

# GROWING PROFITABLY IN SERVICE

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EVP – Head of BA Service & CCO



# AGENDA

## KEY FIGURES



## BUSINESS SUMMARY



## REAL-TIME SERVICE



## oneKONECRANES



## GROWTH & PROFIT DRIVERS



A man in a blue Konecranes shirt is looking up at a large red line graph on a glass wall. The graph shows a fluctuating line with a prominent peak. The background is a blurred industrial setting.

# KEY FIGURES

KONECRANES **CAPITAL MARKETS DAY 2014**

# RESULTS FOR THE YEAR HAVE BEEN IN LINE WITH OUR EXPECTATIONS

KEY FIGURES	1-9/ 2014	1-9/ 2013	Chg %	Chg % FX adj.	Full Year 2013
Orders received, MEUR	550.3	550.5	0.0	+3.1	715.9
Contract base value, MEUR	192.7	183.2	+5.2	+3.8	178.2
Net sales, MEUR	636.4	641.4	-0.8	+2.4	889.1
Operating profit (EBIT) excluding restructuring costs, MEUR	57.7	52.0	11.0		80.6
Operating margin (EBIT) excluding restructuring costs, %	9.1 %	8.1 %			9.1 %
Operating profit (EBIT) excluding restructuring costs, MEUR	56.4	41.3	36.6		67.8
Operating margin (EBIT) excluding restructuring costs, %	8.9 %	6.4 %			7.6 %

- Improving operational excellence
- Sales mix
- Cost savings

- Moderate sales growth



# DRIVERS OF PROFITABILITY IMPROVEMENT

- Sales Growth / Leverage
- Gross Margin Development
  - Price increases
  - Focus on Customers that appreciate our value / Contract Renewals
  - Drive Material Content i.e. Parts and Components
  - Technician productivity
  - Higher Margin Consultation Services
  - Improved Risk / Project Management
- Fixed Cost Containment/Reduction
  - Right size / close non-performers
  - Consolidations of branches/support functions
  - Rely on satellites for market coverage





# BUSINESS SUMMARY

KONECRANES CAPITAL MARKETS DAY 2014



# KEY DIFFERENTIATORS

## ON-GOING GLOBAL IMPLEMENTATION

**Lifecycle Care** – Systematic, consistent, comprehensive and professional approach to maintenance supported by world class tools and processes. **Resulting in Highest Lifecycle Value.**

**Real-time Service** – Applying the Industrial Internet to lead the evolution of Service through remote monitoring, diagnostics, analytics and usage-based predictive maintenance. **Providing real-time visibility and a unique customer experience.**



# SERVICE PROGRAMS



If the customer needs LESS

Just the basics.  
Inspections, spare parts,  
breakdown response.

**CARE**  
is our  
primary  
focus.

If the customer needs MORE

Beyond preventive  
maintenance, full scope  
outsourcing and operations.



# IT DOESN'T MATTER WHO MADE YOUR CRANE

We are fluent in all crane brands, not just our own. With almost a century of experience working on all types and makes of cranes, we have become the leading overhead crane maintenance supplier in the world.

Our service teams are trained to understand the unique requirements of each brand and provide professional services in accordance with manufacturers' recommendation and industry best practices.

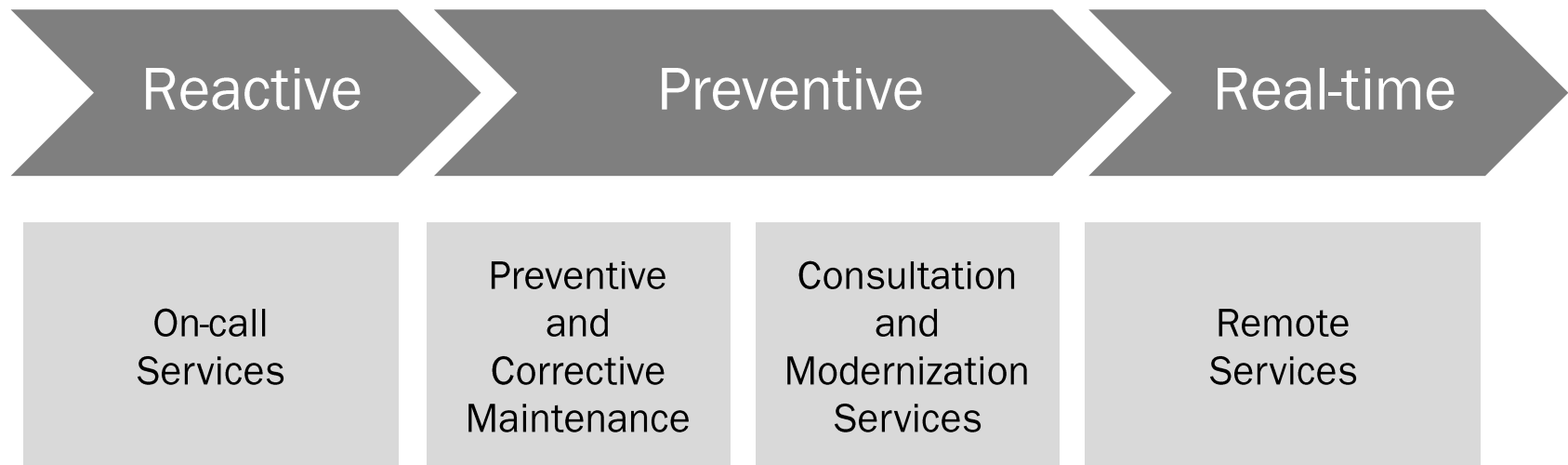


A photograph of a modern office environment. In the foreground, a man with glasses and a dark sweater is seated at a desk, talking on a mobile phone. Behind him, two large monitors are mounted on the wall; the left one displays a technical drawing, and the right one shows a world map. The office has large windows with blinds, and other people are visible in the background, some blurred to indicate movement. A red banner is overlaid on the top right of the image.

# REAL-TIME SERVICE

KONECRANES **CAPITAL MARKETS DAY 2014**

# EVOLUTION OF SERVICE





# REAL-TIME SERVICE

## TRANSPARENT AND SHARED INFORMATION



# TRUCONNECT OFFERING

## Remote Monitoring



Industrial Cranes & Process Cranes

Lift Trucks

## Remote Support



Port Cranes



Process Cranes

## Production Efficiency



Machine Tools

# REAL-TIME SERVICE BY THE NUMBERS



**100**

**REMOTE SUPPORT  
CASES PER MONTH**

**3000**

**ACTIVE ACCOUNTS**

**7000**

**REMOTE  
CONNECTIONS**

**AVAILABLE IN**

**25**

**COUNTRIES  
AROUND THE GLOBE**

**250**

**LIFTTRUCK  
REMOTE CONNECTIONS  
IN FIELD + ON ORDER**





**50%**

**GROWTH RATE**





# MONETIZATION MODELS

	Remote Service	Customer Benefit	Konecranes Benefit
	Subscription Only	<ul style="list-style-type: none"> <li>• Safety Data &amp; Alerts</li> <li>• Usage Data</li> <li>• Remaining Design Life</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue stream</li> <li>• Consultation Opportunity</li> </ul>
	Bundled with Preventive Maintenance Agreement	<ul style="list-style-type: none"> <li>• Usage and maintenance data brought together</li> <li>• Maintenance actions based on facts</li> <li>• Remote Expert Support</li> </ul>	<ul style="list-style-type: none"> <li>• Basis for consultative selling</li> <li>• Ability to prove value</li> <li>• Increased customer retention</li> </ul>
	Bundled with Preventive Maintenance Agreement and/or Extended Warranty	<ul style="list-style-type: none"> <li>• Availability of Extended Warranty</li> <li>• Worry free operation</li> <li>• Fixed price</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue stream</li> <li>• Additional revenue from Wear Items</li> <li>• Reduced Risk</li> </ul>
	Bundled with New Installation / Commissioning	<ul style="list-style-type: none"> <li>• Quicker start-up</li> <li>• Remote Expert Support</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced start-up and warranty costs</li> <li>• Customer Satisfaction and Retention</li> </ul>

# ALUKÖNIGSTAHL, AUSTRIA

## BUILDING SYSTEMS

With TRUCONNECT, all emergency stops, overloads and other operator-related safety issues are now captured and reported, and we can access all these reports online. With this improved information, we were also able to identify, together with Konecranes, some issues with our operating practices, that were solved with an efficient training session by Konecranes.



**Kurt Elia, Director of Logistics**

# COMMONWEALTH STEEL INDONESIA

## STEEL FABRICATORS



We decided to add Smart Features, because they save time and money. We rely on our 15t crane ... we need to be as efficient as possible.



Also, TRUCONNECT® allows us to optimize our maintenance schedule so we're never left with a crane out of action when it's needed most.

**Mr Lukman Renta**  
**Construction Manager**



# POSCO-THAINOX, THAILAND

## STAINLESS STEEL MANUFACTURER

Our cranes are working 24 hours a day – they never stop. The Konecranes units never malfunction or break down, so we can rely on them to avoid any downtime.

TRUCONNECT® is really useful for monitoring our cranes' usage. With the cranes operating around the clock, we have to plan any maintenance or servicing very effectively to avoid disruptions to our operations.

**Mr Nirat Nasomsri**  
**Project Electrical Engineer**



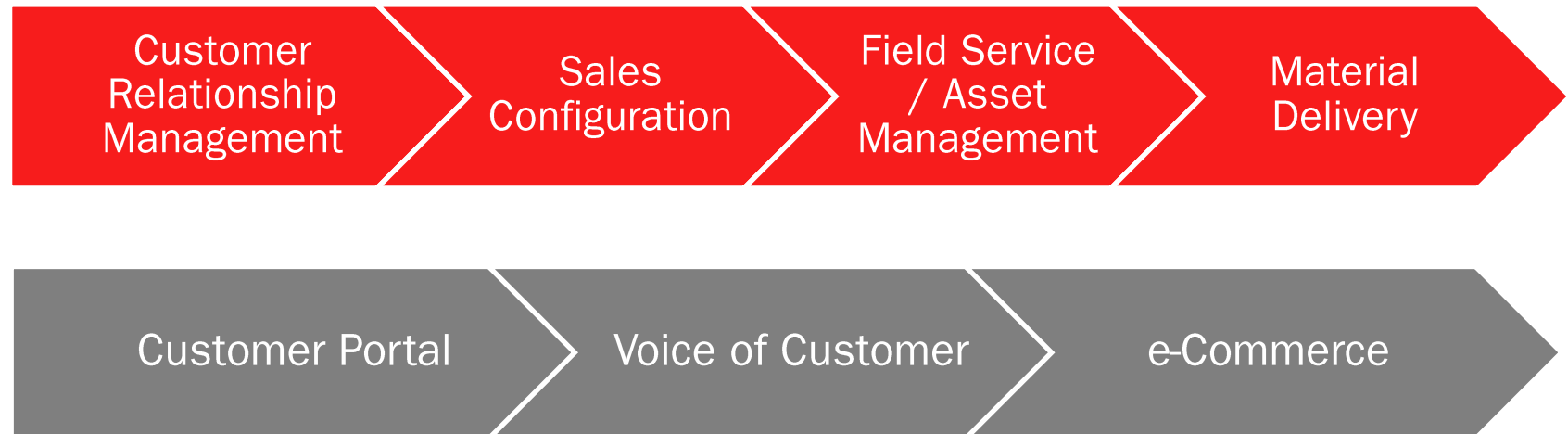


# oneKONECRANES

## KONECRANES CAPITAL MARKETS DAY 2014

ES®

# oneKONECRANES IMPLEMENTATION





# oneKONECRANES SCOPE SUMMARY

## Strategic IT projects ongoing in:

## Functionality



Customer Relationship Management  
Sales Configuration

- Consultative Selling Tools
- Ability to Quantify/Prove Value
- Productized Services



Customer Asset Management

- Maintenance and usage histories
- Safety, Productivity and Cost Data
- Risks, Recommendations and Improvement Opportunities
- Operative Quoting



Field Service Management

- Remote Dispatching / Access to info
- Back office Consolidation
- Ability to expand into markets without adding brick and mortar



Material Delivery

- Inventory and Pricing Optimization
- Centralized Sourcing and Logistics
- E-Commerce

# oneKONECRANES SCOPE SUMMARY

## Strategic IT projects ongoing in:

## Business benefits



Customer Relationship Management  
Sales Configuration

- Increased Sales
- Increased Pricing and Retention
- Increased efficiency/consistency



Customer Asset Management

- Data mining/analysis to drive improvement opportunities and new services
- Improved pricing and delivery models



Field Service Management

- Increased Productivity
- Reduced Fixed Costs
- Consistent Service Delivery
- Scalability



Material Delivery

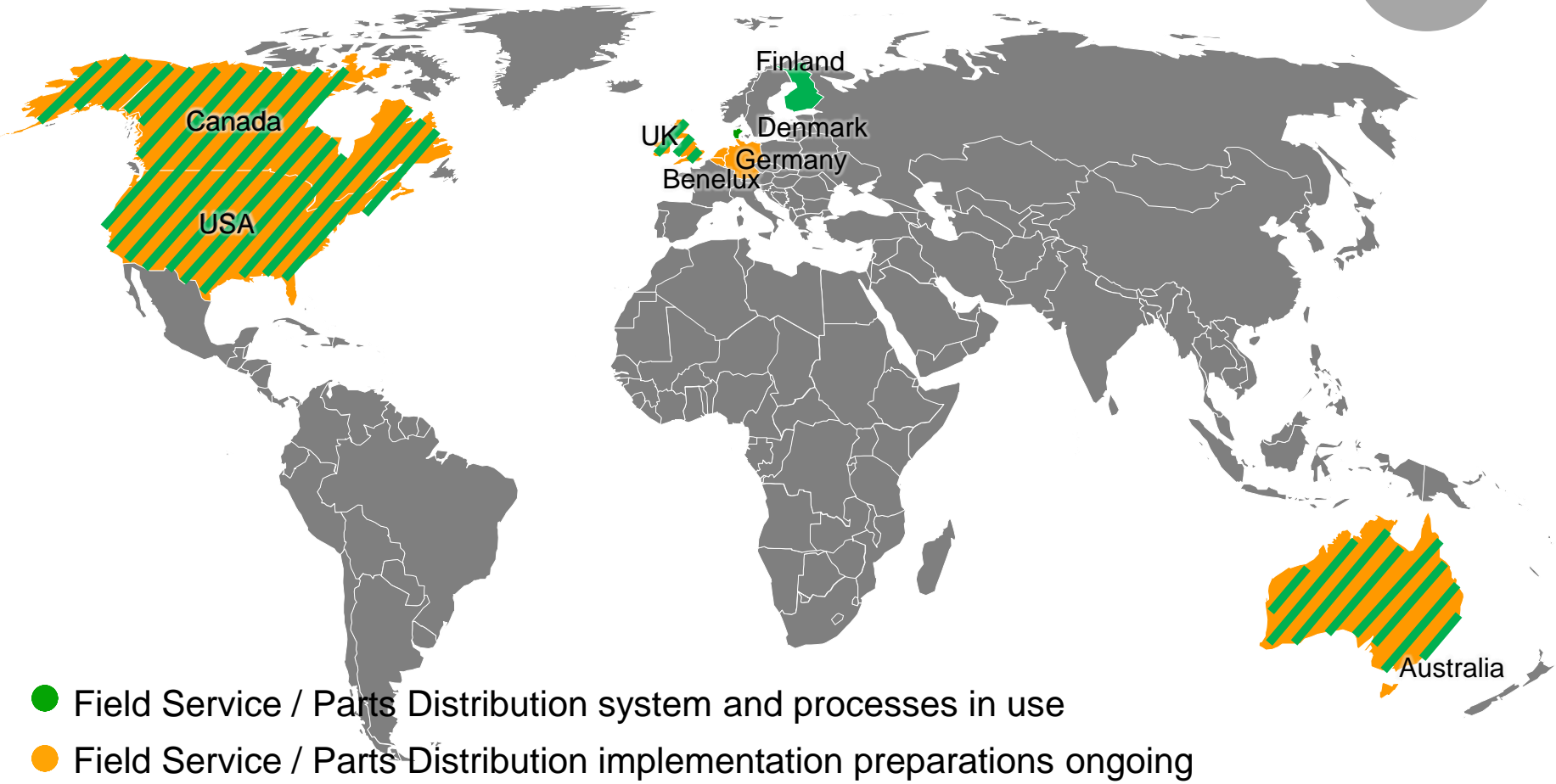
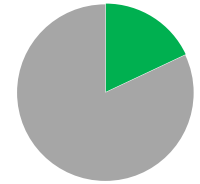
- Improved NWC
- Improved Pricing
- Sourcing and Logistics Savings

# oneKONECRANES CUSTOMER BENEFITS

- Enhanced customer experience
- Real-time view / Online deliverables
- Access to information for all assets and across all business units
- Enhanced record keeping
- Consistent Service delivery
- Quicker turn around
- Fact-based decision making



# NEW FIELD SERVICE / PARTS DISTRIBUTION IMPLEMENTATION STATUS



- Field Service / Parts Distribution system and processes in use
- Field Service / Parts Distribution implementation preparations ongoing



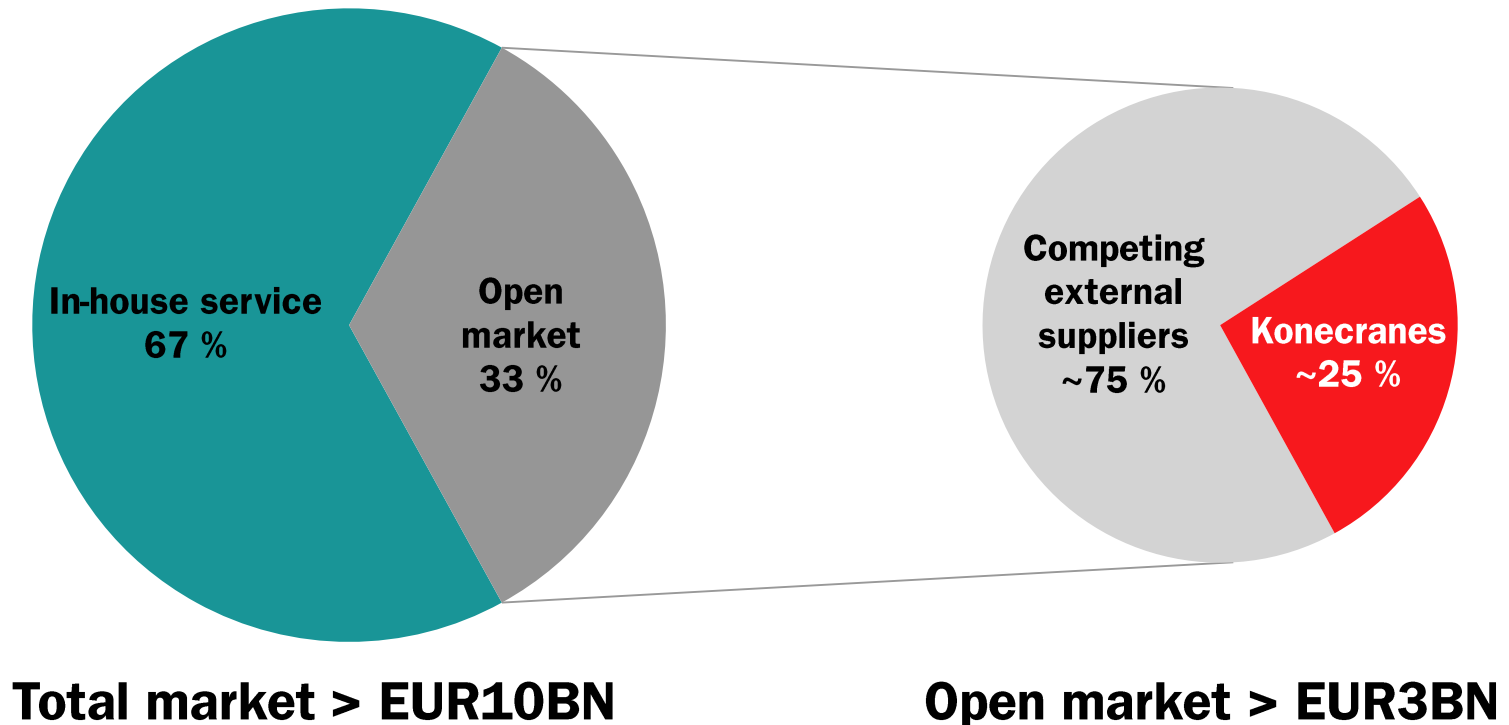
The background of the slide is a photograph of the interior of a Konecranes crane cab. It shows a black steering wheel with a red and white logo in the center, a gear shift lever, and a control panel with various buttons and a small digital display screen. The cab has large windows providing a view of the outside.

# GROWTH & PROFIT DRIVERS

KONECRANES **CAPITAL MARKETS DAY 2014**

# PLENTY OF ROOM TO GROW IN OUR CORE BUSINESS

## Estimated global annual spend on crane maintenance



Note that market share and size are based on Konecranes' estimates as no comprehensive statistics are available.

# KEY BUSINESS DRIVERS

## Developed markets

- Outsourcing of services is common
- Preventive Maintenance generally understood
- Customers strive for safety and productivity improvements
- Compliance and Liability are key issues
- New service technologies are accepted/expected
- In-house service most prevalent in steel mills and ports

## Developing markets

- Not a homogenous group
- With certain customers, industries and/or markets some or all of the developed market drivers also apply
- Sophisticated equipment requires technical support
- In-house service is prevalent / Lack of service culture
- Basic technology - Parts and On-Call Service
- Building local presence around own equipment deliveries



# GROWTH DRIVERS

- Continued focus on Contract Base development.
- Systematic approach to Sales, Sales Management and Account Management facilitated by CRM.
- Lifecycle Care and Real-Time Service implementation in all units.
- Consultative selling facilitated by oneKonecranes tools:
  - Technician Consultation/Sales; Service Sales driven by maintenance/usage data;
  - Plant/executive level Business Reviews
- Direct Parts Sales using e-Commerce Platform.
  - replacement parts for all makes
- Ageing equipment drive Retrofit and Modernization opportunities
  - hoist and component replacements for all makes.
- Consultation Services as entry point into sophisticated customers in developed and emerging markets.
- Available market share growth in developed and emerging markets.

# PROFIT DRIVERS

- Sales Growth / Leverage
- Gross Margin Development
  - Pricing
  - Parts and components content
  - Focus on right customers
- Improved sales efficiency and cost of sales
- Improved customer acquisition costs and retention
- Fixed cost containment through consolidation of back office / support infrastructure
- Continuous process improvement
- Implementation of global best practices





**NOT JUST LIFTING  
THINGS, BUT ENTIRE  
BUSINESSES**

