Transcription

Cargotec Q3 / 2021 Interim Report

28 October 2021

PRESENTATION

Aki Vesikallio

Welcome to Cargotec's third quarter 2021 results call. My name is Aki Vesikallio. I'm from Cargotec’s investor relations. Please note that today we are not allowed to discuss any topics related to Konecranes [ph 00:00:17] merger due to the securities laws [ph 00:00:20], for example, in the United States.

The results will be today presented by our CEO, Mika Vehviläinen, and our CFO, Mikko Puolakka. The presentation will be followed by a Q&A session. With that, I'll hand over to Mika.

Mika Vehviläinen

Thank you, Aki. Good afternoon from my side as well, and thank you for joining the Cargotec Q3 2021 call.

The robust demand in our businesses continued through the Q3 as well, and we recorded nearly €1 billion of orders - one of the highest quarters in the Cargotec history. Service orders also developed and service business overall very well with the service orders increasing by 18%.

The longer delivery times are very visible, really driven by the global component shortages as well as the logistics challenges and that was visible in our revenue development, especially in Kalmar business unit. Very pleased with the good performance in Hiab again during the Q3, which was the all-time record Q3 for Hiab.

Also, very pleased to see that the strong demand shift towards the electric vehicles is continuing, and, for example, in our fork-lift truck orders increased already to 27% of the total demand, as well. Also, due to receiving the payments from the Navisexit, our balance sheet is in an excellent position at the moment, with gearing down to 31%.

I will be covering some of the highlights of the Q3, talk about market environment and group level developments, and then, Mikko Puolakka, our CFO, will cover the business areas and some financial details and the outlook of Cargotec.

As said, the robust demand really continued throughout the Q3. This was the second highest Q3 order intake in Cargotec history. Year to date, our orders are up by 57 percentage points. Orders are up across all the different businesses at the moment, but especially strong in Hiab and Kalmar mobile equipment. But at the same time, the outlook for the longer-cycle businesses in MacGregor and Kalmar automation and project is looking also brighter. Sales increased by 6%, really limited by the component shortages and the logistics availabilities. As such, our factory capacity is able to cope with increasing demand.

The share of the eco portfolio was 17% of our revenue, slightly down, caused by the fact that Navis, who [ph 00:03:04] was recorded as an eco-portfolio due to digitalisation is now, of course, not part of the Group any more, and then some of the heavy electric trains revenues have declined compared to previous year due to the low order intake during 2020.

The comparable operating profit developed well in HIAB, and also pleased with MacGregor, even though their operating profit declined slightly. But this was still a positive result, with the extremely low revenue, and we have now seen the bottom of the revenues in MacGregor current shipping cycle. The Kalmar result was slightly disappointing, really driven by the delivery issues and increasing costs, and Mikko Puolakka will cover that a little bit more in detail.

Data from our running equipment showed very clearly that there is a holiday impact, and as we have said, to repeat, Q3 is always seasonally weaker for us. We saw the impact in some of the running hours, but actually after the holiday season now in September running into October, we are against a very high utilisation rate across the board in all of our equipment, and this is obviously also visible in strong order intake and demand for our equipment. And this is obviously also good news for our services with higher equipment running hours and wear-and-tear coming from that one.

The market environment looks positive in all of our key segments. The global container throughput has increased strongly this year. It's expected to show still strong growth in Q4 and also analysts expect next year, 2022, also showing strong growth figures in global container throughput. Also, construction output both in United States and Europe has continued strongly. Somewhat we would expect that to slow down primarily because of labour and material availability moving into the next year.

The bright picture is also very visible in the shipping segments where we have seen orders going up very strongly and especially merchant ships. What's really important for us is that this is happening in the key segments that MacGregor operates in, in container ships, bulk ships and ro-ro ferry segments as well, and clearly this will be visible moving into the MacGregor orders into the '22.

Despite the higher oil and gas prices, we have not seen any increased CapEx in the oil and gas sector. However, the renewable sector really driven by offshore wind is showing very strong growth and a lot of prospects for MacGregor in that segment. As said, strong underlying demand really continues, both in Kalmar and specially the mobile equipment site and in Hiab. But also in automation and project as well as in MacGregor, the orders started to improve.

We have, of course, done a number of pricing increases. The last price increase we did was in July this year. However, we have seen the strong order intake continuing beyond pricing increases and really driven by the underlying strong market activity at this moment.

The high demand and longer delivery times are obviously very visible in our order book, which is at record high level, and consisting of excellent quality of the backlog in there, especially from the Hiab side, which now represents the nearly three quarters of revenues, and then in Kalmar, primarily coming from the mobile equipment side as well. We have also now started to see the MacGregor book-to-bill turning positive again, and we start to see the slow build-up of the backlog in MacGregor as well. However, we do expect that the biggest impact in order intake for MacGregor coming from the strengthening shipping cycle will only be visible in 2022.

Despite the many actions we are doing, we are still suffering from lower than we would like to see revenues. We fell short about €50 million euro, compared to a situation where would not have seen the limited issues with the logistics and component availabilities. This is especially visible in Kalmar mobile equipment, which is very close in terms of the type of equipment for the automotive and truck industries as well, but also visible in Hiab. Our own factory capacity at this moment is not an issue. This is really depending almost entirely on the component availability, where there are multiple fronts and multiple suppliers that are struggling to ramp up the capacity for us. Obviously, also, different logistical issues in terms of track availability, shipping availability and port congestion are somewhat also limiting the revenue growth.

I'm very pleased with that good progress that continues in our services business. Orders increased by 18%, and services sales increased actually across the board in Kalmar, Hiab, and in MacGregor. The services growth is still somewhat limited by the COVID restrictions, but at the same time, the high utilisation rate is also helping as well.

Obviously, the software sale is now heavily impacted by the fact that Navis is not part of the portfolio any more, but it's good to know that despite Navis now missing from portfolio, services, which is now the big bulk of the revenues, and software represent 34% of our sales.

We continue our strategy execution. It's very clear that pressure from the government end-users, different regulators is driving for our customers to look for more sustainable ways to handle their cargo flow. And we are in excellent position in terms of our market reach, product offering and technology investments to cater for that requirement.

In practical terms, our strategy execution progressed in many fronts during the Q3. We finalised the disposal of Navis by the 1st of July this year. We are accelerating our growth in Hiab by doing bolt-on acquisitions. A good example of that was the acquisition of Galfab in the US, which gives Hiab a better reach in the demountables market segment in US and able [ph 00:09:37] to leverage a new product portfolio into the existing Hiab services and distribution channels.

Also, in US, we expanded our capacity to start the truck-mounted fork-lift production in US. This will obviously help us to meet the stronger demand. It also helps us to meet the current U.S. dollar exposure we have in Hiab by having more dollar-based production and supply chain available for that market. And Cargotec, together with its business areas, Kalmar and Hiab, has announced a cooperation with SSAB, where we are the leading partner with them to look at the usage [ph 00:10:16] and utilisation of carbon-free steel in the cargo-handling industry.

Our electric portfolio is expanding and will be covering the whole range of Kalmar mobile equipment by the end of the year. And it's good to see that the offering is also meeting market demand. Here are some examples of the eco-portfolio orders during the Q3: 15 medium electric truck fork-lifts for SEAC in France - as said, already 30% of the fork-lift orders actually in electric format, and we have seen that continuously increase; 18 hybrid shuttle carriers for The Port of Virginia, US; six automatic stacking cranes for the VICTL in Melbourne, Australia; and then, a number of zero-emission products into the Port in Indonesia as well. So, we can see that this is not limited only for the European and US-based customer, but the demand for eco-products is actually covering the whole global demand at this stage.

Also, we came out with the announcement today, in connection of the Q3, announcing some leadership changes in the Cargotec Leadership Team. Michel van Roozendaal, who has very successfully steered MacGregor through very difficult times for the last six years, is now taking over Kalmar Mobile Solutions (KAMOS), and Michel with a strong background in many of the high-quality businesses, including Danaher and United Technologies, is well-positioned to take KAMOS performance now to the next level as well in the Kalmar mobile equipment.

And Leif Byström will be, then, succeeding [ph 00:11:50] MacGregor. Leif has been the COO for MacGregor business and has been serving MacGregor for many years as well. So, I congratulate both, and I'm very excited about the new appointments and making our team even stronger as well.

With that one, I think we move into the business areas, and I hand over our CFO, Mikko Puolakka.

Mikko Puolakka

Thank you, Mika, and good afternoon also from my side. Let's have a first look on Kalmar, where we had a mixed quarter. We had a good demand in various solutions, but then our operations were impacted by component shortages.

In mobile equipment, we had good growth in orders in terminal tractors as well as in fork-lift trucks. And as Mika elaborated earlier, 27% of fork-lift orders wear for electric versions.

Also, in the large cranes, we got orders for replacement investments. For example, for straddle carriers.

And we announced also one automation deal. This was in Australia, and it was for expansion of existing terminal operations. And also, the services demand continues to grow, driven very much by the good utilisation of the equipment.

Kalmar sales increased by 3% and it's good to remember that we closed the Navis divestment on 1st of July. So, excluding Navis, with a comparable basis, Kalmar growth would have been 10%, excluding Navis.

We had approximately €30 million sales in quarter three, which has been delayed to quarter four and latter quarters due to the component shortages.

Service sales improved by 9% in Kalmar.

Despite growing revenues, profitability declined, and there were a couple of reasons for this: we had the lower productivity in our assembly operations due to the component shortages. So, we had to move products back and forth as the components are coming in, and we can then finalise the product, and this is impacting our productivity.

We have had also higher freight costs as well as component costs, and for example, during quarter three, the freight costs impacted approximately 1 percent unit in Kalmar comparable operating profit. So, without that, Kalmar’s comparable operating profit would have been 9%.

And then, we continue with the investments in electrification, automation, and robotisation, and we are having several product launches in the coming months and quarters.

Then moving to Hiab, where we had an excellent performance in quarter three, despite a challenging supply chain situation. Orders grew very nicely, and if you compare Hiab’s quarter three orders, those were more or less on the same level as in quarter four 2020 or quarter one 2021, as well as 30% higher than in quarter three ‘19. So, demonstrating the strong market activity what we experience at the moment. Backlog is exceptionally high for the Hiab type of business, now, like Mika indicated, representing nine months of sales. Hiab sales grew very nicely: 21% services, 9% in Hiab.

We had also delays in sales and deliveries due to the component availability, and approximately €20 million of sales were postponed from quarter three to latter quarters. Comparable operating profit improved very nicely, and that, Mika also mentioned, this is in absolute terms as well as in relative terms, the highest-ever quarter three operating profit for Hiab. And we completed the Galfab acquisition in quarter three in September, and on the right-hand side, you can see also a typical product for that business.

Then, MacGregor, where the positive market development contributed nicely to the order development. Actually, we saw growth in all three product or service divisions: in merchant, in offshore, as well as the services, and the growth came quite equally in orders for these three divisions. In the merchant business, especially the ro-ro and cargo vessel-related orders were the key contributors to the growth. MacGregor sales were down by 14% and this is very much coming from the lower order intake in 2019 and 2020. But we believe that this should be the lowest point in MacGregor's trend here, and supported by the, basically now, the third quarter when we have had good orders that should contribute also to the growing revenues in the coming quarters.

Profitability was slightly down, compared to quarter three last year, but we have been able to offset this 14% sales decline by higher service portion [ph 00:18:14]. Our service sales in MacGregor accounted for 46% of total sales, while it was 37% a year ago. And then, we have continued also with the cost savings this year. We target €13 million cost savings compared to last year.

Then, a few highlights about our key financials. If we look at quarter three profitability, we had a very large positive one-time impact from the Navis divestment. So, in the items affecting comparability, we booked a €230 million sales gain from the Navis divestment. Other large items in the items affecting comparability: we had approximately €60 million one-time costs related to the merger between Cargotec and Konecranes.

Thanks to the Navis divestment, also our effective tax rate for quarter three was fairly low. It was 20% and that was very much coming from the Navis divestment. And also, contributed by the Navis divestment, our ROCE was now 14.3%, and as a reminder, our target would be at 15% in the long term.

Looking for year-to-date numbers, very strong development in orders: 57% higher than a year ago. Key contributors coming from mobile equipment, Hiab as well as the services in our all three businesses. Also, our comparable operating profit is 19% higher than a year ago, and here the key contribution is coming from Hiab.

We had fairly modest cash flow in quarter three, and this is to a great extent coming from component shortages. So, when we have missing components, we have had higher work in progress, and this has increased the inventories and impacted our cash flow. At the moment, our inventory days are approximately 116 days, while it was 102 days at the end of last year. And this roughly 14 days means approximately €100 million in our inventories, as well as in cash flow.

We have a very strong financial position. Our gearing improved to 31%, driven by the Navis divestment and one-time profit from there. Also, €380 million sales proceeds from the Navis divestment supporting there. Excluding the IFRS16 lease liabilities, our gearing is at 20%, and our net debt to EBITDA ratio is at the moment 1.0. We are not having any major debt repayments coming up in the coming year, so a fairly balanced maturity profile. And this good financial position offers a good position, for example, for M&A. And we reiterate our guidance for 2021 and estimate that comparable operating profit for this year improves from 2020 when it was €227 million.

And with those words, I would hand over back to Aki for Q&A.

Aki Vesikallio

Thank you, Mikko, and thank you to Mika for the presentation. With that, operator, we are ready for the Q&A.

Q&A

Operator

Thank you. If you would like to ask a question, please press 01 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing 02 to cancel. There will now be a brief pause while questions are being registered.

The first question comes from Magnus Kruber from UBS. Please go ahead. Your line is open.

Magnus Kruber

Hi, Mika, Mikko, Aki. Magnus from UBS. Just a couple of questions from me. So, first it was kind of you to quantify how much of the €50 million came in the different business areas. But have you commented on how much you had in the second quarter from this, if any? And also, if you did, could you let us know what the year-to-date overhang would be from undelivered orders related to supply chain issues?

Mikko Puolakka

Yes, thanks for the good question. We had €20 million in quarter two, quite equally distributed between Kalmar and Hiab, and that has been caught up now during quarter three, and in quarter three we had, in total, €50 million, roughly €30 million coming from Kalmar, and then, €20 million from Hiab.

Magnus Kruber

Perfect. Thanks, Mikko. That's very clear. And is it fair to assume the EBIT impact from these delays? Can we assess that for the gross margin, perhaps?

Mikko Puolakka

It would be approximately 15. From this €50 million, we would have a €15 million EBIT impact.

Magnus Kruber

Perfect. Thank you. And then, just finally, could you talk a little bit about demand outlook that you've seen through the quarter in the mobile equipment in Kalmar, in particular, and also a little bit on Hiab, what you think? That would be helpful.

Mika Vehviläinen

What we have seen since the last round of fairly heavy price increases we did in July, we have seen continued strong demand in there, and also looking at the early part of the Q4 now, we have seen the same demand continuing both in mobile equipment as well as on the Hiab side. And obviously, the outlook right now for MacGregor is clearly brighter, not necessarily realising that much in Q4, but certainly should be visible next year.

We also see on the port side, on the heavy investment, the pipeline getting stronger. I think we should not expect any larger automation orders because the so-called brownfield automation is really prohibited by the huge congestion in the ports at the moment that actually prevents customers of closing down parts of the operation. But what we are seeing in our pipeline and the VICTL example of that is further port expansions that are in the pipeline.

Magnus Kruber

Brilliant. Thank you so much.

Mikko Puolakka

Thank you.

Operator

Thank you. The next question comes from Johan Eliason from Kepler Cheuvreux. Please go ahead. Your line is open.

Johan Eliason

Yes, thank you for taking my call. Obviously, the order development in Hiab didn't compare with Q2. I guess there was a fair amount of pre-buying in the order intake in Q2, but you say that demand is still strong. What level should we compare with when we think about Q4? It’s typically a seasonally stronger quarter than Q3. Do you think that should still be the case now when pricing is impacting purchasing behaviour as well?

Mika Vehviläinen

I think the Q3 number was exceptionally good for Q3. If you look at past into history, overall, the Hiab performance, was the all-time high Q3 for Hiab. So, that's a very robust order intake. The seasonal impact usually is quite clearly visible in there, and as I already said, overall, the close to 1 billion orders across the whole company was the second highest Q3 we’ve ever seen. We had a one in 2007, I think, when the MacGregor demand was exceptionally high. So, for Q3, I think, overall, a very robust situation. The underlying market is still very strong, but when you look at the order intake of 57% up year-to-date so far and very strong demand we have seen in Hiab, I would not be surprised if we start to see that rate slowing down somewhat when we move into the Q4, but so far it's shown to continue across the different businesses at the very robust level now into Q4 as well.

Johan Eliason

And you mentioned the backlog is record high now for Hiab. When customers come and ask for a crane or a truck, what are you saying on delivery times? Can they get it within the normal one quarter or two quarters, or are we looking at half a year now?

Mika Vehviläinen

It varies from one product area [ph 00:27:41], but if you look at the high-level maths [ph 00:27:43] at the moment, and with €900 million of backlog, and if you make an assumption of €100 million plus revenue on a monthly basis, we are effectively covered until Q3 next year. What actually is very favourable for Hiab at the moment is that customers as such necessarily don't require the equipment at a faster rate, and the reason for that one is that the truck delivery dates at the moment are 40 to 50 weeks in many cases, so there is no point actually trying to deliver, for example, cranes, any faster as then, the customer would end up waiting for the truck delivery.

Johan Eliason

Do you see some risk that there might be some cancellations eventually because of this situation when they are pre-ordering left and right.

Mika Vehviläinen

I would say that I am not too particularly worried. One reason, obviously, is that after a number of pricing increases, if you cancel order today and then you would need the equipment later on, you would end up paying more than 10% more for the equipment. So, there's a certain built-in incentive if your order is coming from late last year, early part of this year to hold on to that order. We have also introduced more and more across our different customer segments and products cancellation fees for our products as well. So, trying to keep up with changing situation, we have done a couple of things contractually with our customers. We have shortened our price increase notices from, in some cases, 60, even 90 days, to 30 days across pretty much the whole product portfolio and customer set, and then we have introduced quite a bit in our contracts, cancellation fees, as well. So, the combination of cancellation fees and higher pricing for the new equipment, I think, I'm not particularly concerned about cancellations at this stage.

Johan Eliason

Excellent. And then, on MacGregor, it's been many years now when they've been struggling around breakeven, and now, finally, we see firm evidence out there that there's a big amount of container ship orders to come. Are you still believing this business can get back to 10% margin level when these equipment orders materialise and come into revenues, let's say, 2023 or so?

Mika Vehviläinen

Absolutely. I think the market is there. I see no reason. We're actually in a much better position than we were during the last cycle, and if you look at our cost base, it's considerably lower, we have moved quite a lot of our engineering and support resources from high-cost countries to lower-cost countries, in Poland and China. So, we can leverage the demand from a lower cost base. The services are in much better shape actually, as Mikko was saying; nearly half of the revenue now came from services. Services have been growing, and very clearly now, with high utilisation and the fact that shipping lines actually now can afford the maintenance, I think there is a real opportunity to help improve our maintenance revenues moving into next year, as well. So, I'm very optimistic that once the orders start to come in, we will start to see MacGregor heading into the double-digit numbers again. It's a long-cycle business, so orders will come in next year, and most of the revenue will only start to realise in 2023, but it's certainly looking very good.

Johan Eliason

Excellent. Thank you very much.

Mika Vehviläinen

Thank you.

Operator

Thank you. The next question comes from Aurelio Calderon from Morgan Stanley. Please go ahead. Your line is open.

Aurelio Calderon

Hi, Mika and Mikko. Thanks very much for taking my questions. I've got three, if I may, please. The first one is around the €50 million that you said you've lost in [? 00:31:43] deliveries in 3Q. How much do you think you are going to still miss in 4Q, and when do you think you can catch up with those sales? I know it's a little bit of a crystal ball exercise, but when do you think that these supply chain issues and bottlenecks are going to ease, at least for you?

Mikko Puolakka

It's a good question, and I wish that we would have the crystal ball. It's not sure. It's possible that we can miss also in quarter four, as we at least currently see that the components situation is not getting any easier during quarter four. So, similar kind of development can happen also in quarter four, and it's very difficult to predict in advance, like this €50 million, so we were expecting higher sales for quarter three, but due to the component shortages those deliveries will be realised later in quarter 4, some, perhaps, even in quarter one.

Mika Vehviläinen

I think there's some help on the way, when you talk to our suppliers that people are adding capacity at the moment. The question only is that how fast will that actually start to be visible? So, we do expect that the supply situation will remain difficult in Q4. We do see number of efforts to alleviate the situation in there, but how much that will actually come to in helping during the Q4 is still a big question mark.

Aurelio Calderon

OK, that's helpful. Thank you very much. My second question is around the services business. I know that 3Q is usually sequentially weaker, but if you look at the order intake, it seems to have declined sequentially quite a bit. I wonder how much of this is, you think, just driven by people that maybe did some pre-buying ahead of increases or extending lead times on something like spare parts, and how much you of this you think is just normal seasonality in the business.

Mika Vehviläinen

I think just the seasonality again. If you would look back a number of years, also, in services, the activity lowers in Q3. There are a number of holidays and others that will affect that, as well. So, I think one needs to remember that activity levels started to increase quite a bit already in Q3, and especially the September was already fairly strong in last year. So, in that sense, the year-on-year comparison starts to be a little bit more valid in Q3, also. So, we do see that the underlying activity is there, and the COVID restrictions are still there, but there are less of those ones. And of course, the high level of equipment activity will help us, but also very much, the underlying self-improvement work we have been doing and continue to do with our services is helping us.

Aurelio Calderon

OK. And just one last question from my side. I think you've mentioned, back in 2Q, you mentioned that you were expecting maybe a little bit of a slowdown in Hiab, given that you were putting up prices again. But today, the print [ph 00:34:48] seems to be quite robust here. So, the question is: a) are you putting more price increases in Hiab or in general across the business, and 2) if you think that this is going to have an impact in order intake, or you think that customers really appreciate that you need to put up prices given that input costs are rising for everyone.

Mika Vehviläinen

First of all, we actually have not seen any slow down so far, even with the relatively hefty price increases we did in July. As such, typically, we do pricing reviews towards the end of the year, and we plan to do so this year as well. So, I do think there will be further price increases in storage, and we have not seen that to hamper the demand so far.

Aurelio Calderon

OK. Thank you very much.

Operator

Thank you. The next question comes from Magnus Kruber from UBS. Please go ahead. Your line is open.

Magnus Kruber

Hi, and thanks for taking my follow-up. I just wanted to ask you about labour cost inflation, what you're seeing there. I think we discussed already in Q2 difficulty to access skilled labour. How is that developing in Q3? And do you have a similar assessment on the labour inflation that we anticipate over the next month and year?

Mika Vehviläinen

I think delivery installation is most visible in the blue-collar working, especially I would say, manufacturing side in the US, somewhat also on service technicians, but one needs to put it in context, as such. The portion of the labour context, typically, in our total manufacturing cost is about five percentage points. So, it’s a relatively small part because of the type of operations we do, as such. So, there will be probably some impact moving forward, but it's not going to have a significant impact on that one. Now, of course, it remains to see what will happen overall in the inflation environment and the white-collar work, as well. But what we have seen so far is the labour shortages and the labour inflation, especially in the blue-collar manufacturing, and somewhat also in the service technician area.

Magnus Kruber

Good. It's much appreciated. Thank you so much.

Operator

Thank you. The next question comes from Max Yates from Credit Suisse. Please go ahead. Your line is open.

Max Yates

Thank you, and good afternoon. My first question was just on the 100 basis points of margin impact that you mentioned in the Kalmar division. How should we think about this, going forward? Is this a temporary dislocation between the costs that you're facing? Have you now tried to reflect these in your price or in additional price increases? Or perhaps price escalators on some of the contracts? Or should we think that actually you've done everything that you can on pricing to reflect the raw materials, and this is just something that, until container ship rates and shipping capacity increases, this is something that you will have to take within your margins going forward? How should we think about that?

Mikko Puolakka

Yes, the 1% unit in Kalmar in quarter three, and we have introduced certain transportation surcharges in Kalmar. So, we expect that this should gradually compensate going forward this higher transportation of freight costs.

Mika Vehviläinen

Kalmar, in the terminal tractor business, we had a dealer event this week in US. We introduced an $1800 surcharge for deliveries. That's actually also applicable for the existing orders as well, and that certainly will compensate on that one. But overall, I would say that the proportion of the freight cost that has been relatively low on that one can be as high as three percentage points on some of the Kalmar equipment at the moment. We do expect that that situation will remedy itself.

Max Yates

Sorry. Could you mention that number again in the US for the surcharge that was put on? $1,800?

Mika Vehviläinen

For equipment, yeah.

Max Yates

OK. That's helpful. And then, just my second question would be on what you are seeing competitors doing on price. Because obviously you've talked about pretty notable price increases through the year, and I just want to check what your feeling is that the competition is doing out there. Is there anyone out there who is willing to take perhaps lower margins, and given the price increases everywhere, maybe using this as an opportunity to try and chase volume? So, how are you seeing this broader pricing discipline of the industry?

Mika Vehviläinen

I think what we see, and obviously, us being the market leader in most of the segments we operate in, we tend to be also the pricing leader. We have seen competition following up our pricing increases, not necessarily the same extent as we have discussed on that one, but obviously with the current supply environment, it's quite difficult to chase the volumes. And if we have our own fair share of supply and components availability challenges, smaller players certainly will not have an advantage of that one because generally they are even lower down the pecking order in terms of the prioritisation of our suppliers as well.

Max Yates

OK. My final question is: given the very strong or the slightly unusual mix of ship orders this year with container ships being as strong as they have been as a proportion of the total, could you just remind us of how your ship mix looks in MacGregor? Any sort of rough guide to how we can think about the percentage of your business that is container ship percentage, ro-ro, bulk, or maybe other, how you intend to split that. That would be helpful to know.

Mika Vehviläinen

In terms of rough numbers over the cycle, I think the way it would look like, and this is rough numbers, about maybe 40% to 50% would be containers, another 40% also on bulk ships, and about 10-15% on the ferry, ro-ro ships. And to our delight, of course, right now, if you look at the ship types that are in demand, it's exactly those three types of ships. At this stage, the ro-pax or ro-ro, car ferry market is smaller, but the proposal in our deliveries and value per ship is higher, so it’s a relatively attractive segment for us at the moment. So, we have seen very strong order intake in the container side, as you said, but we see increase in demand actually coming now on the bulk side, as well. And that, I think, will start to be visible in ship orders, as well.

Max Yates

Just finally, is there anything we should think about whether it's, obviously, I think quite a lot of people look at absolute ship numbers rather than necessarily the size of the ships or anything like that. But just if we're thinking versus previous cycles, is there anything we should be aware of in terms of content per vessel, size of the ship that may look, or looks different, when you look at what's happening in the market versus previous upcycles. i.e., when you used to do a billion? Is there anything that is markedly different in content or ship size or anything like that that would affect your business this upcycle?

Mika Vehviläinen

I don't think anything, as such, is different. Typically, what happens is when the cycle is slow, the shipyards try to manufacture a larger part of the content themselves. So typically, if you take a container ship, if the shipyard has capacity, it might do most of the steel structures itself, and then our delivery would be limited into the engineering and key components. So, roughly speaking, it would be a few million euros per container ship. Typically, what happens when the shipyard capacity starts to fill up, which it certainly is doing at the moment, the shipyard tries to compensate that by placing further, bigger parts of the ships into the sub-contracting. Typically, we then start to do also not only the engineering key components, but also some of the structural work and deliveries on that one, and then the value per ship can go to say €10 million or €15 million per ship, as a typical number. Obviously, gross margin is not quite on the same level as it is in the key components and engineering, but still all your overall margin and revenue per ship is increasing. So, when you start to see ship numbers growing up, I think you first of all start to see a higher revenue coming to from that one, and then, probably, there should be an acceleration element as well because our scope per ship will also increase.

Max Yates

That's very interesting. Thank you very much.

Mika Vehviläinen

Thank you.

Operator

Thank you. Just a reminder that if you would like to ask a question, please press 01 on your telephone keypad. There will now be a further pause while any further questions are being registered.

We have no more questions, so I will pass-- Apologies. We've just had one more come in from Tomi Railo from DNB. Please go ahead. Your line is open.

Tomi Railo

Hi. This is Tomi from DNB. Just checking. Did I hear correctly that there was a negative overall impact of €15 million in earnings in the third quarter. If I calculate 1% in the Kalmar business, that's more like €4 million. Just to get clarity on this matter.

Mikko Puolakka

Yes, on the overall. Of course, it depends on the mix, which is included, but approximately from this €50 million - five-zero - sales delay, €15 million - one-five- EBIT impact.

Tomi Railo

Thank you. That's clear.

Operator

Thank you. We have no further questions, so I will pass back to the speakers.

Aki Vesikallio

Thank you for the great questions, and great answers, Mika and Mikko. Our financial calendar for next year is also published today. Our financial statements will be released on 3rd of February 2022. So, stay tuned.