reporting structure then with Q1 2027 results.

The link to register for this call, which is primarily targeted to our analysts, will be posted on our IR website in the financial calendar shortly after today's call. And with that, I now hand back again to Rob for his closing remarks.

Rob Smith: Christian, thank you very much, and thanks to all of you for joining today's call and your many good questions. We look forward to continuing the dialogue with you, and we'll see you back here with our full year 2026 results and our guidance for fiscal year 2027 at the beginning of March. Until then, all the best. Thank you very much. Bye, bye.