

# SERVICE

## PIVOT TO GROWTH

CMD | Düsseldorf | Dec 14, 2017  
Fabio Fiorino EVP Service



# AGENDA

**1** Introduction

**2** Financials

**3** Management agenda

**4** Our road map

**5** Integration

**6** Transformation

**7** Growth

**8** Demos / Q&A



# INTRODUCTION

# SERVICE STRATEGY

We provide specialized maintenance services and spare parts for **all types and makes** of industrial cranes and hoists.

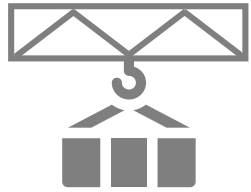
Our objective is to **improve** the **safety and productivity** of our customers' operations.

**Lifecycle Care in Real Time** is our comprehensive and systematic approach to maintenance; connecting data, machines and people.

The **service agreement** is our primary means of **building customer relationships** and forms the foundation of our business.



# SERVICE BY THE NUMBERS



**628,000**

Assets under service agreement

**7,200**

Service employees



**4,250**

Service technicians



Operating in almost **50** countries

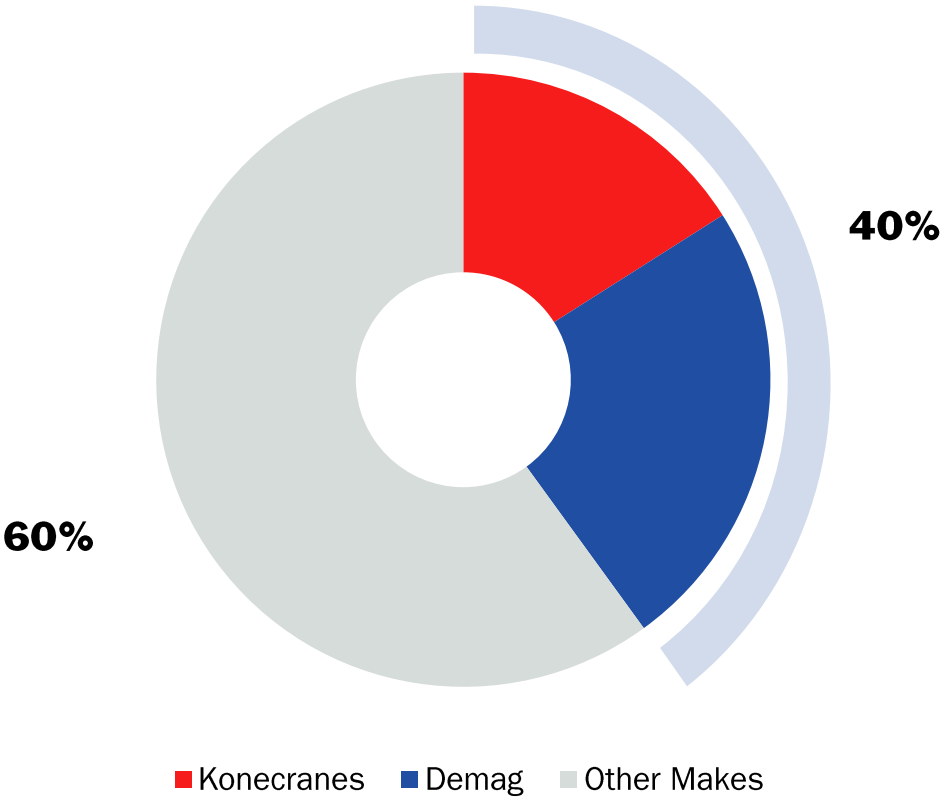


**600**

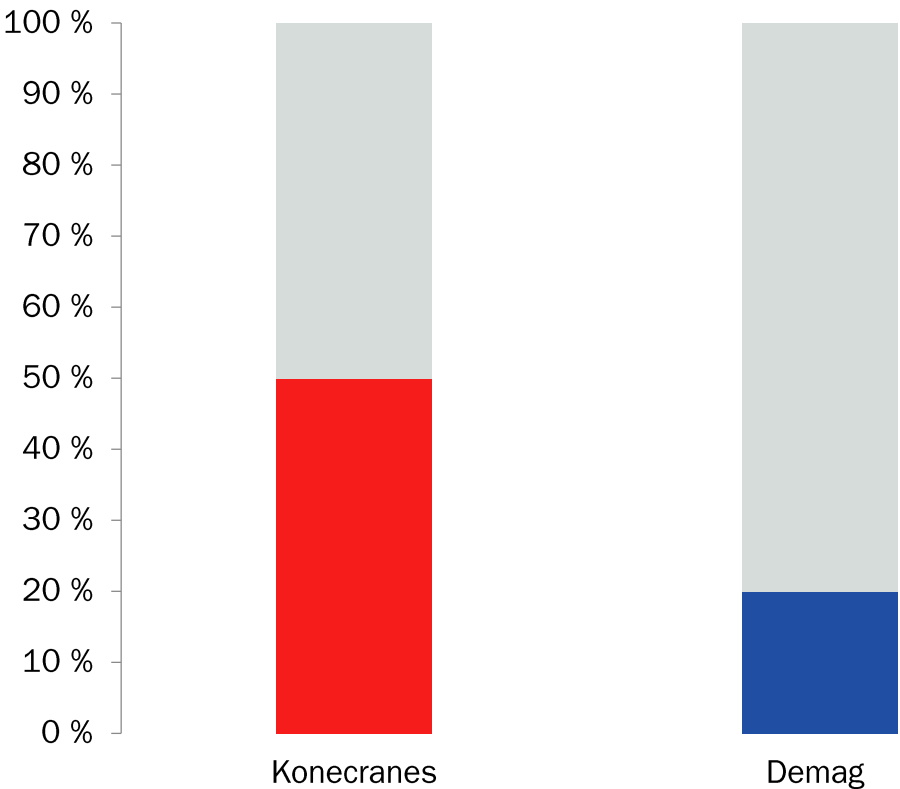
Service locations worldwide

# AGREEMENT BASE BREAKDOWN

ASSETS UNDER AGREEMENTS



AGREEMENT COVERAGE



Estimated figures for Konecranes & Demag brands for equipment sold directly to end users. Excludes power brands/indirect sales channel



# SERVICE BUSINESS BREAKDOWN



**20%**

Inspections & Preventive Maintenance

**30%**

Corrective Maintenance  
50% Labor / 50% Materials

**35%**

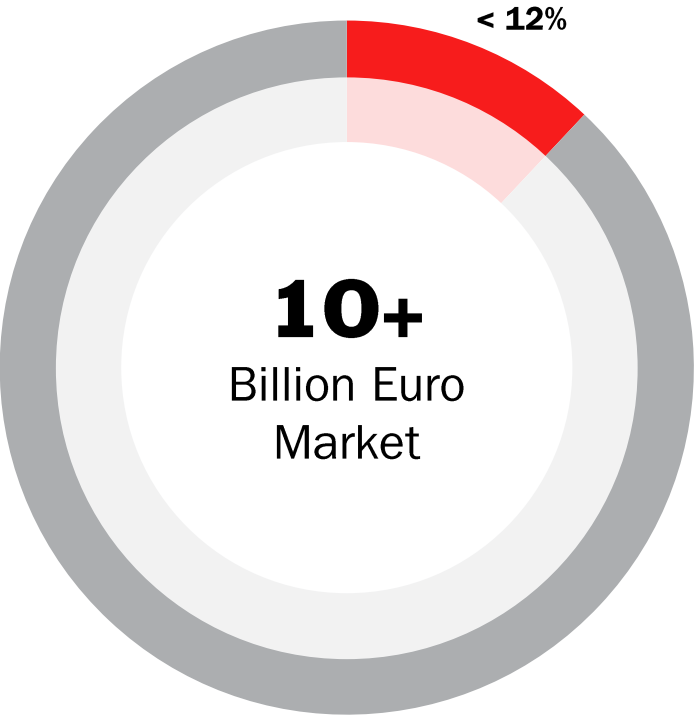
Retrofits, Lifting Equipment  
Consultation Services, Modernizations

**15%**

Parts and accessories  
Sold without labor

# INDUSTRIAL MAINTENANCE MARKET

## MARKET SHARE & SIZE



## TRENDS



Safety



Productivity



Outsourcing



Regulations  
and compliance



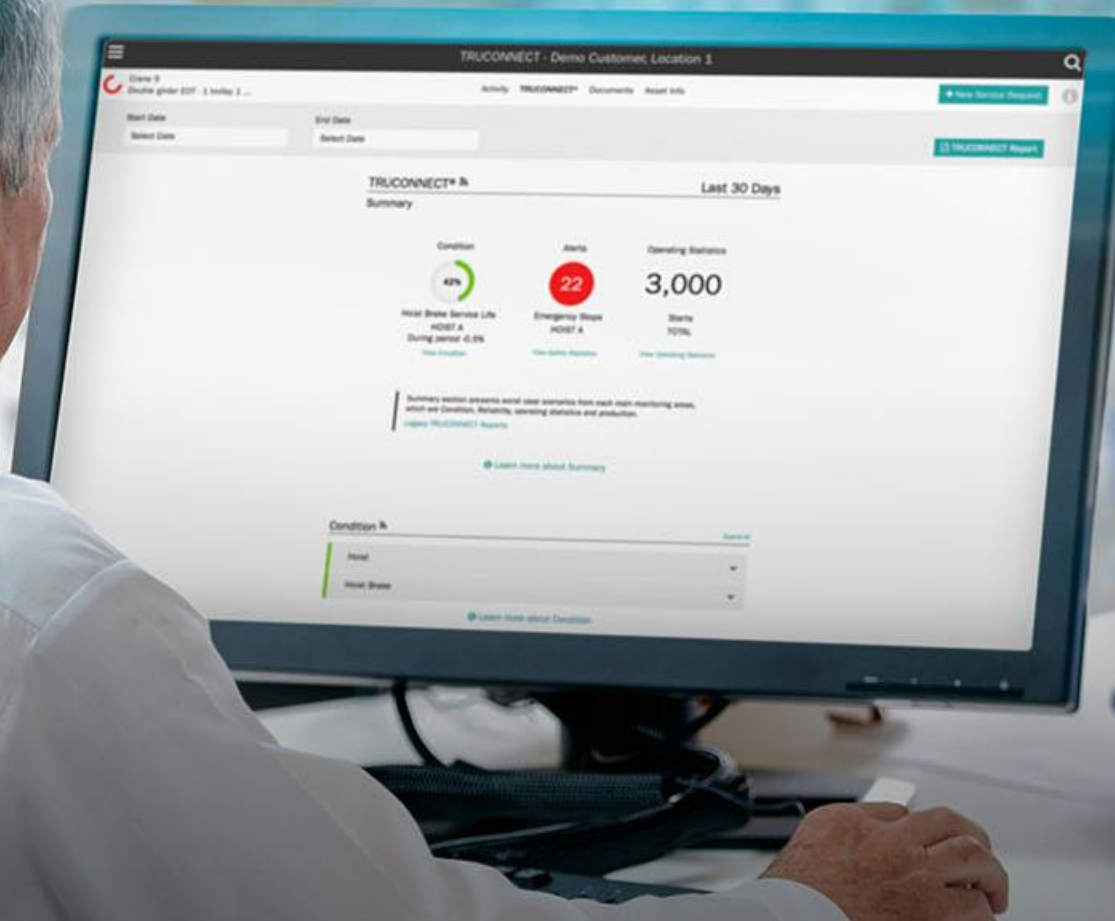
Aging industrial  
workforce



Digitalization



# FINANCIALS

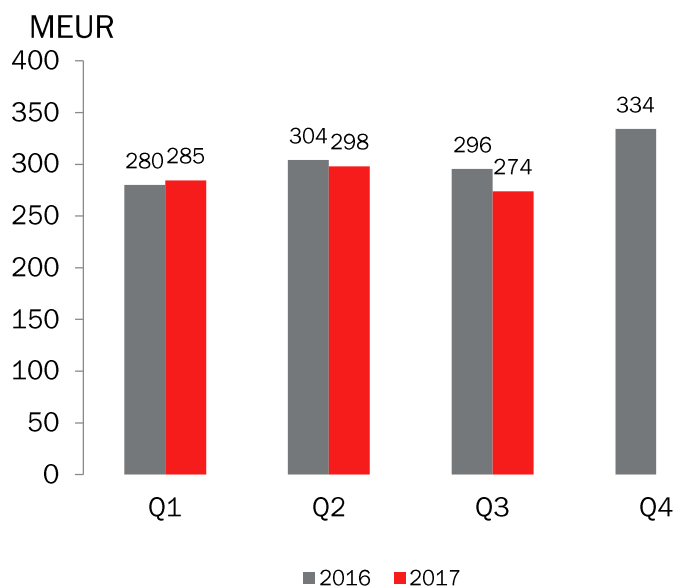


# SERVICE PROFITABILITY IMPROVED IN JANUARY-SEPTEMBER 2017

## COMPARISON TO COMBINED COMPANY FIGURES

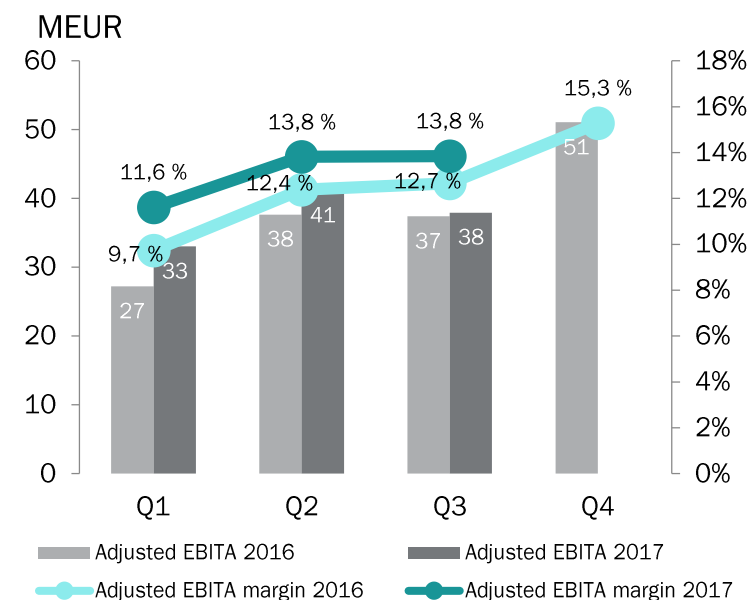
- The decrease in sales was largely attributable to the discontinuation of certain underperforming operations
- Parts sales outperformed field service sales
- The adjusted EBITA improved thanks to the positive sales mix, better productivity, and lower fixed costs

## COMPARABLE SALES



- Sales fell by 2.6 percent to EUR 856.6 million (879.8) in 1-9/2017

## COMPARABLE ADJUSTED EBITA



- The adjusted EBITA was EUR 112.2 million (102.3) and the adjusted EBITA margin 13.1 percent (11.6)



# MANAGEMENT AGENDA



# MANAGEMENT AGENDA

## PAST / CURRENT

**FOCUS ON PROFITABILITY  
AND BUILD THE FOUNDATION  
FOR THE FUTURE**

**BUSINESS RATIONALIZATION AND CONSOLIDATION**

**COST REDUCTION**

**BUSINESS/DIGITAL TRANSFORMATION**

**ACQUISITION/ INTEGRATION**

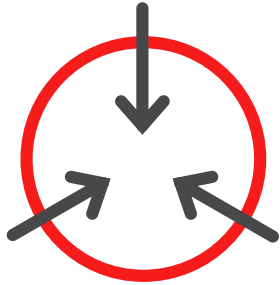
**DELIVER SYNERGIES**

## GOING FORWARD

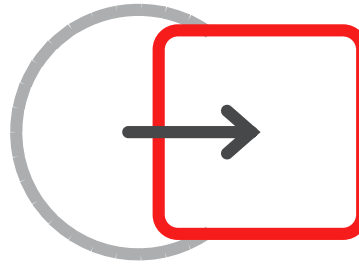
**PIVOT  
TO  
GROWTH**



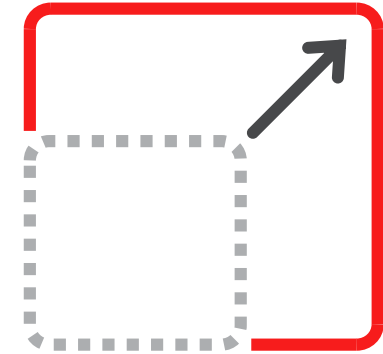
# OUR ROAD MAP



**INTEGRATION**



**TRANSFORMATION**



**GROWTH**

# INTEGRATION

# SERVICE BUSINESS COMPARISON



## COMPARISONS AT TIME OF ACQUISITION

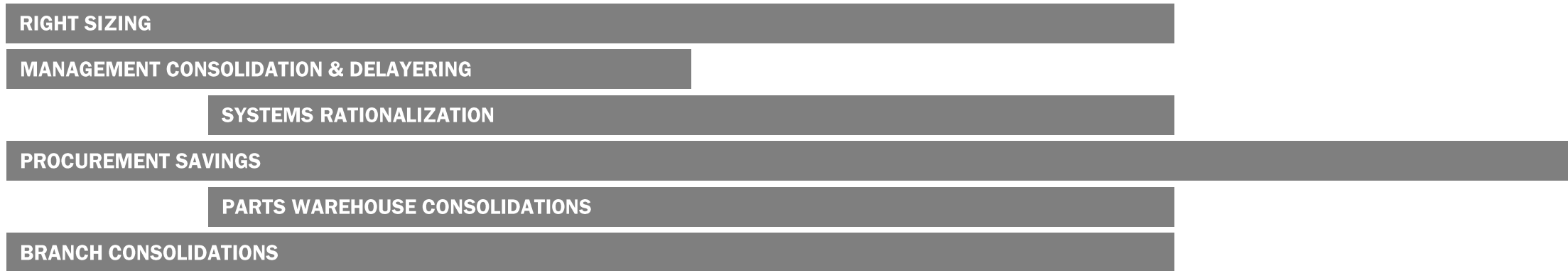
	KONECRANES	DEMAG
COUNTRIES	50	19
AGREEMENT BASE	455,000 assets	173,000 assets
OPERATING MODEL	End-to-end BA Service P&L Fully dedicated personnel	Orders / sales / gross margin level country org. / shared / fragmented
SCOPE / FOCUS	All makes	Demag primarily
AGREEMENT BASE REPORTING	Closely followed / reported	Not reported
SERVICE OFFERING / MODEL / SYSTEMS	Global implementation	Significant local variations
STATED OBJECTIVE	Improved safety and productivity / uptime	Significant local variations



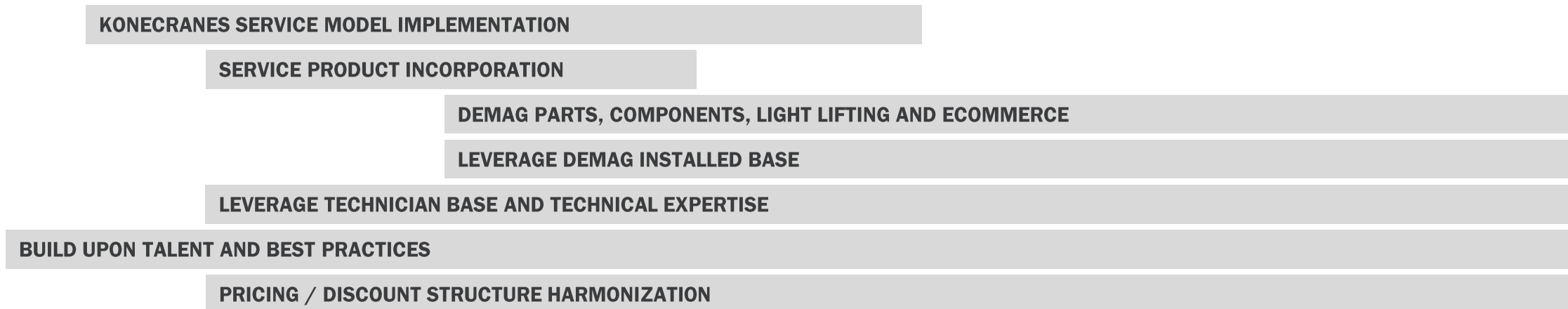


# INTEGRATION ACTIONS TIMELINE

**COST  
REDUCTION**

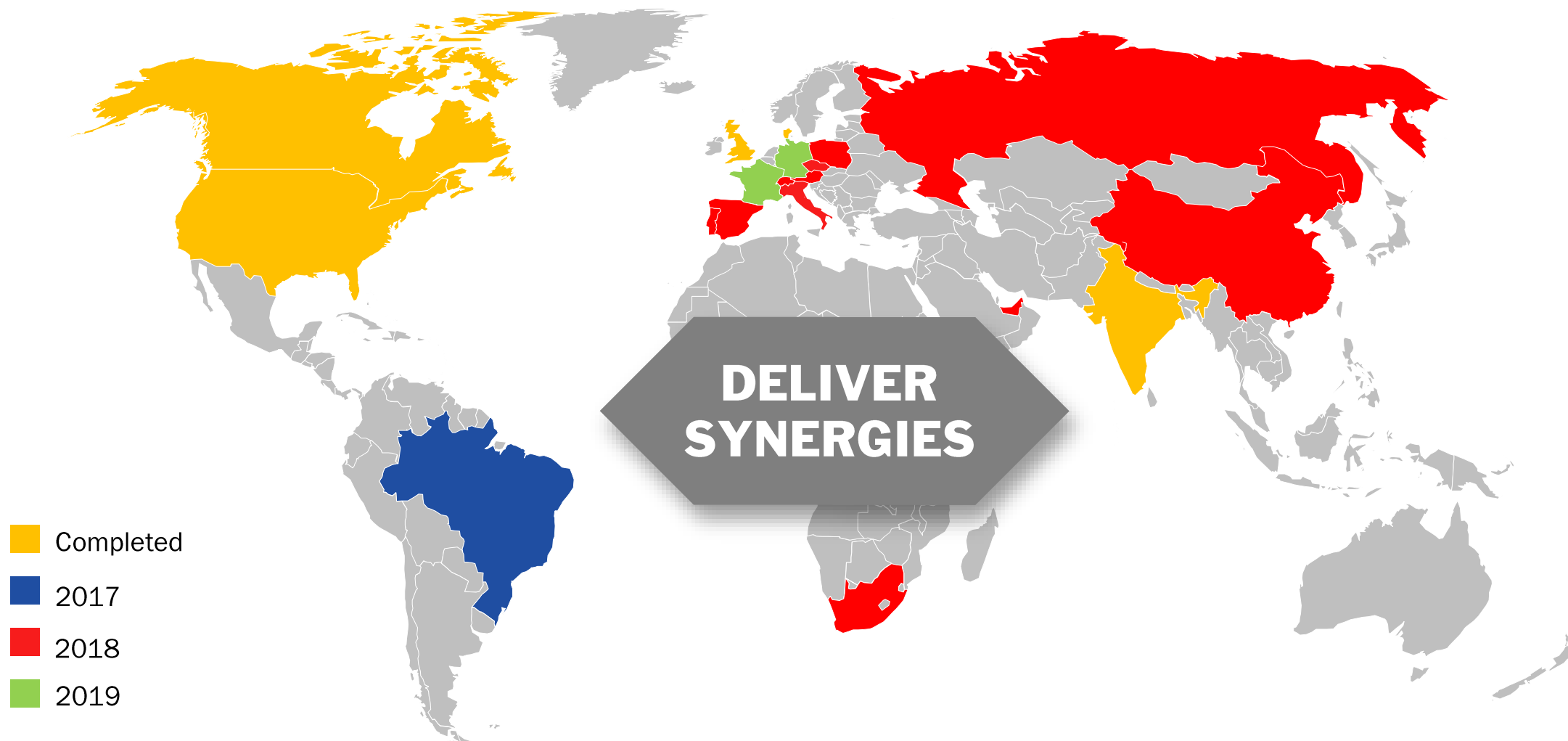


**GROWTH**



# INTEGRATION SCHEDULE

## ESTIMATED COMPLETION



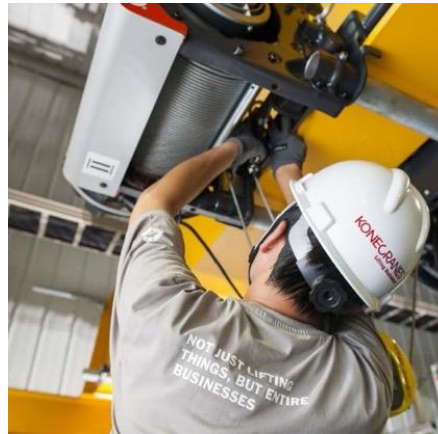
# TRANSFORMATION



# BUSINESS / DIGITAL TRANSFORMATION FOCUS AREAS



**CUSTOMER  
EXPERIENCE**



**OPERATIONAL  
EXCELLENCE**



**SALES  
MANAGEMENT**



**ACCOUNT  
MANAGEMENT**





# FOCUSED SALES MODEL AND DEDICATED ROLES

SCOPE	SALES BREAKDOWN	RESPONSIBLE ROLE	SALES FOCUS
INSPECTIONS & PREVENTIVE MAINTENANCE	20%	Agreement Sales	Business development, base expansion
CORRECTIVE MAINTENANCE	30%	Inspector, Technician, Inside Sales	Expert, responsive advice based on findings, speed
RETROFITS, CONSULTATION SERVICES, MODERNIZATIONS, LIFTING EQUIPMENT	35%	Service Sales	Consultative, technical solution selling
SPARE PARTS & ACCESSORIES	15%	Parts Sales and eCommerce	Transactional, convenient



# SYSTEMS SUPPORTING TRANSFORMATION

## SALES

**CUSTOMER  
RELATIONSHIP  
MANAGEMENT**

**OFFER  
CONFIGURATION**



## DELIVERY

**CUSTOMER ASSET  
AND FIELD SERVICE  
MANAGEMENT**

**BACK OFFICE  
AND FINANCE**



**CUSTOMER PORTAL:**  
**yourKONECRANES.com**

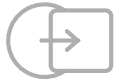


**eCOMMERCE:**  
**STORE**



**CUSTOMER  
FEEDBACK: VOC**





# DIGITALIZATION BY THE NUMBERS

## REMOTE MONITORING

CONNECTED  
ASSETS

**16,000**

## eCOMMERCE

ANNUAL EXTERNAL  
SALES

**40M€**

## CUSTOMER PORTAL

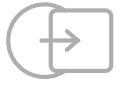
CUSTOMER  
USER ACCOUNTS

**32,000**

## DIGITAL TOOLS

MOBILE-ENABLED  
TECHNICIANS

**2,000**



# DATA ANALYTICS

## DAILY MANAGEMENT TOOLS

### END-TO-END PROCESS MONITORING

- Productivity
- Process compliance
- Throughput / speed / bottlenecks
- Customer touch points

### TARGETED SALES CAMPAIGNS

- Specific to usage, maintenance history, application

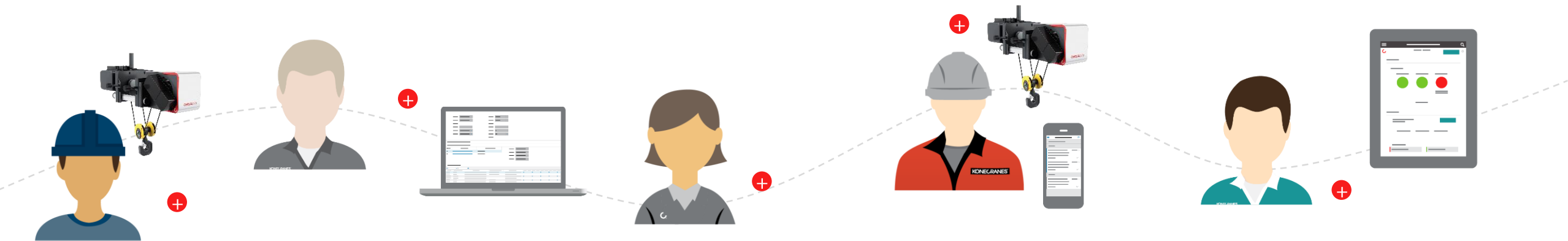
### PEOPLE PERFORMANCE

- Sales
- Technicians and operatives

## BIG DATA

### DEEP DIVE, TARGETED

- Uncover patterns and trends
- Garner insights
- Mine for opportunities
- Test correlations



# SERVICE ANALYTICS DASHBOARD - EXAMPLE

Year			Month				Week																YearMonth			
2010	2013	2016	Jan	Apr	Jul	Oct	1	4	7	10	13	16	19	22	25	28	31	34	37	40	43	46	49	52	Year Month	201711
2011	2014	2017	Feb	May	Aug	Nov	2	5	8	11	14	17	20	23	26	29	32	35	38	41	44	47	50	53	Year Week	
2012	2015		Mar	Jun	Sep	Dec	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51			

Overview

Agreements

Assets

Field & Planning

Findings & actions

Invoicing

Customer Consultation

Search

Current Selections

Geographical organization

- Region
- Sub-region
- Sub-region 2
- Area
- District
- Branch
- Satellite

Customer

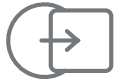
Agreements ?

Agreement base value	# of assets	# of agreements	16% of assets with 3 or more products on agreement 14% of assets without Routine Maintenance or MAINMAN Planned Maintenance 22% of agreement revisions due to incorrect asset information 78% of assets serviced during last 12 months under agreement 1 392 agreements to be renewed in 30 days
127 377 191 €	317 464	29 432	

Field & Planning ?

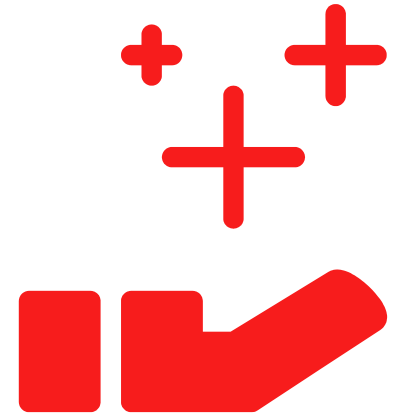
Response time in days for customer initiated SRs	Productivity	Overtime rate	Used hours / Planned hours	% of open SRs with estimated completion date in next	# of SRs to be scheduled within 5 working days
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# BENEFITS

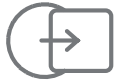


## CUSTOMER EXPERIENCE / OPERATIONAL EXCELLENCE

- Real-time **visibility** to comprehensive maintenance and usage data.
- **Speed** in information, quotations, orders, deliverables and invoicing.
- Data driven, fact-based **continuous improvement**.
- A defined and disciplined approach to **customer experience**; customer-focused, process-driven, outcome-based.
- **Mobility tools** leverage resources and expertise / drive efficiency.
- **Data analytics** uncover improvement opportunities in assets and operations.



# BENEFITS

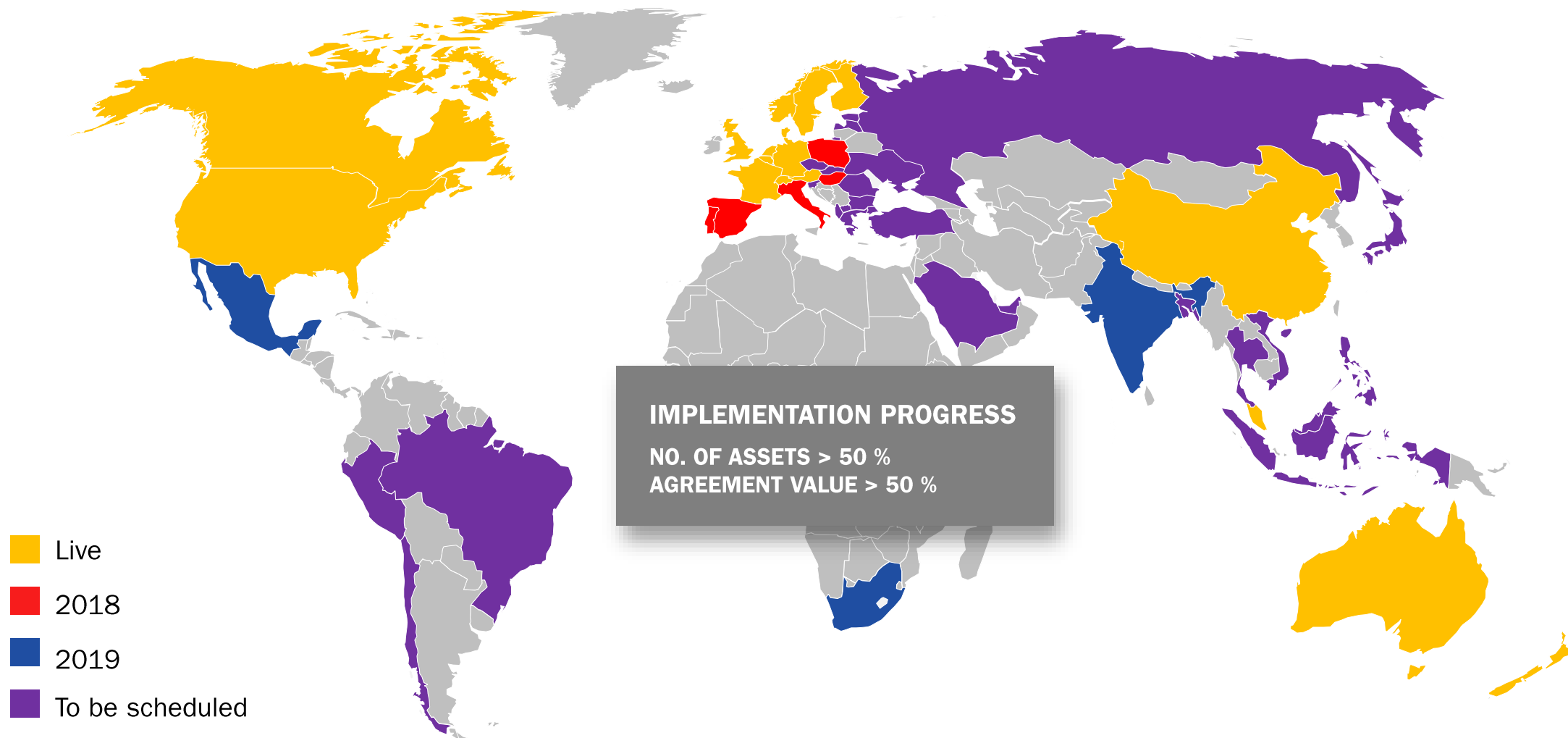


## SALES MANAGEMENT / ACCOUNT MANAGEMENT

- Full **visibility** to voice of customer, sales funnel and sales performance.
- **Transparency** in customer relationships enables open business discussions and fact-based decision making.
- **Global model / local network** delivers value to large global and regional customers. Allows engagement at multiple levels of the organization.
- **Improvements** in safety and productivity are **documented and proven**.
- **Differentiated approach** supports **pricing, customer retention and growth**.



# BUSINESS / DIGITAL TRANSFORMATION IMPLEMENTATION SCHEDULE





**GROWTH** 



# KEY GROWTH DRIVERS



## **DELIVER BUSINESS / DIGITAL TRANSFORMATION BENEFITS**

- Increase Service Agreement retention
- Increase bundling of service products in Service Agreements
- Increase share of wallet; capture existing maintenance spend
- Expand customer maintenance investment/spend > deliver safety and productivity improvements i.e. demonstrate return on investment
- Increase market share, large scale outsourcing @ regional / global accounts



## **ON-LINE SALES OF PARTS, LIGHT LIFTING EQUIPMENT AND ACCESSORIES**

- STOREs launched in US, Finland, Canada, Australia, Germany, UK, China, Singapore, France
- Moving from internal usage for parts identification to external sales / promotion.

# KEY GROWTH DRIVERS



## **LEVERAGE DEMAG INSTALLED BASE AND AGREEMENT BASE**

- Expand agreement base coverage
- Increase agreement value per asset and service sales per asset
- Harmonize offering and pricing

## **LEVERAGE AND ASSIMILATE DEMAG SERVICE PRODUCTS**

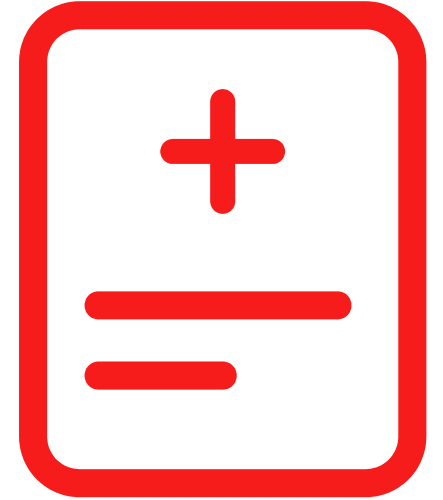
- Light Lifting product sales thru service network
- General Overhaul Packages, Parts and Components
- Below the hook inspections and sales



# CONCLUSION

## ROAD MAP IN PLACE

- Complete integration – deliver synergies
- Complete transformation – secure the future
- Pivot to growth
  - Business/digital transformation benefits
  - Online Sales of Parts, Light Lifting Equipment and Accessories
  - Leverage Demag installed base and agreement base
  - Leverage and assimilate Demag Service Products



# DEMOS

## YOURKONECRANES.COM STORE





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