

SANDVIK CAPITAL MARKETS DAY 2019

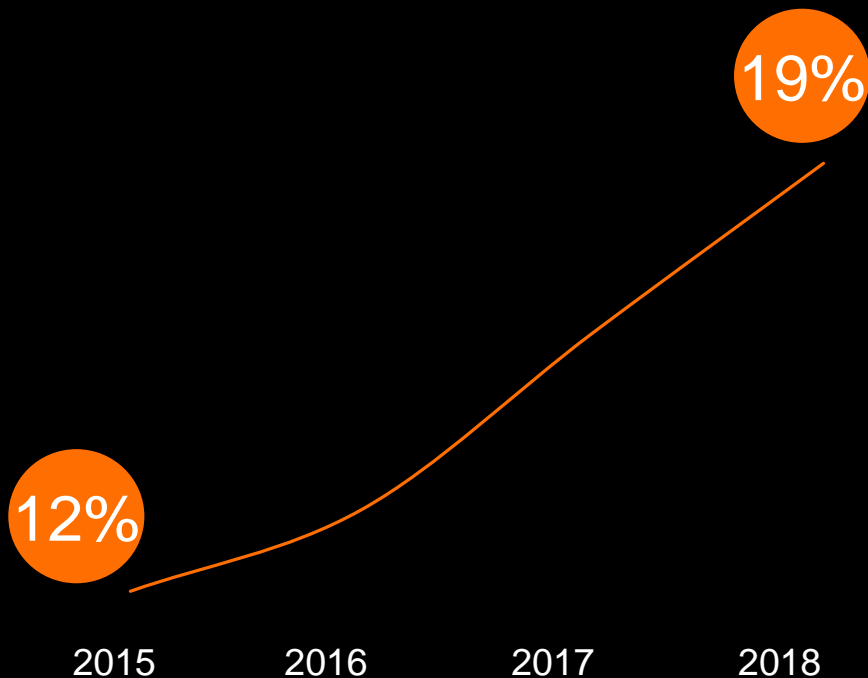


Comments and numbers in the presentation relate to continuing operations, unless otherwise stated



STRONG PERFORMANCE IMPROVEMENT

EBIT %: ~200 BPS ANNUAL INCREASE



RESHAPING THE
GROUP

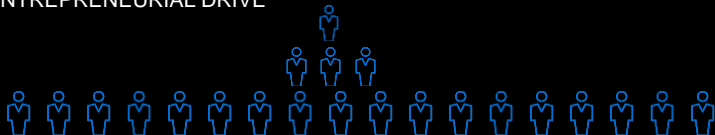
STRONG CASH
& LOW DEBT

INCREASED PACE
IN M&A

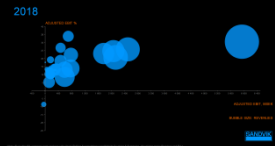
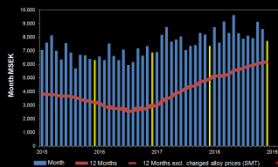
STRONG PERFORMANCE IMPROVEMENT

DECENTRALIZED

CLEAR ACCOUNTABILITY, SPEED IN DECISION MAKING AND ENTREPRENEURIAL DRIVE



STRONG PERFORMANCE MANAGEMENT TRANSPARENCY AND QUICK DIAGNOSTICS



FOCUS ON CORE

SIX ASSETS IDENTIFIED AS NON-CORE SO FAR

Ongoing: Varel O&G
Completed: Mining Systems, Wire, SPS, Hyperion, Fagersta Stainless

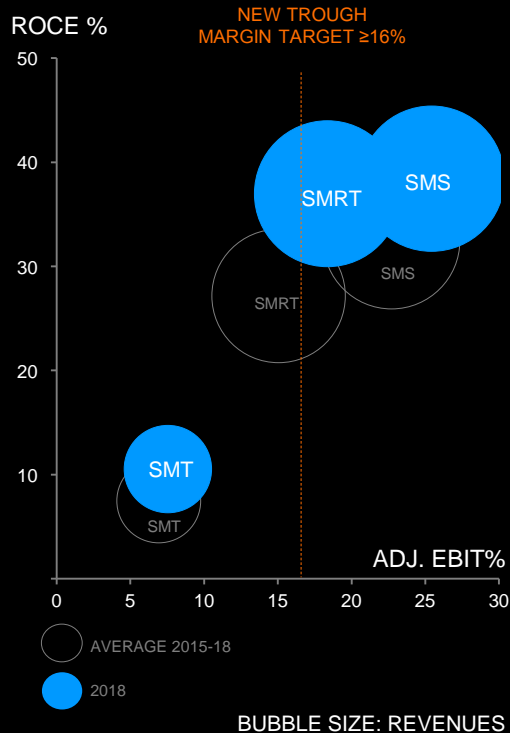
RESHAPING THE GROUP

STRONG CASH & LOW DEBT

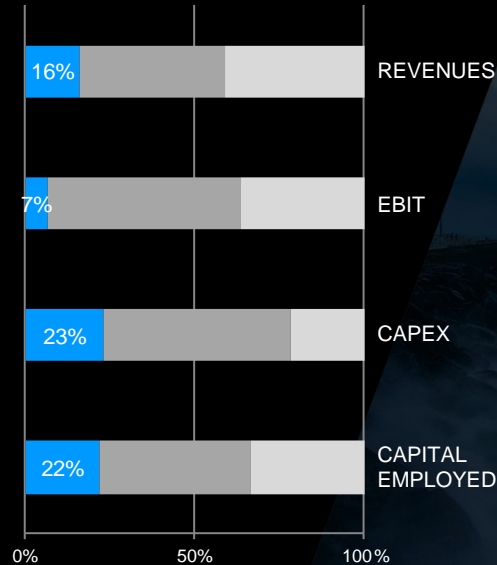
INCREASED PACE IN M&A

EXTRACTING FULL SHAREHOLDER VALUE

MARGINS AND RETURNS BY BUSINESS AREA



SMT – SHARE OF GROUP 2015-18



Note: Excluding group common



RESHAPING THE
GROUP: SMT

STRONG CASH
& LOW DEBT

INCREASED PACE
IN M&A

SMT

POWER OF ONE



LAST YEARS' ACTIONS

FUNDAMENTALS IN PLACE..

- Strong performer in relevant peer group
- Successful turnaround >10% margin & ~10% ROCE
- Organizational restructuring done with new management in place
- Sufficient cash generation and well-invested



..RIGHT TIME FOR

NEXT STEP

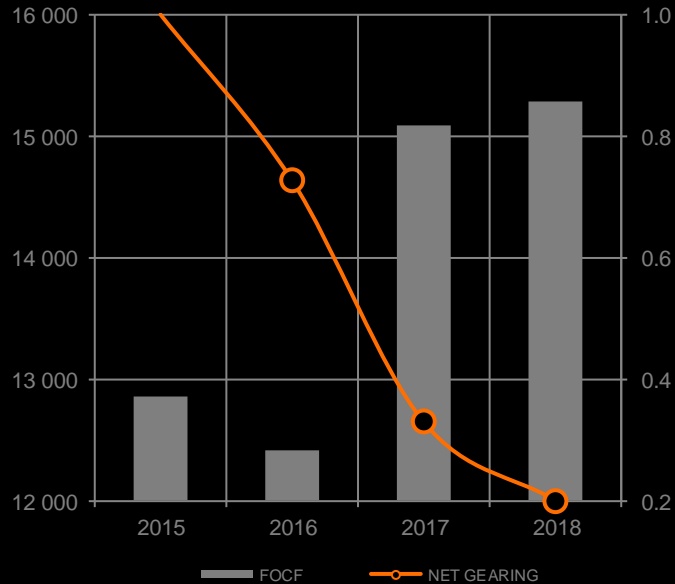
- First in mind for capital allocation
- Full focus from board
- Evaluated on own merits
- Debt-free gives flexibility
- Focus on core

RESHAPING THE
GROUP: SMT

STRONG CASH
& LOW DEBT

INCREASED PACE
IN M&A

CREATING FLEXIBILITY AND GROWTH OPPORTUNITIES



RESHAPING THE
GROUP

STRONG CASH
& LOW DEBT

INCREASED PACE
IN M&A

GOING FOR GROWTH

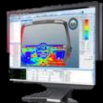
8 acquisitions in 2018/2019
highest number in 10 years

3



ROUND TOOL
COMPANIES

1



SOFTWARE MEASUREMENT
COMPANY

1



DIGITAL MINING
COMPANY

1



CONSUMABLES
COMPANY

1



HEATING SYSTEMS
COMPANY

1



BATTERY ELECTRIC
SOLUTIONS COMPANY

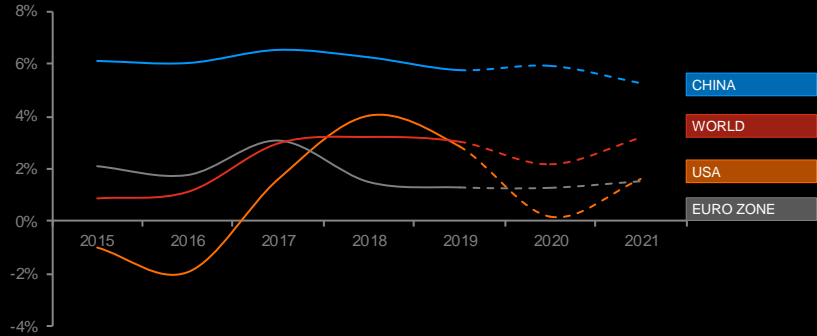
RESHAPING THE
GROUP

STRONG CASH
& LOW DEBT

INCREASED PACE
IN M&A

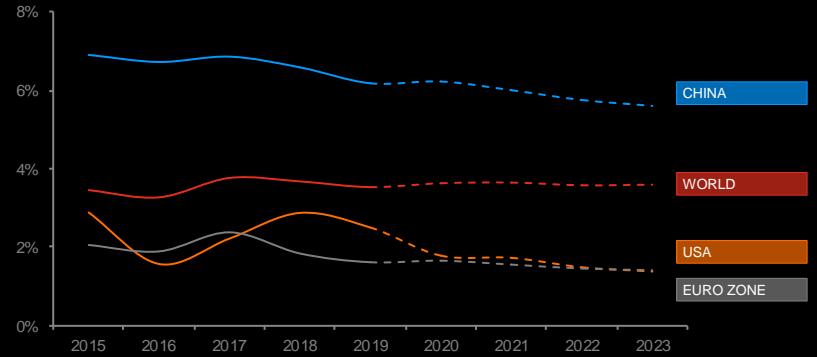
OUR WORLD 

INDUSTRIAL PRODUCTION INDEX GROWTH %, ACTUAL AND FORECAST



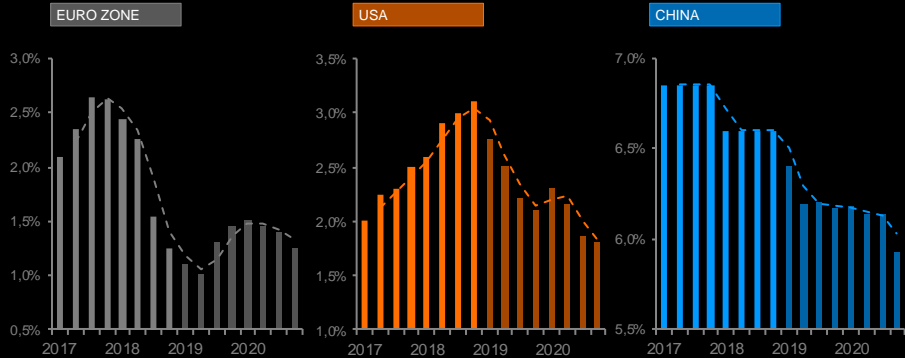
Source: Datastream/EIU

GDP GROWTH %, ACTUAL AND FORECAST



Source: IMF, World Economic Outlook

GDP GROWTH Y/Y FORECAST MAJOR REGIONS



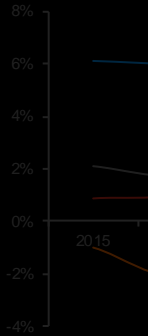
Source: FactSet

MINING CAPEX, PRICE AND VOLUME



Source: Macrobond, BMI; Price index and Material moved index weighted according to Sandvik's commodity exposure

GROWTH INDUSTRIAL PRODUCTION INDEX VS. SANDVIK, %



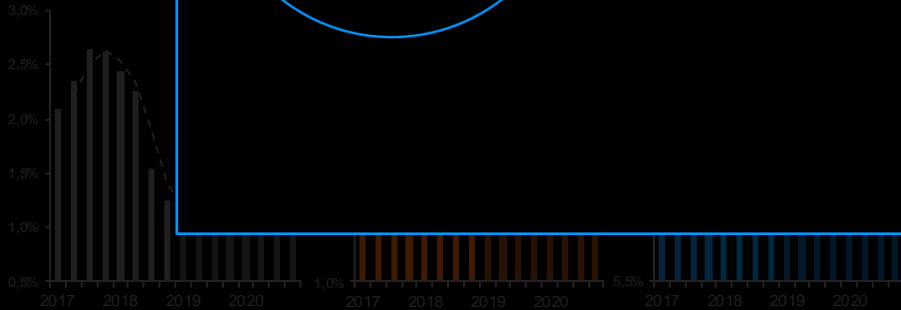
Source: Datastream/EIU

GDP ACTUAL AND FORECAST %

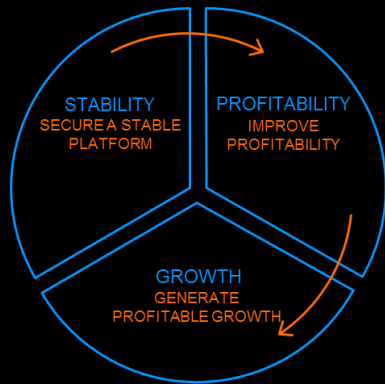
%

GDP Y/Y GR

EURO ZONE



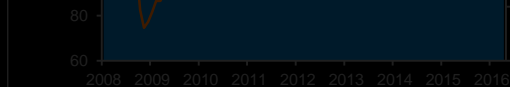
Source: FactSet



FOCUS ON GROWTH ABOVE THE MARKET

IN SELECTED NICHEs, PRODUCT INNOVATION AND M&A

ADAPTING QUICKER TO CHANGES IN MARKET CONDITIONS



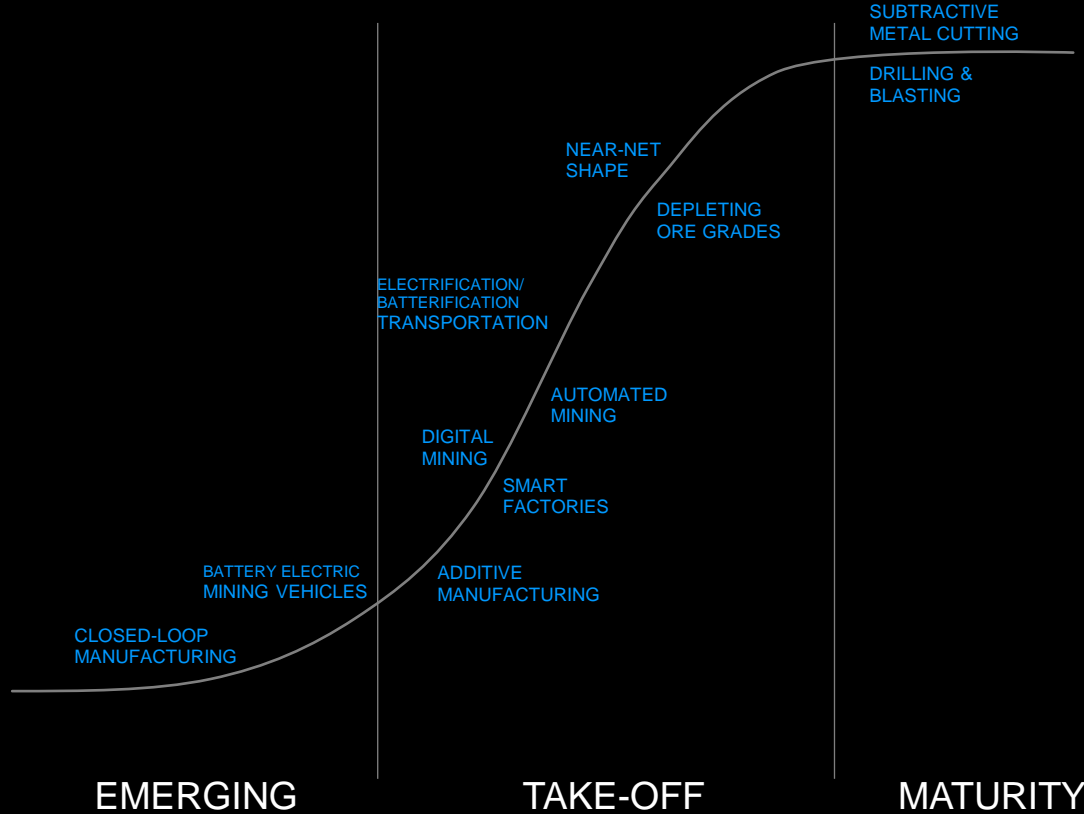
Source: Macrobond, BMI; Price index and Material moved index weighted according to Sandvik w/o Mining Systems commodity exposure

STRONG FOUNDATION

DIRECT RELATIONS ADD VALUE



GRASPING THE OPPORTUNITIES WHILST ADDRESSING GROWTH



REMAINING RELEVANT THROUGH CHANGE

CUSTOMER
NEEDS

MORE PRODUCTIVITY

LESS CAPITAL
INVESTMENTS

LONGTERM SUCCESS

APPLICATIONS
PRODUCTS

TECHNICAL SKILLS
CORE COMPETENCIES



DIGITAL
MANUFACTURING AND MINING



PREDICTIVE
MAINTAINANCE



AUTONOMOUS
MINING



ELECTRIFICATION/
BATTERIFICATION

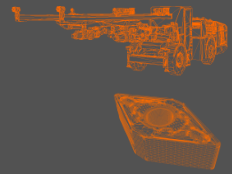


SAFER
EMPLOYEES

JOINING FORCES ENABLE NEW SOLUTIONS

CAD/CAM/CAE
QUALITY ASSURANCE
MEASUREMENT

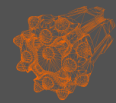
METAL CUTTING
MINING EQUIPMENT



POSITIONING
MATHEMATICAL MODELLING

OPTICS
LASERS

METALLURGY
EQUIPMENT DESIGN



ROCK CRUSHING
MINING METHODOLOGY



CUSTOMER
NEEDS

MORE PRODUCTIVITY

LESS CAPITAL
INVESTMENTS

LONGTERM SUCCESS

REMAINING RELEVANT THROUGH CHANGE

DIGITAL
MANUFACTURING AND MINING

PREDICTIVE
MAINTAINANCE

AUTONOMOUS
MINING

ELECTRIFICATION/
BATTERIFICATION

SAFER
EMPLOYEES

REMAINING RELEVANT THROUGH CHANGE

APPLICATIONS
PRODUCTS

TECHNICAL SKILLS
CORE COMPETENCIES

SANDVIK

METAL CUTTING
MINING EQUIPMENT

METALLURGY
EQUIPMENT DESIGN

ROCK CRUSHING
MINING METHODOLOGY



CUSTOMER NEEDS

MORE PRODUCTIVITY

LESS CAPITAL INVESTMENTS

LONGTERM SUCCESS

REMAINING RELEVANT THROUGH CHANGE



REMAINING RELEVANT THROUGH CHANGE

APPLICATIONS
PRODUCTS

TECHNICAL SKILLS
CORE COMPETENC

CAD/CAM/CAE

METAL CUTTING
MINING EQUIPMENT

METALLURGY
EQUIPMENT DESIGN

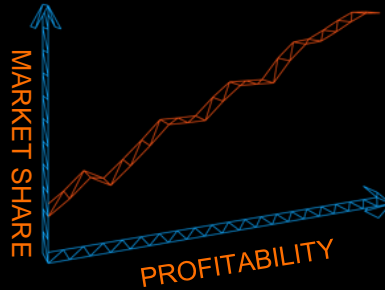
ROCK CRUSHING
MINING METHODOLOGY

FUTURE-PROOF FOUNDATION

ON TOP OF
CUSTOMERS' MIND
LONG-TERM RELATIONS

SCALE
EFFICIENCY GAINS

MARKET POSITION – NO 1 OR 2
KEY FOR PROFITABILITY



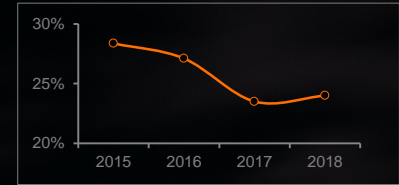
PRICING POWER
VALUE BASED OFFERING

ROOM FOR INVESTMENTS
TO STAY IN THE FOREFRONT

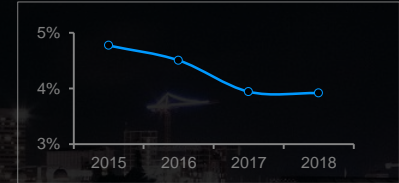
BETTER PREPARED

CAPITAL AND COST SCRUTINY MORE TO DO

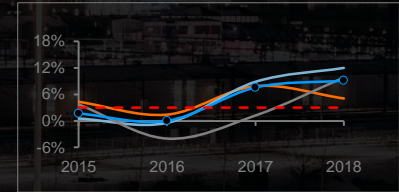
STRUCTURALLY LOWER
NWC TO REVENUES AT <25%



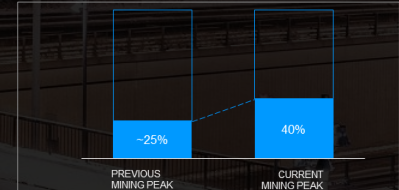
INVESTING BUT STRUCTURALLY LOWER
CAPEX LEVEL <4%



WELL ABOVE
PRODUCTIVITY TARGET ~3% P.A.



MANAGING THE UPTURN BY
HIGHER SHARE OF OUTSOURCING IN SMRT



FURTHER FOOTPRINT CONSOLIDATION



KEY FOCUS AREAS

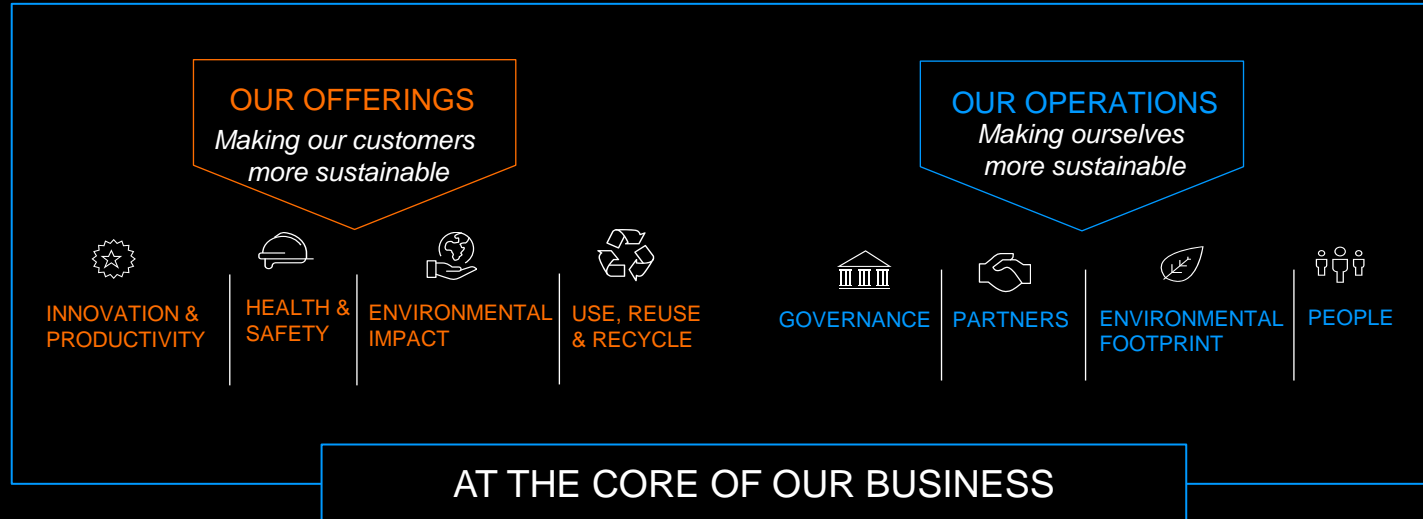
MAINTAIN AND
STRENGTHEN LEADING
POSITIONS AND
DISPOSE OF NON-CORE
ASSETS

DEVELOP SOLUTIONS
OFFERING TO CREATE
VALUE OVER A LARGER
PART OF THE VALUE
CHAIN

IMPROVED THROUGH-
CYCLE PERFORMANCE
BY COST AND CAPITAL
EFFICIENCY

BUSINESS TARGETS

RECOGNIZED FOR A SUSTAINABILITY STRATEGY



Corporate Knights

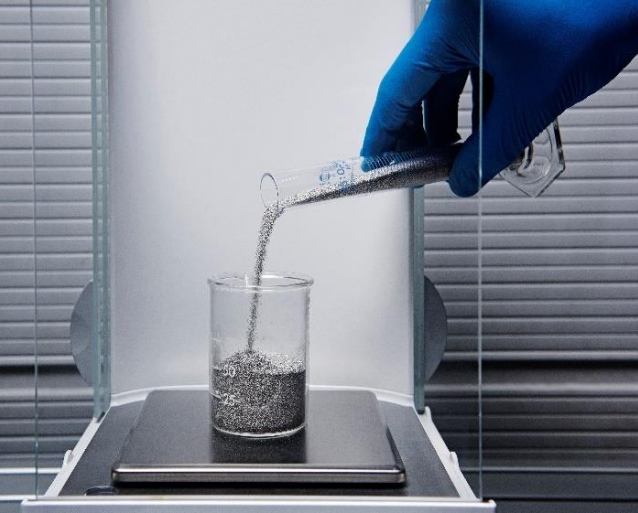


An index of the Global 100 most sustainable corporations in the world



LONGTERM SUSTAINABILITY GOALS

RESPONSIBILITY THROUGH OUR VALUE CHAIN



SUPPLIERS



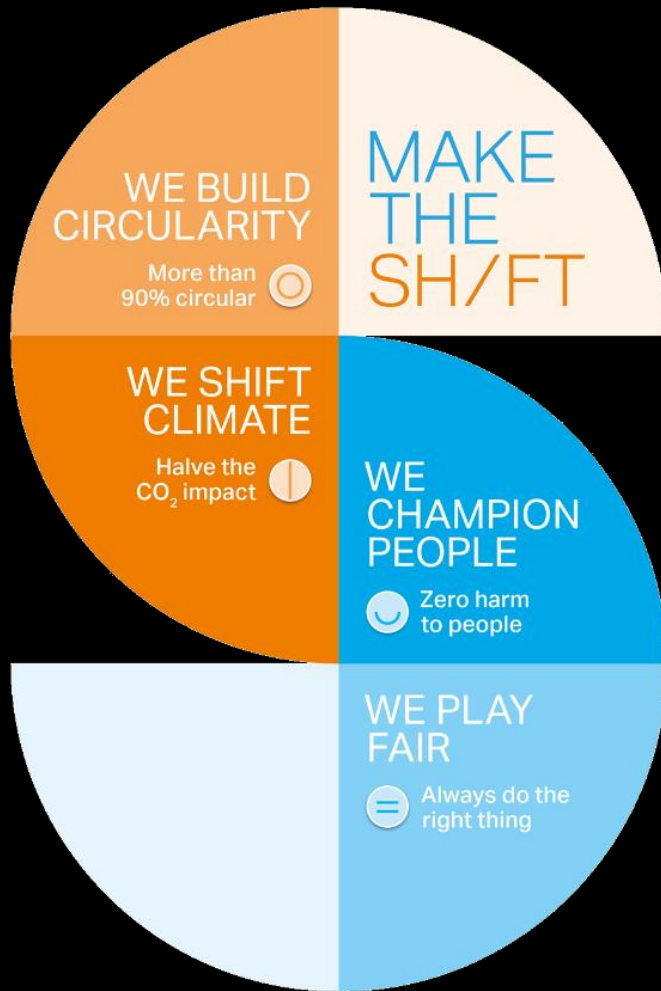
OPERATIONS



OFFERINGS



FOUR
SUSTAINABILITY
GOALS
AIMING FOR
2030



THROUGH-CYCLE

GROWTH %

$\geq 5\%$

INCLUDING M&A

TROUGH

TROUGH EBIT %
ADJUSTED

$\geq 16\%$

ROLLING 12 MONTHS

ANNUAL

NET DEBT/
EQUITY

< 0.5

INCL. NET PENSION LIABILITIES

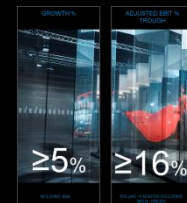
THROUGH-CYCLE

DIVIDEND
PAYOUT RATIO

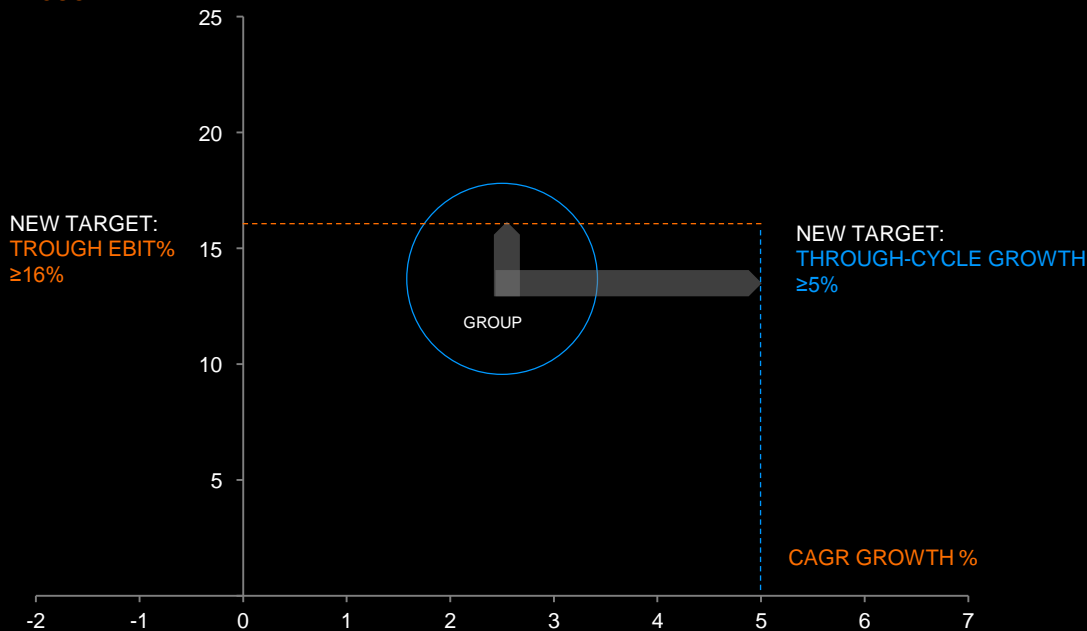
50%

OF ADJUSTED EARNINGS
PER SHARE

GROWTH AND TROUGH MARGIN



ADJUSTED EBIT %
TROUGH



Note: Historic growth based on peak-to-peak, trough margin for the same period. Excluding both finalised and planned disposals (SPS, Hyperion, Wire and Varel O&G) but including acquisitions, excluding metal prices in Sandvik Materials Technology.

BUBBLE SIZE: REVENUES

5 BUSINESSES
FOCUSING ON STABILITY & PROFITABILITY



GROWTH RATES >10% FOR
CORE//PLUS
SOME FROM LOW BASE



FOR ACQUIRED BUSINESSES
2X GROWTH
VS. GROUP AVERAGE



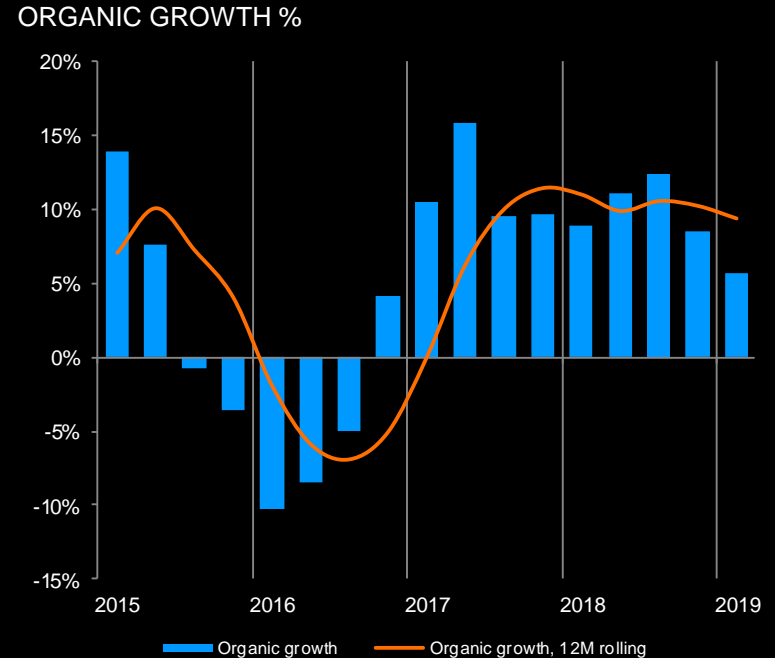
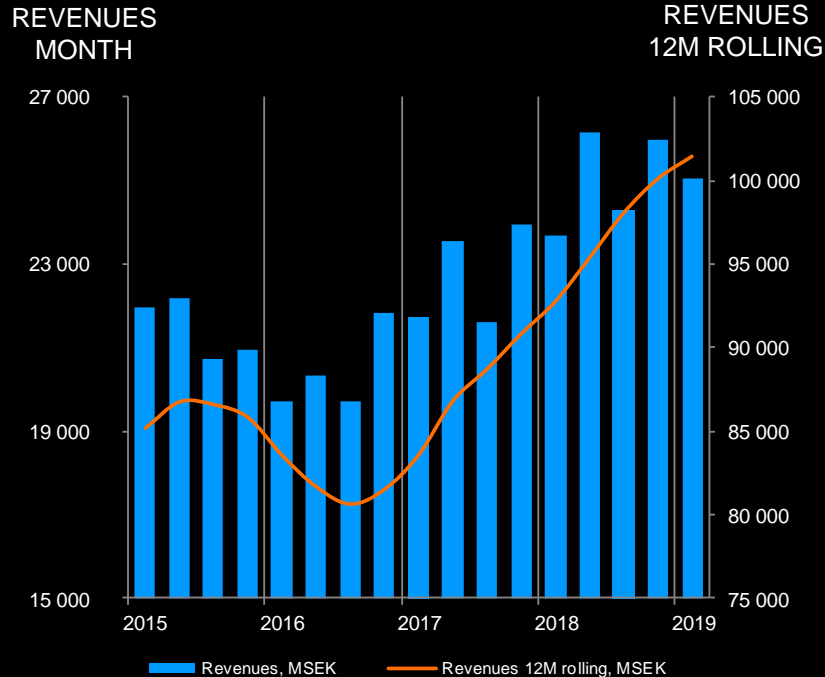
SCENARIO BASED PLANNING

- No budgets – we measure real performance (actual over actual)
- Scenario analysis by division with linked actions (contingency plans)
 - Base case
 - Zero case
 - Downside case
- Targeting improved performance through business cycle
- Scorecard based performance management system with common KPIs for all divisions



DEMAND ON A HIGH LEVEL

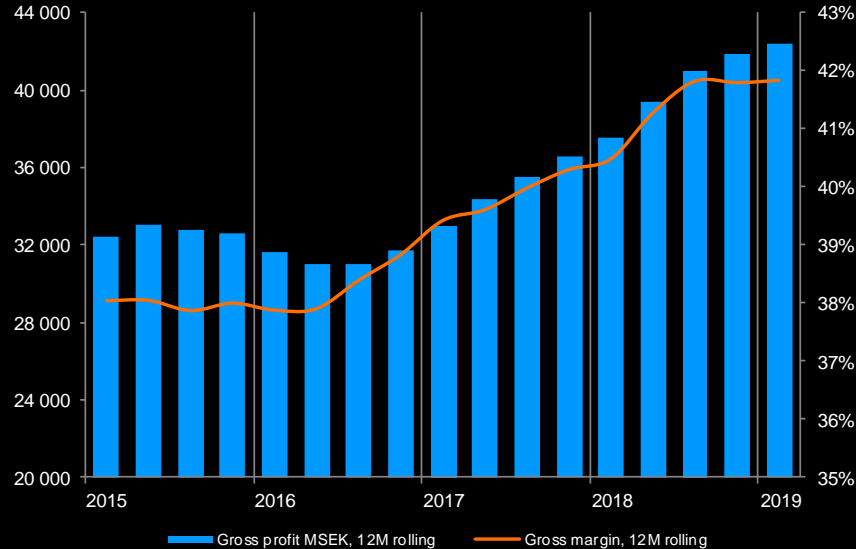
LOWER GROWTH RATES ON HIGH COMPARABLES



STEADY GROSS MARGIN IMPROVEMENT

GROSS PROFIT

GROSS MARGIN



Pricing

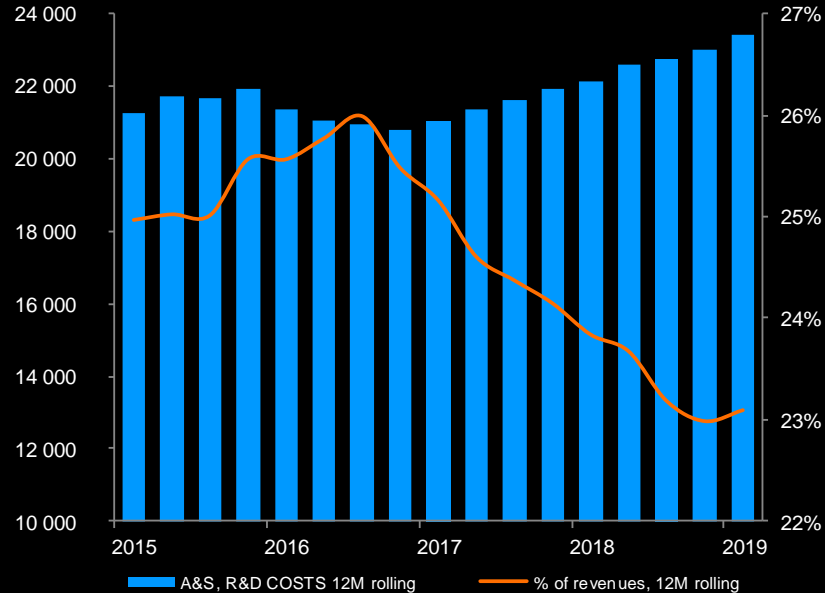
Productivity

Footprint consolidation

CONTINUOUS REVIEW OF SG&A COSTS

A&S AND R&D COSTS MSEK

% OF REVENUES



2015 - 2018

Spend increase on strong markets

Ratio to revenues back on 23%

GOING FORWARD

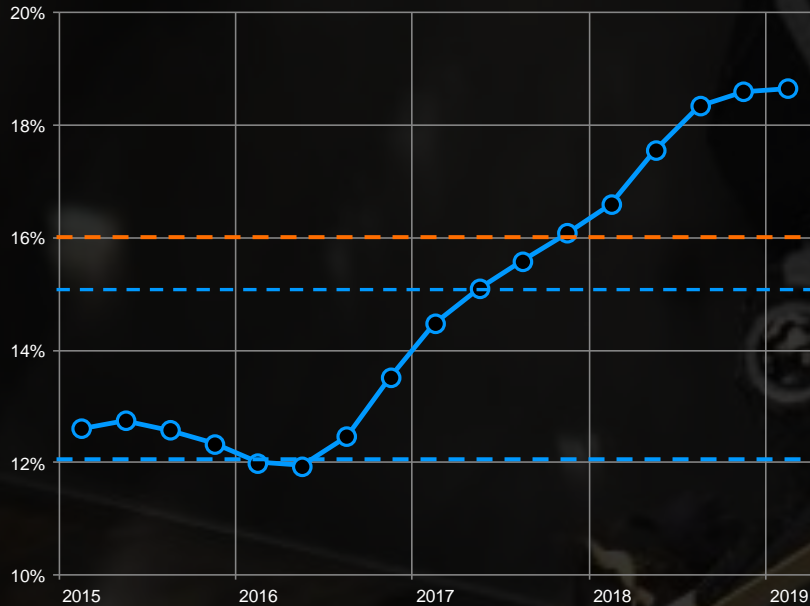
Reduced spend in focus

- FTE reductions
- Tight performance reviews

STRONG IMPROVEMENT IN EBIT MARGIN

AIMING FOR HIGHER PEAKS AND TROUGHS

ADJUSTED EBIT MARGIN, 12M ROLLING



Demand on a high level

Decentralizing drives agility

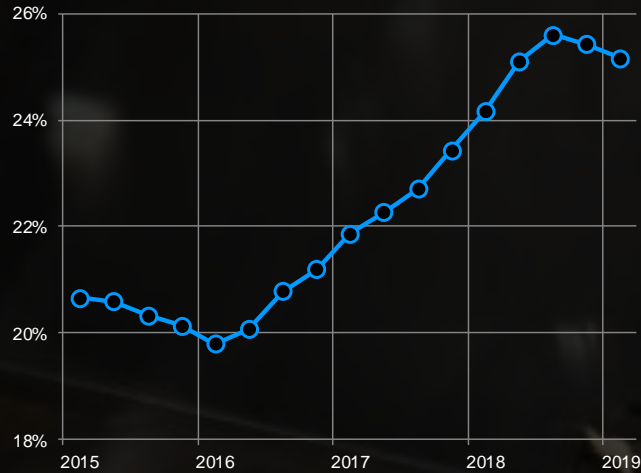
More variabilized costs and supply chain consolidation drives efficiency to mitigate downturns

Continuously reviewed contingency plans depending on scenario

STRONG IMPROVEMENT IN EBIT MARGIN AIMING FOR HIGHER PEAKS AND TROUGHS

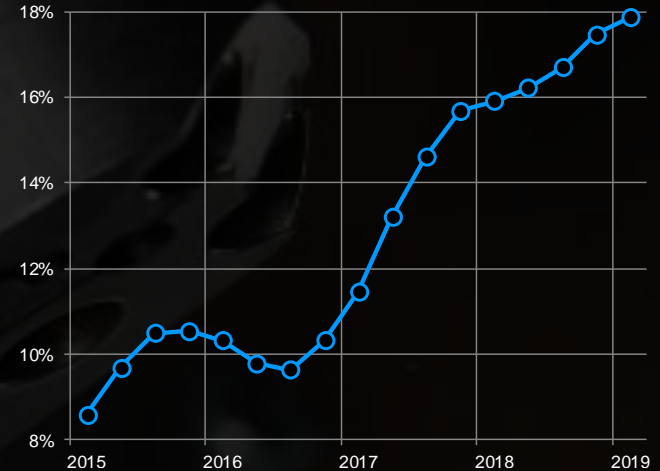
SANDVIK MACHINING SOLUTIONS

ADJUSTED EBIT MARGIN, 12M ROLLING



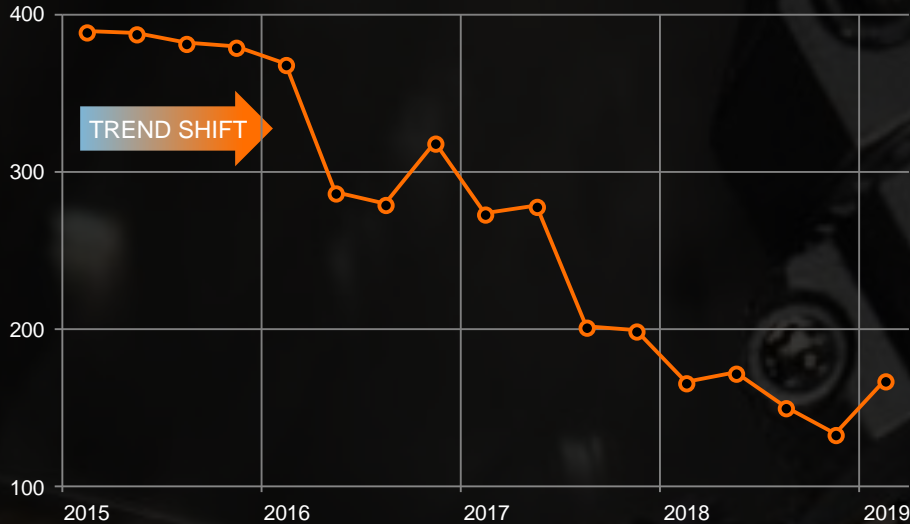
SANDVIK MINING AND ROCK TECHNOLOGY

ADJUSTED EBIT MARGIN, 12M ROLLING



IMPROVED INTEREST NET

NET INTEREST, MSEK

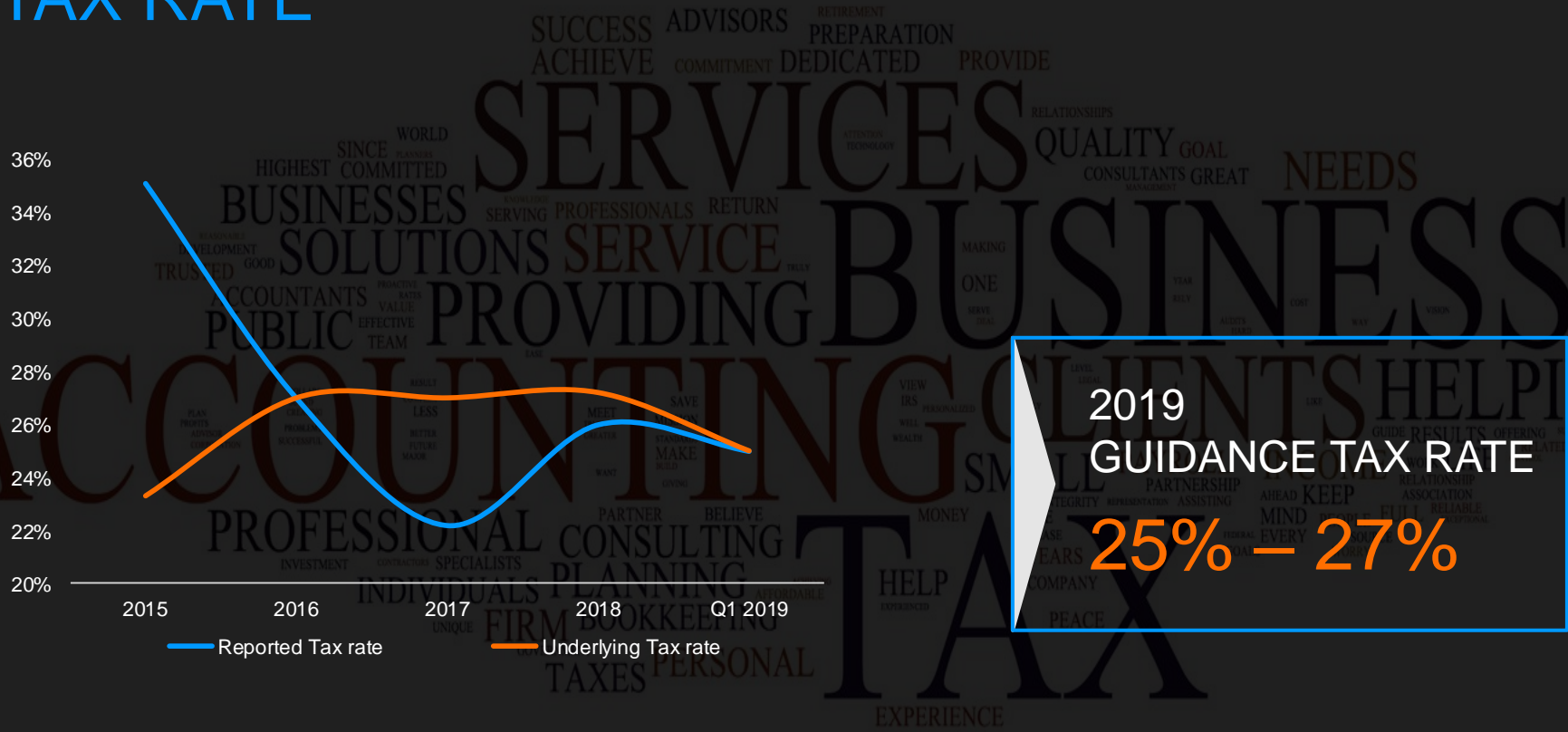


Re-capitalization of subsidiaries

Reduced debt

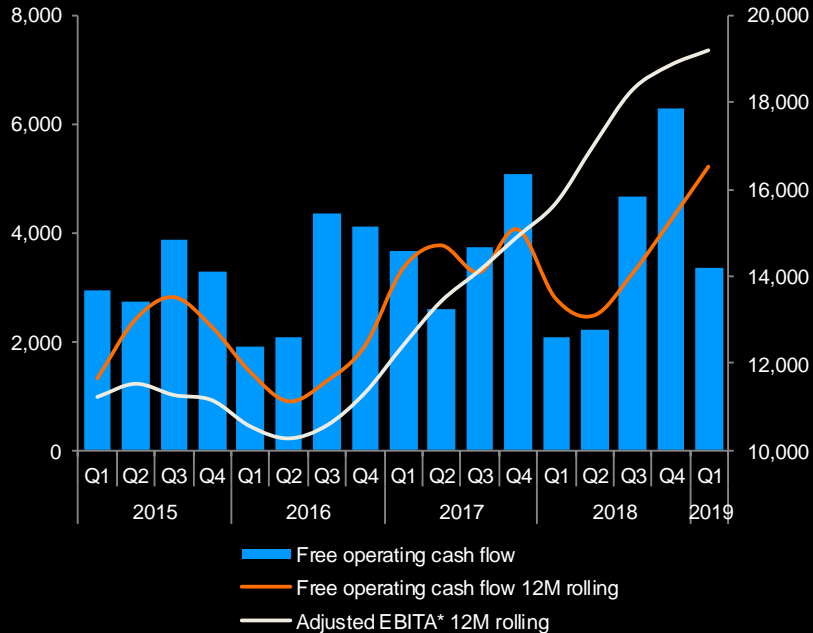
Early debt re-payments of bilaterals planned for mid-2019

TAX RATE

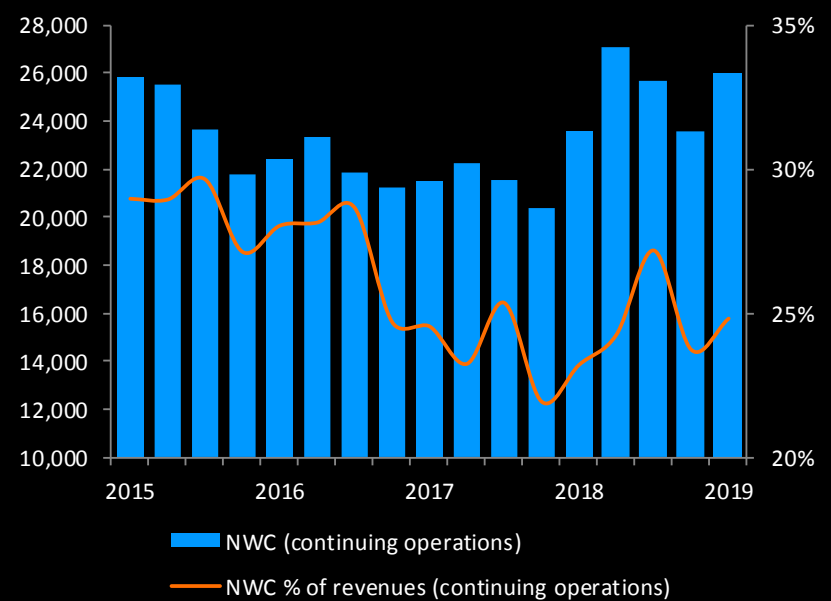


STRONG CASH FLOW AND MANAGING NWC

FREE OPERATING CASH FLOW 12M ROLLING

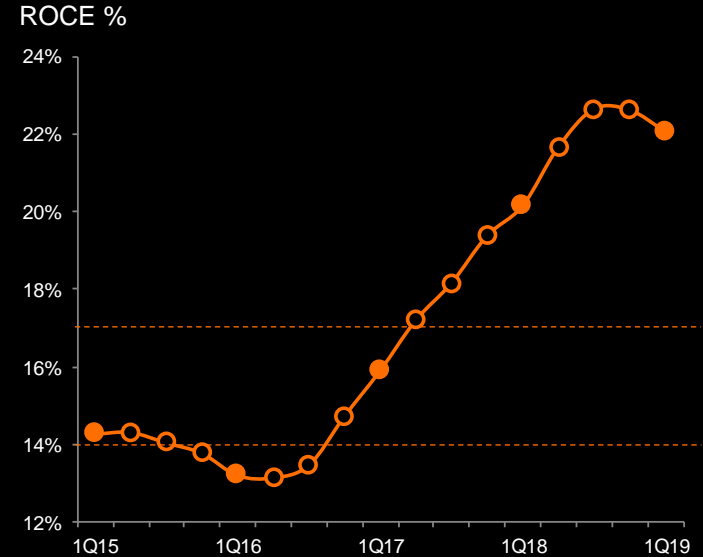
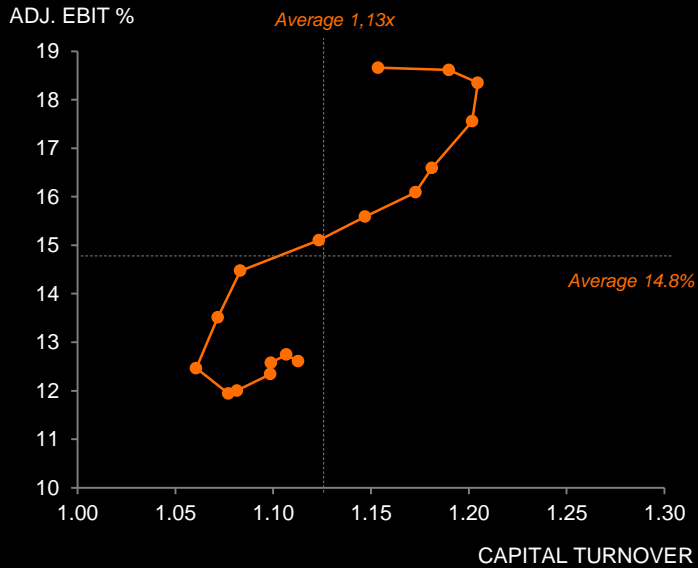


NET WORKING CAPITAL % OF REVENUES



RETURN ON CAPITAL EMPLOYED

HIGHER MARGIN BUT INCREASED CAPITAL EMPLOYED



CAPITAL ALLOCATION

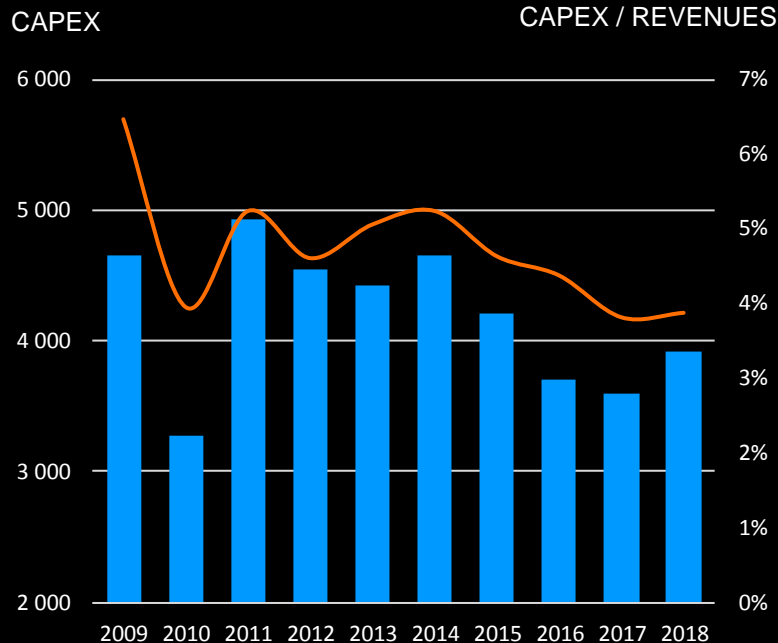
LONG-TERM PRINCIPLE INTACT

SHAREHOLDER VALUE
CREATED BY
INVESTING IN OPERATIONS
DRIVING ORGANIC GROWTH
AND UTILIZING A
STRONG BALANCE SHEET
TO
ACQUIRE GROWTH
IN COMBINATION WITH A
SOLID DIVIDEND PROFILE



CAPITAL ALLOCATION

GROWTH INVESTMENTS FITS IN CAPEX SPEND



CAPEX

2016-2018 average: 3.7bn SEK or 4.0% of revenues

2009-2015 average: 4.4bn SEK or 5.0% of revenues

Guidance for 2019 cash capex <4.0bn SEK
(estimated 0.4bn impact on top from adaption to IFRS 16 Leases)

HIGHER PACE IN M&A ACTIVITIES

GROW IN CURRENT CORE

- Multiples aligned with cap goods companies
- Return on investment ≤ 5 years

ADDING TO OUR DNA

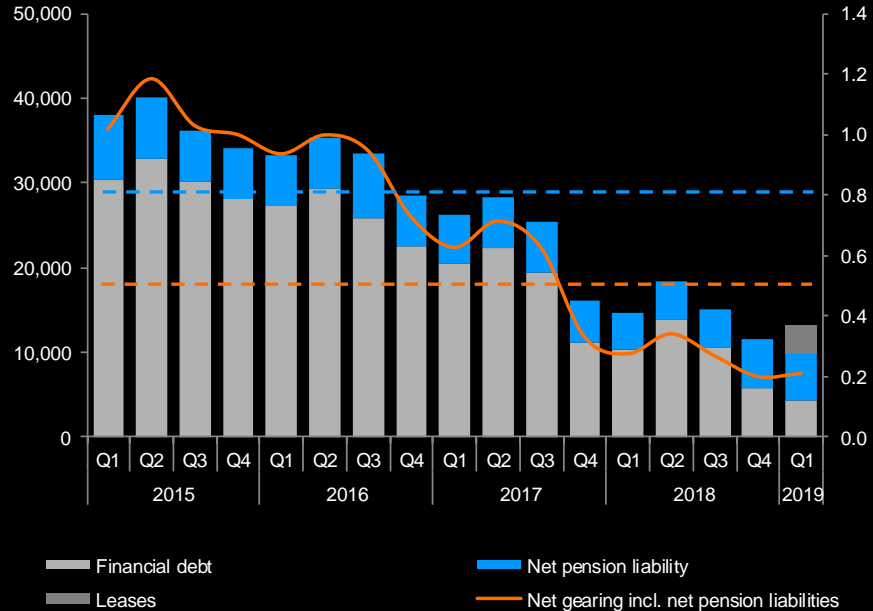
- Increasing digital offering implies higher multiples
- Return on investment ≥ 5 years
- Impacts return on capital mid-term

SAFEGUARD INVESTMENT GRADE CREDIT RATING

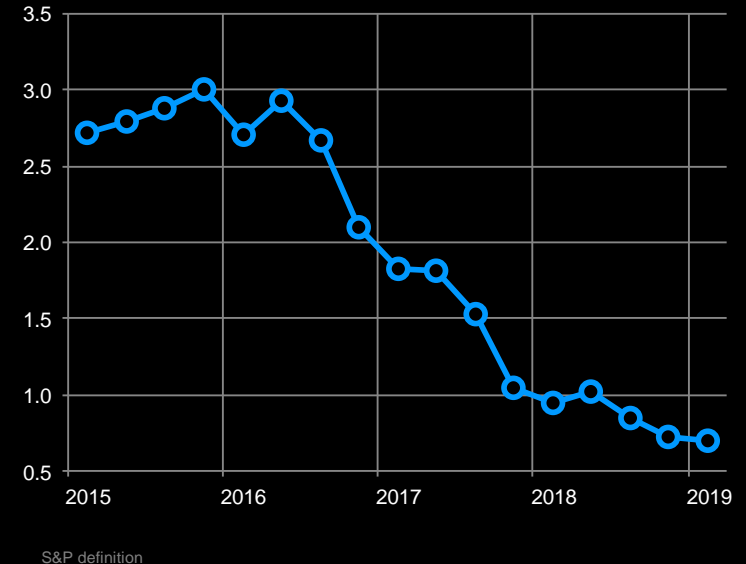


STRENGTHENING OF BALANCE SHEET HEADROOM FOR M&A

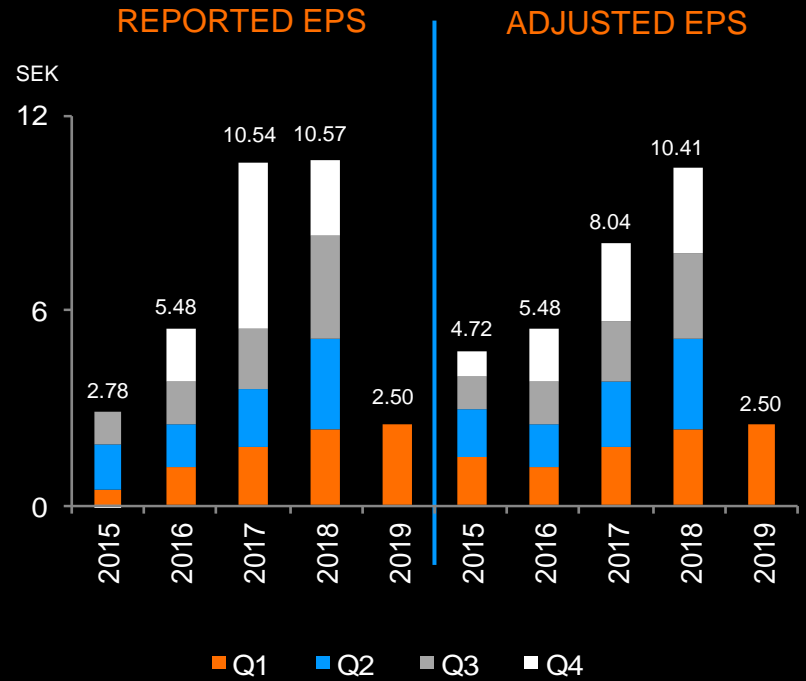
NET DEBT



NET DEBT / EBITDA



ADJUSTED EPS
+121%
2015 – 2018



CAPITAL ALLOCATION

LONG-TERM PRINCIPLE INTACT

SHAREHOLDER VALUE
CREATED BY
INVESTING IN OPERATIONS
DRIVING ORGANIC GROWTH
AND UTILIZING A
STRONG BALANCE SHEET
TO
ACQUIRE GROWTH
IN COMBINATION WITH A
SOLID DIVIDEND PROFILE



KEY TAKEAWAYS



KEY TAKEAWAYS



KEY TAKEAWAYS



KEY TAKEAWAYS





TO ASK QUESTIONS VIA E-MAIL

cmd2019@sandvik.com

