# Transcript for "Financial Statements Bulletin 2024"

**00:00:00 - 00:00:33**  
Hanna-Maria Heikkinen: Good morning and welcome to this news conference for Wärtsilä Q4 '24. My name is Hanna-Maria Heikkinen, and I'm in charge of Investor Relations. Today, our CEO, Håkan Agnevall, will go through group highlights and business performance. After that, our CFO, Arjen Berends, will continue with the finances. After the presentation, there is a possibility to ask questions. I kindly ask every analyst to ask first one question to ensure that everybody has a chance to ask questions. Håkan, please, time to start.

**00:00:33 - 00:02:21**  
Håkan Agnevall: Yes. Thank you Hannah-Maria. A warm welcome to everybody joining us, which has been a great fourth quarter and a great year. If we start in the fourth quarter, we will have a very strong order intake, net sales and profitability. All three dimensions. The all-time high order book at €8.3 billion. Order intake increased by 34 percent. Net sales increased by 13 percent, and that translated into comparable operating results that increased by 18 percent. Our good journey in services continues. Order intake is up 15 percent, the net sales are up 12 percent. I will smile later, the strong cash flow continues. A very strong cash flow from operating activities of €437 million, a great Q4. If we look then at the full year, it has been a year of all-time highs. Order intake, absolute operating results, and cash flow are all, all-time highs. We talked earlier about the order intake. I will talk more about the full year. However, if we start in Q4, up 34 percent from 1.8 to 2.5 billion, and we continue to grow services, up 15 percent from 900 to a billion. A very strong order intake growth on the equipment side, 51 percent up, from a billion to almost 1.5 billion.

**00:02:22 - 00:03:56**  
Håkan Agnevall: The order book, as we talked about, is at an all-time high of 8.3 billion, a very positive development. Net sales for the quarter were up 13 percent. We see it's up both in services and equipment. Services are up 12 percent and equipment 13 percent. Book to bill 1.3. It's the 15th consecutive quarter with a positive book to bill above one. The comparable operating results are up 18 percent to 209 million. We continued our improvement of profitability up the quarter to 11.3. The operating results are now going from 7.8 to 12.4 percent. Looking then at the full year, on the order intake side, for the first time, we are passing the eighth billion mark. Order intake is up the full year by 14 percent. Still good growth, I would say, on services, up eight percent on order intake. Equipment, we said it's going to be a stronger equipment year, up 20 percent on a full-year basis. Net sales, also, we continue our growth, seven percent above our five percent annual growth target. We grow in services by nine percent, and we grow in equipment by six percent.

**00:03:57 - 00:05:44**  
Håkan Agnevall: That translates to continued improvement in the comparable operating results, going up from 8.3 to 10.8 for the full year of 2024. Also looking at the operating results, going from 6.7 to 11.1. We are not at 12 yet, but we are on a solid path to reaching the 12 percent financial target. Then, looking at marine and energy, the market sentiment is positive for our core segments. We see an increase in demand for new ships continues. The number of vessels ordered in Q4 came to 2,765. That's up considerably from 1,977. The new bill contracting in 2024 was strong overall, driven by the supportive freight market, especially due to the red side rerouting, but also to the underlying fleet renewal requirements. The global shipyard capacity was at its lowest point in 2020, where it reached 60 percent of the 2011 peak level. It's currently at 70 percent, but the trajectory is positive. Shipyard capacity is being added as we speak, and the forecast is that it could reach 80 to 85 percent of the 2011 baseline by 2030. The growth is primarily driven by expansion in China.

**00:05:45 - 00:07:26**  
Håkan Agnevall: Now, if we look at the 2024 contracted vessels, 653 are alternative fuel capable. That is about 49 percent of the gross tonnage of the same. We do see the continued positive derivative here, stepping out from 43 to 49 percent. There is also an underlying trend for alternative fuel-capable vessels. If we go to energy, we see solid long-term market opportunities. The energy transition continued to advance in 2024. Wind and solar are expected to post record installations in '24 and '25. The combined capacity additions from wind and solar are expected to be somewhere between 650 gigawatts and 800 gigawatts in 2025, according to IEA and BNEF. You could say it's going too slow, but there is a very solid trajectory in the continued growth of renewables. Energy-related macroeconomic development in 2024 was impacted by elevated risks in the geopolitical environment, creating uncertainty and also slowing down some decision-making. In 2024, both thermal balancing and battery energy storage experienced the highest level of market activity to date, driven by the increasing share of renewables.

**00:07:26 - 00:08:58**  
Håkan Agnevall: The Wärtsilä narrative of increasing the share of renewables, driving the need for balancing power, can be seen playing out in 2024. There is a lot of focus on data centers. It is a promising base load opportunity due to the challenges for developers to get grid access and power from the grid. According to IEA, an additional 45 Gigawatts of power capacity is expected to be added for data centers between 2024 and 2027. There is a growth potential for Wärtsilä. Looking at the numbers, from a more visual side, organic order intake increased by 35 percent. Overall order intake increased by 34. It's not a typo. That 35 is organic. The overall order increase is 34. They are very similar, but there is a percentage unit difference. Equipment order intake increased by 51 percent and services order intake increased by 15 percent, so continued strong growth. All-time high in our order book, and the rolling book-to-bill continues to be above one. As I said before, the 15th consecutive quarter where it's above one. We also see a good distribution of deliveries for this year and for next year looking good.

**00:09:00 - 00:10:39**  
Håkan Agnevall: Organic net sales increased by 13 percent. Net sales increased by 13 percent. Equipment net sales also increased by 13 percent. Services net sales increased by 12. Profitability. We are on a journey of improving profitability. Also, here in the fourth quarter, it continues to improve. Net sales increased by 13 percent. We see that comparable operating results increased by 18 percent. If we look at the 12-month rolling comparable operating results, we landed at 10.8, which is a step up compared to last year at 8.3. Technology and partnership highlight that's all about enabling sustainable societies through innovation in technology and services. Technology and partnerships are right at the core of Wartsila. About enabling industry decarbonization, which will take decades, but we are on the move. We recently contracted our first 46TS installation in energy, and this is for a 120-megawatt plant in Kazakhstan. It includes six 46TS-SG-fuelled large bore engines and mechanical and electrical ancillary equipment. When the project is completed, it will power oil and gas facilities in the region.

**00:10:40 - 00:12:04**  
Håkan Agnevall: Now, the interesting thing is that the power setup there is a blend of fossil and non-fossil power generation. The 46TS-SG will be providing balancing power to secure reliable energy generation from renewable sources. This order we booked in Q4. If we jump to the marine side, another first, Wärtsilä is delivering a propulsion package to power the world's largest methanol-ready cement carrier vessels. We will supply the complete propulsion package, consisting of engines and propulsion equipment for 38,000 deadweight ton methanol-ready cement carrier vessels for NovaAlgoma which is a joint venture. When built, it will be the world's largest vessel of its type. It will also be the first with a methanol-ready notation, and this order we also booked in Q4. Now looking at our businesses and a little bit of how they have been performing. On the marine side, we see a good overall performance continuing. Order intake and net sales increased. Order intake is up nine percent, and net sales are up 12 percent.

**00:12:05 - 00:13:23**  
Håkan Agnevall: If we look at the development of the comparable operating results, on the positive side, the positive drivers are higher service volumes and better operating leverage. On the negative side, you could say it has been a less favorable project mix within equipment. Different types of equipment have different profitability. In this quarter we had a mix that acted negatively Q-on-Q. Then we saw increased R&D. We continue to invest in R&D. We are around four percent overall for the group, and we continue that. Now, on the marine services side, we also see a continued good development. Book-to-bill is above one in all the service revenue streams. You can see a quarter-on-quarter up 12 percent. This is a graph that we intend to use going forward, the right one, when we talk about the book-to-bill for the different service disciplines. We have the field service, we have retrofits and upgrades, we have spare parts and we have service agreements. As you can all see here, all of these disciplines are above one, which continues to fuel the growth of the service.

**00:13:26 - 00:14:57**  
Håkan Agnevall: If we look at energy, the comparable operating results increased, and we do see a strong growth in order intake both in engine power plants and in energy storage. Order intake is up by 54 percent, and net sales are up by 14 percent. We do see a step-up in the comparable operating results, positive drivers also here, and higher service volumes. Also, the continued shift from EPC to EEQ from the civilian installation, complete responsibility to more of equipment responsibility. We do see a very positive trend in product execution in energy storage and optimization. Great work being done. Now, if we zoom in on storage, the comparable operating results are 12-month rolling as we look here in storage, continued to improve. It's now at 4.2 percent. We also noticed the order intake was fantastic in Q4. It was not so fantastic in Q3. We talked about that. There are big orders and there's a little bit of periodization between the quarters, but Q4 came in very strong. I think also, this should also be noted going forward that this is a project business, so order intake can be a bit lumpy. However, overall a positive development and a very positive trend for the continued journey of improved profitability.

**00:15:00 - 00:16:29**  
Håkan Agnevall: Also, in energy services, we see continued good development. Furthermore, here we have a book-to-bill above one in all the service revenue streams. Q-on-Q, 11 percent growth, and similar visualizations of these four disciplines. You also see all of them are above one, so good continued growth. Now, we continue also to work with the business units in our portfolio business. We are continuing our journey of becoming a more focused company. We will be divesting our ANCS, our Automation, Navigation, and Control System business to Solix Group AB, which is a Swedish private equity firm. ANCS is a global leader in innovative hardware and software technologies for marine navigation and automation. We acquired ANCS in 2015 as part of Marine Systems International. It was an overall acquisition we made then. To give the magnitude of the business as it is today, in 2024, the annual revenues of ANCS were close to €230 million. Subject to approvals, we expect to close this transaction in the second quarter of 2025.

**00:16:33 - 00:17:10**  
Håkan Agnevall: Here we have the bridge, the Q-on-Q bridge, from '23 to '24. We go from 10.8 to 11.3. You can see marine is coming down a little bit. That is a new build mix. We see continuous improvement on the energy side and also on the portfolio business, is encouraging to see that the profitability is developing. We talked about portfolios before. We are turning around the business units, and then we are divesting, so you see the concrete proof points here. On other key financial, Arjen, please.

**00:17:14 - 00:18:33**  
Arjen Berends: Thank you, Håkan. Looking at the other key financials, all of them improved from Q3 to Q4 as well as improved from year-end 2023 to year-end 2024. Our strong cash flow performance continued in the fourth quarter. Out of the full-year operating cash flow, 36 percent was generated in Q4, and out of the full-year net cash flow, 44 percent was generated in Q4. The good cash flow in Q4 supported it to reach an all-time high cash flow of 1.28 billion as you can see on the slide, breaking the previous record, which is also on the slide, which is €2,023,822 million. The good cash flow was supported by both improved profitability and the good activities that we have done over time to reduce further our working capital performance. If we look at the working capital to sales ratio on the right side graph here, up to the end of 2023, you could say we had been running on positive working capital to sales ratios. If you go longer back it was even higher percentages in those years.

**00:18:33 - 00:19:41**  
Arjen Berends: However, since 2023 end of the year and going into 2024, this working capital reduction continued. Many underlying actions supported this development. To name a few, for example, order intake, new build agreements, and service projects, retrofits you could say, are clearly growing. In those revenue streams, you typically have good down payments, and you have also often mid-term delivery payments that support working capital. Just to give a few numbers, in the last two years, new order intake increased €1.2 billion and service projects only in the last year increased by 28 percent on order intake. Another good example is the one stock location that we have nowadays for manufacturing stock, earlier we had 3S IN Vaasa, and now everything is concentrated in Vaasa. It gives good opportunities to further optimize stock levels, supporting working capital development positively.

**00:19:42 - 00:21:01**  
Arjen Berends: Finally, I also want to mention the shift that we have seen over the past years from EPC, so Turnkey projects to equipment contracts, particularly in energy. EPC contracts typically tie working capital longer, and if you shift more to EEQ, then you have a positive effect on the working capital. Just to give a few numbers here as well, in 2022, engine power plants, for example, 70 percent of the net sales was EPC, last year it was only 20. Another point is the receivables. Overdue receivables as a percentage of total trade receivables. We went five percentage points down last year from 28 percent to 23 percent, again, contributing to working capital. There are many more actions like this. While many of these actions are sustainable, I would not believe that this level of what we have currently is a long-term sustainable level. I do expect that the line, the orange line that you see here on the right side graph, will go up again at some point in time because not all the parameters and the actions that I mentioned just a minute ago will always stay like this.

**00:21:01 - 00:21:46**  
Arjen Berends: For example, there might be a shift in the ratio between EPC and EEQ supply chain finance, which also contributed to €100 million last year. It depends a bit on which suppliers that you use. Are they part of supply chain finance? Yes or no. Not all the parameters will stay the same. We anticipate that we will still for the coming year, perhaps even a bit longer, stay on a negative working capital level, but the line will gradually go up. The final slide from my side, the board will propose to the AGM €0.44 of dividend, which is in line with our financial targets of paying 50 percent of EPS out as dividends. In this case, it's 52 percent. Over to you, Håkan, on the prospects.

**00:21:46 - 00:22:30**  
Håkan Agnevall: Thank you, Arjen. If we look at the prospects and the demand environment, we have a similar view on both marine and energy and that is that the demand environment for the next 12 months will be better than the comparison period. However, we added a separate comment and I think we all see it. We underline that the current high external uncertainties make forward-looking statements challenging. Geopolitics, tariffs, et cetera. With that, we move over to Q&A.

**00:22:31 - 00:22:41**  
Hanna-Maria Heikkinen: Thank you, Håkan. Thank you, Arjen. There is a possibility to ask questions via the chat, but we will start with the questions coming from the line. Handing over to the operator, please.

**00:22:44 - 00:23:17**  
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. [silence 00:22:55-00:23:14]

**00:23:17 - 00:23:24**  
Håkan Agnevall: There are very few questions on this call.

**00:23:24 - 00:23:37**  
Hanna-Maria Heikkinen: Maybe I can take one question from here while waiting for the lines to be fixed. Could you please give us a bit more color on orders in energy storage, and what is the margin trajectory there?

**00:23:37 - 00:25:14**  
Håkan Agnevall: We don't guide on margin. However, as I said before, very strong order intake in Q4, but it was also weak in Q3. You need to consider it with the periodization type of framework. Underlying, I think the growth trend is still there. There are a lot of activities in the balancing space and certainly in the battery storage space. I would say that in many markets the underlying growth trajectories are good. Also, credit to our team because I think they are continuously improving their profitability. We continue with the strategy that we have said, which is a selective strategy. We focus on certain, geographical markets, but also certain customer segments, which like the attributes that we are offering in terms of assurance of delivery, delivering on time with quality, good execution, and thermal stability. We continue to have a spotless thermal track record. There have been no fires in Wärtsilä storage so far. Also, our power system knowledge and power system DNA. We are many times not the cheapest on CapEx, but if you look at what we are offering in project execution in terms of stability and predictability, these types of customer segments are strong and there are further growth opportunities.

**00:25:16 - 00:25:24**  
Hanna-Maria Heikkinen: Thank you, Håkan. Then another question from the chat. Could you please give some color on the impact of potential tariffs, especially on the energy division?

**00:25:26 - 00:26:11**  
Håkan Agnevall: Just to make it complete, if we start with marine, we see a very limited potential impact because as we know most of the shipbuilding capacity is in Asia and very little in the US so far. Similarly, on the services side, most of the services are outside of the US. It's more about energy where tariffs could have an impact on our business. However, with the current dynamics, and I think we follow it daily, the world follows it daily, it's very hard to predict whether this will land, so to speak. We're monitoring it closely, but it's very hard to predict the impact.

**00:26:12 - 00:26:18**  
Håkan Agnevall: Thank you. Håkan. Handing over back to the operator. Continue with the online questions, please.

**00:26:21 - 00:26:45**  
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. [silence 00:26:34-00:26:39] The next question comes from Akash Gupta from J.P. Morgan. Please go ahead.

**00:26:49 - 00:27:13**  
Akash Gupta: Good morning. My one question is a follow-up to your tariff answer. Can you provide some color on how much of your energy backlog is coming from the US, and how much of your current service business in energy is coming from there so that at least we have some idea of how much impact we should expect from potential tariffs? Thank you.

**00:27:14 - 00:28:05**  
Håkan Agnevall: If we talk about the backlog, I will not break out the numbers for competitive reasons, but the US is a very important market for our energy business. In the last years, we have grown quite a lot on balancing both on thermal and storage side. If we look at our existing backlog and the contractual setup that we have with our customers in terms of input terms, deliveries, and the overall setup, there is a very limited impact on the backlog in energy. When I say that we follow the situation very closely, it's more with the perspective of future orders. Could there be an impact there? As I said, we still see orders coming in, but with the current dynamics, it requires a lot of attention.

**00:28:07 - 00:28:23**  
Akash Gupta: Thank you. [silence 00:28:07-00:28:22]

**00:28:23 - 00:28:36**  
Operator: The next question comes from Antti Kansanen from SEB. Please go ahead. [silence 00:28:28-00:28:35]

**00:28:36 - 00:29:08**  
Antti Kansanen : Hi guys. It's Antti from SEB. Thanks for taking my question. That would be on profitability and the backlog mix for '24 deliveries, especially in the marine business. We saw quite modest earnings leverage and margin improvement now in Q4, and you flagged a little bit of a less favorable project mix. I just wanted to understand better how should we think about margin expansion, especially in the marine business in '25 when you start to deliver the backlog out.

**00:29:08 - 00:29:10**  
Håkan Agnevall: You can comment on it.

**00:29:36 - 00:30:09**  
Arjen Berends: I think I explained earlier as well that more volume brings more leverage. I do believe that there is more room to improve on that as well. Having said that, one element is leverage and the other element that also contributes heavily to the profitability is the mix. That cannot be denied. It's the mix between servers and new builds but also, what Hakan was reflecting upon earlier, not every new build order has the same margin. It depends on which market are you in. How unique are you? How well can you negotiate? How much do you differentiate from your competitors, et cetera? It's a combination of project mix, but then also cost management, and that relates to leverage as well. I do believe that we can do more. With increased load, which we also can see in the factories, your efficiency goes up, and I think that will pay back for sure.

**00:30:10 - 00:30:14**  
Håkan Agnevall: I fully agree, and the underlying trend is positive.

**00:30:15 - 00:30:27**  
Antti Kansanen : I just wanted to understand, in Q4, was the mix weak in '24, or was the comparison period very strong?

**00:30:28 - 00:30:35**  
Arjen Berends: I think it was a little bit weaker, you could say than normal in Q4 '24.

**00:30:35 - 00:30:38**  
Antti Kansanen : Thank you. I'll get back to the line. [silence 00:30:39-00:30:54]

**00:30:38 - 00:31:01**  
Operator: The next question comes from Sean McLoughlin from HSBC. Please go ahead. [silence 00:31:01-00:31:06]

**00:31:06 - 00:31:46**  
Sean McLoughlin : Good morning. Thank you for allowing me to ask a question. Coming back to your offering in energy, how does this fit with the base load opportunity in the US from data centers? I always understood that your offering was about peaking power. Is there anything you can tell us on how the economics stack up versus heavy-duty and medium-duty gas turbines or other baseload power? Again, thinking about the tariffs, how can we quantify the economics that may be impacted? Thank you.

**00:31:46 - 00:33:08**  
Håkan Agnevall: In terms of our base load in the US, I would say if I simplify it a bit, it's a lot about remote operations. When the grid is not strong enough, or you have big industries that need a lot of power like mines, cement factories, et cetera. They need to provide their own power. These are classical base load applications for us in the US, but also for other parts of the world. Now, if you compare our engines with the error derivative gas turbines, our fuel efficiency is better. I would say our thermal performance and how we perform when it's hot, et cetera, we need very little water. There are several areas where we are better but what decides which solution the customer chooses, depends on the legacy, but also CapEx versus OPEX thinking. When we look at data centers, it's very similar to those types of remote base load applications that we have already today. Then coming back to tariffs, I think this is very, very hard to predict.

**00:33:09 - 00:33:42**  
Håkan Agnevall: If you look at our industrial setup, we are exporting engines from Europe to the US, so there you see we have a supply base that is fairly European-centered. We do have some supplies from the US as well, but the gravity is in Europe. If there will be tariffs which custom classes would be affected by those tariffs, and how this will play out, I would say it's impossible to predict.

**00:33:44 - 00:33:44**  
Sean McLoughlin : Thank you. [silence 00:33:44-00:33:52]

**00:33:52 - 00:33:58**  
Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

**00:34:00 - 00:34:27**  
Panu Laitinmäki : Hi. I just wanted to ask about the EBIT margins and the 12 percent target. Do you think that could be within reach in '25 and directionally, how do you see this improvement coming to be? Marine is already almost at 12, energy is a bit below, and portfolio business is a lot more below. Directionally, which one will be the biggest driver toward '12.

**00:34:27 - 00:34:30**  
Håkan Agnevall: Go ahead.

**00:34:30 - 00:34:43**  
Arjen Berends: It's a good question. We are not guiding on time, but I would say it's near. As you can see from our trajectory, we are improving strongly. Yes, I think it's not far away.

**00:34:44 - 00:35:23**  
Håkan Agnevall: In terms of major drivers, it's the same waterfall that we've been talking about in the CMD services. Both energy and marine continue to be a major driver, both top line and profitability. We have improved profit margins on the marine, new builds, and with the new fuels, et cetera. We have power plants coming back, improving profitability. Storage, improving profitability. You might remember our voyage division, that now we have divested ANCS, and the rest that we are keeping we are also improving profitability. There you have some of the major drivers.

**00:35:24 - 00:35:27**  
Arjen Berends: However, the key driver is service moving up the service value ladder.

**00:35:29 - 00:35:39**  
Panu Laitinmäki : Thanks. Can I just ask for a follow-up? If you conclude the review of energy storage, will you revise the targets when you do that?

**00:35:40 - 00:36:37**  
Håkan Agnevall: Thank you for bringing up the strategic review. I will answer your question, but first I want to just come back to the strategic review. It's still ongoing. It's still the same narrative. We have grown the business. We see the profitability improving as well, which is good. However, we are still looking at what's the best way to support our customers and create shareholder value. We are looking at different ownership alternatives, everything from keeping to fully divesting. This takes time because we are exploring different avenues. We clearly understand that you, as analysts and many of our external stakeholders, would like to know what is the conclusion, but we are not there yet. We are still working on it. There is quite a lot of work ongoing. However, we cannot talk about what we are doing until we are ready, and the final decision has been made. We will have to come back to that.

**00:36:41 - 00:36:48**  
Panu Laitinmäki : Thanks. The question was, when you do that, do you touch that margin target or will that happen later?

**00:36:48 - 00:36:59**  
Håkan Agnevall: That depends on which avenue and what is the outcome of the strategic review. It could be yes, it could be no. It depends on where we land on the review.

**00:37:01 - 00:37:01**  
Panu Laitinmäki : All right. Thanks. [silence 00:37:01-00:37:08]

**00:37:08 - 00:37:13**  
Operator: The next question comes from Tomi Railo from DNB. Please go ahead.

**00:37:17 - 00:37:31**  
Tomi Railo: Hello, everyone. It's Tommy from DNB. A question on the profitability. Did you improve the profitability in both service and equipment last year, and are you profitable on the equipment side?

**00:37:33 - 00:38:15**  
Arjen Berends: We will not break down our profitability as we have not done that earlier as well. We are growing profitability on both the equipment side and on the server side, but it depends very much on the mix as well. If you take service, as I've been saying before, the high is the spare parts and then the other ones are on the lower level, and the mix between those makes the overall service mix. The margin percentage goes up or down a little bit. Overall, I would say we are continuously optimizing our processes, enabling smoother operation and smoother execution of orders, and that comes to the good of the margin.

**00:38:16 - 00:38:52**  
Hanna-Maria Heikkinen: If I may compliment you, I hope you notice we have now updated how we visualize the order intake on our services side, both in marine and energy. You see the four disciplines there, and you see how they go up and down in quarter on quarter. This is still 12-month rolling. This is the kind of challenge. However, you also see the overall trend when you weigh it all together. I think that reflects the whole service business. Book-to-bill is bigger than one and, as Arjen points out, continuous improvement. We have step-by-step improving profitability. [silence 00:38:52-00:38:56]

**00:38:56 - 00:38:56**  
Tomi Railo: Thank you. [silence 00:38:57-00:38:03]

**00:39:03 - 00:39:08**  
Operator: The next question comes from Mikael Doepel from Nordea. Please go ahead.

**00:39:11 - 00:39:48**  
Mikael Doepel: Thank you. Good morning everybody. Just coming back to the tariffs. I understand that it's very difficult to predict what's going to happen. I'm just wondering, you previously said that the technologies that you provide are not available in the US. I'm just wondering if this could lead to some redemptions if there were any tariffs coming into place. We have seen this or heard about it in some other equipment businesses where you don't have similar technologies offered by local producers in the US. Do you have any thoughts about this?

**00:39:51 - 00:40:25**  
Hanna-Maria Heikkinen: The sound was a little bit bad here, so I might have misunderstood your question. It's true that if you look at our type of large bore, midsize bore engines, this offering is provided by suppliers that today do not have any final assembly in the US. That is correct. Now, what implications do you draw out of that? As I said, it's very, very hard to do. It's far too early, and there is so many dynamics these days.

**00:40:28 - 00:40:29**  
Mikael Doepel: Okay. Secondly--

**00:40:29 - 00:41:07**  
Håkan Agnevall: If I may compliment, as you know, in the energy space we consider the major competitor in technology is the gas turbines. Both Siemens and GE have final assembly in the US, but they also, as far as we understand, have an international supply chain. How does that play out for them? You have to ask them. The fundamentals of our solutions, in terms of our strengths in our technology, flexibility, fuel efficiency, and no need for water, et cetera, remain. These are the fundamentals we compete with.

**00:41:11 - 00:41:36**  
Mikael Doepel: Okay. That makes sense. Then a question on capital allocation. You've got a very strong cash flow now in 2024. You have a net cash position. What do you think about that going forward? Could you consider some buybacks or extra payouts? It does look like the balance sheet is becoming over-capitalized in the business

**00:41:36 - 00:42:44**  
Arjen Berends: I would say our capital allocation principles don't change. For sure, we want to meet, and we also have that in the proposal to meet 50 percent of the EPS payout as dividends. That's one. I think our R&D spending will remain at a higher level than if you take long-term historical levels of three percent of sales. Last year we ended 4.6 percent of sales. I think it will be in the four-point-something percent also this year. Clearly, we need capital for that. Then, we are not blind to acquisition either. We need to monitor the market and look at investments and acquisitions that could make our position even stronger. Today, there are not many big items on the horizon. I think we have said before also that a two-stroke is an interesting option. If it's here, we will certainly look at it. Otherwise, I think it's more like smaller bolt-ons. Those are the key principles that we have been communicating, and I don't think they have changed.

**00:42:47 - 00:43:05**  
Mikael Doepel: Okay, fine. Finally, if you can give a bit of an update on the carbon capture systems, what's the latest on that front? You have been pirating that you are going to commercialize the product. What is IMO saying? What are the customers saying? How does the infrastructure live and so on?

**00:43:05 - 00:44:28**  
Håkan Agnevall: An update on carbon capture. We are doing pilot testing as we speak. We will do a commercial launch this year. The technology is ready. There is a lot of interest, from potential customers. Now, the ecosystem around carbon capture is certainly still evolving. What we bring is one piece of the puzzle. We bring the extension of a scrubber business where you capture the carbon, and you can store it on the vessel. However, when you bring it ashore, what do you do with it? Do you put it back in some well, or do you use it as a raw material for new fuel production or whatever? This whole ecosystem. There is still a lot of development and evolving thoughts around that. However, we do see a strong interest from customers. In the technology diffusion curve, the classical one, it's the early adopters, the pioneers. These are the people that we are talking to now. However, there is a strong interest. Let's see how this evolves. We have said that we consider this to be a €10 billion opportunity over 10 years. That's also the time frame. It's not Q-on-Q so to say. Let's see how it's evolving.

**00:44:28 - 00:44:51**  
Håkan Agnevall: Then, coming back to your questions on how is the regulatory discussion evolving? I wouldn't say we have deeper insights into that than anybody else. There is certainly a discussion both on the IMO level and also in Europe. Let's see what's the outcome because that will certainly be important for the continuation of carbon capture as a technology.

**00:44:53 - 00:44:54**  
Mikael Doepel: Got it. Thank you. [silence 00:44:54-00:44:02]

**00:45:02 - 00:45:07**  
Operator: The next question comes from Akash Gupta from J.P. Morgan. Please go ahead.

**00:45:10 - 00:45:49**  
Akash Gupta: Thanks for taking my follow-up. I have one on marine services. Last year you saw some benefits from a Red Sea disruption. I'm just wondering if you see any headwind this year if we get some peace in the Middle East and a flow of vessels again through the Red Sea and Suez Canal that can reduce the requirement to travel far away. On the same topic, is there any way you can quantify the positive impact that you may have seen last year so that we know how much of this can potentially reverse when the situation normalizes? Thank you.

**00:45:49 - 00:46:17**  
Håkan Agnevall: I would say let's first hope that there is peace in the Middle East and that ships can start sailing through Suez again. I think the world would benefit from that. Our service business is supported by the longer routes that our customers need to take. We haven't quantified it. I don't think we will do it. I wouldn't say it has a major impact on a growth narrative for services. There are some positives, but it's not major.

**00:46:20 - 00:46:47**  
Arjen Berends: To complement that, it might lead to overcapacity in certain vessel types like container vessels or car carriers et cetera. Typically, in those ship types, we have auxiliary engines. However, if that overcapacity would occur, it's very likely that there is a very old part of that fleet as well that will be dismantled first. In those older vessels, we are typically not in.

**00:46:49 - 00:46:50**  
Akash Gupta: Thank you.

**00:46:57 - 00:47:26**  
Operator: The next question comes from Daniela Costa from Goldman Sachs. Please go ahead. [silence 00:47:03-00:47:20] Daniela Costa from Goldman Sachs, your line is now unmuted. Please go ahead. [silence 00:47:27-00:47:38]

**00:47:39 - 00:47:40**  
Håkan Agnevall: Yes, unfortunately.

**00:47:42 - 00:47:48**  
Operator: The next question comes from Antti Kansanen From SEB. Please go ahead.

**00:47:50 - 00:48:17**  
Antti Kansanen : I have a follow-up question on the energy storage side. When we look at last year's full-year orders, on the megawatt-hour terms, there's a big jump up from the previous year and the level that you have been. Does this impact the delivery times and backlog rotation from orders to sales? How much do you expect to book in 25? Is it just the same number of projects, but they are just in scale larger ones?

**00:48:18 - 00:48:33**  
Håkan Agnevall: The major dynamic that is at play here is the decreasing prices of batteries. For the same amount of dollars or euros, you deliver a lot more kilowatt-hours.

**00:48:33 - 00:48:34**  
Arjen Berends: About 40 percent down.

**00:48:35 - 00:49:04**  
Håkan Agnevall: That's a major mechanism that is at play here. The other thing that is happening, and I think we kind of alluded to that, our projects are getting bigger and bigger, which of course also increases the lumpiness. Now, in Q3 to Q4, I think we saw some extreme lumpiness, and I do think we will see some lumpiness going forward as well. However, coming back, the underlying market sentiment for storage is very positive if you take a global perspective.

**00:49:06 - 00:49:26**  
Antti Kansanen : Yes, I understand the pricing dynamic, but my question was, on volume terms, you are taking more deals or bigger deals, will that lengthen the delivery times? How many of those orders that you took last year will be revenues this year? Are they longer projects or just bigger ones?

**00:49:27 - 00:49:46**  
Håkan Agnevall: To simplify, there are bigger ones rather than longer ones. It's a grayscale in this, but it's not like when we take a big one, you get another two or three years of delivery time. It's that you're delivering more within approximately the same time frame.

**00:49:48 - 00:50:10**  
Antti Kansanen : Then, thinking of the profitability, the business in volume terms is much bigger. If I understand correctly, lower prices are largely functions of pass-through items. Is this margin accretive that the volume of a single project or the order intake has grown? Is this a big driver for your margins going forward?

**00:50:11 - 00:51:00**  
Håkan Agnevall: Now, I would look more at what type of customer, and which geographical market. We talked a little bit about this before. There's a huge storage market out there, but you need to segment the market, and some customers are very CapEx-oriented. I wouldn't say that these are core customers, either. We are not the cheapest on CapEx. We are more attractive to customers who want peace of mind, execution, and thermal stability. You can see how we are executing and how the profitability has evolved. I would say that with the focus we have, we clearly aim to continue that journey of improving profitability.

**00:51:02 - 00:51:02**  
Antti Kansanen : Thank you. [silence 00:51:02-00:51:08]

**00:51:09 - 00:51:15**  
Operator: The next question comes from Panu Laitinmäki from Danske Bank. Please go ahead.

**00:51:18 - 00:51:44**  
Panu Laitinmäki : Thanks for taking my follow-ups. I have two. First, on the networking capital. You have been flagging that it's probably an unsustainable level, but it's been going up. Could you do kind of be more concrete? Do you think this will happen in '25 yet, and to what magnitude? Is there a number or a percentage of sales that we should assume to reach at mid-term?

**00:51:46 - 00:53:05**  
Arjen Berends: I will not. We are not guiding on working capital. Besides that, to guide on working capital is difficult because there are so many moving parts in the working capital. As I explained, there are many good actions that, as I mentioned earlier, are sustainable, but not everything is sustainable. If you take the EPC-EQ mix, it might be different this year compared to what we saw last year. If it moves back again to 10 or 20 percent more on EPC, that has an impact on working capital. The same goes for your negotiations with customers. If your solutions are unique, you can differentiate, you can have a better price, and you can have better payment terms. Negotiation with customers is not only one thing about price, it's also about payment terms, warranty terms, and all kinds of other terms and conditions. If we are able to get very good payment terms today, or you could say improved payment terms today, it is no guarantee that it will happen in the future also. I think many dynamic parts are not given as sustainable items. The one stock location that I referred to. That's sustainable.

**00:53:06 - 00:53:29**  
Arjen Berends: However, there are also moving parts. What we see at this point of time or what we believe will happen at this point of time is that, if you take the ratio of working capital to sales, we are probably at a lower point. From here on it's likely to go up. I don't think, as I mentioned, that in 2025 we will end up with a positive ratio, but it will be less negative.

**00:53:29 - 00:53:50**  
Håkan Agnevall: If I may compliment you so that we don't create confusion, I do agree with you. The mix between EPC and the EEQ might vary a bit, but just to clarify, the strategy of having less EPC and more EEQ, it's still there, but there might be some minor variations around that. Just to clarify.

**00:53:50 - 00:53:52**  
Arjen Berends: Yes, we will not go back to 70 percent.

**00:53:52 - 00:53:54**  
Håkan Agnevall: Exactly. That was my point.

**00:53:55 - 00:53:55**  
Arjen Berends: I agree.

**00:53:57 - 00:54:13**  
Panu Laitinmäki : Okay, thanks. Then, just a question about the order book and the deliveries. Is there any more color that you can give on what to expect in '25? I'm assuming it's more normal seasonality this year, as you haven't commented on it like last year.

**00:54:15 - 00:55:36**  
Arjen Berends: We have made a comment about equipment sales in the second half of last year. It was a one time that we wanted to flag you as an audience that this is what we see on the horizon. Eventually, it turned out to be not so bad from a mix point of view because of very good service performance in the later part of the year. You can also see in our EBIT percentage for Q4. I do believe, and that we have also seen in the past years, that it's more stabilized. The hockey stick that we have been talking about also in 2024, might be something, but it's not anymore what Wärtsilä used to have five or 10 years ago. Then it was always a hockey stick in Q4. We had typically very low EBIT margins in the first part of the year or the first half of the year in the first quarters, and then it came up again in the second half of the year. I think the future will be more stable, and that is because we are growing our service business very well, including the book-to-bill ratios that we have been talking about a lot. That puts a very stable foundation under our profitability as well. If you look at last year, 53 percent of our net sales were serviced, the year before it was 52 percent.

**00:55:37 - 00:56:10**  
Arjen Berends: I believe that gives a very solid fundamental also in profitability and stability. Also during the year, the service is much more stable whereas the equipment sales are much more fluctuating through the year. It depends very much on the delivery schedules of equipment sales, but also here I feel that the trend is more stable than these big fluctuations. We will always have fluctuations, in particular, for big orders in storage, which Hakan was referring to earlier as well. However, the direction gets more stable.

**00:56:12 - 00:56:13**  
Panu Laitinmäki : All right. Thank you.

**00:56:17 - 00:56:29**  
Hanna-Maria Heikkinen: Thank you, Panu. Then we will continue with a couple of questions from the chat. Can you give us some color on energy storage's market share development in the last year? What is your strategy in terms of market share for storage?

**00:56:30 - 00:56:53**  
Håkan Agnevall: We haven't set a specific market share target. The market overall is growing. I think we have been growing slower than the overall market because of our focused strategy. Still, we see ample growth opportunities also for our core business. However, we haven't set specific percentages for growth.

**00:56:54 - 00:57:13**  
Hanna-Maria Heikkinen: Thank you. Then a question about EPP capacity. What do you think about your EPP capacities in megawatt terms? You have historically been able to deliver 1,500 megawatts in a year, but since closing the 3S, how does it sit now? Could this ramp up if demand materially picks up?

**00:57:15 - 00:58:02**  
Håkan Agnevall: I would say we are not concerned about bottlenecks, neither in STH, in our Sustainable Technology Hub in Warsaw, nor in our Chinese factories. We are not concerned about bottlenecks also in our supply chain. I think from a delivery situation we are in a very good position, with good delivery times, especially the gas turbine side, I think they are struggling a little bit with those lead times. We are maintaining our lead times and I think we have an industrial system that can scale. With the investments that we have made already in STH, it's a fantastic facility. Many of you have been there. If you haven't been there, please come, and we can really scale in that facility and also scale with the supply chain.

**00:58:04 - 00:58:25**  
Hanna-Maria Heikkinen: One more question about data centers. We are hearing more of data center customers looking to gas engines for baseload power, given the supply constraints of gas turbine manufacturers, are you in conversations with these larger US customers? Would you be ready to supply into that market without a partnership such as AVK in Europe?

**00:58:25 - 00:58:59**  
Håkan Agnevall: I won't go into details of who we would partner up with and not partner up with. However, I can confirm that we are in dialogue with quite a lot of different stakeholders who are looking for power for data storage in the US. We also continue our cooperation with AVK in Europe. A lot of excitement's ongoing, but it needs to go from excitement and talk to concrete orders. It will come, but the timing we will see. The underlying sentiment is positive.

**00:59:01 - 00:59:25**  
Hanna-Maria Heikkinen: Thank you, Hakan. Thank you, Arjen, and thank you for all the good questions. We will publish the Q1 results on April 25th. Before that, we will host a couple of IR events, including the CEO Strategic Call and Pre-Silent Call together with Arjen. Also, a great opportunity to visit our site in the company in the Netherlands. Please follow our IR calendar. Thank you.

**00:59:26 - 00:59:27**  
Håkan Agnevall: Thank you very much.

**00:59:27 - 00:59:27**  
Arjen Berends: Thank you.