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FULL YEAR 2024 CARGOTEC CORP EARNINGS CALL

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- **Scott Phillips** *Cargotec Corp - President of Hiab, Member of the Leadership Team*
- **Mikko Puolakka** *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

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- **Operator**
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- **Panu Laitinmaki** *Danske Markets - Analyst*
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PRESENTATION

Aki Vesikallio *Cargotec Corp - Vice President - Investor Relations*

Welcome to Cargotec's full-year 2024 results call. My name is Aki Vesikallio. I'm from Cargotec's Investor Relations.

Today's results and the final results for Cargotec will be presented by Cargotec's CEO, Casimir Lindholm; Cargotec's and Hiab's CFO, Mikko Puolakka; and Hiab's President, Scott Phillips. Please also pay attention to the disclaimer in the presentation as we will be making forward-looking statements.

With that, over to you Casimir.

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

Thank you, Aki, and also welcome on my behalf to this webcast. It's a historic one. It's the last one for Cargotec. It's the 79th quarter reporting Cargotec figures since 2005.

All in all, the Q4 and 2024 were strong. Orders were really good in Hiab, and Scott will come back to that a bit later. Book-to-bill was positive in Q4 and a really strong full-year profitability and cash flow. And this goes for both Hiab and MacGregor. I think that Hiab did the best result ever, keeping in mind that we have a roughly 8% drop on the top line.

And also, MacGregor performed on a very good level. It's the best year for MacGregor since 2014. So really good and strong performance continued. And this is the eighth quarter in a row when we have strong and stable profitability in the company. We also managed to sell MacGregor during the fourth quarter that was signed in November. And I will shortly come back to what we are doing now to go from signing to closing of MacGregor.

We had three main focus areas in 2024, and we delivered on all of these areas. We continued the strong business performance in a not very favorable market. So that is, again, a strength that has been shown by both Hiab and MacGregor performing in a softer market. We also completed the separation of Kalmar. So 14 months after the announcement of the demerger, that was then on April 27, 2023, 14 months after that, we separated and listed Kalmar on July 1, 2024. And 16 months from the announcement, Kalmar was already operationally operating a total separate company also from an IM/IT perspective.

Then the story around MacGregor, of course, a lot of work to turn the company around and then start the sales process. And, again, we signed the agreement with Triton on November 14, and I will shortly come back to where we are in that process. But all in all, a very, very strong year, both from the business performance perspective and also delivering on all the items that were set two years ago by the Board regarding the demerger and separation of the three companies.

So regarding MacGregor, the deal was signed in November. We are now working on going from signing to closing; the closing expected, in latest, July 1. I'm a bit more positive here in this area that we will be able to do it sooner than that. But that's, let's say, the target that we have.

There are a lot of technicalities and legal aspects in this process going from signing to closing, but everything has worked according to plan so far. And of course, MacGregor has reported discontinued operations, and we will not go through MacGregor results today in any detail. But as mentioned before, a very strong year for MacGregor in 2024.

Then the last mile in the transformation and on the transformation journey is, of course, to have Hiab as a standalone company as planned on April 1. The AGM invite is now out, and the name change is on the agenda there. And then, of course, also part of that, Scott will then later introduce the management team for Hiab. And at the same time, the management team for Cargotec is stepping down on the last of March.

And on top of these changes, we also are then implementing, of course, subject to AGM approval, a governance model change for Hiab, a similar one that we introduced for Kalmar then last spring, where Hiab will have a Nomination Board as in a normal stock-listed company. So the journey is on the last mile, and I'm confident that we can close the matters that we have left on the table, most of them as part of the AGM and then the closing of MacGregor. And again, I'm a bit more positive that we can be faster than what we have anticipated here as the last date.

With that, thank you all for the journey. This is my last quarterly report as CEO of Cargotec. And with that, I will give the word to Scott, who will now go through then Hiab and, later on, Mikko Puolakka, the numbers of Hiab for the fourth quarter in 2024.

Over to you, Scott.

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Thank you, Casimir. And good morning, everyone, from my side. I look forward to guiding you through the fourth-quarter and the full-year financial results for Hiab as a business area. We'll provide a bit more color on the financials later in Mikko's presentation as a standalone entity.

And in many respects, as Casimir mentioned earlier, '24 was an excellent year for Hiab despite the continuing rough demand environment and the high level of uncertainty that we face. In addition to improving on our relative earnings, we were able to improve on all key business area Level 1 KPIs for the year. As order intake improved by 3% as well, our cash flow improved by more than EUR100 million. And this has enabled us to continue investing in creating incremental profitable growth and improving upon our business resiliency, which I'll come back to in later detail.

So looking further into the order intake, on a full-year basis, the business area improved year over year from EUR1.466 billion to EUR1.509 billion, driven primarily by the Americas geography, our larger key account customers, and our defense logistics segment. For the quarter, we also had a 3% positive variance, but the demand situation I would characterize as the ninth straight quarter, quite on a stable level, still driven by the factors that we've shared earlier -- high cost of financing, our construction segment still remains soft, and we have overall a low level of demand still in some key geographies in Europe and increasingly in South Korea. However, our order book grew sequentially, which is good news.

Now turning our attention to revenues. As Casimir mentioned, we had an 8% decline year on year, as well as quarter on quarter. As our order book continues to normalize, the decline came primarily from Europe, as Americas region was up versus prior year and APAC was relatively flat year over year.

Our service sales continued to develop nicely, as we had an all-time high in revenue for both the quarter and the full year. So our long-term targets for the service revenue remain valid. Of course, a lot of this will depend upon the development of the market demand and how the new equipment deliveries go over the next two to three years.

Now, we're really proud about the fact that despite the 8% decline in sales, profitability improved year on year from 14.1% to 14.9% as a business area, which is an all-time high, as we had on the headline and Casimir mentioned. The result came as a consequence of executing our plans to improve operational efficiency and our product cost base. For the quarter, our profit was flat year on year, despite the decline in sales, and was affected by approximately EUR15 million in non-repeating costs. And as we highlight here, if you look at the underlying profitability level, we highlight that as well as the reported profitability level.

Of the EUR15 million non-repeating costs, they were associated primarily with four different cost buckets. The bulk of the costs, and I'll highlight this in just a second on another slide, we had EUR11 million that was a consequence of shrinking our footprint in Italy from three to two, and that's going to help secure a much better long-term profitability, which we should already see the impact within this year.

The second area was two other restructuring exercises that we did, all of which is related to the EUR20 million of cost savings that we announced prior quarter. Those added up to EUR1 million each in both areas, so that's another EUR2 million. And then finally, the last EUR2 million came from investment that we made to increase our management bandwidth so that we could execute simultaneously on several exercises that would help us improve our product cost, and that comprises the EUR15 million in the one-off cost. So on a relative basis, our profitability improved by 100 basis points versus comparable period last year, which is a strong result.

Our return on capital employed remained above our target of 30.5%, and the profitability combined with reductions in our networking capital resulted in EUR323 million of operative cash flow for the year. So overall, I'm really pleased with the results our team delivered in executing on our strategy and building a business that's much more resilient than at any other time.

So I would like to highlight three investments that we were able to make in the quarter that will result in incremental cash flows from operations in the future. I talked a bit about this when I was taking you through the profitability bridge that we invested as a result of being able to optimize our supply chain in our heavy and super-heavy business in Italy. This is going to help significantly improve our gross margins that we should start to see towards the second half of the year.

The second investment is related to our truck-mounted forklift business, which has grown substantially over the past several years and in which we will create a purpose-built facility in Dundalk. This will allow us to grow the business more efficiently and provide a better experience for our customers and our colleagues.

The third investment is in the UK, related to a new service and installation center in Wrexham, replacing the existing facility that does not allow us for growth. And again, we can give more color with regards to the details around the financials. In total, between the factory and our customer support center investments, we'll require approximately EUR25 million of CapEx within this year.

As I mentioned earlier, I'm proud of our global team successfully executing on our strategy that we shared with you last May. We have signed, relative to our North American piece, seven new distributor agreements, and that will enable us to better service our customers in more geographies where we are currently subscale, two of which we've highlighted on the page.

So we agreed a distribution agreement with Ring Power in two parts, both -- one covering our loader crane business, the other covering truck-mounted forklifts. We're really excited about this as they're an outstanding full service provider for sales and service with scale in parts of the US where we are currently subscale. In addition to the distribution agreements that we've signed, I'm proud to represent the team in telling you that we introduced 45 new solutions last year, of which 41 are relative to our equipment business, four relative to our service business. So it sets us up quite nicely to deliver on our long-term strategic targets.

So just guiding you through those, the 7% growth over the cycle remains the same, as well as our return on capital employed, as well as our sustainability ambitions. What did change with the technical adjustments, now that we have a good view in terms of the additional cost as a standalone entity, our long-term comparable operating profit target is at 16%. And I'll take you through the details of that in the next slide.

Additionally, we've added the gearing ambition, which we aim to stay on a long-term basis under 50%. There may be periods that could go above, but our ambition will be much as it has been with Cargotec. And similarly, we have an ambition to grow our dividend. We aim to stay in a range of 30% to 50% of our earnings per share.

So looking into a bit more detail in terms of the long-range targets relative to our profitability bridge, if you think about where we ended at 2024 at 14.9%, the three elements that got us as a business area to 18% still remain the same. So we have growth that we seek in geographies and segments. We have incremental profitability that we aim to drive through our business excellence platform. And we aim to have a better business mix or a sales mix with ambition to grow our services business slightly higher than our equipment business. That got us to 18%. Doing the technical adjustment, which amounted to 1.7% of sales in 2024, that takes the starting point to 13.2% and our targeted end point at this time at 16%.

So as Casimir mentioned, I would like to take you through briefly an introduction to the team. I'm highly privileged to lead such an international and capable team representing eight different countries, many of which you know from prior capital markets events and other investor touchpoints. And so this is the team that has delivered the excellent results and quite confident that this team will continue to do so.

We got Michael Bruninx leading our services business. Hermanni Lyyski is leading our demountables and defense business. Barry McGrane is leading our truck-mounted forklift business. Martin Saint is leading our tail lift business. Magdelena Wojtowicz is leading our light and medium loader crane. And as an interim leader that we go into the next time period with, we have Marcel Boxem, who's been leading our heavy and super-heavy business.

You know Mikko quite well as our CFO. Sanna Ahonen is leading our sustainability strategy and business excellence function. Ghita Jansson is leading our HR. Birgitte Skade is leading our communications and marketing. And Taina Tirkkonen is Head of Legal. We have an open position that I currently fill on an interim basis for business operations development. So really excited and privileged to lead such a great team.

So with that, I'll turn it over to Mikko.

Mikko Puolakka ***Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team***

Thank you, Scott. And also, good morning from my side. Let's have a look on Cargotec's financials for 2024. And most of the numbers that I will be showing today are based on Cargotec's continuing operations' financials. So in practice, it means that the continuing operations consists of the previously presented Hiab business area results and then also that part of the Hiab-related Cargotec's group overheads.

So here are the Cargotec's continuing operations financials. And as a note, basically the orders, sales, and gross profit on this page are actually the same as for Hiab. The difference comes in comparable operating profit where there is, in addition to Hiab's business area result, the Cargotec's continuing operations group overheads, which are related to Hiab. Last year, those were EUR28 million.

Eco portfolio sales was 29% of total sales. The gross profit margin improved by 2.2 percent units, driven by successful commercial and sourcing actions. And actually, the gross profit improvement was the biggest contributor to the overall profitability improvement in full-year 2024 results. All in all, the full-year comparable operating profit margin improved by 0.9 percent units, despite the 8%decline in sales.

The 12-month return on capital employed number on the bottom of this page is the only KPI where I would say where Kalmar and MacGregor balance sheet items and P&L items are impacting still the KPI calculation. As this is a kind of rolling 12-month KPI and we have not separated Kalmar and MacGregor from Cargotec's continuing operations balance sheet for the historical periods.

The ROCE was impacted by EUR200 million goodwill impairment in quarter four related to MacGregor sale. Without that booking, this ROCE would have been actually 16.2%. So as Kalmar and MacGregor will still impact our ROCE calculation also throughout 2025, I would say that it's better to follow Hiab's operative ROCE, what Scott highlighted earlier, and that was 30.5% in 2024.

Cash flow was very good throughout the year, ending at EUR582 million for the full year. It's also good to note that the cash flow statement still includes cash flow from Kalmar until end of June last year and from MacGregor for the full year 2024. The strong cash flow comes from good profitability and in total over EUR200 million reduction in networking capital. And the networking capital reduction is stemming mainly from accounts receivables, those declined EUR116 million last year, thanks to really good work from the organization to collect the cash; and then inventories, which declined EUR92 million.

Hiab will start with a very strong balance sheet after the MacGregor divestment. First of all, the continuing operations gearing, i.e., excluding the MacGregor-related cash items, that was minus 7% at the end of the year. Continuing operations had EUR439 million of cash at the end of the year. And on top of that, there will come the cash impact from MacGregor sale approximately EUR220 million when the deal is closed.

So if the MacGregor sale would have taken place at the end of 2024, the continuing operations net debt would have been minus EUR290 million. So in gearing, it would have been actually a minus 28%. So very strong balance sheet. On the right-hand side, you can see also that there are no major debt repayments upcoming in this year or in the following years. And actually, we have already repaid EUR100 million bond, which matured in January 2025.

Based on the good financials, the Board of Directors is proposing a total dividend payment of EUR2.77 per B share. This dividend would be paid in two parts. The ordinary dividend of EUR1.20 would be paid on April 4, 2025. And then there would be an additional dividend of EUR1.57 per B share. And this dividend would be conditional to MacGregor divestment, and then the Board would make the decision on this dividend payment in quarter three.

All in all, this dividend payment would be EUR177 million. In the previous year, the dividend payment was EUR138 million. And the EUR177 million dividend payment represents a 115% payout ratio.

Next, I would like to illustrate Hiab's transition from a business area to a standalone operations from a profitability point of view. As a business area, Hiab delivered last year EUR245 million or 14.9% comparable operating profit. There are certain Hiab business area central costs illustrated here in the orange bar. These costs have existed already in Hiab also in the past. And in the future, these costs will be part of the standalone Hiab group costs.

So when we dismantle the Cargotec Group, EUR28 million of the group costs are related to Hiab in 2024. This is 1.7 percent units in the comparable operating profit margin. So when we look at the continuing operations 2024 profitability, including the Hiab business area results, and then the standalone costs of EUR28 million, it was 13.2%. And this continuing operations results gives already a fairly good approximation what the standalone Hiab results would have been in 2024.

Well before the quarter one '25 results, we will also publish the restated Hiab segment information for 2024. And then we will be laying out basically the equipment and service segment's sales and profitability in that restated segment information. Please note also that the equipment and services in this chart are not in scale, so it's just for the illustration purposes. And then on top of those two reporting segments, there will be the so-called Hiab group costs, which will consist of the previously mentioned Hiab business area overheads, and then those Cargotec group costs which will continue with Hiab going forward.

As a last item, our outlook for 2025, this is defined for the continuing operations in practice for the standalone Hiab. And when we have been defining the outlook for 2025, we have taken into consideration the current order book, the demand environment, and then also our internal development plans, be that for the operational development or commercial excellence-related activities.

And based on those underlying factors, we estimate that the continuing operations' 2025 comparable operating profit margin is above 12%. And as you saw from the previous page, the corresponding profit margin was 13.2% for 2024. And if you look, this outlook is actually on the same level what we guided for Hiab as a business area in 2024, if we would convert this to the kind of business area results.

And with that, then I would hand the microphone back to Aki.

Aki Vesikallio *Cargotec Corp - Vice President - Investor Relations*

Thank you, Mikko. I would like to invite Casimir and Scott back to the stage. And when the guys are ready, we are ready to take the first questions from the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Antti Kansanen, SEB.

Antti Kansanen *SEB Equities - Analyst*

Good morning, gentlemen, and thank you for taking my questions. I have two.

First is on the '25 margin guidance. I would want to better understand what type of moving parts do you have from, let's say, self-help restructuring actions year over year, both on a positive and a negative side, as we've seen now in the past two years that you kind of book a one-off type of costs as well on the comparable operating side. So should we expect more of these negative items? And also, what is kind of the positive contribution year-over-year terms?

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

Perhaps I can start. So of course, we started, as mentioned, from the order book, starting order book for this year. Our rolling 12-month order intake has been on the level of EUR1.5 billion. We have done last year -- implemented last year the EUR20 million cost savings or cost efficiency program, which will yield results this year. Like Scott also said in his presentation, we expect to have a positive impact from those actions, especially in the second half of this year.

And then, of course, we don't have the crystal ball for the -- especially for the, let's say, next quarter's order intake. That's very much a kind of open factor which will define then, to a certain extent, our full-year revenues this year. Our order book covers roughly five months of sales, so there is still quite a lot of sales to be done, especially in the next two to three quarters, which will then materialize as revenues for this year.

Anything, Scott?

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah. No, I was going to say the same tagging on to the end of your comment, Mikko, and good morning, Antti.

As we have visibility out five months with regards to the order book coverage, just to plan for what's going to happen beyond that five-month period, we're just operating under the assumption it stays flat to even be prepared if it were to go down because of the level of uncertainty. So that really is the case here. So no real visibility in terms of a downside risk at this point in time, but certainly, there is room for upside in the event that it develops a bit more positive than the way it is -- or the way it has in the prior nine quarters, if you will.

Antti Kansanen *SEB Equities - Analyst*

Yeah. Maybe just better understanding the fact that you are obviously targeting a much higher margin in four years' time. So could you maybe talk about the cadence of that? Is it reasonable to assume that we're going to see some type of adjustment items kind of burdening the margin first, and then the expansion will then be more tail-end heavy, or how should we think about that?

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah. I think that probably the first thing to note is that we're, as we did last year, very much establishing what we think is a floor, if you will, with regard to the margin. And as Mikko elaborated in his presentation, the guidance adjusted for the additional cost of the standalone basis is roughly in line with where we guided at the end of last year.

But in terms of the recovery, it obviously has dependency upon those three elements that we had highlighted in the profit bridge. So when will the recovery on the demand side happen? And so far, it's developed out very much as we've modeled it. So we do anticipate recovery at some point in time.

Number two, we are building up our business excellence capability, where we're getting better and better at unlocking incremental cash flows with improving our processes and our efficiency. So we've accounted for some of that. And it all depends on the type of demand environment, as I've mentioned, I think, in a prior call, where a more robust demand environment will be able to invest more of those incremental cash flows. If demand stays muted as it's been, then we would use that as helping to increase our profitability.

Then the third element, of course, is our business mix. And then, as I alluded to in my presentation, on the services side of the business, we anticipate being able to hit our targets that we had shared during the Capital Markets Day. So there was an improvement in capture rate going from 47% to 52%.

There was an improvement in our overall ProCare contract coverage, reaching a higher level than what we've ended last year on. And at the same time, number three, there was then the ambition to get to roughly 90,000 connected units, and we know that's going to provide a catalyst to being able to better and better exploit the install base over time. The variable factor there will be how quickly and how robustly the market recovers in terms of allowing us to seed the market with new equipment.

Antti Kansanen *SEB Equities - Analyst*

All right, very clear. And then the second question was on cash flows and cash conversion. For Mikko, I guess, what should we assume for, let's say, working capital to sales levels compared to where you stand now, end of '24, and also kind of CapEx outlook that you look for '25, '26?

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

Yeah. I would say that if the revenues remain on a flat level like they have been now during the last quarter, so the cash conversion traditionally in Hiab's case has been around 100%. Like Scott said, we have operational excellence initiatives, which, of course, aim at improving the overall, let's say, lead times and throughput from order to sales. But those will not yield immediately benefits. Those are long-term developments.

What comes to CapEx, I would say that in general, our CapEx has been more or less matching the depreciation. But like Scott said earlier, this year, we are anticipating that due to the factory expansion in Ireland and in the service operations expansion in UK, we will incur roughly EUR25 million higher CapEx than traditionally.

Antti Kansanen *SEB Equities - Analyst*

All right. That's very clear. And that's all from me. Obviously, best of luck to Casimir for any future challenges, and thank you for the past couple of years.

Operator

Panu Laitinmaki, Danske Bank.

Panu Laitinmaki *Danske Markets - Analyst*

Hi. Thank you. I have two questions. Firstly, on the MacGregor divestment and the cash flow from that, so can you just clarify, did you comment that it would be EUR220 million when it's closed? And if so, why is that if the enterprise value is EUR480 million?

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

Yes, that's correct. We anticipate that roughly EUR220 million would be the cash inflow at closing. The difference there comes basically due to the fact that how the advance payments in MacGregor's balance sheet are treated, whether it's net working capital or whether it's debt. And in this case, it's treated as debt and it's causing the difference between the EV and the EUR220 million cash inflow.

Panu Laitinmaki *Danske Markets - Analyst*

Okay, thank you. Then the second question is on demand. So could you talk a bit about the different markets and what are you seeing and what are we expecting? When I read your market commentary, it sounds that you are cautiously optimistic, but it sounds that there is not a big change yet.

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah, I'll get started here. On the demand environment, you're exactly right, Panu. It's due to the level of uncertainty, and I think that we see a bit more geopolitical unrest now than before. The same factors, however, are still at play, where we still have above the 10 - to 25-year interest rates, so the cost of financing is still high. That seems to especially be hitting our small- to mid-sized customers where we see the activity or at least the purchase decisions on a lower level relative to the larger key account customers. So therefore, more of the demand has been driven from the larger key account customers.

As mentioned previously, the demand environment in North America has still continued to be stronger relative to Europe and as well as APAC for us, so we actually had an increase in sales year over year and then a nice increase year over year on the order side. Having said that, though, then with the inflationary environment and the expectation that reduction of interest rates could potentially be lower, I think it's still an environment where there's a level of caution.

Then in Europe, we see still nice demand on the retail last-mile side. Waste and recycling is still holding quite well. Construction is still at a low level, and so repeating the same thing I've said in prior quarters as well, we see that in the Nordics, especially acute in Germany, still on a low level in France. And then, of course, we have the additional piece of the geopolitical unrest in South Korea that impacted our demand in the last quarter there.

Panu Laitinmaki *Danske Markets - Analyst*

Thank you. Can I just ask a follow-up on Europe? Your main competitor on Friday said that orders in Europe are recovering and they were expecting a bit better second half. So are you seeing any kind of uptick in European demand?

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah. At least on our side, it's the same story. The upfront leading indicators are going in the right direction. The team, I think, is more optimistic, but the reality is we're still seeing a similar demand environment, so hence my comment to you would be that we still see a stable level of demand in terms of actually getting the orders.

Panu Laitinmaki *Danske Markets - Analyst*

Okay. Thank you.

Operator

Andreas Koski, BNP Paribas Exane.

Andreas Koski *BNP Paribas Exane - Analyst*

Thank you very much, and good morning. I was also going to ask about the European market, but I got that question answered already. So I would like to ask about the one-off items that you had in the fourth quarter this year. You also had one-off items in Q4 last year, or 2023, so I wonder if we should expect one-off items to come more or less every year, and will they come mainly in the fourth quarter, and is this the reason why you are not excluding them from comparable operating profit? Thank you.

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah, I can start with that. So actually, it's both in the last two years coincidental, and if you look back at our results in '21 as well as a business area, we had a similar situation. All three cases are their own case, the last two of which were if you go back to '23, and we announced a EUR50 million cost savings program as a group, and of which we had a contribution of EUR20 million, so the bulk of our one-offs there just happened to follow the decision-taking to execute on the EUR20 million in cost savings, so then that's why that happened to hit in quarter four, and so a consequence of the Q3 announcement.

Similar story this year. When we announced the additional EUR20 million on the basis of looking at our trailing order intake, as Mikko articulated earlier, then the bulk of the one-off in the prior quarter was a consequence of the decisions we take in order to adjust our cost basis and deliver on the EUR20 million. And then the remaining EUR2 million of that, of course, a little bit similar to last year as well where we went and sought additional management bandwidth with temporary support.

Last year was more related to crystallizing our strategy. This year was much more focused or was fully focused on helping us to reduce our product cost. We ran a number of events that we did simultaneously in order to be able to execute covering a broader section of our overall direct and indirect spend, so therefore we needed the temporary help, and that was the remaining EUR2 million.

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

Yeah. And if we would put things into bigger perspective, in December 2022, Hiab's order book was over EUR1.2 billion. End of last year, it was roughly EUR650 million, so we have been adjusting the capacity as we have been kind of consuming the order book like Scott illustrated.

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

And maybe on a positive note, I think EUR11 million out of those EUR50 million that Scott referred to, I would look at that as an investment because the target is that the division involved there, the target is that in the second half of '25, that division would come up to the same high standards of operating profit like in the other divisions. So it's maybe not a classical write-down as such, it's more of an investment to bring up the profitability to the right level in that division.

Andreas Koski *BNP Paribas Exane - Analyst*

Yeah, okay. And on the margin outlook for 2025, is it fair to say that you expect a margin between 12% and 13%? Otherwise, you wouldn't set a margin above 13% if you expected a higher margin. And have you assumed any one-off in this margin outlook? Thank you.

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

Well, this margin outlook of 12%, that's the floor. So of course, we aim at higher, but like you have also seen in the past, we started last year with 12%, and then we specified our outlook when we knew a bit better how the full year will be turning out from 12% to 14%. So we typically leave certain headroom in the outlook. So this is, let's say, the floor level. And then as the year progresses, then we may revise it if we have better information for the full year.

Andreas Koski *BNP Paribas Exane - Analyst*

And on the one-offs, any one-offs assumed in the margin floor?

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

At the moment, we don't have any -- this kind of restructuring programs ongoing, what we announced last year. So not at the moment any that kind of outlook, at least.

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

And maybe referring to the history, I mean, we have announced, on the Cargotec level, twice cost-saving programs. And already back in '23, we said that we believe that the market is developing on this level. And like Scott referred to, I mean, this is the ninth quarter in a row when we are on a roughly EUR370 million level. So now, the actions have taken and been implemented based on the communication both in '23 and '24.

And then, of course, if the market changes, then we either are in a positive situation that we need to ramp up. And that's been a positive challenge, if that's the case.

Andreas Koski *BNP Paribas Exane - Analyst*

Perfect. Thank you very much.

Operator

Erkki Vesola, Inderes.

Erkki Vesola *Inderes - Analyst*

Hi, guys. It's Erkki from Inderes. A couple of questions from me. First, coming back to the margin guidance. I mean, is the guidance kind of an indication or at least a sign of preparation of sales decline in '25 versus '24, if that's the kind of fall level? I mean, do you expect that the guidance can withstand a small sales decline?

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

Yeah. I mean, like I said earlier, if we would be looking our last six months or 12-month order intake, our order intake has been roughly on the level of EUR1.5 billion. If the markets would not improve, that would be the level more or less what we would anticipate. And for that level, we have been also looking this EUR20 million cost efficiency program which we started last year. So that's the basis for our 2025 outlook.

Erkki Vesola *Inderes - Analyst*

Okay, thanks. And then what's your visibility on your current order book margins? I mean, this would be, say, six months ago. And what are the first half of '25 drivers regarding both pricing and COGS?

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah. We've got roughly five months of visibility from the order book. That has roughly been the case for most of the past six months. I'm suspecting two quarters ago was a bit higher, but nevertheless, it's been in the six, seven -- five-, six-, seven-month timeframe. So we have good visibility to the margins relative to the order book coverage.

And then we see a similar environment on pricing this year as we did last year. So due to the level of uncertainty and all the cost factors I talked about, still challenging, but well included in the plans in which we provided guidance for.

Erkki Vesola *Inderes - Analyst*

Okay. So your current order book margins are comparable to where they were six months ago? No bigger change there?

Scott Phillips *Cargotec Corp - President of Hiab, Member of the Leadership Team*

Yeah.

Erkki Vesola *Inderes - Analyst*

Okay. Thanks.

Operator

Johan Eliason, Kepler Cheuvreux.

Johan Eliason *Kepler Cheuvreux (Sweden) - Analyst*

Yeah. Hi, this is Johan at Kepler Cheuvreux. Just a question on your sort of long-term targets, specifically the return on capital employed. You mentioned this is sort of operating profit over operative capital employed. In that number, is goodwill included, considering that M&A is supposed to be part of your growth strategy going forward and you obviously have a decent balance sheet to use for M&A?

Mikko Puolakka *Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team*

That's correct. So that's why we have -- I mean, if you remember, end of last year, Hiab's operative return on capital employed was 30.5%. The year before, it was 30.7%. And the target is above 25%. So we have counted certain dilutive effect coming from the potential M&As for the return on capital employed there.

Johan Eliason *Kepler Cheuvreux (Sweden) - Analyst*

That's excellent because it sort of limits a little bit what you can pay. That was the question I have. Thank you.

Operator

Tom Skogman, Carnegie.

Tom Skogman *Carnegie Investment Bank AB - Analyst*

Hello. This is Tom Skogman from Carnegie. I have a couple of questions. First of all, about incentive schemes when you change management, have they been decided, and what the criteria are?

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

We have used, in a big picture, the same incentive schemes that we implemented for Kalmar as well. And they are very much in line with the ones that have been used in Cargotec as well. So both the STI and the LTI elements are very much in line with what has been used before in Cargotec.

Tom Skogman *Carnegie Investment Bank AB - Analyst*

Is it aligned with the 2028 targets somehow?

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

Yes, they are, of course, linked to that. And so the drivers are the same as you have seen previously in Cargotec.

Tom Skogman *Carnegie Investment Bank AB - Analyst*

Okay. And acquisitions, are you prepared to do acquisitions now, or do you want to wait until MacGregor has been fully closed? Is there even a need to prepare the organization after that, so we will not see acquisitions before the earliest late this year?

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

Maybe I can comment, and Scott can continue. I think, of course, now a journey here ends, but then a new one starts. And of course, one of the elements in the whole transformation of Cargotec has been to achieve a very strong balance sheet for Hiab to support the M&A journey. And that is now delivered. So as you saw, and Mikko explained, that it's a super strong balance sheet with quite a lot of room to go on the M&A journey.

And regarding, of course, the transition as such has taken almost two years, and we have, of course, invested a lot of IT resources in the carve-out of first Kalmar and the carve-out now of MacGregor. But as mentioned before, we are on the last mile, and I'm quite positive and confident that we can have a closing of MacGregor earlier than the July 1 that we have set as a backstopper.

And that would mean that then resources can be used on the efficiency journey of Hiab, but also on the M&A journey of Hiab going forward. And we are getting there in a couple of months. That is then possible. And of course, on top of that, Hiab has worked, even during the transition, worked actively on the M&A side on the division level. So there's a lot of interesting targets that Hiab has been working on, even in this transition and during this transition period.

Tom Skogman *Carnegie Investment Bank AB - Analyst*

I can see that basically almost none of the old Cargotec managers are part of Hiab's Management Board. Is it true that they are leaving the group also? Are they getting some other positions?

Casimir Lindholm *Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team*

No, you're correct. So Mikko and Scott, of course, continuing in Hiab, and Leif Byström is continuing as Head of MacGregor. But regarding the Cargotec management team, both Mikko Pelkonen, Soili Mäkinen, Outi Aaltonen, Mikael Laine, and myself, we are stepping down on March 31, according to the plan that was set two years ago. So the old Cargotec leadership team is stepping down and not continuing in Kalmar, nor in Hiab, nor in MacGregor, except for the gentlemen here and Leif Byström.

Tom Skogman ***Carnegie Investment Bank AB - Analyst***

And then on the price you get for MacGregor, is it right? I've estimated that MacGregor will have EBITDA of close to EUR100 million in 2025, given the strong order backlog. If that is correct, the price seems to be very, very low. I mean, shouldn't you have considered a listing of that instead? I guess this is too late to consider now, but it just strikes me that the price is very low.

Casimir Lindholm ***Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team***

Well, first of all, I think one needs to keep in mind the history of MacGregor had quite challenging almost 10 years. And then the attractiveness of the asset, of course, gets a hit from that history. That is one part of it. The other part is financing such a deal is, of course, a topic as well because of the history. MacGregor has been part of Cargotec for many years. And then in that sense, from a financing perspective, Cargotec has covered those risks. And now it's a standalone company environment, a totally different ballgame.

Then on top of that, of course, the list of companies that could buy MacGregor, we had to exclude both Chinese money and US potential buyers because of the geopolitical situation that we're living in. The filing and approval from certain countries would have not gone through with those type of buyers. So then the buyer pool was clearly limited compared to what it maybe would have been some years ago.

Then, of course, looking at the starting point of the whole transition and transformation of Cargotec, keeping in mind that we have a market cap increase of roughly EUR2.5 billion over the last two years. And the timing is, of course, important. And it's very difficult to keep such a project live for more than two years. You tend to lose people and critical resources during the journey. And if you compare that to, let's say, that we would have gotten a better price in a year's time for MacGregor than we got now, yes, that is probably correct. But the timing is critical for us.

And also from, let's say, only from an IT perspective, it's more valuable for the owners of Cargotec and then now Hiab and Kalmar to close the transaction and go and support fully the M&A journey of Hiab. So this was, from the starting point, the most tricky part to turn MacGregor around and find a buyer and a solution for MacGregor. And that was the way I saw it 2.5 years ago when I was at the Board of Cargotec, that this would be the most tricky part, and it was.

But you're correct, Tom, that in a year's time, yes, the price would have been higher. But let's put it that way. We could not wait for that. And we went out in the market when we had the turnaround in place and a favorable market where MacGregor is operating in now. And we all know it's a cyclical business. So that's maybe a bit of background why the transaction happened. And again, you can always have an opinion on an asset's price, but the real price is what you get in the market when you sell the asset.

Tom Skogman ***Carnegie Investment Bank AB - Analyst***

But that's why I kind of proposed an IPO instead because, I mean, then the stock market will forget about these advance payments and you would likely have a higher multiple than 2.5 times EBITDA or so, I guess, in the stock market.

Casimir Lindholm ***Cargotec Corp - President, Chief Executive Officer, Member of the Leadership Team***

But then you need to put into the equation that then we would have invested some hundreds of millions in financing MacGregor as an independent company on the stock market. And again, we feel that that money is better placed on the Hiab M&A journey than supporting an IPO of MacGregor.

Tom Skogman ***Carnegie Investment Bank AB - Analyst***

All right. Thank you.

Operator

Tomi Railo, DNB.

Tomi Railo ***DNB Markets - Analyst***

Hi. It's Tomi from DNB. Thank you for providing some commentary on the profitability of equipment and services. Just to check some math here. Is it fair to assume that services profitability improved slightly in '24 compared to '23, whereas profitability in equipment declined somewhat year on year?

Mikko Puolakka ***Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team***

I would say, broadly speaking, that's the situation. Like Scott elaborated, service revenues grew. That has been supporting service profitability, while in equipment, the top line has declined due to low order intake. And then, of course, we had these EUR11 million restructuring costs, which were in quarter four. Those were related to the equipment business.

Tomi Railo ***DNB Markets - Analyst***

Perfect. And then a follow-up. Looking at the target setting, is it also fair to assume that the main profitability improvement element is relating to the equipment, as services profitability is already fairly high at around 23% levels?

Scott Phillips ***Cargotec Corp - President of Hiab, Member of the Leadership Team***

Yeah, no. For sure, we see the equipment profitability improving exactly following on what Mikko just alluded to, Tomi, on the operating leverage on the growth. So if you think about the overall volume with the market recovery, then the segment growth that we were targeting with our four target segments, then we certainly expect a bit of improvement on the equipment side. At the same time, I would say there's also room to improve on the services business as well.

Tomi Railo ***DNB Markets - Analyst***

Great. And a final question. Was there already some benefits in the earnings from the EUR20 million savings program in the fourth quarter, or is it coming fully in '25?

Mikko Puolakka ***Cargotec Corp - Executive Vice President, Chief Financial Officer, Member of the Leadership Team***

I would say it's mainly coming in '25. So no major impacts other than this negative cost impact in 2024.

Tomi Railo ***DNB Markets - Analyst***

Thank you very much.

Operator

There are no more questions at this time, so I hand the conference back to the speakers.

Aki Vesikallio ***Cargotec Corp - Vice President - Investor Relations***

Thank you very much for the questions and for the presentation answers. So we will come back on April 30, and at that time, it will be the first Hiab standalone results call. So stay tuned.

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