

# KONE's strategy 2025-2030

Philippe Delorme, President and CEO  
KONE Capital Markets Day 2024

27 SEPTEMBER 2024

KONE CAPITAL MARKETS DAY 2024 © KONE CORPORATION

Dedicated to  
People Flow™

# KONE as an investment

## RESILIENCE

~90% of profits from  
Service and Modernization

Modernization

## GROWTH

Targeting mid-single digit  
sales growth

## INNOVATION

Track record in shaping the  
industry

## PROFITABILITY

Targeting 13-14% adjusted  
EBIT margin by 2027

## SUSTAINABILITY

First in the industry with  
Science Based Targets

## RETURN ON CAPITAL

Capital light business  
model

# Agenda

1. Where we are today
2. Market opportunities
3. KONE's strategy for 2025-2030

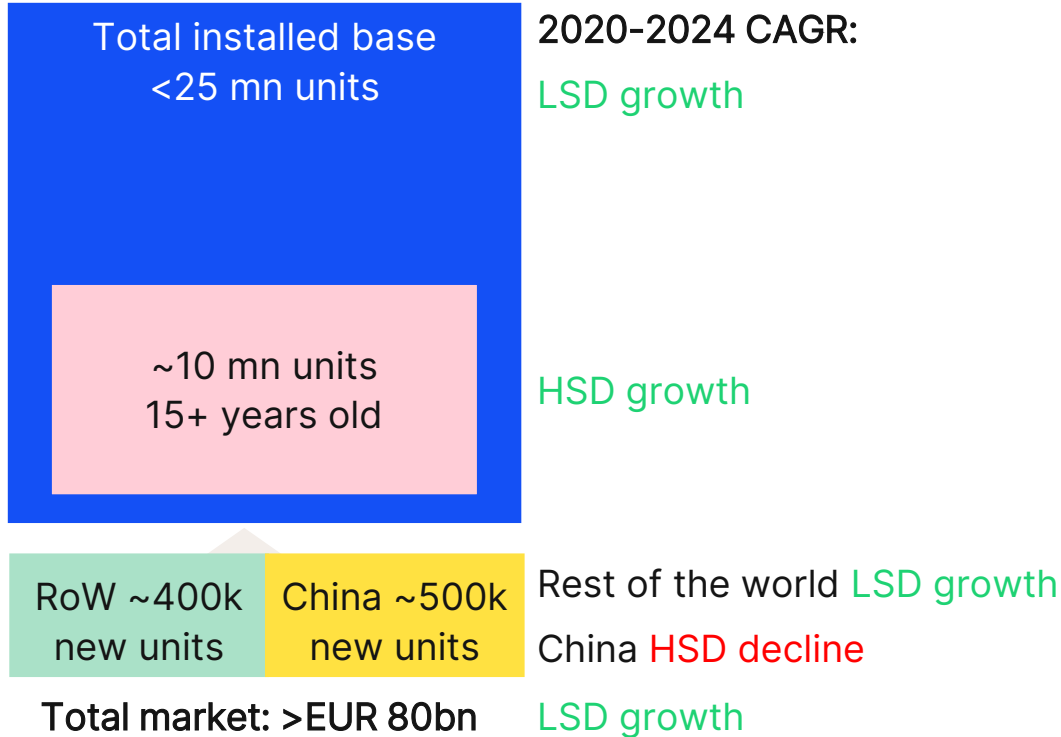


# Where we are today

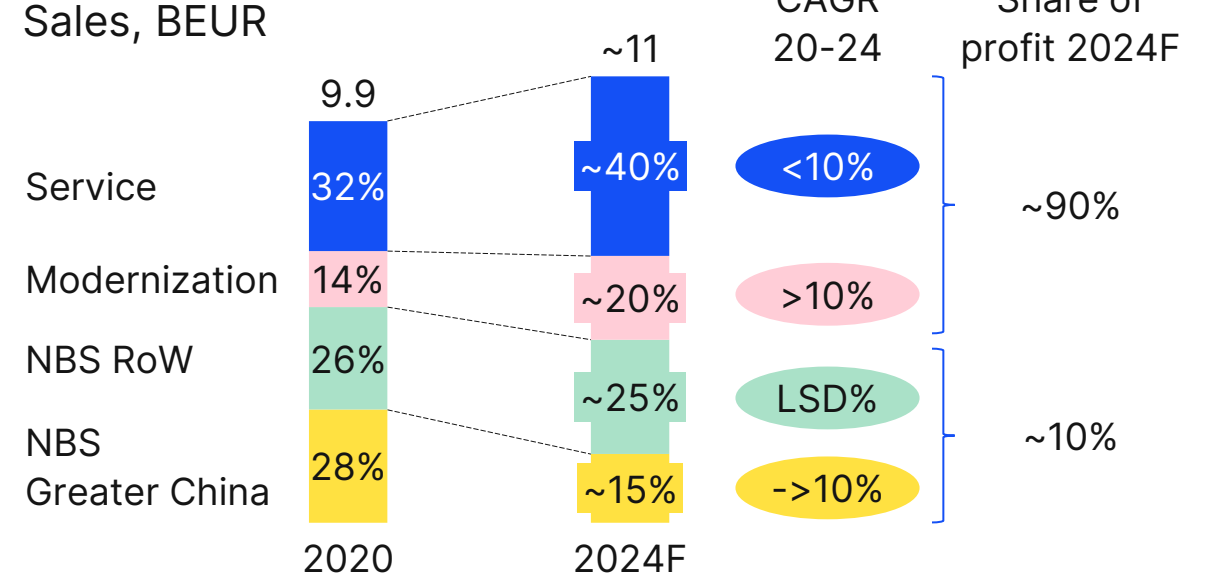
1

# We have started to transform as markets are shifting towards Service and Modernization

## Elevator and escalator market



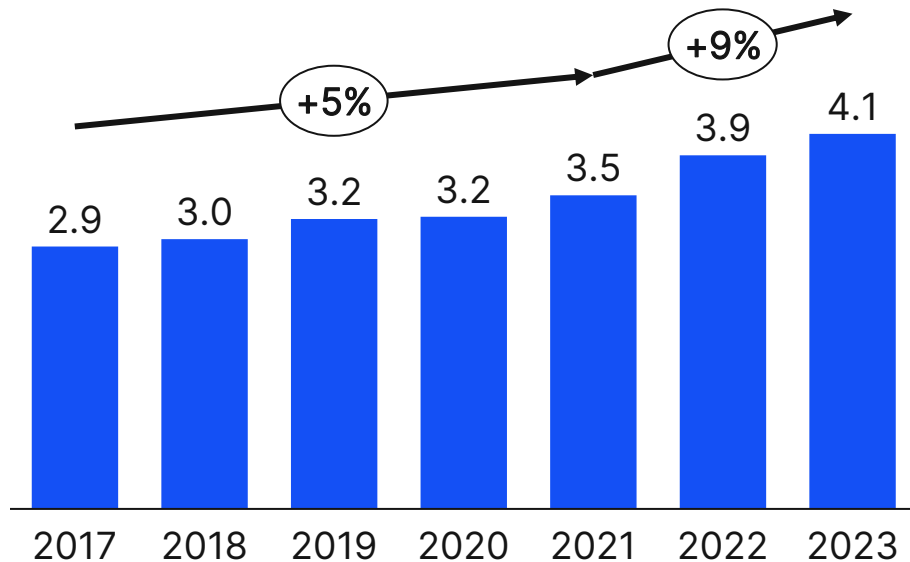
## KONE



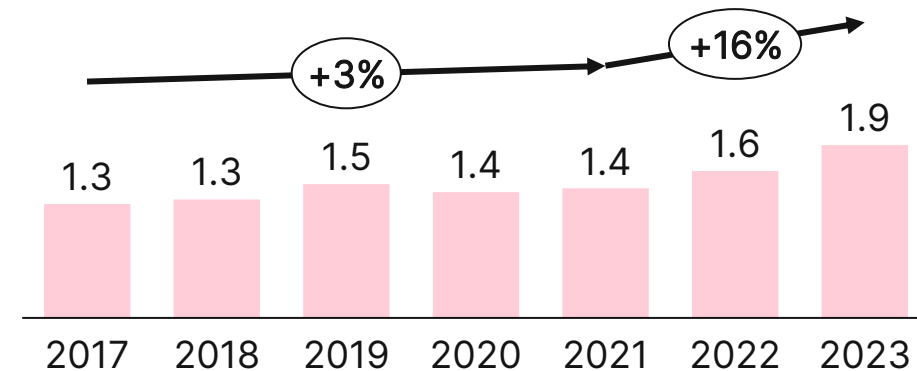
85% of sales in growing markets, and around 90% of profit from Service & Modernization – a highly resilient business

# Our Service and Modernization growth has accelerated

KONE's Service sales  
MEUR



KONE's Modernization sales  
MEUR



# Market opportunities

# 2

# Urbanization, technological development and sustainability continue to shape our industry

## Urbanization

- 70% of people to live in cities by 2050 – pressing need for **affordable living**
- Role of **urban renewal** increasing

## Digital

- Digital technologies driving efficiency and superior customer value
- AI with potential for up to **20% labor productivity** and **10% GDP growth** uplift over the next decades

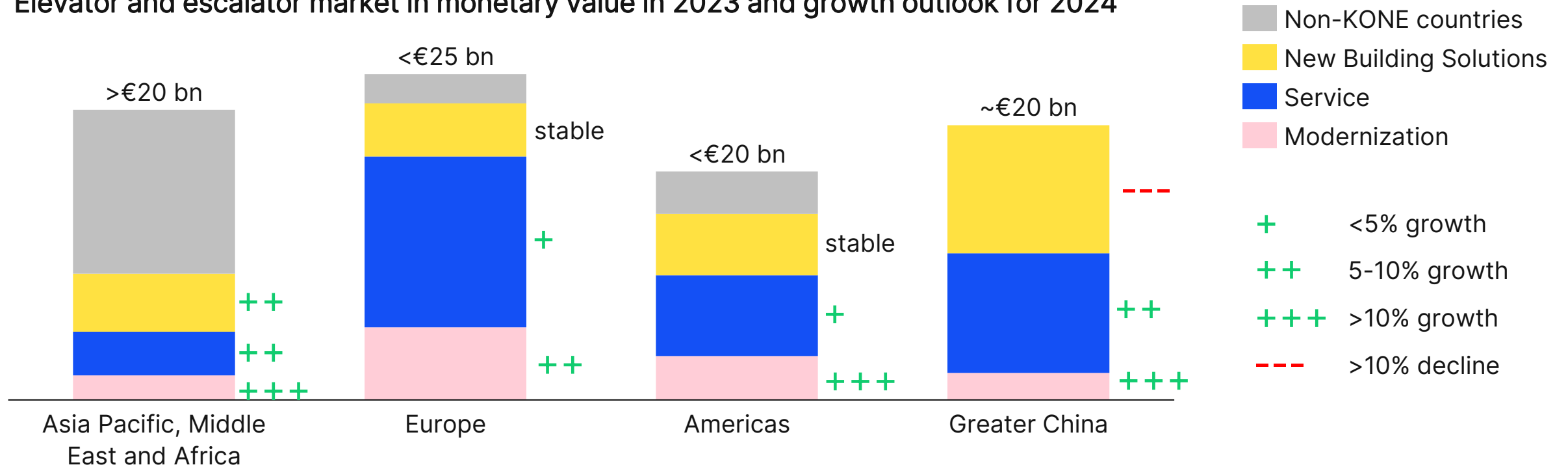
## Sustainability

- Built environment accounts for ~40% of global carbon emissions
- Hundreds of cities committing to carbon neutrality; **customers setting ambitious climate targets**



# The elevator and escalator market outlook is overall positive

Elevator and escalator market in monetary value in 2023 and growth outlook for 2024



# Service market: Steady growth in installed base and significant opportunities from digitalization

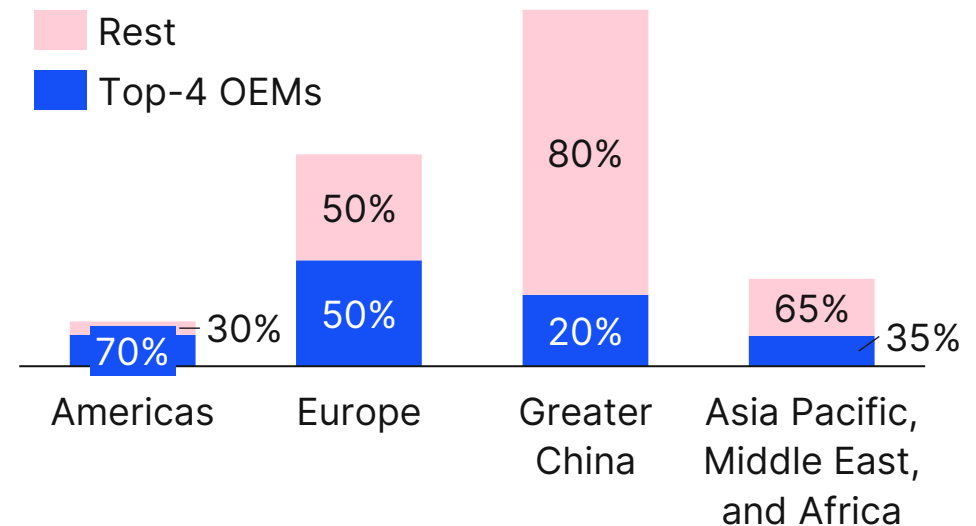
## Key themes

**1** Digital transformation redefining the industry: Value for customers (safety, transparency, efficiency) and efficient service delivery for elevator OEMs

**2** Opportunities for consolidation in the fragmented market through improved service stickiness and acquisitions

## Top 4 OEM's share of market in units

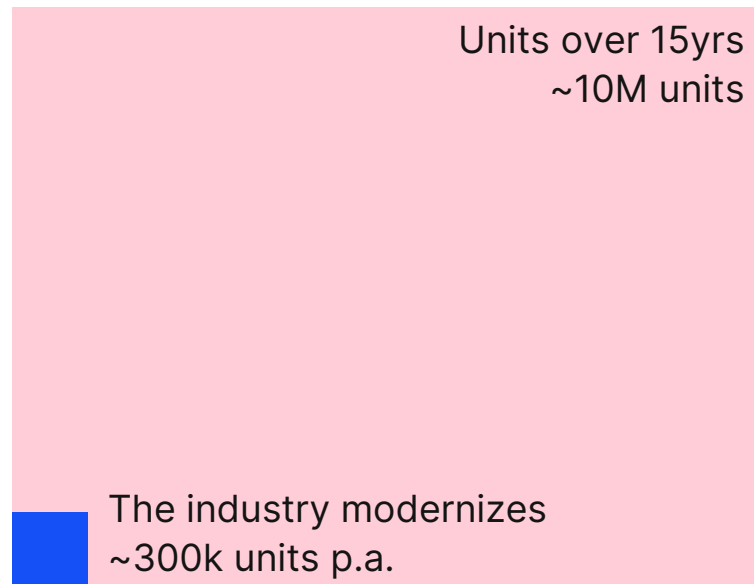
Indicative estimates



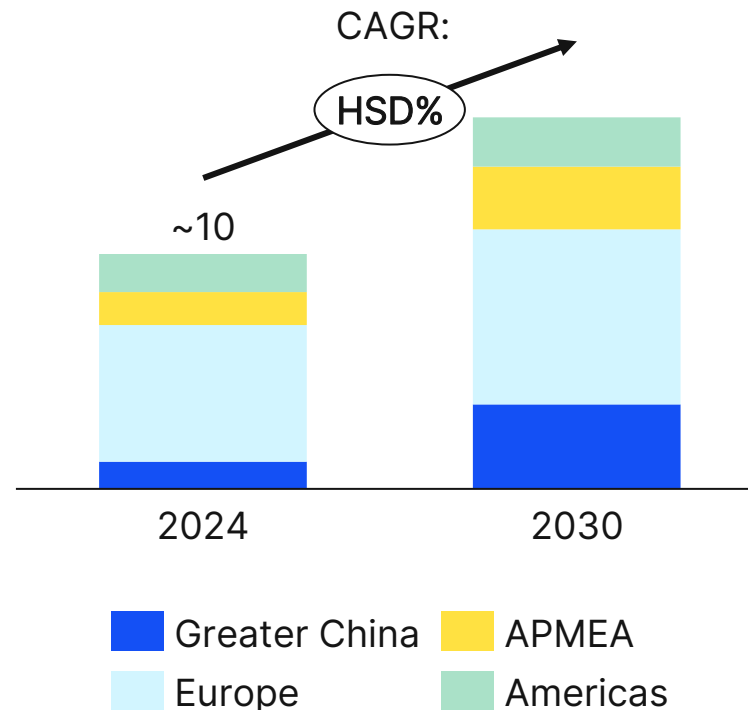
Recipe for success: combination of digital capabilities, skilled people & density in service base

# Modernization market: Huge potential in the aging installed base

## Modernization debt accumulating



## Number of >15-y-o units growing

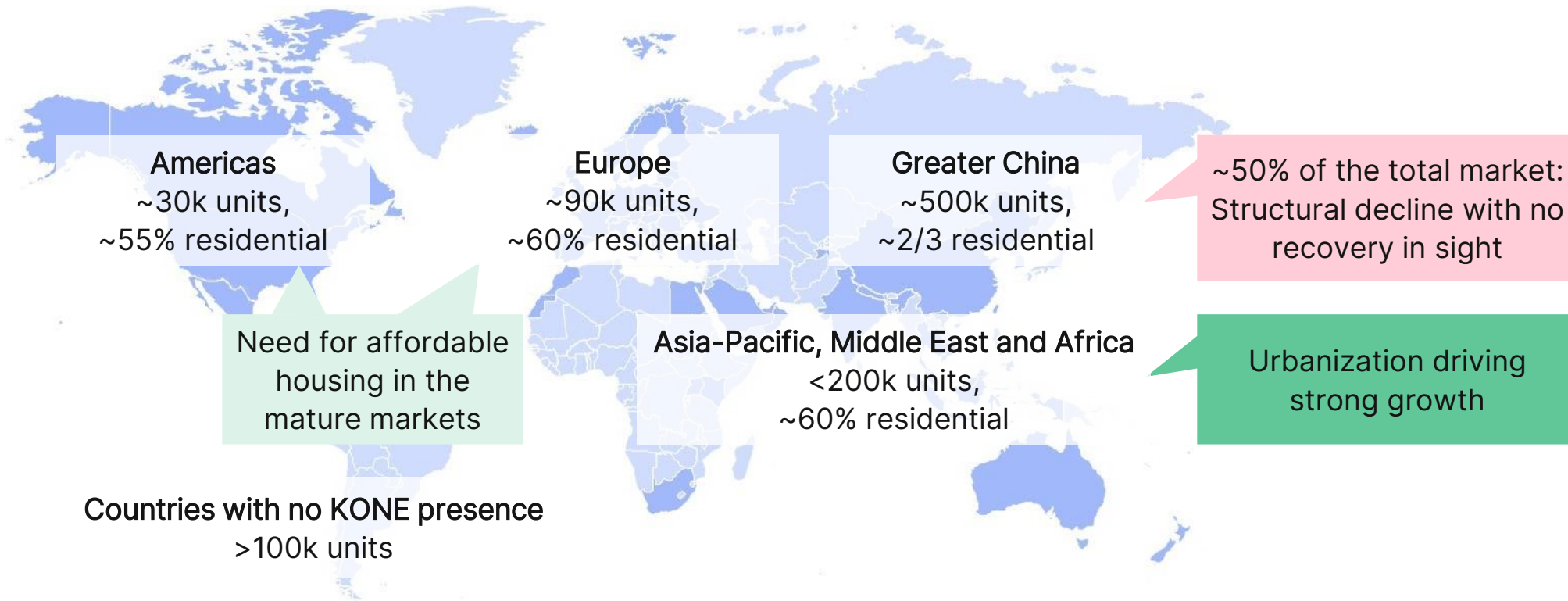


## The debt has accumulated over time – why will the market materialize now?

- More focus from the industry
- Favorable regulation and policies
- Market needs: sustainability, safety, reliability

# New Building Solutions market: Growth opportunities in urbanizing countries, Chinese market in structural decline

New elevator and escalator market <1 million units in 2023



# KONE's strategy for 2025-2030

# 3

# Rise to lead

#1 for Employees & Customers • Innovation & Sustainability • Growth & Profitability



**Accelerate  
Digital**



**Drive  
Modernization**



**Win  
Residential**



**Cut  
Carbon**

**Core: Easiest to work for and work with**

# Accelerate Digital to fundamentally transform how we do service

Connectivity and data key enablers → **New norm**

More **customer value**  
through transparency,  
safety and uptime

→ Higher conversion and  
retention rates

Smarter service delivery  
through digitally enabled  
technicians

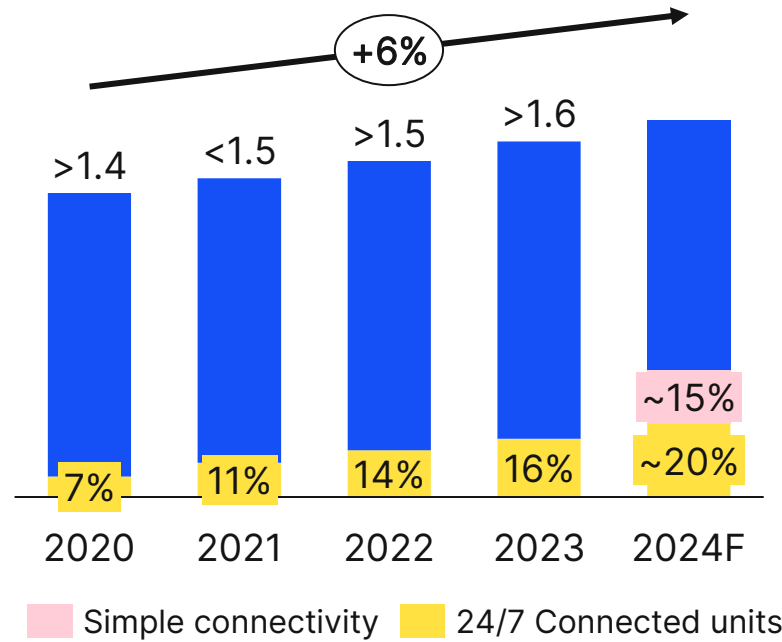
→ Up to 30% **productivity  
improvement potential**

→ Close to **10% sales growth** and improving profitability



# We see the benefits of digitalization already coming through – connectivity to become the new norm

Connectivity penetration increasing...  
Units in service base, mn  
Share of connected units



...creating tangible customer value...  
24/7 Connected vs. non-24/7 units

**70%**  
Of all potential faults identified proactively

**40%**  
Fewer callouts

...translating to improved stickiness and margins

**~10 pp higher**  
Conversion rate

**~5 pp higher\***  
Retention rate



# Drive Modernization

the opportunity is as big as we make it

Activate customers to modernize

Differentiate with clear customer value

→ Safety, energy efficiency (up to 70%), lower emissions, digitalization

Scale and speed through industrialization

→ 1-day customer downtime as ambition in partial Modernization

→ **Double-digit sales growth** and improving profitability in Modernization; contributing to Service growth



# Exciting opportunities within and outside our service base

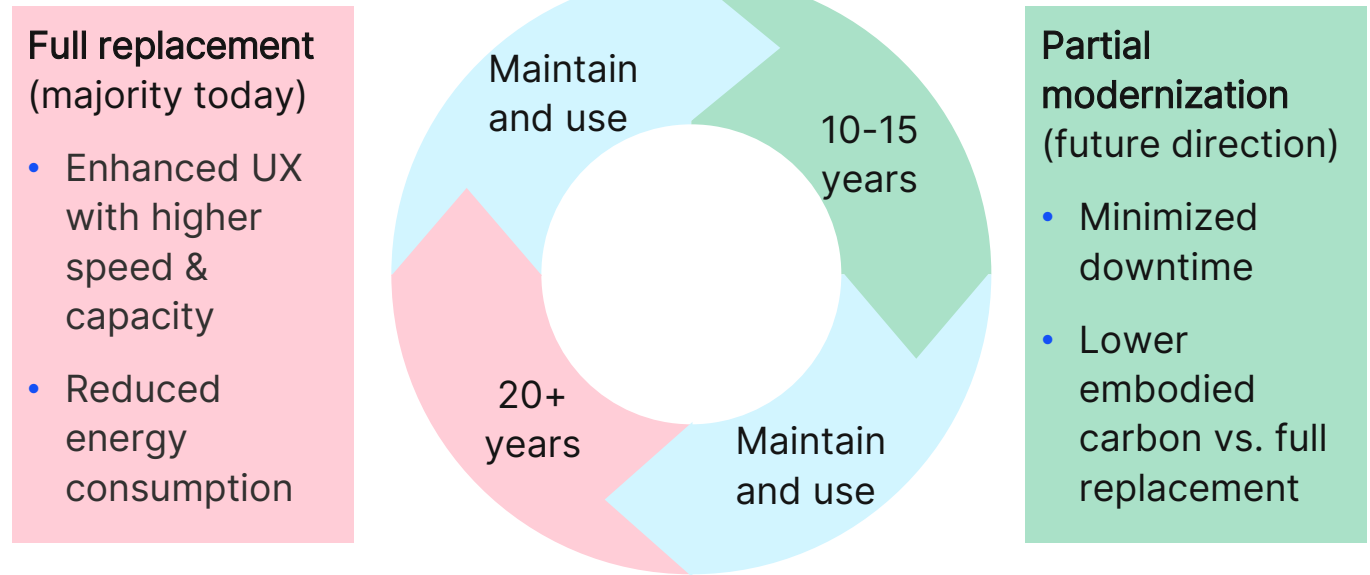
Today ~50% of our modernizations are within our service base

- We understand the condition and usage of the equipment

Exciting opportunities also outside our service base

- >1 million KONE units maintained by others
- Increasing share of wallet with existing customers
- Major projects

Two types of modernization



# Win Residential the industry's largest segment

Develop fit-for-purpose offerings in New Building Solutions

Drive efficiency in sales and delivery

Realize lifecycle vision

→ Increase market share with improving profitability in New Building Solutions; Contribute to Service growth



# Cut Carbon helping customers decarbonize

## Reduce own carbon footprint:

50% reduction in Scope 1 & 2 emissions

40% reduction in Scope 3 emission per order received

Increase the share of  
carbon reducing  
revenue to help  
customers decarbonize

Develop competencies  
and tools to show  
impact

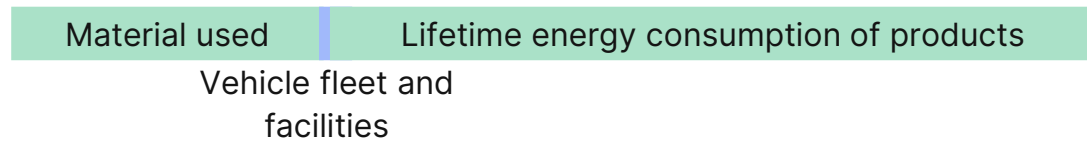
→ Differentiation and positive impact on the planet and  
**our customers**



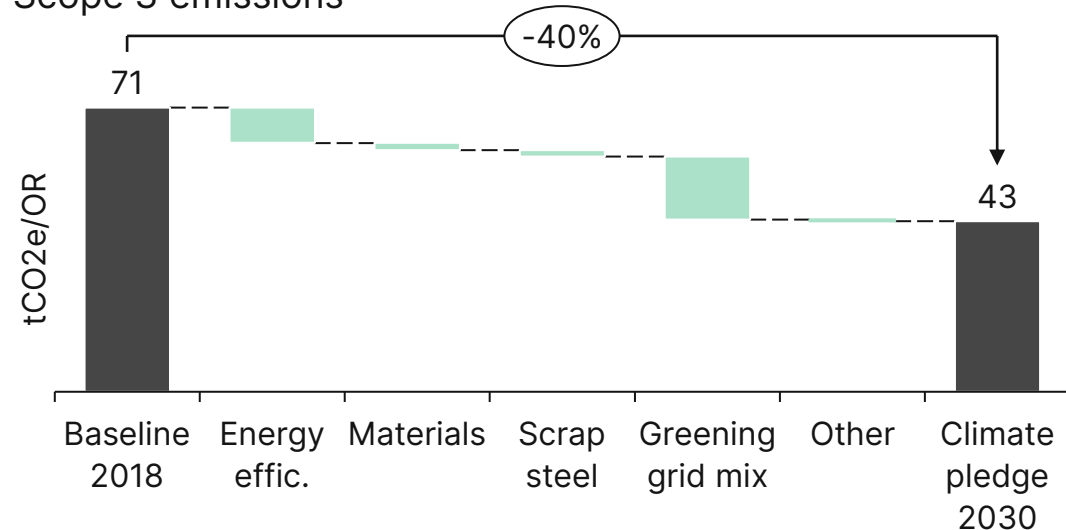
# Reducing our own and our customers' carbon footprint

## We are on track to reach our climate pledge

KONE's total CO2 footprint



Scope 3 emissions



## Carbon reducing revenue



Regenerative drive:

- Energy converted by elevator to be utilized by any other electrical device in the building



Partial Modernizations:

- Extended elevator lifespan
- Lowered embodied carbon
- Reduced energy costs



Digitally enabled service:

- Less frequent visits
- Low-emission car fleet

# Strengthening our core with targeted initiatives

## Performance initiatives to drive margins

- Sales and operations excellence & pricing
- Procurement efficiency
- Functional efficiency
- End-to-end process improvement



Up to 150 bps  
margin improvement  
potential

**Cultural change:** Courage to set the bar high – Speed in execution – Simplicity in everything we do

# How we measure success

#1 for Employees & Customers • Innovation & Sustainability • Growth & Profitability

- Employee engagement
- Customer net promoter score

- Share of new solutions
- Sustainability:
  - Carbon emissions
  - Safety
  - Diversity
  - Cybersecurity

- Faster than market growth
- Improvement in adjusted EBIT-%
- Improved working capital rotation

# We are focused and committed to...

- Accelerating KONE's transformation into a more resilient, Service and Modernization-based business
- Driving a culture of courage, speed and simplicity
- Delivering mid single-digit sales growth and 13-14% adjusted EBIT margin by the end of 2027





# Strong management team – focused and committed



**PHILIPPE DELORME**  
President & CEO



**NICOLAS ALCHAL**  
Europe



**JOE BAO**  
Greater China



**AXEL BERKLING**  
Commercial &  
Operations



**KAIJA BRIDGER**  
People &  
Communications



**JOHANNES FRÄNDE**  
General Counsel



**SAMER HALABI**  
Asia-Pacific, Middle  
East and Africa



**ILKKA HARA**  
CFO



**MIKKO KORTE**  
Supply Chain



**TOMIO PIHKALA**  
Chief Technology  
Officer



**KEN SCHMID**  
Americas



**KAORI UEHIGASHI**  
Strategy &  
Transformation

An aerial photograph of a city, likely Helsinki, Finland, showing a dense urban landscape with numerous buildings, streets, and a waterfront area. The sky is blue with light clouds. A large white rectangular box is superimposed over the center of the image, containing the word 'KONE' in large, bold, grey letters. The letter 'K' is the first character in the word.

K

O

N

E