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| **Corporation:** | Cargotec |
| **Title:** | Q1 2020 Results |
| **Speakers:** | Mika Vehviläinen, CEO<br>Mikko Puolakka, CFO<br>Hanna-Maria Heikkinen, Vice President Investor Relations |
| **Date:** | 23.4.2020 |
| **Duration:** | 01:11:44 |

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**Hanna-Maria Heikkinen:** Welcome to this news conference regarding Cargotec's Q1 results. COVID-19 situation impacted our orders, operations and visibility already during Q1. The good news is that we have started the actions to safeguard our operations and our financial position is strong. Also, our services business and software business performed well during Q1. Today, our CEO Mika Vehviläinen will go through group level development and give an update regarding the COVID-19 situation. Then our CFO, Mikko Puolakka, will continue with the business areas, financials, and then Mika will be back to comment on the outlook. Please Mika.

**Mika Vehviläinen:** Thank you Hanna-Maria. Good afternoon ladies and gentlemen, and welcome to the Cargotec Q1 announcements and as Hanna already said, I will cover shortly the group-wide developments and then sort of what's happening with regarding the COVID-19 crisis. Mikko Puolakka, our CFO, will cover the business area specific financials and then some of the other financial numbers and I'll discuss the outlook and the situation early April in the end as well.

Overall, Q1 orders received decreased by 24%. First of all, it's good to recognise the fact that Q1 2019 was an exceptionally high comparison period for us. The primary reason for the reduction in order intake is that we effectively lacked any large project orders, especially in automation during the Q1 this year. Very clearly, the practical issues related to closing the deals and also the uncertainty within the customers have slowed down the order intake in that one. However, the automation project pipeline still looks strong and I believe in long-term this will further enhance the demand for such solutions. Also, we saw some slow-down in other business areas towards the end of March, as well caused by the COVID-19.

The sales remained on a strong level. We obviously have a very strong backlog at the moment and this will help us also throughout the rest of the year.

Our comparable operating profit also decreased from the last year. The biggest reduction being in Kalmar, Mikko will discuss this more in detail, but it's primarily driven by a change in the mix. A larger part of the deliveries coming from the project deliveries and even within the project deliveries from heavy crane side, where we had lower margins and we have had some cost issues also regarding our supply chain in China.

Hiab profitability decreased also, but this was almost solely driven by the fact that we had some last minute shipment issues and some of larger shipments towards the end of March were not delivered until April. Without those shipment misses Hiab would have actually exceeded last year's profitability.

Even though MacGregor result was still negative, I'm actually pleased with the progress we are making. We are heading to the right direction. MacGregor is in the plan and we expect the business to improve from the last year overall.

Obviously, the current situation with uncertainty and financial market being in disruption, we have put a strategic assessment regarding the Navis business on pause at the moment and we will return to that one later in the year when the situation is more clear.

Regarding the COVID-19 impacts. First of all, obviously early part of the year we saw some disruptions in our business in China, both in terms of the supply chain, our own factory operations and customer demand. This has actually significantly improved during the Q1 and our operations in terms of supply chain are back in full force and we have also seen the customer demand coming back strongly towards the end of the quarter as well.

Obviously, the spread of the COVID-19 virus, we saw some further impact then in our businesses in Europe and North America towards the end of the quarter. The increasing uncertainty and the restrictions by the different authorities is clearly slowing down the decision making, and this was most visible in our order intake where we didn't land any of the expected larger automation orders during the Q1. As said however, we still see a strong pipeline in there. And if anything, the demand for more automated solutions will certainly increase as a result of the learnings from this crisis.

We had challenges in our supply chain coming from the different suppliers and closure of their factories as well, and that affected some of the deliveries and obviously impacted the profitability also during the Q1. Regarding our own manufacturing facilities, our assembly units in Italy, Spain, Malaysia and Ireland had been closed at some stage during the March. Some of these factories are already back in operation and I would expect all of these manufacturing facilities being back on stream during the May time. However, there will be capacity limitations with the safety precautions we are taking in our manufacturing units. Obviously, we have had delays in delivery schedules and of course partly by the supply chain issues, but also for the fact that quite a lot of the shipment capacity has been taken out as well and this causes delays in the shipments as well. The other issue we are dealing with is of course access for our customer's sites, whether they are shipyards, ports or other sites as well. And this is impacting the project deliveries, commissioning and obviously also for the specialist and services that are required actually physically on the sites.

The visibility regarding the rest of the year is obviously weak. We do not know how the COVID-19 is going to sort of spread, what restrictions there will be by the different authorities and how the customer demand will sort of behave towards the end of the year as well. Our focus very much is of course on the safety of our people, safeguarding our business, business continue to in our capability to serve our customers with the right services and on time deliveries, cash and cash position that Mikko will discuss more in detail, and then adjusting our cost structure into this crisis situation.

We have reacted very rapidly into this one by taking temporary measures in many parts of our organisation. About 6,000 of our employees are now in a short week four-day work time, respective salary reductions at the moment and most of that has been effective from the April onwards. Also, I'm very proud of the fact that about 200 of our top executives have voluntarily agreed on 20% salary reduction across the board and that has also become effective 1st of April. We have cut down our external services in different parts of operations. We have frozen our recruitments for the time being and obviously our travel is minimised, also of course by the restrictions, but the overall we are not travelling at this stage. We expect that these temporary saving actions will have about 10 million saving effect per month for the time being. Obviously we continue to monitor the situation and take further cost structure adjustments if required.

The market environment in Q1 is of course shifting very rapidly at the moment and what we see actually in terms of content and traffic is sort of surges and drops in different places. With the strong consolidation of the container liners, we actually have seen about 20% capacity reduction in early part of the Q2, but that has enabled to maintain the cost or the pricing of the shipments at relatively high level. We also see different rooting with the low fuel and bunker fuel prices at the moment and all of those have different sorts of impacts now in terms of the container movements in other locations. For example, in US many ports we saw first low volumes in the beginning of the year, caused by the supply chain issues in China, we have now seen a surge of those volumes when the Chinese supply chain is coming back, and then incapability of some of the ports to actually deliver those containers further. So we have congestion happening in other locations. So quite a lot of things shifting very rapidly as well.

The construction output remained at the high level in Q1 and at this stage it's quite difficult to project how that will develop in US and Europe throughout the rest of the year. Where we clearly have seen already a strong is unfortunately a further slowdown of the ship order and ship contracting, where we see an impact actually for the drastic reduction both in merchant side as well as in the offshore side. And offshore side of course not being helped by the what we see happening with the oil prices at the moment as well.

As said, orders decreased somewhat in MacGregor we saw a sort of slowdown in order intake in Hiab towards the end of the March. And again, the lack of large orders in Kalmar clearly impacted the project ordering, and in terms of the mobile equipment we saw actually still a strong order intake in the sort of intermodal, smaller container handling equipment. The logistics sector, especially in US was fairly slow but actually has now shown some sign of light when we moved into the Q2, and especially e-commerce related delivery actually are running at a very high level at the moment. The industrial side was relatively OK in Europe, but we have seen quite a rapid deceleration in some of the industrial segments in Europe at the beginning of April in there.

However, our order book remains strong and this of course gives us a very good basis for the rest of the year as long as we can get these supply side and our own manufacturing units back in operations as we expect during the May.

The sales remained high, helped by the big backlog, and as I said some early issues in China. And then a little bit slow down towards the end of March, partly driven by the issues with the shipments, ship capacity and different constraints into logistics chains as well.

I'm particularly happy about our performance in services. Our services and software increased, have continued to sort of grow during the Q1. In Kalmar, relatively flat as well as in Hiab and the demand continued at good level. In MacGregor the 24% increase comes primarily from the inclusion of the TTS services: without TTS addition the MacGregor services would have been flat. But I'm happy to see that the good demand in our services business has continued despite the practical issues related, for example to site access etc.

Software sales increased still in Q1, primarily driven by the deliveries of automation software as well. And the services and software constitutes about 35% of our sales during the Q1.

Then I hand over to Mikko Puolakka who will cover the business area financials for us.

**Mikko Puolakka:** Thank you, Mika. Good afternoon also from my side.

So as usual, let's start with Kalmar. In Kalmar, our orders were 334 million euros, a decline of 35%. This decline came mostly from the Kalmar automation-related projects or orders where we had quite high orders in the comparison period. In general, there is a good demand for automation solutions, but customers are postponing investment decisions in this kind of uncertain market environment. We continue to see also a certain weakness in smaller mobile equipment, especially in that kind of mobile equipment which is used in industrial applications like wood processing, steel industry or car industry.

Kalmar sales were 404 million euros, staying on last year’s level. The sales for the automation and project business grew actually in quarter one. And this is very much supported by the good orders what we have received during 2019. The sales for smaller mobile equipment declined due to the weakness in orders in the previous quarters.

As Mika already referred, Kalmar’s operating profit, comparable operating profit, declined from the comparison period. It was 26 million euros, a 21% decline. And this decline is due to two reasons. The first reason is that we had now during quarter one, higher share of project revenues, or revenues coming from larger projects, where typically the relative margin is lower than in smaller equipment or in services. And then, as Mika also referred, we have had some challenges in project business-related supply chain in China that was burdening also our Kalmar margins in quarter one.

Then looking at Hiab. In Hiab, our orders were 296 million euros, decline here 13%. Basically, we saw a decline in all kind of equipment-related orders and in all regions. Positive thing is that the Hiab service orders grew by 13% in quarter one, so, showing there a nice development.

Hiab sales declined by 302 million euros. And also like Mika referred earlier in his part, due to the Corona virus-related delivery or logistics chain delays, we were not able to deliver all planned deliveries during March, but those will be then delivered in quarter two.

Hiab operating profit for quarter one is 30 million euros and this was very much impacted by the decline in sales.

Then in MacGregor, where basically, in general, we have been progressing according to our plans and restructuring activities what has been already announced earlier.

In MacGregor, the orders for quarter one were 151 million euros. This is 8% decline. We saw decline in the merchant ship orders, driven by by the very low new build orders by the shipyards. Our offshore related orders grew, and this is very much driven by the orders received in the sustainable energy area. MacGregor service orders grew by 20%, and this has been supported by the TTS acquisition. Excluding TTS, the organic order growth would have been flat.

MacGregor sales were 153 million euros, here a 10% increase compared to the previous year quarter one. And the comparable operating profit was minus 5 million euros, despite being negative operating profit, it was according to our expectations for quarter one. There are basically two drivers for the loss-making quarter one. The low capacity utilisation in certain offshore, as well as in merchant product lines, and then also the very low order activity and the tight competition concerning deals available in the market.

We announced already in 2019 significant restructuring actions in MacGregor and we are targeting to achieve 15 million euros cost reductions during this year. So far in quarter one, we have achieved 3 million cost savings.

Then Cargotec total financials. Our order backlog is 1.9 billion euros. Like Mika said, offering a very good basis for the coming quarters revenues, assuming that we can deliver that backlog in this Corona environment.

Comparable operating profit 40 million euros. We had 13 million euros items affecting the comparability between the periods and in this 13 million euros, we have a 5 million euro booking related to the Rainbow Heavy Industries associated company where we were reduced our ownership from 8% to 6%.

The net income for the period was 11 million euros. Earnings per share 0.18 euros and ROCE for the rolling 12 months ROCE in quarter one was 6.5%.

Cashflow for quarter one was 23 million euros. This is a slightly lower than in the previous years' quarter one, mainly driven by the lower profitability. Our networking capital has increased. That's quite the typical in the beginning of the year when we start to build the equipment for customers' orders. Of course, in this kind of situation we need to monitor very closely our inventory as well as also the accounts receivable development.

Our debt portfolio is well balanced. Our gross debt is approximately 1.1 billion euros. And here it's good to note that 83% of our debt portfolio or outstanding debt is long-term so maturing after one year or later. Our gearing was 57% and when we exclude the IFRS16 lease liabilities, roughly 180 million euros, the gearing was 44%.

Our liquidity position is very strong. At the end of March, we had 281 million euros of cash and cash equivalents in our possession. On top of that, we have a fully unused committed 300 million euros revolving credit facility. We have 183 million euros of loans maturing in the next three, sorry in the next four quarters. So the total net liquidity at the end of March was almost 400 million euros.

On top of this 400 million euros, we have 150 million euros commercial paper programme of which we have utilised at the moment 50%. And then we have roughly 130 million euros of unused bank overdraft facilities. In early April we raised, in addition to the previously mentioned facilities, 200 million euros two years' bank loans. So overall, in the beginning of April we had 800 million euros liquidity. And as you can see from the right side here, we don't have any major repayments coming up in the near future.

The board proposes a dividend of 1.20 euros per B share and basically the dividends would be paid in two instalments. The first instalment, 0.60 euros per B share would be paid directly after the approval of the AGM. In practice, the payment would happen in the early part of June. In addition, the board is proposing to the AGM, an additional approval or authorisation for an additional instalment of 0.60 euros per B share and this dividend would be paid based on the board's evaluation later. However, the authorisation would be valid until the next AGM. The 1.2 euros maximum dividend proposal represents approximately 55% dividend payout ratio when we calculate the EPS excluding the items affecting comparability.

And with those words, I would invite Mika back to talk a bit about the outlook.

**Mika Vehviläinen:** Thank you Mikko. On 27th of March we issued a statement where we said that at this stage the visibility is very poor and this exceptional situation, Cargotec estimated that it is not able to give a guidance for 2020. We will give a guidance as the situation will further clarify itself.

It is also quite clear that the Q2 2020 is going to be challenging for us. We see issues both effecting our supply side as well as uncertainty in the market affecting the demand from our customer's side. The supply side will be affected by component shortages coming from our suppliers, potential closures of our own manufacturing facilities and then uncertainty regarding shipment availability and logistics flows overall. On the demand side, obviously, customers' demand is hard to predict at this stage and we see those both affecting the Q2 and 2020 considerably.

Now for the first few weeks of April we have seen the order impacted negatively already. It's quite difficult still to draw any definite conclusions on those ones. The orders tend to be quite back weighted for every week and of course, we had an Easter holiday also impacting the first couple of weeks in April. But we have seen a slow-down in demand being there.

Obviously for the whole year it is very difficult to give a specific guidance as the uncertainty regarding the COVID impact, customer demand and the potential restrictions is still very high. It's a very challenging operating environment.

One indication that we follow actually live and we can get data on a continuous basis is regarding the equipment that we operate in the logistic sectors. A lot of our equipment is today connected and these are the numbers from the last, in April, for the last week. Actually, I wouldn't worry too much about Africa because we have quite a small number of equipment connected, so that's not statistically relevant.

We have seen the operational hours actually recovering in China, but they are still somewhat down in there. In Europe, actually the reduction in operating hours after two weeks was considerably higher and after three weeks, we still see operating hours being down roughly 12%. In US, the operational activity of the equipment is even further down. That's also a good indication for us to see where the market is going and as we clearly see, at the moment there are restrictions in the logistics sector and how our equipment is operated and that certainly is going to impact our demand at least in the short term.

However, I would say that if you look at sort of beyond the current crisis, I would say that our strategy is actually even more relevant than ever. The investments we have done in digitalisation, services and connectivity are now clearly paying off in terms of the data and how we are able to support our customers. Those benefits are clearly visible to our customers and of course to our own organisation as well.

Looking into more long-term, it's very clear that the lessons from this kind of crisis will further enhance the demand for automated, electrified and robotised solutions and the investments we are doing in R&D - and that we keep on doing in the future - will put us in a strong position and Cargotec will emerge from this crisis as a stronger company than ever, both financially and from the competitive point of view as well.

Thank you very much and I think we are now ready for Q&A.

**Hanna-Maria Heikkinen:** Yes, exactly. Thank you, Mika. Thank you, Mikko. Could you Mikko kindly also come here please and then we are ready for the questions.

**Operator:** Ladies and gentlemen, if you wish to ask a question over the telephone, please signal by pressing star one on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. And please state your name before posing your question. Thank you. We will now take our first question. Please go ahead.

**Peter:** Hi, can you hear me?

**Mika Vehviläinen**: We can.

**Peter :** Yes. Hi, this is Peter from One Investments. I add a couple of questions, please. One was just on the order backlog. If you look at how that helps you understand how to prepare for the rest of the year. On Kalmar, how much of that order backlog is for execution in 2020? And is there a big difference between the mobile logistic units and the larger units?

**Mikko Puolakka:** Thanks for the good question. In Kalmar, I would say that we need to separate two parts of the order backlog. The project-related order backlog one could say that it's in the average two years in the delivery time, and then in the services and the smaller equipment-related backlog, that would be approximately maximum two quarters in the delivery time.

**Peter:** Has that been changing, that backlog period on the smaller equipment?

**Mikko Puolakka:** That has been, you mean, that has the backlog structure changed?

**Peter:** Yes, if you look at the smaller light equipment of roughly two quarters, if you look at the overall visibility with your coverage you have, has that been changing in the current environment?

**Mikko Puolakka:** Not drastically.

**Peter:** And then on Hiab, you have just under 400 million of orders. And we've obviously heard from some of the truck makers today that that environment is tough on construction and trucks in general. I was wondering if you could give some sort of sense with, you know, needing some infra orders still for the year, how you think about preparing here for a more difficult environment maybe for the balance of the year in terms of, you know, production structure or staffing and so on?

**Mika Vehviläinen**: Overall, obviously hard to predict at the moment. Most of the major truck manufacturers actually have stopped their production for the time being. And I think if you order a new truck at the moment, the availability is somewhere in August. I think this will impact the Hiab demand, now in Q2 we should see that visible. We have taken the same short term temporary measures as we have done in other businesses in terms of the four day work week with the staff functions, cuts in executive salary and then obviously some of the Hiab manufacturing units have been shut down, primarily due to kind of the restrictions by the authorities rather than our own will.

Our unit in Poland for Hiab is in shutdown for two weeks and we expect that to come back online now by May as well. Obviously we need to monitor the situation and see how the truck manufacturers sort of production and the customer demand is behaving. We have quite a lot of flexibility and it's good to recognise that generally our sort of setup is quite asset-light at the moment - we are not vertically integrated and are having purely an assembly operation. So how do we play with our own suppliers and the assembly capacities is going to be quite critical in the coming weeks and months.

**Peter:** Right, OK. And then the other question have was just on, say cashflow and balance sheet. Then if you could give some sort of sense on how the cash advance is part on your balance, how you expect that to develop through the period?

**Mikko Puolakka:** If you refer to the advanced payments what we have received, of course, those are very much related to the Kalmar automation and project business. So, typically, with those large projects we get the advanced payments and milestone payments. And a should the large orders be postponed, then of course we would be consuming the advanced payment balance as we are still executing the backlog project. So that kind of delay of new automation projects would then reduce the balance of advanced payments. If that would be the situation.

**Peter:** Yes, I understand. It depends on the pipeline conversion basically, versus the revenue. And then the last question was just on the, in the short-term risk statements, you make a point about MacGregor and the operating environment and so on, with its two major customer segments. And then at the bottom of that you say, if that's were to persists for the long term, that could be some write-down risk to the goodwill amount. I was wondering whether that is something that's under review at any point for the half year or how, why is that in the short-term risk statement I guess I would say?

**Mikko Puolakka:** Yes, due to this very kind of exceptional situation, we have performed on a kind of extra goodwill impairment test for MacGregor now in the first quarter, at the end of first quarter. And as a result of that goodwill impairment testing, basically the head room in the goodwill impairment testing has shrunk from 170 million euros to 7 million euros. So at the moment we don't have a need to do the impairment, but should the market outlook decline further from the current one, there is this kind of risk, and we have been highlighting and opening also the MacGregor goodwill impairment testing in our interim report in the note number 3 more in detail.

**Peter:** Right. OK. Thank you very much. Thanks for the help.

**Operator:** We will go to our next question. Please go ahead.

**Artem Tokarenko:** Good afternoon. It's Artem from Credit Suisse. Thank you very much for taking my questions. My first one is around trading environment. Could you maybe help us a little bit with quantifying what you've seen in April in terms of demand, may be in year-over-year terms of growth across the three businesses.

**Mika Vehviläinen**: Yes, as I say already said it's slightly challenging to draw too many conclusions. I would be a little careful with that one. First of all, our orders tend to be even in the month a bit back-weighted and quite often they are back-weighted during the quarter as well. And then obviously we had an Easter holiday. So after two weeks, we saw quite a significant reduction in the order intake year and year. Actually, last week was somewhat stronger again so the Easter holiday clearly had an impact on that one. But, I think it's early days to draw any significant conclusions on that one. But, I think it is clearly a downward trend and I expect that to continue on within the Q2. But, how strong that trend is, is at this stage too early to call.

**Artem Tokarenko:** Well, I guess maybe then you can help to understand the phrasing throughout Q1 because in your statement you're saying that Jan-Feb were normal months. But if you look at year-over-year growth rates, this either implies that March declines were very severe, or that Jan–Feb were also down year-over-year. Yes. So maybe any colour, how we should be thinking about the exit round rates, for Q2 would be helpful.

**Mika Vehviläinen**: In MacGregor we didn't really see, I would say there are not significant sort of trends there. I mean obviously there are larger one time orders for ships and there was not a significant trend as such within the quarter itself. At Hiab I think the trend was quite visible, the January–February orders were still relatively good and then we saw an order slow down in March, especially on the last two weeks of March. In there where we saw slow down happening on the Hiab equipment. In Kalmar we saw slow down first of all impacted in China in the sort of January–February timeframe and then China coming back quite well in March. And then, if you look at the mobile equipment, we saw the sort of intermodal container handling type of equipment to actually be relatively strong throughout the whole for first quarter, including March. In the industrial segments, we actually saw a slowing down towards the end of March in the equipment side on that one. In the logistics sector, actually, the early part of the year was slower than we expected in North America. And there has been now indications of actually that strengthening. We know that especially the logistics around the eCommerce is actually running at the relatively high rate.

In the larger project I'd say it was fairly easy. I mean the whole month was very quiet. We didn't land any larger orders on that stage, and it's hard to predict, but it could well be that the larger project orders would only land in the second half of this year and not earlier than that.

**Artem Tokarenko:** OK. Thank you very much. And in terms of those large orders, automation projects, how much of that was in your order intake last year please?

**Mikko Puolakka:** That was approximately, what would I say? Large individual orders we got roughly, if I remember correctly, six orders last year, amount 150–160 million euros for the full year.

**Artem Tokarenko:** OK. Thank you very much. And my last question is on cost savings. First I just wanted to confirm I heard correctly, you are currently running a 10 million per month? Are those cost savings temporary or you expect some of them to be retained as maybe volumes starts coming back and the market improves?

**Mika Vehviläinen**: We have two types of costs savings. Some are more structural that Mikko described already that have been ongoing already before the Corona crisis and then due to the crisis we have taken further temporary cost savings. Those temporary cost savings impact is roughly 10 million a month for those ones and they obviously are affecting as long as we have those measures in place.

Obviously, we are now monitoring the situation and forming a picture. What is the demand shape going through this year, and then based on those ones we then need to decide whether some of those savings are more structural and would have to be more sort of permanent, and which one of those would then return with the activity.

So with the fairly poor visibility at the moment it's too early to sort of decide where the we are with those ones. The structural savings that we have communicated before, they are continuing as planned.

**Artem Tokarenko:** OK. Thank you so much. I'll go back to the queue. Thank you.

**Mika Vehviläinen**: Thank you.

**Operator:** We will go to our next question. Please go ahead.

**Magnus Kruber:** Magnus here from UBS. Could you give us some colour on how Hiab’s order intake declined in Europe, Americans and APAC, please. That would be helpful in Q1.

**Mika Vehviläinen**: There is not a significant difference, the APAC is quite a small marketing in there so, I wouldn't sort of. In terms of the US and Europe, I think we saw a fairly similar pattern in both places – a relatively strong January and February and then a slow-down in the last two weeks of March, both in US as well as in Europe. Not a huge difference between those two markets.

**Magnus Kruber:** OK. Was it still declining in January and February in those markets?

**Mika Vehviläinen**: No, January and February were fairly stable. I think roughly at the same level as previous year.

**Magnus Kruber:** Perfect. Great. And then, how is the current situation with Hiab and deliveries from Europe to North America?

**Mika Vehviläinen**: Depends on the manufacturing facility. We deliver for multiple factories. The main factories for North America had been the facility in Spain that actually has been shut down. We expect that to sort of come back in line now. The Irish factory that has been doing quite a large part of its business in US is actually closed at the moment, but we expect that to return, by sort of May timeframe into the return. Further you have had issues with what, as I described, quite a lot of the container line capacity has been taken out of the traffic. So that will also partly impact the shipment schedule. So we have had a certain situation where we are missing sales because, even though the equipment is ready, we can't find the shipment for that one. That's what happened with Hiab by the end of Q1 as well: the equipment actually that we were supposed to ship was waiting for that one but you couldn't get the shipment organized as well. So, the situation is very fluid because it's impacted by the component availability where we have had issues. It's impacted by how we are able to open and keep our own facilities open and then the availability of the shipments as well. We certainly will, I think, struggle in all those three areas still in Q2.

**Magnus Kruber:** Again, how many weeks has the Spanish and Irish facility be closed respectively at this point?

**Mika Vehviläinen**: I think we'd be talking about couple of weeks now.

**Magnus Kruber:** OK, perfect. And then finally, could you help us quantify the mix effect you saw in Kalmar on the EBIT line, please?

**Mika Vehviläinen**: Sorry, would you mind repeating that?

**Magnus Kruber:** Sorry. Could you help us quantify the mixed effect on the Kalmar on the EBIT line? The adverse mixed effects from project business.

**Mikko Puolakka:** The mix impact I would say would be somewhere between 5–7 million euros, roughly 5 million euros for the first quarter.

**Magnus Kruber:** Perfect. Thank you so much.

**Operator:** We will go to our next call. Please go ahead.

**Antti Suttelin:** Yes. Hi, this is Antti from Danske bank. I would like to ask about your comments on the second quarter. I think you are making it quite clear that the second quarter looks bad, to put it in simple terms. And if I understand correctly, you are not even excluding the possibility of an EBIT level loss for the group. Is this mainly because of a severe topline sales weakness or is it some extra costs that you expect, or is it even a potential of write-off of MacGregor goodwill that could bring your second quarter EBIT to a loss?

**Mika Vehviläinen**: The second quarter I think is, in a way, if I use the term perfect storm in a way that we will, I think, have issues with the demand side with the uncertainty and still the restrictions being in place with our customers. So I would expect orders to be impacted by that one. And then it's also been impacted by the operational issue from our side as we discussed already. So, in terms of our delivery capability in Q2, we'll have a number of different sort of operational issues and both of those will have a negative impact on our operating profit. The magnitude of that one at this stage is quite difficult to estimate. I mean, so much depends on restrictions, so much depends on our supplier's capability to deliver and our capability then to ship the equipment as well as the customer demand that there are question marks around all of those topics. And I think Mikko already commented in terms of the head room for the write offs. We need to evaluate the situation again at the end of the Q2 and see where we are with that one.

**Antti Suttelin:** OK. And then a second and final question. When are you going to test the MacGregor goodwill the next time? And related to that, do you sleep well with your balance sheet or how would you describe the situation? I know that you are still a bit away from your covenant levels, but how do you feel about your balance sheet given the challenges there are in front?

**Mikko Puolakka:** Concerning the first question, we will test MacGregor goodwill at the moment on continuous basis. Basically, it's under scrutiny every day. Of course, we don't update the calculations every day, but all the time when we are getting new information we need to evaluate whether that information will impact the MacGregor goodwill valuation. So the answer there is that it's a continuous evaluation.

What comes to the balance sheet, in our opinion our balance sheet is solid. We have, in some of our loans, we have 125% gearing covenant as a covenant, as a single covenant. And at the end of quarter one, our gearing was 44% when using the covenant calculation principles. So, in my opinion, we have a significant headroom in our covenants.

**Mika Vehviläinen**: I actually think that, at the moment, we are, and of course this is partly relative to the competition, in a very good position actually. We have about 800 million of cash or cash equal. It's available at the moment. And, I would say that, I looked at our balance sheet and cash position as an opportunity when we move to through this crisis. And potentially how can we actually take an advantage of that one.

**Antti Suttelin:** OK. Thank you.

**Mika Vehviläinen**: Thank you.

**Operator:** We will go to our next question. Please go ahead.

**Manu Rimpelä:** Good afternoon. It's Manu Rimpelä from Nordea markets. If I may continue on the topic of the MacGregor goodwill. Could you talk about the fact that you changed the kind of assumptions, which I can fully understand, in your goodwill testing. But where do you see that kind of assumption could change? Because I guess you're still doing the long-term kind of review of the cashflow profile. So, in the next couple of quarters, where do you see the kind of biggest risks that we could have to change the assumptions, which would lead then to write down?

**Mikko Puolakka:** Basically, there are two elements in the goodwill testing. One is the top line and profitability outlook, how we see the MacGregor business, both in short term, meaning the next five years, and kind of over the cycle growth rate. And the other element is then the weighted average cost of capital, i.e. the interest rate what we are using for discounting the cash flows. Both have been updated now in quarter one. So we have taken down the long-term outlook, we have reduced roughly 20% our next four years revenues. And then also the over the cycle growth, we have reduced from 1.6% to 1.3%. So, if there would be kind of further reduction in these short term or long term growth rates, those would then of course impact the goodwill valuation.

And these as mentioned also in the earlier question, this is something what we evaluate now on a continuous basis, due to this extraordinary market situation, as well as the head room in the goodwill impairment testing is at 7 million euros.

**Manu Rimpelä:** OK, thank you. Then moving on to Hiab order intake. I think you've reported around 13% decline year on year base and assuming that the March would be some 40% of the Q1 and January–February, I think you said we're roughly flat. So it's fair to just assume that we had a some 30% decline in March order intake?

**Mika Vehviläinen**: Probably not quite in that stage. It was more visible, again, I think early March was fairly OK. The last two weeks were already where we started to see a more significant decline in there. And at this stage it's quite hard to predict how that will then evolve now evolve in the Q2.

**Manu Rimpelä:** OK. Do you have breakeven points for sales in Hiab, or are you willing to share that with us?

**Mika Vehviläinen**: Well, that flexes is obviously as well depending on what we do in cost structure. The Hiab, one needs to remember first of all that we are still doing extremely well in services, that's still going strong. And the proportion of the services is increasing on that one, and the investments we have done in terms of the manufacturing set up and assembly also gives us a lot of flexibility. So we are in quite a strong position in Hiab to weather a storm at the moment.

**Manu Rimpelä:** OK. And then on the service business, so I mean, have you seen any bigger impacts under restrictions or do you expect that those will become bigger for the services business? Are you able to perform most of the services?

**Mika Vehviläinen**: There has been actually restrictions in terms of customer access or access to customer facilities in shipyards, in part in ports and some other locations. So in that sense I'm quite delighted that the services, despite those restrictions, has been performing quite well. And obviously that's still a risk that we carry into the Q2 as well in terms of how those restrictions will potentially impact the services delivery in Q2 as well. But so far so good.

**Manu Rimpelä:** OK. And final question. Do you have a sense about the backlog quality that you did you see for instance during the financial crisis: did you see a lot of cancellations taking place in the backlog and is there any difference between Hiab and Kalmar for instance?

**Mika Vehviläinen**: Well, Kalmar obviously has the project backlog that is pretty solid. So I don't think you'll see because these are generally ongoing projects and I do think that they will actually progress. The delays there are more to do with the practical restrictions on access as we discussed, customer site access etc. But I think that backlog is pretty secure because those are heavy investments that we have been committed by the customers in many ways. In the mobile equipment side, we haven't really seen cancellations, what we are seeing is postponement requests by customers, partly driven by the practical issues of you know, people working remotely, etc. So, I think we see some postponements of the backlog from Q2 to Q3 now both in Hiab as well in Kalmar. It's not the significant part of business, but there is some. We have seen very little in terms of cancellations.

**Manu Rimpelä:** OK. Thank you. No further questions.

**Operator:** We go to our next question. Please go ahead.

**Peter:** Hi. It's Peter again. I just wanted to ask a bit of on the restart, possibly the exercise and given the information you've had about your supply chain and how you that's caused some difficulties in Q1. When you look at how you're preparing the restart with your supply chain, especially given your more assembly basis in your own facilities, obviously this is the critical point. When you look at the visibility that you're getting on part availability or would you be looking for your supply chain to create some buffer stock to make sure there would be availability? How are you managing that supply chain restart to make sure it's smooth? And how long do you think it'll take?

**Mika Vehviläinen**: It's an excellent question and it's an exercise where I think the transparency towards our customers and transparency to our supply chain is absolutely essential. So the sales and operational planning is going to be in key role to manage the capability to ramp up and ramp down the necessary, and managing that will also be very of the supply chain, or sort of networking capital and not accumulating too much of that one either. So, it's something that we follow on practically on a daily basis, both with our customers as well as with our suppliers. And I think the good news of course is that the, thank you Hanna, good news of course is that the backlog is still relatively high in all of the businesses at the moment. So, we have quite a lot to deliver from our backlog. And then it's a more question of our delivery capability and the restrictions around that one. For that one, we generally have a better visibility.

**Peter:** OK. So when you look at your supply chain ramping up and making sure the full parts availability is so you can ship the complete unit, I mean, do you have a sense on going from the current situation to restarting. Is that something you would expect to be running smoothly by late May, earlier than that? What do you think?

**Mika Vehviläinen**: I think what we, understanding again this is a fluid situation, but what we understand from the authority restrictions and all of our manufacturing locations have actually have been shut down due to the request for authorities, is that some of them are already back in line, the Malaysian factory for example. And what we understand from the local authorities at the moment by mid-May, most of our manufacturing facilities would be up and running. We do observe, and of course the safety is important for us, so we for example can't operate the manufacturing and assembly units at the full capacity because we keep safety distances within the manufacturing facilities, etc. So that will slow down some of the deliveries. But in a way that also gives us a pretty good visibility for the supply side as well because we have a fairly high backlog still in most of the factories. We know where the capacity restrictions will be and so I think managing this one in the next couple of months is actually relatively easy, as long as we are able to predict our own manufacturing rates correctly. It gets more tricky down the road obviously, where the demand side is more questionable. Right now it is more a question of delivering to the backlog and having the right, sort of understanding of our own capability in terms of their manufacturing capacity.

**Peter:** OK. So you've been able to give the same visibility to your supply chain and you're expecting on communication that they should be able to start in parallel with yourself because you're able to give them firm orders basically. OK. Thank you very much for the answers.

**Mika Vehviläinen**: Thank you.

**Operator:** We will go to our next question. Please go ahead.

**Tom Skogman:** Yes, this is Tom Skogman from Carnegie. I would like to understand a bit better these Hiab situations still. So currently understood that your factory closed in Poland for a couple of weeks, but what about this, you know, truck deliveries. Are there inventories somewhere or is the situation now that you will not have any trucks for several months to install your, you know, loading equipment and how do you then book revenues in your account?

**Mika Vehviläinen**: There is a number of trucks already in the system at the moment to be delivered already. We have a certain amount, it varies a lot from location to location, market to market as well. In Effer facilities for example, in Italy where the Corona restriction hit quite early, we have a number of ready equipment that actually has been in the backlog and has customer orders. We have then struggled to organise deliveries, getting trucks actually to pick them up and deliver it to our customers, which are waiting for those ones as well. So we have such sort of buffers or build up backlogs there that we can, as soon as we can get the transportation organised, we can deliver and recognise the revenues on those ones as well. The plant shut down for the Poland is two weeks. And that's primarily driven by the component availability. The truck build-up of course goes through the supply chain as well. Obviously, depends on how soon they come back online as well. And it's not an immediate issue for us.

There are trucks that are to be delivered, are with the dealers etc that we will fulfil into the capacity. The question is more, I think towards the end of the Q2, early Q3, to see a where situation is in there.

**Tom Skogman:** So if, you know, as it needs now for your revenues Q2 like Q3 are equally bad basically then. Because if you don't have trucks to install on, I mean I guess you cannot you know, book a large amount of revenue if you cannot fully deliver it and install the equipment.

**Mika Vehviläinen**: I think the Q3 still at too early to predict. Let's remember that we have a very solid backlog of about 400 million in Hiab that is, you know, well over one quarter of delivery is already in the backlog today. And then we need to see how the sort of the demand will develop during the Q2 too as well.

**Tom Skogman:** How much of these can you, of the revenues of the cranes, can you book in your profit and loss account if you cannot install it?

**Mika Vehviläinen**: A very large majority for our shipments are not our installation, first of all. We usually book the revenues upon the shipment or delivery as well. And it's good to remember again, there are very large number of, if you look at the truck supply chain, they go through the dealers. The dealers still have a number of trucks available at the moment. So even if you would sort of order a new truck today, I mean there is a backlog in there. And then you would look at August deliveries there anyway, so.

**Tom Skogman:** OK. And then, on these goodwill discussion, could you help us to understand where the goodwill really comes from? You have a bit more than 1 billion euros of goodwill, and it has been on high level for many, many years. So please help us to understand how we could split between, the divisions and the different acquisitions you have done.

**Mikko Puolakka:** Roughly 50% of that is related to MacGregor and this is coming from the offshore acquisitions in the early, or some years backwards. And, you can see also in the note number 3, that the asset value in the MacGregor goodwill impairment testing is over 500 million euros. So that gives a fairly good, kind of information about the size of the goodwill.

**Tom Skogman:** So it is goodness and hard luck acquisitions in particular that are, you know, are doing this?

**Mikko Puolakka:** For example.

**Tom Skogman:** All right. Thank you.

**Operator:** We'll move on to our next question. Please go ahead.

**Magnus Kruber**: Hi, this is Magnus from UBS. I think we saw one of the truck newsthis morning suggesting of their fleets to come down by 20% in Europe since the start of the year. Do you have any corresponding data for your fleet, your cranes and Hiab. How do you think that would impact your service business if utilisation is similar for your cranes?

**Mika Vehviläinen**: There is some data actually in my presentation regarding the utilisation at the moment where we are about at 12% down in utilisation now in the mobile equipment in Europe and about 22% down in US at the moment. Actually, you can look at it both ways. In the longer term of course if the running hours go down, that will impact the service requirements. What we are now doing at the moment is that when we actually see the variability in utilisation to be quite high, we actually contact customers where the utilisation has gone down to suggest that this might be a good time to actually do some of the preventative maintenance and do the maintenance rounds when the equipment requirement is not that high. And then you play it the other way where there are also some customers where the equipment is running at the very high hours at the moment, which also then means that they will be further maintenance requirements down the road as well. So in short term actually the lower utilization also gives you service opportunities and obviously we have the advantage that we have the visibility with our customers. Obviously in the longer term of this utilisation rates remain lower, that will mean that also the maintenance requirements would come down respectively as well.

**Magnus Kruber**: Do you have any similar data for Hiab as you have for Kalmar?

**Mika Vehviläinen**: We have not quite as much equipment is connected in the same way as in Kalmar. But the data that we have actually is quite well correlated with the data I showed from Kalmar.

**Magnus Kruber**: OK. Got it. Then I sort of refer, or return to the broader prospect specifically in return to Spain and Italy would we consider mid-May as a sort of initial start sort of data as well?

**Mika Vehviläinen**: That's what we, again, this is very much driven by the decisions by the local authorities in different locations. What we understand and the indications have been is that sort of, in mid-May pretty much all of our production facilities should be back online. But as said, the situation remains quite fluid and it's too hard to predict.

**Magnus Kruber**: And finally, on components shortages. Any particular component that you are short of that you could sort of highlight and is there both issues with deliveries from also within Europe as well as from China?

**Mika Vehviläinen**: Every one of the biggest issues we are dealing with at the moment is actually Volvo engines and availability of the Volvo diesel engines to some of our mobile equipment. And that's certainly, that we'd like to see sort of a Volvo ramping up to production again. We have quite a large backlog. We have quite a good demand on that area. And we are now relying on other engine manufacturers to replace that equipment if it's so required.

**Magnus Kruber**: Got it. That's very useful. Thank you so much.

**Mika Vehviläinen**: Thank you.

**Operator:** We will take our next question. Please go ahead.

**Tomi Railer:** Yes, good afternoon. It's Tomi from Dnb. I'm also trying to ask a little bit from the Hiab maybe scenario-wise, if you would assume that the business sales fall to say 1 billion level. Would you be comfortable that the business is able to remain at the 10% profitability? For example, if you would just explain the operational flexibilities and so on.

**Mika Vehviläinen**: I think with 1 billion of revenues and if we were to adjust our operational activity in that one, 10% would be well within the reach and I don't see that to be a problem as such. I mean the operational flexibility, obviously that would require certain measures to be taken to achieve that as well. But they are well within our reach as well.

The Hiab situation overall is fairly interesting because we are polling obviously our customers at the moment as well on the weekly basis. On the last poll, out of the 28 larger fleet customers, we contacted 26 of them. They are believing that they will be back in full operations within the month and obviously one might take the view that that's fairly optimistic scenario and we are not basing our own planning on those scenarios as well. I don't believe in very sharp V in here and I think we kind of a need to adjust our operation to be able to sort of take necessary measures as we see more visibility in the market.

**Tomi Railer:** Thank you. And the second question on pricing. Have you seen any pressure, for example on the services, pricing environment or in data equipment as well?

**Mika Vehviläinen**: No we have not seen. I think there the pricing is not coming up on discussions much at this stage. I think people are more concerned about the availability and the delivery times.

**Tomi Railer:** Right. Thank you.

**Operator:** We will go to our next question. Please go ahead.

**Antti Kansanen:** Hi, it's Antti from SEB. Just two questions. First on Hiab and touching a bit on what you said just a minute ago. If we are expected to see a bit of a slower recovery in terms of volumes going into late 2020–2021, do you think that this would be a time where you do some further cost restructuring on a more sustainable basis and not only on, let's say the short term COVID-19 impact?

**Mika Vehviläinen**: Absolutely, I mean we discussed that for example, when it comes to the current manufacturing footprint of the Hiab, we are not in the optimal position at the moment and the strong demand we have seen in the last two years has not enabled actually us to look into that one and we have obviously done a number of different scenarios and plans on that one. And if we see that the demand would remain at the somewhat lower level now in the coming quarters, that certainly will be an opportunity for us to do some structural changes in there as well.

**Antti Kansanen:** And what about Kalmar production set up? Is there a similar type of plans out there?

**Mika Vehviläinen**: Kalmar is pretty much where it needs to be. We have three large manufacturing facilities: one in Europe, in Poland, one in US and a third one in China. And so that's a fairly optimal setup for us as it is.

**Antti Kansanen:** OK. And then a second question. I guess you mentioned that you're happy with your balance sheet and you have enough liquidity to maybe do some strategic moves during the downturn. Could you maybe elaborate where you see opportunities or where you would like to add something in your portfolio?

**Mika Vehviläinen**: Well, I think let's see how this situation develops, but there are certainly a number of our competitors who will be more distressed than we are in this situation. And this might be an opportunity to then sort of do bolt-on type of acquisition or look at the adjacent product categories, but it's a little bit early to speculate on that one. But clearly we want to sort of beef up our capability as well to do moves if those opportunities arise later in this year.

**Antti Kansanen:** But, do you want to elaborate at all in which businesses you see some competitors struggling at the moment?

**Mika Vehviläinen**: Too early to look into that one. But I think it's primarily I think the Hiab is quite an interesting area, especially there are still a number of sort of smaller competitors in there. Kalmar business tends to be more consolidated, and obviously after the TTS acquisition the MacGregor space is already pretty consolidated, but there are also adjacencies in all of these areas that we are looking into.

**Antti Kansanen:** OK. That's all from me. Thanks.

**Operator:** And there are no further questions at this time.

**Hanna-Maria Heikkinen:** OK. Actually, we have received one question online and it's related to the final acquisition price of TTS. So can you please give an update regarding that?

**Mika Vehviläinen**: Certainly. I mean the closing of the balance sheet is still under the discussion. As far as I know at the moment it's heading into arbitration, and that arbitration is only taking place as far as I understand in 2021 so we do not expect to see any clarity on that one until next year.

**Hanna-Maria Heikkinen:** OK. Thank you. Thank you for the good questions and good answers. Please stay safe and healthy. We are publishing our Q2 report on July 17. Hope to see you then. Thank you.

**Mika Vehviläinen**: Thank you.