

# INTERIM REPORT THIRD QUARTER 2021



# SUMMARY Q3

## SOLID PERFORMANCE AND STRONG UNDERLYING DEMAND

- Organic order intake growth of 21% year on year, and total growth was a full 31%
  - Continued strong underlying demand in both mining and infrastructure with all-time high levels in order intake
  - Demand in automotive and general engineering robust, and positive development in aerospace
  - Revenues grew by 13% organically, supply chain bottlenecks continued to be challenging in the third quarter
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## IMPROVED PROFITABILITY

- Adjusted EBIT margin at 17.6% (17.3). Adjusted EBITA margin at 19.1% (17.7)
  - R12 month adjusted EBIT margin excl. metal prices 18.4% (16.8)
  - Permanent savings amounted to SEK 230 M, while reversal of temporary savings had a negative impact of SEK -615 M year on year
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## SUCCESSFUL EXECUTION OF M&A STRATEGY

- Seven strategically important acquisitions in and after the quarter
- Updated 2025 revenue target for Sandvik Manufacturing Solutions, to SEK 6 Bn with an EBITA margin of at least 20%
- Vital steps taken to become a more digital- and growth focused company



# STAYING AHEAD THROUGH INNOVATION







## SANDVIK TH550B BATTERY-ELECTRIC TRUCK



- Combination of proven solutions and 3<sup>rd</sup> generation BEV technology
  - Sandvik’s half-century of experience manufacturing underground loaders and trucks
  - Innovative electric driveline and battery technology
- Rethink the equipment, not the mine
  - Simple to implement in existing mine infrastructure
- Patented AutoSwap and AutoConnect
  - Fast and easy battery self-swapping system
- Common Sandvik systems and design solutions to seamlessly fit the truck into the Sandvik product range



# MARKET DEVELOPMENT

	% of group revenue FY20	Q3 Y/Y order intake
 EUROPE	37%	+16%
 NORTH AMERICA	21%	+25%
 ASIA	21%	+23%
 AFRICA/MIDDLE EAST	8%	+39%
 AUSTRALIA	8%	-4%
 SOUTH AMERICA	5%	+48%

## Y/Y UNDERLYING DEMAND TREND



% of group revenue 2020

**Mining**  
40%

**Engineering**  
23%

**Automotive**  
11%

**Energy**  
10%

**Infrastructure**  
8%

**Aerospace**  
5%

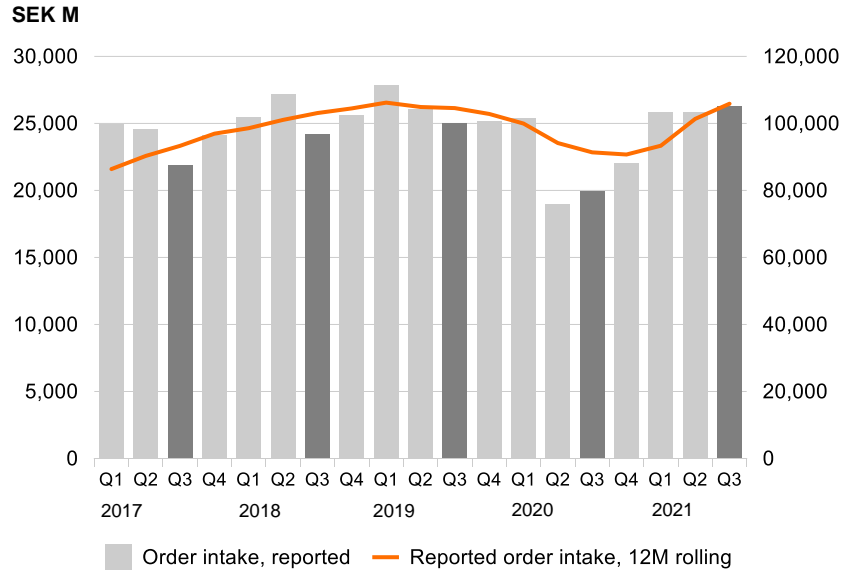
	Mining	Engineering	Automotive	Energy	Infrastructure	Aerospace
	↗	↗	→	↗	↗	↗
	↗	↗	→	→	↗	↗
	↗	↗	→	↗	↗	↗
	↗	↗	→	↗		
	↗					
	↗					

# ORDER INTAKE AND REVENUES

## ORDER INTAKE

REPORTED      ORGANIC GROWTH      TOTAL GROWTH\*

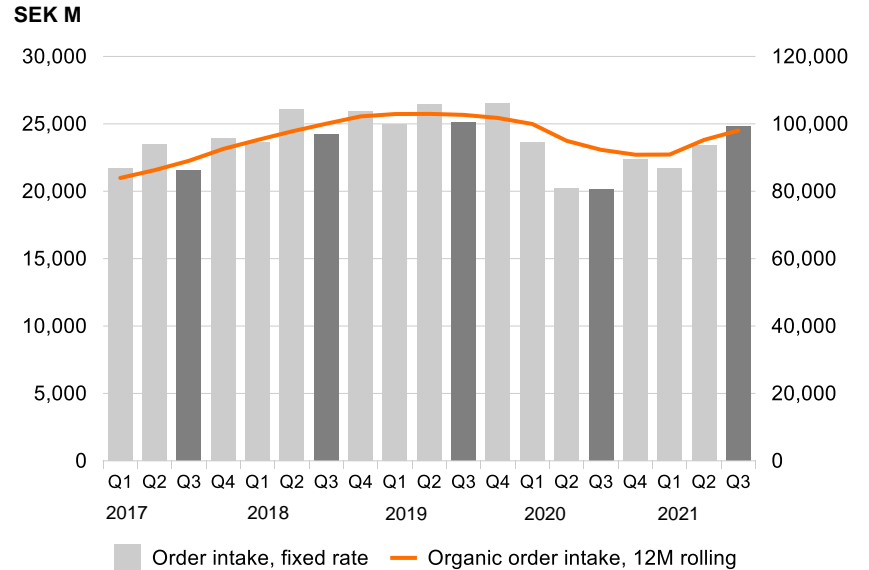
**26,292**      **21%**      **31%**



## REVENUES

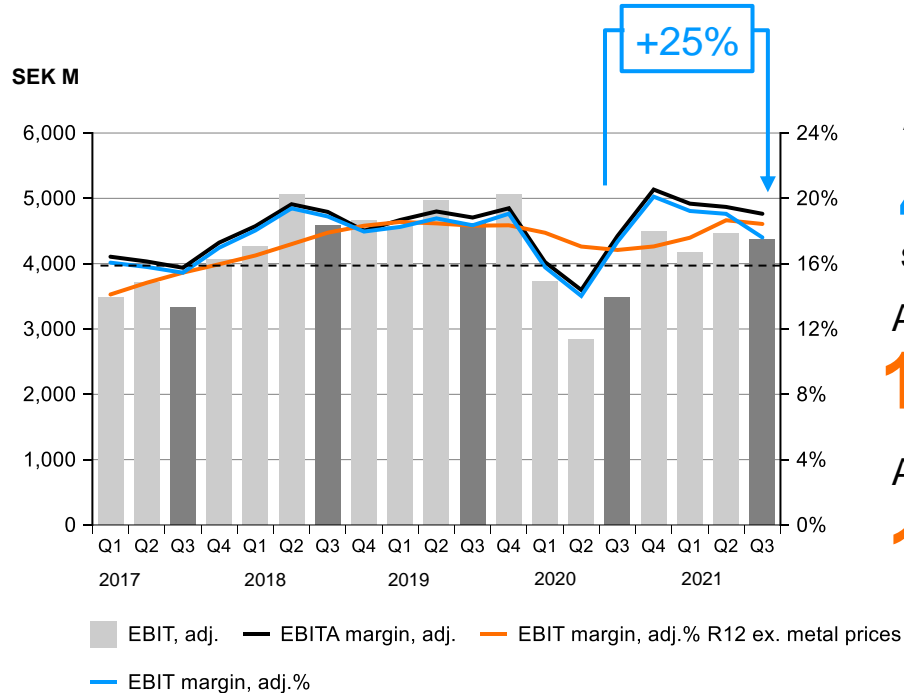
REPORTED      ORGANIC GROWTH      TOTAL GROWTH\*

**24,826**      **13%**      **23%**



# ADJ. EBIT AND EBITA DEVELOPMENT

GROUP  
LEVERAGE:  
**+32%**



ADJ. EBIT

**4,371**

SEK M

ADJ. EBIT %

**17.6%**

ADJ. EBITA %

**19.1%**

- Adj. EBIT Margin
  - 16.8% (17.5) excluding metal price effects
  - Currency had a margin accretive impact
  - M&A costs had a 100 bps diluting impact on adj. EBIT margin
- Permanent savings from the 2020 program had a positive SEK 230 M impact
  - Reversal of temporary savings had a negative SEK -615 M impact year on year
- R12 adjusted EBIT excl. metal prices 18.4% (16.8)

<sup>1</sup>Adjusted for items affecting comparability

<sup>2</sup>Adjusted for items affecting comparability and metal prices



# SANDVIK MINING AND ROCK SOLUTIONS

## RECORD HIGH ORDER INTAKE LEVEL

- Organic order intake growth of 21% year on year and total growth of 41%
- Strong contribution from all divisions
- One major order received of SEK 432 million (230)
- Strengthening aftermarket exposure with new division Ground support (DSI)

## SOLID MARGINS

- Adjusted EBITA margin 21% (22), negatively impacted by effects from acquisitions and reversal of savings
- Adj. EBIT margin was 18.5% (21.7) impacted by 400 bps from DSI, including an adjustment of inventory surplus value
- Reversal of temporary savings had a negative impact of SEK 130 million year on year

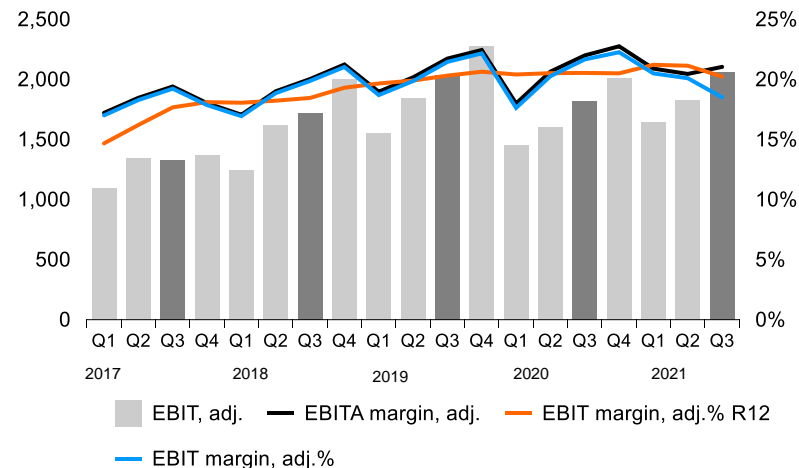
## ACQUISITIVE GROWTH OF 19%

- Strong start by the new Ground support division (DSI)

SEK M	Q3 2020	Q3 2021	CHANGE
ORDER INTAKE	8,519	12,122	21%
REVENUES	8,399	11,114	12%
ADJ. EBIT	1,820	2,057	13%
<i>ADJ. EBIT MARGIN</i>	<i>21.7%</i>	<i>18.5%</i>	

\*At fixed exchange rates for comparable units. Last years figures has been restated due to the new BA structure

## ADJ. EBITA AND EBIT DEVELOPMENT



# SANDVIK ROCK PROCESSING SOLUTIONS

## STRONG ORDER INTAKE GROWTH

- Solid year on year organic order intake growth in both mining and infrastructure, with all-time high order intake in aftermarket
- Organic order intake growth for equipment was 13% and 38% for aftermarket
- Invoicing impacted by supply chain constraints

## SOLID MARGIN

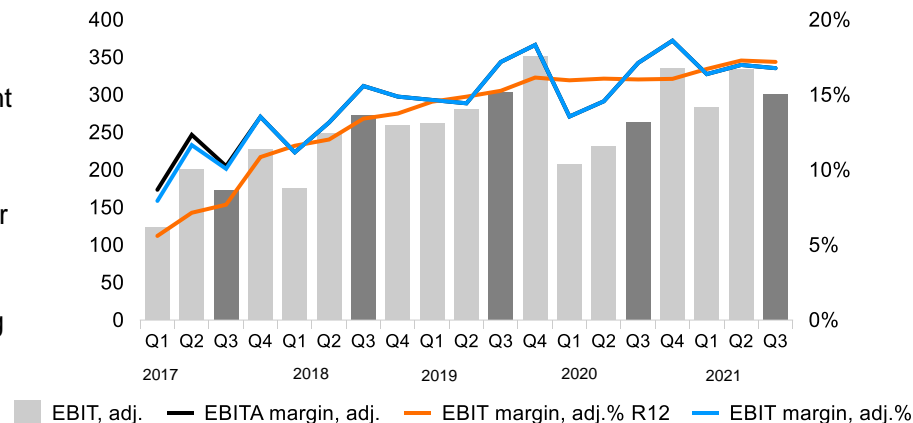
- Stable EBIT margin of 16.8% (17.1), with negative impact from freight and raw material costs
- Impact from permanent savings was SEK 5 M and reversal of temporary savings had a negative impact of SEK -25 M year on year

## INNOVATION

- New crusher QI353 in the crushing and screening portfolio, providing increased efficiency and sustainability to the customers

SEK M	Q3 2020	Q3 2021	CHANGE
ORDER INTAKE	1,614	2,082	26%
REVENUES	1,536	1,790	12%
ADJ. EBIT	263	300	14%
ADJ. EBIT MARGIN	17.1%	16.8%	

## ADJ. EBITA AND EBIT DEVELOPMENT







SHARE OF  
REVENUES 2020  
**38%**

# SANDVIK MANUFACTURING AND MACHINING SOLUTIONS

## SOLID UNDERLYING DEMAND

- Organic order intake grew 16% year on year driven by general engineering and automotive
- Automotive production cuts noted in the cutting tool business
- Positive year on year progress in aerospace
- Daily order intake stronger last week of September, and slight positive trajectory noted in first week of October

## IMPROVED MARGINS WITH IMPACT FROM M&A COSTS

- Adjusted EBITA margin improved to 21.2% (19.4), supported by higher volumes offset by M&A costs and write-down of overlapping assets in conjunction with acquisitions totaling SEK 198 Million
- Impact from permanent savings was SEK 140 M and reversal of temporary savings had a negative impact of SEK -365 M year on year

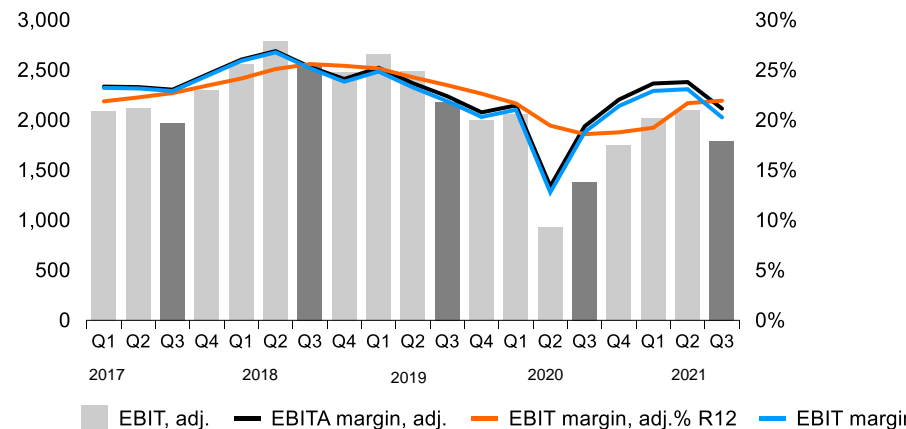
## IMPORTANT STEPS IN THE SHIFT TO GROWTH STRATEGY

- Acquisition of round tool companies Fanar in Poland and Yongpu in Asia
- Two CAM software acquisitions made, CNC Software and Cambrio as well as the metrology company DWFritz

SEK M	Q3 2020	Q3 2021	CHANGE
ORDER INTAKE	7,298	8,666	16%
REVENUES	7,325	8,820	18%
ADJ. EBIT	1,377	1,789	30%
<i>ADJ. EBIT MARGIN</i>	<i>18.8%</i>	<i>20.3%</i>	

\*At fixed exchange rates for comparable units.

## ADJ. EBITA AND EBIT DEVELOPMENT





# SANDVIK MATERIALS TECHNOLOGY

## STRONG ORGANIC ORDER INTAKE GROWTH OF 29%

- Continued strong organic order intake growth and solid absolute levels across most segments and divisions
- The activity in oil & gas segment continued to improve, albeit still on low levels compared to pre-Covid

## MARGIN RESILIENCE DESPITE CHALLENGES

- Solid underlying margin of 4.0% (4.9) despite lower revenues for umbilicals, driven by strong performance in application tubing, industrial heating and consumer related segments
- Impact from permanent savings was SEK 75 M and reversal of temporary savings had a negative impact of SEK -60 year on year

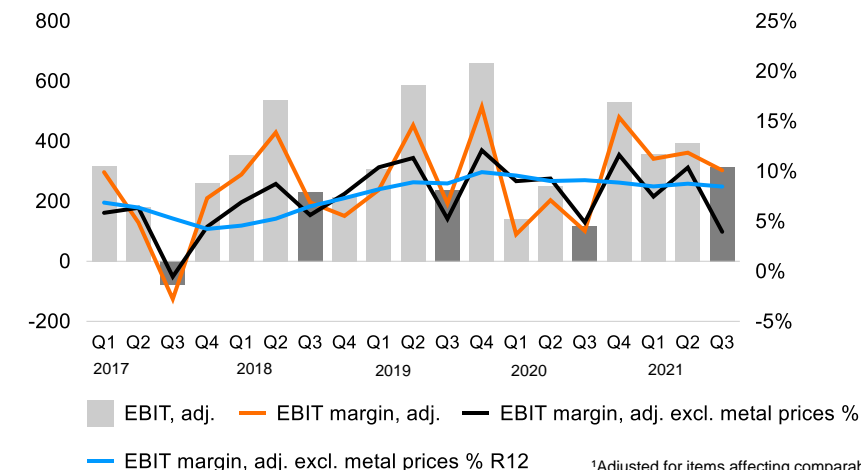
## GEARING UP FOR THE FUTURE

- Board of Directors confirmed previous decision to complete the separate listing on Nasdaq Stockholm in second or third quarter 2022
- After the quarter, the acquisition of the medical wire forming company Accuratech Group was completed

SEK M	Q3 2020	Q3 2021	CHANGE
ORDER INTAKE	2,477	3,422	29%
REVENUES	2,886	3,101	1%
ADJ. EBIT	116	313	169%
ADJ. EBIT MARGIN	4.0%	10.1%	
UNDERLYING MARGIN <sup>2</sup>	4.9%	4.0%	

\*At fixed exchange rates for comparable units.

## ADJ. EBIT DEVELOPMENT



<sup>1</sup>Adjusted for items affecting comparability  
<sup>2</sup>Adjusted for items affecting comparability and metal prices

TOMAS ELIASSON  
CFO

= 13

= 7

= -10

= 7

# FINANCIAL SUMMARY Q3

SEK M	Q3 2020	Q3 2021	CHANGE %
ORDER INTAKE <sup>1</sup>	19,909	26,292	21%
REVENUES <sup>1</sup>	20,145	24,826	13%
ADJUSTED EBITA MARGIN	17.7%	19.1%	
<i>ADJUSTED EBIT</i>	3,494	4,371	25%
ADJUSTED EBIT MARGIN	17.3%	17.6%	
NET FINANCIAL ITEMS	529	66	-88%
TAX RATE EXCLUDING IAC	23.6%	14.0%	
NWC, % <sup>2</sup>	29.6%	24.3%	
FREE OPERATING CASH FLOW <sup>3</sup>	4,778	3,940	-18%
ADJUSTED ROCE, % <sup>2</sup>	16.6%	19.2%	
ADJUSTED EPS, DILUTED	2.09	3.03	

## GROWTH, % Q3 2021

	ORDER INTAKE	REVENUES
ORGANIC	21%	13%
CURRENCY	0%	-0%
STRUCTURE	10%	10%
ALLOYS	1%	1%
TOTAL	32%	23%

<sup>1</sup> At fixed exchange rates for comparable units

<sup>2</sup> Quarterly calculation i.e. annualized adj. EBIT or revenues and one quarter average CE or NWC

<sup>3</sup> Free operating cash flow before acquisitions and disposals, financial items and taxes

# BRIDGE ANALYSIS

GROUP  
LEVERAGE:  
**+32%**

## SANDVIK GROUP

SEK M	Q3 2020	ORGANIC	CURRENCY	METAL PRICE EFFECT SMT	STRUCTURE	Q3 2021
REVENUES	20,145	2,563	-43	218	1,943	24,826
ADJUSTED EBIT	3,494	823	112	215	-272	4,371
ADJUSTED EBIT MARGIN	17.3%	32%				17.6%

MARGIN ACCRETION / DILUTION

1.7%

0.6%

0.9%

-2.8%

Includes metal price effects within Sandvik Materials Technology of SEK 218 M in alloy surcharges on revenues and SEK +190 M (-25) in metal price effect on EBIT. Structure in revenues and EBIT includes predominantly DSI.

# SAVINGS Q3

	SANDVIK MINING & ROCK SOLUTIONS	SANDVIK ROCK PROCESSING SOLUTIONS	SANDVIK MANUFACTURING & MACHINING SOLUTIONS	SANDVIK MATERIALS TECHNOLOGY	GROUP COMMON	Total	Annualized run-rate savings
<i>Program from Q3 2019</i>	-	-	-	-	-	-	1,700*
<i>New program announced in Q1 &amp; Q2 2020</i>	-	5	140	75	10	<b>230</b>	~900**
<b>Total permanent savings</b>	-	<b>5</b>	<b>140</b>	<b>75</b>	<b>10</b>	<b>230</b>	
<i>Work time reduction</i>	-90	-20	-285	-50	-15	<b>-460</b>	
<i>Other temporary savings</i>	-40	-5	-80	-10	-20	<b>-155</b>	
<b>Total temporary savings</b>	<b>-130</b>	<b>-25</b>	<b>-365</b>	<b>-60</b>	<b>-35</b>	<b>-615</b>	
<b>Total</b>	<b>-130</b>	<b>-20</b>	<b>-225</b>	<b>15</b>	<b>-25</b>	<b>-385</b>	

\*Finalized in Q2 2020, no bridge effects left

\*\*Out of SEK 1.3 Bn in targeted annualized savings



# NET FINANCIALS

SEK M	Q3 2020	Q3 2021
INTEREST NET	-78	-67
PENSION	-32	-31
BANK CHARGES	-9	-11
OTHER FINANCIAL INCOME & COST	589	-10
LEASES IFRS16	-26	-31
FX & OTHER ASSET CLASSES	85	216
<b>TOTAL</b>	<b>529</b>	<b>66</b>

- Interest net down year on year due to lower average interest in the debt portfolio
- Other financial income and cost consist of a capital gain of SEK 588 million related to divestment of an associated company last year

# TAX RATE

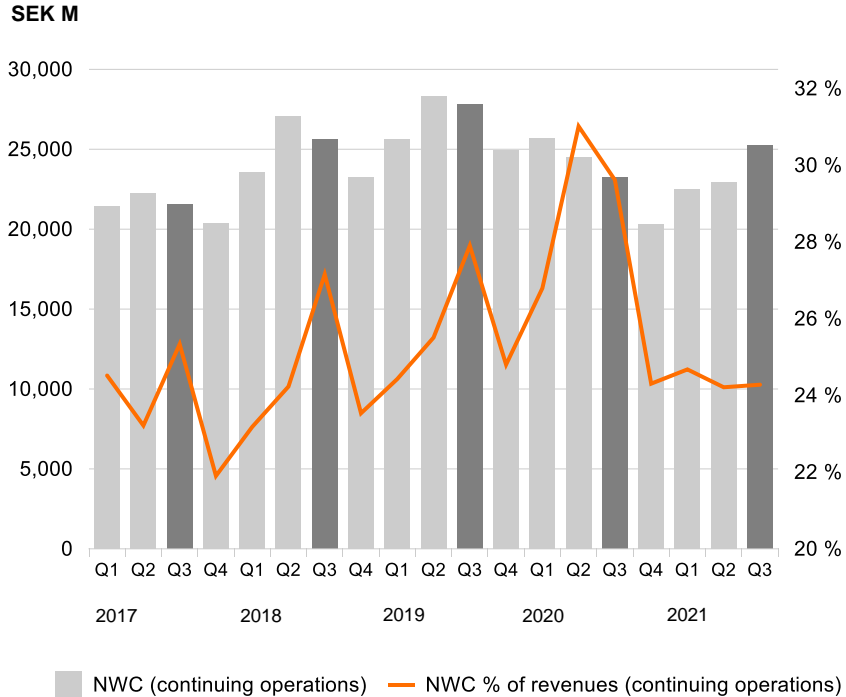
	Q3 2020	Q3 2021
<b>REPORTED</b>	<b>20.1%</b>	<b>13.7%</b>
EXCLUDING IAC	23.6%	14.0%
NORMALIZED	23.6%	22.2%

IN LINE WITH 22-24% GUIDANCE FOR 2021

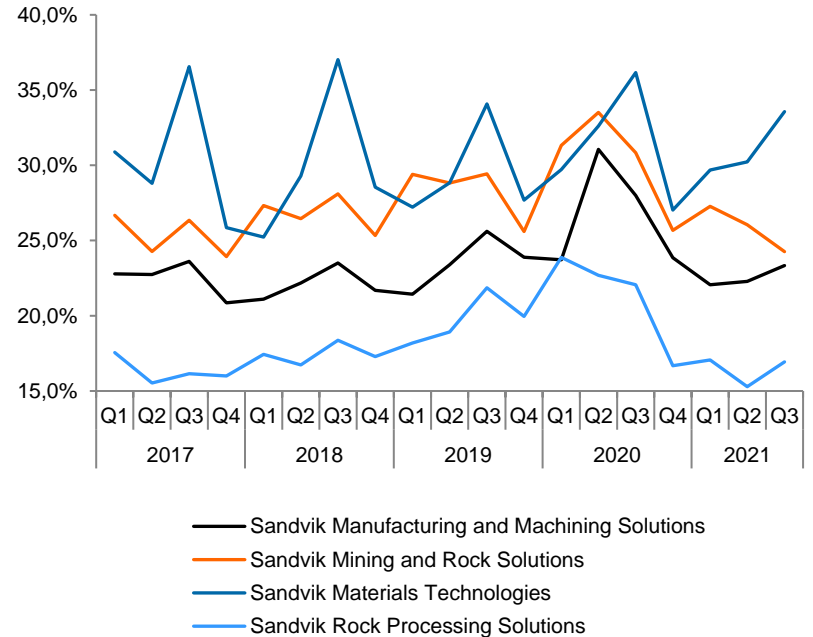


# NET WORKING CAPITAL

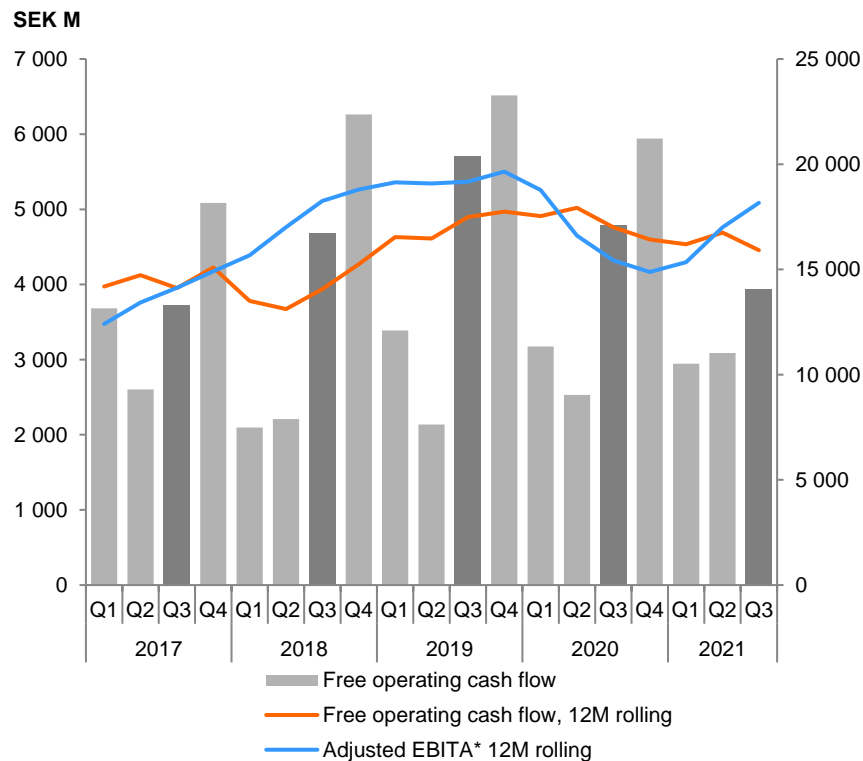
## NET WORKING CAPITAL



## NET WORKING CAPITAL AS % OF REVENUES



# FREE OPERATING CASH FLOW

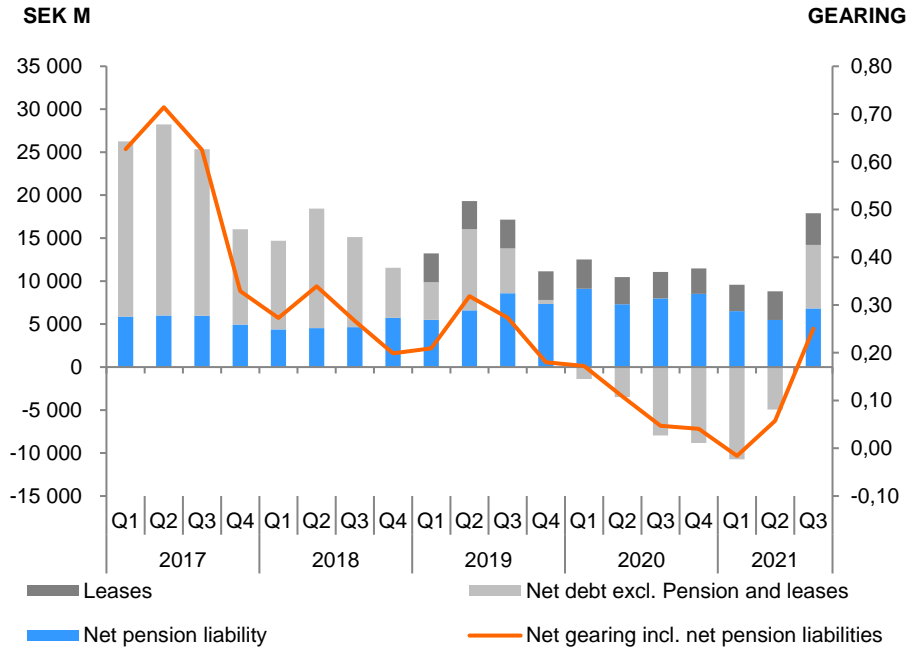


SEK M	Q3 2020	Q3 2021
EBITDA + NON-CASH	4,651	5,536
NWC CHANGE	877	-827
CAPEX*	-749	-769
FOFC**	4,778	3,940

\*Including investments and disposals in rental, tangible and intangible assets

\*\*Cash flow before acquisitions and disposals, financial items and taxes

# NET DEBT



- Net gearing at 0.25
- Financial net debt SEK 7.4 billion
- Net debt SEK 17.9 billion

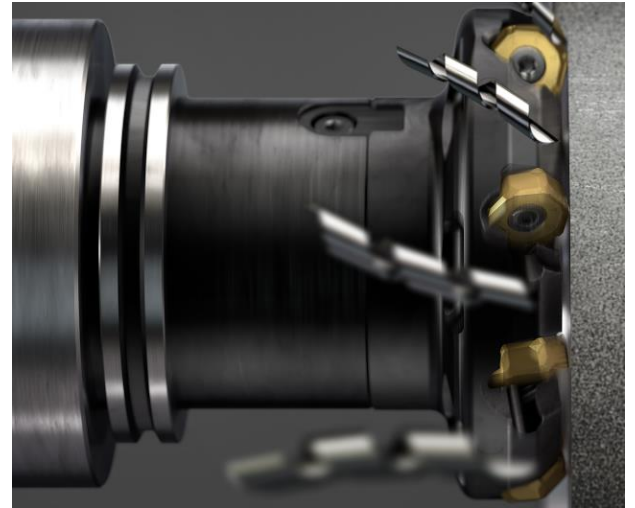
# OUTCOME Q3

## Q3 2021

	Outcome	Guidance
Underlying currency yoy effect (SEK M):	2	+/-0
Total currency yoy effect (SEK M):	108	
Metal price effect in quarter (SEK M):	190	200

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Capex (SEK B):	-0.8	
Interest net (SEK B):	-0.1	
Tax rate (%):	22.2%	



# GUIDANCE Q421 AND FY2021

## CAPEX (CASH)

Estimated to **<SEK 4.0 B for 2021**

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## CURRENCY EFFECTS

Given currency rates at end of September 2021 the effect on operating profit from transaction and translation would be **SEK +150 M for Q4 2021**

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## METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of September 2021, it is estimated that effect on operating profit in **Q4 2021 will be SEK +50 M**

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## INTEREST NET

Underlying interest net is estimated at about **SEK -400 M for 2021**

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## TAX RATE

The tax rate excluding IAC is estimated to **22% - 24% for 2021**

# GROWTH FOCUS AND SOLID EXECUTION

## SOLID PERFORMANCE AND STRONG UNDERLYING DEMAND

- Solid performance underpinned by strong underlying demand for Sandvik's products and services
  - Continued strong order intake growth, with both organic and acquisitive contribution
  - Successful execution on our M&A strategy with seven acquisitions completed in and after the quarter
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## RESILIENT MARGINS

- Operational efficiency and good cost control with an adjusted EBITA margin of above 19%
  - Adjusted EBIT margin impacted by acquisitions
  - Global supply chain challenges remained with certain impact on our operations
- 

## SHIFT TO GROWTH

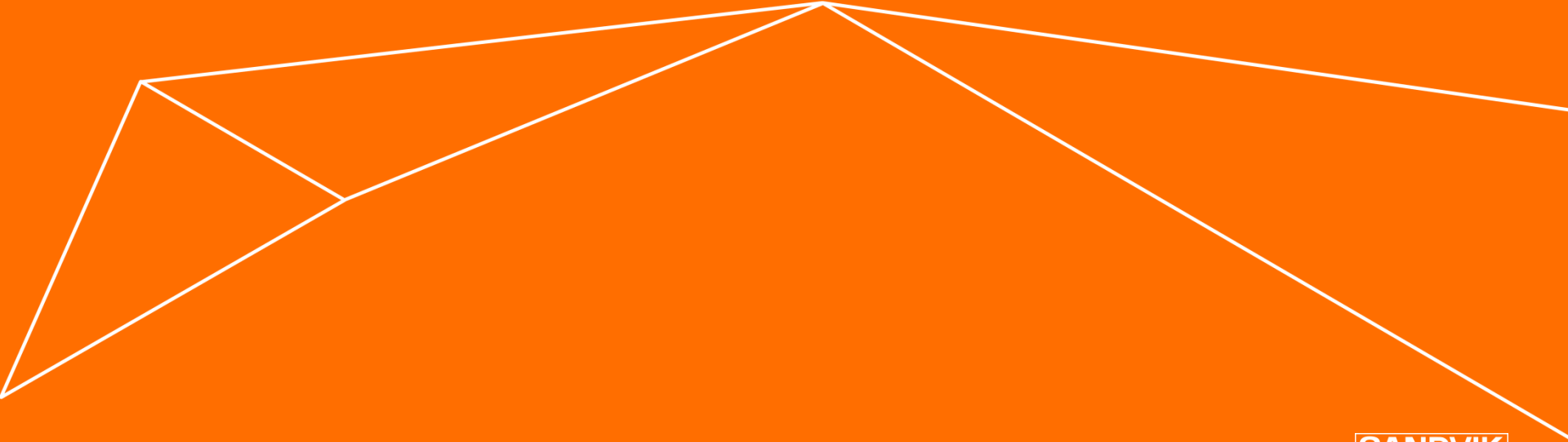
- Board of directors confirmed previous decision to separate Sandvik Materials Technology by the second or third quarter 2022
- Added over SEK 8 Bn in annual revenues from strategic acquisitions
- Important steps taken to become a more digitally focused company - Sandvik established a CAM market leader position within the manufacturing space



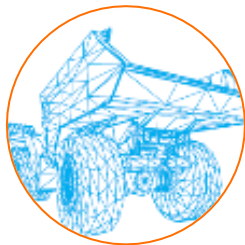


# Q&A

# BACK-UP SLIDES



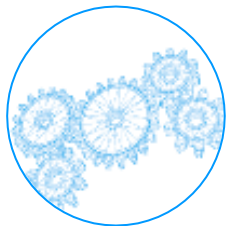




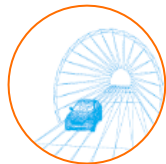
**MINING**  
(40%)



**ENERGY**  
(10%)



**GENERAL  
ENGINEERING**  
(23%)



**CONSTRUCTION**  
(8%)



**AUTOMOTIVE**  
(11%)



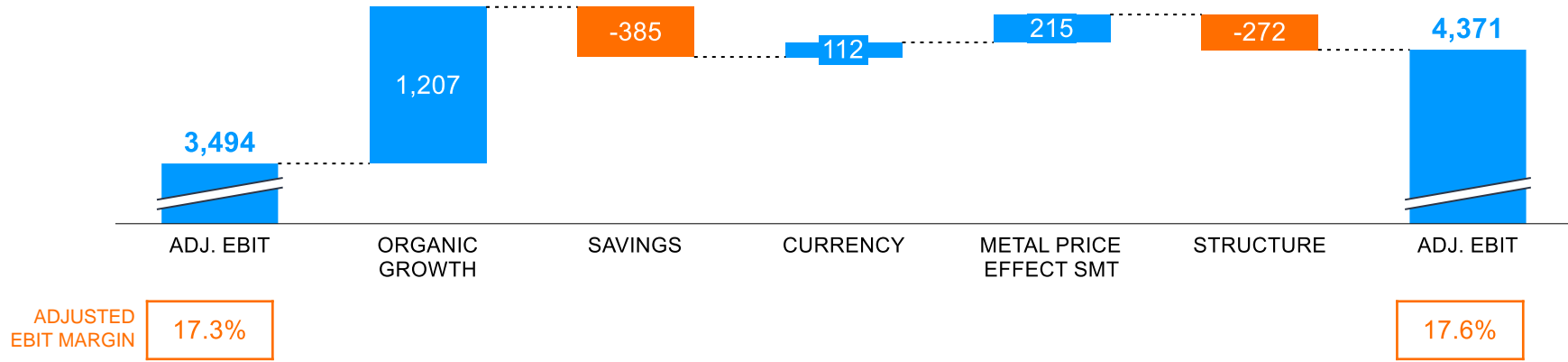
**AEROSPACE**  
(5%)

## END-CUSTOMER SEGMENTS

*(% of group revenues 2020 excl. Mining systems, Varel Oil & Gas and Other Operations; Other e.g. consumer goods, electronics, chemical and miscellaneous accounted for 3%.)*

# PROFITABILITY DEVELOPMENT

GROUP  
LEVERAGE:  
**+32%**



<b>SEK M</b>	<b>Q3 2020</b>	<b>ORGANIC</b>	<b>CURRENCY</b>	<b>STRUCTURE/META LS SMT*</b>	<b>Q3 2021</b>
<b>MINING AND ROCK SOLUTIONS</b>					
REVENUES	<b>8,399</b>	1,011	57	1,647	<b>11,114</b>
ADJUSTED EBIT	<b>1,820</b>	228	97	-88	<b>2,057</b>
ADJUSTED EBIT MARGIN	<b>21.7%</b>				<b>18.5%</b>
<b>ROCK PROCESSING SOLUTIONS</b>					
REVENUES	<b>1,536</b>	190	-5	69	<b>1,790</b>
ADJUSTED EBIT	<b>263</b>	25	-4	16	<b>300</b>
ADJUSTED EBIT MARGIN	<b>17.1%</b>				<b>16.8%</b>
<b>MANUFACTURING AND MACHINING SOLUTIONS</b>					
REVENUES	<b>7,325</b>	1,345	-77	227	<b>8,820</b>
ADJUSTED EBIT	<b>1,377</b>	611	-5	-194	<b>1,789</b>
ADJUSTED EBIT MARGIN	<b>18.8%</b>				<b>20.3%</b>
<b>MATERIALS TECHNOLOGY</b>					
REVENUES	<b>2,886</b>	15	-18	218	<b>3,101</b>
ADJUSTED EBIT	<b>116</b>	-8	-8	213	<b>313</b>
ADJUSTED EBIT MARGIN	<b>4.0%</b>				<b>10.1%</b>

\* Difference Group common: Organic: -34 MSEK Currency: 32 MSEK M&A costs: -4 MSEK

Includes metal price effects within Sandvik Materials Technology of SEK 218 M in alloy surcharges on revenues and SEK +190 M (-25) in metal price effect on EBIT. Structure in revenues and EBIT includes predominantly DSI.

# LOAN AND DURATION PROFILE



LONG TERM  
**56%**

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	1,000	2 years
European MTN	8,989	6 years
Bank loans	70	2 years
Share swap	-	-



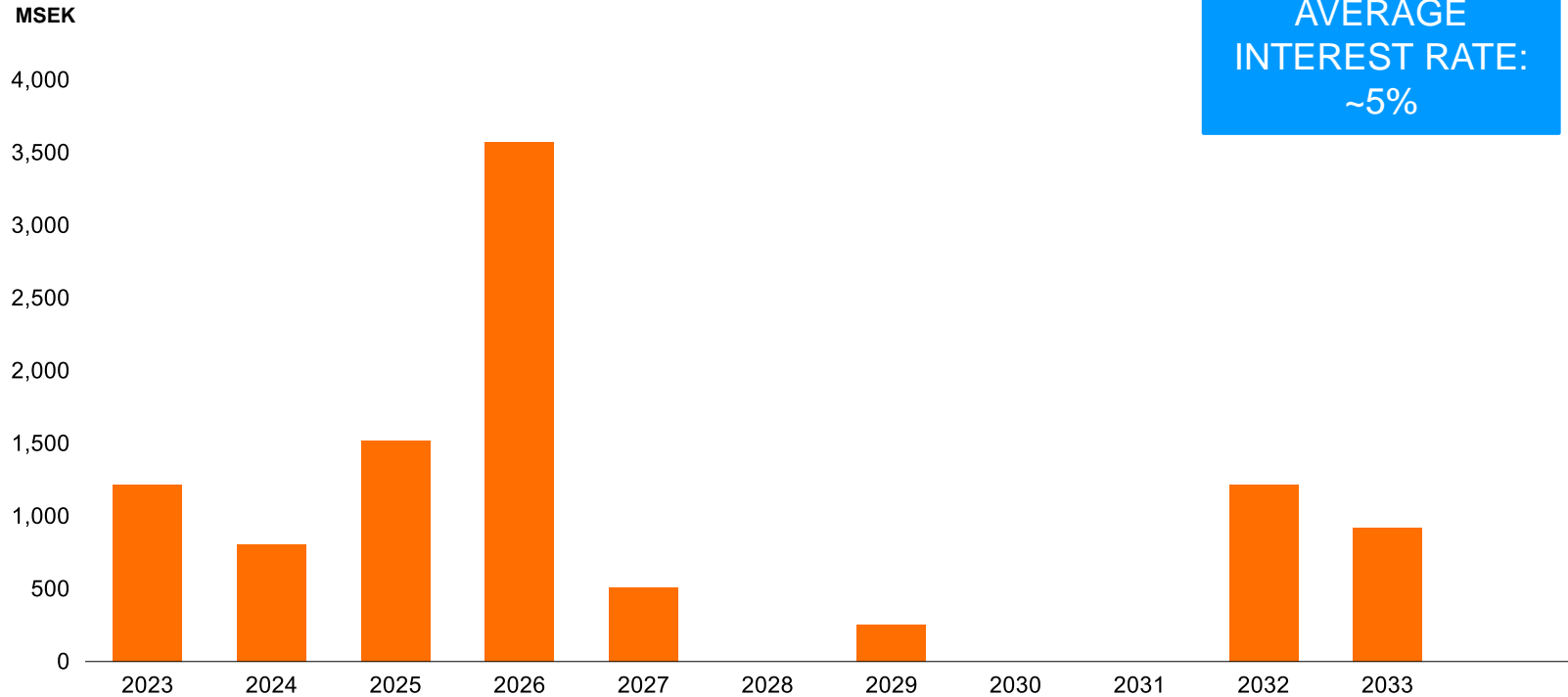
SHORT TERM  
**44%**

US Private Placement	-	-
Commercial paper	5,339	4 months
Swedish MTN	650	1 months
European MTN	1,527	5 months
Bank loans	236	0 months
Share swap	-	-

Cash position **SEK 10,406 M**  
Committed Credit facilities **SEK 9,100 M**

<b>TOTAL</b>	<b>17,811</b>	<b>3 years</b>
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# LOAN MATURITY PROFILE



An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, set against a black background. The lines are thin and create a sense of depth and movement.

# DISCLAIMER STATEMENT

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”

