

# SANDVIK MATERIALS TECHNOLOGY

## CAPITAL MARKETS DAY 2017



# AGENDA

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SANDVIK MATERIALS TECHNOLOGY

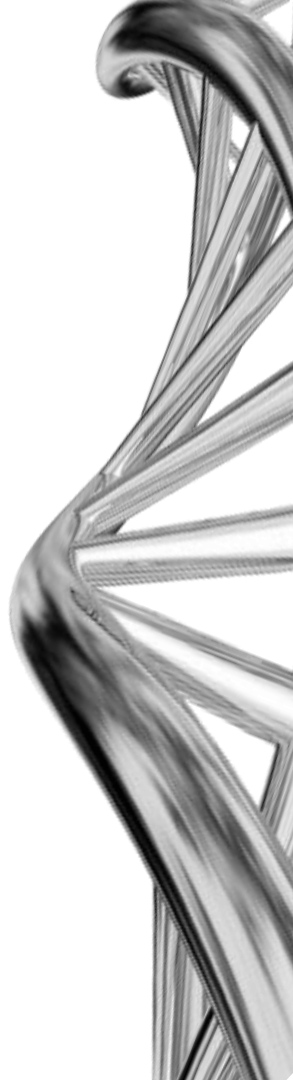
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OUR CURRENT SITUATION

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OUR PORTFOLIO

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# GÖRAN BJÖRKMAN

## PROFESSIONAL BACKGROUND



1990 - 2005

*Production Manager  
Steam Generator Tubes*

*Head of Finance  
for Tube Division,  
Sandvik Steel*



2005 - 2008

*Vice President and  
Head of Primary  
Products, Sandvik  
Materials Technology*



2008 - 2017

*Vice President  
Production, Sandvik  
Machining Solutions*

*Vice President  
Production, Sandvik  
Coromant and Vice  
President Production  
Strategy, Sandvik  
Machining Solutions*



2017-

*President of Sandvik  
Materials Technology*



# SANDVIK MATERIALS TECHNOLOGY



- World-leading developer and manufacturer of high-value added products in advanced stainless steels and special alloys.
- Setting the industry standard in the most demanding industries, such as energy, chemical and aerospace.



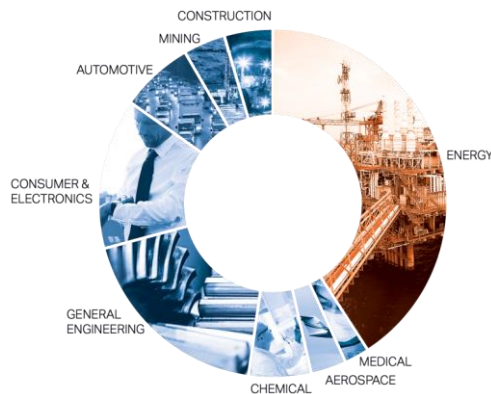
Share of sales outside Europe



Share of advanced metallurgy \*

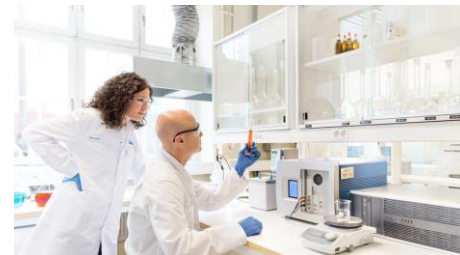


Share of business to capex segments \*\*



\* advanced stainless, nickel, super alloys and powder

\*\* industrial capex (47%), industrial opex (36%), consumer (17%)



- Revenues: 13 BSEK
- EBIT-margin: 6%
- ROCE: 6%
- 6,500 employees
- Safety LTIFR 3.2 (Lost Time Injury Frequency Rate)

Q4 2016 to Q3 2017, excluding effects from changed metal prices and nonrecurring charges



# ORGANIZATION

4 leading product areas with a common materials science platform



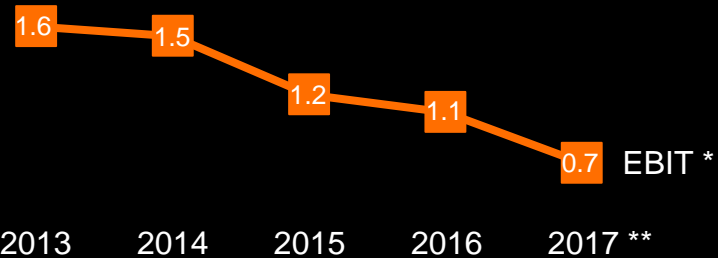
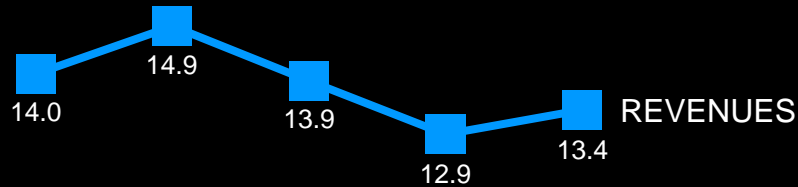
Share of revenues



# OUR CURRENT SITUATION

## FINANCIAL DEVELOPMENT

SEK billions



\* EBIT excluding effects from changed metal prices and nonrecurring charges

\*\* 2017 equals Q4 2016 to Q3 2017

## CHALLENGES & OPPORTUNITIES

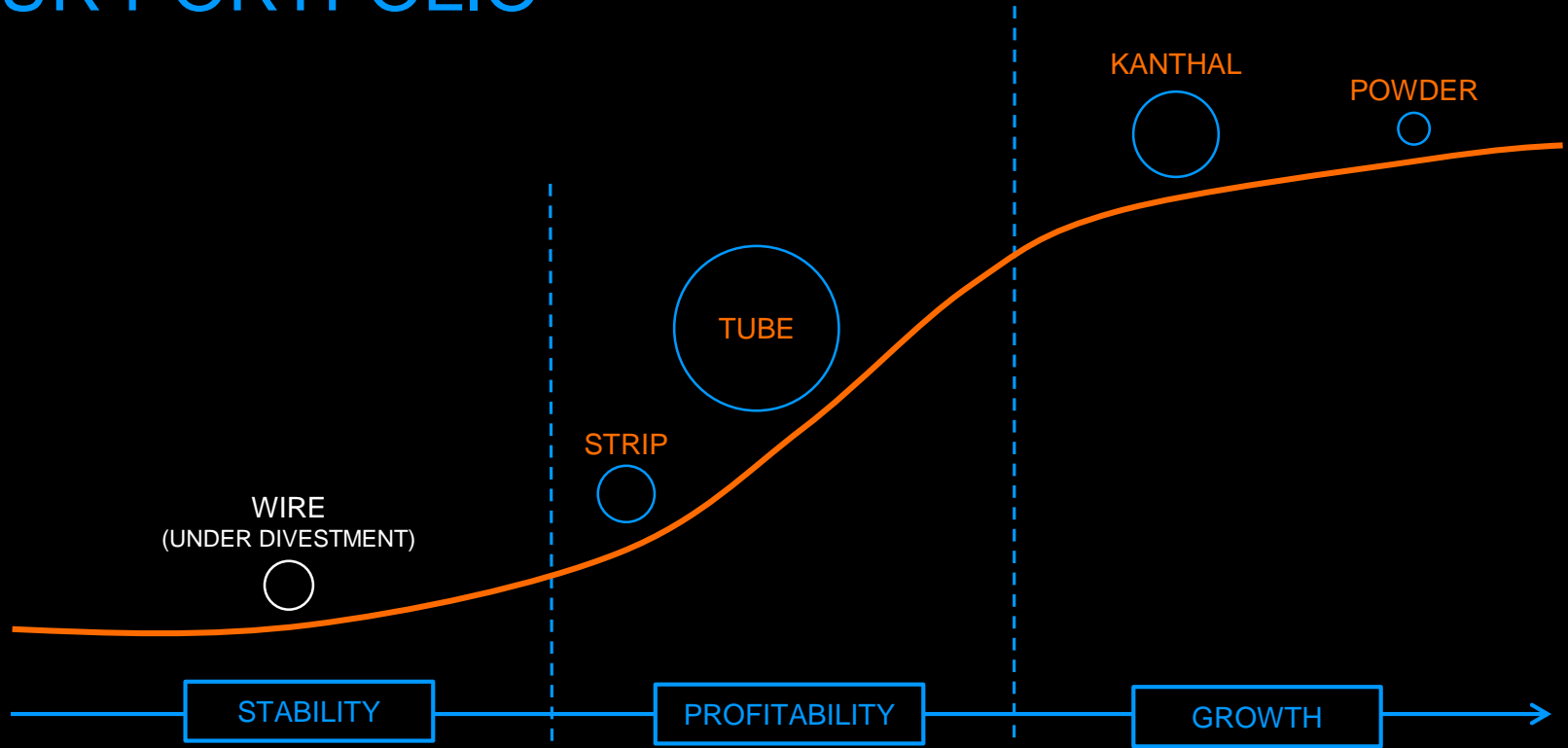


- Weak financial performance
- Oil & Gas, short-term and long-term uncertainties
- Increased Asian competition
- Operational and commercial excellence not on an acceptable level

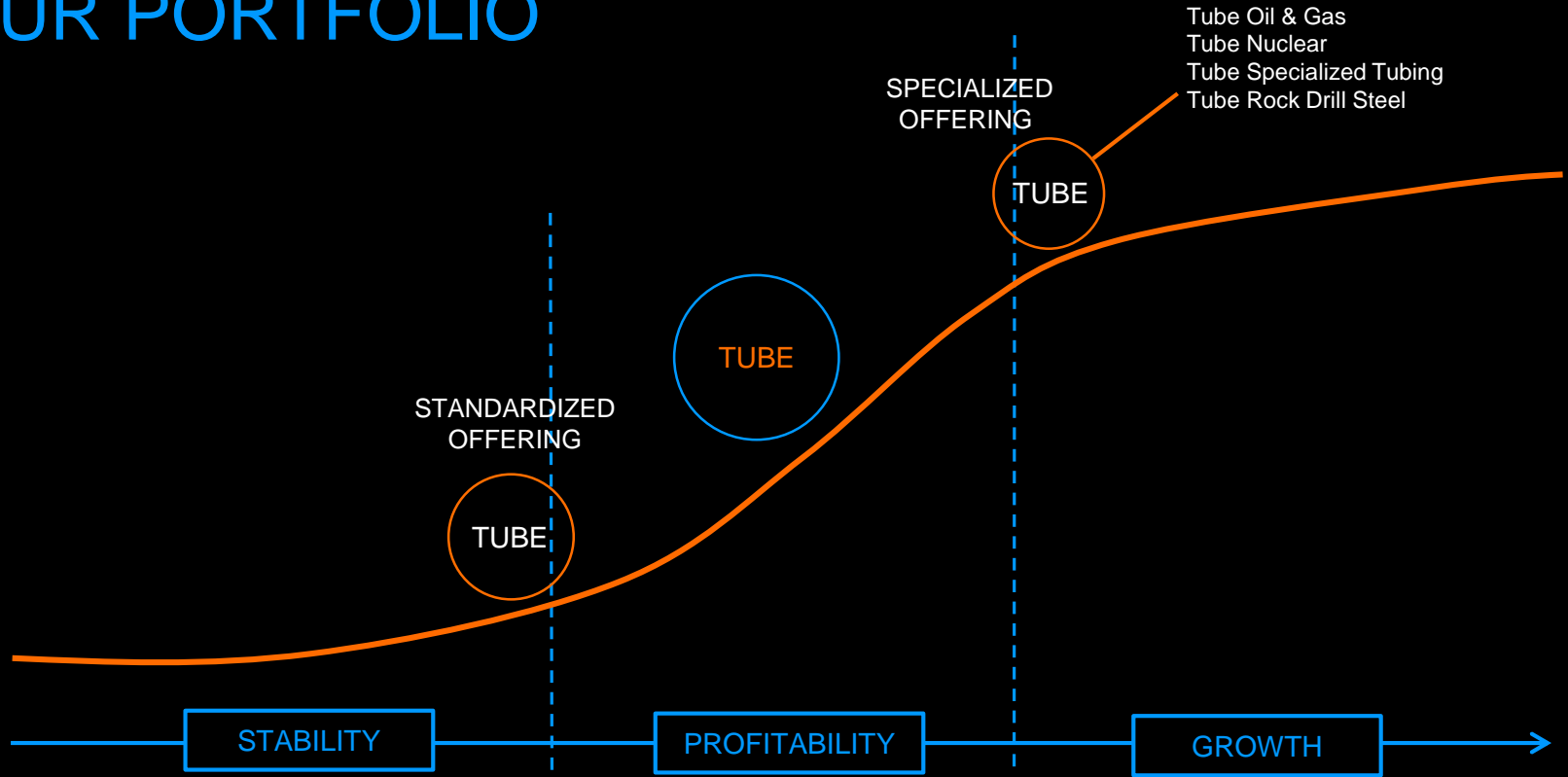


- Strong industry economic fundamentals
- Transition to powder metallurgy and from gas to electrical heated furnaces
- New decentralized organization with increased accountability and business focus
- Well suited for sustainable offering

# OUR PORTFOLIO

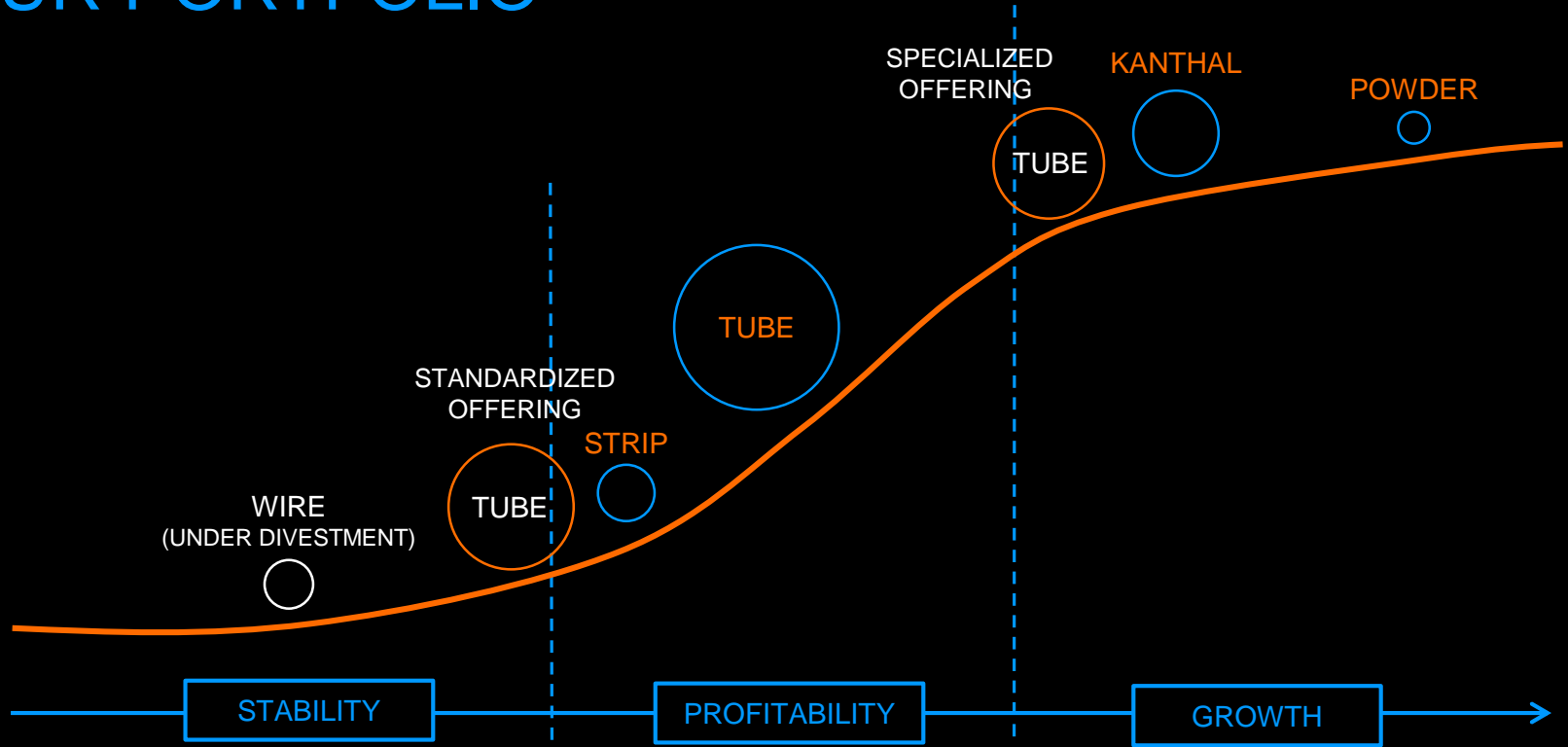


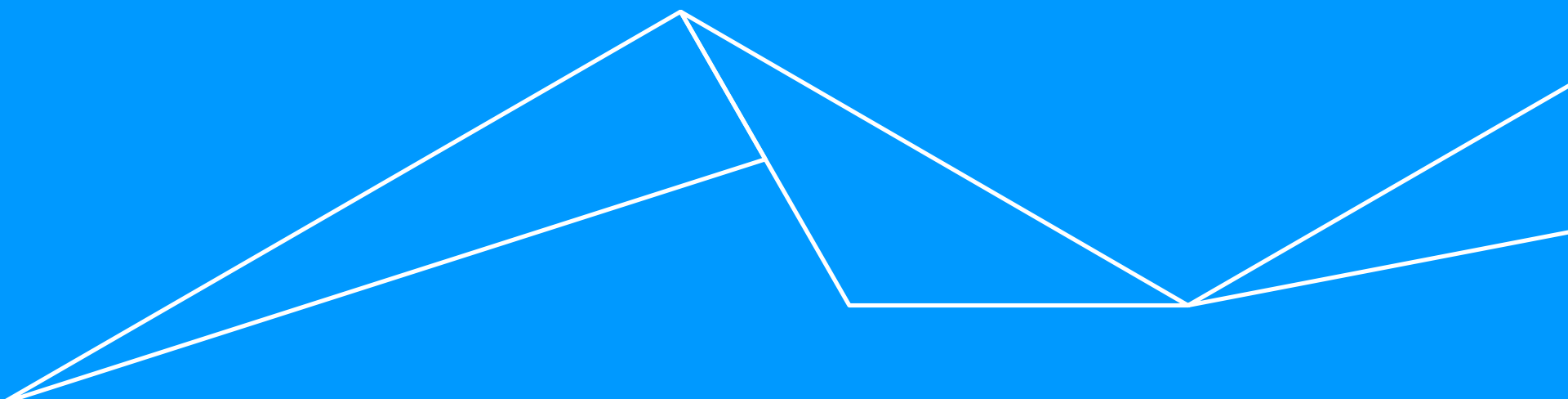
# OUR PORTFOLIO





# OUR PORTFOLIO





# PRODUCT AREA TUBE

# PRODUCT AREA TUBE

Leading producer of seamless tube, pipe and bar  
in stainless steels and other advanced materials

EBIT-MARGIN\*

<10%

REVENUES\*

8.7

BSEK

SHARE IN  
ENERGY\*

50%

ADDRESSING THE STANDARDIZED  
OFFERING AND SELECTIVE  
GROWTH IN NICHE SEGMENTS



Michael Andersson  
Head of Product Area Tube

# PRODUCT AREA TUBE

## ADDRESSING THE STANDARDIZED OFFERING

### COST ADJUSTMENTS

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MANNING REDUCTION  
carried out in Sandviken

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Program to reduce  
ADMINISTRATION AND  
SALES cost

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Structural review of  
DISTRIBUTION CENTER setup

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Further actions to  
reduce COST OF GOODS SOLD

### REGIONALIZATION DECENTRALIZATION PARTNERSHIP

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Launch of REGIONAL  
STRUCTURE for standardized  
products with autonomous  
decision making

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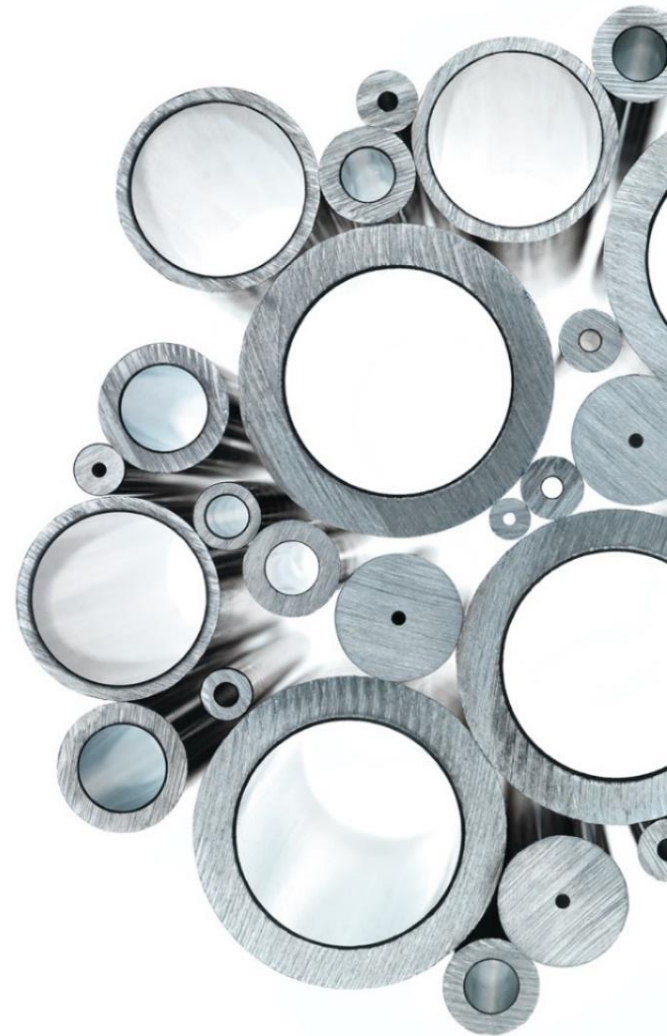
Adaption of LOCAL OFFERING  
and SOURCING

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Adaption of GO-TO-MARKET  
MODEL

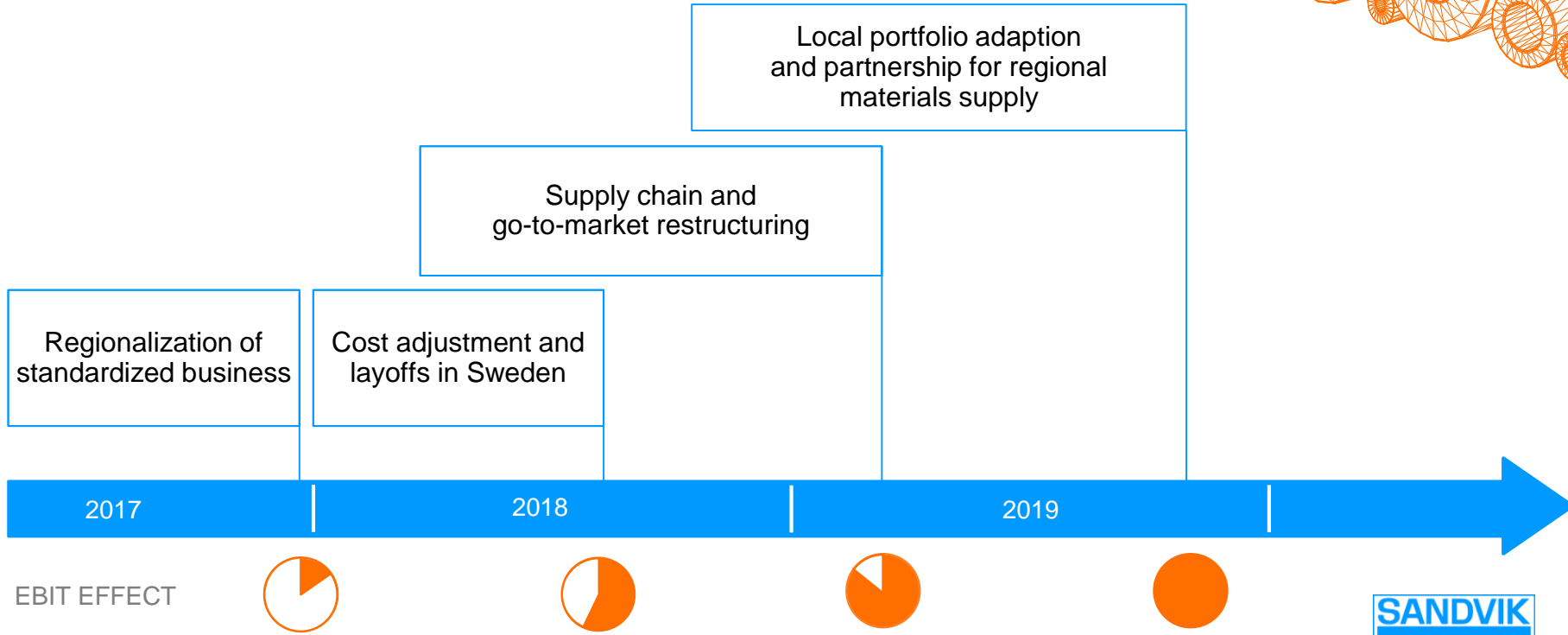
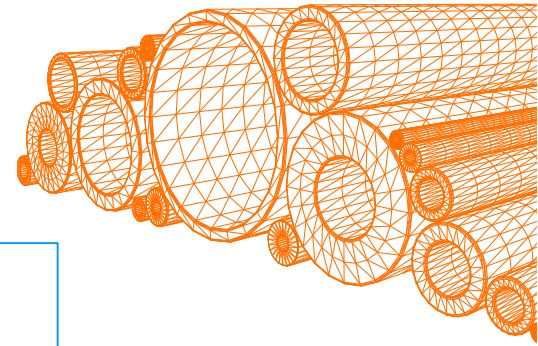
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Explore opportunities for regional  
PARTNERSHIPS



# PRODUCT AREA TUBE

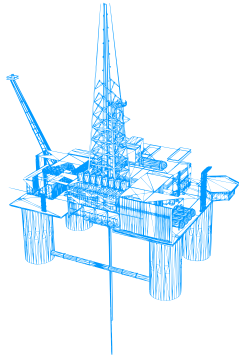
## ADDRESSING THE STANDARDIZED OFFERING



EBIT EFFECT

# OIL & GAS

## BRENT CRUDE OIL PRICE



## GAS FIELD DEVELOPMENT

Gas field development continues, showing less of price sensitivity as markets and consumers are more regional with national interests in the power generation markets.

## SUBSEA

Slow recovery after cost adjustments in supply chains.

## CONVENTIONAL ONSHORE / MIDDLE EAST

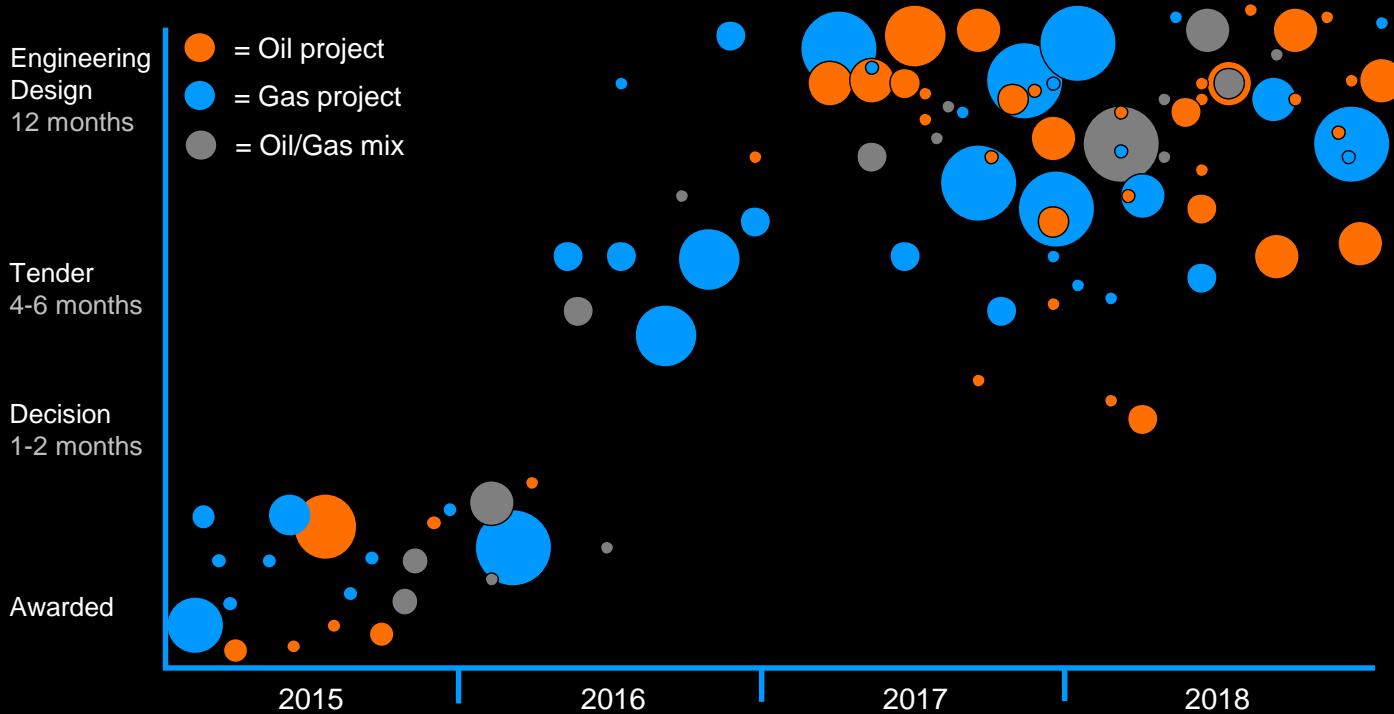
No growth anticipated in the short- to mid-term as unconventional oil increases. Replacement investments only.

## DOWNSTREAM

Refinery, Petrochemical and Fertilizer sectors fueled by improved investment climate, improving book-to-bill from volume and mix both for niche and standardized segments.

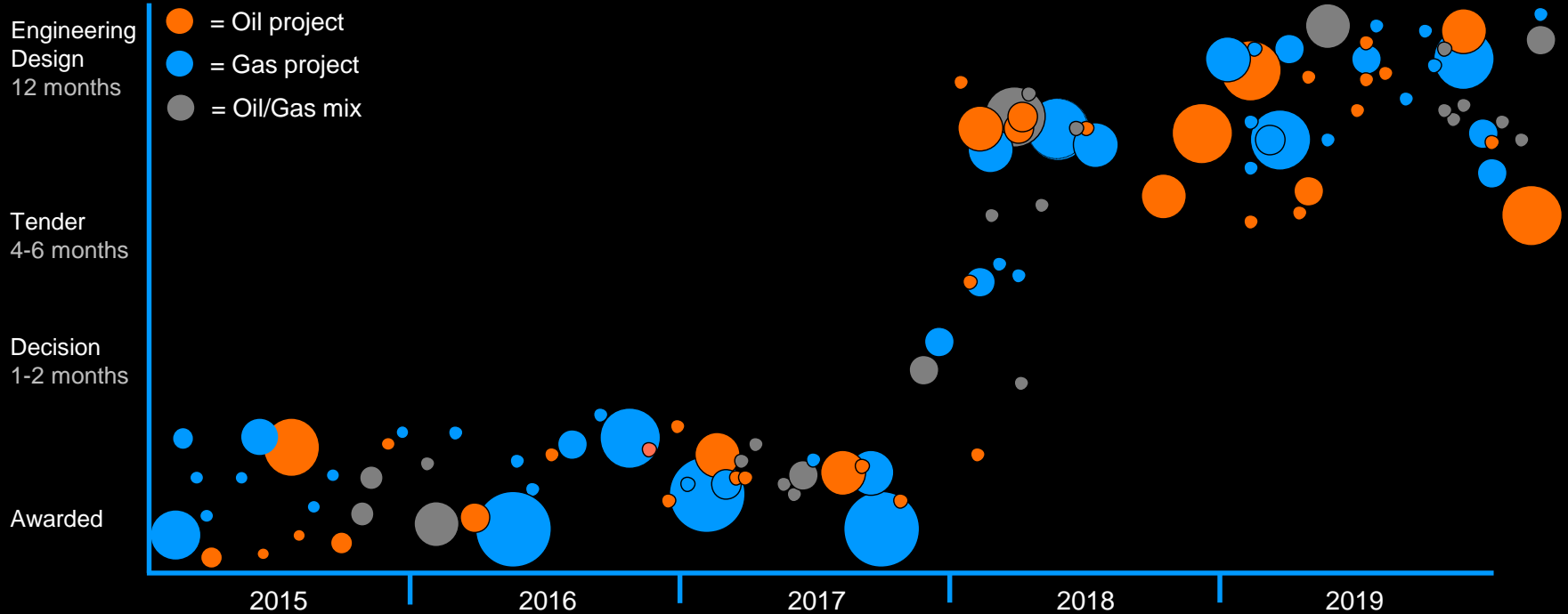
# SUBSEA PROJECTS OVERVIEW

MAY 2016



# SUBSEA PROJECTS OVERVIEW

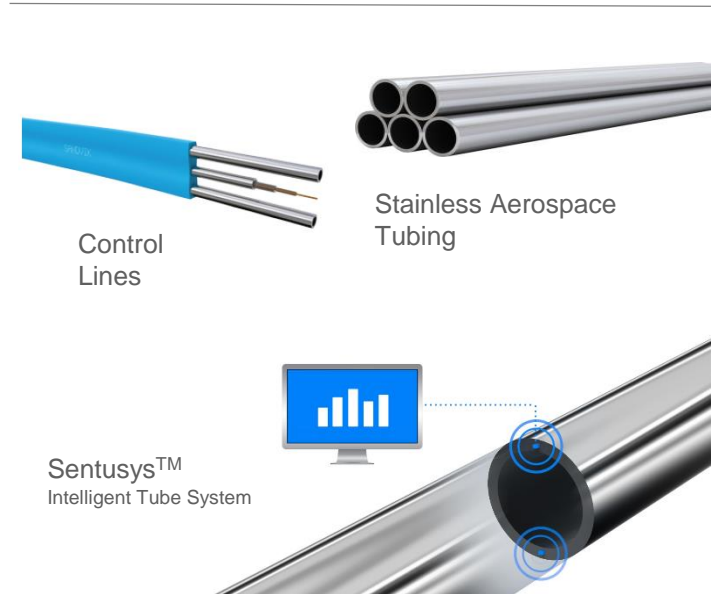
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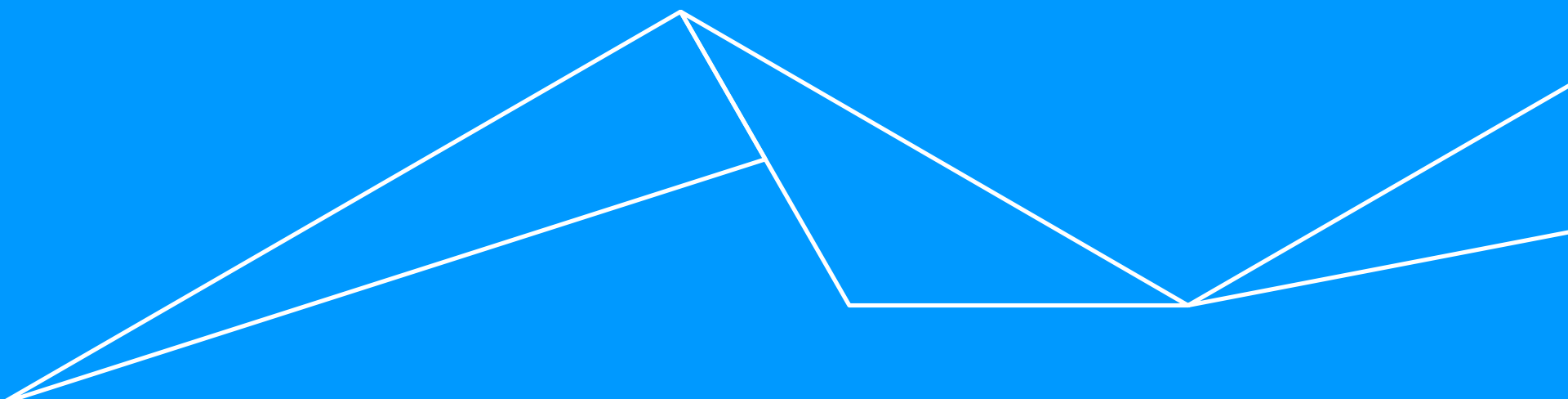




# SELECTIVE GROWTH

	Total market	Status
 <p><b>CONTROL LINES</b> OIL &amp; GAS</p>	<p>1 BSEK</p>	<p>Commercialization</p>
 <p><b>EXPAND OFFERING SERVICES &amp; DIGITALIZATION</b></p>	<p>&gt;5 BSEK</p>	<p>Research &amp; Development</p>
 <p><b>STAINLESS AEROSPACE</b></p>	<p>4 BSEK</p>	<p>Commercialization</p>
 <p><b>NEXT GEN* NUCLEAR FUEL TUBES</b></p>	<p>3 BSEK</p>	<p>Research &amp; Development</p>
 <p><b>AUTOMOTIVE GDI TUBING</b></p>	<p>3 BSEK</p>	<p>Launch</p>





# PRODUCT AREA POWDER

# PRODUCT AREA POWDER

Leader in fine powder for additive manufacturing and metal injection molding

MORE THAN  
**1000**  
GRADES



ENABLER  
FOR ADDITIVE  
MANUFACTURING

FIRST YEAR  
OF POWDER  
SALES  
**1979**

MARKET  
GROWTH  
**>10%**

SPEED & EXECUTION



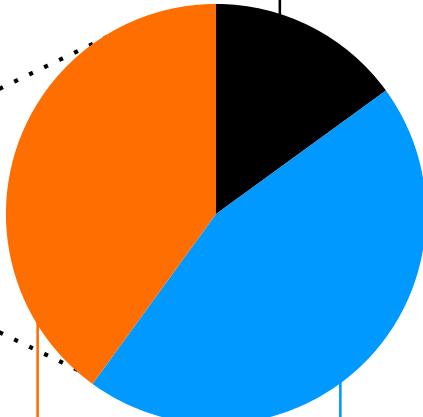
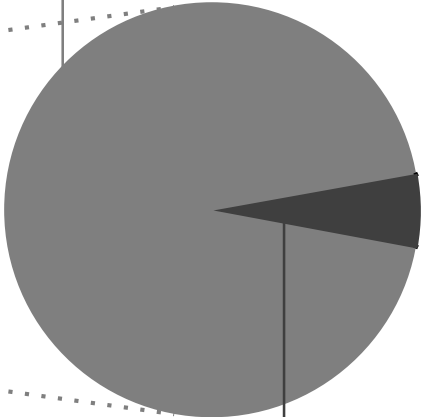
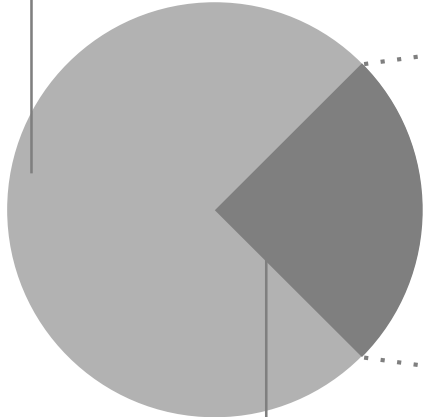
Annika Roos  
Head of Product Area Powder

# THE POWDER MARKET

CERAMICS  
300 BSEK

LOW ALLOY &  
TOOL STEEL

POWDER FOR ADDITIVE  
MANUFACTURING  
GROWTH RATE 25%



METALS  
100 BSEK

STAINLESS &  
ADVANCED ALLOYS  
6 BSEK

FINE POWDER  
GROWTH RATE 12%

COARSE  
POWDER  
GROWTH RATE 8%

FOOTPRINT	Neath, UK	Sandviken, Sweden	Surahammar, Sweden
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# OUR OFFERING

## THE CUSTOMER ADVANTAGE

- Material utilization or weight reduction
- Complex product geometries
- Production cost reduction
- Improved product performance (unique metallurgy)
- Mass customization (Additive manufacturing)

## KEY TECHNOLOGIES

Additive Manufacturing

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Metal Injection Molding

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Spray Forming

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Hot Isostatic Pressing

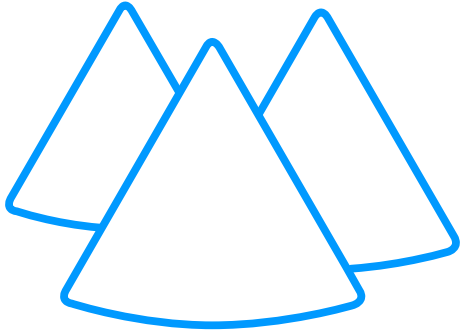
## EXTERNAL OFFERING



& INTEGRATED OFFERING  
AT TUBE, STRIP, KANTHAL

# PRODUCT AREA POWDER

## SPEED & EXECUTION



CAPACITY AND  
CAPABILITY BUILDING



PARTNERSHIPS AND ACQUISITIONS



COMPETENCE BUILDING IN  
ADDITIVE MANUFACTURING



ENSURE PROCESS & INTEGRATED OFFERING  
CAPABILITIES ACROSS SANDVIK



# SUMMARY

# SUMMARY

- SMT's financial performance not acceptable
- Focus on commercial and operational excellence
- New decentralized organization with increased accountability
- Shift mix towards more profitable products
- Strategy with focus on execution





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# QUESTIONS

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