Cargotec Capital Markets Day

2013
Converting Hiab's high business potential into profitability

Mika Vehviläinen
Interim President of Hiab
Hiab challenges

- Financial performance not according to expectations
- Need to improve gross margin
- High cost structure
- Underperforming route-to-market built on legacy
Hiab strengths

- Strong market positions for all eight products brands
- High customer satisfaction
- Best-in-class product quality
- Innovative and technical leadership
Hiab strategic priorities 2014

- Deliver profitability improvement and cost reduction in all areas of Hiab
- Drive professional sales and price management and distribution footprint
- Drive design to cost and new product introductions
- Build cost control and performance culture
Route-to-Market

Carl Gustaf Göransson
Senior Vice President, Hiab Markets
Macro indicator trends – truck sales (GVW >15 tn)

Source: IHS Global Insight, Nov/2013 fcst

2 Dec 2013
Macro indicator trends – construction output

Growth (%)

Source: Oxford Economics, Q3/2013
Starting point and key findings – strengths

- Strong leading industry brands
- Very high customer loyalty
- Motivated and skilled people
- Extensive service network with high potential

"The technicians we get from Hiab are extremely skilled and reliable"

– US customer

"Moffett is by far the best product in the market, I have another dealer closer, but I want the Moffett so I drive the extra mile to get it"

– German customer
Starting point and key findings – weaknesses

- Clearly unsatisfactory performance with regards to growth and profitability
- Large variance in performance
- Complex route-to-market models driven by legacy
- Lack of price management and price realisation
- Complex organisation
- Not enough focus on cost control
- Lack of central support and help
## Actions started in 2013

| 1. Route-to-market | ▪ 40% of our distribution set-up will change  
|                     | ▪ Improvements in service network profitability |
| 2. Organisation    | ▪ Reduction of complexity  
|                     | ▪ Centralisation of key support functions |
| 3. Pricing         | ▪ Better price management and clear escalation model  
|                     | ▪ Improvement in spare parts pricing |
| 4. Cost control    | ▪ Reduction of indirect and over head costs |
| 5. Sales enablers  | ▪ Performance management  
|                     | ▪ Central dealer management |
Future Hiab

- Route-to-market footprint
  - Financially strong and committed to invest in the business
  - Professionals with right competences and attitude
  - Representing Hiab brands and core values

- Performance culture
  - Common goals and targets
  - High focus on price management and profitability

- Sales and markets organisation
  - Highly efficient and competent
  - Customer-driven
  - Focus on dealer management
Main takeaways

1. Platform is burning – we need to change
2. Drive performance – we need to deliver
3. There is a plan – we have already started
Improving margins by reducing costs

Gert Larsson
Executive Vice President, Hiab Products
Content

- Developing the global footprint
  - Outsourcing
  - Production
  - R&D and Sourcing
- Benchmark to identify product positioning
- Design-to-cost
- New products to the market
Sourcing, production and R&D under consolidation

- No in-house component production
  - Outsourcing completed in Hudiksvall, Sweden and Dundalk, Ireland
- Stargard in Poland to be the main production site in EMEA
- Production of truck-mounted forklifts consolidated to Dundalk, Ireland
- Global sourcing footprint moving from high cost to low cost countries
- Open innovation platforms with suppliers
Benchmark workshops
Design-to-cost to drive better margin

- Continuous process throughout product lifetime
- Key component categories
  - Cylinders
  - Steel structures
  - Hydraulic
  - Electronics
- Design-to-cost process started in all product lines in 2013
  - Supplier consolidation
  - Changes in design
- Average material cost reduction of 5–10 percent
Numerous new products

- Customer purchasing criteria
  - Durability
  - High performance
  - Easy to use
- New and improved processes
  - Product planning
  - Time-to-market
  - Product life-time care
- Reduced product offering complexity
- Improved product appearance
- More new products in pipeline
  - Products to open up new markets
Actions to drive better margin are in place

- **Short-term**
  - Outsourcing/shift to low cost countries
  - Design-to-cost
  - New products to the market
  - Product portfolio streamlining
  - Increased speed
  - Profitability focus before growth

- **Mid-term**
  - Improved age to the product portfolio

- **Long-term**
  - Footprint development
Conclusions

2012
- Route-to-market immediate improvements
- Footprint, incl. ramp-up of Poland multi-assembly unit

2013
- Efficiency improvement
- Improvements in design-to-cost
- Development of new products
- 3M savings in 2013

2014
- Development of route-to-market
- 15M gross margin improvement
- Aiming at further 40M run rate improvement by end 2014

15M gross margin improvement
Conclusions

- Improvements in design-to-cost
- Development of new products
- Development of route-to-market immediate improvements
- Footprint, incl. ramp-up of Poland multi-assembly unit
  - Efficiency improvement
  - Improvements in design-to-cost
  - Development of new products

- Plan ready, execution started
- Assembly started in September
- Restructuring plan announced
- New loader crane models launched in September
- Development of route-to-market