

# INTERIM REPORT FOURTH QUARTER 2021



00-03-51



# SUMMARY Q4

## STRONG ORGANIC AND ACQUISITIVE GROWTH

- Broad-based demand with positive development in all business areas and most regions and segments
  - Organic order intake growth of 23% and all business areas with double-digit gains
  - Solid contribution from acquisitions, total order intake growth of 36%
  - Successful navigation through tough supply chain challenges. Organic revenues grew by 14%, and total growth was 26%
- 

## HIGHLIGHTS ADDING TO A STRONG FINISH

- High interest in Sandvik's automation and digital offerings led to record order for our automation solutions
  - Six acquisitions signed in the quarter, adding to a total of 14 announced acquisitions in 2021
  - Sandvik committed to Science Based Targets initiative
- 

## IMPROVED EARNINGS AND SOLID FINANCIAL POSITION

- Adjusted EBITA increased by 16%, with margin at 18.4% (20.5)
- Adjusted profit for the period improved by 14% to SEK 3.8 B (3.4)
- Gearing of 0.35 and high free cash flow generation of SEK 4.6 B
- The Board of directors proposes a dividend of SEK 4.75 per share (4.50 + 2.00)



# DIGITAL SHIFT CONTINUES

## DESWIK

- The leading and fastest growing mine planning software company with a unique software suite
- More than 10,000 licenses, high quality customer base, and strong profitable growth
- Enhancing Sandvik's software and automation offering



## DIGITAL MINING TECHNOLOGIES

- New division Digital Mining Technologies established
- Three BUs: Automation, Newtrax and Deswik
- Accelerate the execution of the strategic priority to lead the development in electrification, automation, digitalization and end-to-end optimization of the mine



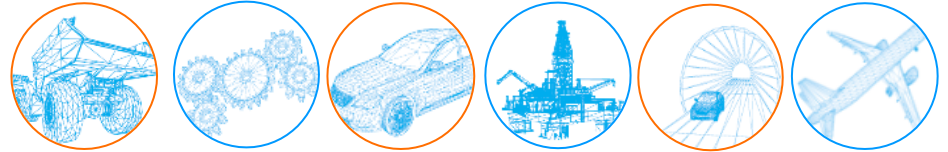
# STAYING AHEAD THROUGH INNOVATION

## THE NEW GIBBSCAM 2022 VERSION



- Program, simulate, and control any CNC machine – from 2D to 5-axis milling, turning, multi-task machining (MTM) and wire-EDM
- More powerful with broader surface and solid modeling
- Improvements such as pre-drilling, rotary machining and deburring
- Faster simulation and extended machine support

# YOY MARKET DEVELOPMENT



	Mining 41%	Engineering 23%	Automotive 8%	Energy 8%	Infrastructure 9%	Aerospace 4%
	↗	↗	↘	↗	↗	↗
EUROPE	→	↗	↘	↗	↗	↗
NORTH AMERICA	↗	↗	↘	↗	↗	↗
ASIA	→	↗	↘	↗	↗	↗
AFRICA/MIDDLE EAST	↗	↗	↗	↗		
AUSTRALIA	→					
SOUTH AMERICA	↗					

	% of group revenue FY21	Q4 Y/Y order intake
EUROPE	31%	+17%
NORTH AMERICA	23%	+47%
ASIA	17%	-2%
AFRICA/MIDDLE EAST	12%	+46%
AUSTRALIA	9%	+9%
SOUTH AMERICA	6%	+48%

# ORDER INTAKE AND REVENUES

## ORDER INTAKE

REPORTED

30,902

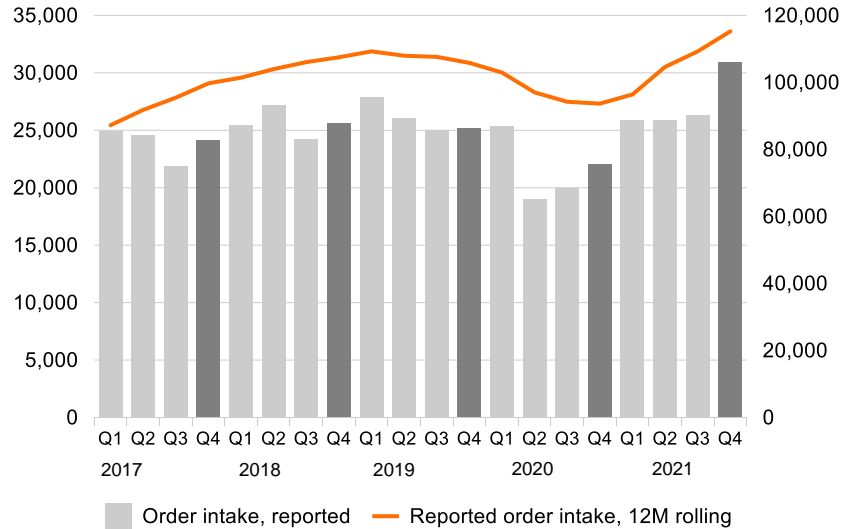
ORGANIC

23%

TOTAL\*

36%

SEK M



## REVENUES

REPORTED

29,128

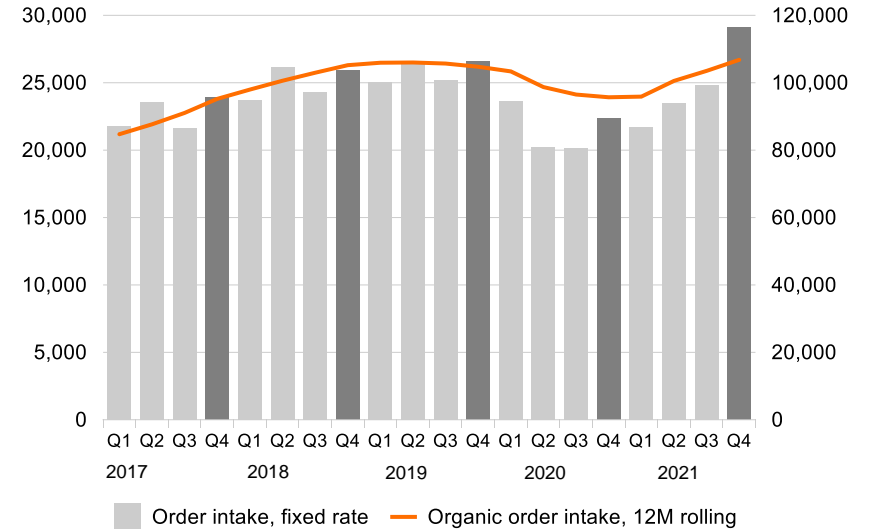
ORGANIC

14%

TOTAL\*

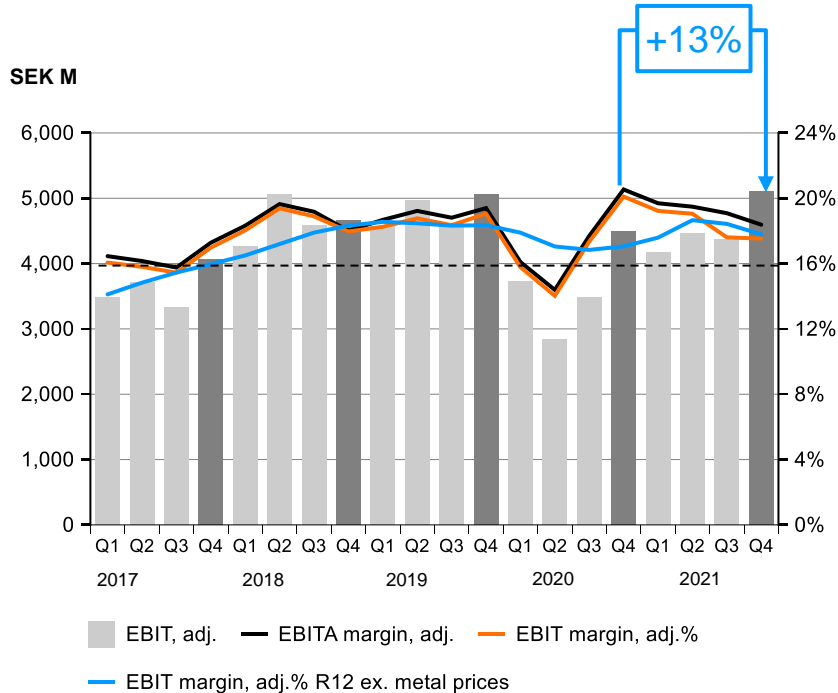
26%

SEK M



# ADJ. EBIT AND EBITA DEVELOPMENT

GROUP  
LEVERAGE:  
**+14%**



ADJ. EBIT

**5,106**

SEK M

ADJ. EBIT %

**17.5%**

ADJ. EBITA %

**18.4%**

- Adj. EBIT Margin
  - 17.1% (19.5) excluding metal price effects
  - M&A transaction costs had a 60 bps diluting impact on the margin
- Permanent savings had a positive SEK 230 M impact
  - Reversal of temporary savings had a negative SEK -395 M impact year on year
- R12 adjusted EBIT excl. metal prices 17.8% (17.1)

<sup>1</sup>Adjusted for items affecting comparability

<sup>2</sup>Adjusted for items affecting comparability and metal prices

# SANDVIK MINING AND ROCK SOLUTIONS

## ORDER INTAKE AT AN ALL-TIME HIGH

- Order intake increased organically by 30% year on year and total growth of 52%\*. Aftermarket with highest order intake level on record
- Two major orders secured at a value of SEK 1.4 B
- Record orders for Automine solutions (SEK 254 M) and the Newtrax collision avoidance system (SEK 155 M)

## SOLID UNDERLYING MARGINS

- Adjusted EBITA margin 21.1% (22.8), positively impacted by higher volumes, offset by reversal of savings, M&A transaction costs
- DSI underlying had a 190-bps dilution impact on margins
- Permanent savings had a positive impact of SEK 15 M and reversal of temporary savings had a negative impact of SEK 80 M

## IMPORTANT ADDITION TO VALUE OFFERING

- Acquisition of Deswik, the leading and fastest growing major provider of mine planning software

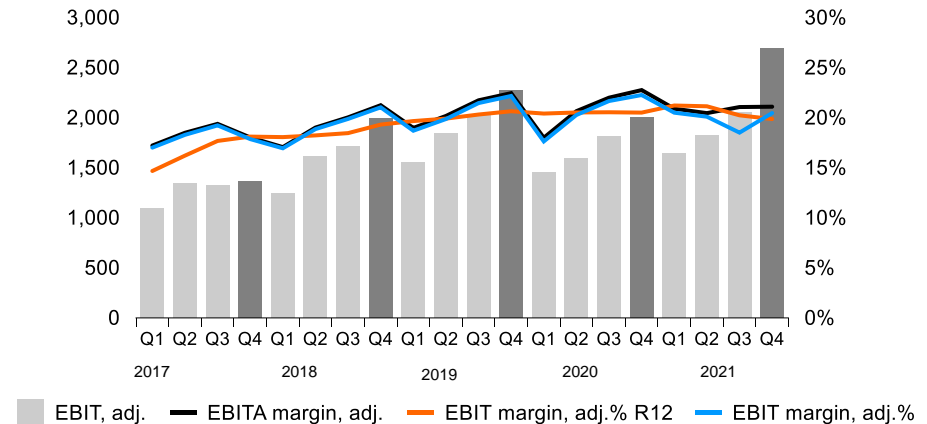
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\*At fixed exchange rates

SEK M	Q4 2020	Q4 2021	CHANGE
ORDER INTAKE	9,314	14,470	30%
REVENUES	9,031	13,186	20%
ADJ. EBIT	2,011	2,698	34%
<i>ADJ. EBIT MARGIN</i>	22.3%	20.5%	

\*At fixed exchange rates for comparable units. Last years figures has been restated due to the new BA structure

## ADJ. EBITA AND EBIT DEVELOPMENT





# SANDVIK ROCK PROCESSING SOLUTIONS

## SOLID BROAD-BASED DEMAND

- Strong organic order intake growth of 18% driven by equipment
- Equipment order intake grew year on year by 51%, aftermarket flattish
- Record high revenues despite supply chain challenges

## STABLE EARNINGS

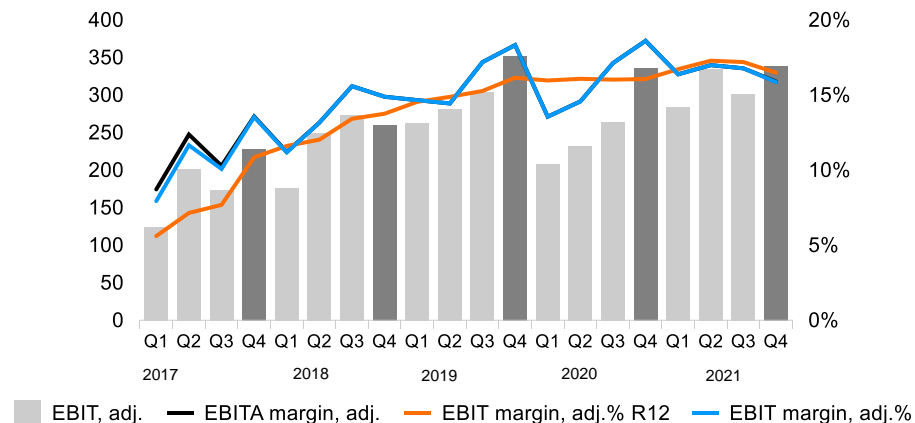
- Adj. EBITA margin of 15.9% (18.6) with higher volumes negatively offset by cost inflation items, reversal of savings and restructuring charges
- Impact from permanent savings was SEK 5 M and reversal of temporary savings had a negative impact of SEK 15 M year on year

## CONTINUED PROGRESS IN DIGITAL OFFERING

- The digital service platform, SAM by Sandvik, extended to cover the hydraulic hammer range

SEK M	Q4 2020	Q4 2021	CHANGE
ORDER INTAKE	1,612	1,937	18%
REVENUES	1,802	2,129	15%
ADJ. EBIT	335	338	1%
ADJ. EBIT MARGIN	18.6%	15.9%	

## ADJ. EBITA AND EBIT DEVELOPMENT



# SANDVIK MANUFACTURING AND MACHINING SOLUTIONS

## POSITIVE MOMENTUM

- Continued positive momentum in general engineering and significant step up in aerospace yielded an organic order intake growth of 11% yoy
- Solid contribution from acquisitions, with total order intake growth of 23%
- Daily order intake developed positively throughout the quarter, with the first weeks in January continuing a positive trajectory

## SOLID UNDERLYING MARGINS

- Adjusted EBITA margin was 20.7% (22.0), positively impacted by higher volumes, offset by reversal of savings and M&A transaction costs
- Impact from permanent savings was SEK 145 M and reversal of temporary savings had a negative impact of SEK 250 M year on year

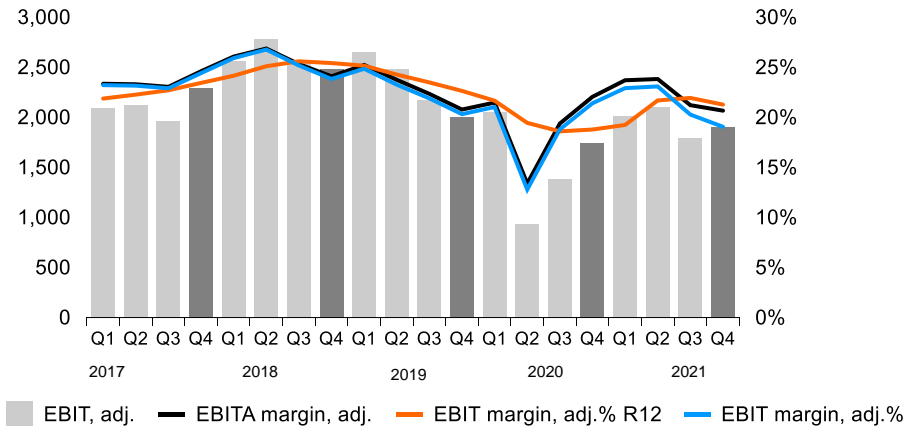
## EXECUTING ON STRATEGIC PRIORITIES

- Acquisition of round tools company GWS, enhancing exposure to round tools and the US
- Two additional software companies DCS and ICAM signed

SEK M	Q4 2020	Q4 2021	CHANGE
ORDER INTAKE	8,434	10,365	11%
REVENUES	8,139	9,996	12%
ADJ. EBIT	1,742	1,905	9%
<i>ADJ. EBIT MARGIN</i>	<i>21.4%</i>	<i>19.1%</i>	

\*At fixed exchange rates for comparable units.

## ADJ. EBITA AND EBIT DEVELOPMENT





# SANDVIK MATERIALS TECHNOLOGY

## SOLID BROAD-BASED MARKET DEMAND

- Solid demand across all segments and regions with strong organic order intake growth of 40%
- Continued positive trend in the oil & gas segment

## MARGIN RESILIENCE DESPITE WEAKER MIX

- Stable underlying margin 9.2% (11.6) despite weaker mix, and some impacts from higher energy prices
- Impact from permanent savings was SEK 55 M and reversal of temporary savings had a negative impact of SEK 25 M year on year

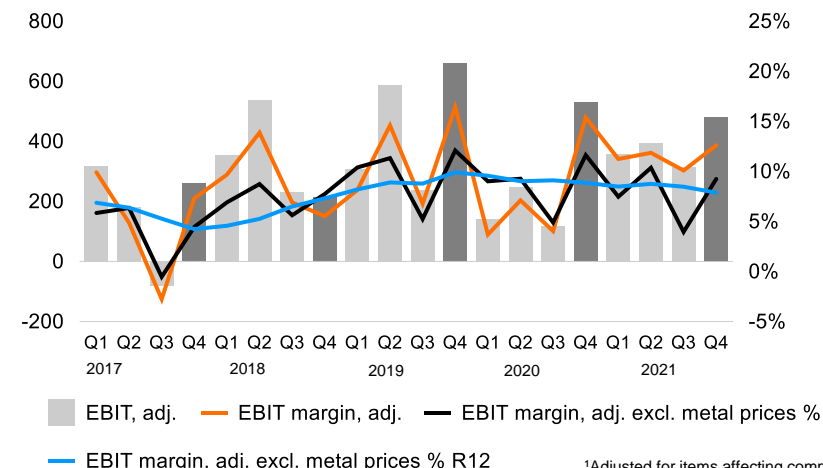
## SHIFT TO GROWTH

- An agreement to acquire the precision tube engineering company Gerling GmbH was signed, serving multiple industries including the fast-developing hydrogen market

SEK M	Q4 2020	Q4 2021	CHANGE
ORDER INTAKE	2,691	4,130	40%
REVENUES	3,436	3,817	1%
ADJ. EBIT	528	481	-9%
ADJ. EBIT MARGIN	15.4%	12.6%	
UNDERLYING MARGIN <sup>2</sup>	11.6%	9.2%	

\*At fixed exchange rates for comparable units.

## ADJ. EBIT DEVELOPMENT



CECILIA FELTON

ACTING CFO & HEAD OF GROUP CONTROL

= 13

= 7

= -10

= 7

# FINANCIAL SUMMARY Q4

SEK M	Q4 2020	Q4 2021	CHANGE %
ORDER INTAKE <sup>1</sup>	22,051	30,902	23%
REVENUES <sup>1</sup>	22,408	29,128	14%
ADJUSTED EBITA MARGIN	20.5%	18.4%	-2%
<i>ADJUSTED EBIT</i>	<i>4,505</i>	<i>5,106</i>	<i>13%</i>
ADJUSTED EBIT MARGIN	20.1%	17.5%	
NET FINANCIAL ITEMS	-80	108	
TAX RATE EXCLUDING IAC	24.1%	26.3%	
NWC, % <sup>2</sup>	24.3%	22.3%	
FREE OPERATING CASH FLOW <sup>3</sup>	5,941	4,604	-23%
ADJUSTED ROCE, %	16.0%	18.9%	
ADJUSTED EPS, DILUTED	2.67	3.05	

## GROWTH, % Q4 2021

	ORDER INTAKE	REVENUES
ORGANIC	23%	14%
CURRENCY	2%	2%
STRUCTURE	13%	13%
ALLOYS	1%	1%
TOTAL	40%	30%

<sup>1</sup> At fixed exchange rates for comparable units

<sup>2</sup> Quarterly calculation i.e. annualized revenues and one quarter average NWC

<sup>3</sup> Free operating cash flow before acquisitions and disposals, financial items and taxes

# BRIDGE ANALYSIS

GROUP  
LEVERAGE:

**+14%**

## SANDVIK GROUP

SEK M	Q4 2020	ORGANIC	CURRENCY	METAL PRICE EFFECT SMT	STRUCTURE	Q4 2021
REVENUES	22,408	3,095	439	300	2,886	29,128
ADJ. EBITA	4,602	419	150	-1	184	5,354
ADJ. EBITA MARGIN	20.5%	+14%				18.4%

MARGIN ACCRETION / DILUTION

-0.8%

0.7%

-0.3%

-1.7%

Includes metal price effects within Sandvik Materials Technology of SEK 300 M in alloy surcharges on revenues and SEK +129 M (+129) in metal price effect on EBITA. Structure incl M&A transaction costs

# SAVINGS Q4

	SANDVIK MINING & ROCK SOLUTIONS	SANDVIK ROCK PROCESSING SOLUTIONS	SANDVIK MANUFACTURING & MACHINING SOLUTIONS	SANDVIK MATERIALS TECHNOLOGY	GROUP COMMON	Total	Annualized run-rate savings
<i>New program announced in Q1 &amp; Q2 2020</i>	15	5	145	55	10	<b>230</b>	~90% delivered SEK 1.1 Bn*
<b>Total permanent savings</b>	<b>15</b>	<b>5</b>	<b>145</b>	<b>55</b>	<b>10</b>	<b>230</b>	
<i>Work time reduction</i>	-40	-5	-140	-10	-5	<b>-200</b>	(~205 MSEK in Q420)
<i>Other temporary savings</i>	-40	-10	-110	-15	-20	<b>-195</b>	~60% of savings remaining (~500 MSEK in Q420)
<b>Total temporary savings</b>	<b>-80</b>	<b>-15</b>	<b>-250</b>	<b>-25</b>	<b>-25</b>	<b>-395</b>	
<b>Total</b>	<b>-65</b>	<b>-10</b>	<b>-105</b>	<b>30</b>	<b>-15</b>	<b>-165</b>	

\*Out of SEK 1.2 Bn in targeted annualized savings. The initial targeted savings of SEK 1.3 Bn was revised downwards as some restructuring initiatives in SMT was not deemed necessary due to improved market conditions.



# NET FINANCIALS

SEK M	Q4 2020	Q4 2021
INTEREST NET	-96	-87
PENSION	-32	-32
BANK CHARGES	-12	-22
OTHER FINANCIAL INCOME & COST	-14	134
LEASES IFRS16	-27	-35
FX & OTHER ASSET CLASSES	100	151
<b>TOTAL</b>	<b>-80</b>	<b>108</b>

- Interest net down year on year due to high yield debt maturities replaced by debt with lower yield cost
- Other financial income and cost includes a capital gain of SEK 173 million related to divestment



# TAX RATE

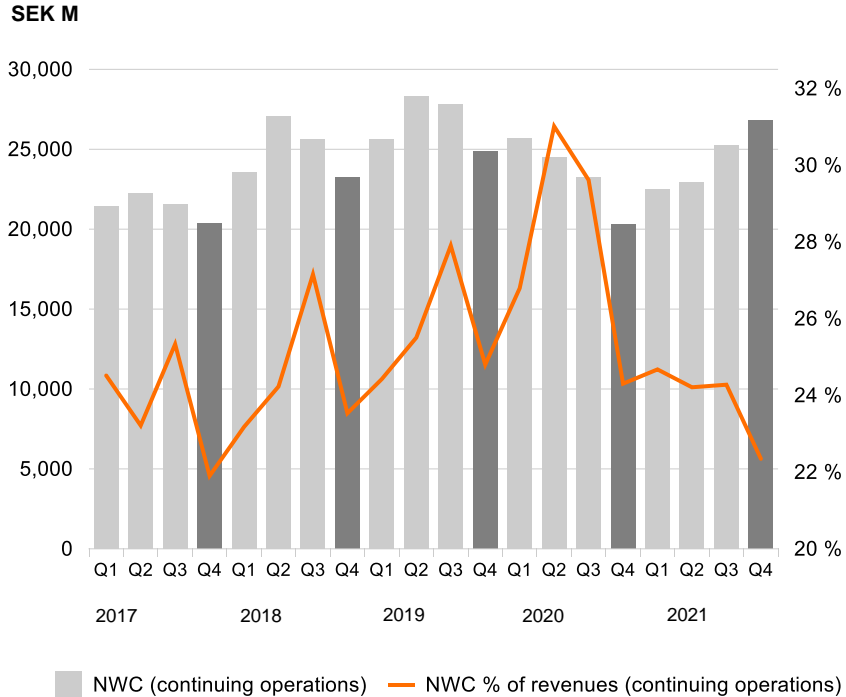
	Q4 2020	Q4 2021
<b>REPORTED</b>	<b>22.7%</b>	<b>26.6%</b>
EXCLUDING IAC	24.1%	26.3%
NORMALIZED	24.1%	23.1%

IN LINE WITH 22-24% GUIDANCE FOR 2021

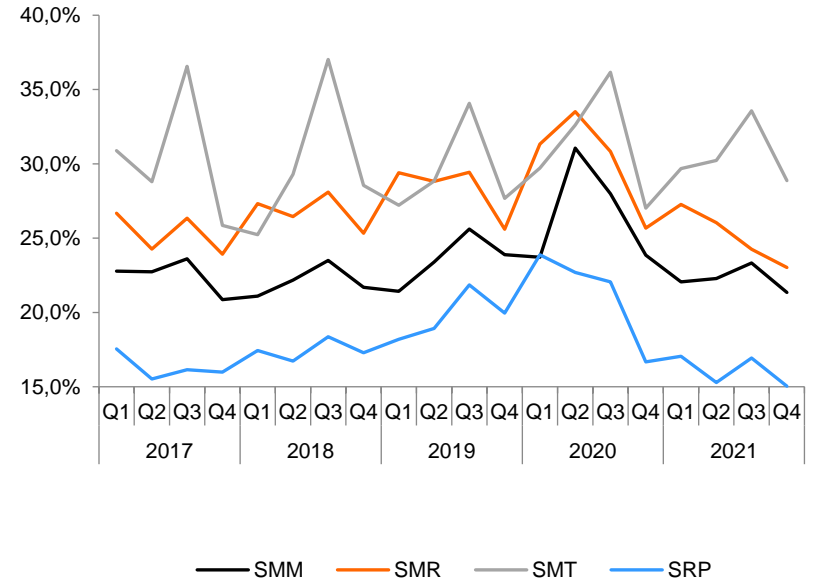
For continuing operations.

# NET WORKING CAPITAL

## NET WORKING CAPITAL

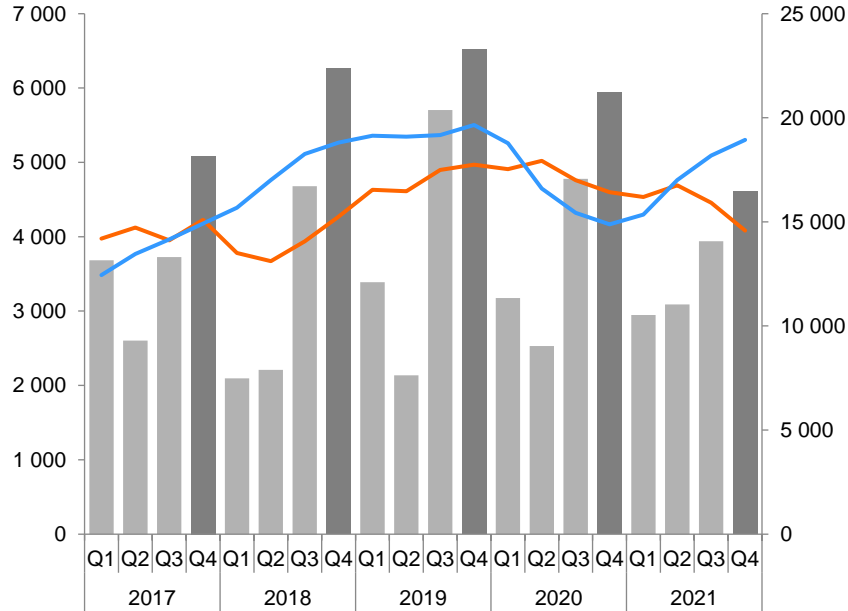


## NET WORKING CAPITAL AS % OF REVENUES



# FREE OPERATING CASH FLOW

SEK M



Free operating cash flow  
 Free operating cash flow, 12M rolling  
 Adjusted EBITA\* 12M rolling

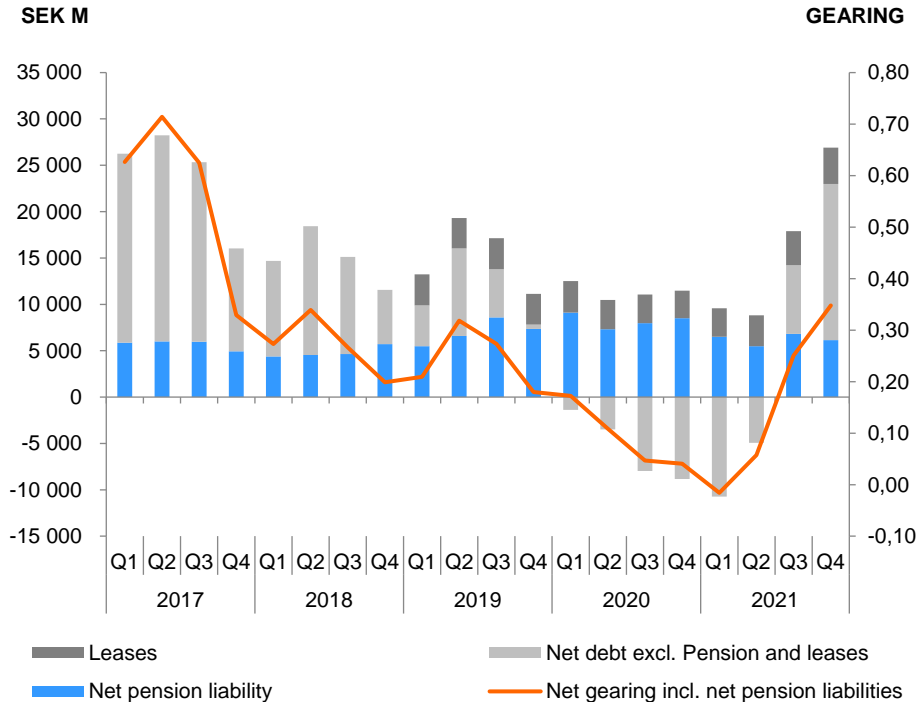
SEK M	Q4 2020	Q4 2021
EBITDA* + NON-CASH	5,285	6,254
NWC CHANGE	1,903	-578
CAPEX**	-1,248	-1,073
FOFC***	5,941	4,604

\*Adjusted for cash items related to certain acquisition costs

\*\* Including investments and disposals of rental equipment and tangible and intangible assets

\*\*\*Free operating cash flow before acquisitions and disposals of companies, financial net items and paid taxes

# NET DEBT



- Net gearing at 0.35
- Financial net debt SEK 16.8 billion
- Net debt SEK 26.9 billion

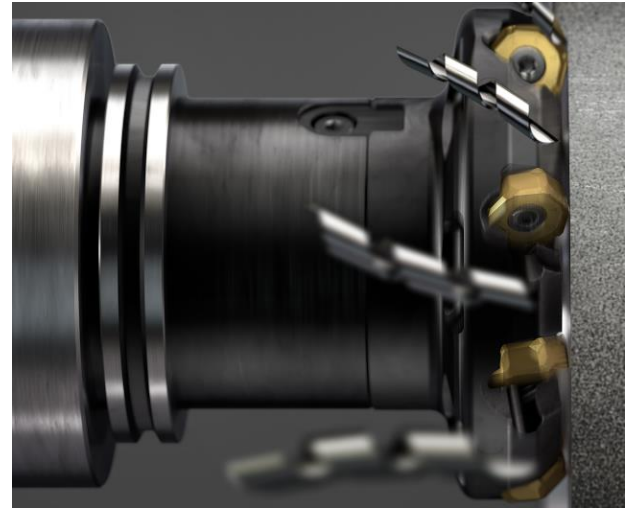
# OUTCOME Q4

## Q4 2021

	Outcome	Guidance
Underlying currency yoy effect (SEK M):	76	150
Total currency yoy effect (SEK M):	131	
Metal price effect in quarter (SEK M):	129	50

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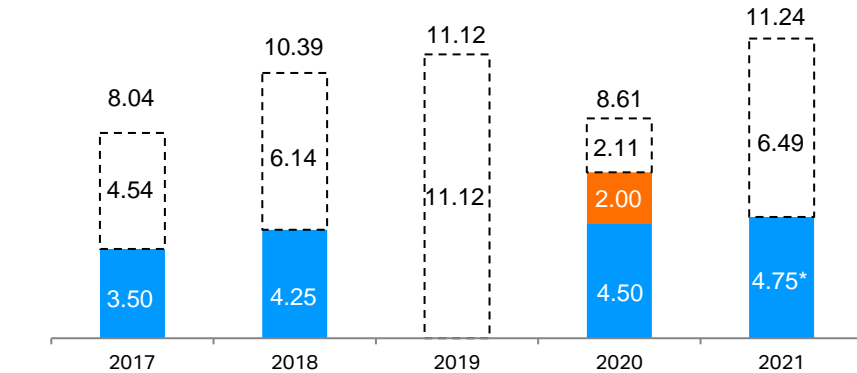
Capex (SEK B):	-1,3	
Interest net (SEK B):	-0,1	
Normalized tax rate (%):	23,1%	



\*Metal price effect in the previous year had an in-quarter impact of SEK 129 million. Year on year impact was rounded SEK 1 million.

# DIVIDEND PROPOSAL

SEK



Adjusted EPS  
Extra dividend  
Ordinary dividend

\*Proposed dividend

Payout ratio %

2017

44

2018

41

2019

-

2020

75

2021

42

SANDVIK: Interim Report on the fourth quarter 2021

*Comments and numbers refer to continuing operations unless otherwise stated.*

# GUIDANCE Q122 AND FY2022

## CAPEX (CASH)

Estimated to **<SEK 5.0 B for 2022**

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## CURRENCY EFFECTS

Given currency rates at end of December 2021 the effect on operating profit from transaction and translation would be **SEK +400 M for Q1 2022**

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## METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of December 2021, it is estimated that effect on operating profit in **Q1 2022 will be SEK +80 M**

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## INTEREST NET

Underlying interest net is estimated to **SEK <-0.4 B for 2022**

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## TAX RATE

The normalized tax rate is estimated to **22% - 24% for 2022**

# A SUCCESSFUL YEAR FOR SANDVIK

## SHIFT TO GROWTH WITH STRONG MARGINS

- Strong performance across the group with organic and total order intake growth of 24% and 30% respectively
  - Organic revenues improved in the year by 12%, and total growth was 18%
  - Improved earnings and solid EBITA margin level of 19.1% (17.2)
- 

## STRATEGIC OBJECTIVES – KEY RESULTS ACHIEVED

- Added over SEK 10 B in annual revenues from hand-picked strategic acquisitions
  - Broadened our offering with digital solutions for increased productivity in the customer's value chain
  - Good progress towards our people & sustainability targets – key for long-term success
- 

## SOLID FOUNDATION FOR CONTINUED STRATEGY EXECUTION

- Proven agility and dedicated employees with a strong “passion to win” company culture
- Financial stability and strong cash flow generation
- Stronger digital capabilities and higher growth potential



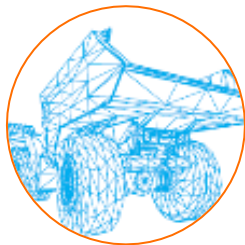




# Q&A

# BACK-UP SLIDES

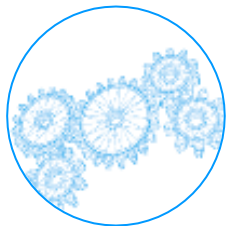




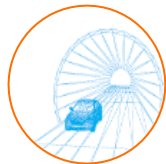
**MINING**  
(41%)



**ENERGY**  
(8%)



**GENERAL  
ENGINEERING**  
(23%)



**CONSTRUCTION**  
(9%)



**AUTOMOTIVE**  
(8%)



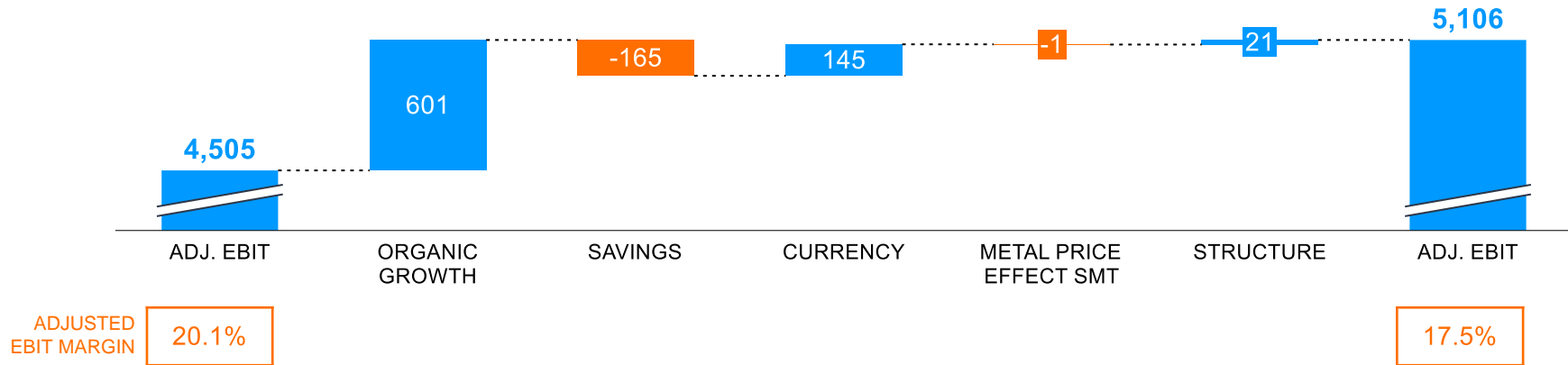
**AEROSPACE**  
(4%)

## END-CUSTOMER SEGMENTS

*(% of group revenues 2021. Other e.g. consumer goods, electronics, chemical and miscellaneous accounted for 7%.)*

# PROFITABILITY DEVELOPMENT

GROUP  
LEVERAGE:  
**+14%**



# BRIDGE ANALYSIS

GROUP  
LEVERAGE:  
**+14%**

## SANDVIK GROUP

SEK M	Q4 2020	ORGANIC	CURRENCY	METAL PRICE EFFECT SMT	STRUCTURE	Q4 2021
REVENUES	22,408	3,095	439	300	2,886	29,128
ADJUSTED EBIT	4,505	436	145	-1	21	5,106
ADJUSTED EBIT MARGIN	20.1%	+14%				17.5%

MARGIN ACCRETION / DILUTION

-0.7%

0.7%

-0.3%

-2.3%

Includes metal price effects within Sandvik Materials Technology of SEK 300 M in alloy surcharges on revenues and SEK +129 M (+129) in metal price effect on EBIT. Structure incl M&A transaction costs

<b>SEK M</b>	<b>Q4 2020</b>	<b>ORGANIC</b>	<b>CURRENCY</b>	<b>STRUCTURE/ METALS SMT*</b>	<b>Q4 2021</b>
<b>MINING AND ROCK SOLUTIONS</b>					
REVENUES	<b>9,031</b>	1,837	287	2,031	<b>13,186</b>
ADJUSTED EBIT	<b>2,011</b>	419	140	128	<b>2,698</b>
ADJUSTED EBIT MARGIN	<b>22.3%</b>				<b>20.5%</b>
<b>ROCK PROCESSING SOLUTIONS</b>					
REVENUES	<b>1,802</b>	275	46	6	<b>2,129</b>
ADJUSTED EBIT	<b>335</b>	6	0	-3	<b>338</b>
ADJUSTED EBIT MARGIN	<b>18.6%</b>				<b>15.9%</b>
<b>MANUFACTURING AND MACHINING SOLUTIONS</b>					
REVENUES	<b>8,139</b>	935	97	825	<b>9,996</b>
ADJUSTED EBIT	<b>1,742</b>	240	-27	-50	<b>1,905</b>
ADJUSTED EBIT MARGIN	<b>21.4%</b>				<b>19.1%</b>
<b>MATERIALS TECHNOLOGY</b>					
REVENUES	<b>3,436</b>	20	36	325	<b>3,817</b>
ADJUSTED EBIT	<b>528</b>	-63	27	-11	<b>481</b>
ADJUSTED EBIT MARGIN	<b>15.4%</b>				<b>12.6%</b>

\* Difference Group common: Organic: -166 MSEK Currency: 5 MSEK M&A costs: -43 MSEK

Includes metal price effects within Sandvik Materials Technology of SEK +300 M in alloy surcharges on revenues and SEK +129 M (+129) in metal price effect on EBIT.

<b>SEK M</b>	<b>Q4 2020</b>	<b>ORGANIC</b>	<b>CURRENCY</b>	<b>STRUCTURE/ METALS SMT*</b>	<b>Q4 2021</b>
<b>MINING AND ROCK SOLUTIONS</b>					
REVENUES	<b>9,031</b>	1,837	287	2,031	<b>13,186</b>
ADJUSTED EBITA	<b>2,055</b>	409	140	178	<b>2,782</b>
ADJUSTED EBITA MARGIN	<b>22.8%</b>				<b>21.1%</b>
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<b>MANUFACTURING AND MACHINING SOLUTIONS</b>					
REVENUES	<b>8,139</b>	935	97	825	<b>9,996</b>
ADJUSTED EBITA	<b>1,794</b>	236	-23	59	<b>2,066</b>
ADJUSTED EBITA MARGIN	<b>22.0%</b>				<b>20.7%</b>
<b>MATERIALS TECHNOLOGY</b>					
REVENUES	<b>3,436</b>	20	36	325	<b>3,817</b>
ADJUSTED EBITA	<b>528</b>	-62	27	-9	<b>484</b>
ADJUSTED EBITA MARGIN	<b>15.4%</b>				<b>12.7%</b>

Includes metal price effects within Sandvik Materials Technology of SEK 300 M in alloy surcharges on revenues and SEK +129 M (+129) in metal price effect on EBITA.

# LOAN AND DURATION PROFILE



LONG TERM  
**68%**

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	1,000	2 years
European MTN	14,126	6 years
Bank loans	5,545	2 years
Share swap	-	-



SHORT TERM  
**32%**

US Private Placement	-	-
Commercial paper	8,137	4 months
Swedish MTN	0	1 months
European MTN	1,534	5 months
Bank loans	91	0 months
Share swap	-	-

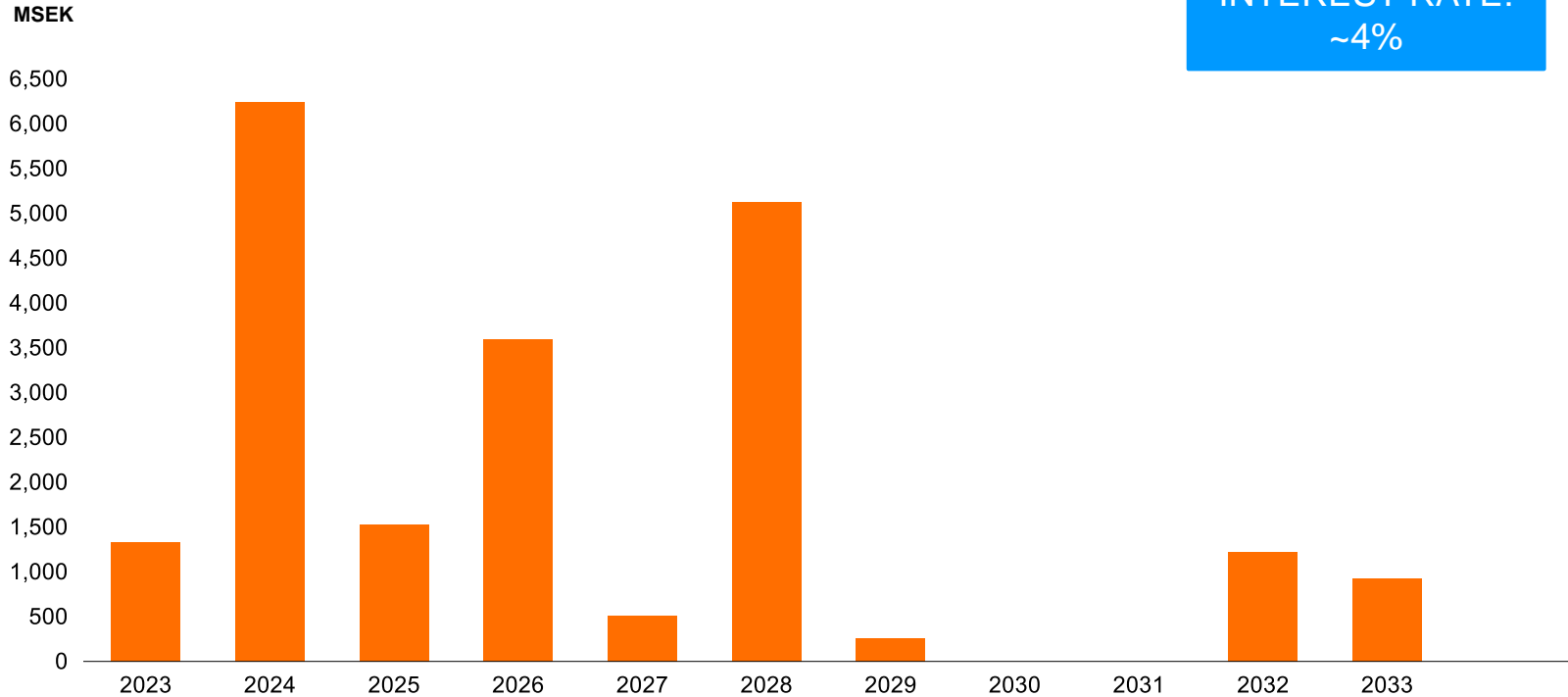
Cash position **SEK 13,585 M**  
Committed Credit facilities **SEK 9,100 M**

<b>TOTAL</b>	<b>30,433</b>	<b>3.5 years</b>
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# LOAN MATURITY PROFILE

AVERAGE  
INTEREST RATE:  
~4%



An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, set against a black background. The lines are thin and create a sense of depth and movement.

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