

SANDVIK CAPITAL MARKETS DAY 2019

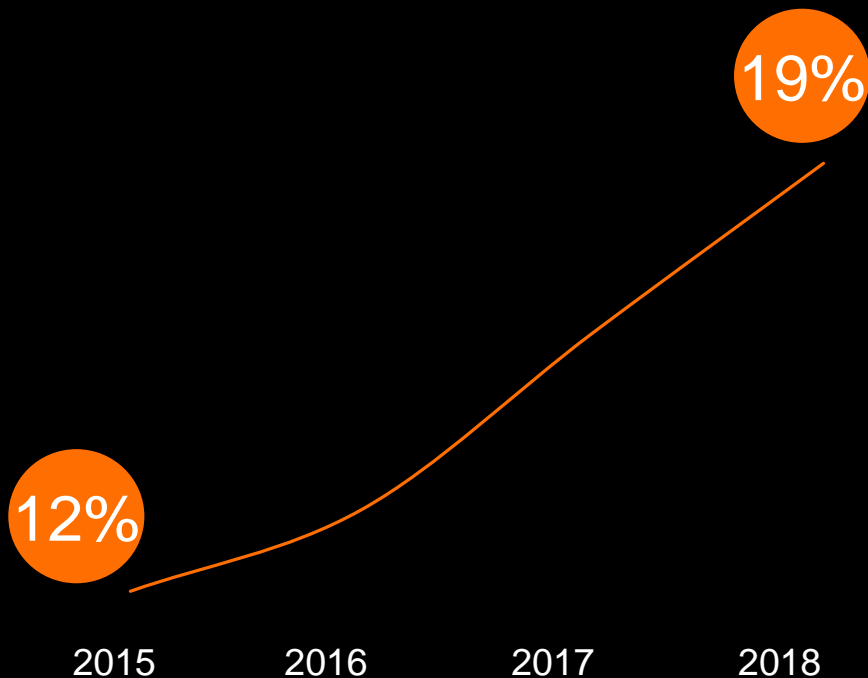


Comments and numbers in the presentation relate to continuing operations, unless otherwise stated



STRONG PERFORMANCE IMPROVEMENT

EBIT %: ~200 BPS ANNUAL INCREASE



RESHAPING THE GROUP

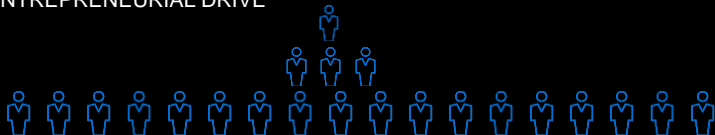
STRONG CASH & LOW DEBT

INCREASED PACE IN M&A

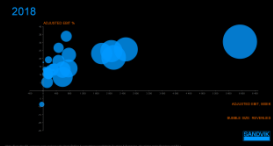
STRONG PERFORMANCE IMPROVEMENT

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

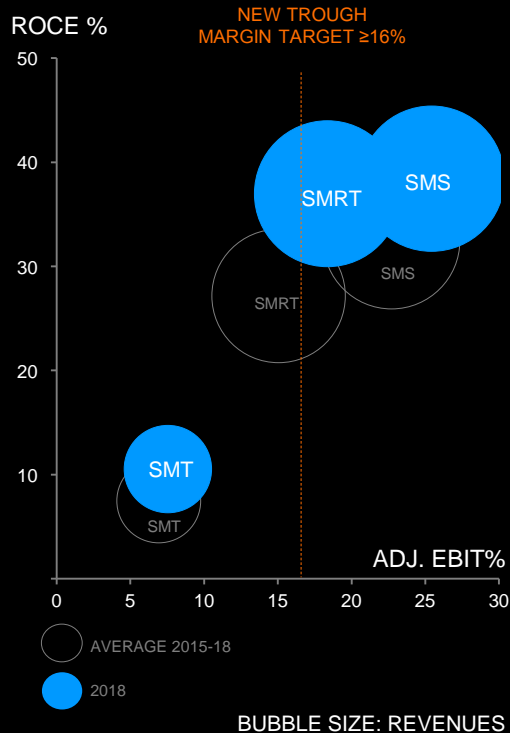
RESHAPING THE GROUP

STRONG CASH & LOW DEBT

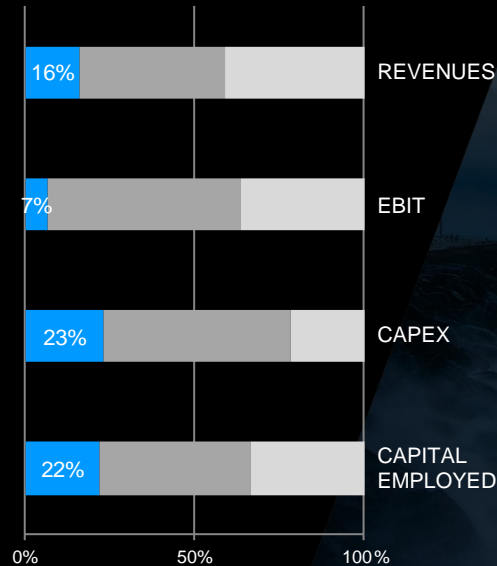
INCREASED PACE IN M&A

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

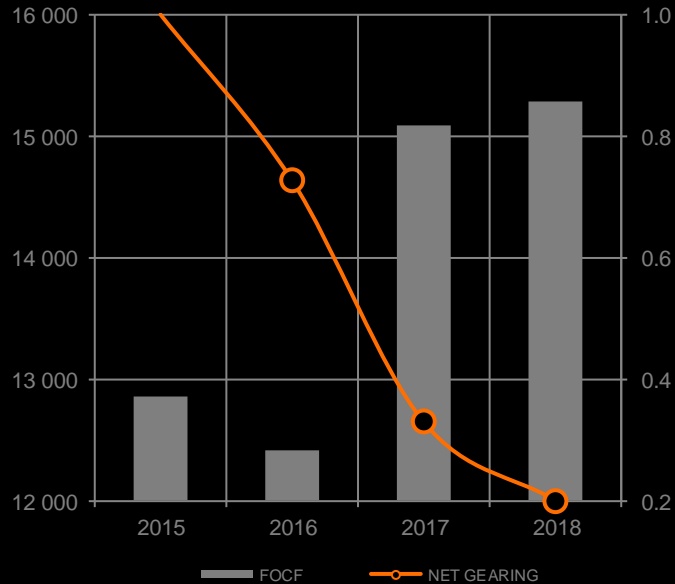
- First in mind for capital allocation
- Full focus from board
- Evaluated on own merits
- Debt-free gives flexibility
- Focus on core

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

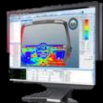
8 acquisitions in 2018/2019
highest number in 10 years

3



ROUND TOOL
COMPANIES

1



SOFTWARE MEASUREMENT
COMPANY

1



DIGITAL MINING
COMPANY

1



CONSUMABLES
COMPANY

1



HEATING SYSTEMS
COMPANY

1



BATTERY ELECTRIC
SOLUTIONS COMPANY

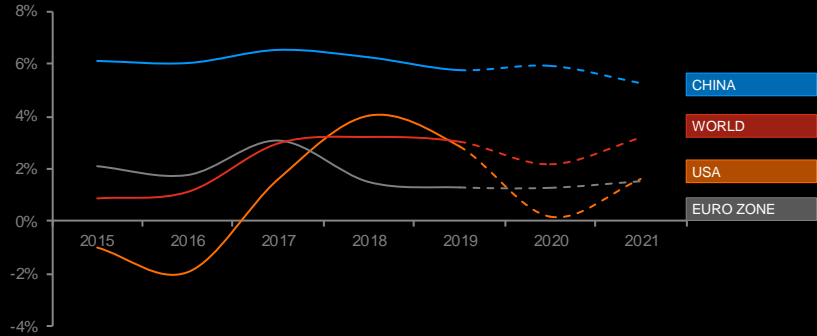
RESHAPING THE
GROUP

STRONG CASH
& LOW DEBT

INCREASED PACE
IN M&A

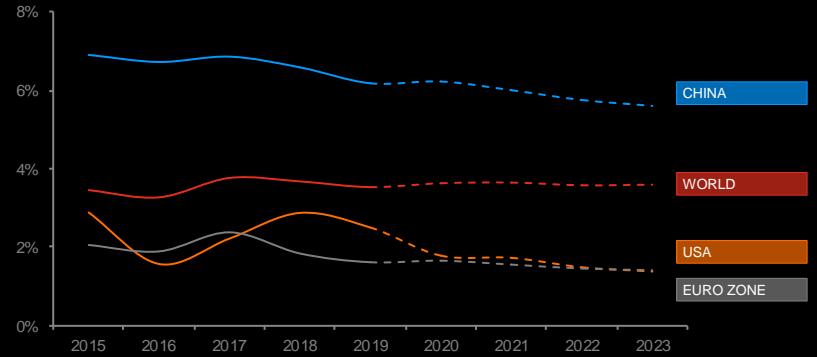
OUR WORLD 

INDUSTRIAL PRODUCTION INDEX GROWTH %, ACTUAL AND FORECAST



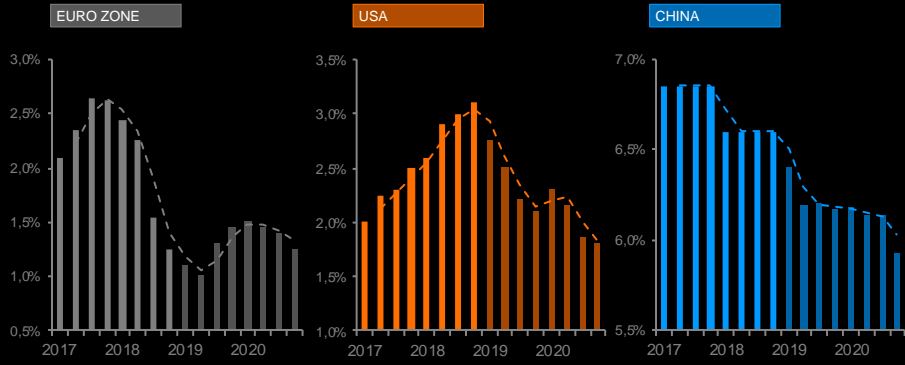
Source: Datastream/EIU

GDP GROWTH %, ACTUAL AND FORECAST



Source: IMF, World Economic Outlook

GDP GROWTH Y/Y FORECAST MAJOR REGIONS



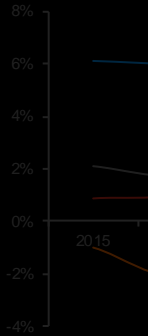
Source: FactSet

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, %



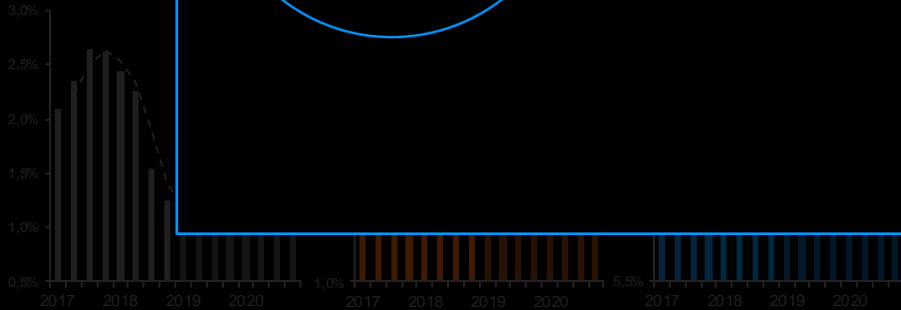
Source: Datastream/EIU

GDP ACTUAL AND FORECAST %

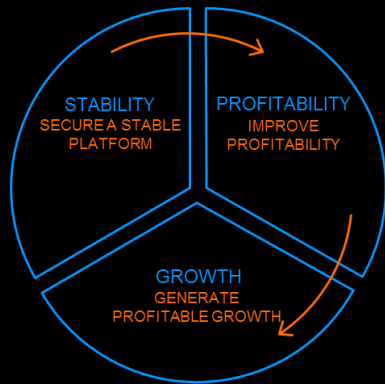
%

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

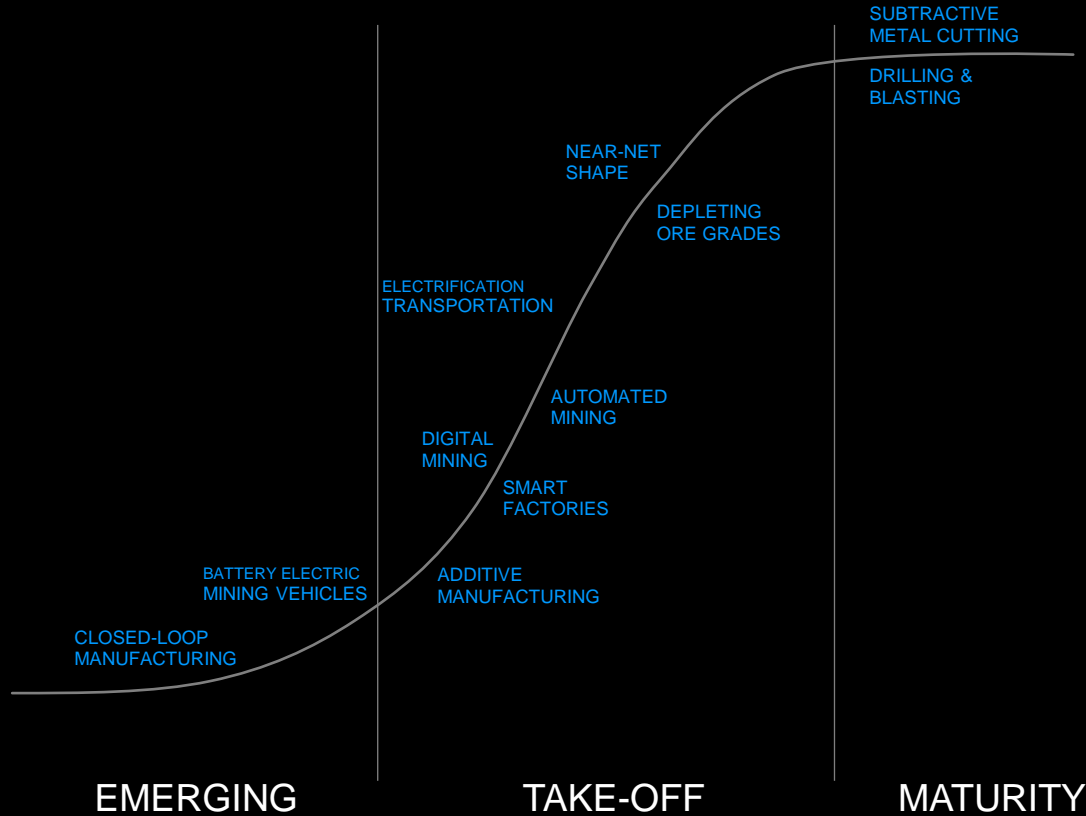
Source: Macrobond, BMI; Price index and Material moved index weighted according to Sandvik w/o Mining Systems commodity exposure

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

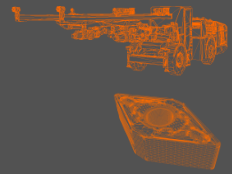


SAFER
EMPLOYEES

JOINING FORCES ENABLE NEW SOLUTIONS

CAD/CAM/CAE
QUALITY ASSURANCE
MEASUREMENT

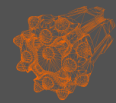
METAL CUTTING
MINING EQUIPMENT



POSITIONING
MATHEMATICAL MODELLING

OPTICS
LASERS

METALLURGY
EQUIPMENT DESIGN



ROCK CRUSHING
MINING METHODOLOGY



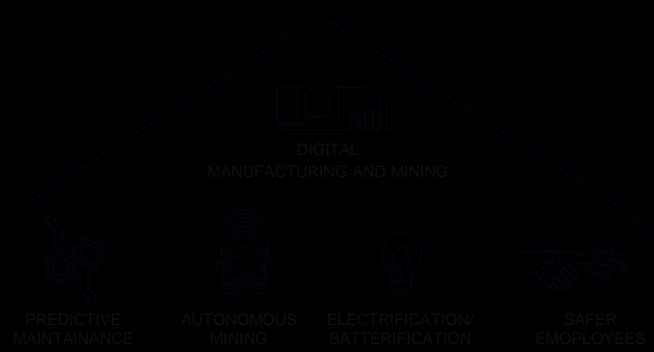
CUSTOMER
NEEDS

REMAINING RELEVANT THROUGH CHANGE

REMAINING RELEVANT THROUGH CHANGE

APPLICATIONS
PRODUCTS

TECHNICAL SKILLS
CORE COMPETENCIES

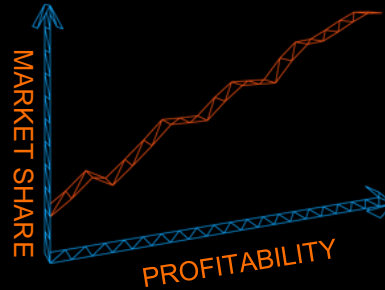


FUTURE-PROOF FOUNDATION

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

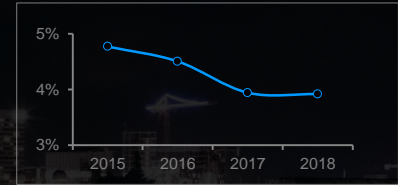
BETTER PREPARED

CAPITAL AND COST SCRUTINY MORE TO DO

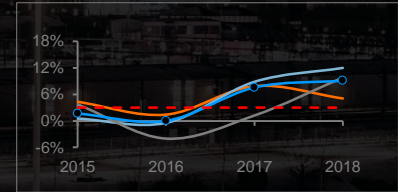
STRUCTURALLY LOWER
NWC TO REVENUES AT <25%



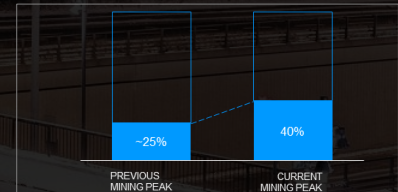
INVESTING BUT STRUCTURALLY LOWER
CAPEX LEVEL <4%



WELL ABOVE
PRODUCTIVITY TARGET ~3% P.A.



MANAGING THE UPTURN BY
HIGHER SHARE OF OUTSOURCING IN SMRT



FURTHER FOOTPRINT CONSOLIDATION



KEY FOCUS AREAS

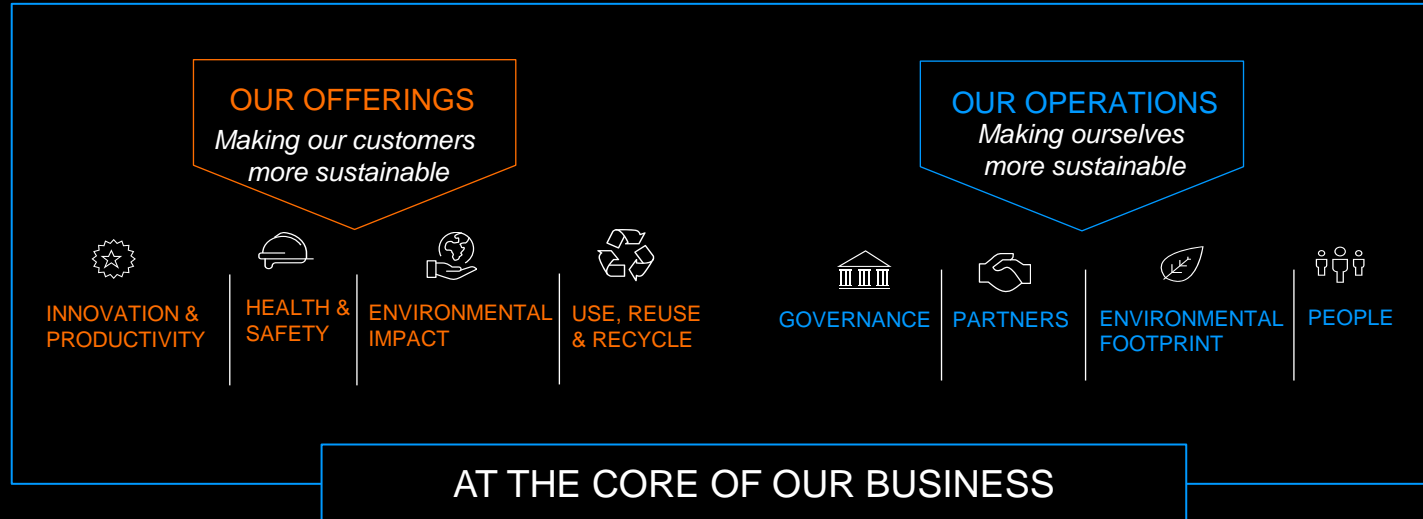
MAINTAIN AND
STRENGTHEN LEADING
POSITIONS AND
DISPOSE OF NON-CORE
ASSETS

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

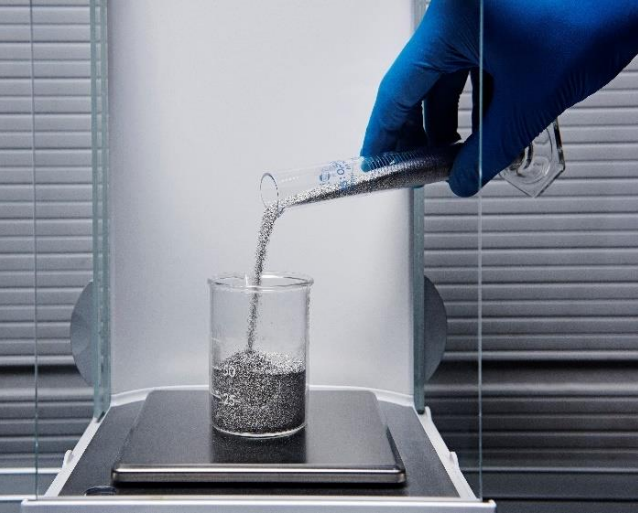


An index of the Global 100 most sustainable corporations in the world



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

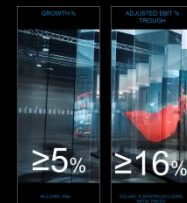
THROUGH-CYCLE

DIVIDEND
PAYOUT RATIO

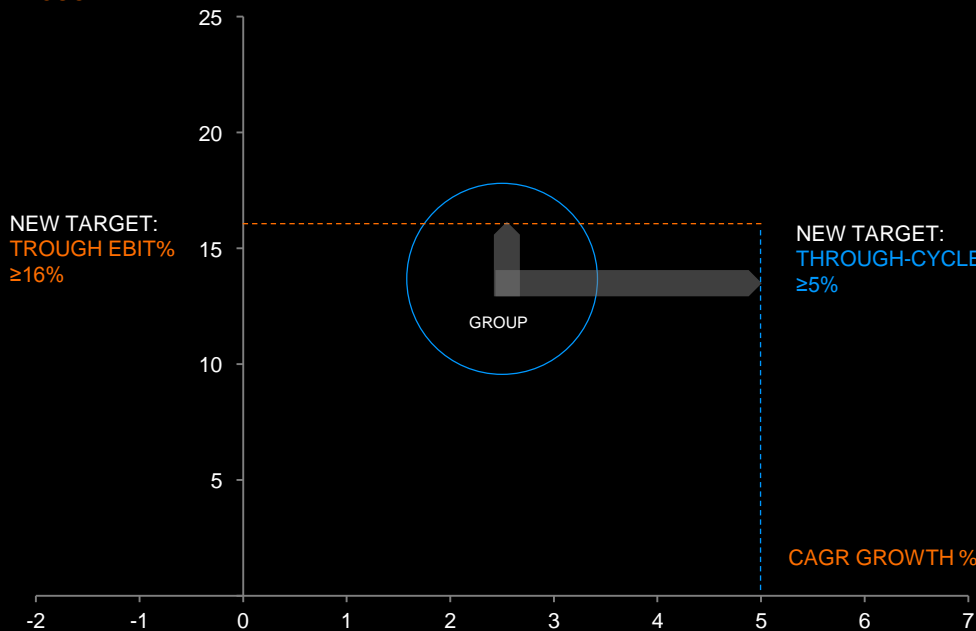
50%

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



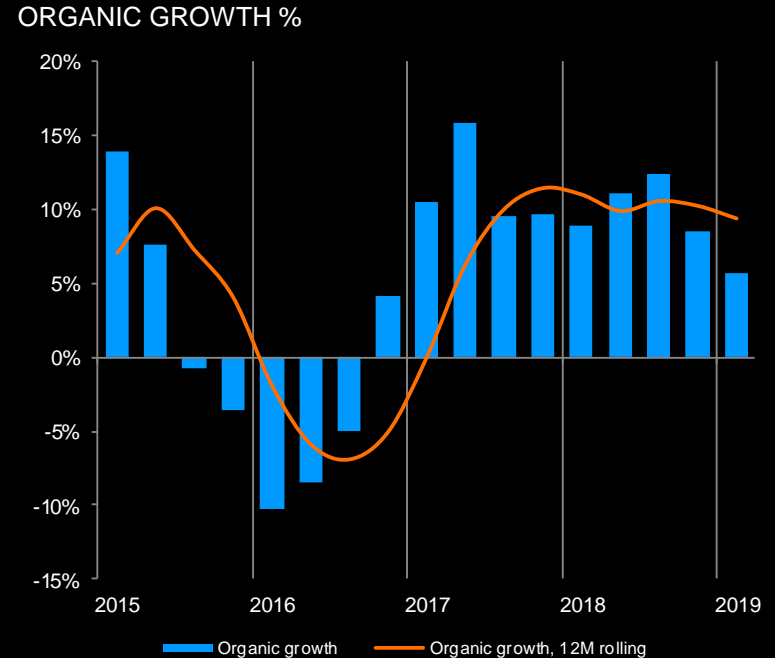
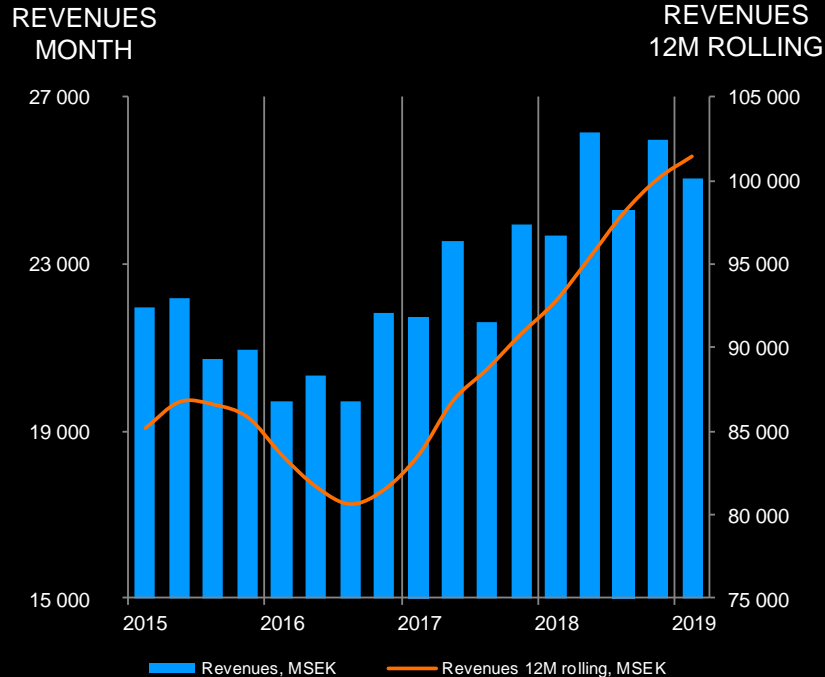
SCENARIO BASED PLANNING

- 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

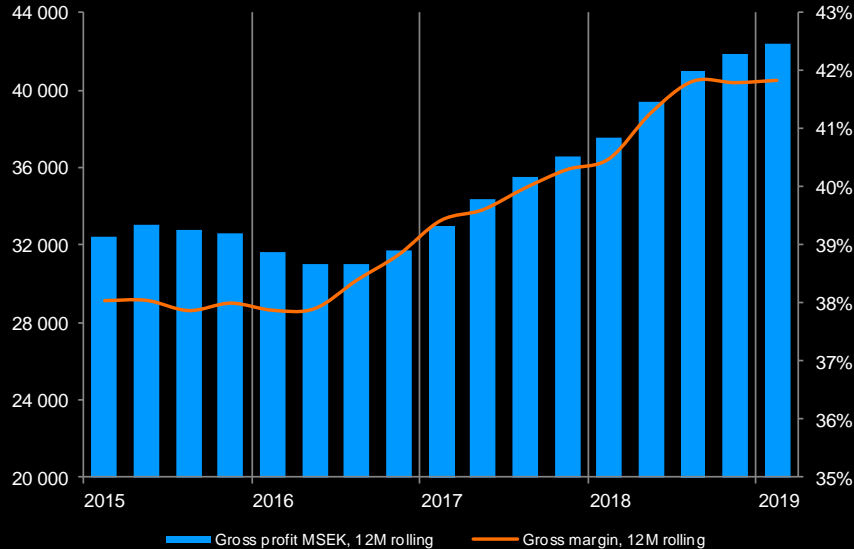
LOWER GROWTH RATES ON HIGH COMPARABLES



STEADY GROSS MARGIN IMPROVEMENT

GROSS PROFIT

GROSS MARGIN



Pricing

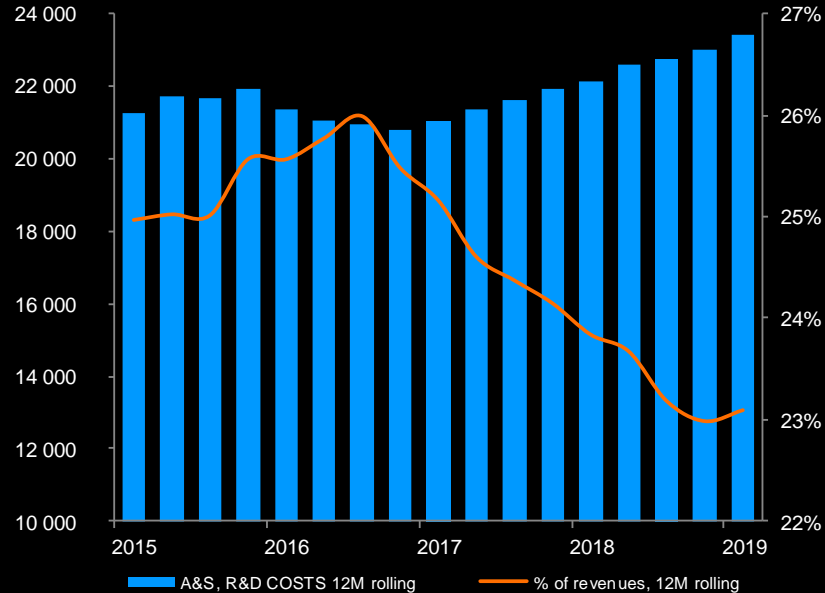
Productivity

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

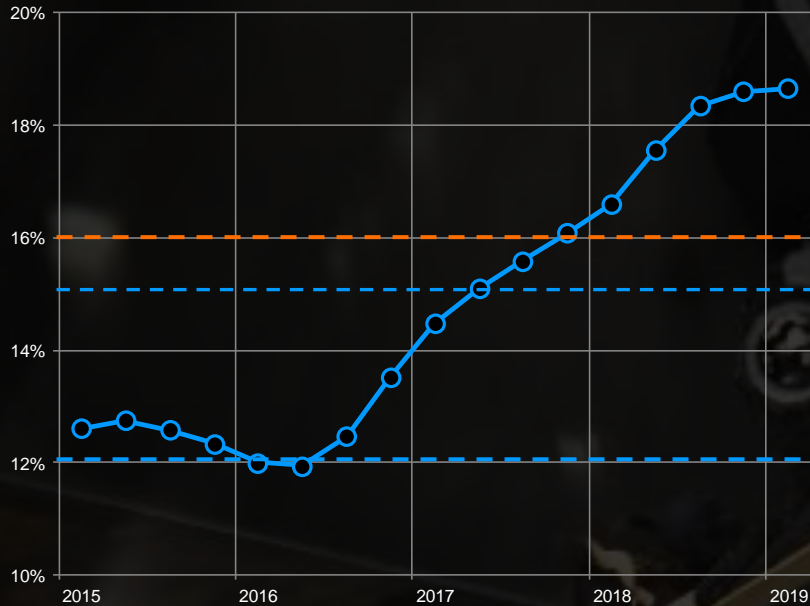
Reduced spend in focus

- 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

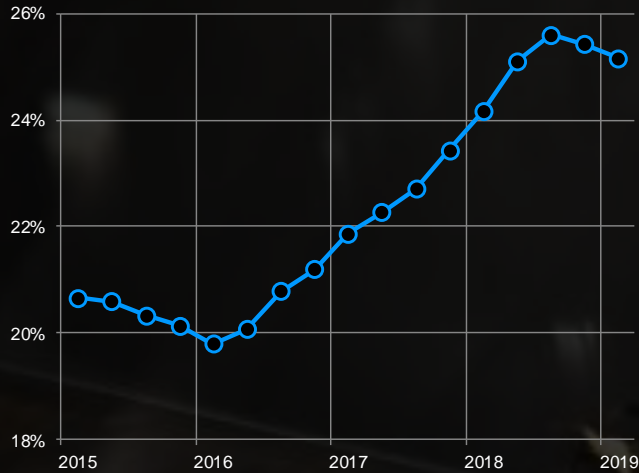
More variabilized costs and supply chain consolidation drives efficiency to mitigate downturns

Continuously reviewed contingency plans depending on scenario

STRONG IMPROVEMENT IN EBIT MARGIN AIMING FOR HIGHER PEAKS AND TROUGHS

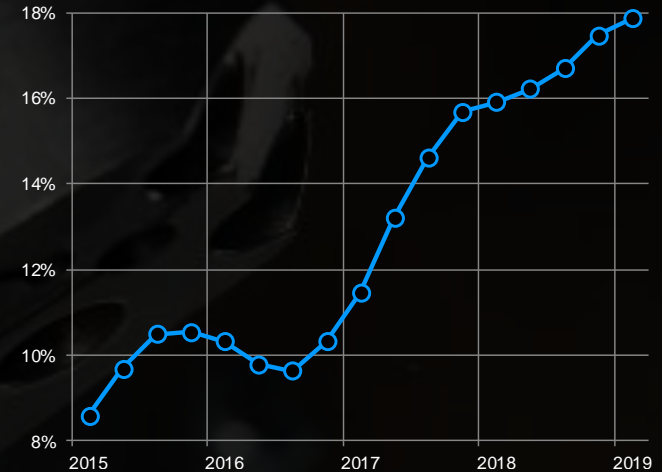
SANDVIK MACHINING SOLUTIONS

ADJUSTED EBIT MARGIN, 12M ROLLING



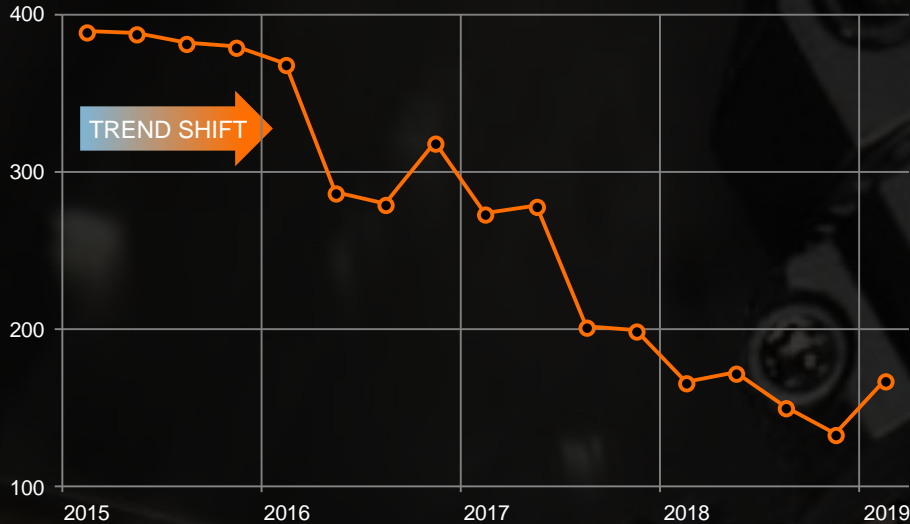
SANDVIK MINING AND ROCK TECHNOLOGY

ADJUSTED EBIT MARGIN, 12M ROLLING



IMPROVED INTEREST NET

NET INTEREST, MSEK

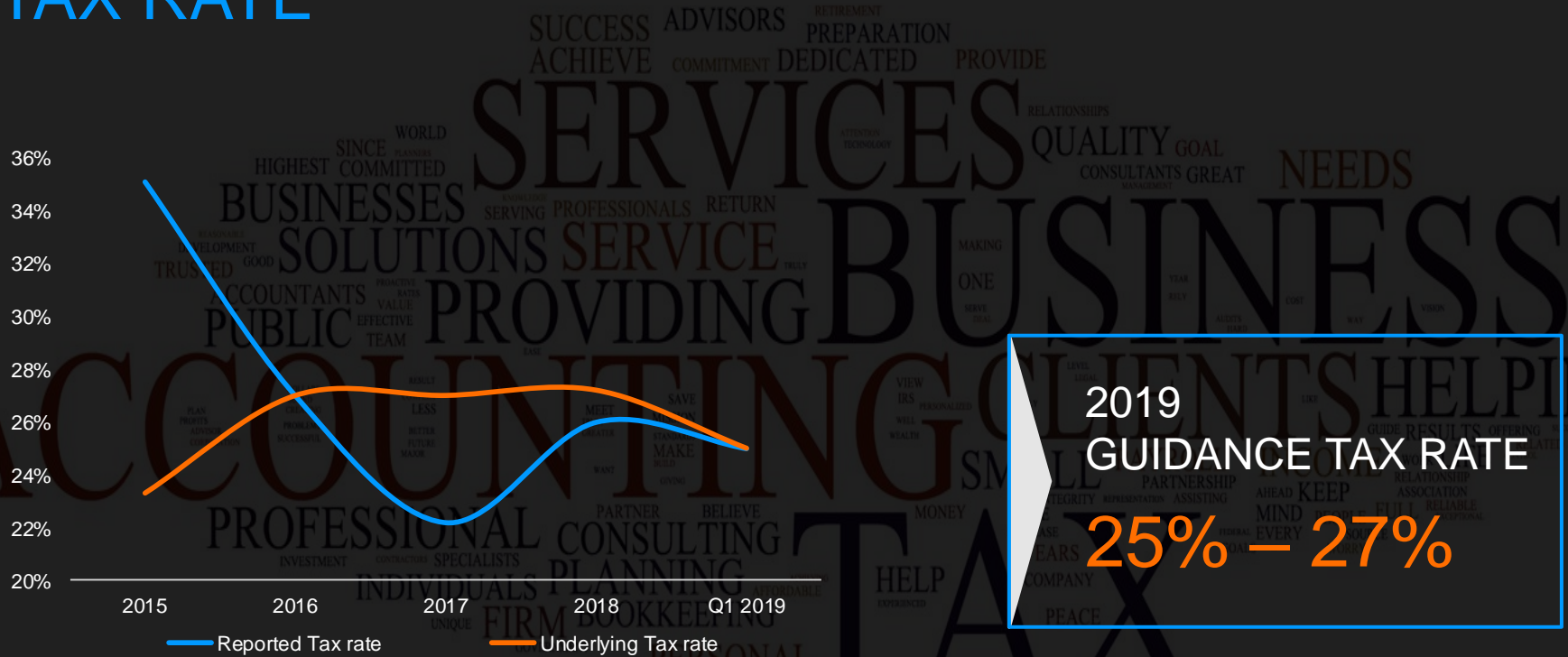


Re-capitalization of subsidiaries

Reduced debt

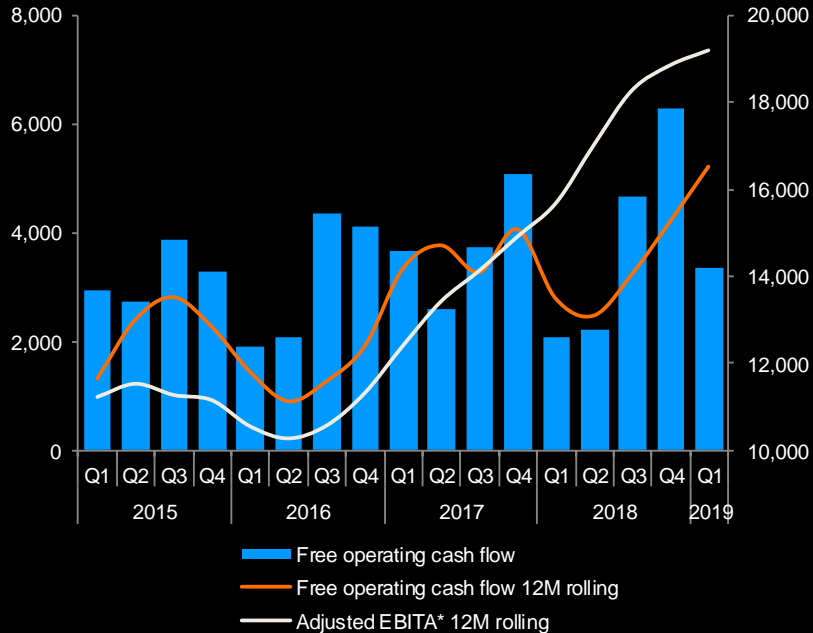
Early debt re-payments of bilaterals planned for mid-2019

TAX RATE

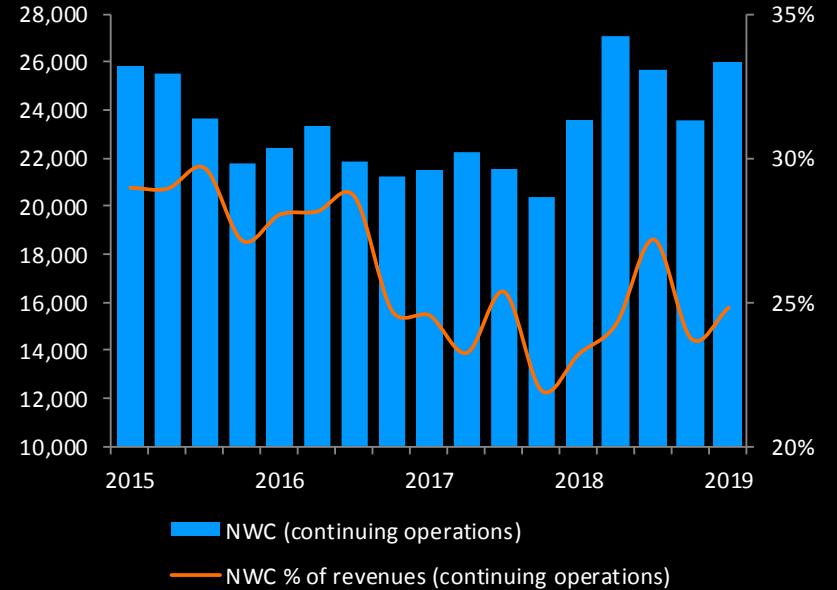


STRONG CASH FLOW AND MANAGING NWC

FREE OPERATING CASH FLOW 12M ROLLING

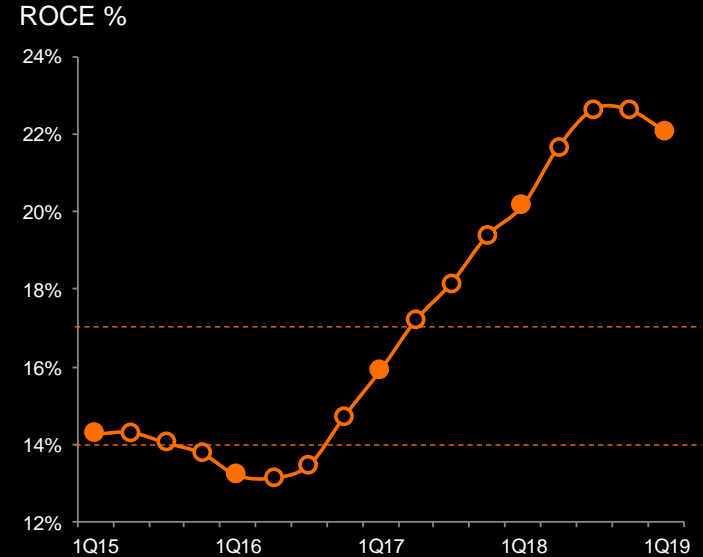
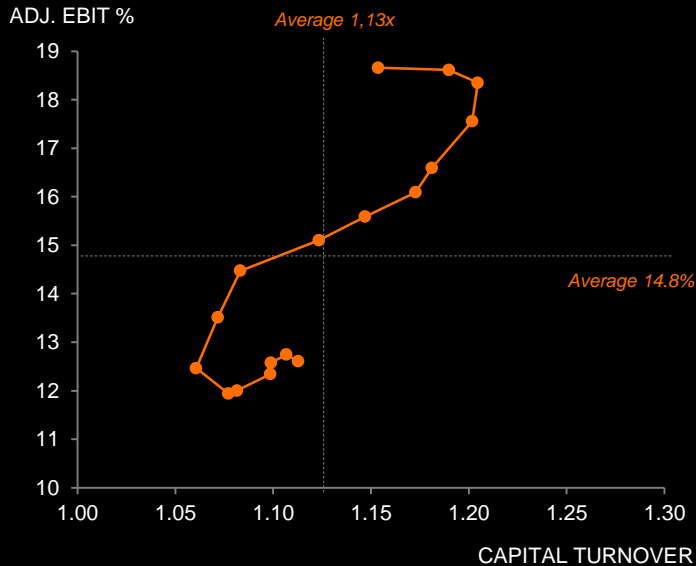


NET WORKING CAPITAL % OF REVENUES



RETURN ON CAPITAL EMPLOYED

HIGHER MARGIN BUT INCREASED CAPITAL EMPLOYED



CAPITAL ALLOCATION

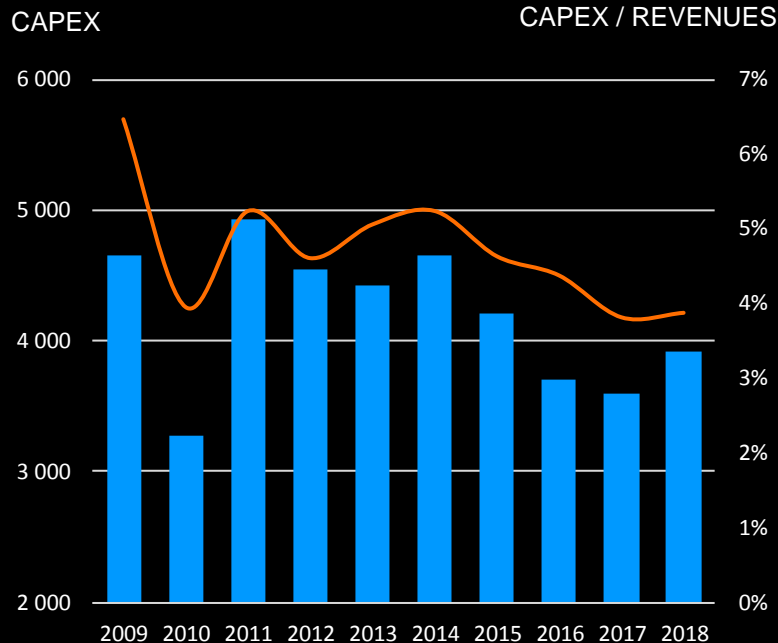
LONG-TERM PRINCIPLE INTACT

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

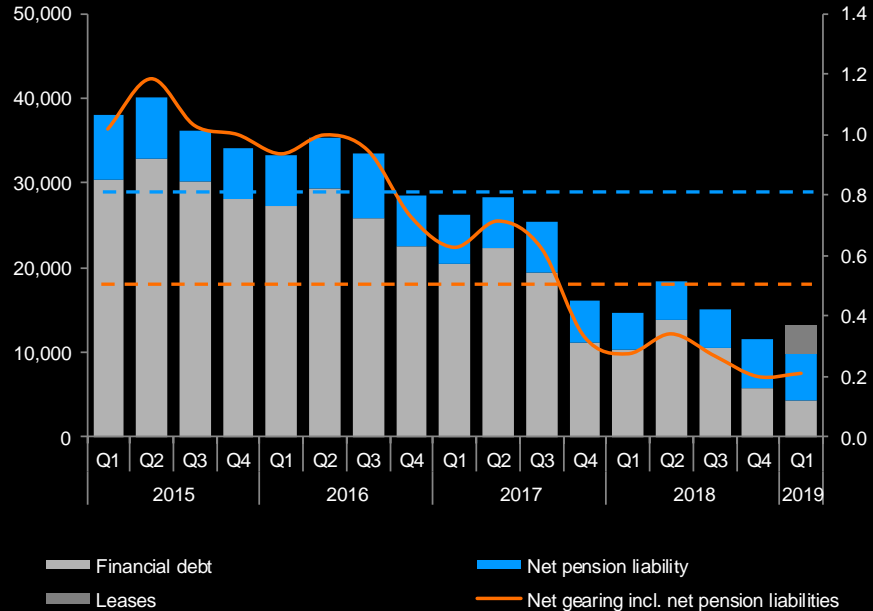
- Increasing digital offering implies higher multiples
- Return on investment ≥ 5 years
- Impacts return on capital mid-term

SAFEGUARD INVESTMENT GRADE CREDIT RATING



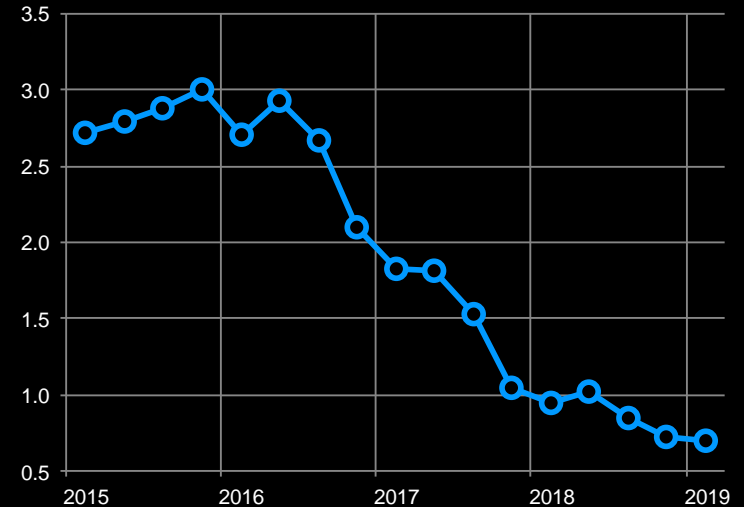
STRENGTHENING OF BALANCE SHEET HEADROOM FOR M&A

NET DEBT



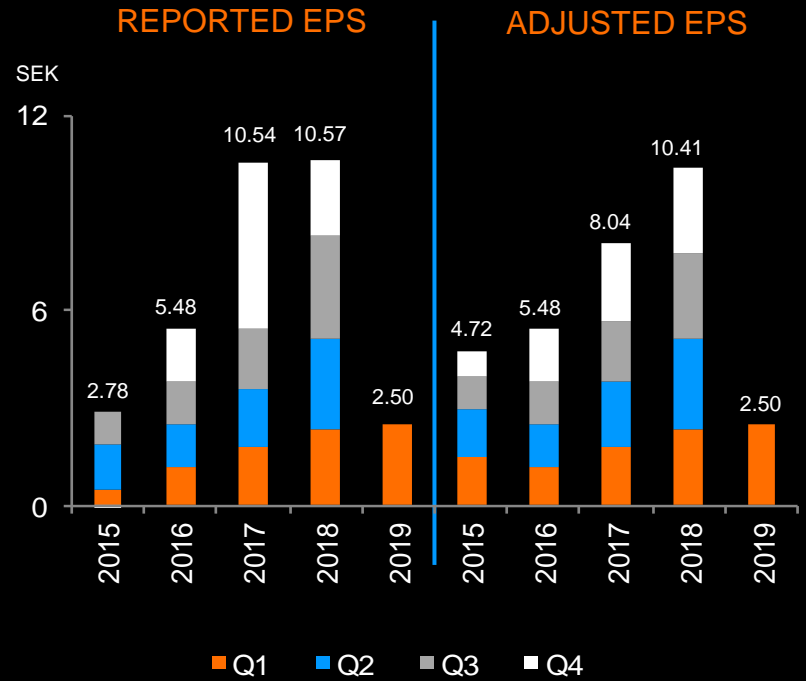
NET GEARING

NET DEBT / EBITDA



S&P definition

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

STRONG
PERFORMANCE



KEY TAKEAWAYS



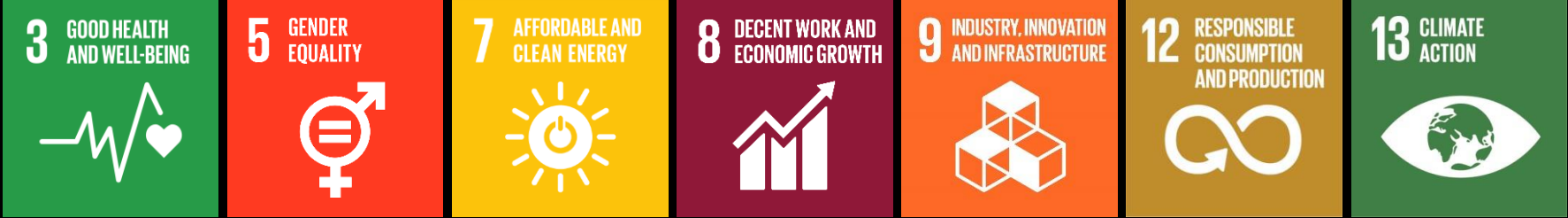
KEY TAKEAWAYS





APPENDIX

WE CONTRIBUTE TO THE UN SDG:S



MAKE THE SH/FT



CUSTOMERS

- Material and resource efficiency improvement part of all development projects
- Develop business models for recycling/circularity for our customers

OPERATIONS

- Our products including packaging material shall have at least 90% material circularity
- Halve waste in our production processes

SUPPLIERS

- Require 90% circularity for key suppliers

WE BUILD CIRCULARITY
More than 90% circular



CUSTOMERS

- CO₂ improvement part of all product development projects
- Value proposition to our customers shall always include verified CO₂ reduction potential

OPERATIONS

- Halve the CO₂ foot print from our own production
- Halve the CO₂ foot print for transportation of people and products

SUPPLIERS

- Require halving of CO₂ foot print from our key suppliers

WE SHIFT CLIMATE
Halve the CO₂ impact



CUSTOMERS

- Health & Safety improvements part of all product development projects
- Health & Safety/risk analyses with all products and services

OPERATIONS

- Halve Total Recorded Injury Frequency Rate (TRIFR) and occupational illnesses
- All Sandvik employees to be offered health and well-being programs

SUPPLIERS

- Require health & safety improvements plan to reach Sandvik standards from key suppliers

WE CHAMPION PEOPLE
Zero harm to people



CUSTOMERS

- Know Your Customer (KYC) process leading to active, sustainable choices
- Increased transparency on sustainability targets and results

OPERATIONS

- Proactive and agile Compliance system fully embedded in business operations
- Diverse and inclusive workforce with at least one third female managers
- Everyone engaged in community involvement with a significant positive impact on society

SUPPLIERS

- All suppliers compliant with Sandvik Supplier Code of Conduct

OUR ENABLERS
How we'll drive the change

WE PLAY FAIR
Always do the right thing

PERFORMANCE MANAGEMENT

- Integrated within performance management systems and part of the incentive programme for top managers

IDEAS HUB

- Create sustainability idea program with 100,000 sustainability ideas or innovations proposed by 2030

THE SHIFT CHAMPIONS

- Sustainable business partner award implemented (like Wilhelm Haglund Medal)

GOOD GOVERNANCE

- Well functioning and efficient governance, through The Sandvik Way and the Sandvik Code of Conduct

TRANSPARENCY

- We will drive change through transparency of our progress, learnings and ways of working