

Interim report third quarter 2023



Summary Q3

Mixed demand picture

- Moderating volumes in general engineering and infrastructure. Positive aerospace sentiment, underlying demand in mining held up well.
- Total order intake declined by 1%. At fixed exchange rates, orders declined by 4% and organically by 7%
- Total revenue growth was 8% and at fixed exchange rates 4%, of which organic 1%

Strong resilience in the quarter

- Adjusted EBITA increased by 7%, corresponding to a margin of 20.1% (20.1)
- 40% annualized run rate savings achieved in the 2022 restructuring program
- Adjusted profit for the period amounted to SEK 3.9 Bn (3.9)

Highlights on shift to growth priorities

- Double-digit growth in Digital Mining Technologies
- CAM acquisition Postability announced
- Important launches of new products in all business areas

4%

Revenue growth at fixed exchange rates

20.1%

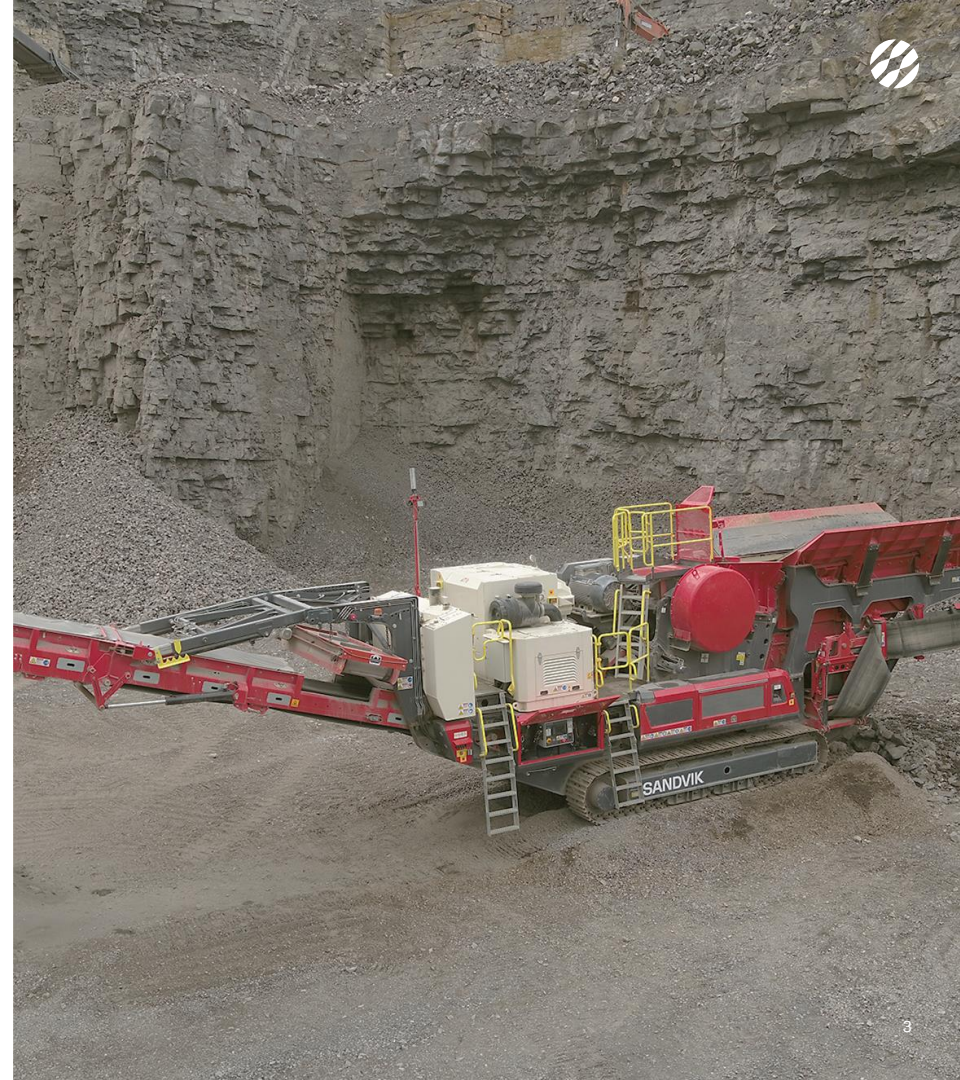
Adjusted EBITA margin

1.31

Financial net debt/EBITDA

Staying ahead through innovation: UJ443E heavy jaw crusher

- A fully electric heavy jaw crusher from Sandvik Rock Processing Solutions
- Lower running costs and service intervals, as well as lower emissions and noise levels
- Reduces fuel consumption by up to 30% while increasing throughput by up to 30% vs. existing generation





YoY market development

Percent of revenue 2022	Order intake Y/Y Q3 23
Europe	27% -8%
North America	25% -11%
Asia	19% -13%
Africa and Middle East	12% +15%
Australia	12% -4%
South America	7% -16%

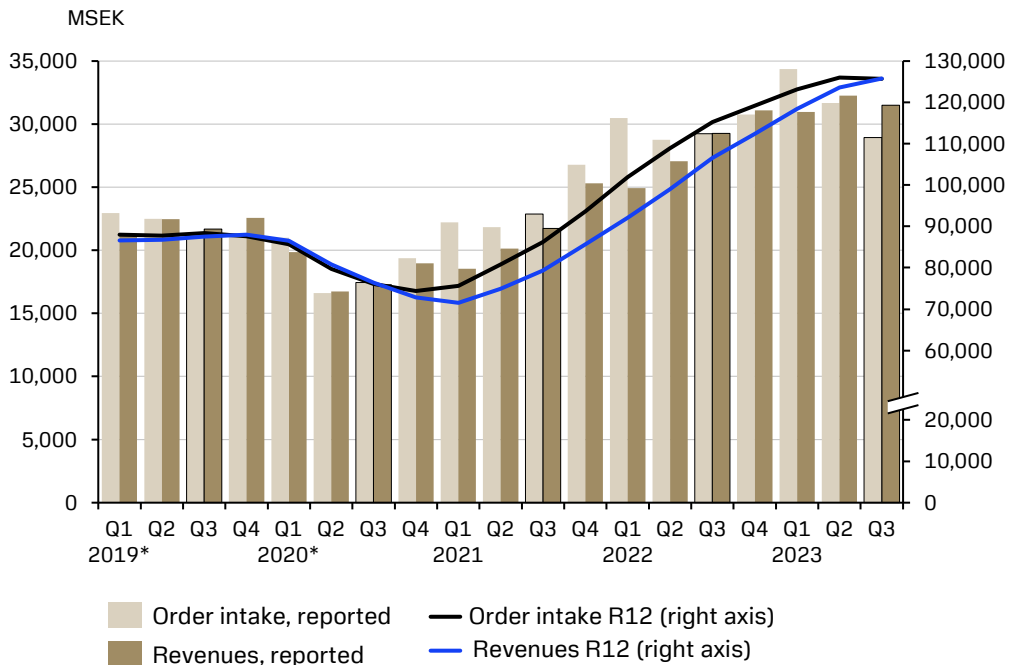
% of revenue 2022

Mining 48%	Engineering 22%	Automotive 7%	Energy 2%	Infrastructure 11%	Aerospace 3%	Other 7%
→	↘	↘	↘	↘	↗	↘
→	↘	↗	↘	↘	↗	↘
→	↘	↘	↘	↘	→	↘
→				↘		
→				→		
→				↘		

Continuing operations % of revenues 2022. Other e.g., consumer goods, electronics, chemical and miscellaneous accounted for 7%



Order intake and revenues



Order intake
Reported (MSEK)

28,927

Revenues
Reported (MSEK)

31,476

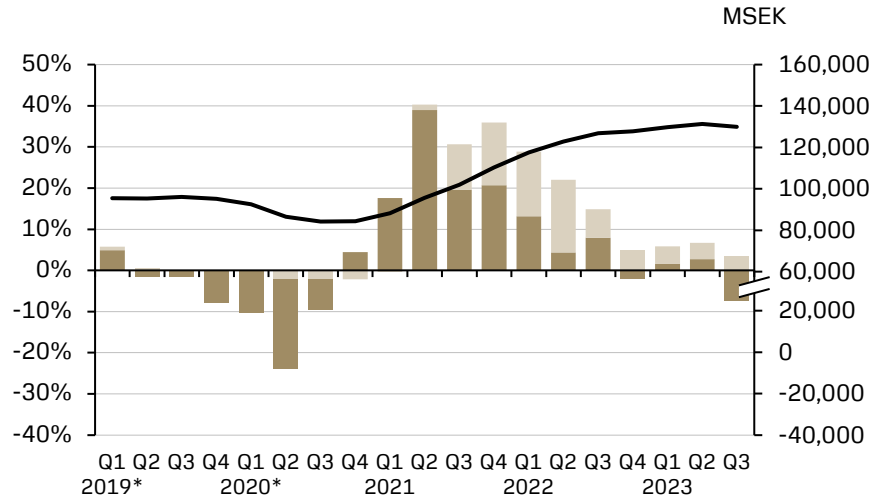
* Best estimates excluding Alleima

Comments and numbers refer to continuing operations unless otherwise stated.



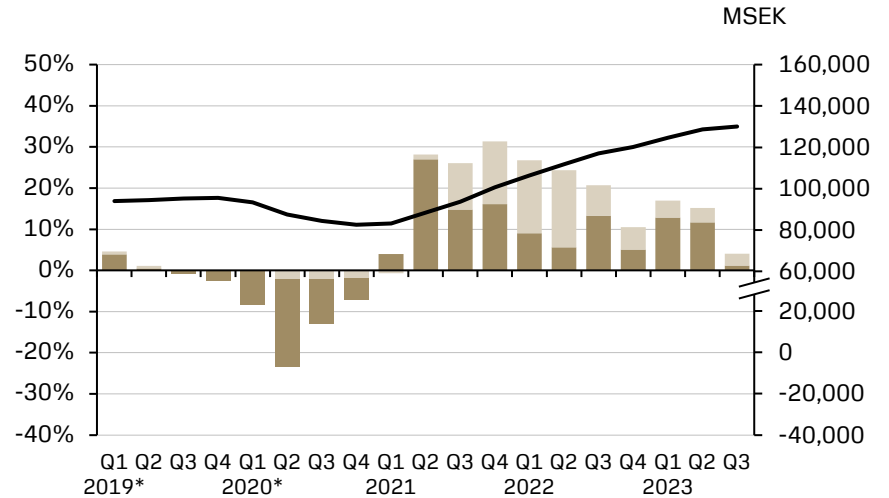
Growth in order intake and revenues

Order intake



Organic, %
 Structure, %
 Order intake R12m, fixed rate, right axis

Revenue



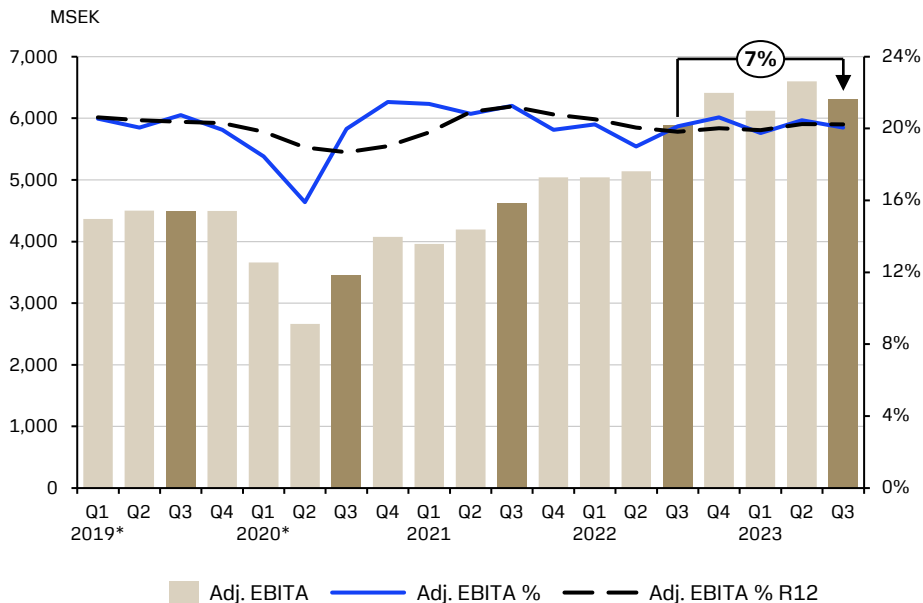
Organic, %
 Structure, %
 Revenue R12m, fixed rate, right axis

* Best estimates excluding Alleima

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Adjusted EBITA development



Adj. EBITA margin:

20.1%

- Adj. EBITA SEK 6,312 M (5,889)
- Strong resilience:
 - Positive impact from pricing, savings, and lower freight costs
 - Structure and currency diluted the margin by 10 and 60 basis points, respectively
- R12 adj. EBITA 20.2% (19.8)

* Best estimates excluding Alleima

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Mining and Rock Solutions

Order intake

- Demand in mining held up well, driven by aftermarket. Timing of orders impacted negatively
- Total order intake declined by 5% and at fixed exchange rates, by 7% and organically by 7%
- Excluding major orders received in the year earlier period of SEK 350 million, organic order intake declined by 5%

Adjusted EBITA

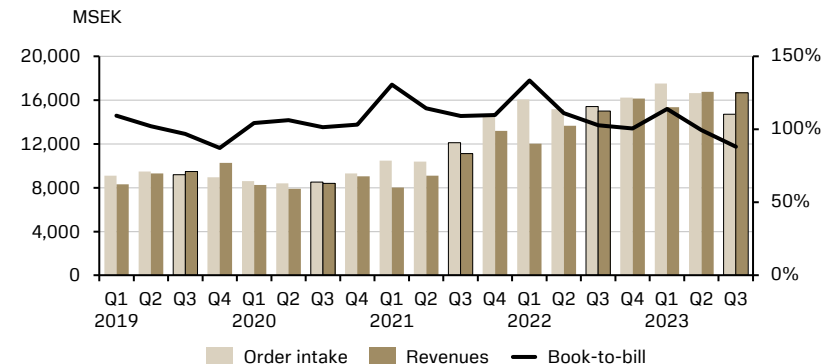
- Adjusted EBITA margin at 21.3% (20.3). Pricing and reduced freight costs contributed positively to the margin
- Savings from 2022 restructuring program had a positive impact of SEK 10 million
- Currency had a dilutive impact of 100 basis points

Shift to growth

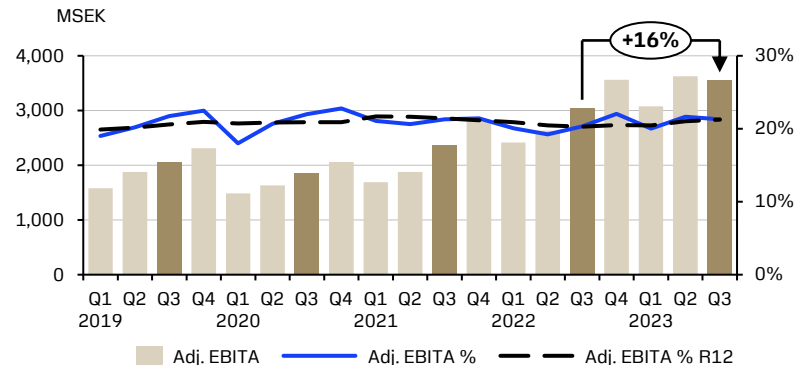
- New rotary drill rig launched with automation ready capabilities for a safer, reliable, high-yielding production environment

Order intake and revenues

51% share of revenues 2022



Adjusted EBITA development





Rock Processing Solutions

Order intake

- Demand in mining held up well, while infrastructure continued to be weak across all major regions
- Total order intake growth was 29% and at fixed exchange rates, growth was 26%. Organically order intake declined by 8%
- Strong contribution from the acquisition SP Mining, including a major order of SEK 150 million

Adjusted EBITA

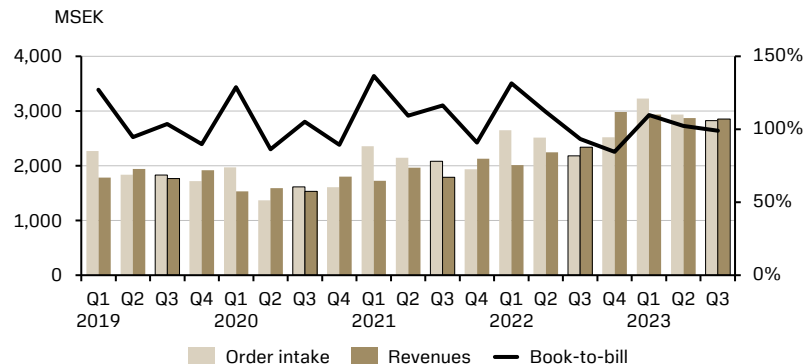
- Adjusted EBITA margin at 14.1% (16.1). Lower volumes, integration costs and final part of IT investments impacted the margin negatively
- Savings from 2022 restructuring program had a positive impact of SEK 13 million
- Currency effects had a dilutive impact on the margin of 50 basis points

Shift to growth

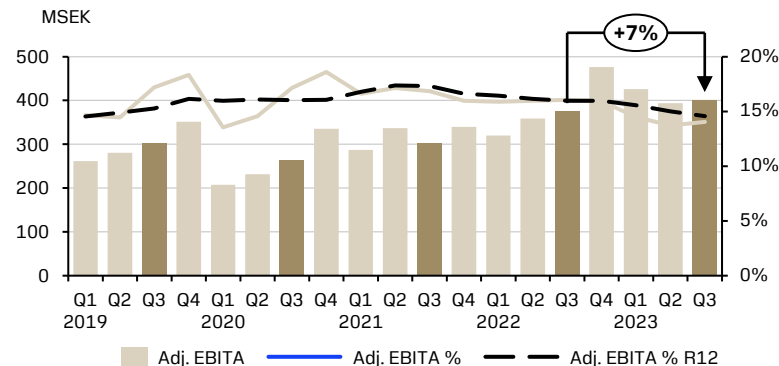
- Launch of a fully electric heavy jaw crusher with 30% reduced fuel consumption and 30% increased throughput compared to the existing generation

Order intake and revenues

8% share of revenues 2022



Adjusted EBITA development





Manufacturing and Machining Solutions

Order intake

- General engineering was down year on year. Stable development in automotive and strong demand in aerospace
- Total order intake declined by 2% and at fixed exchange rates, by 7%, and organically by 8%
- Organic order intake in cutting tools declined by mid-single digits and software increased by high-single digits. The powder business noted weaker demand and changed order pattern
- Daily order intake in the first two weeks of October was stable compared to the third quarter

Adjusted EBITA

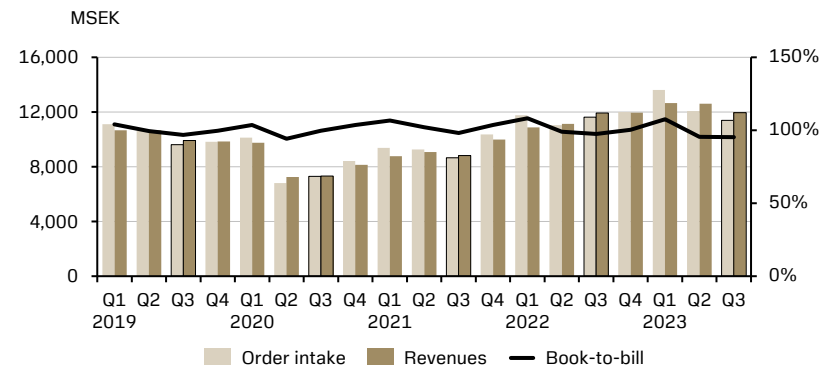
- Adjusted EBITA margin at 20.9% (21.6). Solid margin resilience on lower volumes
- Savings from 2022 restructuring program had a positive impact of SEK 56 million
- Currency had a dilutive impact of 30 basis points

Shift to growth

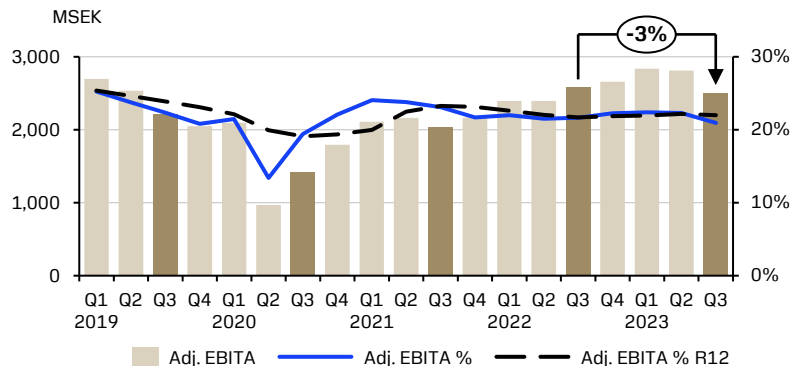
- Acquisitions of Postability announced
- Introduction of CoroCut2 tool solution

Order intake and revenues

41% share of revenues 2022



Adjusted EBITA development





Cecilia Felton

CFO



Financial summary

MSEK	Q3 2022	Q3 2023
Order intake	29,231	28,927
Revenues	29,267	31,476
Adjusted EBITA	5,889	6,312
Adjusted EBITA margin	20.1%	20.1%
Net financial items	-183	-760
Tax rate excluding IAC	26.7%	21.9%
NWC ¹	27.9%	30.5%
Free operating cash flow ²	3,634	5,830
ROCE ¹	16.0%	16.5%
Adjusted EPS, diluted	3.12	3.14

Growth	OI	REV
Organic	-7%	1%
Structure	3%	3%
Org + structure	-4%	4%
Currency	3%	3%
Total	-1%	8%

Best estimates excluding Alleima. ¹ Quarterly calculation i.e., annualized revenues and one quarter average NWC / ROCE ² Free operating cash flow before acquisitions and disposals, financial items and taxes

Comments and numbers refer to continuing operations unless otherwise stated.



Bridge analysis

MSEK	Q3 2022	Organic	Currency*	Structure	Q3 2023
Revenues	29,267	341	1,026	844	31,476
Adjusted EBITA	5,889	242	31	149	6,312
Adjusted EBITA margin	20.1%	71%			20.1%
Accretion/dilution		0.6%	-0.6%	-0.1%	

* Currency effect net of structure component

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Good progress in realizing savings from 2022 restructuring program

	SMM	SMR	SRP	Common
TOTAL ESTIMATED RUN-RATE SAVINGS				
~785	540	100	140	5
MSEK				
REALIZED SAVINGS Q3 2023				
79	56	10	13	-
MSEK				
REALIZED ANNUALIZED RUN-RATE (END Q3)				
40%	41%	40%	37%	-



Net financials

MSEK	Q3 2022	Q3 2023
Interest net	-231	-374
Pension	-12	-25
Bank charges	-6	-16
Other financial income and cost	-6	14
Leases IFRS16	-39	-59
Fx and other asset classes	112	-300
Total	-183	-760



Tax rate

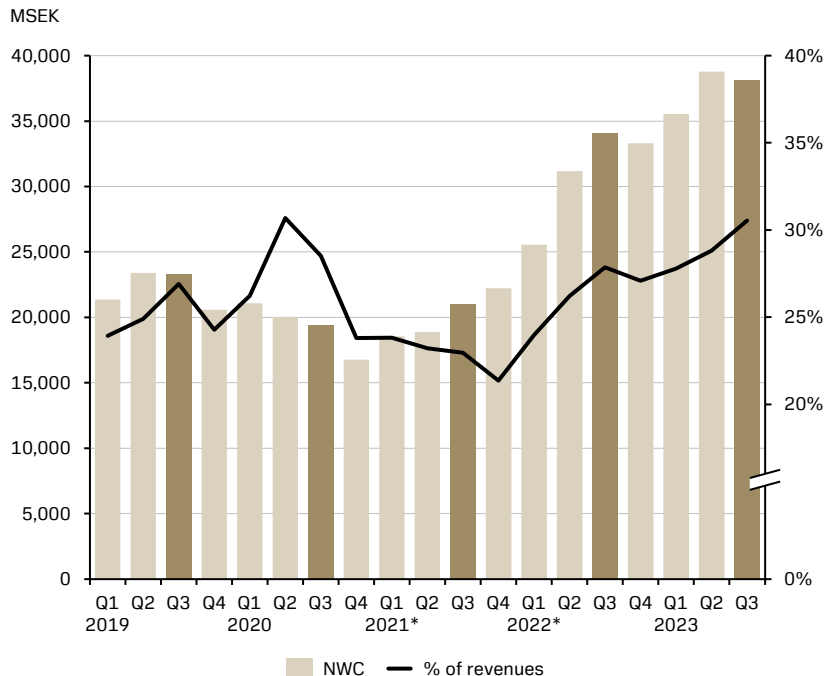
	Q3 2022	Q3 2023
Reported	29.6%	22.1%
Excluding IAC	26.7%	21.9%
Normalized	23.9%	23.9%

In line with 23-25% guidance for 2023

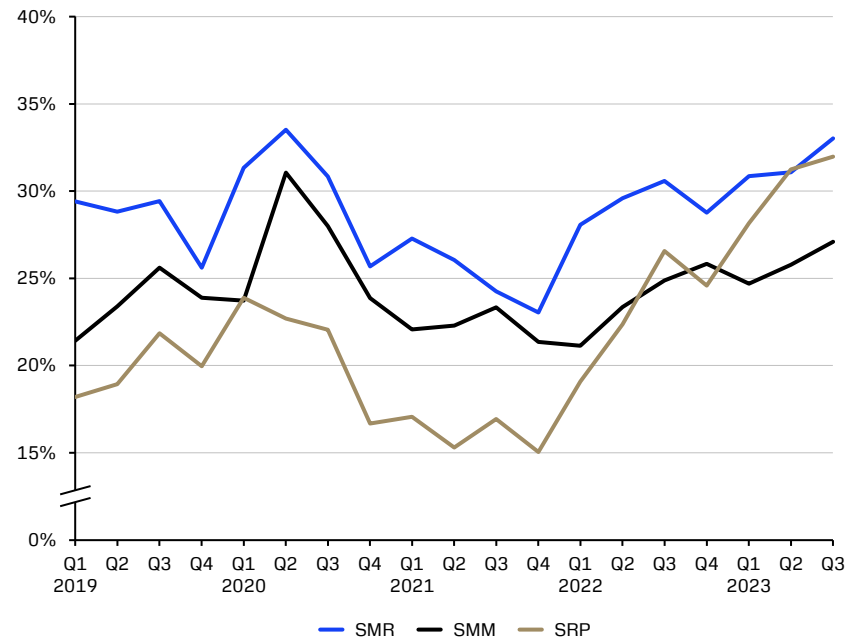


Net working capital

Net working capital



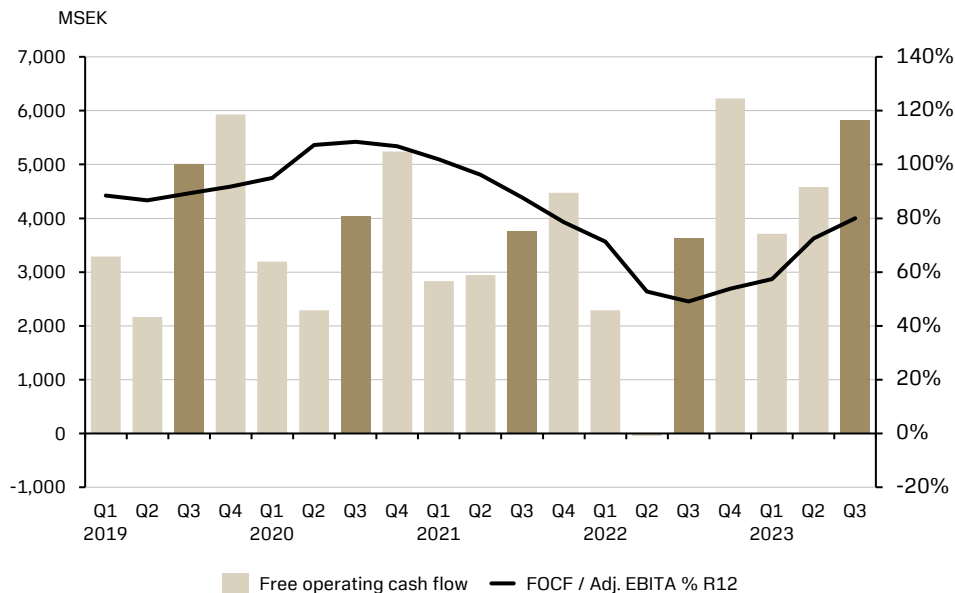
Per BA, % of revenues



* Best estimates excluding SMT
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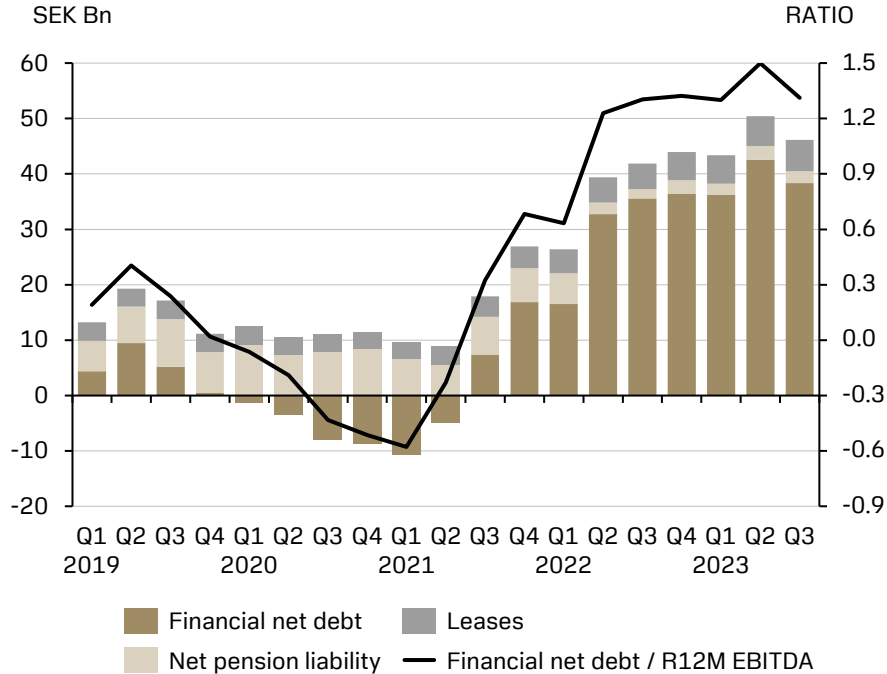
Free operating cash flow



MSEK	Q3 2022	Q3 2023
EBITDA	6,314	7,123
Non-cash items	-300	132
NWC change	-1,263	-156
CAPEX	-1,117	-1,269
FOCF	3,634	5,830



Net debt



- Financial net debt / R12 EBITDA
1.31
- Financial net debt SEK 38.4 billion
- Net debt SEK 46.2 billion



Outcome versus guidance

	Outcome Q3	Guidance Q3
Underlying currency YoY effect (MSEK)	31	-100

	Outcome Q3	Guidance FY
Capex (BSEK)	1.3	4.5
Interest net (BSEK)	-0.4	-1.7
Normalized tax rate (%)	23.9%	23-25%



Guidance Q4 and FY 2023

CAPEX (Cash)	Estimated to approx. SEK 4.5 – 5.0 B for 2023.
Currency effects	Given currency rates at end of September 2023 the effect on operating profit from transaction and translation would be SEK -150 M for Q4 2023
Interest net	Underlying interest net is estimated to approximately SEK -1.6 B for 2023
Tax rate	The normalized tax rate is estimated to 23% - 25% for 2023



Conclusion

Strong resilience in the quarter

- Clear evidence of the transformation we have made as a company
 - Despite moderating volumes, solid leverage and strong cash flow
 - Operating profit margin of 20.1% - within our target range
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Execution on shift to growth

- Important innovations launched in the quarter
 - Acquisition that strengthens the CAM offering
 - Continued momentum in strategic growth areas
-

Well positioned to capture growth opportunities

- Uncertain macroeconomic development ahead
- Well equipped to handle short-term headwinds
- Strong positions to capture long term structural growth drivers



Q&A



Backup slides



Adjusted EBITA bridge, per BA

MSEK	Q3 2022	Organic	Currency	Structure	Q3 2023
Mining & Rock Solutions					
Revenues	15,001	1,277	344	53	16,674
Adjusted EBITA	3,046	573	-85	14	3,548
Adjusted EBITA margin	20.3%	45%			21.3%
Rock Processing Solutions					
Revenues	2,340	-180	88	605	2,854
Adjusted EBITA	376	-71	3	94	401
Adjusted EBITA margin	16.1%	-40%			14.1%
Manufacturing & Machining Sol.					
Revenues	11,926	-757	593	186	11,948
Adjusted EBITA	2,580	-218	95	42	2,499
Adjusted EBITA margin	21.6%	-29%			20.9%



Loan and duration profile

MSEK	Amount	Duration
Bonds MTN	27,610	4.5 years
Bank Loans	8,406	2.4 years
Commercial papers	2,242	0.0 years
Bonds MTN	4,000	0.5 years
Bank Loans	1,092	0.0 years
Total	43,349	3.4 years

Long term:

83%

Short term:

17%

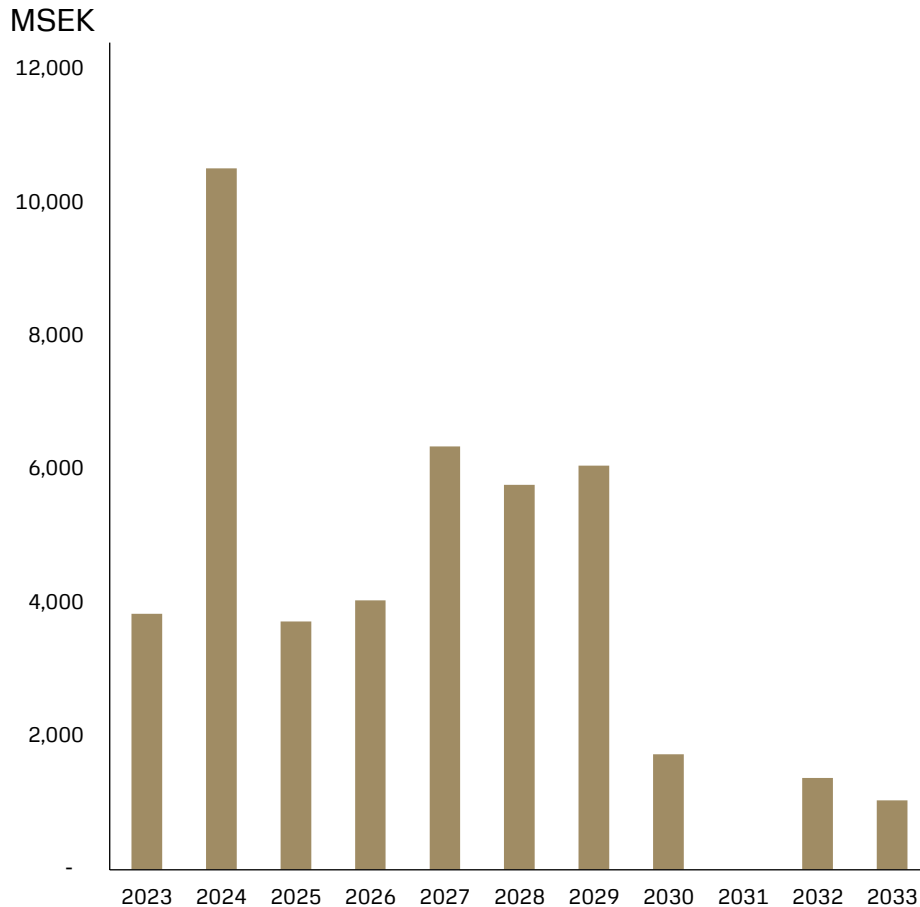
Committed Credit facilities **SEK 16,871 M**



Loan maturity profile

Average interest rate:

~4.0%



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, commercialization and technological difficulties, supply disturbances, and the major customer credit losses.”