

SANDVIK

CAPITAL MARKETS DAY 2020



STEFAN WIDING
CEO

November 3, 2020



WORLD-LEADING POSITIONS



MINING AND ROCK
EXCAVATION



ROCK
PROCESSING



METAL CUTTING AND
MACHINING SOLUTIONS



MANUFACTURING
SOLUTIONS



ADVANCED
MATERIAL

STRATEGY FOR PROFITABLE GROWTH

STRONG FOUNDATION – FROM 2016 STRATEGY

FOCUS ON CORE
AND BE No 1 OR 2
IN CHOSEN
MARKETS
AND SEGMENTS

TECHNOLOGY
LEADERSHIP AND
INNOVATION

ACCOUNTABILITY
AND DECISIONS
CLOSE TO
CUSTOMERS

STABILITY AND
PROFITABILITY
BEFORE GROWTH

EFFICIENCY AND
CONTINUOUS
IMPROVEMENTS

CULTURE OF
DOING THINGS
RIGHT

EXCEPTIONAL
PEOPLE

SUSTAINABLE
BUSINESS



CUSTOMER
VALUE



EMPLOYEE
VALUE



SHAREHOLDER
VALUE

RESULTED IN

Portfolio clean-up, ensured market leadership in chosen segments

Decentralized, faster and better decision-making

Improved performance, becoming more resilient

Sustainability, safety and compliance – rooted in business and culture

NOW INCREASED FOCUS ON

GROWTH

Organic and M&A

DIGITALIZATION

Business and operations

SUSTAINABILITY

Internal and supporting customers

AGILITY

Being agile through the cycle

FINANCIAL TARGETS FOR THE GROUP

GROWTH

$\geq 5\%$

Through an economic cycle organic and M&A

ADJUSTED EBIT % TROUGH

$\geq 16\%$

Rolling 12 months excl. metal price effects

NET DEBT / EQUITY RATIO

< 0.5

Incl. net pension liabilities

DIVIDEND PAYOUT RATIO

50%

Through an economic cycle. Adj. for items affecting comparability

OUTCOME

$\sim 3\%$

Q1 2016-Q1 2020

16.8%

Q3 2020

0.05

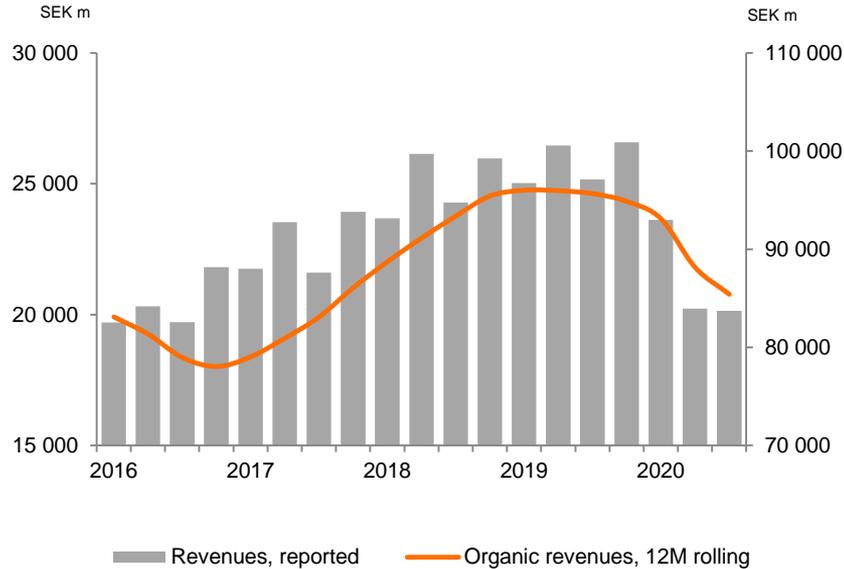
Q3 2020

44%

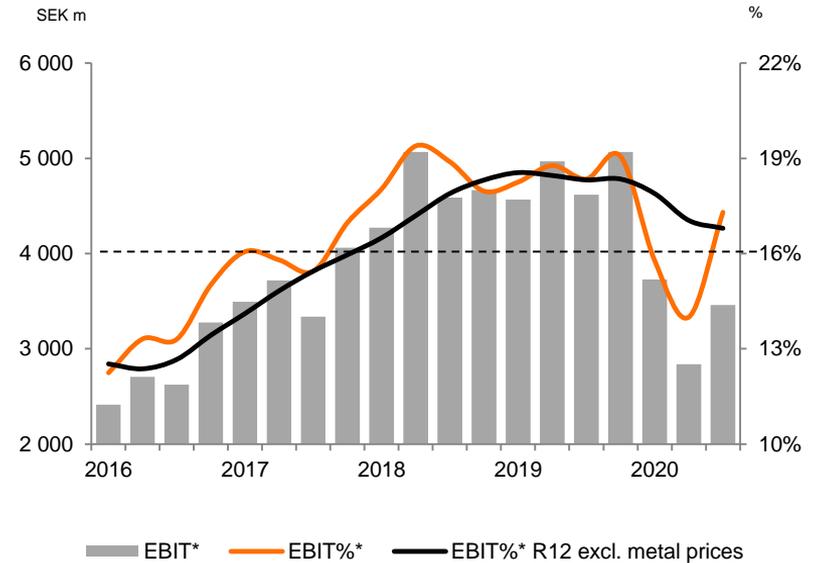
2016-2019

PROVEN RESILIENCE

DESPITE SIGNIFICANT DROP ON TOPLINE



EBIT% IS STILL ON TARGET



*Adjusted for Items Affecting Comparability

CONTINUING TO BE AGILE

ANNOUNCED SAVINGS

2019
One step ahead

SEK **1.7** B

2020
Quick action

SEK **1.5** B

Total execution of SEK 2.2 B
Covid-19 cost measures Q2-Q3
2020

2021
Permanent
savings

SEK **1.3** B



A business
geared for
profitable
growth

SUSTAINABILITY AS A GROWTH OPPORTUNITY



A BUSINESS ADVANTAGE FOR US AND OUR CUSTOMERS

Our offering development aim to reduce global CO₂ emissions for us and our customers. We shift to more circular business models to increase outcome and value.

CLIMATE



KANTHAL

- Shifting from gas furnaces to electric furnaces
- CO₂ reductions of, to date, 170,000 tonnes
- Innovation
- Customized solutions

CIRCULARITY



SANDVIK ROCK PROCESSING SOLUTIONS (SRP)

- SRP Svedala, one of the worlds most sustainable manganese foundries
- More than 90% recycled steel
- Life-cycle analysis proving major competitive advantages



Strong culture
Passionate people
Decentralization
Portfolio clean-up



”WE HAVE A SOLID
PLATFORM TO START FROM.
NOW, WE SHIFT TO
GROWTH.”



SMT STRONGER AS A SEPARATELY LISTED COMPANY

STARTING POINT

- A leading player in its field
- A strong development
- Establishing a track-record

RATIONALE

STRATEGIC

- Realize its full potential
- Capitalize on its strategies and opportunities to drive profitable growth
- Greater focus and clarity

OPERATIONAL

- Best possible opportunities to grow and develop
- Inspired workforce
- Capitalize on the full supply chain

FINANCIAL

- Distinguished investment cases and equity stories
- Facilitates separate funding and capital allocation
- Fair valuations for both SMT and Sandvik



2019



2020



2021



2022

or when the conditions
are deemed right

Announcement to internally separate SMT and look into possibility of listing

Internal separation completed

Board decision to continue the process towards a full separation and listing of SMT

Phase 2 in separation and preparation of SMT for a listing process

Staff and prepare for listing

Board of Directors of SMT to be appointed

Board decision to propose distribution of SMT to shareholders

Publication of Information Brochure

General Meeting of Shareholders to resolve distribution of SMT

Publication of SMT's listing prospectus

Distribution of SMT's shares to Sandvik's shareholders

First day of trading SMT's shares

POSITIONED FOR GROWTH



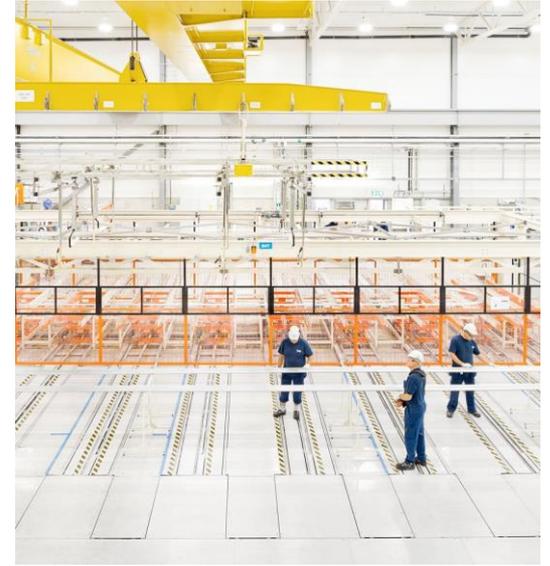
SANDVIK MINING & ROCK TECHNOLOGY

In good shape – and more potential in Rock Processing



SANDVIK MACHINING SOLUTIONS

Strong core – but needs to increase growth, and with more focus on manufacturing adjacencies



SANDVIK MATERIALS TECHNOLOGY

World leading materials company – better off on its own

POSITIONED FOR GROWTH



SANDVIK MINING & ROCK SOLUTIONS



SANDVIK ROCK PROCESSING SOLUTIONS

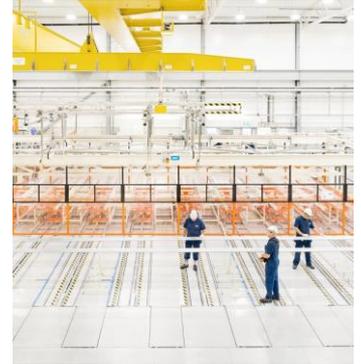


SANDVIK MANUFACTURING & MACHINING SOLUTIONS



SANDVIK MACHINING SOLUTIONS

SANDVIK MANUFACTURING SOLUTIONS

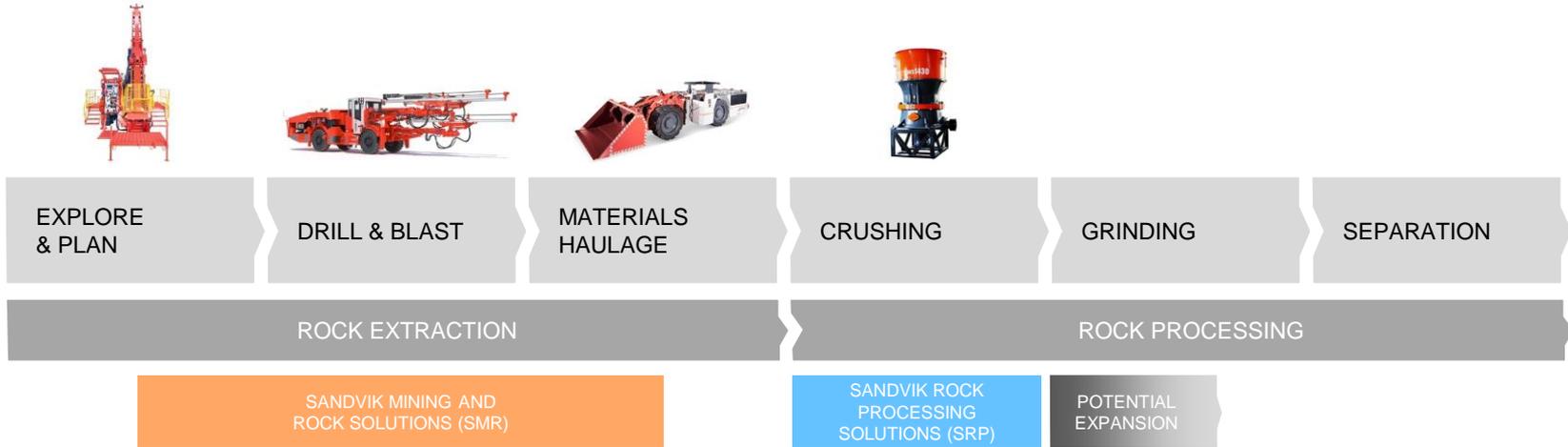


SANDVIK MATERIALS TECHNOLOGY

CREATING TWO WORLD LEADERS

Separation of crushing & screening from SMRT releases potential in both businesses

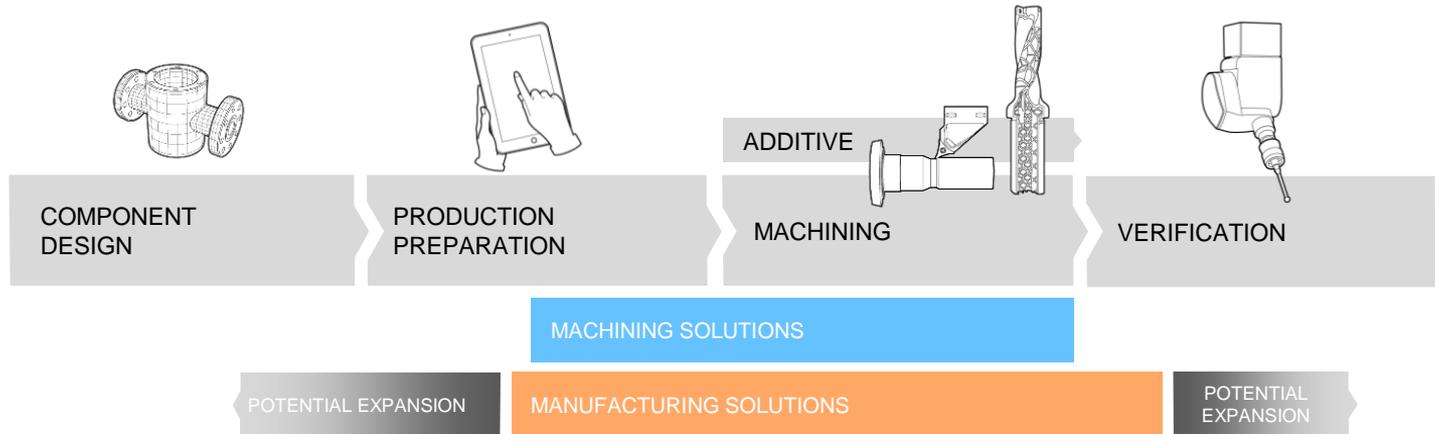
- Enhanced growth opportunities as separate businesses
- Focused strategy and more independent decision making
- Largely independent – products, customers and competitors are separate
- Increased transparency



EXPANDING OUR OFFER ABOVE AND BEYOND

Separation of Manufacturing Solutions from Machining Solutions releases potential in both businesses

- Enhanced growth opportunities as separate businesses
- Enhanced focus and speed in execution
- Fit-for-purpose governance models and skills-sets
- Execute together with strong independent brands



A BUSINESS GEARED FOR GROWTH

FORECASTED MARKET GROWTH 2019-2025, CAGR

~3%



SANDVIK MINING & ROCK SOLUTIONS

2.5-3%



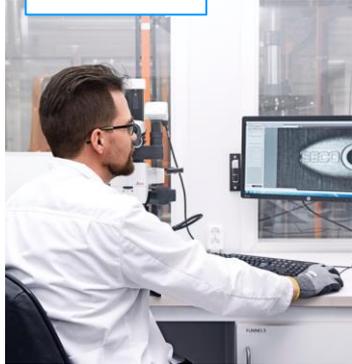
SANDVIK ROCK PROCESSING SOLUTIONS

~2%



SANDVIK MANUFACTURING & MACHINING SOLUTIONS

>10%



SANDVIK MACHINING SOLUTIONS

SANDVIK MANUFACTURING SOLUTIONS

≥5%

Through an economic cycle organic and M&A



ACQUISITIVE GROWTH

CLOSED ACQUISITIONS 2016-2020



ADDING REVENUES OF

~2 BN

ANNOUNCED ACQUISITIONS



ADDING REVENUES OF

~0.6 BN

~2.5%

THROUGH A CYCLE

- **Acquisition process** to be developed further
- **Improve integrations** post acquisitions
- Make it a **normal part of driving the business** in most divisions

23 DIVISIONS WILL MAKE IT HAPPEN



SANDVIK MINING & ROCK SOLUTIONS (SMR)

- Underground Drilling
- Mechanical Cutting
- Surface Drilling
- Rotary Drilling
- Rock Drills & Technologies
- Rock Tools
- Parts & services
- Load & Haul

SANDVIK ROCK PROCESSING SOLUTIONS (SRP)

- Stationary Crushing & Screening
- Mobile Crushing & Screening
- Attachment Tools
- Shanbao (JV)

SANDVIK MANUFACTURING & MACHINING SOLUTIONS (SMM)

SANDVIK MACHINING SOLUTIONS (SMS)

- Sandvik Coromant
- Seco
- Walter
- Dormer Pramet
- Wolfram

SANDVIK MANUFACTURING SOLUTIONS (SMF)

- Design & Planning
- Automation
- Additive Manufacturing
- Metrology

SANDVIK MATERIALS TECHNOLOGY (SMT)

- Tube
- Kanthal
- Strip



KEY TAKE AWAYS

- Our overall **targets and strategy** remain
- We have **shown resilience**, and we will **continue to be agile**
- We have a good foundation to build on – now we **shift to growth**
- The **structure is evolving to increase focus and transparency**
- Our **23 divisions** will make it happen

FINANCIAL OVERVIEW

2016-2020 AND GOING FORWARD



TOMAS ELIASSON

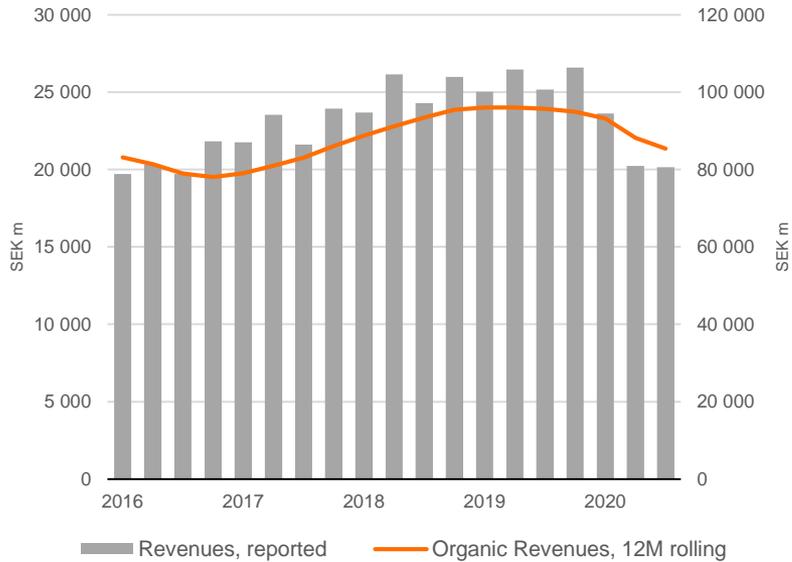
CFO

November 3, 2020

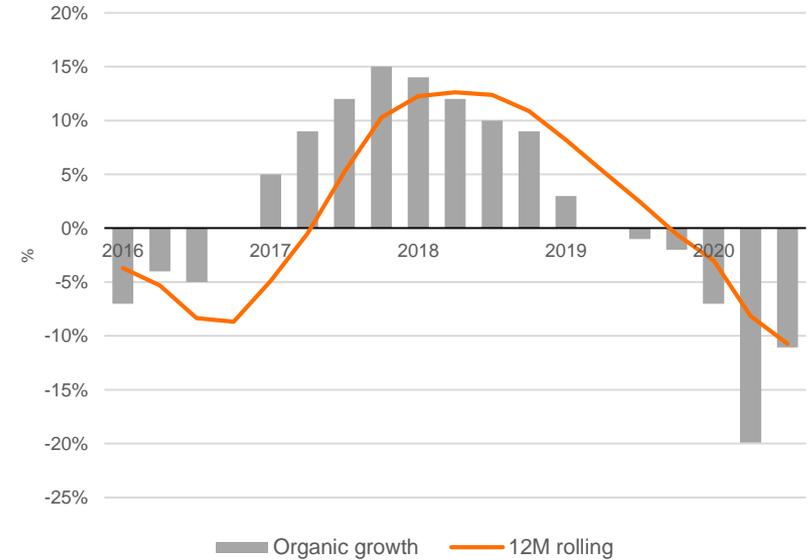


WEAKENING CYCLE FOLLOWED BY COVID 19

REVENUES



ORGANIC GROWTH



SAVINGS PROGRAMS – ONE STEP AHEAD

ANNOUNCED

2019 - One step ahead

SEK **1.7 B**

2020 - Quick action

SEK **1.5 B**

2021 - Permanent savings

SEK **1.3 B**

Split by year

2019	2020	2021
SEK 0.4 B	SEK 1.2 B	SEK 0.1 B

Work-time reductions

SEK 1.1 B

Temporary savings

SEK 1.1 B

STRUCTURE

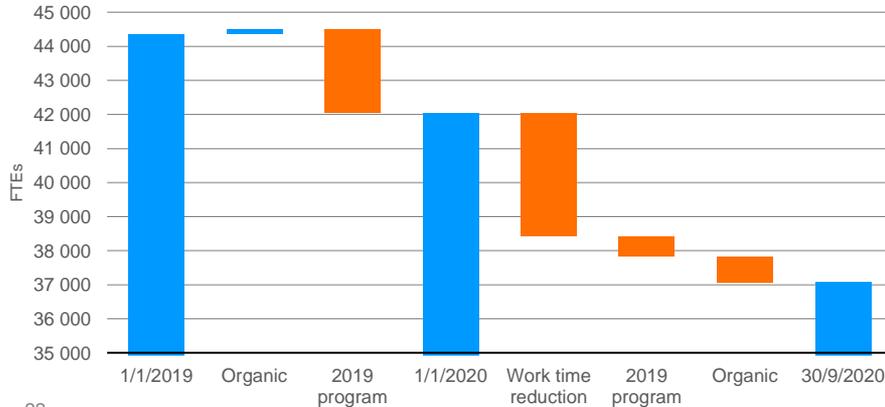
50%

VOLUME

50%

Costs returns partially as volumes returns

SANDVIK AND NON-SANDVIK PERSONNEL, RESTATED FOR STRUCTURE



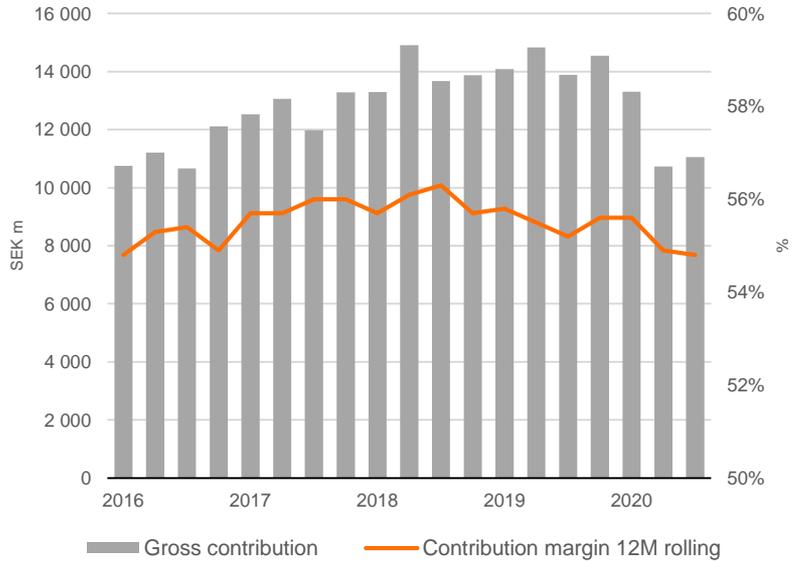
Short-term savings to be partially replaced by permanent savings

2019 and 2021 savings programs results in SEK 3 B lower cost base

~5,000 permanent FTE reductions estimated 2019-2021

GROSS CONTRIBUTION SHOWS RESILIENCE

GROSS CONTRIBUTION



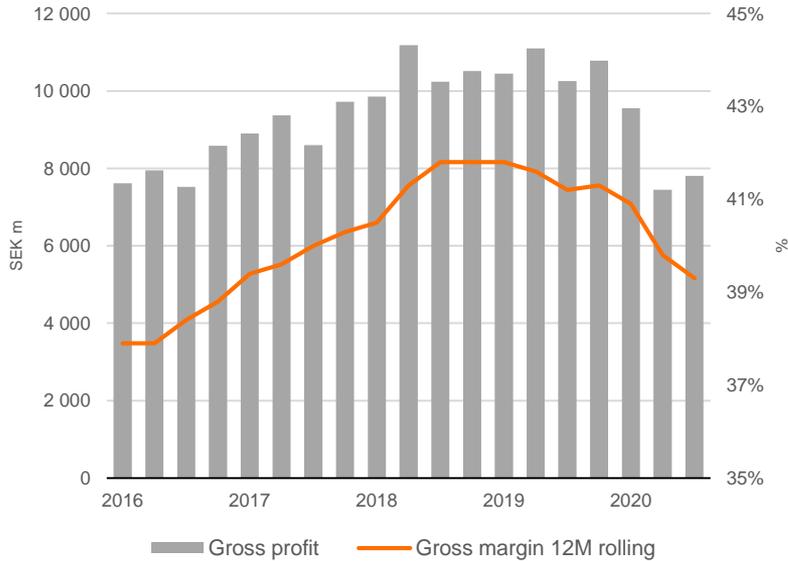
Pricing positive despite top line pressure

Variablized cost structure supports

Footprint consolidation

GROSS MARGIN IMPACTED BY FIXED COSTS

GROSS PROFIT

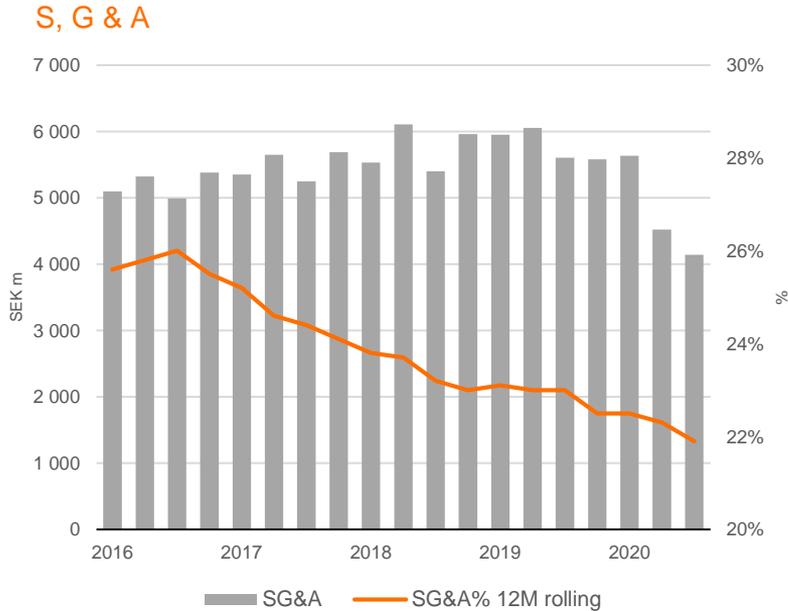


Fixed cost structure

Longer lead time

Footprint consolidation will support

CONTINUED SG&A COST REDUCTION



Ratio to revenues troughed at 26% 2016

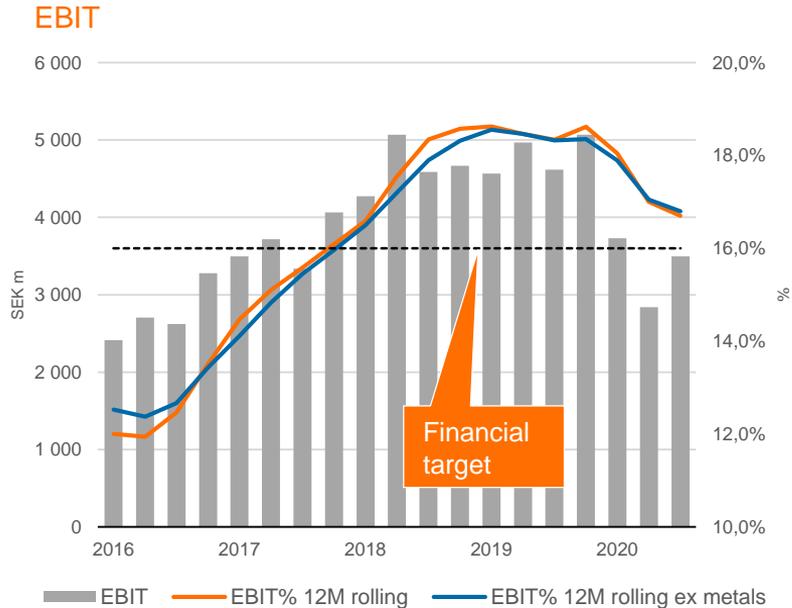
Back on 23% at peak 2018

In current downturn – down to 22% with strong support from temporary savings

GOING FORWARD

Partially replace temporary savings with permanent savings to keep SG&A% at healthy levels

RESILIENT EBIT MARGIN



Sharp drop in demand

Savings programs: one step ahead

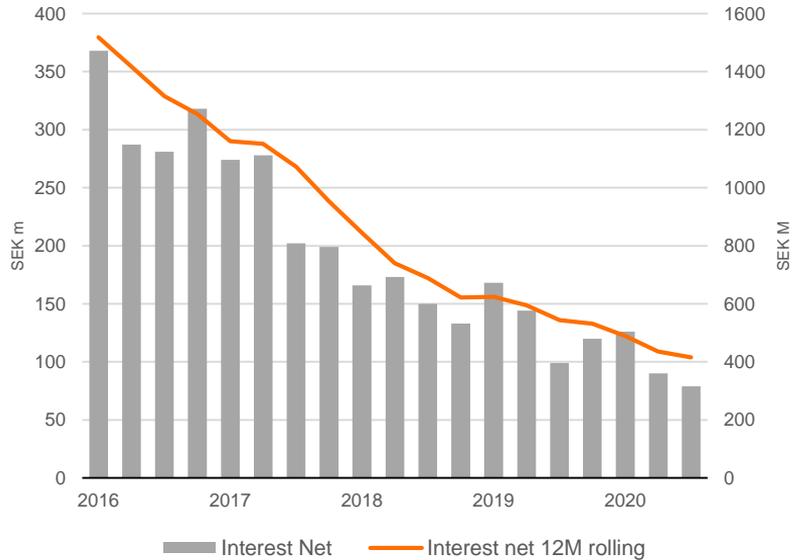
Decentralizing drives agility

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

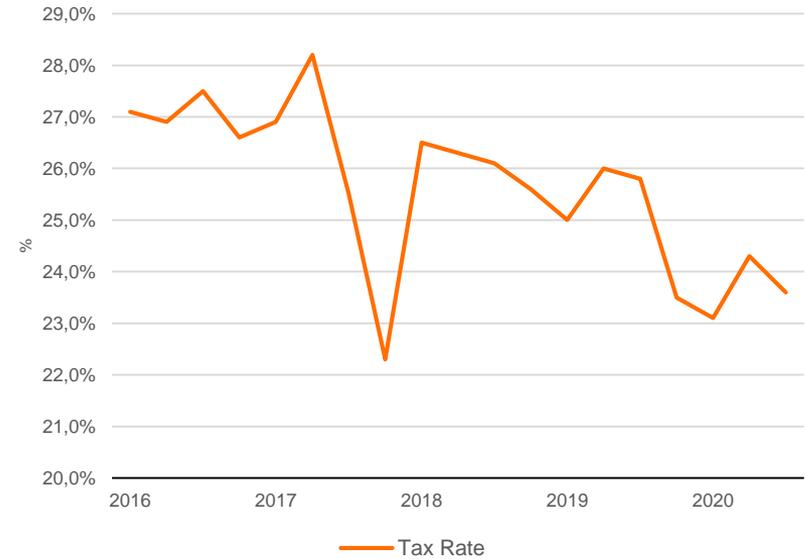
Continuously reviewed contingency plans depending on scenario

INTEREST NET AND TAXES

INTEREST NET

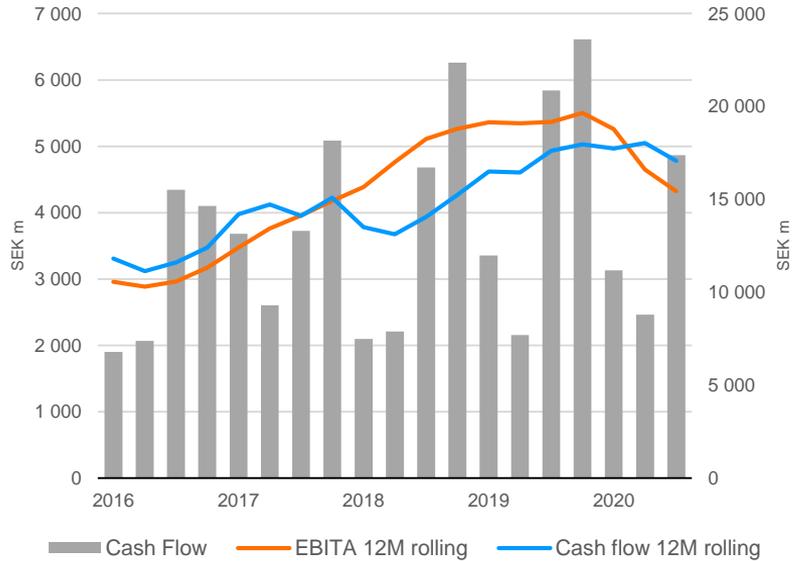


TAX RATE

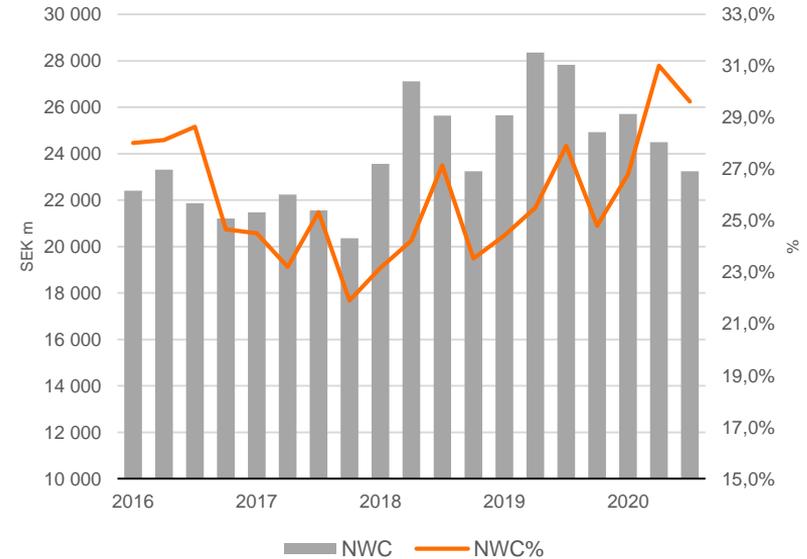


STRONG CASH FLOW AND MANAGING NWC

CASH FLOW



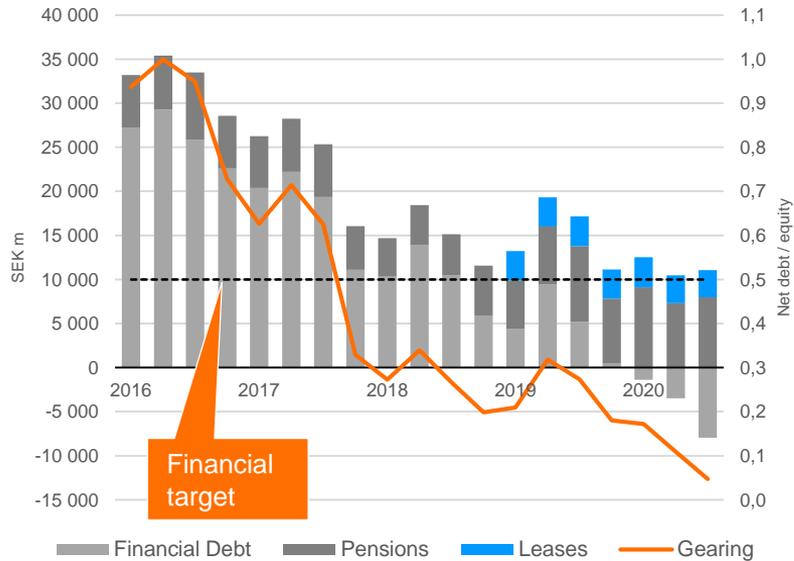
WORKING CAPITAL



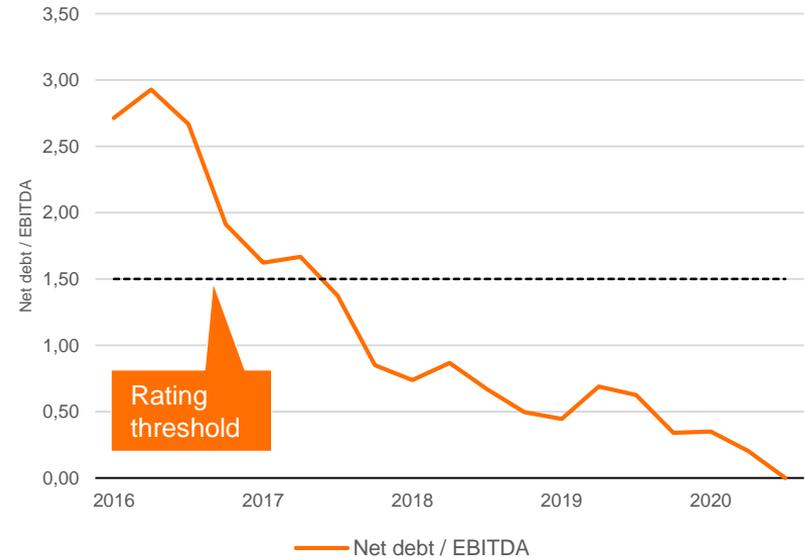
STRENGTHENED BALANCE SHEET

HEADROOM FOR M&A

NET DEBT



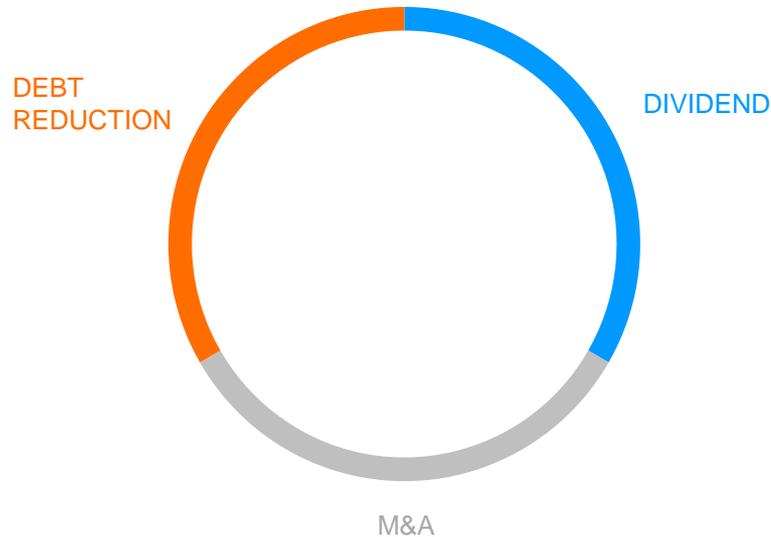
NET DEBT / EBITDA (S&P definition)



CAPITAL ALLOCATION

BALANCE SHEET READY TO SUPPORT GROWTH

2016-2020: GETTING BALANCE SHEET IN SHAPE



2020- : LEVERAGE GROWTH OPPORTUNITIES

Annual cash flow after dividend
~SEK 5 B equals ~2% acquired growth

Gearing target 0.5 implies headroom of
> SEK 30 B in balance sheet

Gearing target does not include
transformational M&A

BALANCE SHEET AFTER SMT SPIN

SIMULATION BASED ON B/S END OF Q3 2020

	GROUP	NEW GROUP	NEW SMT
Cash	23.4	22.4	1.0
Net Debt	3.1	2.6	0.5
Equity	66.0	54.4	11.6
Gearing	0.05	0.05	0.04

Q&A

Stefan Widing
Tomas Eliasson