Conference Title: Cargotec Corporation's Q1 2021 / Interim report event.

Date: Wednesday, 28th April 2021

Conference Time: 14:45 (UTC+02:00)

Aki Vesikallio, Cargotec: Good afternoon, ladies and gentlemen, and welcome to Cargotec's first quarter, 2021 results call. Please pay attention to the disclaimer in the presentation. Just a kind reminder that we cannot discuss any merger-related topics in this presentation, due to the US Securities laws. Cargotec's first quarter orders were strong. Orders received increased by 43% and also our profitability improved. Service orders received increased by 11%. We also announced during the first quarter that we agreed to sell our Navis software business for enterprise value of EUR 380 million. The transaction is expected to be completed by the end of third quarter this year. Further today, we also announced our aim to reduce CO2 emissions in our value chain by 1 million tons by 2024.

Today, the earnings will be presented by our CEO Mika Vehviläinen and CFO Mikko Puolakka. We will first go the Q1/2021 highlights, followed by market environment and group level development. Then our CFO Mikko Puolakka will go through the business areas, financials and outlook. So Mika, please go ahead.

Mika Vehviläinen: Thank you Aki. Good afternoon from my behalf as well. And thank you for joining the Cargotec Q1 2021 call. Obviously the highlight of the Q1 2021 is the strong order intake we had. Orders increased by 43%. The strong demand we have seen starting from the September 2020 onwards in Hiab and in Kalmar mobile equipment continued during the first part of the 2021. We also see a remarkable improvement in Kalmar automation, as well as in MacGregor demand. In Kalmar automation, the orders came from the replacement business within the existing customers. The Q1 orders did not yet include any significant automation orders. In MacGregor, the improving market sentiment was already slightly visible in the improving order intake in MacGregor, both in Q-on-Q as well as on year on year. Sales decreased by 15%, this was coming almost solely from the fact that, as order intake during the Q2 and most part of the Q3 2020 was low, and our cycles mean that they will see that a strong order intake starting really from September 2020 onwards, impacting our Q2 and onwards revenues for this year.

The Q1 revenue did not have any material impact from component shortages or shipping issues. I'm also very happy about the service sales being very resilient. Also considering that the comparable period last year did not yet have significant COVID-related impact in our operations. The share of our Eco portfolio was 20% down from Q4. This was primarily coming from the lower revenues coming from the Kalmar automation electric driven vehicles. Also very satisfied for the fact that the comparable operating profit improved, despite the lower revenues. This was primarily coming from a good cost control, especially in Hiab and MacGregor where both results improved. The Kalmar decline in operating profit came from the lower revenues.

We continue to follow up the online real-time information we get from our equipment activities. And we have really seen the recovery, despite the very difficult COVID situation globally continuing in the economic and logistics activities around the world. Especially in Hiab, if you compare this one, and this is now comparison towards the Q4 last year, and if you remember Q4 last year, our equipment activity actually started to be same level or slightly exceed the pre-COVID activity levels of Q1 2020. So these numbers are fairly comparable on year on year basis as well. We have seen a significant improvement in activity in Hiab - 18% up compared to Q4 in Hiab in North America, and more than 8% up in European markets. Also in Kalmar logistics equipment, we have seen improving activity levels, both in North America markets as well as in European markets. The slight decline in China is actually explained by the Chinese New Year during the Q1 this year.

The same is obviously visible in most of the economic indicators. The container traffic was growing very strongly in Q1. And I'm sure most of you are aware of the logistics and congestion issues in the ports at the moment. And that strong growth is expected to grow and continue throughout the whole year. At the same time, we expect the construction activity to actually accelerate, both in North American as well as the European markets throughout the year with a significant growth numbers in both markets. Also MacGregor market seems to be now turning. And the Clarkson has updated their estimates to be about 1,000 ships ordered during the 2021. It's good to remind ourselves that this is still significantly below the average year, about 1,700 ships, but a clear improvement, obviously, from previous year. The ship orders during the Q1, they already exceeded 300 vessels, clearly up from Q1 last year. And the current run rate obviously already is ahead of the Clarkson's estimate for this year. There has been an improved activity somewhat in the offshore oil and gas field as well. And we see the strong demand continuing in offshore renewables, primarily on offshore wind related vessels and construction.

The orders increased in all businesses and MacGregor slightly increased. And it's good to remember that the MacGregor cycles increasing order activity vessels should be visible in MacGregor equipment order in roughly 6 to 12 months after the ship order. And then the related revenue, another 6 to 12 months after our equipment order. So increasing vessel activity should actually start to be visible in MacGregor on the second part of this year. And then the revenues should be impacted favorably from 2022 onwards.

A strong order intake coming from Kalmar mobile equipment and also we saw a strong order recovery on automation and projects business, coming as I already said, primarily from the renewing/replacement business within the existing customers. The Hiab order intake was another record, this time, actually, without any significant government related orders that we saw in Q4, coming really from multiple deals and a strong activity across all customers. I think it's also very likely that there is an element of catch up in order intake during Q1, as well as a pre-buy element, coming really from two factors. We have done a number of significant pricing increases in the beginning of the year. And that's probably running – causing some pre-buy as well customers' concerns related to supply chain difficulties that are visible across the different industries at the moment. However, the underlying market is solid and as already discussed, many of the economic indicators still look very favorable.

The order book increased by 22%, and actually the combined Kalmar and Hiab order book is at the record high at the moment. Obviously MacGregor is very far away from the strong years it has seen in the past in the higher cycles, but then, order book is now heading to the right direction, and this was the first that positive book-to-bill quarter for MacGregor since 2019. Sales really very burdened by the low order intake we saw in Q2 and most parts of the Q3 and production cycles. We were expecting a lower revenue in Q1. The Q1 revenues were not materially impacted by component shortages or shipment issues. However, we obviously see risks related to those issues when they move towards the rest of the year.

Also very satisfied with services performance. Again, let’s remember that the comparison period did not have material COVID related impact in our key markets. Despite that one, both Kalmar as well as Hiab were actually able to increase slightly their services revenues. MacGregor services revenues were down quite clearly. And this was driven by low activity in dry docking, again, caused by the COVID pandemic situation in many of the developing markets. Also good to see that the order intake was actually strong up already during Q1, also including the MacGregor services order intake. The service and software were 40% of our total sales, obviously this partly driven not only by the good job in the services but the lower equipment revenues during the Q1.

As a part of our annual cycle, Cargotec has also refined its vision and its strategy. Our breakthrough objectives are sustainability and profitable growth. Our vision is to be the global leader in sustainable cargo flow. In concrete terms, Cargotec aims to reduce our CO2 footprint or emissions in our total value chain by 1 million tons by 2024. This reduction would be of course very significant considering our global footprint today, at the same time, a fantastic business opportunity for us, answering to the customer challenges regarding sustainability. The success of our strategy execution is measured by our financial reporting, leadership index, and eco portfolio share of sales, which we have already reported in our reporting in the past as well. And in the future, we will also report CO2 emission reductions as well as our customer net promoter score development.

With that one, I'd like to hand over to our CFO Mikko Puolakka who will discuss the business areas in detail. Thank you.

Mikko Puolakka: Thank you, Mika and good afternoon also from my side. Let’s start with Kalmar where we had an excellent quarter from the order intake point of view, strong growth in orders in mobile equipment across all product categories as well as in all geographical regions. Also good demand for services. Orders for cranes like straddle carriers were also increasing in quarter one. So like Mika indicated, this kind of replacement type of investment market is picking up. We did not have any bigger orders in quarter one. And then when looking the sales, sales were down by 20%. The sales for mobile equipment and also larger crane revenues declined in total 29%. And this is stemming from the very low order levels in quarter two and quarter three 2020. The supply chain related constraints did not affect our deliveries in quarter one. But like Mika also said that there can be certain risks in the upcoming quarters as we experienced, for example, semiconductor related bottlenecks as well as transportation related bottlenecks.

The services sales went up by 5% and this was very much driven by the various services for – especially for the cranes. Kalmar profitability declined. The decline was very much driven by the lower sales. We have reduced somewhat our costs, but for example, we have kept our R&D investments in Kalmar on last year's level in the spirit of supporting our long term strategy for more sustainable solutions, like electrified and fully automated mobile equipment. We signed the Navis divestment agreement in March, and the target is to complete the transaction by the end of quarter 3.

Then looking at Hiab where we had to basically with all parameters and a very good quarter. Very strong demand in all product categories, as well as in services across all regions. Like Mika also said earlier, here in Hiab we anticipate that there is certain pent-up demand coming up from the low order or investment activity in the middle of last year. And then some pre-buying ahead of price increases, as well as anticipation of certain component availability.

We did not book any bigger orders in Hiab for quarter one. Sales were down by 5%. And this is like in Kalmar's case very much coming from the low orders in quarter two and quarter three last year. Despite the 5% lower sales, we were able to improve significantly the comparable operating profit. And this is coming from the strong cost management and the productivity measures which have been taken in Hiab. So overall a very, very good performance for quarter one.

In MacGregor, the improving market activity is also visible in orders. We had a EUR 100 million of orders in quarter four last year, now EUR 161 million coming to a great extent from the merchant vessel market as well as from services. So we booked, for example, a good spare parts service orders as well as other services like the Cargo Boost vessel optimisation services. Quarter one sales were impacted by the low order intake in that 2020. Services sales were down by 18% due to the low dry docking activity. Despite the sales decline, we were able to improve the profitability from minus 2 million to plus 3 million euros now in quarter one. And this is coming from two drivers; firstly from the cost or restructuring and integration of the TTS and offshore businesses, and then we have had a very smooth project execution during quarter one, supporting also the profitability.

Despite the strong cost reduction, we also continue with the cost savings actions in 2021, and our target is to reduce fixed costs in MacGregor by EUR 13 million compared to last year's level.

A few words about our financials overall in quarter one. So despite our sales declined by 15%, we have been able to improve the comparable operating profit by 14% from EUR 45 million to EUR 52 million. And also the operating profit margin has improved by 180 basis points. There were basically two drivers for this positive development in comparable operating profit. Firstly, our gross profit percentage improved from 22% to 25%, and this comes from the better mix. So we had higher portion of Kalmar mobile equipment and Hiab sales as well as services being 40% of the total revenues. And we have done material cost savings and also, in all areas basically, price increases already last year, which now started to become visible.

The second reason is that our costs have decreased by EUR 16 million. And this is coming pretty much from two areas. Firstly, we have implemented permanent cost savings, so our head count has reduced from last year's level. And then we still have some temporary cost savings active, like for example, traveling is currently still on a very, very low level.

We had a EUR 27 million of items affecting comparability. The biggest items here where the EUR 13 million cost booking which we took to establish a new joint venture for MacGregor in China with the world's largest shipbuilder CSSC. And this is a very positive development for MacGregor because this will strengthen MacGregor’s addressable market and operations also in the coming quarters in China. Also related to MacGregor, we had a positive onetime booking of EUR 7 million and this is related to the TTS final purchase price settlement in the beginning of the quarter. We booked in total approximately EUR 8 million integration related costs concerning the Cargotec-Konecranes merger. And we had approximately EUR 10 million of restructuring costs mainly in MacGregor and in Hiab.

Our cash flow improved from last year’s level, being EUR 51 million. And the main driver for this was improved networking capital efficiency. Our inventory days were approximately three days better or lower than last year. And this contributes approximately to EUR 25 million in our cashflow.

Cargotec’s financial position is very strong. Our gearing was 59% at the end of quarter one. And it has increased from quarter four. And the main reason for the increase was the EUR 70 million dividend payment which we booked at the end of March. Without the IFRS 16 lease liabilities, gearing was 45%. Equity deals on a good level or strong level, EUR 864 million. And we do not have any major debt repayments upcoming this year.

And then last but not least, our outlook for 2021. We re-confirm our guidance for this year and expect the comparable operating profit to improve from last year's level when it was EUR 227 million. And with those words, I would then hand over to Aki for further questions.

Speaker: Thank you Mikko and thank you Mika. Just a reminder that we do not take any merger related questions in this Q&A. With that - operator, we are ready for the Q&A.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. And we'll now take our first question. Please go ahead, your line is open

Speaker: Good afternoon. This is Artem from Credit Suisse. Thank you very much for taking my questions. My first question is about your comments and reports on some pent-up demand in Q1. I just wanted to check if that's only related to Hiab or that's also fair for Kalmar. And maybe you could also try and quantify the impacts in Q1. And I appreciate this could be very hard for you to do, but maybe you could talk about what you see in so far in Q2 on a sequential basis in terms of the magnitude of maybe moderation in demand. That's my first question.

Mika: Thank you for that, if I take that one. First of all, obviously, we see the underlying market demand to be very solid if you look at the economic indicators and also the customer activity is also visible in our equipment activity. There is probably an element of that pent-up demand both in Hiab as well as in Kalmar mobile equipment, less so obviously in the automation and projects related which has its own set of dynamics.

The other issue we have had is that we introduced a number of pricing increases in early part of this year that are coming into force now. And that together with the potential concern of the deliveries, because of course everybody is aware of the supply chain issues in industries, there could be an element of sort of pre-buy on that one. But I would say that the underlying market demand and activity remains to be strong as well, but there is probably some hike in exceptionally good orders in Q1, but it's really hard to quantify that in detail.

Speaker: Sure. But I mean at least in April, I already seen maybe your daily or weekly orders starting to moderate versus Q1 or that's not yet what you see at the moment?

Speaker: We have seen a strong demand to continuing in April as well.

Operator: We'll now take our next question. Please go ahead, your line is open.

Speaker: Hi Mika, Mikko, [Inaudible] from UBS. A couple of questions from me. So could you comment a bit on the mix in Kalmar, how much headwinds on the margins you saw there? I think you mentioned a couple of percentage points in prior quarters, was that the same still? And now with strong pickup in the mobile equipment, do you expect these two percentage points that we talked about to reverse through the course of this year, is that sort of the quantum we can expect a step up in mix in 2021?

Mikko: Yeah, in Kalmar, if we look Kalmar quarter one, so we had actually more favorable mix already in quarter one due to the fairly low automation deliveries due to the low order intake last year. But that kind of mix was not more favorable – mix was offset still by significant sales decline in the mobile equipment, which we kind of consciously did not fully offset with cost reduction, as I mentioned that we continue to invest for example in the R&D activities to support our strategy.

Mika: For the upcoming quarters, we saw a good order development happening actually both in the automation and projects, within the replacement, also in mobile equipment. So I would say that the mix is from a stable to a slightly favorable for the rest of the year.

Speaker: Okay. You're not willing to quantify anything around that regarding the step up as we saw some adverse in this year in two percentage points?

Speaker: No, we don't see an adverse effect coming from that one this year.

Speaker: And also, could you help us put some color on how much impact we should see in the EBIT bridge in Q2 from reversal of temporary cost measures taken, any color on that would be very helpful.

Speaker: In general, I would say that, I mean, last year we implemented the temporary cost savings and those generate approximately, or generated approximately EUR 10 million monthly cost savings. And our ambition last year has been to compensate most of those this year, at least to great extent with permanent savings. And then we have still, as I mentioned earlier, we have some temporary savings ongoing. I would estimate that perhaps from those temporary savings last year, approximately 50% are still in quarter one temporary and other 50% we have kind of implemented permanent savings.

Speaker: Okay. So you don't expect meaningful reversal in Q2 that will come later when travelling comes back and so forth in that case?

Speaker: Yeah. I mean, traveling most probably will continue still – despite the vaccinations traveling continues to be most probably still on a fairly low level also in quarter two. More perhaps service related traveling, but other parts still on a fairly, fairly low level.

Speaker: Okay. Thank you.

Operator: We'll now take our next question. Please go ahead. Your line is open

Speaker: Hi Mika, Mikko, it's Aurelio from Morgan Stanley. Thanks for taking my questions. I've got two and I'll take them one at a time if possible. The first question is - you mentioned that the underlying demand in Kalmar or the order intake in Kalmar was mainly driven by mobile equipment and replacement in automation and projects. We've obviously seen capex announcements from some of the port operators, DP World and others, and basically going for a strong increase in capex in '21. Are you seeing that in the market at the moment? When should we expect to see new bigger brownfield projects being signed off or maybe even some greenfield projects out there?

Mika: We clearly have seen an increased activity. And typically as we have discussed in the past that there is sort of stronger traffic growth issues only followed by within 12 to 18 months from the increasing capex as well. And we have seen increased planning activities around that one, but it's really difficult to forecast the exact timing of those potential orders. There will be some – probably some of them landing already within this year, but the exact timing is still uncertain.

Mikko: Typically the brownfield opportunities, what we see even though when fully kind of automating the terminal, those could be a hundred plus million euros of transactions. These brownfield investments are done in bits and pieces, meaning that those could be some tens of millions of euros when customers make their decisions.

Speaker: Okay. That's helpful. And I guess in terms of your, this quarter was very good. And I think you mentioned that you had a positive impact from I think inventory, you said you reduced days by three days. I guess the question is given that the you have obviously seen a very, very big increase in orders especially in Hiab and Kalmar mobile equipment, which is more in for out than maybe some of the projects. I guess my question is, if this level of working capital is sustainable or we should expect some natural build up over the year as you prepare for I guess a heavy delivery schedule in the latter part of the year.

Mikko: Yeah. Like your saw from our order book, we have EUR 2.2 billion order book which we aim at delivering prudently during this remaining part of this year to a great extent. And that requires, of course, some increase in the networking capital in inventories, for example. But we've continuously – So in absolute terms, the networking capital is expected to increase in anticipation of the upcoming revenues. But then we continue to improve the relative performance. So, we're continuously working, for example, with the suppliers to minimize their inventory days at our end.

Mika: If I compared the situation we saw the last, the demand peak in 2017-18, especially in Hiab than, and compare the current status, our internal processes have clearly and significantly improved regarding our own in-house and factory related processes and also our kind of interaction and process development together with our suppliers has also significantly improved. It doesn't mean that we would not change and sort of face some of the challenges, but overall, I would say our capabilities are in a much better shape than they were last time we experienced such a peak in orders.

Speaker: Okay. That's helpful. Thank you very much. I will go back to the queue.

Operator: And we'll now take our next question. Please go ahead, your line is open.

Speaker: Yeah. Hi, it's Antti from SEB. A couple of questions from me. Firstly, would it be on the backlog situation and lead time in Hiab and Kalmar mobile equipment. I mean, you would see now quite robust recovery and very high levels of backlog. So what are the lead times currently? And if we reflect our delivery capabilities, should the previous peaks be a good comparison point? Mika, I guess you mentioned that the processes have improved, but on the other hand you have also cut costs. So how should we think about the revenue recognition out of backlog?

Mika: Yeah, the cost costs have not been primarily around our production capacity or related factors. Those have been more temporary. And obviously we are also drawing back those in terms of temporary labour and short-term weeks to enable us to hike up our production. I would say at the moment, our capability to ramp up our own production is pretty good. The question mark is obviously still around component shortages. My main concerns would be around higher specification, diesel engines, the microchip and shortage, might impact that one as well. And those probably be visible somewhat in Q2, but probably also very much maybe sort of single largest challenge is around to Q3 this year. We have not yet seen significant lengthening of lead times. Typically again in Hiab, they are around six months and in Kalmar mobile equipment six to 12 months. And the potential lead time changes are – would be primarily coming from the availability of the components if you see material shortages in there.

Speaker: Okay. That's fair. And then secondly, I mean, you have been active on price increases and I guess now you are seeing kind of the component shortage and some raw material inflation. So how should we think about the gross margin? What do you have in backlog and all that's going forward? Are you seeing kind of more pressure from the cost side or is the price hike trends now continuing?

Mika: We are clearly seeing more pressure from cost side. The shipping costs have actually have a significant hike obviously a lot of our customers are doing better as a result of that bump, but it's visible in our cost level. The raw material component pricing is also facing pricing pressures. Against that one, we have done number of pricing changes in most of all businesses now in the early part of this year. And our estimate at the moment is that the overall impact will be neutral. So we will not see the reusing – but nor would we see expanding gross margin as a combination of those factors. So gross margin changes will probably primarily come from a more favorable mix.

Speaker: Okay. That's clear. And then last name from me regarding Kalmar and the demand there. How is the extraordinary port congestion that we are seeing globally impacting your customer's decision making and your demand? I mean, they have hands full of bottlenecks right now. So is this kind of postponing longer term planning and a bigger investment decisions? On the other hand, does it support the short cycle mobile equipment demand?

Mika: We saw really a strong demand improvement actually, and ordering both in mobile equipment and the mobile equipment is really of course with strongly increasing logistics activities, actually in all of our key markets. And then obviously the increase in traffic in ports and the port congestion will lead into the further capex investments as we already discussed on that one.

Although right now in Q1 pretty much all the large sort of automation related – and project related orders, they're actually replacement orders for existing port capacity. So we have not seen the expansions orders coming in yet.

Speaker: Alright. Thanks so much. All from me.

Operator: We'll now take our next question. Please go ahead. Your line is open.

Speaker: Yes. Hi Tomi from DNB. Still coming back to the pent up demand and I tried to ask it another way. Have you seen an improvement in the pipeline? In other words, what orders have you been booking? Have those been in a way exceeded what you have been now taking in as new quotes?

Mika: Yeah, I mean, it's been visible actually since really the – from the September onwards both in terms of actual order, but also if I look at out of 90 days or 360 day sales pipeline in businesses and we've seen the expansion into pipeline and we have actually still today when you look at that one is the pipeline remains strong.

Speaker: Thanks.

Operator: We'll now take our next question. Please go ahead. Your line is open

Speaker: Hi Mika and Mikko. This is X from Inderes]. One from me. And this one goes to Mikko. About EUR 10 million savings per month in 2020. So EUR 30 million per quarter and 50-50 temporary and permanent. Am I right that this still applied in Q1 this year, and going forward does the 50%, i.e., EUR 15 million savings per quarter. That should be permanent also Q2, Q3, Q4 this year?

Mikko: Yeah, like I said, roughly 50% of last year's EUR 10 million temporary savings have been converted to permanent. And then the other 50% depends very much on how the societies are opening. And how do we kind of increase the for example traveling activity.

Speaker: So EUR 15 million per quarter would be permanent, right?

Mikko: Approximately, approximately, yes. So like I showed in the previous slides, we have reduced approximately EUR 16 million costs now in quarter one, and a good part of that is permanent that we did not have in quarter one last year, yet, temporary cost savings in place now started in April.

Speaker: Okay. Thank you so much.

Operator: And we'll take our next question. Please go ahead. Your line is open.

Speaker: Yeah. This is Johan from Kepler Cheuvreux. I'm just a bit curious on Navis. A few years ago you said the business was breakeven because you were investing in your software development, but in two to three years, it should be a sort of at the normal software margin of 20-30%. Is that why you arrived at to this year for Navis?

Mika: The Navis is and has been and is a slightly profitable business for us. Again, you have to remember that I think PPA. So the EBITDA level on Navis has actually been in a pretty good level throughout.

Speaker: Okay, good. And then you're obviously getting a fair of cash flow is now at an EBIT to sales multiple, which is basically what I can see well above your group evaluations. Now ahead of the merger that basically means you're entering the merger with a significant more cash than investors knew about when the merger was announced. And we know that Konecranes shareholders get compensated for the market cap at the time by an extra dividend. Should Cargotec shareholders get some extra dividends as well ahead of the merger?

Speaker: Not has been planned. Obviously we have made a decision regarding dividend for 2021. And obviously a new company would then decide on the dividend policy, assuming that we closed at the beginning of – or close at the end of this year and start as a new company. It will be the new board that would make then the decision regarding the dividend for the new company for ‘22, then. But this strong balance sheet of course puts us in a good position to sort of drive for further growth, both in terms of investment in the new technologies as well as then inorganic growth as well.

Speaker: But no value creation extra for the existing Cargotec shareholders. That’s what we can –

Mika: Well, I mean, the parameters of the merger of course, have already been decided and agreed between the parties.

Speaker: Excellent. Many thanks.

Operator: We'll now take our next question. Please go ahead. Your line is open.

Speaker: Yes, Artem from Credit Suisse, operator muted my line before I finished up the questions. But thank you for taking my follow ups. So the first one which I have is on Volvo diesel engines. Could you help us to quantify how many days of production do you have covered with your existing backlog of diesel engines? And then maybe what share of your products use those engines in Kalmar? That's my first question.

Speaker: Well, first of all, we use different diesel engines in different products. The diesel engine in question, the microchip production has the biggest impact, the so-called stage five diesel engine. Now, not all of our products use a stage five diesel engine depending on the end market. So I don't know, honestly, the details. Its primary concern is surround the stage five at the moment, and it's a certain part of the production, but not all of the production at all. And as I said, a lot of that depends now, of course, on the capability ramp up. It will not necessarily have a significant impact for us in Q2, but I think the risks are higher depending on how that develops regarding Q3 deliveries on that specific engine time.

Speaker: Sorry, just to clarify. So that comment in terms of no specific, no significant in Q2. That basically incorporates the two to four – the two to four week shut down at Volvo. And then if there is a longer shut down at Volvo, then your Q3 will be impacted. Is that the right way to interpret?

Mika: Yeah. Yeah, there are many parameters it's maybe too early yet to speculate around the Q3. It's also good to note that we are not the sole supply with Volvo, we have also other manufacturers of diesel engines we use as well.

Speaker: Okay. That's fair. Yeah. Thank you. My second question was around MacGregor services. When would you expect that business to come back to a stronger growth?

Mika: Well, the ordering take was up. How much was it again? 11% up on services in MacGregor. So overall, it looks promising. But obviously the concern is still around the COVID situation in many of the markets that which are the primary destinations for dry docking. And looking at the situation, that's probably going to continue for some while. At the same time, as you know, the shipping market as such at the moment is doing very well. And the usages are very high. Also the customers are actually quite profitable at the moment. So, I'm sure we are favorably impacted – the fact that you're able to sort of invest into the ship maintenance again, and obviously higher usage means more utilization and more spare parts the wear and tear as well. So, there aren't – so I would say that overall we would see a favorable market on that one, but the question remains on how long will be the dry dock in market. It will be limited on that one.

Mikko: And then of course MacGregor has other services like – not only spare parts like I mentioned there, for example, Cargo Boost, which enables the customers to increase the capacity of the existing vessel can it be a fast solution in case customer needs more capacity without ordering a new ship.

Speaker: Understood. Thank you. And me last question is about automation and specifically retrofit automation. I've been reading – looking at interesting products which were introduced a couple of years ago by some of your competitors, which essentially allowed to very cheaply automate terminal tractors with a payback of officially one year. I guess, two questions. Firstly, do you think that there are now more incentives or it makes more economic sense at the moment to retrofit automation than maybe a couple of years ago with all those new products? And secondly, what are the major products you're developing to maybe make retrofitting automation more accessible and attractive? Thank you.

Mika: Yeah, that's a good question. If you look at the sort of at port yard, the most common automation is around the stacking area and even there the penetration is still relatively low. And I'm sure it's a sort of automated stacking cranes will be taking more and more share of that one as it's relatively well simple would be – maybe relatively easy to sort of automate as well. Automated terminal tractors relate to what's called the horizontal transportation. That's when you take the container from the key crane next to the ship into the stacking area. There are a number of alternatives there. The so-called AGV market has been active for a number of years. Today we see actually an increasing interest towards automated straddle carriers, which has a benefit of actually being more flexible as a configuration or an architecture compared to the AGVs. And then we will also see I think the – automate terminal tractors taking parts of that market. The automated terminal tractors fit to a certain configurations and certain conditions, but I'm sure they will also play a part on that one. Obviously we are the market leader in terminal tractor market and automating those terminal tractors is obviously in our focus point as well, and we already have a product demos and sort of pilots going on in that area as well.

Speaker: Okay. Thank you very much.

Operator: We have no further questions at this time.

Aki Vesikallio: Okay. Thank you for good questions and good answers Mika and Mikko. So our second quarter results will be published on 28th July. See you then.

Mika: Thank you.

Mikko: Thank you.