

Knorr-Bremse AG
FY25-Conference-Call Transcript
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Andreas Spitzauer: [00:00:00] Good afternoon, as well as good morning ladies and gentlemen. I hope all of you are very fine. My name is Andreas Spitzauer, Head of Investor Relations, and I want to welcome you to Knorr-Bremse presentation for [00:01:00] the full-year preliminary results of 2025. Today, Marc Llistosella, our CEO, and Frank Weber, our CFO will present the results followed by Q&A session. The event will be recorded and is available on our homepage in the Investor Relations section afterwards. It is now my pleasure to hand over to Marc Llistosella, please go ahead.

Marc Llistosella: Thank you, Andreas. Ladies and gentlemen, I'm pleased that you are participating in the Capital Market call on our preliminary results for 2025. The most important news first. Despite geopolitical uncertainties, we were once again able to steer Knorr-Bremse successfully through a challenging year. Thanks for the stringent execution of our BOOST measures and the dedication expertise of our colleagues worldwide. We strengthened existing businesses, develop new areas of growth during the mining times. Let's go to page Number 2. [00:02:00] We're reporting strong financial results today. Fiscal year 2025 clearly demonstrates Knorr-Bremse excellence and resilience once again. With our BOOST strategy, we have delivered what we have announced. Phase 1 is almost completed, creating a more stronger and cleaner cost base. This is now enables us to clearly shift the focus towards accelerating margin accretive growth. BOOST Phase 2, centers on growth and expansion while maintaining strict cost discipline. This means BOOST and the regained efficiency are not over. This management culture is here to stay in a permanent part of how we run and steer our business. Our Rail division delivers strong margin, accretive growth, and reach its midterm target margin one year earlier. We promised the numbers and we see it [00:03:00] already one year ahead. RVS now represents around 55% of total group revenues, so we become moreish as indicated in the past. At the same time, CVS showed discipline cost management, solid performance decide a tough truck market backdrop, a great achievement by our truck colleagues. In total, we achieved our full-year '25 guidance and have issued a solid '26 outlook in line with our existing midterm targets from the past. We will provide an update on new midterm targets together with the release of our quarter two results end of July this year. Ladies and gentlemen, let us now take a quick look at our guidance for last year on Page 3. We were able to achieve all of our targets, including revenues, EBIT margins, and free cash flow. The strong book, the strong cash conversion rate and the low leverage underpin [00:04:00] these results and confirm our strong resilience. We're in top financial shape ready to continue with our BOOST strategy from a position of strength, I'm very pleased that we're able to present such convincing results today. They are a clear proof that our collective efforts over the past years have paid off. Let me continue with more details of our

BOOST program on Page 4. When we launched BOOST in the summer of 2023, our ambition was clear. To make Knorr-Bremse faster, more efficient, and structurally stronger again. Two years later, the benefits of the program have become clearly visible in our financial results. The consistent execution of SELL-IT and FIX-IT measures have delivered tangible margin, expansion driven by a lower break-even. BOOST is firmly anchored in value creation. Every initiative is designed to contribute to profitability, which remains our top priority. [00:05:00] With the Brownfield part very well advanced, we announced transitioning into the next stage of BOOST. In 2026 and beyond the focus of the whole management team will clearly shift towards Greenfield initiatives, accelerating margin accretive growth and expansion while maintaining the operational discipline we have built. As a result, we expect the company to continue benefiting strongly from BOOST in '26, both proof sustained efficiency gains and an increase in contribution from margin accretive growth initiatives. Let me now turn to our SELL-IT program on Page 5. Overall, we're close to complete all key actions. The sales process for our HVAC business is advanced and we're fully committed to sell the business if we can realize a fair value. Therefore, we prefer a long-term and sustainable solution instead of a has the action, we're not a forced seller and we will never be. [00:06:00] HVAC is classified as an asset held for sale on the balance sheet. The SELL-IT program is only one side of the coin. Over the past years, we have so far the invested businesses and units with revenues of more than €400 million and an average EBIT margin of well below 5%. Once paycheck(?) business is sold, it'll make up to €750 million in total as promise and asset in 2023. On the other side, we have added businesses with revenues of roughly €600 million generating margins of 15 or above percent. This is our definition of portfolio optimization, respectively portfolio rotation. In other words, we have deliberately exited, exited lower margin activities and reinvested capital into higher quality, more profitable growth platforms. Our motivation behind this strategy is very clear [00:07:00] and remains a top priority, creating well shareholder value by continuously improving the quality, profitability and growth profile of Knorr-Bremse. Let me now turn to FIX-IT and our efficiency measures on Page 6. Of the past years, we have made very solid progress in improving key financials. For me, the whole management team keeping fixed cost under tight control remains and is very important. This is not a one-off exercise. It is a permanent discipline for us. We're permanently monitoring our FIX-IT businesses and drive them into improved performance. The break-even respectively, the control of our fixed costs is particularly important to me. In the past, it's suffered from revenue headwinds in countries like China, Russia, and it was impacted by high inflation. This is therefore very important to us as a management team to regain this financial flexibility and strengths. [00:08:00] So far, we have already been able to improve the break-even by 4% points or 400 basic points. In our internal business reviews, I therefore explicitly challenge the operating units on cost structures and efficiency. Frank in parallel places a strong focus on cash flow generation. This combination has proven to be very effective. Our persistence has clearly paid off. Over the last three years. We have reduced headcount by more than 2,400 people, of which only a quarter was achieved through divestments and the major majority for real reduction measures with particularly strong progress in the CVS division so far. In addition,

the migration of operating activities to lower cost countries in our major regions such as Hungary, Poland, and India, is already well advanced. Importantly, cost optimization goes for beyond administrative functions. We're systematically adjusting our operational footprint across engineering, production, [00:09:00] R&D, service activities and purchase in order to achieve an optimized strategic global footprint. At the same time, we have established global shared service hubs in all major regions and are doubling down on those. These hubs are already delivering tangible benefits. Overall FIX-IT has made a meaningful contribution to margin expansion, cash flow improvement, and return on capital employed enhancement of 20.2, 2.8% of Knorr-Bremse. And let me be very clear, FIX-IT is not finished. Efficiency and cost will remain in the legal route of how we run Knorr-Bremse going forward. Let me briefly outline the strategic logic behind how we intend to develop Knorr-Bremse in the coming years. The main focus of our greenfield strategy is to drive revenue growth and margin expansion beyond historical levels. Our portfolio strategy remains clearly anchored [00:10:00] in rail and truck combined with opportunities in adjacent and other existing growth areas. The rail industry provides very attractive profit pools as a result, future organic and inorganic investments will take place more in rail going further. Wayside Signaling as an interesting segment, strengthening our sustainable marching accretive growth. In truck, mobility as a service via our CVS service platform represents another Greenfield pillar. Here we're evolving towards a technology-enabled solution partner and we're systematically expanding digital and service-based aftermarket solutions, a market that is just emerging in trucks. In energy technologies, we're building on our existing nucleus to explore attractive opportunities in intelligent grid solutions and the field of energy distribution, not in a rush, but step by step and accretive. Beyond our call, [00:11:00] we're selectively analyzing and developing additional growth fields like dampers and electronics business. Green technologies are still at a very early stage for Knorr-Bremse, for example, supporting our existing but small reman business. Overall, our ambition is to put Knorr-Bremse on several strong profitables to reduce the cyclicity and grow profitability. Let me be very clear. To be part of Knorr-Bremse, every business must meet its target margin. This discipline is central to create long-term shareholder value, an important part of our financial guardrails regarding M&A. Let me now turn to Signaling on Page 8. Signaling itself is clearly a success story Knorr-Bremse so far. We acquired a good asset and made it even stronger. KB Signaling is well integrated and it is a market leader in an attractive segment, which can be seen in the favorable growth prospects. [00:12:00] Over the past year, our focus was deliberately on cleaning up the project portfolio of KB Signaling. This led to a slight decline in revenues, but significantly improved the quality and risk profile of the business. At the same time, we reduced the cost base for targeted stuffing optimization. If this groundwork completed, our focus is now firmly on profitable growth. We aim to defend and further strengthen our market leadership in the United States and to expand our into markets that have adopted US rail standards such as Australia and South America. In Europe, we have extended our Signaling footprint through the acquisition of duagon, strengthening our electronics and system capabilities. Beyond organic growth, we also remain open to selective non-organic investments to further expand our European activities in Signaling. [00:13:00]

Overall, our objective is clear to build a global high quality wayside Signaling portfolio and to fully capture the attractive growth potential of this market. Moving please to Page 9. Let me now turn to energy, which at first plans may appear less obvious for a company noted and rooted in rail and truck braking systems. However, there are two very clear reasons why this field is highly relevant and interesting for Knorr-Bremse. First, energy is not new to us. For Zelisko, we have been active as a Tier 1 supplier in the European and American energy distribution market for more than 50 years. Together with Microelettrica in Milano, we already generate meaningful revenues in the segment today, and the business is both growing and highly profitable. Second, the European energy market is currently undergoing profound changes. Investments in grid modernization, intelligent power distribution and network management [00:14:00] are increasing and demand for smart, reliable solutions is high. Giving our long-term standing customer relationships and technical expertise, we see a clear opportunity to benefit from this development. Currently, we're screening this market globally and are interested in opportunistic moves. We're responding to increasing demand and concrete requests from our existing customers in the areas we're already in. Our approach is therefore deliberate and disciplined. We intend to expand our positioning and energy technologies step by step for organic investments and being open to selective M&A opportunities always fully aligned with our strict financial guard rate. In this way, energy represents a value accretive extension of our portfolio by reducing cyclicality and cyclical dependency and support sustainable margin accretive growth over time. Our CVS service platform [00:15:00] addresses the truck aftermarket for primarily digital solutions, a segment that is structurally outgrowing the OE market and offers more attractive margin profile. We call it the truck aftermarket ecosystem. We're already well positioned with Cojali providing a strong base in diagnostics data and workshop solutions. Cojali generates annual revenues of more than €130 million with a very, very attractive EBIT margin. We're now accelerating our expansion in truck services with Travis at the core of the CVS service platform. We're bundling services that are essential for fleet operators, but which are not part of their core transportation businesses. Over time, this will include services such as reefer, parking charging, enabled by Travis as an asset light data-driven platform. Together with Travis recently fixed, we're at the start [00:16:00] of being a digital solution partner in the truck aftermarket, strengthening the CVS ecosystem and expanding Cojali's opportunities. Overall, this is a strong strategic fit for our truck division, high growth, attractive margin, asset light scalability, and a higher share of revenues less depending on cycles, and this is exactly what BOOST Greenfield stands for. Building new growth platforms and structurally attractive markets that enhance the quality resilience and growth profile of Knorr-Bremse's portfolio. 2025 was a good year for Knorr-Bremse. Let me briefly highlight the key points. In rail, we secured several important contracts, Siemens-mobility avoided us an older covering braking systems and for the first time a coupling system for 90 lightweight trains for the Munich S-Bahn. In China, we contributed to growth with CRRC supplying equipment for more than 1000 metro cars [00:17:00] in major cities, as well as technologies for around 150 trains complemented by export orders, including braking systems for over 100 locomotives for Kazakhstan. We also entered India first high speed rail project for

an equipment initially with BEML, we initially equipping two prototype trains. Beyond that, with the opening of our new artificial intelligence center in Chennai, we're continuing our global digitalization strategy and also strengthening our presence in India. Just a few days ago, we laid the foundation stone for a new site there, which will be built over the next year and a half. In the future, we will bundle engineering production capacities here for both divisions, so together with a capacity of more than 3,500 people long-term. Digitalization in rail freight was another highlight. In the UK, we signed a long-term agreement with VTG Rail UK [00:18:00] for the supply of at least 2000 freight control Sentinel wagon sets, improving safety, availability, efficiency and infrastructure use. In simple words, we make freight train smart, we make them smart for the first time and after more than a hundred years. In truck, we extended a major contract with a leading OEM for 200,000 electronic leveling control system while continuing to expand our digital aftermarket business. The extension of Nico Lange and my personal contract, a further strong sequence of continuity and stability. It reflects the confidence in the leadership team together with all my colleagues, a strong collaboration across organization and a shared commitment to long-term value creation. Together, this provides a solid foundation for Knorr-Bremse continued success and a very promising future. The deliberately leverage the benefits of artificial intelligence, [00:19:00] we're now further advancing our AI transformation together with strong partners like Amazon Web Services. Our objective is to build a new operating model for the company over the long-term powered by high performance AI agents. This is an exciting initiative for which we're shaping the digital future of Knorr-Bremse, enabling us to become faster, more agile, and more efficient. Let us now take a look at the current market situation for rail and truck, as well as our market expectations for the current year. Starting with rail, the overall picture remains very robust and continues to be our least concerned within the group. Underlying demand is strong across all regions supported by high order books at OEMs and our customers. There has been no material change in market fundamentals, and we expect a full-year book to bill ratio round one or slightly higher. In Europe demands remains solid, the passenger rail continuing to outpour freight, [00:20:00] which is still somewhat softer. Same picture for North America where the passenger business continues to more than compensate for the still subdued freight environment. The APEC reaching continues to develop at a high and stable level. After good growth driven by increased ridership and pent up demand, the Chinese rail market should normalize this year. On the other hand, we're quite convinced and we get clear indications to be part of a new rail platform in China in the future. Turning to the truck markets, the market picture of all has improved compared to three months ago, although regional differences remain pronounced. In North America, while the market is still at a slower level, we're now seeing first signs of stabilization, orders, activities and customer sentiment have improved sequentially suggesting that the markets may be starting to bottom out. For 2026 we expect slightly increasing demand year over year, [00:21:00] that sets and uncertainties remain, and we continue to assume a gradual recovery rather than a sharp rebound with half-year to expect it to develop better than Half-year 1 in North America. The European truck production rate should continue its positive

momentum seen in '25, and it should slightly grow in '26. I would now like to hand over to Frank, we will Outline the preliminary financial figures for you.

Frank Weber: Yeah, thanks Marc.

Marc Llistosella: Thank you.

Frank Weber: Yeah. You're welcome. Yeah, big welcome also from my side. I would say let's first turn to Chart 13 to discuss the financials for the full-year at first. Knorr-Bremse has generated total revenues of almost €8 billion, a strong figure and slightly up in organic terms. On a divisional level, RVS more than compensated for the tough truck market development, especially in North America this year. [00:22:00] From original point of view, Europe and APEC contributed to the organic revenue increase by North America reported a decline. The improvement in our operating EBIT margin was driven by a strong contribution from rail, supported by an attractive regional mix and good aftermarket in general. Together with our operating leverage and structural initiatives from the BOOST efficiency program, this led to a 70 base points increase in the group operating margin to 13%. Rail achieved its midterm target ahead of schedule with 16.5% while CVS successfully fought against the very challenging truck market achieved resilient and stable EBIT margin of 10.4 despite the weak market situation in our stronghold, North America. Order intake and backlog also achieved great results, 6% and 8% up year over year on organic level. These developments once more demonstrate KB's outstanding position in both markets [00:23:00] and provide a great backbone for future growth. The very strong cash flow is again, one of the major highlights of '25. We were able to generate 790 millions in free cash flow, a new record on operating level, which resulted in an improved cash conversion rate of 131%. Looking at these superior full-year results, I would like to also thank all our colleagues, business partners and customers for their great collaboration and dedication in '25. Let's continue this year and support KB to become even stronger. Let's now focus on our balance sheet on Chart 14. A core pillar of our financial policy is and remains the fostering of our superior financial profile. This strong financial foundation has proven its value over recent years and continues to provide a high degree of flexibility. This enables us to achieve our strategic objectives and operational needs while managing at the same time managing [00:24:00] the cycles of the market dynamics. A robust equity base continues to be a key priority for us. At year-end '25 Knorr-Bremse reported an equity of almost €3.2 billion corresponding to an increased and very solid equity ratio of 36%. Our liquidity decreased to around €1.7 billion solely driven by the repayment of our last year's bond maturity of €750 million. Looking at the real operational effect, liquidity increased by nearly 15%. Our net debt therefore declined by 31% to a very healthy €627 million. This was strongly driven by the repayment of the before mentioned bond translating into a strong and comfortable net debt to EBITDA ratio just below 0.5. As a result, KB's credit ratings of A3 and A- remain at [00:25:00] a very solid level with stable outlooks underscoring the resilience and strength of our financial balance sheet. Let's move to Chart 15. CapEx amounted to €319 million corresponding to 4.1% of revenues. In absolute terms, capital expenditures declined by 30 million year

over year. This development is fully in line with our strategy to optimize CapEx spending to a level of four to 5%. Networking capital in operating terms declined by €85 million year over year with an annual reduction of more than three days, resulting in a once again improved networking capital efficiency year over year. This sustained progress reflects the continued success of our collect program, delivering improvements across all key networking capital drivers, especially inventories and trade receivables. Importantly, these efficiency gains were achieved while maintaining the highest level of supply reliability for our customers, [00:26:00] which is our clear priority. Since end of last year, we have accounted HVAC under IFS as asset held for sale. Driven by higher EBIT and continued improvements in capital efficiency ROCE increased by 200 base points to 22.8%. This demonstrate disciplines asset input and utilization while simultaneously increasing our profitability in absolute terms. I would like to provide more details regarding our free cash flow on Chart 16. We improved the free cash flow sequentially last year, reaching €471 million in the last quarter alone. Overall, the free cash flow came in at €790 million on a full-year level, a new record and the best operating figure in 120 years of KB. The increase was supported by stronger EBIT generation, disciplined capital expenditures and the successful execution of our persistently lowering networking capital. [00:27:00] As a result, we delivered broad-based improvement across all the key drivers. The cash conversion rate remained at a superb level, reflecting our ability to effectively translate earnings into cash once more. In '25, it reached 131% in operating terms, which is an extraordinary figure even well above last year's level. If you include the one-off effects of around €80 million for the severance packages in '25, the cash conversion rate would've even been at 138%. Let's move to Chart 17. We continued our way to strengthen KB's sustainability performance to identify efficiency potentials and increase resilience in our operations and supply chain. Our sustainability strategy continues to deliver measurable progress across all dimensions. Since 2018, [00:28:00] we have reduced Scope 1&2 CO2 emissions by 79%, keeping us fully on track to achieve our 2030 climate target of 75% reduction. Despite market-driven revenue headwinds, our emission intensity has slightly improved year over year while self-produced renewable power increased by 41%, further strengthening our energy resilience. From both a regulatory and financial standpoint, EU taxonomy aligned revenues show a slight increase primarily driven by comparatively higher RVS business. This progress is supported by a very strong external validation, including the first allocation and impact report for our Green bond, the leading ESG ratings and multiple sustainability awards we achieved. Let's turn to Chart 18 to discuss the financial highlights of the fourth quarter. Order intake was strong with almost €2 billion with a strong organic growth [00:29:00] of almost 6%, which was well supported by trucks. A book to bill ratio of one again is important and good support for our future capacity utilization. Our revenues almost amounted to €2 billion with a strong organic growth of more than 6% driven by both divisions. Operating EBIT margin increased to 13.5%, which is a very strong improvement year over year. Both divisions contributed to this development. As already outlined, free cash flow improved to €471 million and followed the typical seasonal pattern over the course of the year, which we also expect for '26. Let's take a closer look at the RVS performance on Chart 19 therefore. In

terms of order intake, RVS again recorded more than a billion euros, but showing a decline of 10% year over year, which was driven by all regions except for China, and needless to say, including significant FX headwinds. [00:30:00] In quarter four, we had expected a larger order in North America in the mid double digit million-euro range, which was shifted into 26. Global rail demand is very strong and will continue, but sometimes as regularly mentioned, does not really fit into quarterly reporting. In general, we expect order intake in 26 to be in the range of one to €1.2 billion each quarter. For the year as a whole, the book to bill ratio should be around one or slightly above one after also consistently recording a value of well above one in recent years. As in '25, we expect order intake to be stronger in the first half of the year than in the second half. In the fourth quarter, the book to bill ratio stood at 0.91. Order book at year-end with almost €5.6 billion came close to our existing record level. Organically, the backlog grew by [00:31:00] around 9% year over year. This high order-backlog underpins strong visibility and provides a solid basis for growth well into '26 and beyond. Let's move to Chart 20. Quarter 4 revenues from RVS amounted to nearly €1.1 billion, which is an increase of 3% year over year, especially pleasing was that growth in organic terms accelerated now to more than 7%. Our aftermarket business was almost flat year over year with all regions except Europe showing declines. OE business on the other side grew nicely year over year by almost €30 million. From a original point of view, revenue growth was fueled by Europe while APEC remained stable and North America and China very slightly declined. In Europe aftermarket business and OE sales grew nicely. North America recorded almost stable aftermarket business, but a decrease in OE business. [00:32:00] The APEC region saw stable development with OE overcompensating slightly lower aftermarket figures. China also saw flat OE revenues while aftermarket business slightly declined after some catch-up demand has been satisfied. Please keep in mind that we have had very strong China business in '24 and '25, which benefited from a meaningful increase in ridership. As a result, we expect that our China business could slightly normalize in '26, but still being well above our long-term expectation that we shared with you in the past. Operating EBIT margin recorded an increase of 140 base points to 17% driven by operating leverage and our efficiency measures within BOOST. In addition, we worked off all remaining legacy projects, meaning the inflation burden or backlog. In Quarter 1, normally a rather weaker market quarter due to the seasonality of aftermarket business [00:33:00] and the impact by Chinese New Year, we expect that profitability of RVS should be slightly up year over year. For the full-year '26, the operating margin of RVS should be only slightly below 17.5%, including HVAC. Therefore, and as in '25, we expect the operating EBIT margin in the second to fourth quarter of this year to be higher than in the current quarter. Let's continue with our truck division on Chart 21. Order intake in CVS amounted to €977 million representing an increase of around 10% year over year and around 20% compared to the third quarter. The very strong year over year organic growth of 20% was partly offset by M&A and FX headwinds. From a regional point of view, Europe was very strong and also the APEC region posted growing orders. In contrast, North America recorded significant declines due to market and FX factors. [00:34:00] The strong development quarter over quarter in all regions is quite promising, especially in North America we feel reassured that we have seen

the bottom. Nevertheless, we still expect no sharp increase in market demand from this level. Our book to bill reached 1.1 in the past quarter, and therefore the other book with almost €1.8 billion at the end of December remains on a good level. Order intake in the current quarter should be good as well and only slightly lower quarter over quarter. Nevertheless, the start into '26 was very solid so far. Let's move on to Chart 22. Revenues decreased normally by 4% to €881 million, our rather good organic growth of over 5% could unfortunately not fully compensate for the headwinds driven by M&A and FX. Against the backdrop of a continuously challenging US market, [00:35:00] especially in the US this development reflects a very resilient and solid operational performance by our truck division. Our OE business decreased by around €30 million compared to the prior year. This was driven by a significant decline in North America as anticipated while Europe showed good growth and the APEC region recorded solid momentum as well. The aftermarket business, on the other hand, was overall robust, and so a more or less stable development driven by Europe and China despite FX headwinds. North America was down by 10%, but slightly up in organic terms. Turning to the bottom line, our operating EBIT amounted to €99 million in the past quarter, representing a strong increase of 14% year over year. Consequently, the operating EBIT margin improved by 180 base points to 11.3%. This margin expansion was driven by a quick and consistent adjustment [00:36:00] of workforce and the continued reduction of structural cost, as well as the support of our accretive aftermarket business. Looking ahead to '26, we anticipate organic revenue growth in the range of low to mid-single digit versus '25, driven by a slightly positive development of truck production rates in our major regions, Europe and North America. Based on the related operating leverage by the already lowered and continuously further optimized cost base, we expect to improve the operating EBIT margin towards 12%. We also believe that the profitability of CVS should improve step by step throughout '26. In the current quarter we expect a slightly lower operating EBIT margin quarter over quarter, which will increase in the quarters ahead. With that, I hand over to Marc again.

Marc Llistosella:

Thanks, Frank. [00:37:00] Let's have a look at our guidance for '26 on the next page, based on the assumptions outlined on the right side of the chart, we expect the following for full-year '26. Revenues in the range of eight to 8.3 billion, an EBIT margin of 14, and a free cash flow between seven 50 and 850 million. We'll give you an update of our new midterm targets of the publication of our quarter tool results on the 30th of July. Ladies and gentlemen, as you can see, we continue to deliver and especially what we have told you and what we have announced. KB is well on track towards strengths and beyond. We assured that we're setting the path for further growth and value creation. In '26 we want to enter into the next area of KB, which clearly focuses on sustainable [00:38:00] and margin accretive growth. Thanks a lot for your attention. Looking all forward to your questions.

Andreas Spitzauer:

Gentlemen we'll start the Q&A session shortly. In case you would like to ask questions, please dial in via the provided telephone number, mute the webcast,

and ask the question via telephone. Please limit yourself to two questions. All other participants can stay in this webcast in the listen-only mode.

[00:39:00]

M: Okay, ladies and gentlemen, if you would like to ask a question, please press 9 and star key on your telephone key. [00:40:00] If you would like to cancel your question, please press 3, and star key. Please press nine and star to ask a question. And the first question comes from Gael de Bray from Deutsche Bank. The floor is yours.

Gael de Bray: Good morning everybody. Thank you very much for the presentation. Two questions please. Maybe one at a time. So firstly on your growth initiatives, what makes you think that you can win in the electrification market? The grid and electrification market are characterized by well-established very large players with extensive distribution networks. So what's your positioning exactly? Are you a sub supplier for the likes of ABB and Schneider, or do you compete directly against these guys? [00:41:00] And I'm also curious to understand if your focus area is just around the grid side or whether you also see opportunities to supply data center customers as well.

Marc Llistosella: I think I take this. So saying about energy market, for us, there's two vectors of potential growth. The one is that we go in the supply of components like instrument transformers, protection relay, the circuit breakers. That's where we're very, very interested in because these are Tier 1 and Tier 2 suppliers to the project tiers. Number two, are we aiming to get into direct competition with Schneider, Siemens, or others of this size? No, that's exactly we're not because the market has such a size, roughly 480 billion. That's our definition of the market [00:42:00] where we see absolutely a massive growth area, especially when it comes to key components. These key components, some of them we have already. We have never focused on them, but we see now that there's a massive growth in our internal units already. So we see here a growth between 25 and 30%, and this is where we say there is a granularity in the market currently, and we see a massive potential that we can be a creator of a new market structure. That means we accept absolutely the big guys we will not get in competition with them. Furthermore, we're more interested to be a competent partner for this kind of customers, which so far are seen in a fragmented granularity of market. This is our strategy. And number two, when we speak about the next vector, then we see also mid-size projects, and there we see project tiers, which could be interesting for us. You know better than me, [00:43:00] that we have seen in the recent path some American went public, and this is exactly where we're interested to step into.

Gael de Bray: Okay, thanks very much. And the second question is around the communication of the new midterm targets. Any color around this, maybe around the time horizon that you said, is it 2030? And I suspect we will hear from you around growth and margins, but any view on maybe the targeted net debt to EBIT at this stage would be useful, maybe a theoretical maximum debt to EBIT level that you don't intend to exceed?

Frank Weber: Again, I take this one as we outlined [00:44:00] and Marc outlined precisely, we will shed definitely more light on the 30th of July. We're prepared to take it will be not hugely surprising for you that we're striving for more Knorr-Bremse. I will not take any figures now in my mouth we occasionally drop the one or the other elements of what we're pursuing going into the future. We will also not give you 5 to 10 years midterm guidance range but rather focused towards, like you always knew it from us towards the next two, three years kind of, that's the way we're thinking. And as I said, for some businesses we have already here and there shared with you in the quarterly call some expectations what we can think of the businesses to achieve in the future. But let us wait for July. Please let us first bring home all the targets that we have still at hands to be achieved. [00:45:00]

Gael de Bray: Thank you very much.

M: Thank you. And the next question comes from Sven Weier, from UBS. The floor is yours.

Sven Weier: Yeah good afternoon thanks for taking my questions. First one is also follow-up on the new midterm targets. In a way, don't we know some of the targets already the 19% in rails, 13 and a half percent in trucks. Now you said this is like on a two, three-year view. So is the focus then in end of July more around the expected growth that you see because the margins, we kind of know already?

Frank Weber: We have not fully talked about CVS, for example, and we have as you right fully said, not really talked about the clear time horizon for RVS and whether the 19% will be there. Let's see. Maybe it's even a bit more. [00:46:00] So let's see what we're talking about then in July. But of course, for sure there is some further need to discuss on our strategic revenue path going into the future and how we operationalize ultimately our Greenfield ideas that Marc outlined nicely in regarding the business areas and we can also shed some more light on this, or we will definitely shed some more light on this. So, I would say you're rather right, it will be a bit more focused on the revenue side, maybe how to generate accretive growth for this company but also the merchants, of course.

Sven Weier: And the other question I had was just on the Greenfield side. First one there being on the CVS side, because obviously recently we heard a lot about the truck fleet management powered by AI that the load of the truck fleets could be much, [00:47:00] much better in the future. And I just wonder with the products you have there, I mean, would you have any inroads into that helping the truck fleets on that end, or is that not going to be your focus?

Marc Llistosella: Yeah, it's less product in here terms of hard assets it's more services. And what now is the time is... And this is why Travis it's so important because their customer leads are important. As you know the captives are trying their best to cover the new areas. The problem with this, most of the fleets, they don't want to be only covered by one captive they want to have a brand independent approach. And for us, this is a chance to step in, and this is where we stepped in already. We have with our fleets six, a massive real connection to hundreds, close to thousands of independent dealerships [00:48:00]

where there is no brand dedication, which is, for us, very important because that's what the customer wants, so we follow the customer. And they want to have a free choice of services, and exactly, this is where we step in. So it's more a service, it's more a transaction based service than it's a form of asset transfer this is the product; this is the part this is not where we see our trade going on. What we see is that, I sometimes refer to it like Amazon for trucks. It doesn't depend what you buy, it depends where you buy it. It doesn't depend what kind of service you ask for; it depends only on which platform. And the time of this platform is only one thing, size, speed, agility, and services. And this is why we think it's a game of speed. The faster and the quicker you have a network [00:49:00] connected on this platform, the more it's very hard to reach your position. So here, speed is the name of the game. This is why we were very happy with Travis It's a Dutch company, as you know, very agile, very aggressive, and this is what we need. And everywhere where we as Knorr-Bremse a little bit located by ourselves in terms of an old German company, we need different ingredients of entrepreneurship. Cojali is another good example because their form of business is not brand dedicated. It's not one brand, they serve. They serve everything what is in the market. So it's a very, very indiscriminate approach to the market, which I think, and we think that's where the growth will be. That's where the margins will be. And that is we have to take the place because if we don't be quick and fast, others could be tempted to do so. [00:50:00] So far we're in a relatively good position, and we want to keep this position, we want to build it up.

Sven Weier: And on the energy side that you say that you have data center exposure or not, because I didn't fully capture that on Gael's question.

Marc Llistosella: The data center exposure from our side is relatively limited, but we're already supplying product tiers who are equipping data center. So what we will currently, and not in a position to give data center the full-fledged program, but what we do already is that we provide with the ingredients, with the components, with the systems, which you need to give this kind of service to data center. And this market we see also on absolutely not only in America, we see it also in Europe, and we see it also in Asia. And as I said, currently the market of component supplies is extremely panelized. So we have little ones, [00:51:00] small size, mid-size providers of components, and that's exactly our chance. We could scale it and we will scale it.

Sven Weier: Understood. Thank you.

M: Thank you. And the next question comes from Meiha Yang from Goldman Sachs. The floor is yours.

Meiha Yang: Hi. Thank you for taking my question. Just the first one you mentioned there was a order shift into 2026 on the RVS side. Could you give us a bit more color on this, and do you expect it to be signed in 2026 or? Any color would be helpful.

Frank Weber: I would say it's just an example of how things go usually on a regular basis in quarters when it comes to the bigger project business of RVS, sometimes orders are outspoken or signed, sometimes it doesn't happen on the last-minute notice, so it's just 50 to 100-million-euro order [00:52:00] in North America it's the regular thing that you would expect. It's not Signaling so it's just happening. And with that we would be pretty close to

1.1-billion-euro, and that's what we wanted to indicate with this message. That's how things go when it comes to quarterly reporting, but it's not a spectacular kind of all of a sudden order that's coming it's something that's pushed out from one quarter to another, and that's an example. Nothing more, I think, to add.

Meiha Yang: Got it. And on the second question you talk about how you could expand this aftermarket services to your customers from AI. On your internal operating leverage, is there anything that you're seeing big benefits? Like for example, you're doing your R&D or your software development much more quicker, and do you see any benefits coming through in '26 already? [00:53:00]

Marc Llistosella: I think you're on the right track when you say, especially in software engineering, we can accelerate massively, and this is exactly what we're going to do. You remember when I said that the output per person, the output per employee has to be improved and increased. For 22 years the output per person in this company was stable and this was not improving in terms of outputs, and this is exactly where we're focusing for the next three to four years. We have a clear target, and that includes purchasing, that includes accounting, that includes controlling, that includes HR, that includes every form of legal and compliance it includes every functionality, which can be seen as repetitive. 80 to 90% of the software coatings are repetitive. So we have to focus with our people, human people, we have to focus on the 10, 15%, which are really accretive. The rest has to be done by AI, or I would call it by algorithms, [00:54:00] because that is not the differentiating part. So we focus on the differentiating part where we put our engineering in and everything, what is repetitive is being more and more handled by algorithms, and we call it the agents. And this kind of agents when the first impact is we're starting now, we have started already a project accounting and controlling. We see here effects, really effects not just a vision or, so we see real effects of 30 to 40%. That means you can say 30 to 40% of more output per person or in reduced workforce, that's the call. And that is why we say we have so far, we have a very clear plan that the output per person has to reach in a, I would say visible time, 300,000. And either we grow or if we don't grow, we have to shrink our workforce. The shrinking workforce, so that means we have the break-even in mind. And with that, we have the personal expenses in mind. And you know that our personal expenses, especially in rail, [00:55:00] they're now in a reach of 1.2 billion. There we're not happy, I tell you this very clear because the output has to be improved. In truck, we're already in a much better way because we're here in the range of 700, coming from 800. So we reduced our personal expenses around 100 million within one year in CVS. This is a potential where we have to leverage everywhere, not only with trucks. And now the question is how do we get it? We get it by centralization of processes, we get it also by automation of processes, and we get it also by using agents more and more in some areas.

Meiha Yang: Very helpful. Thank you.

M: Thank you. And the next question come from Ben Uglow from Oxcap Analytics. The flow is yours.

Ben Uglow: Good morning guys. I hope you all are well. I had a couple. The first was just about the qualitative view, [00:56:00] the sentiment around the CVS outlook particularly for North

America. I guess some of the truck OEMs that have reported seem to have been a little bit more optimistic, mid to high single digit growth in truck production rates. What I want to know is do you see anything fundamentally different from them? Or are you just being naturally conservative? That was my first question.

Marc Llistosella: So thanks for the question. We're naturally more conservative. Why? Because you know better than me what happened in the years '21, '22, we were eventually a little bit erratic with our predictions. And since that we're more conservative and we're only claiming what we can really achieve. That's number one. Number two is, for us, the best indicator for the truck, American market in North America is PACCAR. PACCAR is known to be the most agile one [00:57:00] when it comes to layoffs. It's the most agile one when it comes to production capacities. PACCAR is champions league, absolutely champion league when it comes to reacting to the markets ups and downs. We see that there is some upside, but I would say the results, what we have in truck, and you know it's just a mathematical calculation. We have managed to make in the fourth quarter, 11.5% in the market, which was still very sluggish. Now you can imagine what happens when the market is going up, and you know, also that we're generating roughly 1.5 billion, 1.3 to 1.5 billion US dollars in America alone with Bendix. So it's one of our biggest markets and it's one of the most profitable markets. So that is for us, the significant upside, which we see. But we stay conservative. We say everything what we have predicts [00:58:00] so far is based on the cost by slightly stable market size. So if the market goes up, you know exactly what that means. There's a potential, and this is what we're not claiming, but we're preparing.

Ben Uglow: Understood. Thank you. Then coming back, I guess we're all excited about this energy technologies business that Frank certainly didn't know existed. Can you talk a little bit more about Zelisko and the production setup? I mean, presumably you've got one large facility or something like that. Are you expanding capacity? What are you doing organically to build that business? And I guess my follow up question is, if you think about M&A in that segment are we talking about bolt-ons, I don't know, 50, a hundred million type transactions? Or are you more ambitious [00:59:00] in your thoughts there? I.e., there are certain assets available which are bigger, but the question is, is that what you're Signaling or not?

Marc Llistosella: Ben, you're very curious. I have to admit that. Very smart questions, exactly the same questions, which we have discussed for the last seven, eight months. I try to do my best not to spoil our own story because otherwise everybody would know where we go and what we do. I make it simple from the beginning, we're not shying away from a bigger ticket, number one. Number two, as long as we don't have the perfect big ticket in site, we're going step by step. And as I said, the granularity of this market is very interesting. And we see here a lot of opportunities of, let me say smaller size tickets. The problem is no the Problem [01:00:00] the opportunity is that with two or three assets, you can already have a very, very really good market position worldwide. So for us it's very important to do both. We're not choosing left or right. We're not saying the big bang is the only thing, what we search, we go absolutely both ways. The one is we go components for components, market share increase wherever possible, this is permanent. This could include also smaller size businesses, what you said, 50 to 100 million tickets. But parallel to that, we're ready and we're scaling ourselves up to have expertise in this regard so that we could imagine also bigger tickets. So this was number

three and number two of your question. Number one of your question was what is the current size and where are you located? We're located in Vienna, we're located in Milano, and we have now a massive aggressive [01:01:00] turn that we go to Americas with our existing business partners. That means the Zelisko and Microelettrica. Zelisko is know your question is, and I think it was also a little bit of a critical hint what you gave. We didn't know that it's existing. The funny thing is, three years ago, nobody took care of this business so much. It was a little bit like a *Beifang* in Germany so say. And this company was staying very, very solid alone, but very profitable, very small with 50 million. Now within exactly two and a half years, they doubled their revenues to 100 to 110 million. Their profitability is at the range of 18 to 20% so it's a very, very promising business. And the competence is also enlarged and increasing, so we have a nucleus. The same with Microelettrica. The business is doing quite, quite well. We have already organic growth areas, not only for Europe, but also for America. But as we're not that patient, and I think you're also not that patient, [01:02:00] we say organic growth would take us too long. This is why we're very open for unorganic growth in this area.

Ben Uglow: That's understood. Thank you very much.

M: Thank you. The next question comes from William Mackie from Kepler Cheuvreux. The floor is yours.

William Mackie: Yes, good morning. And thanks for taking the questions. My first one goes to the rail business and quite similar or aligned with Gael's question around energy. Signaling is clearly another target for your Greenfield, but when we look at the Signaling industry, it's typically dominated by the likes of Siemens, Alstom, Hitachi that treats signaling as the brain of the train and a core part of their expertise. So when you look at growing within that marketplace with a focus on profitability, what structural evidence is there [01:03:00] that a component-led player can actually capture premium margins within the Signaling industry?

Marc Llistosella: Okay, KB Signaling. Superior margins, we stepped in, it was an occasional opportunistic step, and we did it. And now, excuse me, I would love to do that. I have a list of five assets which we have in mind. Two of them would be very significant, three of them would be additional. Of course, you understand that I can't give it to you, but the second of your question, the first was more, where do you see yourselves competing with Siemens, competing with ABB, competing with others? Hitachi? Yes, you're right. This is eventually not what we want. We want to be a brand independent offer of services. And the market is really interested [01:04:00] because before we step into the market, we always ask, is there a market for us? So we ask potential customers, we ask competitors, is there an area or are we just a me too into an existing market where you differentiate yourself with pricing or whatever? This is never going to happen with us. We're interested in a price war we're not interested in competing with something which is not differentiating. So we see differentiators, we see different sizes, we see sizes, which eventually for the big players are insignificant because the big players are now overrun by demand, in signaling and also in energy. And that gives us a massive opportunity. It's a time, a window of opportunity for the next three years to go. In the next three years, these kind of games will be decided. And after that it'll be very, very hard to get into. So this is why we decided in signaling and then also energy to be very quick now, we need to

make our minds, [01:05:00] we have to be very clear what is an asset which is helping us, and what is an asset which eventually is not helping us at all. The profitability of these two markets, and especially in signaling, is different. We have here very, very profitable markets players, and we have very average market players. This is where we have to focus on the ones which we manage to improve. And this is why we always refer to this accretive growth. It can be that in one year we excuse you, and the second year we don't excuse you any longer. In the third year, you have to be at our level, otherwise it's a wrong move to do. And before we acquire any asset, if we touch any asset, this growth and accretive EBIT margin plan has to be secured. If it's not secured, we don't touch it. It's very clear. And to your question, what is the evidence of your success? The evidence of our success is whatever we said the last few years happened, whatever we said happened. And the evidence in the future is never given [01:06:00] by any evidence of the past. It's also the... You can only say it's the players and it's a probability and it's a logic. If the logic is clear, then it's very improbable the logic will be broken. If the logic is not clear, then I'm with you then you need evidence future has no evidence. It has only a track record and our track record, and this is why it was so important that Frank and the whole team, we have now delivered everything by the number, by the number remember when we came in 2023, you were shattered. You were absolutely out of trust. You were not believing anything because everything, what we said was deceived as an excuse. Now for the last three years, we delivered every number of what we have promised even the markets were tough in CVS last year, we delivered the double digit number. We delivered it. We never deviated from our targeted numbers and that's exactly what we do in the future what we have done the last three years, we'll follow the next three to five years. That's what we stand for. [01:07:00] This is what we go for. And this is exactly the logic which we follow.

William Mackie: Thank you. My second question, and this is a short follow-up, relates to CVS. And when we think about the fact that the future is going to be different, you've done a lot to demonstrate the cost, flexibility of the business you've highlighted the opportunity to drive out some of the structural costs in the business, and you've allocated capital to enhance the profit profile of the business as a whole. So with those structural factors in mind, how should we start to think about the through cycle ability for CVS to generate return? Should we look at the past and think actually you could achieve more as you develop around the service activities and structurally change the mix?

Frank Weber: As we have a historical meeting where more questions addressed to the CEO, he just pointed at me, so I take this one. [01:08:00] Very well described. So that's why we believe we have created or will be having created a cost structure in CVS towards the end of the year of 26 where the truck business can run in a rather weaker market environment on an operating margin basis of around 12%, kind of. And if the markets get then overall a bit more normal, then the weak situation, then they should be able to come along with close to 13% maybe. And if the markets are even good, they can come to the 13, 14% of margin. That's what we believe in and that's by the way, also the way how we on a daily basis steal the truck business according to those three inherent scenarios. And please keep in mind that the 13.5 we took already in our mouth some time ago when we had [01:09:00] the expectation originally that markets could be quite nice. Not strong, super strong, but quite nice and we still stick to that, that this is what's possible with the truck business given that cost measurements that we have been taking over time. But that's

the way to think about the truck ambition going into the future, depending on a certain market specification, weak normal and good markets. That's the way we think.

William Mackie: Thank you. Sorry, if I can ask one short follow-up related to the new business operating model. When you described the application of AI, it was with many references to indirect functions in the business. What type of direct value creating functions such as R&D or operational performance, do you see the opportunities in as you develop a new business model? Thank you.

Marc Llistosella: So in this context, [01:10:00] AI is not a cost cutter. It's an accelerator. It's faster, it's quicker. In our case, it's relatively simple. We have here more than 6,000 engineers. These engineers are occupied with repetitive work, which from our point of view is not the most substantial added value work they could do. The more we get them liberated from this repetitive work, the more output they will generate. And that's exactly where we see AI at the current level of AI, there is where we see. I'm pretty sure you have seen what happens the last five days. We spoke of large language models and we spoke about claw and we spoke about a lot. And now we see open claw coming into the game relatively cheap, relatively interesting. So it's a completely disruptive approach when it comes to AI. This we have not still incorporate. But what we do, and this is why it's important that we go to a Greenfield approach like Chennai. [01:11:00] We let it go we let it just try it out. Because one thing for sure, if you'll use an algorithm for your existing business, you're limiting already the opportunities for the algorithms. If you let the algorithm do things which normally are not foreseen to be done, not only repetitive work, but eventually also generating work, accelerating work, that is something where you sometimes need a new environment and a new spirit. And this is why we have chosen Chennai because there we have the absolutely the insured also that these guys and these girls who are working then there have a completely different view on it. They make it happen instead of excusing and telling us why it does not work, and they will be more risk taking. So what we will not do is that in our current processes, especially when it comes to safety and security relevant assets, we will not step into it directly with AI. But in terms of services, in terms of new ideas, [01:12:00] new services, and especially new applications, which eventually are not that safety relevant, we can see whether the algorithm can accelerate us and give us also new solutions. So that is where we go. We don't go full-flash now in AI and say blindly that it, we utilize it as a tool, and when the tool gets better, it has the right environment to accelerate into leverage.

William Mackie: Thank you very much.

M: Thank you. The next question comes from Akash Gupta from JPMorgan. The floor is yours.

Akash Gupta: Yes. Hi, good afternoon and thanks for your time. Most of my question has been asked, just one left and there is on China. Can you talk about what are you seeing in China? I think when we look at your Q4 orders you had some growth in both of the segments, but in general when we look at for the year 2026, what have you embedded in your outlook and particularly in rail [01:13:00] how do you see the business overall in between high speed and metro and services? Thank you.

Frank Weber: Yeah, thanks Akash. I would say nothing is rocking the boat here in very general regards China we still see quite better numbers than we have initially guided you with for China some two years, three years ago. We should be slightly weaker or maybe in absolute terms in revenues than in the year '25. That's the only thing we see a bit of weaker metro demand. It's market driven. It's not market share driven. It's solely market driven, maybe a bit less metros in the year '26 to be built than in the year '25. So maybe even below 4,000 metros overall. So I would say a small or below €50 million year over year reduction in China [01:14:00] could happen maybe 30 million less next year compared to '25. So nothing spectacular but it's one aspect of the business developing into '26. Number of high speed trends, always a bit unclear, but we expect a similar amount maybe 10 less also like we had in '25, but similar amount stable market share for us metros is the point, maybe a bit less. That's all.

Marc Llistosella: There's one thing which is not based on our recent years. Eventually, you know that for the last eight years we were excluded, nine years we were excluded for the newest, latest platform of high-speed trains as a system component supplier. So we lost our position from... In 2014/15, we were the one which were equipping the high-speed trains in China. [01:15:00] For the last eight, nine years we were not discriminated, but we were set back. So we were excluded in the latest new forms. Since September this year...

Frank Weber: Last year.

Marc Llistosella: Last year, there is a massive shift that Knorr-Bremse is reconsidered to be a potential system component supplier to the Chinese CRRC in terms of high-speed trains. So that is something which it was hard work, it was very, very hard to reach that. And there is an opportunity for us to compete currently with the best, and that is in China for high-speed trains. And if we're perceived as a full-fledge provider of services for the high-speed train, that would be, and that is exactly what we we're fighting. And since September, we have indications that we're back in the game, which we were out for eight years. [01:16:00] And that makes us very, very proud because it was hard work to get there back. And there's a potential that not only for metros, you know it better than me, but also for high-speed trains we could get back to be seriously a contender in this business.

Frank Weber: No order yet. Akasha.

Akash Gupta: Thank you.

M: Thank you. And we have one last question from Alex Jones, from BofA. The floor is yours.

Alex Jones: Great. Thanks for taking question. Maybe I can follow-up first of all on that last question. You talked about that exciting opportunity for the latest generation of high-speed trains. Could you give any idea of the sort of magnitude that could add to your Chinese rail business in due course if that comes through?

Marc Llistosella: Yeah, it's more reputation than immediately in orders. Because [01:17:00] when I came here on board in 2023, everybody told me the story is over and the party is over and we have a defense to make. And it's like a long tail, which we have to defend. If this comes

true and if we're really a contender and if we will succeed the story is no longer valid. It's a game changer. And this, I can't give you the numbers in terms of quantities for the next two or three years, but it would be a completely repositioning of Knorr-Bremse in the Chinese environment. And you know, we have done a lot for the last two, three years to be seen more and more as a contender, as a market player who takes the Chinese specifics, very, very serious. And sorry to tell you. And you know it, you can google it, you can search it more than 65% of high-speed train in the world is China. [01:18:00] So China is the place to be, and high speed is the grail of the rail industry. Everything else is very important. Nothing to say about it, but that's the grail. That's the S class, that's the top. And if you're out of that, if you're no longer a serious contender in this kind of tenders, then you have a reputational issue. And this reputational issue, of course for a world market leader, is us. We want to stay not only there, we want to be back in the game. That is what we tried the last two, three years. You haven't seen it in the numbers because the numbers which we have seen in rail, sorry to say that was we were providing the services of the past, and we did it very, very well. And in metro we're very absolutely competitive. We're very good, we're good. But the grail of the rail industry is a high-speed trains [01:19:00] in China. If there you make it, you have an excellent position for the future.

Alex Jones: Great. Understood. And then maybe if I can squeeze in one more on M&A, you've talked about it several times as a sort of key part of the Greenfield strategy. Could you share a little bit about the pipeline you're seeing there and whether valuations appear acceptable and linked that remind us of the financial thresholds you're using to assess those deals in terms of return capital or otherwise? Thank you.

Frank Weber: Yeah, I've told you several times that we have a very healthy balance sheet and we're not shying away from net debt to EBIT ratios of one, absolutely no issue. And if good or great market or business opportunities would come along, we could even go higher with a clear path to bring margin accretive revenues [01:20:00] to this company and to help us profitably grow into the future. So that's definitely something we have our clear financial guide rail. We're searching basically only for businesses that fulfill those criteria. We have businesses with 14% of return on sales given ourselves as a hurdle rate, we said should be on the cash side, accretive and return on capital employed above 20%. All those three will be measured rightfully as Marc said after we have a clear plan that within at least two, three years, those businesses should be able to achieve this. If there is no clear visible plan for us recognizable we wouldn't touch it. So that's, I would say a clear set of criteria.

Alex Jones: Great.

Marc Llistosella: And to add on this and to finalize it, there's one thing, [01:21:00] and I think you all are there of the club of the '25 growth and EBIT margin together has to exceed the number of '25 capital goods. That's the Champions League. We're currently not in this champions league. Rail is close, truck is not. And our aim is that the whole company, including truck rail and whatever is significant part of this champions league top 25% club. That's our aim. That is not a forecast for the 30th of July. This is what we aim, this is what we want. This is where we have been in the past. We haven't been there for the last five, six years,

but our aim is to get back on this champions club league. We will not be the top of that, not at the beginning, **[01:21:49]** but we have an aim there we want to get back.

Alex Jones: Thank you.

Andreas Spitzauer: Okay. Thank you very much for your questions. We wish you a great spring time. I'm happy to talk to you next time, most likely in May. Thank you very much.