





# Q2 2015 London road show

Executive Vice President and CFO Eeva Sipilä

28 September 2015

# Cargotec in brief

September 2015



# Cargotec's business areas

## MacGregor

- MacGregor offers integrated cargo flow solutions for maritime transportation and offshore industries
- Global company with facilities near ports worldwide
- Wide offering for ships, ports and terminals and offshore industry



## Kalmar

- Kalmar offers the widest range of cargo handling solutions and services to ports, terminals, distribution centres and heavy industry
- Industry forerunner in terminal automation and in energy efficient container handling



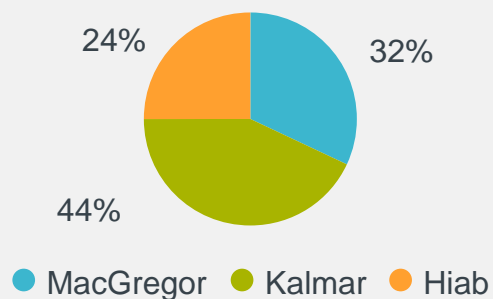
## Hiab

- Hiab is the global market leading brand in on-road load handling solutions
- Load handling solutions are used in various sectors of on land transport and delivery, including construction, distribution, forestry, warehousing, waste and recycling, and defence

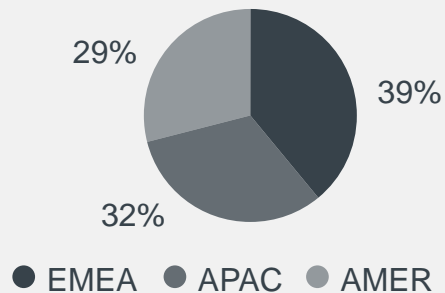


# Cargotec's business basics

**Cargotec sales split in 1-6/2015**

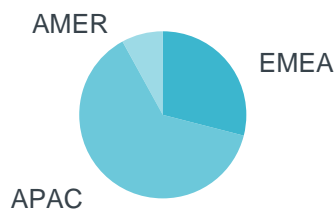


**Cargotec geographical split of sales in 1-6/2015**

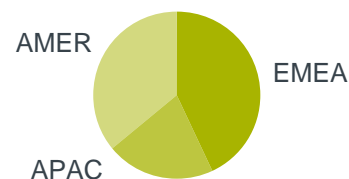


**Geographical split of sales in 1-6/2015**

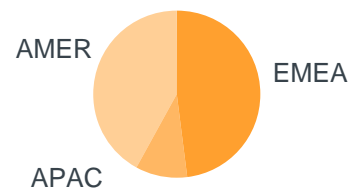
## MacGregor



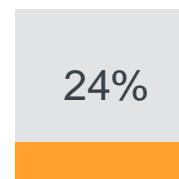
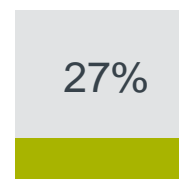
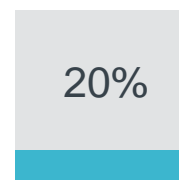
## Kalmar



## Hiab



**Services share of sales in 1-6/2015**



**Order to delivery lead time**

**12-24**  
months

**6-9**  
months

**2-4**  
months

# Key drivers for the business areas

## MacGregor

- Merchant ship building
- Development of global energy demand and oil price, which have a direct impact on exploration and production (E&P) spending and investment in the oil industry
- Oil drilling moving to new locations
  - Deep sea environments and subsea installations drive demand for premium products
- Ship dry dockings, repairs and modernisations
- Preventive maintenance and on-call service needs

## Kalmar

- Gross domestic product (GDP) growth is the main driver behind activities in ports and terminals and in the industrial sector
- Container traffic is an important driver for around 70 percent of Kalmar's business operations
  - Drewry Shipping Consultants estimates that global container throughput will grow by around five percent per year
  - Growth in Asia-Pacific is expected to be double that of the rest of the world
- Capacity utilisation drives services
- Bigger ships drive crane refurbishment
- Preventive maintenance and outsourcing needs

## Hiab

- Hiab's business fluctuates based on truck sales and construction activity. Sentiments in the distribution, warehousing and forest businesses also affect Hiab
- Residential houses, associated roof constructions and other construction elements are increasingly built elsewhere and transported to their location
  - In mature markets, this creates a need for Hiab products, especially for high capacity equipment
  - In emerging markets, the trend involves a move away from small transportation packages
- Crane utilisation and increased remote diagnostics drive services

# Key competitors

## MacGregor



Rolls-Royce



**LIEBHERR**

## Kalmar



**KONECRANES®**  
Lifting Businesses™



**LIEBHERR**

**ABB**

## Hiab



# Cargotec's must wins 2015–

- Driving Hiab to best in class profitability and capital return
- Driving MacGregor profitability over the cycle through better effectiveness
- Safeguarding competitiveness in mobile equipment in Kalmar
- Driving services offering development and growth in MacGregor and Kalmar
- Driving growth in automation in Kalmar



# Enabling better performance



Building world  
class business  
platforms



Performance  
culture



Better control,  
predictability  
and capital  
returns



Embracing  
digitalisation

# Cargotec financial targets for 2016

Operating profit margin  
(EBIT)

**>8%**

Return on capital  
employed  
(ROCE pre-tax)

**>13%**

Gearing

**<50%**

Dividend

**30-  
50%**  
of earnings per share



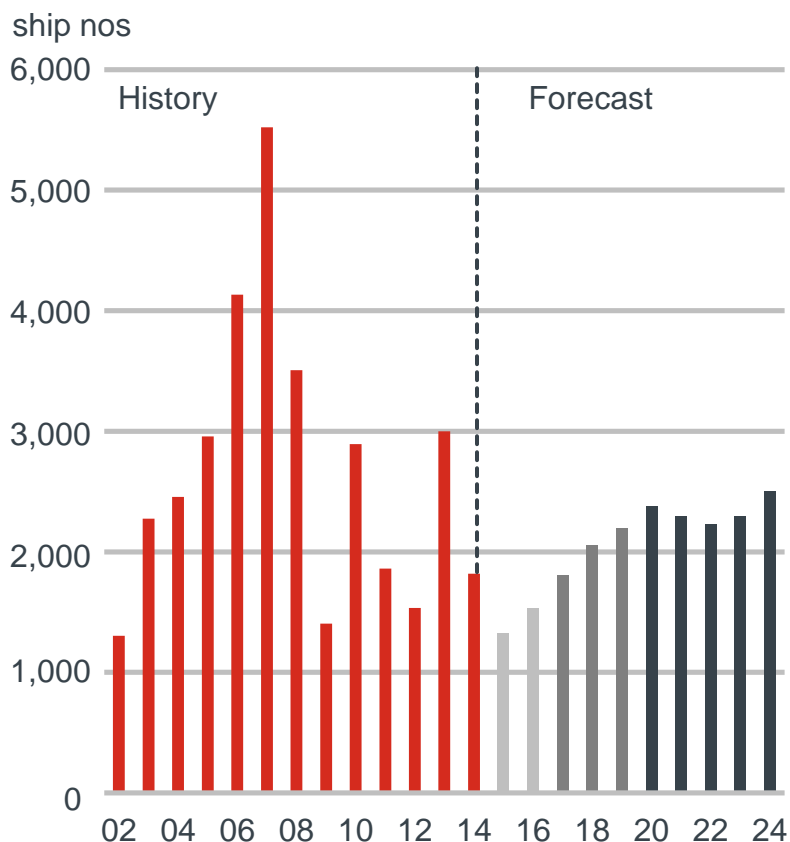
# MacGregor



September 2015

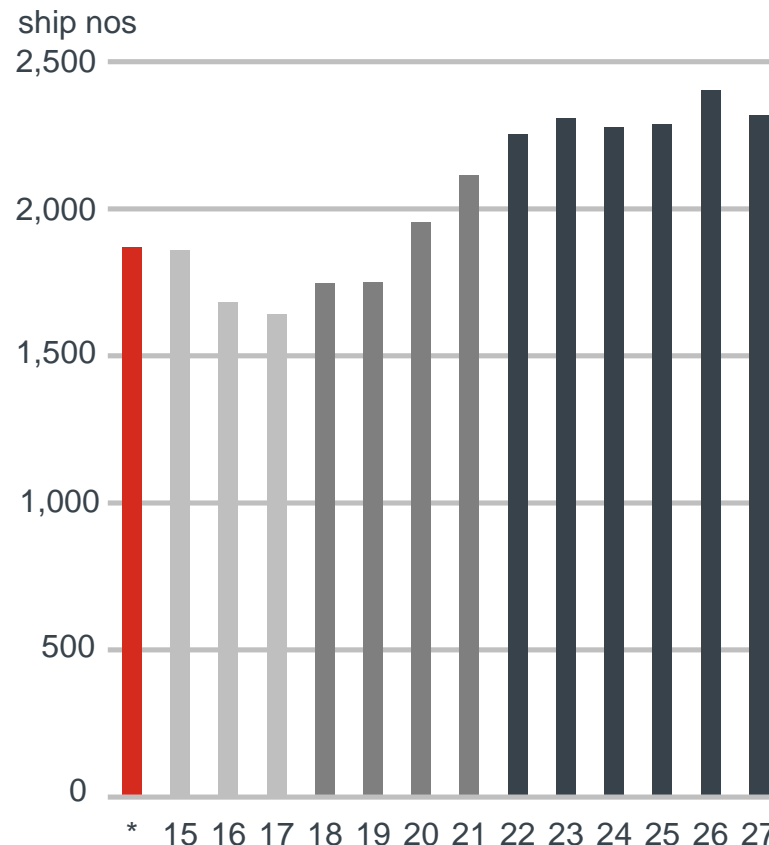
# Contracting forecast reflects imbalance in the ship market

## Long-term contracting 2002–2024



Source: Clarkson Newbuilding Market Forecast, April 2015

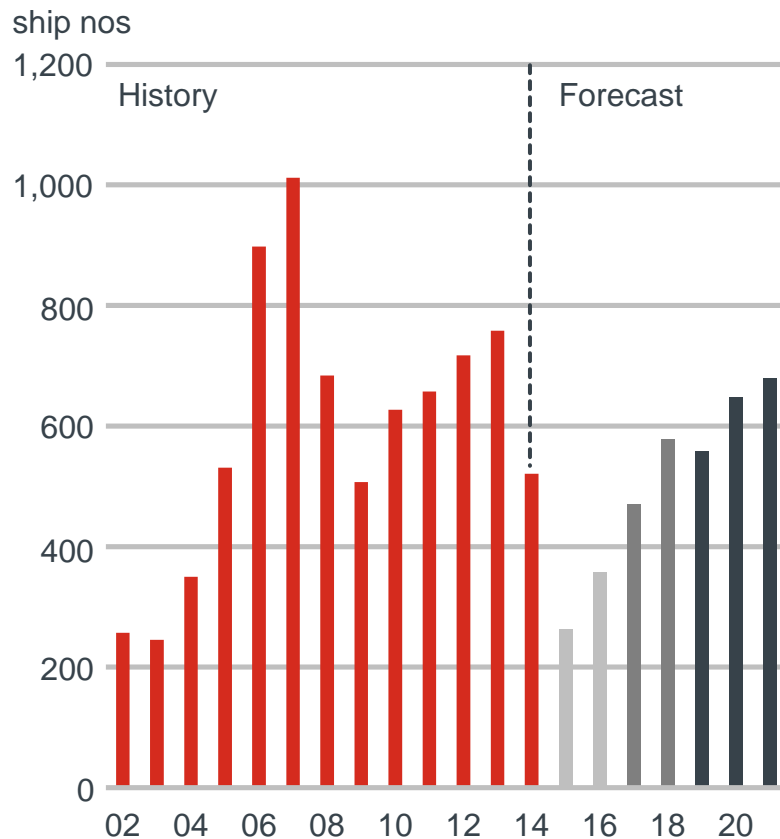
## Long-term deliveries 1996–2027



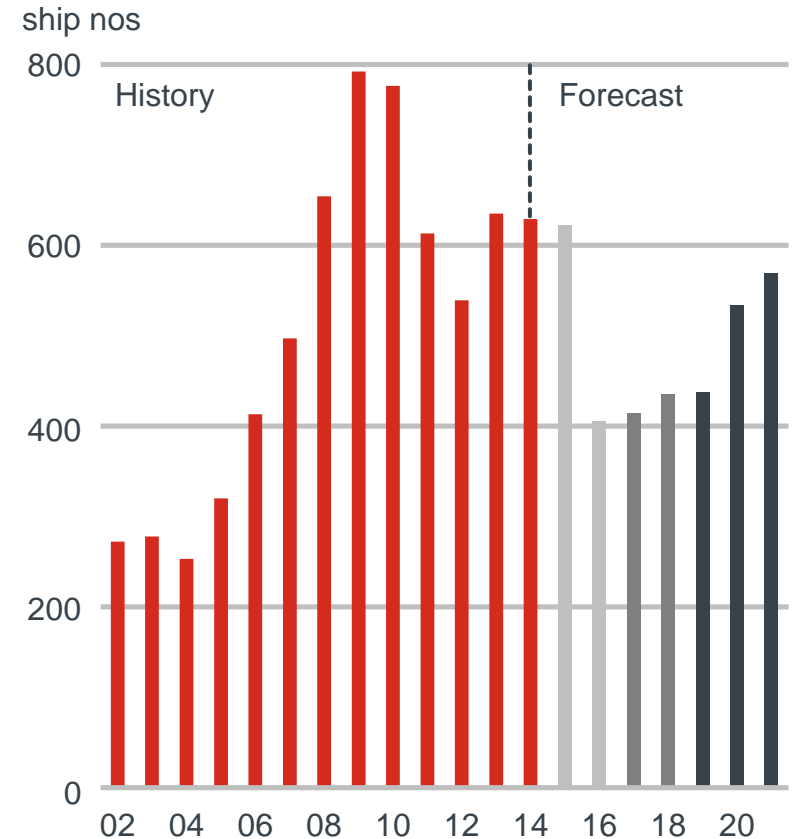
\* 1996 – 2014 average

# Mobile offshore unit contracting and delivery forecast

## Long-term contracting 2002–2021

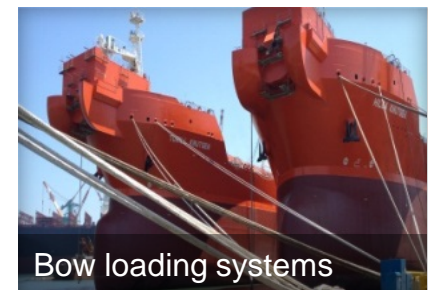
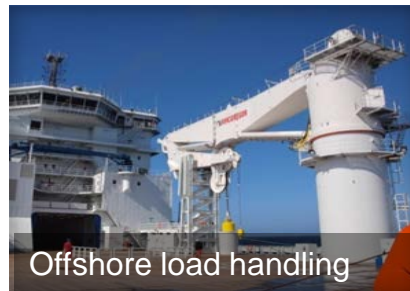
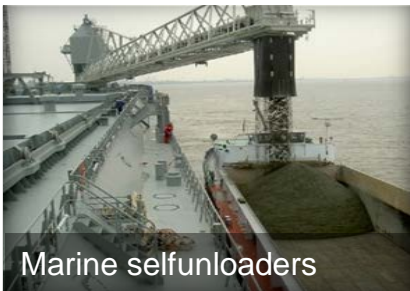
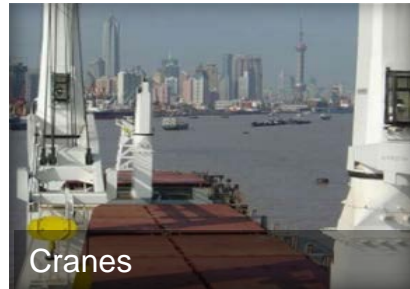


## Long-term deliveries 2002–2021



Source: Clarkson Offshore Newbuilding Market Forecast, April 2015

# Strong positions in merchant ship and offshore markets



# Key actions to drive profitability in MacGregor

## Service

- Right capabilities and systems
- Service footprint
- Excellence in spare parts availability

Grow services to  
30% of sales

## Sales

- Increase sales by cross-selling & defining sales models
- Increase solution selling

Cross-selling  
100 MEUR +

## Effectiveness

- Leveraging technology and R&D
- Design to value

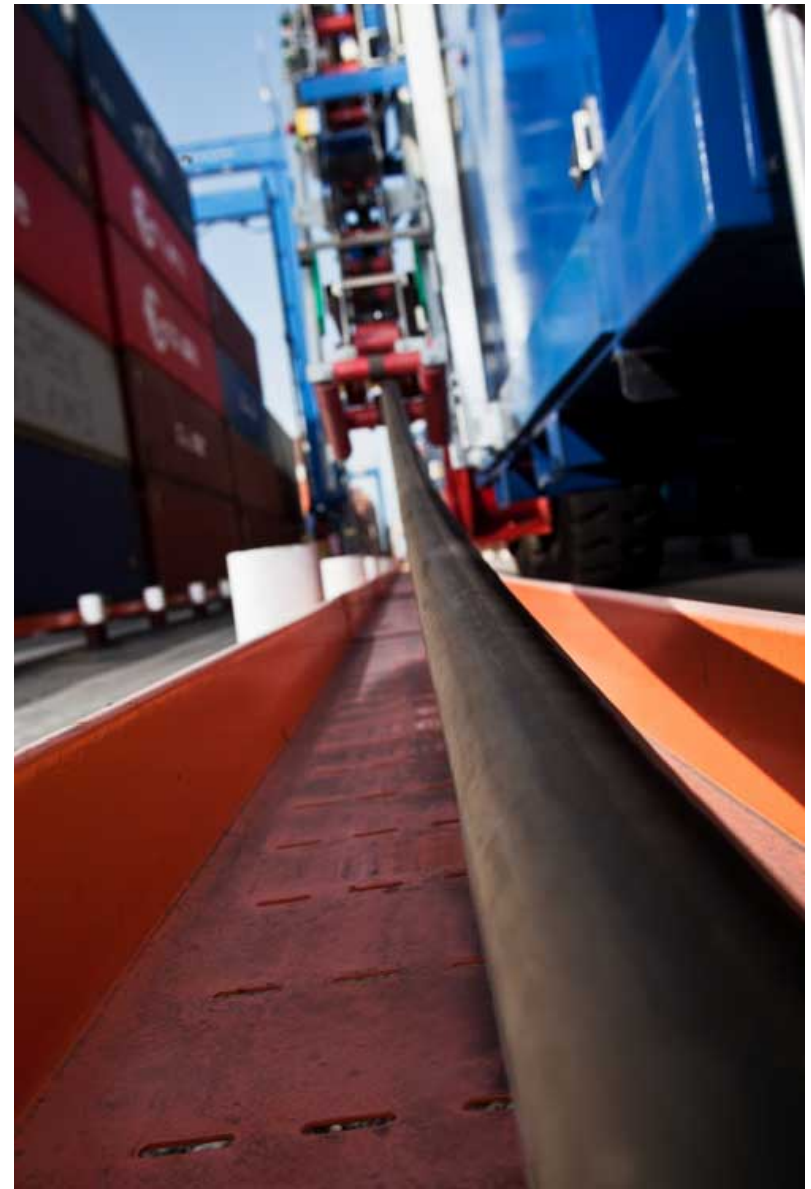
2% product margin  
improvement

# MacGregor savings measures

- Weakened market situation
  - Low oil price
  - Low number of merchant ship orders
- Strong focus on earlier announced development programmes continues
  - Sales, services and design-to-cost
- Estimated reduction of 220 employees globally
- EUR 20 million targeted annual savings
- Estimated restructuring cost of EUR 5 million

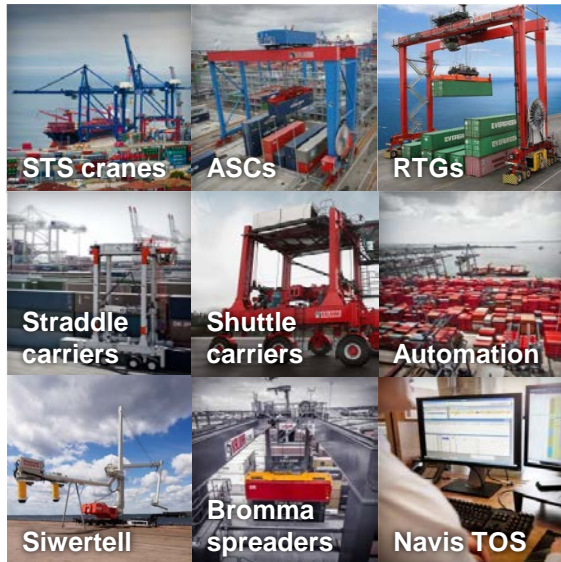


# Kalmar

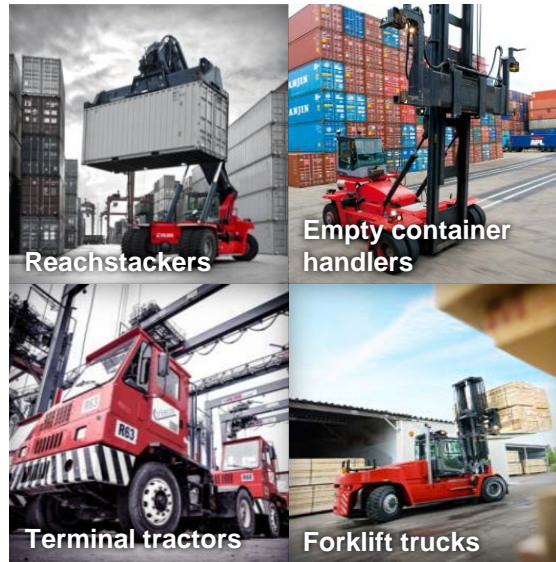


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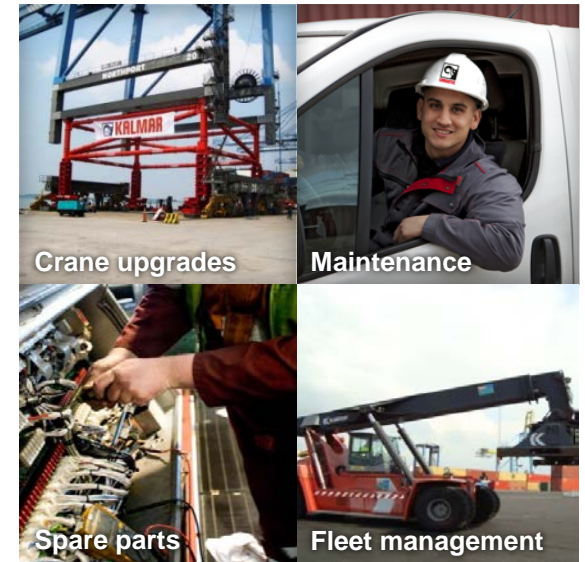
# Kalmar offering



Terminal projects

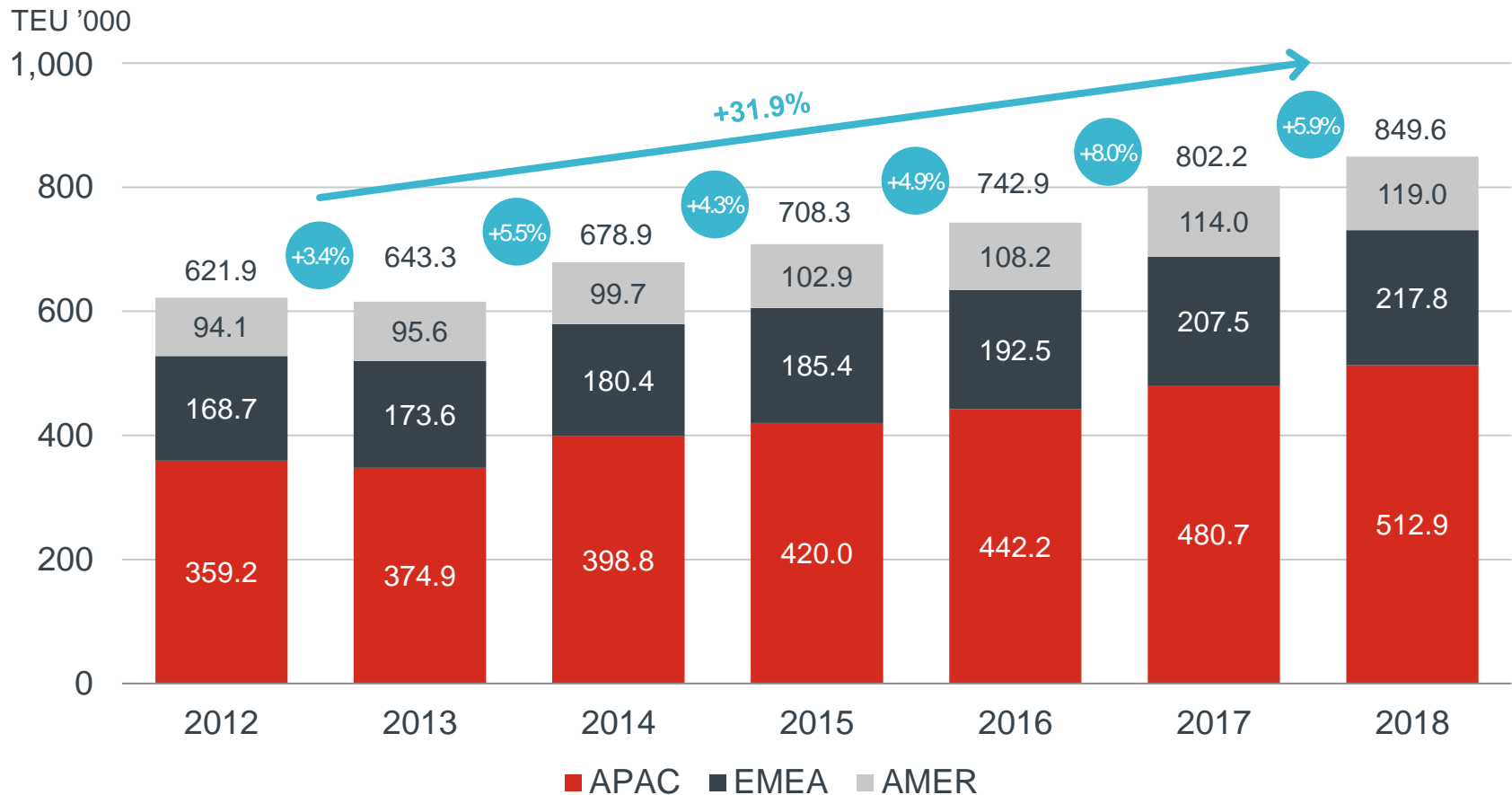


Equipment



Services

# Container throughput forecast illustrates that Kalmar is in a growth business



Source: Drewry: Container forecaster Q3 2014 and Q2 2015, Base case, August 2015

# Securing competitiveness of mobile equipment

- New products meeting customer requirements also in emerging markets
  - Energy efficiency improvements
  - Environmentally friendly products
  - Safety enhancements and easier to maintenance
- Profit improvement initiatives integrated
  - Design-to-cost
  - Sourcing
  - Improved pricing power
- Reduced total cost of ownership
- Differentiation against low-cost competition



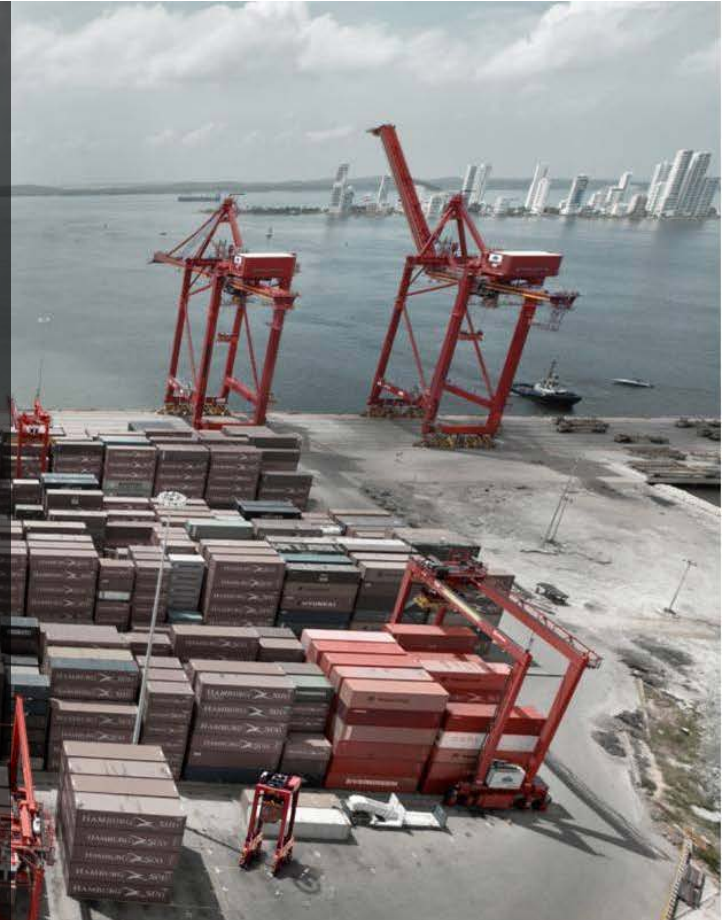
# Services development continues in all areas

- Kalmar Care contracts won in all regions
- Kalmar Care for automated terminals – work in progress
- Crane Upgrades growth delayed, but still anticipated
- Spare parts pricing and tool development will show results in 2015



# Kalmar has all the capabilities to respond to the increased demand for port automation

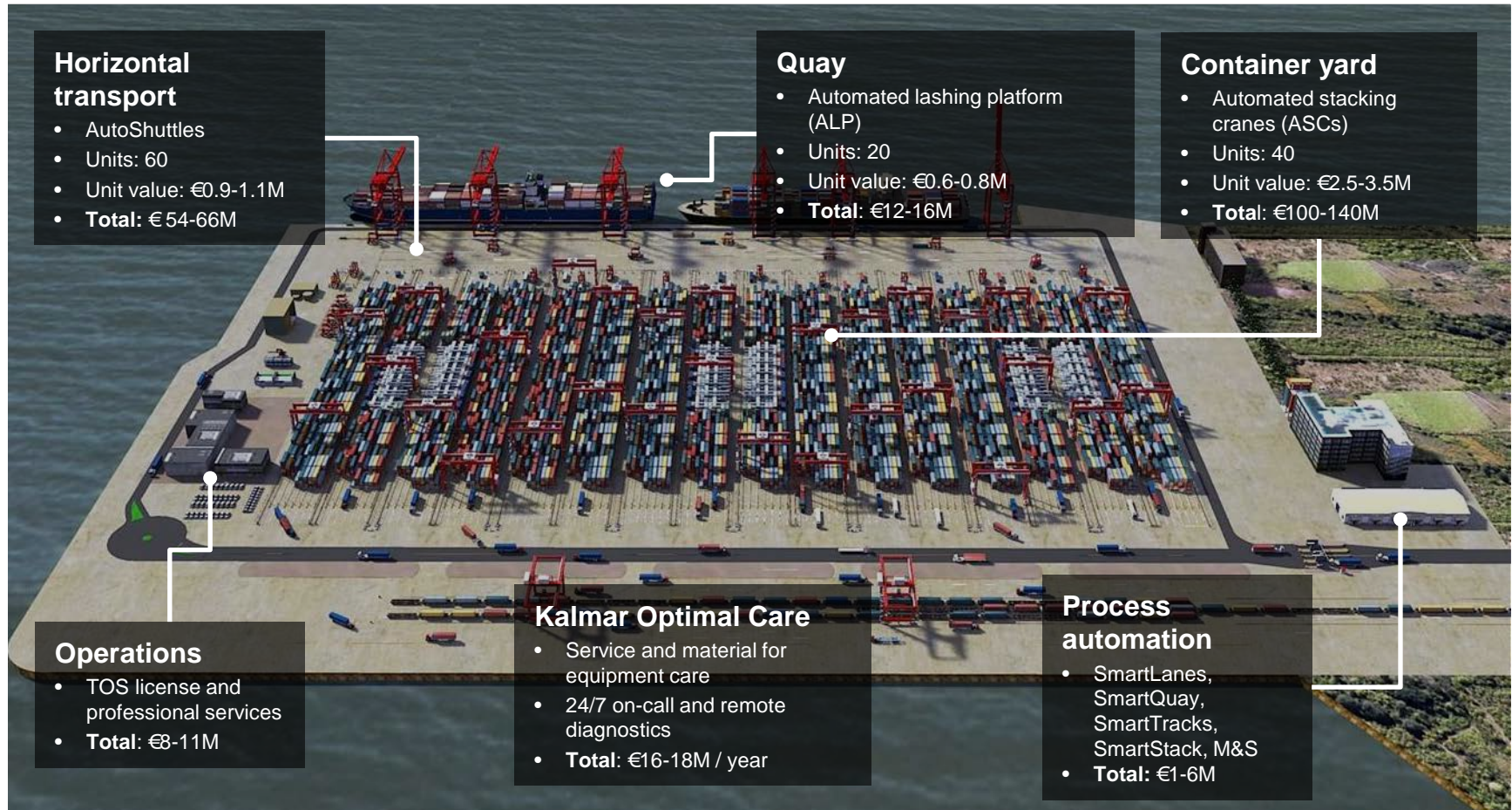
- Terminals are looking for different types of automation
  - Currently approx. 25 projects on-going or planned
  - Expected 20 more projects in coming five years
- Greenfield projects = New automated terminals, expansion of current automated terminals or conversions of existing manual operations
  - Development in early phase
  - Currently approx. 130 existing straddle carrier terminals, of which 10% with automation potential
  - Currently approx. 430 existing RTG terminals, of which 10–15% with automation potential



# Example of an automated terminal project

TERMINAL CAPACITY: 3 MILLION TEU / YEAR

TOTAL KALMAR SCOPE APPROX. EUR 190-260 MILLION

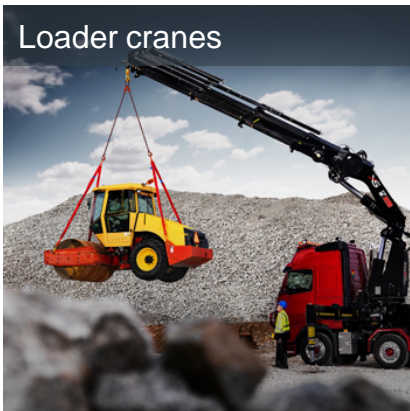


# Hiab

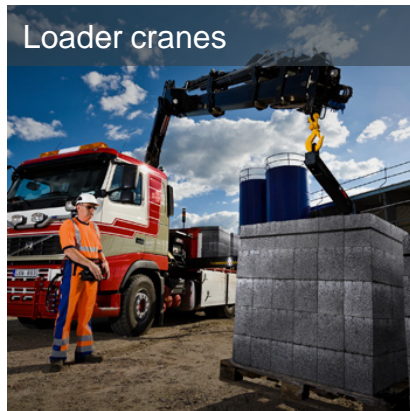


# Hiab offering

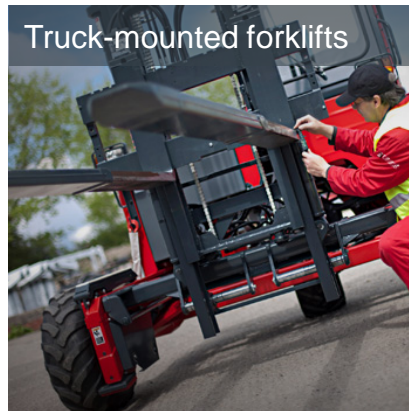
Loader cranes



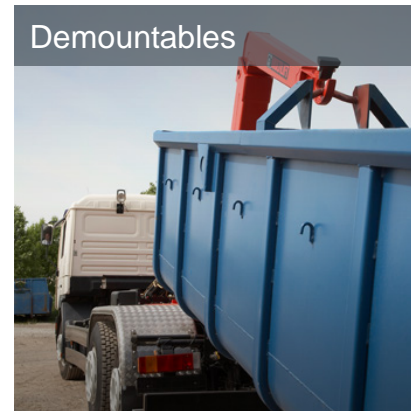
Loader cranes



Truck-mounted forklifts



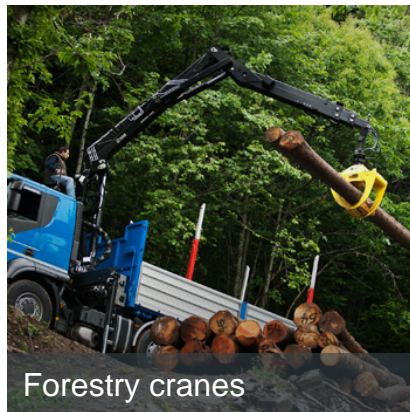
Demountables



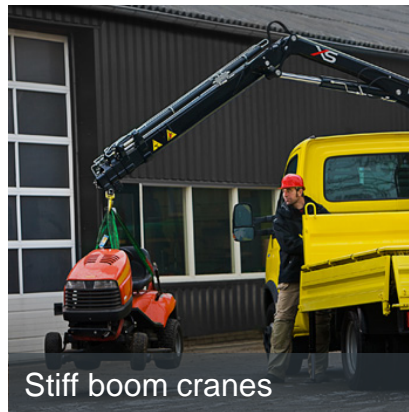
Tail lifts



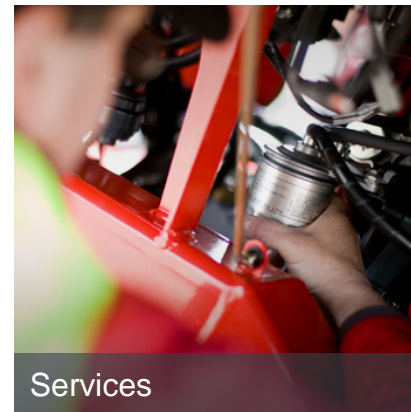
Forestry cranes



Stiff boom cranes

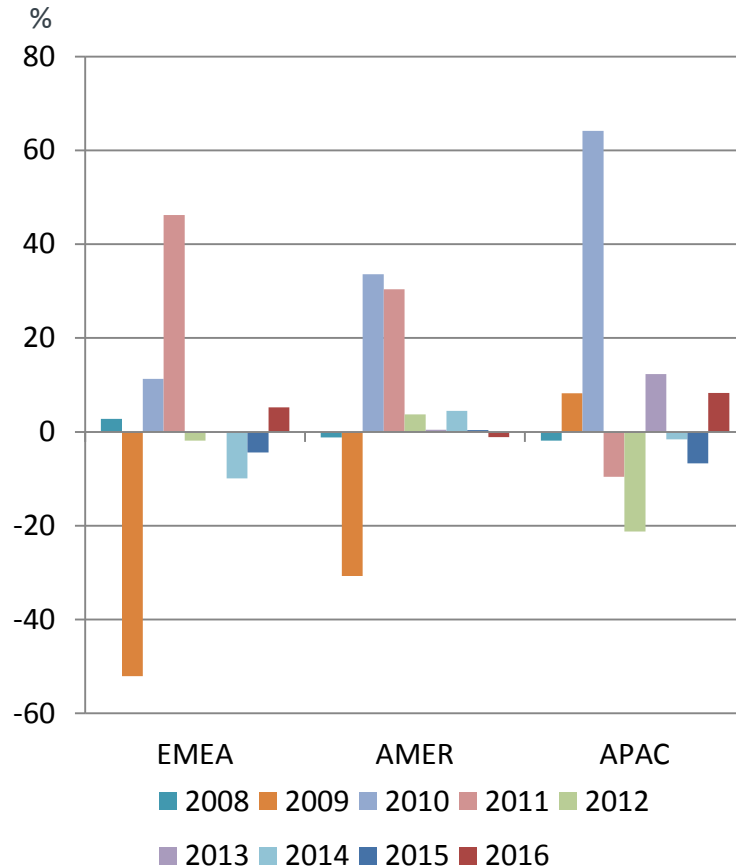


Services



# Two-fold market environment for Hiab

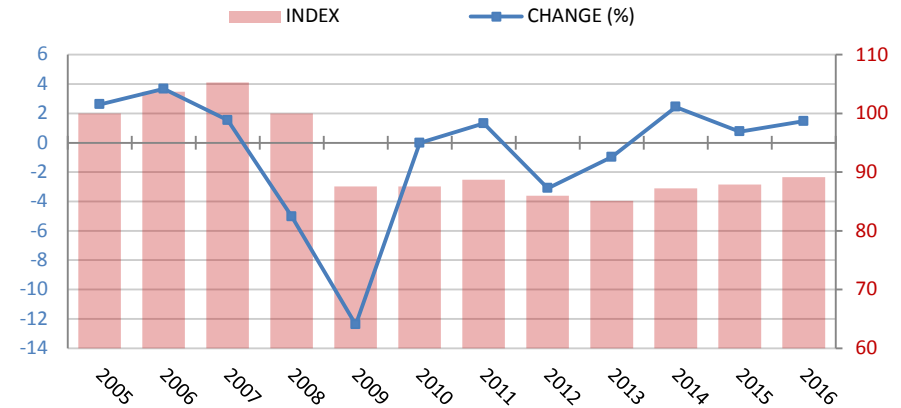
Truck sales growth GVW over 15t, regions



y/y change (%)

EMEA Construction Output

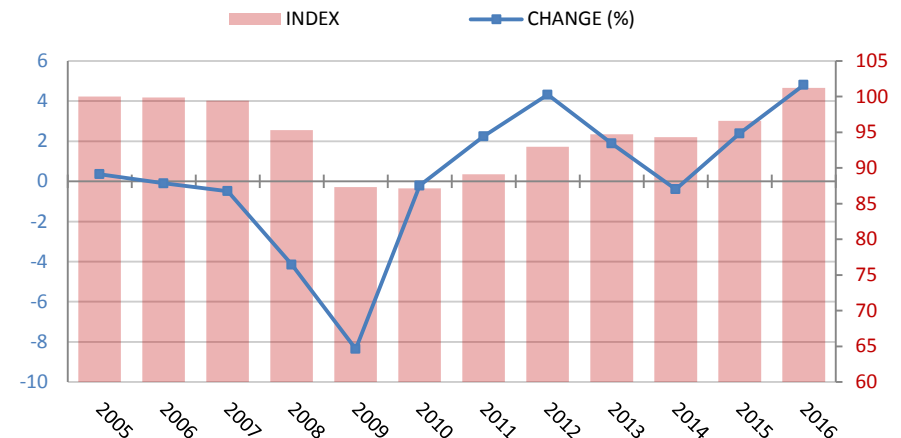
Index 2005 = 100



y/y change (%)

AMER Construction Output

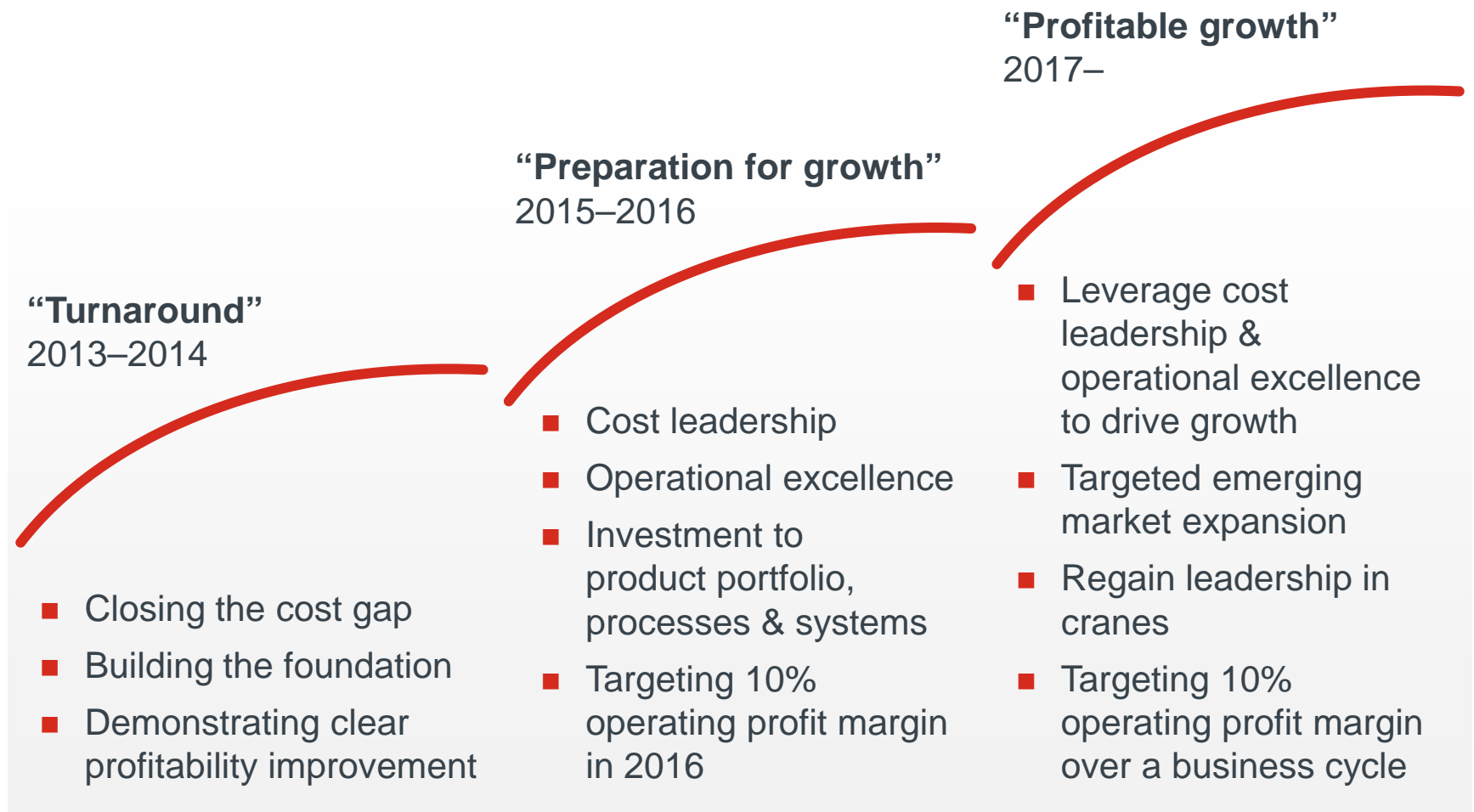
Index 2005 = 100



Source: IHS: World Truck Data 7/2015, Oxford Economics: Industry Output Forecast 6/2015

September 2015

# Building a sustainably profitable and growing business in Hiab



# Three must win battles to reach targets in Hiab

## 1. Outperform competition in sales & services execution

- Dealer management
- Sales funnel management
- Parts availability

## 2. Develop customer driven, simplified and competitive product offering

- Customer insight
- Product portfolio upgrading
- Modularisation

## 3. Reduce value chain complexity, cost and cash conversion cycle

- Stargard up to full-scale
- Optimise the distribution network
- Working capital management



# January–June financials



# Highlights of the second quarter

- Orders declined 11% y-o-y to EUR 887 (993) million due to MacGregor market situation
- Order book strengthened 6% from 2014 year-end to EUR 2,342 million
- Sales grew 16% y-o-y to EUR 936 (804) million
- Operating profit excluding restructuring costs was EUR 58.0 (4.7) million or 6.2 (0.6)% of sales
- Operating profit was EUR 54.9 (-6.0) million
- Cash flow from operations strong at EUR 101.3 (24.4) million
- Profit improvement programmes in Kalmar and Hiab completed ahead of schedule



# Market environment in January–June

- Market for marine cargo handling equipment was weak
  - Demand for cargo handling solutions for bulk carriers was low, orders were not yet placed for container ship related cargo handling equipment
  - Offshore cargo handling market weakened during Q2
- Demand for container handling equipment and services saw positive development on all continents
- Market for load handling equipment was strong in the US, and varied significantly between countries in Europe



# January–June key figures

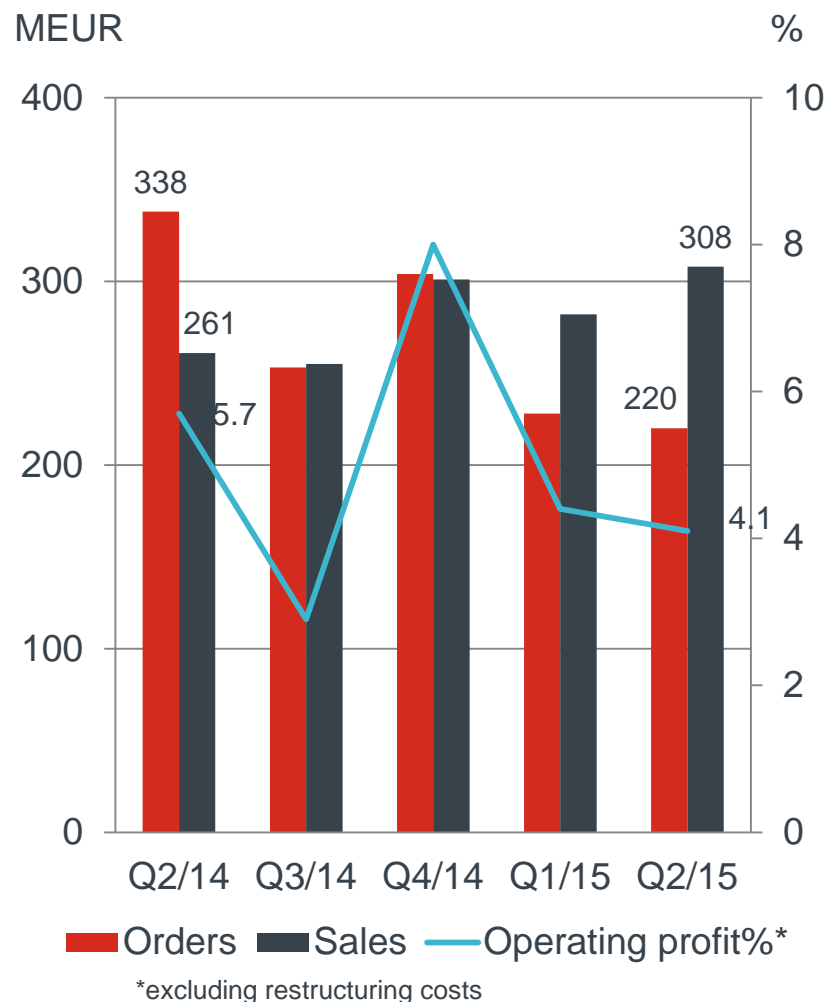
	4-6/15	4-6/14	Change	1-6/15	1-6/14	Change	2014
Orders received, MEUR	887	993	-11%	1,826	1,856	-2%	3,599
Order book, MEUR	2,342	2,285	2%	2,342	2,285	2%	2,200
Sales, MEUR	936	804	16%	1,825	1,555	17%	3,358
Operating profit, MEUR*	58.0	4.7	1138%	110.3	29.3	276%	149.3
Operating profit margin, %*	6.2	0.6		6.0	1.9		4.4
Cash flow from operations, MEUR	101.3	24.4		152.8	56.9		204.3
Interest-bearing net debt, MEUR	735	847		735	847		719
Earnings per share, EUR	0.43	-0.15		0.99	0.05		1.11



\*excluding restructuring costs

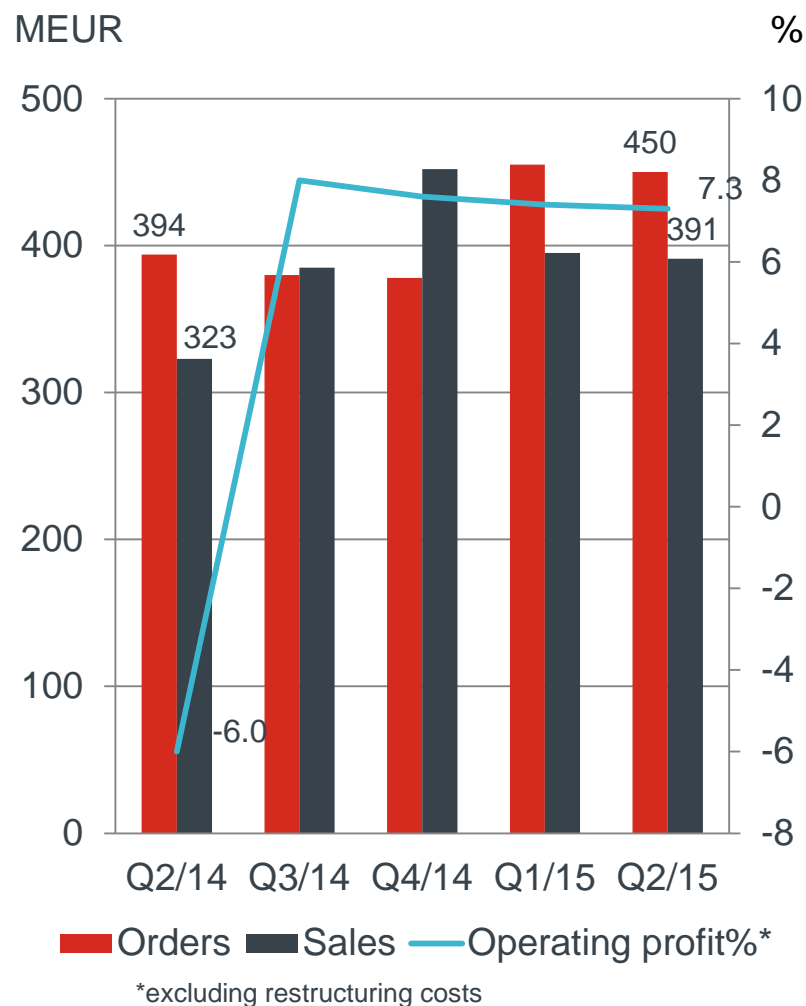
# MacGregor Q2 – challenging market situation

- Order intake declined 35% y-o-y to EUR 220 (338) million
- Order book decreased 2% from 2014 year-end
- Sales grew 18% y-o-y to EUR 308 (261) million
- Profitability excluding restructuring costs was 4.1%
  - Restructuring costs EUR 2.9 million
- Effectiveness and savings programmes progressing as planned
- New President will start in August



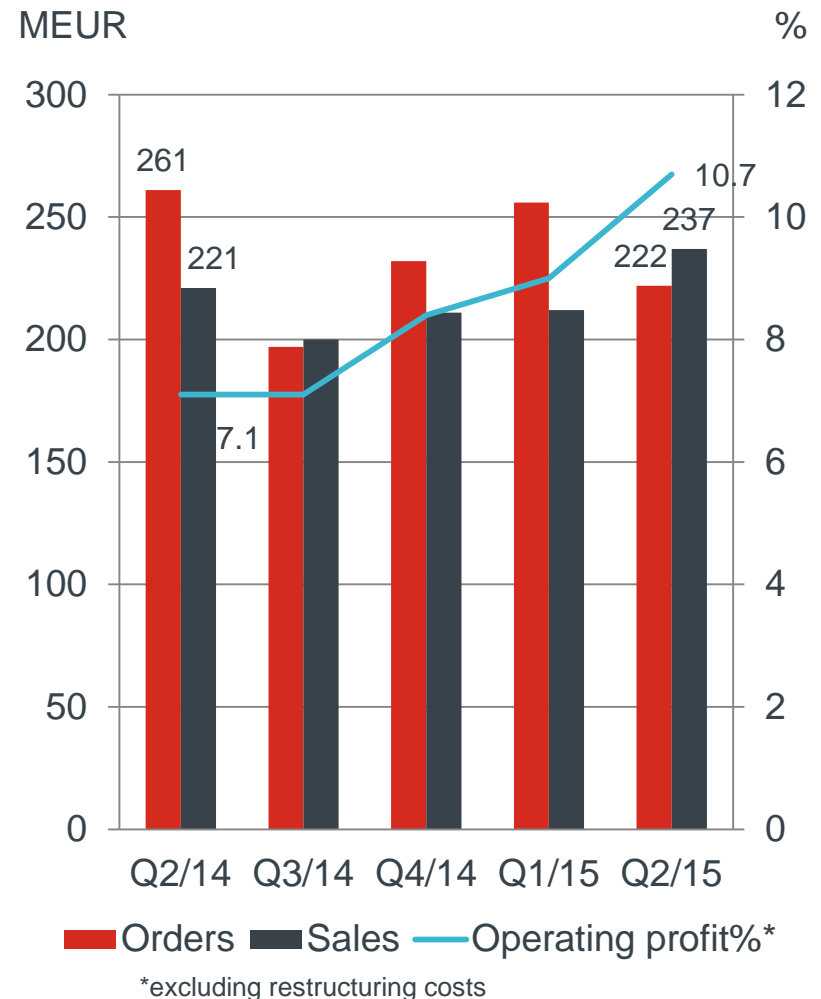
# Kalmar Q2 – strong orders and sales

- Order intake increased 14% y-o-y to EUR 450 (394) million
- Order book strengthened 18% from 2014 year-end
- Sales grew 21% y-o-y to EUR 391 (323) million
- Profitability excluding restructuring costs was 7.3%
- Profit improvement programme completed ahead of schedule

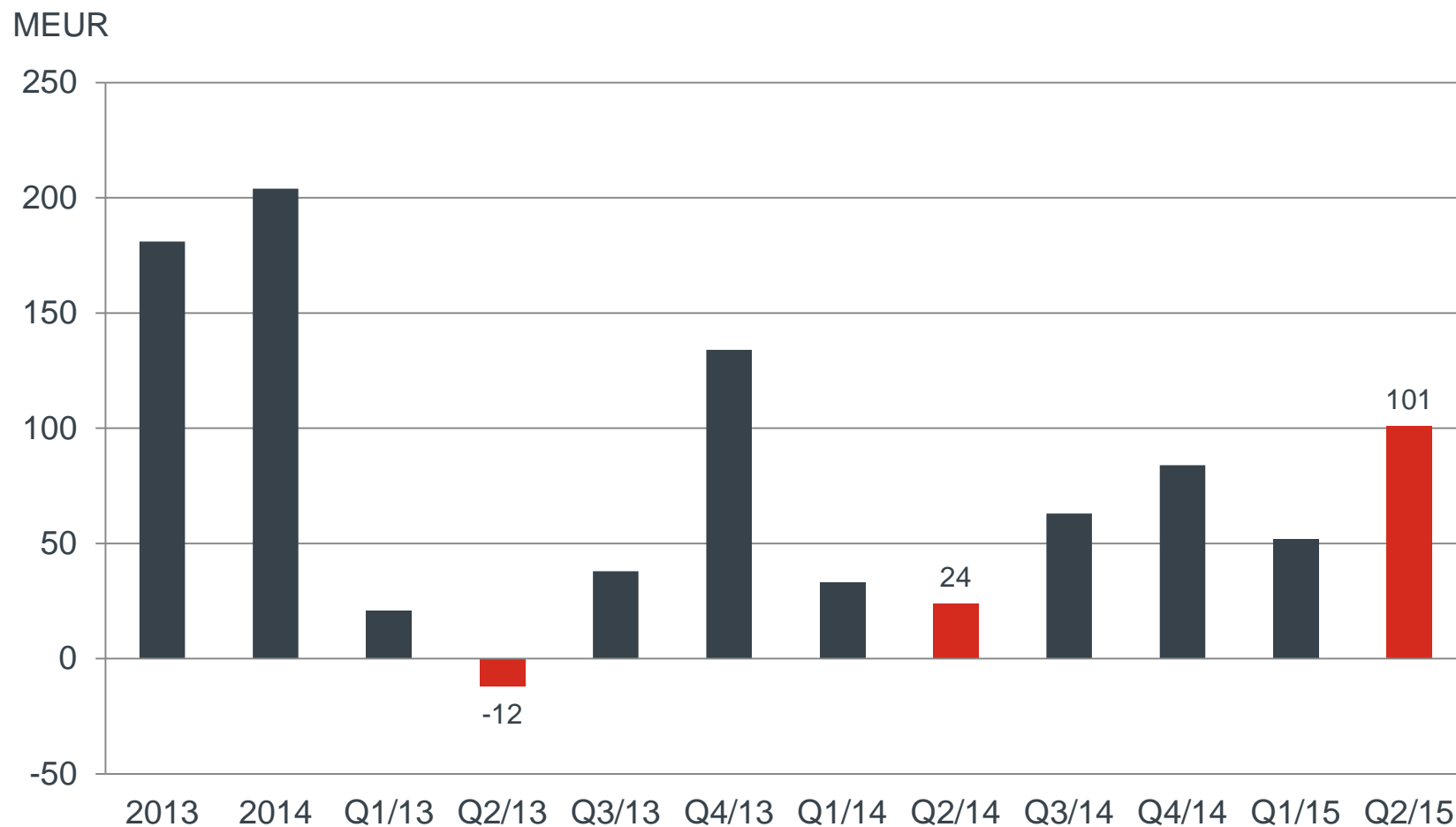


# Hiab Q2 – double digit operating profit margin

- Orders declined 15% y-o-y to EUR 221 (261) million
  - Comparison period included EUR 40 million demountable and load crane order
- Order book strengthened 12% from 2014 year-end
- Sales grew 7% y-o-y to EUR 237 (221) million
- Profitability excluding restructuring costs was 10.7%
- Profit improvement programme completed ahead schedule

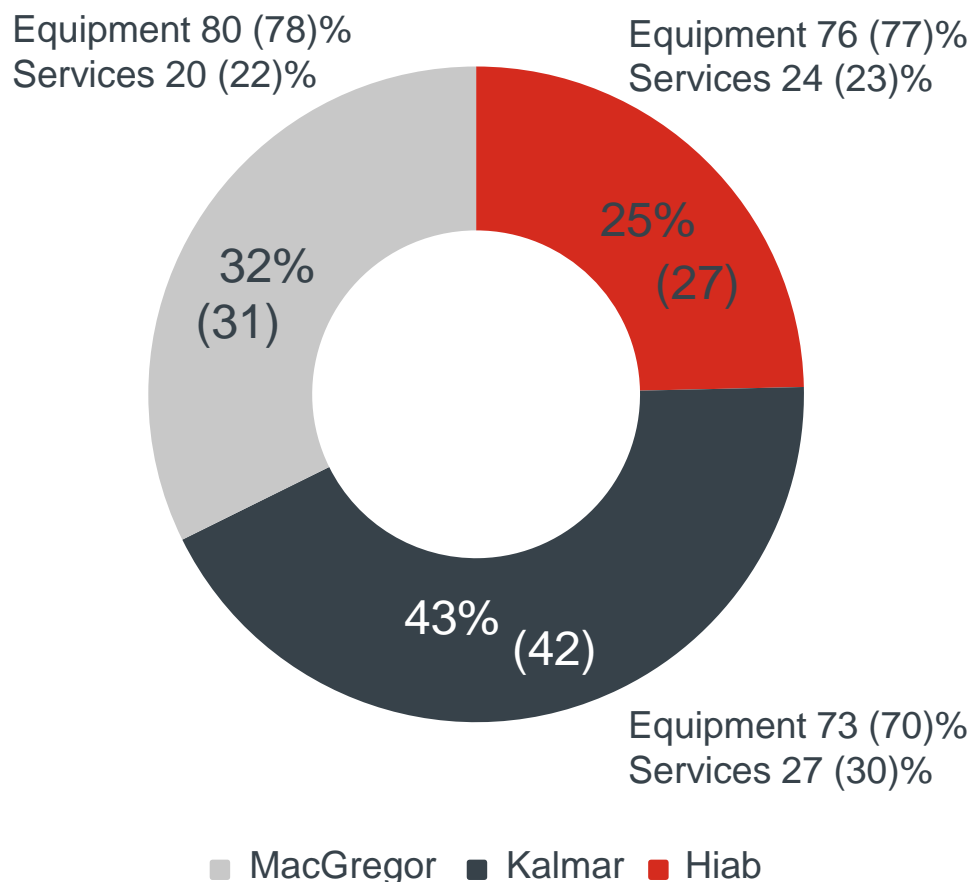


# Cash flow from operations strong

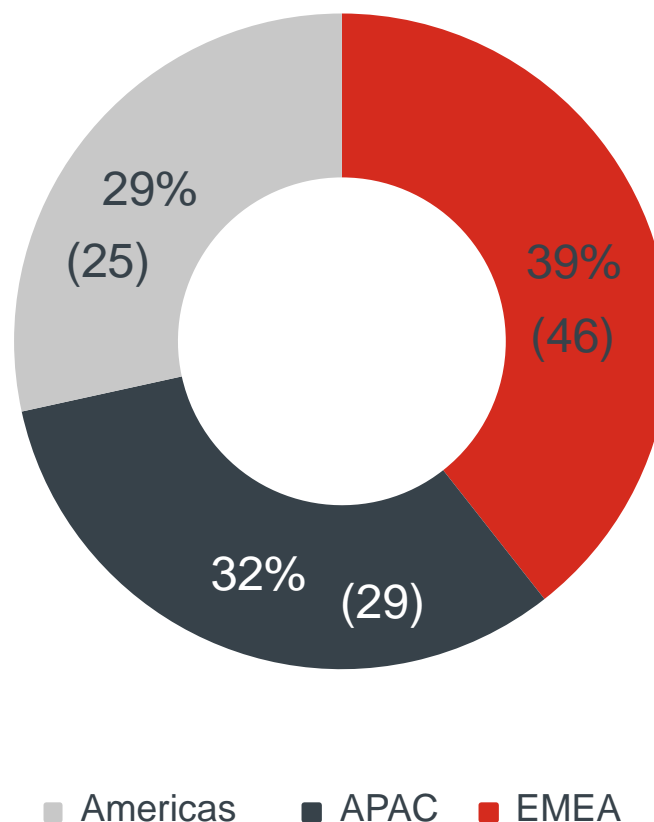


# More balanced geographical mix in sales

Sales by reporting segment 1-6/2015, %

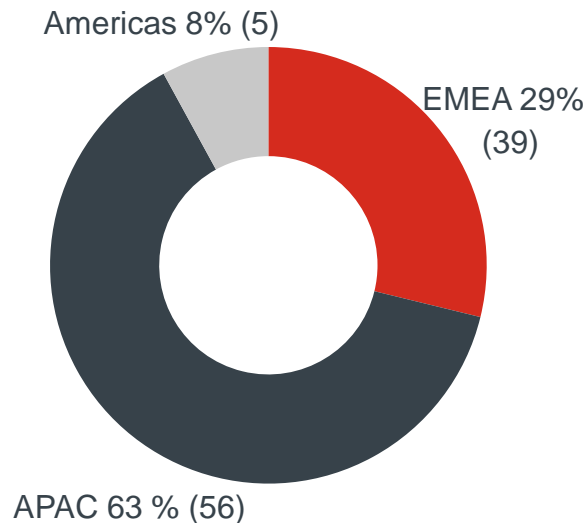


Sales by geographical segment 1-6/2015, %

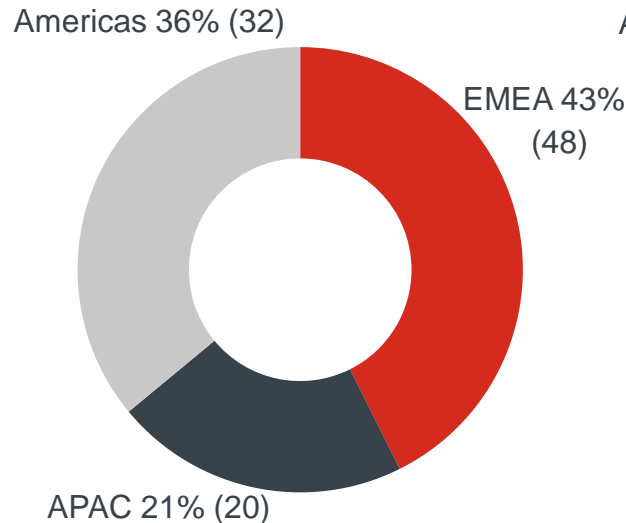


# Sales by geographical segment by business area 1–6/2015

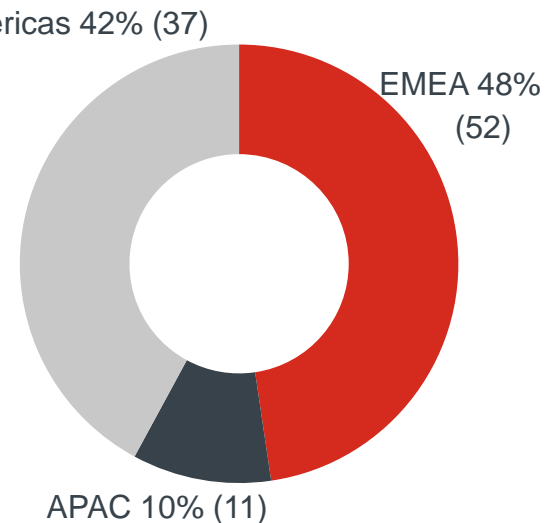
## MacGregor



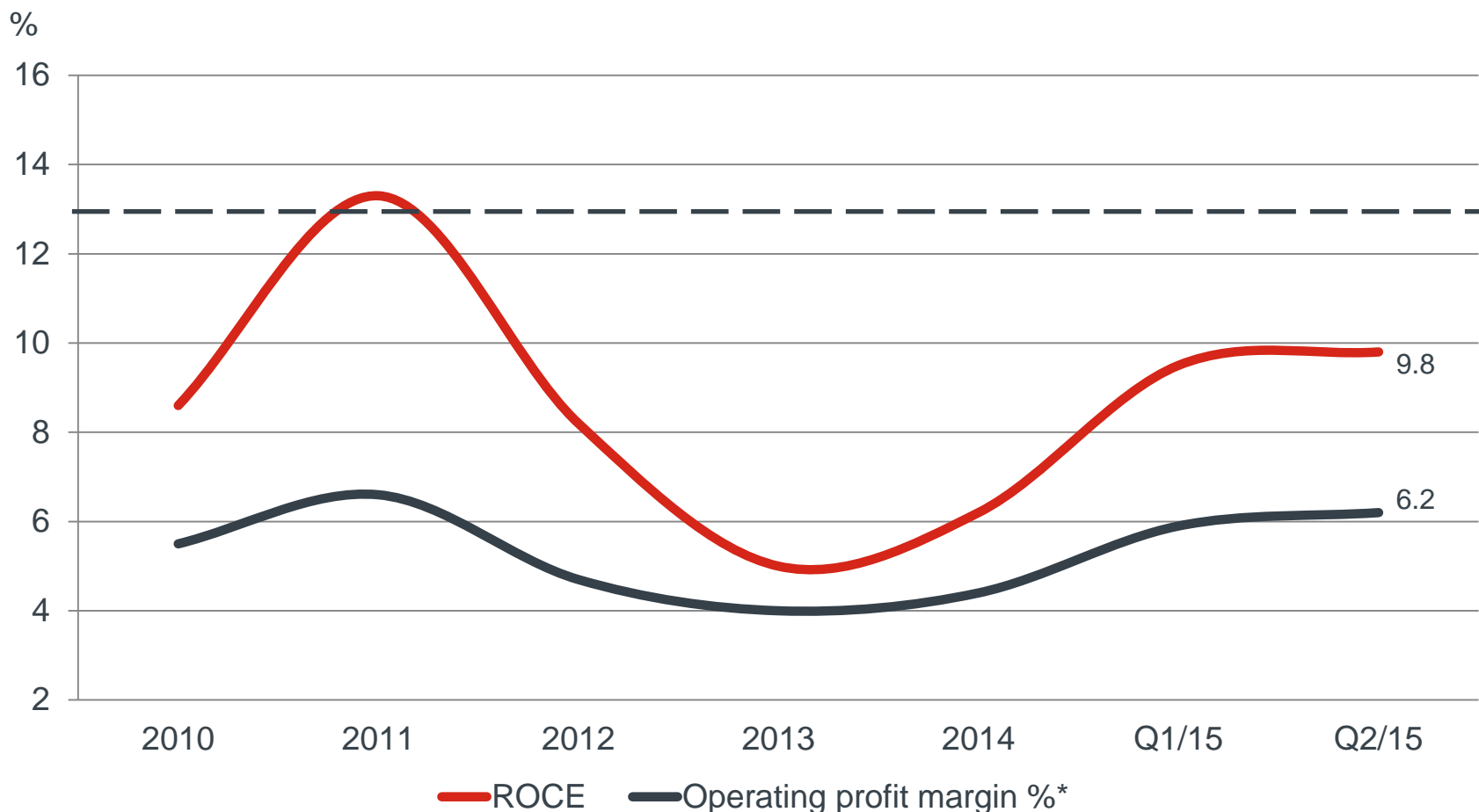
## Kalmar



## Hiab



# Return on capital (ROCE) improved towards the >13% target level



ROCE, annualised  
\* excluding restructuring costs

# Outlook unchanged

- Cargotec's 2015 sales are expected to grow from 2014 (3,358 MEUR).
- Operating profit excluding restructuring costs for 2015 is expected to improve from 2014 (149.3 MEUR).



