Transcript for "Kalmar, Half-year financial report January–June 2026"

00:00:25 - 00:01:26
Speaker 1: Good afternoon from Helsinki and welcome to our second quarter 2026 earnings call. It's July, which is supposed to be the peak of our summer, but it's very chilly outside today. The Finnish summer is short, but at least we don't have much snow. While we might be missing out on the sunshine outside, we are happy to shed some light on the Kalmar result for this quarter. My name is Carina Geber-Teir, and I'm heading Kalmar Investor Relations. Today's results will be presented by our CEO, Sami Niiranen, and CFO Sakari Ahdekivi. We will have a Q&A session at the end of the call. I would like to remind you that this webcast is recorded. It will be available on Kalmar's Investor Relations website later. Please pay attention to the disclaimer, as we will be making forward-looking statements. We are now ready to start the presentation, so I will hand over to you, Sami.

00:01:30 - 00:02:33Speaker 2: Thank you. Thank you, Carina, and good afternoon from Helsinki. It's my pleasure to present Kalmar's second quarter 2026 results. I'm starting with an overview of the quarter. Overall, our performance was steady with strong sales growth and cash flow. This goes for both segments and for different regions. Customer demand remained relatively stable, and our order intake was in line with the comparison period at €449 million. Our sales grew by 14% to €480 million. Our Eco Portfolio sales grew strongly by 27%, and there was also an improvement in the order intake for fully electric equipment. I will revert to this in a bit. Our comparable operating profit improved, and in our services segment, the performance improved sequentially. Our Driving Excellence initiative continued to deliver results. Sakari will cover this in more detail in his part of the presentation.

00:02:34 - 00:03:32Speaker 2: Operating cash flow for the quarter was strong, and our balance sheet remained strong. Looking at 2026, we keep our guidance unchanged. We expect Kalmar's comparable operating profit to be above 12.5% in 2026. Let's now have a closer look at the orders received. As I mentioned, overall demand for our equipment and services was relatively stable across different end customer segments. Orders received were essentially on the same level as in the second quarter of 2025. Order intake was resilient, although there were fewer sizable orders than in the second quarter of 2025. Received orders for the equipment segment were in line with the comparison period, and in services, order intake decreased slightly. We'll have a look at the geographical breakdown of orders received on the next slide. At the end of June, our order book was a little lower than in the second quarter of 2025.

00:03:32 - 00:04:50Speaker 2: Changes in currencies had no impact on orders received in the second quarter, and the direct impact of the ongoing conflict in the Middle East remained limited. Here you can see the geographical split of orders across our reporting segments: EMEA, 43%, the Americas with 39%, and APAC, 18% of orders received. In the Americas, the gradual recovery in the distribution and customer market in the US continued, and our intake grew by 38% year-on-year. On the other hand, services customers are still cautious. In EMEA, order intake decreased 20% year-on-year because there were sizable orders in the comparison period. In APAC, order intake was at the level of the comparison period, increasing in Oceania. Looking at the overall demand environment, customer demand has been remarkably resilient in these times and remained relatively stable across different customer segments. In the second quarter, our sales grew by 14% compared to the second quarter of last year, thanks to several successful project deliveries in both segments. In the equipment segment, sales grew by 17% year-on-year and in services by 10%.

00:04:51 - 00:05:58Speaker 2: Services' share of sales remained approximately at the same level as in 2025, at 33% of total sales. Let's then have a look at the geographical distribution of sales. As you can see, there was strong growth in EMEA. This was driven by sizable order deliveries throughout the equipment portfolio, but also by services. In the Americas, gradual improvement in the equipment segment continued, and sales grew in North America. In APAC, although sales grew in Oceania, it was offset by a decrease in equipment sales in Asia. Then, our Eco Portfolio, which contains our low-carbon solutions, including fully electric and hybrid solutions, as well as sustainable services. In the second quarter, the sales of our Eco Portfolio reached a record level of €233 million, and this is a growth of 27% year-on-year. Eco Portfolio's share of sales is already 48% of total sales. In the second quarter, we secured a number of notable fully electric equipment orders.

00:05:59 - 00:07:08Speaker 2: Fully electric machines share of equipment orders for the last 12 months was 10%, and in the second quarter it was 12%. Let's then have a look at the profitability in the second quarter. In absolute terms, comparable operating profit improved year-on-year, and as you can see in the graph on the right, this was mainly driven by the growth in volumes. Comparable operating profit margin was 12.4%, which is a bit lower than in the second quarter of 2025. This was mainly due to the product mix in the equipment segment.

Moving on, this slide gives an overview of our well-diversified business with four strong customer segments. The services segment's share of sales was 33% in Q2, which provides resilience to our overall revenue. Eco Portfolio's share of sales grew to 48%, which shows the strong interest in our sustainable solutions. The current macroeconomic uncertainty driven by geopolitical tensions leads to increased volatility in economic data, making it difficult to provide long-term forecasts.

00:07:09 - 00:08:15Speaker 2: IMF has slightly downgraded the 2026 forecast, and global GDP is still expected to increase 3.0% in 2026. Drewry upgraded its 2026 and 2027 forecasts following the US-Iran peace deal. The forecast for 2026 is now 3.0%, and for 2027, 4.2%. Oxford Economics has released an update regarding their manufacturing and retail forecasts. Key takeaways for the 2026 outlook are as follows. In manufacturing, the 2026 growth forecast has been slightly revised downward to 3.0%. The growth rate is expected to slow slightly compared to 2025 levels. Metals output is expected to increase 1.9% in 2026, and wood products to decrease by 2.9%. In retail, the 2026 forecast has been downgraded to 2.4%. Building on the external market estimates from the previous slide, let's look at the current demand outlook for Kalmar.

00:08:15 - 00:09:28Speaker 2: It's where we anticipate that the total market demand for the next six months remains approximately at the same level as in the previous quarters, with the caveat that trade tensions and geopolitical instability could have an impact on our markets and the demand from our four end customer segments. Next, an update on the status of Kalmar's connected fleet. In the second quarter, our connected fleet activity stayed at a stable level. Our installed base has grown steadily to over 70,000 machines from 68,000. At the end of 2025, we had over 16,800 connected equipment globally, compared to 14,500 equipment at the end of 2024. I'm very happy to see our actions to develop our electric portfolio resulting in concrete orders. Here you can see the new orders announced and added to the Q2 order book. We received orders from customers in China, the Netherlands, and Germany for a total of seven Kalmar Electric Reachstackers and signed a six-year frame agreement covering the potential procurement of up to nine machines from Port of Helsingborg in Sweden.

00:09:28 - 00:10:42Speaker 2: We also received orders for a total of nine Kalmar Electric Empty Container Handlers from customers in Brazil and France. Beyond our electric portfolio, these orders announced and added to our Q2 order book showcase our well-diversified business perfectly. Firstly, we received an order of 10 Kalmar Hybrid Straddle Carriers and 12 Hybrid Kalmar AutoStrad machines for Patrick Terminals in Australia. We also signed an extension to the Kalmar Care service and maintenance agreement with Holmen in Sweden and secured our first customized training simulator order from SSAB Special Steels in Sweden. Moving into a summary of financial highlights before handing over to Sakari. All in all, despite continued trade tensions and geopolitical uncertainty, we maintained a steady performance across both segments and in the different regions. Orders received in the quarter were essentially in line with the comparison period at €449 million, which is a resilient result given that the prior year included several sizable orders in EMEA.

00:10:43 - 00:11:55Speaker 2: Sales in the second quarter grew by 14% to €480 million. Both the equipment and services segments contributed to this growth. Comparable operating profit held up well in absolute terms and increased by 9% to €60 million, representing a margin of 12.4%. The improvement was driven mainly by higher volumes. The services segment showed an encouraging early recovery. We remain focused on growing services, improving spare parts, capture rates, and building recurring revenue, all of which are key levers for reaching our long-term targets. Here is a reminder of our performance targets for 2028. We remain committed to our strategic priorities and driving sustainable growth by leading the industry with innovations towards automation and electrification, expanding our services, business, and presence, and pursuing operational excellence to ensure long-term value creation in line with our 2028 targets. Here is a reminder about the forthcoming changes in our leadership team that we announced in the spring.

00:11:56 - 00:13:09Speaker 2: As you know, Sakari Ahdekivi will leave his position as the CFO as of 30th of September 2026. Katri Hokkanen has been appointed CFO and a member of the Kalmar leadership team no later than 1st of October 2026. Sakari will remain with Kalmar until the end of this year to ensure a smooth transition. There will also be a change in the Services division. Thomas Malmborg will step down from the role of President of Services and a member of the Kalmar leadership team. Tamara de Gruyter was appointed President of Services and a member of the Kalmar leadership team as of 1st of September 2026. She will be joining Kalmar soon. I look forward to the energy and experience she will bring as we continue to grow this essential part of our business. Thomas Malmborg will remain with Kalmar until the year-end to ensure a smooth transition. Once again, I thank both Sakari and Thomas for their contributions to Kalmar and the future growth of the company. I will now hand over to Sakari. Thank you for listening. [silence 00:13:00-00:13:09]

00:13:09 - 00:14:26Speaker 3: Thank you, Sami, and good afternoon also from my side to everyone on the lines. I'll start with our traditional slide to show our financial profile, which has remained strong, providing us a solid basis for future growth. Our order book has stayed healthy at around €1 billion. Our orders received for the last 12 months were approximately €1.8 billion. Due to the good operational execution and successful management of costs at the end of June, our comparable operating profit margin on an LTM basis was 12.7%. Our balance sheet continues to be strong. At the end of June, our leverage ratio was zero, which is well below our long-term goal of a maximum of two x. Our return on capital employed was 24.1% at the end of June. Finally, our cash conversion on an LTM basis was 99%. Let's dive into the segments, and starting with the Equipment segment, where we had stable development.

00:14:26 - 00:15:30Speaker 3: Order intake was on the same level as in the comparison period, although we had fewer sizable orders in the quarter compared to the comparison period, and there was some slowness in the customers' decision-making, which we experienced during the quarter. It's also good and pleasant to note that we received several notable orders for fully electric equipment during the second quarter, as Sami explained. Finally, the Equipment segment sales grew by 17% year-on-year to €321 million. In terms of profitability, the Equipment segment's performance can be described as resilient. Comparable operating profit margin increased, driven by higher sales volumes, and the majority of tariff impacts were successfully mitigated, although there was some impact still left.

00:15:34 - 00:17:04Speaker 3: The comparable operating profit margin was somewhat below the previous quarters and especially the comparison quarter of Q2 2025, which was perhaps exceptionally high. The main reasons for the slightly lower COP margin were product mix and also some cost headwinds, most notably freight costs, and also to some extent, oil products, EV components, and then also tariffs still. Looking at the Services segment, there was a small decrease in orders received in the second quarter compared to last year, same period. This was because there were no larger orders for bigger service projects in the period in the second quarter of this year. Also, the customers in the US have remained cautious with their orders. Sales, on the other hand, increased by 10% year-on-year and totaled €158 million. The Services segment showed signs of early recovery in terms of profitability, thanks to cost optimization and sales growth actions.

00:17:05 - 00:18:35Speaker 3: Comparable operating profit improved by 11% year-on-year and amounted to €27 million. This was thanks to volume growth and a successful mitigation of tariff impacts. The comparable operating profit margin of the Services segment was 17.0%. A brief look at the tariff landscape. There was a ruling by the US Supreme Court that the tariffs imposed under the IEEPA were unlawful. Consequently, we have started to receive refunds, but the refunds had no impact on the second quarter result. Also, the tariff rate for forklifts and associated spare parts has been lowered to 15% from the earlier 25%. We continue to monitor this landscape closely. As in the previous quarters, our responses to tariffs have included mitigating actions with price increases, supply chain actions, and other operational excellence initiatives in our operations, as well as some documentary requirements. A reflection on our Driving Excellence initiative. As you well remember, our target is to reach €50 million of gross efficiency improvements by the end of this year.

00:18:36 - 00:20:12Speaker 3: The initiative is proceeding very well, and the status at the end of the second quarter is that we have achieved approximately a run rate of €49 million of annualized gross efficiency improvements. We are very close to the target already at this stage. As we have said before, the majority of the improvements secured originated from successful sourcing activities. A quick look at our return on capital employed. ROC in the second quarter reached 24.1%. As you can see from the graph, there has been a stable upward trend since the beginning of 2025, and we are very close to our target of 25%. Our balance sheet was further strengthened during the quarter. Our leverage was zero, well below our long-term target of two times. Our gearing stood at 1.8%. The decrease in interest-bearing net debt, which improves our leverage ratio, was primarily a result of solid cash generation from operations. The maturity profile of our loans remains unchanged, and our liquidity position is strong at €480 million. It includes an undrawn €200 million revolving credit facility, which will mature in 2030.

00:20:17 - 00:21:45Speaker 3: On this slide, you can see our quarterly cash flow, which remained strong also in the second quarter. Our cash flow from operations before financing items and taxes amounted to €82 million. As I said before, our cash conversion for the last 12 months was 99%. Finally, as Sami already mentioned at the beginning of his presentation, our guidance for 2026 remains as follows. Kalmar expects its comparable operating profit margin to be above 12.5% in 2026. Here you can see a summary of our half-year report, and maybe still lift a couple of highlights: orders received are in line with the comparison period, comparable operating profit increased, and guidance remains unchanged. That will conclude my presentation. Thank you for your attention, and let's now move over to Q&A. [silence 00:21:31-00:21:45]

00:21:45 - 00:22:42Speaker 1: Thank you, Sami and Sakari. Before we head into the Q&A, I would like to present an update on our Capital Markets Day invitation. The CMD will be held on the 2nd of November, but the location will be Helsinki. The preliminary schedule is such that we will start in the afternoon with registration, followed by the presentations, and then also networking and dinner with the management. We will publish a more detailed agenda later on our website. As a reminder, it will also be virtual, so you can both attend in person and via webcast. Registration is now open, so I wish you all warmly welcome to our Capital Markets Day. By that, I think we are ready to open the lines and start taking your questions. Thank you.

00:22:43 - 00:23:01Speaker 4: If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Antii Kansanen from SEB. Please go ahead.

00:23:04 - 00:23:29Speaker 5: Good afternoon, guys. A couple of questions from me. I will start from the order of the demand side and relate it to Americas, where you've had quite the strong order growth both in the second quarter and the first half of this year. Also, I will reflect on the comments that you are making about gradual recovery and still kind of a cautious service market. What is actually driving that kind of high growth that you are seeing on the Americas orders?

00:23:29 - 00:23:59Speaker 2: Yes. Thank you, Antti. The demand in the Americas is a little bit mixed. On the equipment side, and especially in the distribution end customer segment, and then I'm referring to our terminal tractor business, that is developing positively. There we have seen the gradual improvement continuing now in Q2 as well, whereas the spare part business is still a bit sluggish as it was in Q1.

00:24:02 - 00:24:14Speaker 5: I think that 38% year-over-year growth suggests more than a gradual recovery. Is there a contribution from larger deals in Q2 or the first half of this year specifically?

00:24:14 - 00:24:35Speaker 2: Yes. I would say if you look at the Q2 orders there for terminal tractors, I think the orders have been coming from different customers and different dealers. There are a bit more sizable orders as well, but nothing extraordinary.

00:24:36 - 00:24:42Speaker 1: The comparison period was really low, so you have to keep that in mind, too.

00:24:44 - 00:25:24Speaker 5: Okay. Fair enough. The second question is more on the geographical sales mix going forward. The sales and order trends are quite different in terms of EMEA and Americas: EMEA decline in orders, strong sales growth, Americas vice versa. Let's say that the share of Americas grows. Will that have a material impact on your profitability? You are flagging some of the cost elements related to tariffs and logistics and things like that. Is the profitability profile materially different for your Americas business versus EMEA, especially on the equipment side?

00:25:24 - 00:26:09Speaker 2: Yes. Let's say if you look at the variation there and quarters, they're always different from each other. Now, if you look at the sales or if you look at the orders in EMEA, for instance, we didn't have so many sizable orders this time there. When it comes to the Americas business, it differs across different customer segments there as well, whether it's an important terminal customer or whether it's a distribution customer. Of course, the highest uncertainties, as such with tariffs, are more prominent in the American market. Otherwise, I think overall we have solid profitability throughout the different regions.

00:26:12 - 00:26:30Speaker 5: From a production point of view, is it a concern that the book-to-bill is quite different in terms of EMEA? It looks like it's below one there while Americas is growing. From a production point of view, does this drive some imbalances in your production footprint?

00:26:30 - 00:27:10Speaker 2: No. I think we have good utilization in different factories, and we try to balance them. The largest factory that we have is in Poland, and that is a multi-machine factory manufacturing different kinds of equipment to different markets as well. I think we can drive our footprint by having four factories and a couple of smaller partnerships in different parts of the world. I think we can efficiently drive our production. Not all the factories are full at the moment, which is natural because we have had a bit of slowdown in the distribution and customer market in the past. Luckily, now it's picking up a little bit.

00:27:10 - 00:27:25Speaker 3: Of course, the lead times also differ between the different types of equipment. We've had larger orders, for example, on the horizontal side earlier, which then have longer lead times and therefore fill up the factories for a longer time.

00:27:27 - 00:27:42Speaker 5: Okay. You mentioned the equipment margin or sales mix impact on the equipment margin that year ago it was maybe extraordinarily strong, and now a little bit weaker. To which product side is this kind of comment referring to?

00:27:43 - 00:28:44Speaker 2: First of all, as I already alluded to a little bit, the quarterly fluctuation is quite visible in our type of business. In Q1, for instance, we had lower sales, and then we had a relatively better margin there. Now in Q2 it's a little bit different. I think the equipment margin is basically two things behind. That one is the product mix. It's about maybe larger deliveries that we were able to deliver during the quarter. That might be one reason there. Then it's about the cost headwind as well. With the cost headwind, we mean basically material costs as well as logistics-related costs, rates as well as tariffs. That's a little bit a larger area. I would say so. It was a combination of those two: product mix between different divisions, between different portfolios, product types as well, and then the cost side.

00:28:44 - 00:28:49Speaker 3: Out of the costs, probably the most prominent is the logistics cost, the freight.

00:28:49 - 00:28:49Speaker 2: Correct.

00:28:52 - 00:28:53Speaker 5: All right. Thank you.

00:28:54 - 00:28:54Speaker 2: Thank you.

00:28:55 - 00:29:00Speaker 4: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

00:29:02 - 00:29:39Speaker 6: Hi. Thanks for taking my questions. I have two. I will continue on the margin topic. You said that the Driving Excellence Program has been more or less kind of completed, but your margin was down from go. Over the last 12 months, it's about the same as it was a year or two ago. How should we think about the levers going forward to the 15% margin target? What will kind of drive you there if the Driving Excellence Program is completed, or will you get kind of some kind of lagging impact to P&L from actions you have already done?

00:29:40 - 00:30:41Speaker 2: Thank you for the question. Regarding completed, maybe I wouldn't use that word because it's a continuous improvement. Now we are at the €49 million level there. We continue actions and the whole Driving Excellence program. It's about focusing on sourcing, the product cost side. It's about improving processes. It's about pricing, and it's about operating models. There are more ingredients, even though Sakari rightly said that so far most of the savings have been coming from sourcing activities there. That will continue, and the whole focus there. We will be focusing on the cost side as well, whether it's a part of the Driving Excellence or some other initiatives. That is important as well. We need to look at both fixed costs as well as our running costs in operations. Pricing is very crucial as well because we have the tariff headwind in the Americas region.

00:30:41 - 00:31:07Speaker 3: Still on Driving Excellence, one thing is that we're not going to stop at €49 million because we're close to the target. We continue pushing. The other thing is that we talk about run-rate costs. It means that those costs where we completed the actions in the second quarter actually didn't hit the second quarter. They will come with a lag in the full year. Impact will continue into 2027.

00:31:09 - 00:31:28Speaker 2: Maybe we have previously commented on what kind of portion could have materialized basically out of this €49 million. We say that it's less than half so far. There is this time lag naturally. Then we have had tariffs. Some of the dilution is going there.

00:31:29 - 00:31:41Speaker 1: Since you were asking for the levers, I think it's important to remember that nothing has changed on sales growth and driving service growth too, and adding those to the Driving Excellence, important parts of reaching.

00:31:41 - 00:31:43Speaker 3: Improving service profitability.

00:31:43 - 00:31:44Speaker 1: Yes.

00:31:46 - 00:32:00Speaker 6: Okay. Thanks. Secondly, I wanted to ask about the tariffs. You mentioned that it actually decreases for the forklifts and some other equipment. How material will that be for you as a tailwind?

00:32:00 - 00:32:48Speaker 2: Yes. I would say Q2, the previous quarter, it was pretty similar in terms of percentage of tariffs for different products than Q1. No major differences there. I think it's a little bit too early to say now, in the middle of July, whether that will change. We think that the overall tariff landscape or the percentages will remain within similar levels to what we have had so far in the year. No major changes are expected there. I must say that the situation and guidelines and instructions and the policies and processes are still quite fluid. Different regulations are coming back and forth. We are prepared to manage that situation in a good way.

00:32:50 - 00:32:51Speaker 6: Okay. Thank you.

00:32:51 - 00:32:52Speaker 2: Thank you.

00:32:54 - 00:32:58Speaker 4: The next question comes from Mikael Doepel from Nordea. Please go ahead.

00:33:00 - 00:33:46Speaker 7: Thank you. Good afternoon, everybody. Thanks for taking my question. Coming back to your discussion previously on the US demand, I have just a couple of questions. First of all, obviously the orders are recovering there. I'm just wondering if you see these trends continuing into Q3, or if it was more on the equipment side, or if it was more of some big orders booked in the quarter. The second question is on the spare parts demand in the US, which you say is sluggish and has been sluggish for a couple of quarters. Why do you think that is? Is there anything you can point to? Is the dealer destocking certain areas, regions? Can you give any more color on that and what you expect going forward?

00:33:47 - 00:35:05Speaker 2: Good question. There is no destocking any longer. I think we talked about it in the previous quarter as well. I think even there, between the equipment activity and the spare parts activity, there might be some time lags as well. They don't go exactly hand in hand. When we get the equipment orders, if that is picking up gradually on the same day or quarter even, there might not be parts orders coming up. That time lag might explain something. Then I think one indicator or KPI that we are following very carefully is the Cass Freight Index, basically explaining the material movements in the country and in the US. I think there has been a bit of positive development from very low levels at the beginning of this year, but it's not reflecting the parts business yet. That has some kind of linkage to the parts business there. On the equipment side and especially the terminal tractor side, as you rightly said, that has been developing more positively. We are happy with that. Now, after one and a half, two years in a very slow period, we can at least show some kind of gradual improvement there. It's a very crucial business for our American market.

00:35:09 - 00:35:26Speaker 7: Okay. The line was breaking there a bit. Sorry. Could you just repeat what the second reason was? You talked about the time lags between spare parts and equipment, but then you said something else also has a reason for the US being sluggish. I missed that. Can you just briefly repeat it?

00:35:27 - 00:35:56Speaker 2: Yes. Cass Freight Index. One KPI we are following up carefully. It is the Cass Freight Index, which is basically simply visualizing the material movements, if I put it in the country. That has been on very low levels. It has continued since 2023, if I remember right, on a macro scale. Now lately, the last couple of months, it has been picking up a little bit, but it's not reflecting the parts business yet. That was the second thing that I mentioned.

00:35:59 - 00:36:21Speaker 7: Okay. Thank you. Overall, if you look at your sales funnels and pipelines for orders ahead, I think you said that you were quite happy with the order intake in the quarter, given that it was basically flattish despite not having as many big orders as before. How would you describe the sales funnels and the pipelines for orders going ahead?

00:36:23 - 00:37:02Speaker 2: Yes. We're quite happy with the orders. I think because now, for the first two quarters of the year, we have been pretty much on similar levels. There has been improvement on those smaller machine orders, and not only sizable orders. Therefore, it's a little bit positive. When we look at the pipeline, what we say is that the market demand for the next six months or so will look or looks similar to the previous quarters. There are no major changes. I think our order or sales pipeline is at a healthy level.

00:37:05 - 00:37:24Speaker 7: Okay, good. Then just finally on the service margins. We saw some pickup there. I think Sakari also mentioned that improving these margins is another key lever to get to the 50% margin. I'm just wondering on the service side what would you say are the key levers to improve the margins from here?

00:37:24 - 00:38:33Speaker 2: I think the actions that we have already taken during this year will continue. They are the same as what we have in our services strategy. It's very important to focus on customers, be active and proactive with customers, and gain volume. I think volume is crucial. We need to balance the cost side with the volume in a good way as well. Pricing: we have the tariff landscape very prominent in the US, for instance. We need to work on our strategic pricing for services everywhere now actively. I think Driving Excellence I would lift as well as one of the focus areas because that is impacting the services business as well. Within the services portfolio, we have the parts and logistics solutions. That's super important. We have maintenance parts. We have life cycle solutions, and we do have digital business. Those are included in our services portfolio. We are focusing on all of them.

00:38:34 - 00:38:43Speaker 3: Of course, the spare parts demand and market development are very crucial there, and also being proactive and selling the spare parts.

00:38:43 - 00:38:43Speaker 2: Yes.

00:38:43 - 00:38:45Speaker 3: It's not only a part market.

00:38:45 - 00:38:48Speaker 2: Yes.

00:38:48 - 00:38:50Speaker 7: Okay. No, that's fair. Thank you very much.

00:38:50 - 00:38:50Speaker 2: Thank you.

00:38:52 - 00:39:03Speaker 4: As a reminder, if you wish to ask a question, please dial pound key five on your telephone keypad. The next question comes from Tom Skogman from DNB Carnegie. Please go ahead.

00:39:05 - 00:39:35Speaker 8: Yes. Hello. This is Tom Skogman from DNB Carnegie. Most of my questions have already been answered, but I would perhaps like to dig a bit deeper on why the savings are disappearing. I understand that you have some cost headwinds, but what has really happened to your pricing? Do you see that the market prices are eroding in the market? Why don't we see any improvement in the margin from the cost initiative?

00:39:36 - 00:40:37Speaker 2: I would say not disappearing as such because when we report €49 million gross savings, less than half has materialized so far. We have had the tariff landscape and lately some cost headwinds there as well. It's important to remember what we have also communicated since the beginning in our strategies: that we will be investing part of those efficiency gains in R&D innovation as well as services. We want to grow in the future. It's not only about optimizing the bottom line with that Driving Excellence program, but it's really going in different directions. Therefore, we cannot say that it's disappearing. However, the tariff landscape is something that is diluting, and it's taking some of those efficiency gains negatively. Luckily, we have that program ongoing, and we have been successful with it. Therefore, we have been able to mitigate some of those headwinds.

00:40:39 - 00:40:48Speaker 8: Okay. Can you give some kind of indication of how large the tariff refunds will be on the EBIT level in Q3 and Q4?

00:40:49 - 00:41:02Speaker 2: That will be difficult to estimate. What we can say is that so far in Q2 or year-to-date now, we talk about low single-digit numbers in refunds with no impact on Q2.

00:41:05 - 00:41:09Speaker 8: Low single-digit numbers in millions of euros for the second half for all?

00:41:10 - 00:41:11Speaker 2: Correct, year-to-date.

00:41:12 - 00:41:19Speaker 1: For the first half, what we have received until today on the refunds.

00:41:20 - 00:41:26Speaker 3: Nothing booked in the P&L. [silence 00:41:21-00:41:26]

00:41:26 - 00:41:35Speaker 8: Okay. Is that kind of all it will be on the P&L, or will there be more next year? I don't know how this will work out.

00:41:36 - 00:42:04Speaker 2: Yes. We are following up on the situation and monitoring it carefully. This is where we are at the moment. Let's see how the situation develops. On the refund, we need to take them case by case. There are different divisions, different kinds of products, and different kinds of pricing we have had also in the past. This is the best information that we have available today.

00:42:06 - 00:42:19Speaker 8: Okay. On electrical products, can you kind of confirm that your gross margin is pretty similar to the old [inaudible 00:42:16] machine?

00:42:19 - 00:43:05Speaker 2: Yes. That's definitely the case when it comes to core portfolio machines on a broader scale as well as electric machines. We will drive the profitability and sustainable profitable growth in all the equipment. Then there might be variations between different regions or different deals as well. However, so far, the orders that we got in Q2, I'm very happy to see those orders actually coming in, because we have had a lot of focus and we'll have a lot of focus on electrification. We have been launching new products, and we have been launching new battery systems as well. Now it's evident that the customers really appreciate those solutions that we have launched.

00:43:06 - 00:43:09Speaker 3: Also, 12% of all equipment orders in the second quarter were EV.

00:43:12 - 00:43:19Speaker 8: The question was: is the sales or gross margin basically similar to [inaudible 00:43:17] profit margin?

00:43:19 - 00:43:35Speaker 2: Yes, I think I answered in the beginning. That's the target with everything that we do. Then, in 2028, which is two and a half years away basically, the target is the mentioned 15% comparable operating profit for the entire company.

00:43:37 - 00:43:53Speaker 1: Also with the electric machines, you have to remember the solution and the value-selling part, where you add the solution with the services and so forth. The options and the opportunities that lie ahead are something that you need to keep in mind.

00:43:57 - 00:44:07Speaker 8: Are they more often sold including a service contract, which means that equipment margins could be lower, but then you have better service visibility? Is that right?

00:44:07 - 00:44:45Speaker 2: I wouldn't say it like that, but let's say more often we target to have service agreements. All the machines are important, but when the customers are investing in fully electric machines, they might be a little bit more advanced and sophisticated. They need to change the way of working there, so therefore they need trusted partners like Kalmar to stay really close to the customer. That's the aim. That's also visible in our sales statistics when we sell fully electric machines, especially to a little bit larger packages. Customers rely on our support.

00:44:47 - 00:44:48Speaker 8: Okay. Thank you.

00:44:48 - 00:44:49Speaker 2: Thank you.

00:44:53 - 00:44:57Speaker 4: There are no more questions at this time, so I hand the conference back to the speakers.

00:44:59 - 00:45:30Speaker 1: Thank you for the active dialogue, and we are now at the end of the presentation and ready to conclude the second quarter call. We were very happy to see you or hear you online, and we wish you to see you soon. I would like to remind you, at the same time, that our third quarter 2026 results will be published on the 29th of October. Thank you for now, and I wish all of you who are heading for your summer holidays a very nice rest of the summer and the rest of the day. Thank you.

00:45:30 - 00:45:30Speaker 2: Thank you.

00:45:30 - 00:45:32Speaker 3: Thank you. Bye-bye.

00:45:32 - 00:45:32Speaker 2: Bye-bye.