Metso Q3 2024 transcript

Juha Rouhiainen: Good afternoon everybody. This is Juha from Metso's IR and I want to welcome you all to this conference call where we discuss our third quarter 2024 results, which were published earlier this morning. Results will be presented by our president and CEO of Pekka Vauramo and CFO, Eeva Sipilä, and at this time, we are also joined by our new president and CEO, Sami Takaluoma, who will take over on November 1st. Sami will say a few words after the presentation of the results, and then we'll open the lines for the Q&A. Before we start a reminder of the forward-looking statements we will be making and I'll hand it over to you. Please go ahead.

Pekka Vauramo: Thank you Juha and welcome to this call from my side. A few comments on the quarter's first market activity are very much in line. What we said, one quarter ago. No change in that regard. We are headed in aggregates to low season. The third quarter was already the low season, with strong seasonality where the first half of the year is always more active than the second half. As we said also in the previous results call we have a few larger projects in the mineral site which we feel will progress during the rest of the year. We saw some of them moving ahead, as we announced some of the new orders during the quarter, and also after the closing of the quarter, we announced some additional orders. Margin performance that was probably the highlight of the quarter was a very robust 16.9 percent adjusted EBITDA. That is the same margin that we reported in the second quarter and cash generation has been an issue issue for several quarters. We had a good cash generation, especially if we excluded the discontinued operations where we announced separately a sort of a cost relating to waste-to-energy termination or waste-to-energy business during the third quarter.

Pekka Vauramo: Then if we look at, look at the orders of the numbers we see a 3 percent increase in order line in group level sales continue to decline. That is because of the lower order intakes during the previous quarters three quarters, and four quarters. We've been on a declining trend already before this adjusted EBITDA 196. That's 8 percent down from the previous. That's because of the volume difference, but good margin, as I already said, an improvement on a year before an operating profit 178 million. Also following mainly the volume and slight uptick because of the margin out there, a 15.3 percent operating profit and the earnings per share 0.15 cents, and cash flow from the operations here, we need to remember that there is the termination of waste to the energy business, which makes the cash flow from operations negative. We'll see later on what could have been without it. In the aggregates. When we look at the segments, slight decline still in the orders, 10 million below the previous year.

Pekka Vauramo: This is a low season. We earlier said that we might be fairly close to the previous year's level. and this is what this one shows equipment orders are slightly down more so in services at 8 percent down in the aggregates segment sales continued to decline more. That's again because of the order bookings development during the previous quarters and services share continued at 35 percent adjusted EBITDA from the aggregates 45 million. A year ago we had 8 million more Moore mansions still very resilient at 16.1. We continue to manage our costs and costs well. That's what is supporting our margins at this moment rather than the market. Then do the mineral site orders up as you see there. We have also booked some orders after the closing of the quarter, as I said already which will be then reported in the fourth quarter, numbers about the equipment orders grew 13 percent services remained flat. Sales continue to decline for the same reason as in the aggregates or the bookings during the previous quarters are not supporting higher, higher level services down 4 percent equipment 26.

Pekka Vauramo: We do have in all of these numbers, about three or 4 percent negative currency currency impact. That should be also noted. Trevor, we'll talk about that one a bit a bit later on. Services share 66 percent along the lines as in the previous quarter, but up from a year before Ebit 161 versus 174. The margin went up to 18.3. We are on our journey towards the 20 percent. On this sort of volume level where we are, it is tough to reach out. But once the cycle turns we are well positioned to head towards that one. Strong execution altogether and yes, we are managing our costs and of course, the service's high share supports, the margin development and at this moment I'll hand it over to Eeva.

Eeva Sipilä: Thank you Pekka and Good afternoon to all of you on my behalf as well. Continuing from what Pekka already said, I would comment on a few additional lines from our group income statement. Indeed, if the currency impact on the sales line had a four percent negative impact on the group level then the graph on the right deserves a comment. As the result from discontinued operations materially differs from the earnings from continuing operations. As I've already reminded you, in early September when we announced that we had completed the termination of the waste-to-energy one-time business and unsettled the related legal processes concerning these historical data projects, the related one-time expense of 250 euro million pulled down the result of the discontinued operations in the third quarter. That's where it is booked in and hence explains the negative reported earnings per share as well. On the tax row, the effective tax rate for the quarter was 24 percent.

Eeva Sipilä: A year to date we're at 25 percent which is what we have guided on for the full year as well in line regarding our balance sheet. Total assets at 7 billion euros are up a few hundred million euros from the end of June but slightly below where we started the year from inventories are finally down a notch from the previous quarter. Net debt is up by 100 million euros 1.16 billion due to the funding raised to pay out the one-off cash charge from the termination of the waste-to-energy business. Group cash flow for the quarter has already been impacted by the one-off cash outflow in discontinued operations. Hence we've separated the two rows for the profit for the period. Continuing operations and this continued separately to help you then do your marathon on what's truly operational. If we exclude the cash outflow of 275 million in discontinued operations, our net cash flow from operating activities would have been

256 euros million positive cash flow remains supported by the healthy profitability and the strong margin, as I referred to. Also, the change in net working capital was finally positive for the quarter. A very small number, but we do expect a bigger positive impact from working capital in the fourth quarter. moving to my final slide on our financial position. Liquid funds consisting of cash and cash equivalents amounted to 467 million at the end of September. During the third quarter, we drew one 250 euros million loan that we used for the payment of the one-off item, while another, a new, smaller 50 million loan was undrawn at the end of end of September. Both our equity to assets and debt to capital at the end of the quarter were stood at around 38 percent. And with that, I would hand it back to you. Back.

Pekka Vauramo: Okay. Thanks. On the portfolio side, we've announced three acquisitions. Two of them, the first ones, have closed already on the third one. We signed just recently and we're expecting that to close in early 2025. Index the first one being very small processing. Specialist for valves and flow control. We're talking really about the mining industry and minerals processing applications here. The second one is diamonds and screen machines supporting the growth of our aggregates business. Green machines supply equipment fairly similar to mobile aggregates production as the traditional metal line and diamonds more focusing on recycling. The waste that's coming from infrastructure i.e. construction materials and expanding our offering and we'll integrate these into our aggregates business line. Then the last ones we saw, mills were met. Did have a 15 percent shareholding as well and we announced the plan to acquire the outstanding shares from the other owners here the offering is Vertical Mills which are our energy-saving mills.

Pekka Vauramo: They very well complement Metso's existing mill and grinding offering. We feel that this technology is a technology that is a winning technology because of the energy-saving features that it does have. These are the acquisitions during the quarter. Then the next one is on sustainability, development, and the planet's positive side. The actual number is a decline, but the decline is smaller than the overall decline. Our sales declined overall 12 percent and Planet Positive went down 9 percent. Relative share improved slightly. Our operations continue to implement actions and take actions there. We have now first, plants that are already on net zero level, and we will see in the future more of our plants adjoining that group of where we are internally on a net zero basis already. On the logistics side, we have more challenges, and will be difficult to reach the 20 percent target.

Pekka Vauramo: What we have here, we are so dependent on shipping fleet, global shipping, fleet conversion, and different types of fuels, and therefore our sort of ways and means to achieve that target or other is rather limited than on the other hand with our suppliers, we are very pleased with the development that we've seen them and willingness of our suppliers to join the science-based emission targets. We are already at our target level which we should have had by the end of next year and then the market outlook, we expect the same outlook as before. We expect the market activity to remain on the same level in both of our segments and then we announced also today the Appointment of Sami Takaluoma as the next president and CEO of Metso. Sami is here with us. He does have a long background with Metso.

Pekka Vauramo: He joined Metso in 1997. He has been in different positions in our wear parts and consumables businesses and service businesses lately so and he has been also working in the market areas previously outside Finland and from my side I'll welcome some Sami on board and I will hand over as it here says on November first. Very soon between November 1st and the end of the year, I will be here with Sami, will make some customer visits, and will visit some investors to make sure that Sami gets going and then I'm sure Sami has a few words to share with you before we go to Q&A.

Sami Takaluoma: Thank you Pekka and good morning. Good afternoon to everybody from my behalf. I'm excited about this opportunity to lead this great company and continue. A lot of the great things that during Pekka's leadership, the company has been developing. There's a lot of good that will continue and then, of course, looking forward to the future needs to make this company even greater and towards the tier one and the industry leadership so that that's going to be on the agenda. We will continue to invest in the technologies that we choose. Then of course, we will continue to invest for the people in the company to make the company strong. The handover will be will be happening soon. I don't think that I need the traditional 100 days to understand what the companies are and what the products are. That 100 days will be spent on many more different kinds of things than in the other kind of situation but looking forward to discussing more with all of you near future.

Operator: 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 Klas Bergelind from the city. Please go ahead.

Klas Bergelind: Yes. Hi, Pekka, Eeva, Sami. First on the service orders in minerals, I think. Eeva. Last quarter, you said it was a timing issue with the week. June. And we should see a bounce back. I'm just trying to understand the mechanics here. We also see push-outs of sort of decision making or the mine is concerned. Also on the service side, are you being hesitant? How should we think about orders here into the fourth quarter. That's my first one. Thank you.

Eeva Sipilä: Thanks. Klas in in indeed. A slightly than we hoped on that side. There is an element of that hesitancy and pushing on anything that's slightly bigger. I mean obviously in our aftermarket, side for the mining customers, we also have some sort of refurbishment type of bigger ticket items and you could say that. Well, the dialogue is very active with the customers. The final decision making, sometimes gets delayed and and indeed, we had a slightly slower September than planned, but nothing to sort of as such pinpoint in a way and the underlying activity were still very comfortable with.

Klas Bergelind: Okay. My second one is on the margin. Did you manage to get through some incremental price increase here that came through in the PNL, or was this sort of cost action that drove this mostly to understand how pricing in the PNL is looking both on the carryover or if you get any sort of new pricing on top, and then on the standardization of the project offering, which would help the gross margin over time. This is obviously minerals that we see and a benefit here that is starting to come through. Or is it other cost measures driving this.

Pekka Vauramo: Thank you. Um naturally the mix contributes to the margin margin at a time when the equipment orders or sales are declining faster than service is services is rather resilient on on top line top line anyways in our case. That's probably the main main contributor pricing itself. I don't want to comment comment too much on on that side of it, but we are doing continuously improvement actions, productivity improvement actions in in in the company company. If you recall, we had a certain restructuring ongoing in our minerals, which we completed earlier in this year and that has contributed also to the improved margins in our mineral site.

Klas Bergelind: I get that. The mix is obviously positive, but I was thinking whether pricing is coming through in a big way than I might have thought, but okay fine. By my third and final one is on the corporate side. You sound a little bit more upbeat than if you look at the the order pipeline and the discussions. Would you say that they have intensified a quotation activity compared to when we spoke last quarter at the overall decision making is slow, but we started to hear of a bit more greenfield activity on the corporate side coming through, and I'm keen to understand if that is what you're seeing as well.

Pekka Vauramo: That's that's what we see. We feel and if I look at our proposal pipeline, we are now third quarter into clearly higher level in proposal pipeline. In our mineral sites and predominantly anything bigger there is predominantly copper. We do see some gold, but gold is very different type of business. It turns into smaller orders rather than big orders and then typically gold which is byproduct in many mines, almost like I would say most mines have have some gold and extremely high gold prices is naturally motivating the miners to sort of make sure that they do get more gold out of the material that they are handling as a side product. We see some investments there in that area, but there are smaller ones.

Klas Bergelind: Thank you.

Operator: The next question comes from Christian Hinderaker from Goldman Sachs. Please go ahead.

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Christian Hinderaker: Yes. Good morning and welcome to Sami. My first question is a follow up on on classes one and after market orders. I think you called out slow decision making around rebuilds in minerals. I'm just curious as to whether you think that that's temporary hesitancy today versus perhaps a normalization from the strength we saw in 2022 and 2023. And then similarly on the aggregates business, I think this is the first sub 100 million aftermarket order numbers since 2020. Do you think that's just the summer slowdown? Or should we take from your stable outlook statement that this is a more realistic run rate for the quarters ahead?

Sami Takaluoma: Maybe maybe I can I can take this. Definitely there is a customer need for for these bigger upgrades. And that is also driven by the demand of the production. So a little bit how Eeva was already answering. The hesitance comes more from the timing that when the customers want to spend this money from their own financing plan point of view. In that sense, this is this is a slowdown of these orders as we speak. And they are all in the pipeline and customers have not dropped the discussion about these opportunities with us. They want to continue, and they are waiting for placing those orders as well in the in the upcoming months.

Eeva Sipilä: And the specific Christian to your question on the aggregate side. So obviously the sort of seasonal seasonal, issue plays plays a role here. I think you should be cautious on the aggregates, fourth quarter, be it equipment or services for that matter. Last year, there was there was a the sentiment was somewhat better in a way. We did have that end of the year increase in orders and now, looking at the external environment around us, I think we see we're less, we're less optimistic of seeing something like that. Rather in that sense on these levels and it will really, in our view, take into 25 before we see an improvement in the aggregate side, as said, be it equipment or aftermarket.

Christian Hinderaker: Thank you both. Maybe I can tend to inventories now 1.97 Billion in the quarter. So broadly flat sequentially but but still at around 40% of revenue. Um, you've previously talked about an ambition to cut that number by about 500 million. Um, that's about a quarter of the current balance sheet number. I'm just curious if that ambition still holds. How long do you think it would be necessary to achieve that? And is there any risk of any writedowns on the inventory balance today?

Eeva Sipilä: Well, I think we sort of were happy with Sami to, to continue with Pekka's ambition level in that sense. However, I think in in, in in most of the calls, we've been kind of indicating a couple of hundred million. There's the more sort of shorter term targets. So maybe a reflection of that. And and indeed, I think we we are slightly behind has said the actions, uh, are moving forward. So, so we are more clearly more optimistic on the Q4. But uh, but I think we will be, we'll uh, some of the work will, will certainly go into go into next year as well. And then really to, to achieve the higher ambition that requires also more, more work with, uh, with our tools and more work in how we, how we plan and a bit more and more work on the operational planning side as, as as well.

Christian Hinderaker: Thank you. Maybe just a final one. The Swiss Tower Mills acquisition. I think that they had a distribution agreement with Weir Group previously for for the vertical stirred grinding mills. Will that remain post the acquisition and can you give a sense as well for the installed base of its products today.

Pekka Vauramo: We are currently between between signing and closing and and we do not comment on on any any action after the after the closing at at this moment. But obviously we have looked into this one, this, this one, this one and and whatever. Activities other companies may have around the Swiss town mill. We are happy to supply. Supply uh, even after closing of of these ones. But like I said, I mean any, any other actions, I, I cannot comment at this moment.

Christian Hinderaker: Fair enough. Thank you. Pekka.

Operator: The next question comes from Max Yates from Morgan Stanley. Please go ahead.

Max Yates: Thank you. Good. Good morning. Just my question is just around aggregate margins. And if you look at the price or price cost on orders that are going into your backlog, how does it make you think about kind of margins over the next couple of quarters? Should should we assume that the kind of 15% ish level that we've just printed is the sort of trough level of this business, or does kind of price, cost and pricing in the equipment tell you that that margin kind of could potentially go lower from from where we are currently?

Eeva Sipilä: Well, I think we're quite comfortable with with the prior price cost development as such an A, the challenge is more the size of the backlog, not not not the quality. And so obviously the we lack operational leverage in, in in what we do. Uh, but in a way this is a, this third quarter is always the summer, a summer holidays when factories are closed. And in that sense, you could say that this is a tougher, tougher from our operational leverage than Q4, even if we then have Christmas holidays in in some but clearly some countries, but clearly shorter. So uh, yeah, I think we've we worked very hard to prove that, uh, that uh, aggregates margins are more resilient than I think the market was. It was expecting. And in that sense that that work does does continue.

Max Yates: Uh, okay. Um, and just, just secondly, I just wanted to come back to the, the minerals margin, um, just to kind of really understand it because I think if I think about it on a sequential basis, your your margins have gone up by more than 100 basis points quarter on quarter, with no real big change or no real positive change in the mix. So I'm just really trying to understand, like if I look versus the first half of the year, margins are meaningfully higher this quarter. So is there anything you can help us with or sort of point to, to to try and explain kind of why that happened? And I guess what I'm really asking is, is sort of above 18% the new normal, or do we kind of graduate back to those kind of low seventeens? It would be really helpful to understand what drove that, to understand the kind of sustainability and whether that should be considered a new normal.

Eeva Sipilä: Well, well, I think Christine, like Pekka hinted to in his presentation, uh, we talked about the mix. We really had a good mix in the equipment side, so not so much the service, uh, service capital mix, which, uh, perhaps is, uh, is what you were referring to. So, uh, product, product equipment side margins were, were, uh, high and, and, uh, and yeah, and I think high on a level that, uh, that certainly a lot, uh, sort of many stars were aligned. So in that sense, I, uh, I wouldn't say that we were sort of sustainably on a, on an 18% level yet. Uh, but, I think it's it's just nice to see you that, uh, that we are the direction is correct and there is certain lumpiness and that's that's something that's good to bear in mind, but but directionally correct. And, and I think that's really the, the hard work behind that. It's not only a volume game, it's really the efficiency game. Game also behind.

Max Yates: And could could you just sorry the just final one. Just just I mean maybe I should know this, but could you just explain to me within your margin mix within equipment what what constitutes a good quarter of mix. Is it like a particular region? Is it a particular product type. Like what? What means you have a very what is it that drives a very good equipment mix when you talk about it?

Eeva Sipilä: Well, it means the offerings. There's margin differences inherently in between the products, product groups, so to say. And then, of course, it's just execution that, uh, that things can sometimes go also very well from a delivery point of view and where we sort of do really achieve achieves a clearly better performance at the sites.

Max Yates: Okay. So what it might be like, what crush crushes is particularly good margins relative to grinders. I've just never, ever heard that I've covered matzo for a while. I've just never, ever heard this talked about. So I'm just curious to well, it's is can you give us an example?

Eeva Sipilä: Well, I mean, it's certainly nothing new, Max. So and I think it's obviously it does relate to sort of one's market share and kind of how, how strong, strong a position we are. And then, then there's a certain element obviously related to to the wear and tear as well. And the criticality of the equipment. I mean, not not not nothing surprising. I would say certainly in capital goods that you that you would have these differences.

Max Yates: Okay. Understood. Thank you.

Operator: The next question comes from to Tetrisa Sina from J.P. Morgan. Please go ahead.

Tetrisa Sina: Hello, I've got two questions, please. So firstly on minerals orders, I think in the release you said that you've got about 170 million of large orders, but given the announcements that were made, I had about more. I had more than 200 million. So I guess if the large orders was indeed 170 million, does this imply the base order intake was about 220 million, and therefore this is the level we would expect for Q4? That's my first one.

Eeva Sipilä: Yeah. I would confirm that your your your calculations correct in a way the on that and it was then it doesn't sort of automatically of course mean anything for the fourth quarter but indeed the smaller side was a bit slower in Q3.

Tetrisa Sina: Thank you. Then I guess the second one, which is a follow up from an earlier question on inventories, could you just provide a bit more color in terms of what have been the challenges in reducing the inventory levels thus far? Obviously, I guess how you would get to those hundred to 200 million incremental going forward?

Eeva Sipilä: Well, it's a broad based effort. Of course, we're the main challenge I would say is really getting all all the all our efforts aligned globally and sort of not sort of sub optimizing somewhere else when, when if you take two aggressive action in one, one part of the one part of the value chain and how we sort of break it down is really into very granular efforts coming from sort of a few million rather than sort of a one big program. It's really a sort of long, long list in Excel that I look at and, and, and when we follow it up on a, on a monthly basis. I think it's really the speed is perhaps also one thing where, where I think originally we were, uh, we thought that the supply chain kind of works through the from order to delivery quicker. And then when you start sort of even if you stop ordering or slow down ordering new, new things in the actual sort of turn times in, through our sort of global system, so to say, which consists of many inventories in warehouses and factories. So kind of that chain, the length of that chain. And obviously that points to certain opportunities for us going forward in a way where we can and do need to further, further streamline. But but it's these type of these type of things. And as I said, we've we've also wanted to sort of do it in a responsible and way from a, from a margin point of view because we feel the inventory as such is current.

Tetrisa Sina: Thanks, Eeva.

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Operator: The next question comes from Vlad Sergievskii from Barclays. Please go ahead.

Vlad Sergievskii: Hi. Good afternoon and thank you for that opportunity. I have three questions and I'll ask them one by one. First one is a follow up on inventories. This 200 million reduction of 500 million in action over the long term. Would you be able to give us an idea how those numbers could be split between finished goods inventories on one side and all other inventories on the other side?

Eeva Sipilä: Well, the bulk of the work Vlad is going on on the finished goods goods side. In a way, that's where we kind of consider the excess to be. I mean, then obviously we have uh, in our business model is inherently that work in progress goes up and down depending a bit on how projects move. And that, uh, that was is something that we wouldn't, as such want to want to in any way sort of mess up with it. It, it follows the, the course more of of kind of how, how things move and proceed in, in the customer projects. And sometimes there may be delays, sometimes things, things move earlier and that there's obviously that's a big puzzle of many, many parties involved. So. So in that sense, this 200 million is really around around the finished goods side.

Vlad Sergievskii: So that's very clear. If I can also Ask about the customer hesitance, which you highlighted on both small and new equipment orders and large upgrades in service. What do you think is driving this hesitance today? Metal prices are very favorable. Your customers, I don't think, have any problems with the cash flows. So what do you think is the reason for that hesitance?

Pekka Vauramo: Um, of course we need to look at what what metals we, we talk about, talk about or what minerals we, we talk about, uh, copper prices and and gold prices are favorable and we don't see any issue in that, that part of the market. But at the same time, nickel mines, zinc mines, zinc mines and, and of course, all the battery metal side, those, those businesses are very much in sort of cost cutting, Cast preserving mode mode by themselves. And and we need to remember that that both our segments, our customers and, and our distributors went into or came out of pandemics with fully fully stocked and and so where we're fully stocked and and this destocking is, is is still uh, that needs to take place before we start the to see the sort of fresh volumes flowing in, in, in properly.

Vlad Sergievskii: Got it. That's very clear. And my final one more housekeeping. One, uh, as operating expenses in the PNL war, 90 million positive this quarter, which is the highest quarterly number over the past years. From what I can see, what is the nature of this big positive contribution to earnings? Uh, through this line plays.

Eeva Sipilä: Well, uh, Vlad, it is a bit of a mixed bag. I mean, there's, you know, gains from disposals, various kind. There's some effects included. Uh, sometimes we, uh, there's some. Sort of non non-operational, uh, provisions related. So yeah, indeed it was a, it was a higher, higher number in, in, in this quarter. But really nothing specific I would pinpoint to in a way. But uh, but yes, I wouldn't sort of expect that every quarter from, from here on is, is like that. So uh, but uh, sometimes a bit lumpy.

Vlad Sergievskii: Understood. Thank you very much for the answers.

Operator: The next question comes from William Mackie from Kepler Cheuvreux. Please go ahead.

William Mackie: Yes. Good morning. Thank you for the time to ask the questions. Uh, so my first question is very top down. Uh, Pekka, you leave a great legacy of transforming, uh, mezzo to its shape today. And the transition or handover to Sami is done from an internal perspective to ensure continuity. So with those things in mind, as the company moves into a new era or a new phase, um, can you share any thoughts as to where you see the most critical priorities to develop from here? And perhaps given Sami your background, uh, what do you initially sense? If it's, um, perhaps too early, but what do you sense are the areas where you can push to develop and take mezzo to the next level?

Pekka Vauramo: If I, if I start, of course, I don't want to put, uh, put or add any, any things on Sammy's list list of things to do. But, uh, but I see very much that we are on a journey and and even though there is a change in leadership, I don't think it's a reason for us to stop. And we have so many good things in, in, in the pipeline. We have a good mindset how to how to implement those, implement those things. Uh, and I'm quite sure that some will, will, will sort of review what those are are valid going forward and which ones are not. We have certainly discussed already in this call, call some of those things. And obviously we we need to pay attention to that, that in in different shocks that we continue to see in, in the marketplace and, and in, in, in, in the environment that that we manage our inventories. Uh, better than, than, than we have succeeded during, during my time and and understand that that but I'm sure that somebody won't be able to escape that one, that one. But I would leave more or less the rest for Sami to Sami to comment.

Sami Takaluoma: Yeah, definitely. Uh, there is a good foundation, uh, to continue a lot of the things that are already ongoing and, uh, they can be accelerated and having more focus, I think, uh, thinking thinking your question here. So, um, one area that we can we can still improve is, is definitely to, uh, show for our customers the, the true complete value in our offering, uh, from the perspective that the total cost of ownership is, is, uh, even more visible for our customers. And, and that is one area that we will go into work together as a, as a big team of medicine. And then, of course, we have those operational excellence, uh, areas where, where I, I'm, I'm more than, more than eager to take a look at the what can be done faster or better or or with the better results going going forward in the in the upcoming years. But the main main building blocks are there already. We have a culture where we have people easily coming online to understand that what is important, and we are then able to move as a, as a complete company to the right direction. And then of course, we we continue to build this resilience when it comes to the continuing the journey of, of our, our margins, for example, which will be very much in the, in the, in the agenda for the management going forward.

William Mackie: Thank you very much, um, for that initial insight. Um, my first, second question, um, comes back to mining, uh, or perhaps the group, um, I noticed that there was a big step up in revenue recognition over time in Q3. Um, this year compared to last year, um, that's not broken into the segments. But I mean, how should we think about the revenue development in the in the fourth quarter of the year within mining or minerals, rather? Given that you've been trending down about 20% each quarter through the year, and we haven't seen a material shift in underlying orders.

Eeva Sipilä: Well, I think in indeed the, um, the backlog does, does kind of, um, dictate what, uh, what what sort of feasible to expect on the top line. And whilst we've now had a better quarter in orders, obviously these recent orders don't really contribute much sales into into this year. That's more for 25. five. So in that sense, whilst they, uh, I would say that the sales in the third quarter were, were on the low side. Uh, there's uh, there's not, uh, that huge a different difference necessarily feasible to expect in the fourth quarter, hopefully a bit, sort of a bit brisker activity on, on, on the aftermarket that uh, and then some, some opportunity. Usually the fourth quarter is slightly better on the capital side. There's deadlines, deadlines on on deliveries in a way that that will, will certainly try to try to make.

William Mackie: Super. Thanks, thanks. And the last one comes back to aggregates and the service business. I mean, when you look at the decline in underlying service in, um, aggregates, maybe what's the best way to interpret that? You know what? Where do you think it is that the customers are dropping off on their service rates?

Eeva Sipilä: Well, the challenges in aggregates are clearly focused around the mobile mobile equipment. The stationary side is uh, uh, is performing better. And that does then apply both to equipment then and on the aftermarket aftermarket side.

William Mackie: Super. Thank you very much.

Operator: The next question comes from Antti Kansanen from SEB. Please go ahead.

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Antti Kansanen: Hi. I had two follow up question and first is on on the margin and the positive contribution from the other operating expenses and. And in common. And I mean, you also have a clear reduction on your current provisions on your balance sheet. So I just wanted to understand, is this something that is driving the strong margins on the minerals side? I mean, you flagged the equipment mix, but is there something related to project execution that results on on the release of provisions and the contribution on, on the other opex line? So maybe Eva, if you could still open up that a bit more.

Eeva Sipilä: Sure. And so the change in provisions, I would say, really relates to the waste to energy termination. I mean, as you remember, we did have provisions there, not unfortunately enough to cover then the final outcome. But but that obviously is there is still a relatively sizable, sizable change. So uh, uh, not really a link as, as I was telling, I believe earlier, earlier in the call, this other income and expenses is, is is more than a, a sort of combination of many smaller things, so to say. So, uh, not not really linked with a bit with this sort of then project provision related issues.

Antti Kansanen: So if I understand correctly, the even if it's a discontinued operation and kind of the negative items are there, it's still visible on the balance sheet on, on the provision line when you release the original one, or.

Eeva Sipilä: Typically when uh, because these have been sort of discontinued for, for many, many years. There's at some point you, you need to bring some of the balance sheet things back, back on, on, uh, even if the business from a PNL point of view continues in discontinued. So, uh, and of course, you also have the slightly reduced reduced balance sheet in, in the interim reviews so that, uh, I mean fewer rows. It will be perhaps more, more clear when the annual report comes out.

Antti Kansanen: Okay, that makes sense and then the another follow up was on on the finished goods inventory situation and on on the let's say mid term potential to release the finished goods there. Could you talk about if the bulk of that consumable spare part and aggregate equipment inventory that is sitting there. Because I think kind of the size of the market and the situation among the clients is, is a bit different between the different products. Just wanted to understand what's the challenge of getting that out to the market.

Eeva Sipilä: Well, it certainly impacts both both segments on on the minerals side it is really aftermarket. Services consumables related. In the aggregate segment, it's there is a sizable equipment chunk. There is also also then aftermarket. Both both spare parts and consumables related.

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Antti Kansanen: And if we compare it to kind of the excess inventory value between what minerals? What's up the market, is there any comment on that one?

Eeva Sipilä: Not quite sure of your question on that.

Antti Kansanen: No, I just wanted to understand that on on the size of kind of the inventory release that you're targeting mid-term, is it more bigger portion of of the excess inventories in value. Let's say mineral aftermarket products.

Eeva Sipilä: Then I would say that indeed it's really the mining aftermarket where there's a sizable chunk. That's really obviously the area that got a bit sort of too big when with all the concerns for downtime and obviously in an area where our customers are very demanding. What comes to the availability of spares and where's.

Antti Kansanen: All right. And then maybe the last one, if you could remind me, because you mentioned that year ago on Q4, you had a bit of that kind of before year-end pre buying on the aggregates equipment was the turn of the year last year still a period when you made price increases on that business, which kind of resulted on clients buying before that.

Eeva Sipilä: That was part of it. But then if you remember it was a very brisk start of the year in into this year and the aggregates and then it actually, then it quickly slowed down. There was also a clear sentiment booster that then impacted the customer behavior in sort of late, late 23 already, and then certainly continued well into early 24.

Antti Kansanen: All right. Thank you very much.

Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

Panu Laitinmäki: Thank you. I have three questions. Firstly, on the order intake can you talk about your expectations for Q4? I mean, we have now seen some announcements, but in Q2 report, you were expecting better order momentum and we saw a good Q3 but does this comment still hold for Q4 as well?

Pekka Vauramo: I would say in mineral sight they still do hold but I want to sort of just say that always when we talk about bigger orders they can easily move one quarter to a later date or even two quarters. This great uncertainty when we look at the order

order intake. How it develops. I commented earlier that we do have an increased proposal pipeline. And there is potential for near-term orders. Anything bigger I mean, difficult really to say. I mean if the boardrooms are not ready to decide or so I mean, there's very little we can do about that one but if if things proceed in the boardrooms, then of course we do. See then with the small delay from that one orders on, on our side as well. For proposals, we have no certainty on timing.

Panu Laitinmäki: Okay. Thank you. then secondly, on the margins did you get benefit from lower raw material costs minerals? Because I recall that two years ago there was this issue with consumables suffering from high energy costs and so on, but have you kind of gotten it other way recently?

Pekka Vauramo: If you recall, we also said that we are indexing. We did index our contracts, which means that when the inputs are getting more expensive, we're getting price increases. Then it works the other way around when the inputs are cheaper. Nothing material with these actions we try to hedge our margin and I think we succeeded reasonably well with that one.

Panu Laitinmäki: Okay. Thanks. Then the third and final question is just on the kind of project risk. I just noticed that Freeport is having some issues with the smelter, which I believe you delivered. There was a fire and delayed start-up. Even if you cannot comment on an individual customer, can you kind of on a general level? Comment. Is there a possibility for you to kind of have to pay something if the customer gets a delayed start-up because of something delivered for you?

Pekka Vauramo: This is a very recent event in that case and we do not have full details of the case therefore I do not comment anything on the money. Our case future will show what the cause of this one was and we need to look at what consequences it has or hasn't on us. At this moment there's nothing pinpointing that we would be responsible for what has happened there.

Panu Laitinmäki: Okay. Thank you.

Operator: The next question comes from Mikael Doepel . Please go ahead.

Mikael Doepel: Yes. Thank you very much. Firstly on the aftermarket business in minerals, I remember you have previously said that you do target growth there both in terms of orders and revenues this year. Just wondering if this target still stands given what you have reported so far, and expectations going forward.

Sami Takaluoma: That still what we have in our estimates as well.

Mikael Doepel: Okay. That's very clear. Thank you. Partly related to that, I mean, you also mentioned the FX impact, which was quite negative in the third quarter. If you look at your numbers there on both. We could say orders and revenues. Any ideas of what you expect in terms of the impact on a year-over-year basis in Q4?

Eeva Sipilä: Oh, that's a tough one. I wish I knew. I think many people in the world would want to know with all these geopolitics, that can go many ways, it is what it is and we'll just sort of reported separately so that you can sort of see the underlying trend.

Mikael Doepel: Okay. Then finally, I mean, you mentioned in the report as well the still challenging mobile equipment market for aggregates in the US in particular. So maybe you could give some of the latest updates there. Where do you see distributor inventories now? Have they changed in the past months? When do you expect to see Improvements there?

Pekka Vauramo: Yeah, I would say that since we are in the low season now and considering that a lot of inventory sits with the dealers. It's inventory that we have sold to dealers and that mostly sits in the North America. The season I'm sure that we will see, an uptick for the season. Is that going to be stronger than last year? I don't sort of comment on that one, that one at all. I would say that earliest we could see an improvement in our sort of order order bookings would be second quarter of next year but that depends really on how strong the season season is, is. If the destocking really clears the stocks dealer stocks during the first quarter or not.

Mikael Doepel: Okay. That's very clear. Thank you very much.

Operator: The next question comes from David Farrell from Jefferies. Please go ahead.

David Farrell : Hi. Thanks very much for squeezing my question in. I just had a quick one about discontinued operations. I noticed in the recent al-Malik announcement, that roughly about a third of those orders were going into the discontinued business. So can you give us an update as to kind of what's left in discontinued and actually what the plan is for the discontinued operations over the medium term? Thanks.

Eeva Sipilä: Well, now post a determination of the waste-to-energy business. What's left in discontinued operations is the metals businesses that we announced. Sometimes back to be divested. That's the ferrous and heat transfer business. The more the chemical side is on the plant side of the business, the more they are still working on divestments, and finding new homes for those businesses. Then obviously any, any sort of order intake we have in those businesses would then most likely move to the new owners.

David Farrell : Okay. Thanks very much.

Operator: The next question comes from Tore Fangmann from Bank of America. Please go ahead.

Tore Fangmann : I've got two questions, but I would say they go hand in hand. You mentioned a little bit earlier that you see improved green fields. I was just wondering, you said it's mostly focused on copper here. Could you please also expand a bit more? In which regions do you see this? A bit more about the trends here and then this in combination with what we have seen now improving OE order intake for the minerals business. And would you say that this is something here to stay? Do you feel like we're here at an inflection point going forward? Thank you.

Pekka Vauramo: I think the inflection point we still need to see truly, truly happening. We have the proposal pipeline which is clearly on a higher level. It's now the third quarter that we see the proposal pipeline being on higher-level geographies. We will see things moving ahead in South America sometime next year, next year, both in Peru and in Chile, and possibly in Argentina as well. These are all copper and several, several companies do have the properties that they can develop. We might see also something in the southwest US happening and then smaller gold mining projects in various countries that are called producing regions.

Tore Fangmann : Thank you.

Juha Rouhiainen: All right, ladies and gentlemen, we are now at the hour, and we need to conclude our conference call shortly before we go. Pekka this is your last conference call. I'm sure everyone in this room and on the line can join us in thanking you for your contribution over these years. And we wish you well. And Eeva, Sami and the rest of us will be coming back in February to discuss our fourth-quarter results. I'm sure we'll be meeting many of you before that and looking forward to looking forward to it but now, thank you, and have a good day. Thank you.