



# Interim report Q2 2018

July 19, 2018

Per Lindberg, President and CEO

Anders Lindén, CFO



# Key highlights

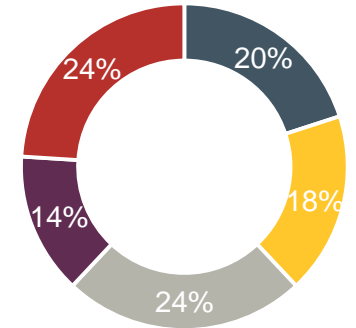
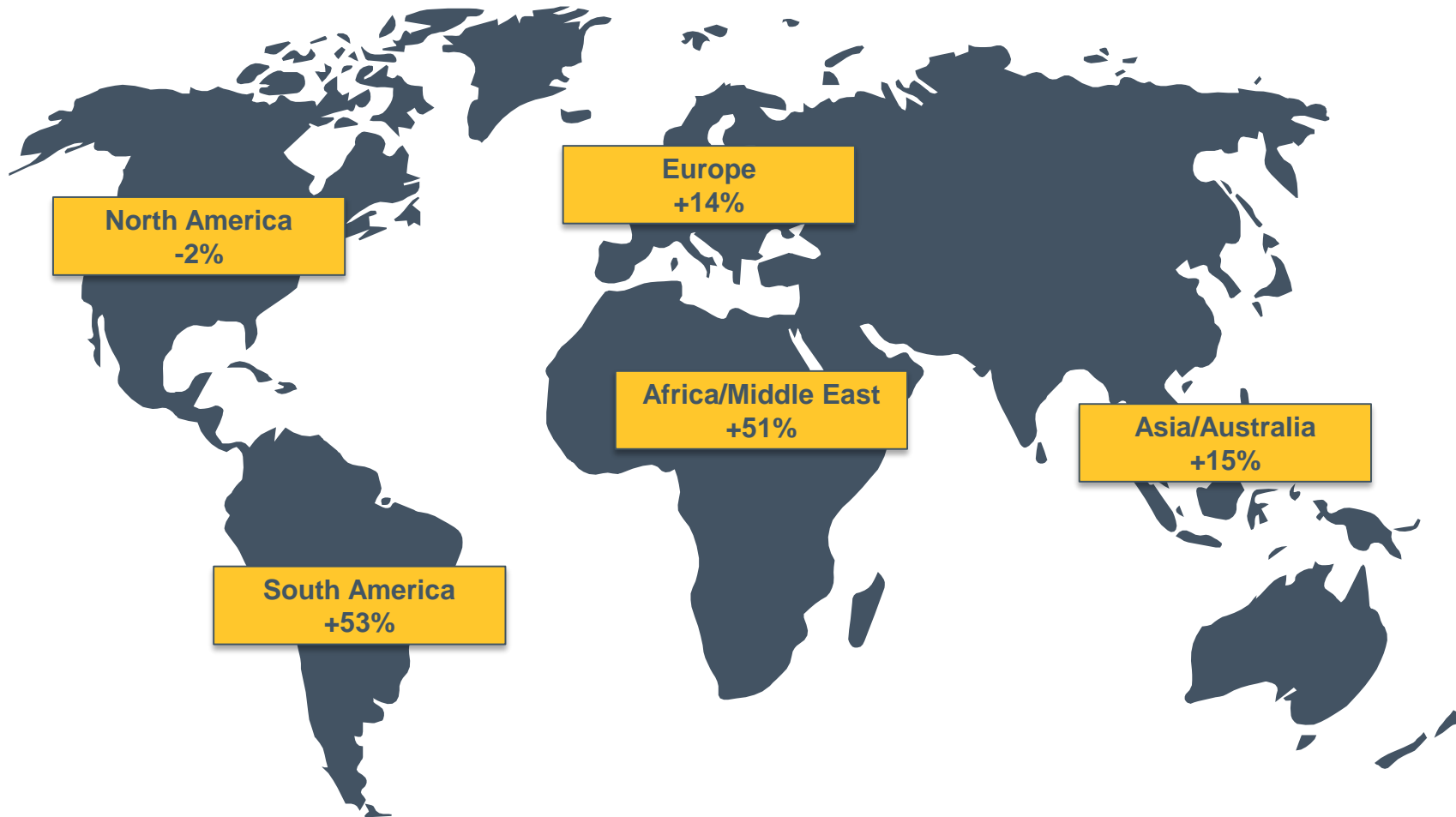
## Q2 2018

- Another quarter with orders received above SEK 10 billion
- Ramp up of manufacturing and record high revenues
- Good operating profit performance
- Cash flow impacted by the strong growth
- Listed on Nasdaq Stockholm on June 18

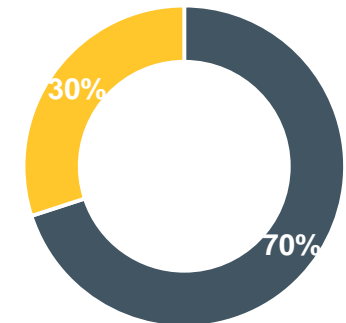


# Orders received

Q2 2018 – change in local currency



- North America
- South America
- Europe
- Africa/Middle East
- Asia/Australia



- Mining
- Infrastructure and other

# Business development / Innovations

## Q2 2018

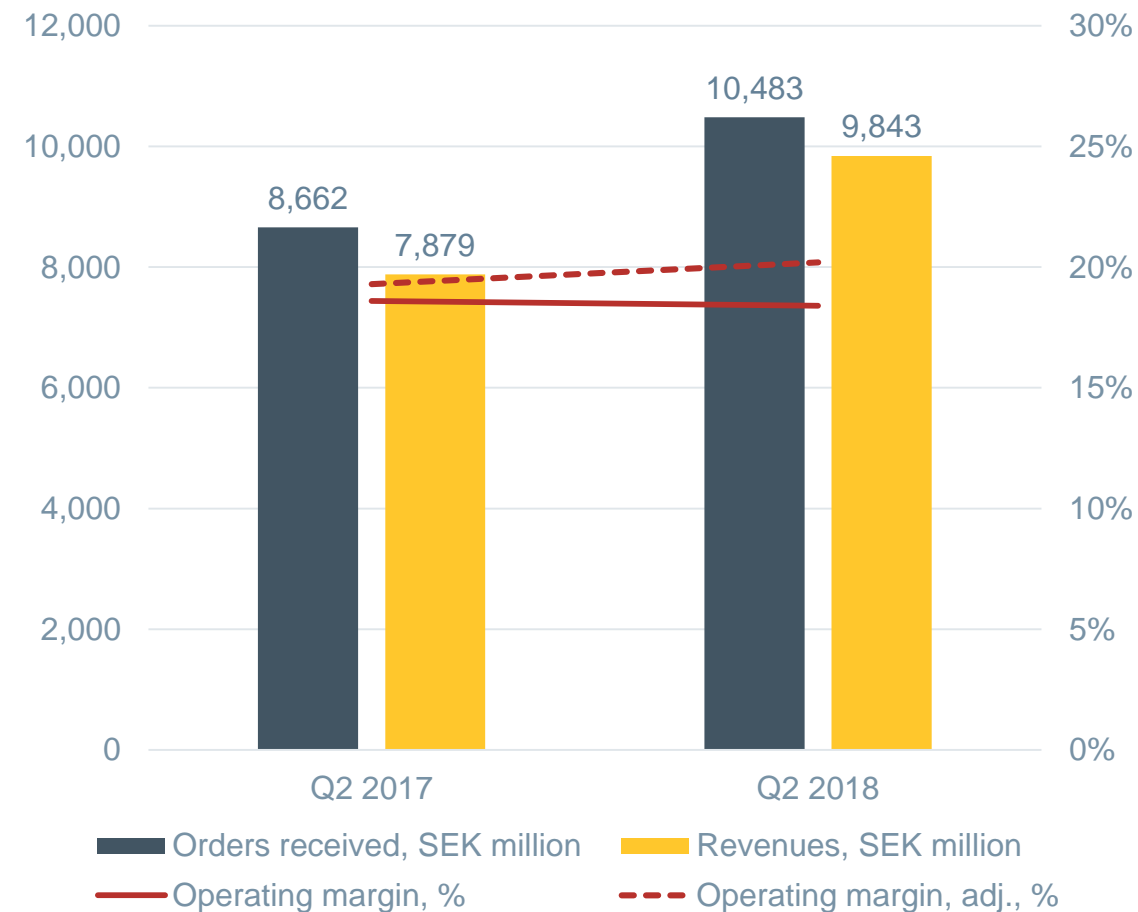
- Continued interest in automation from mining customers
  - Sustainable Underground Mining
- Innovations
  - Minetruck 2010 Battery
  - Automatic ventilation system
  - V-LOK clamp the drill string instead of welding



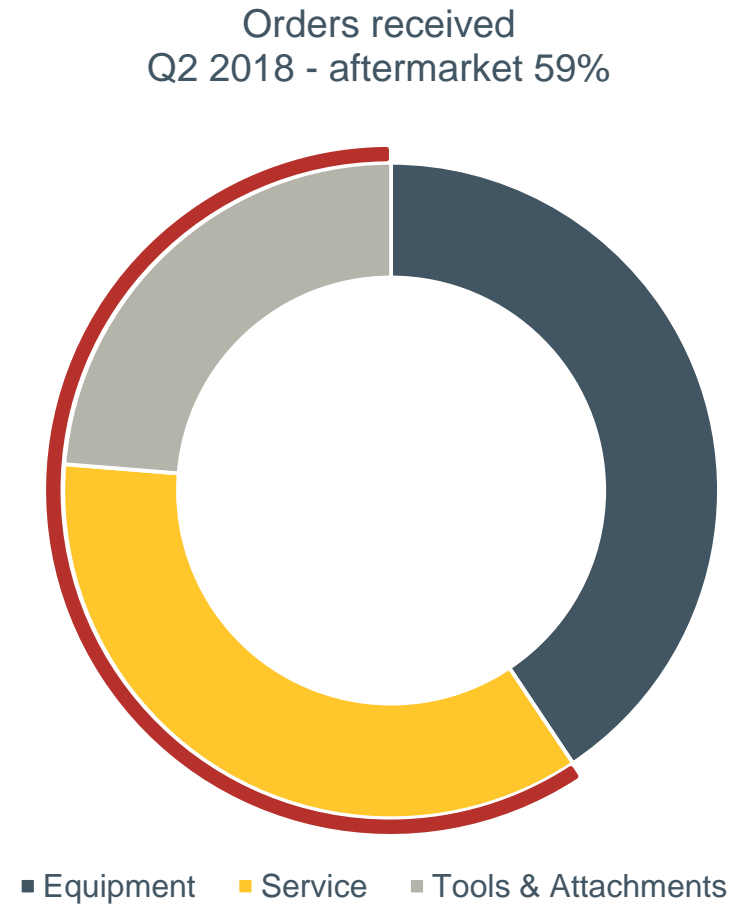
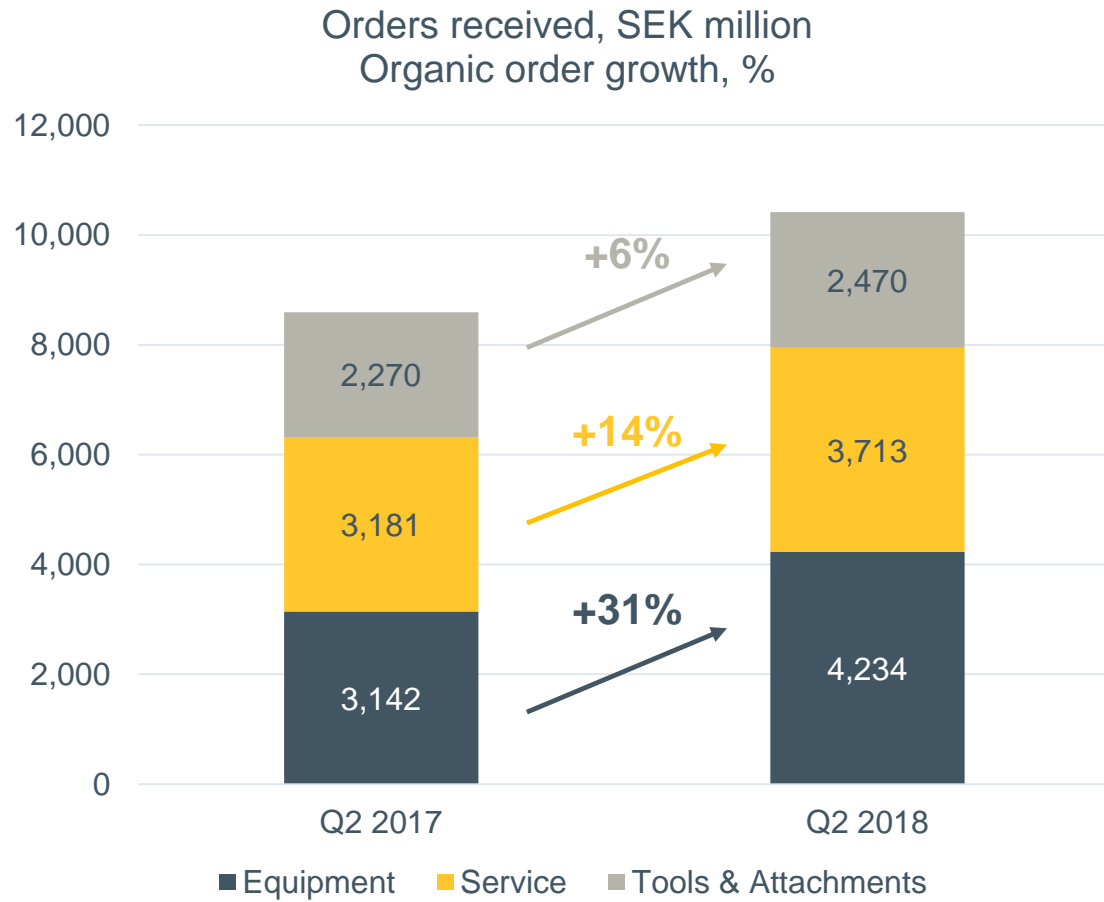
# Key financials

## Q2 2018

- Organic order growth of 18%
- Organic revenue growth of 22%
- Book to bill 107%
- Reported operating profit SEK 1,810 million (1,468) – margin 18.4% (18.6)
  - Costs for split and change in provision for incentive programs SEK 181 million (53)
  - Adjusted operating margin 20.2% (19.3)
- Basic earnings per share SEK 1.09 (0.89)
- Operating cash flow SEK 199 million (1,313)

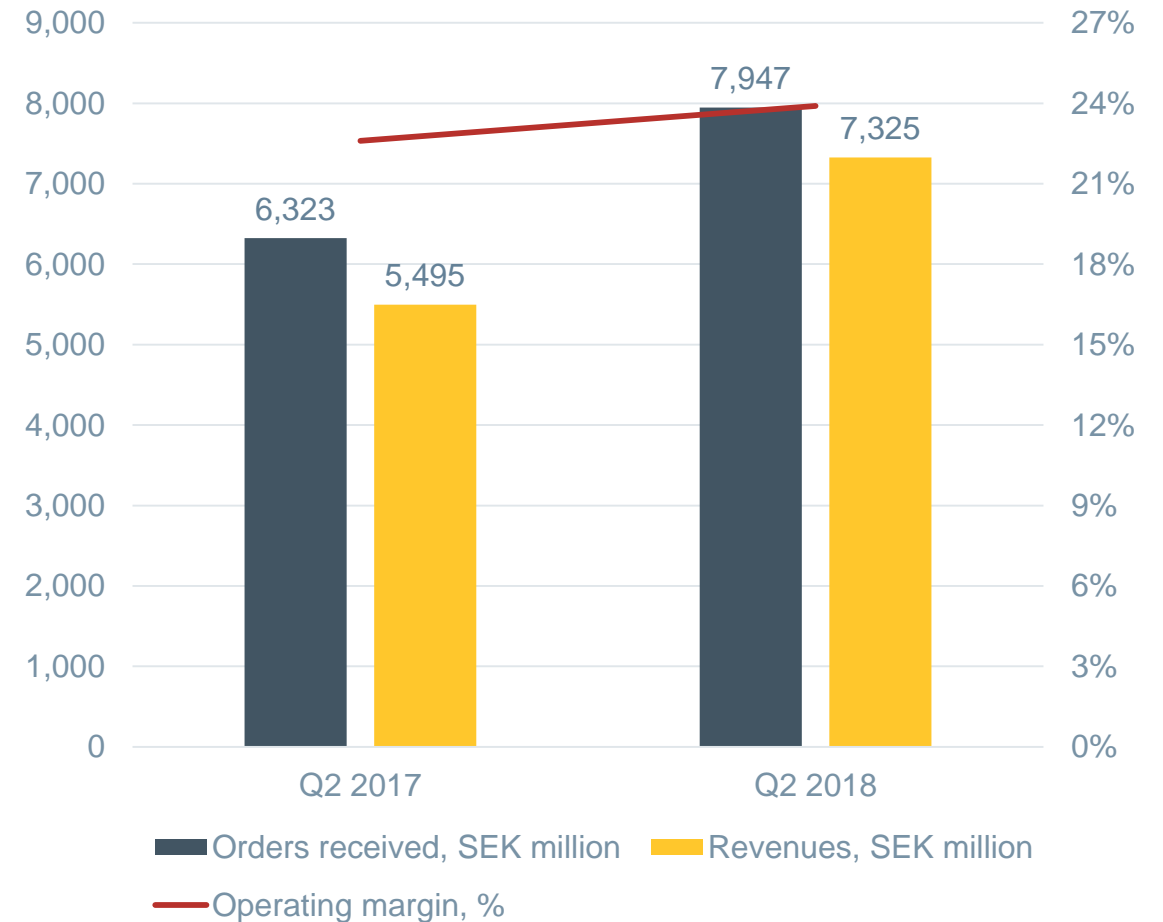


# Segments



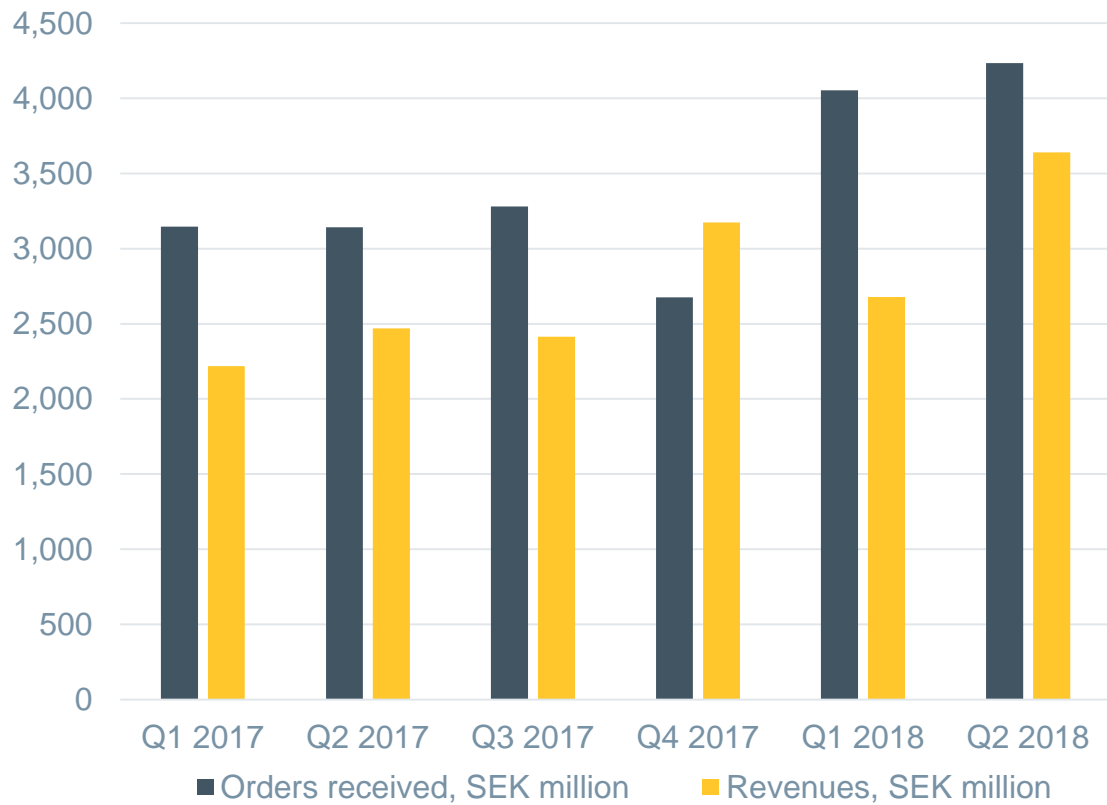
# Equipment & Service

- Continued strong demand for equipment, supported by mining customers' expansion investments
- Positive market development and additional marketing and sales activity support service business
- Organic order growth of 22%
- Organic revenue growth of 30%
- Book to bill at 108%
- Operating margin increased to 23.9% (22.6)

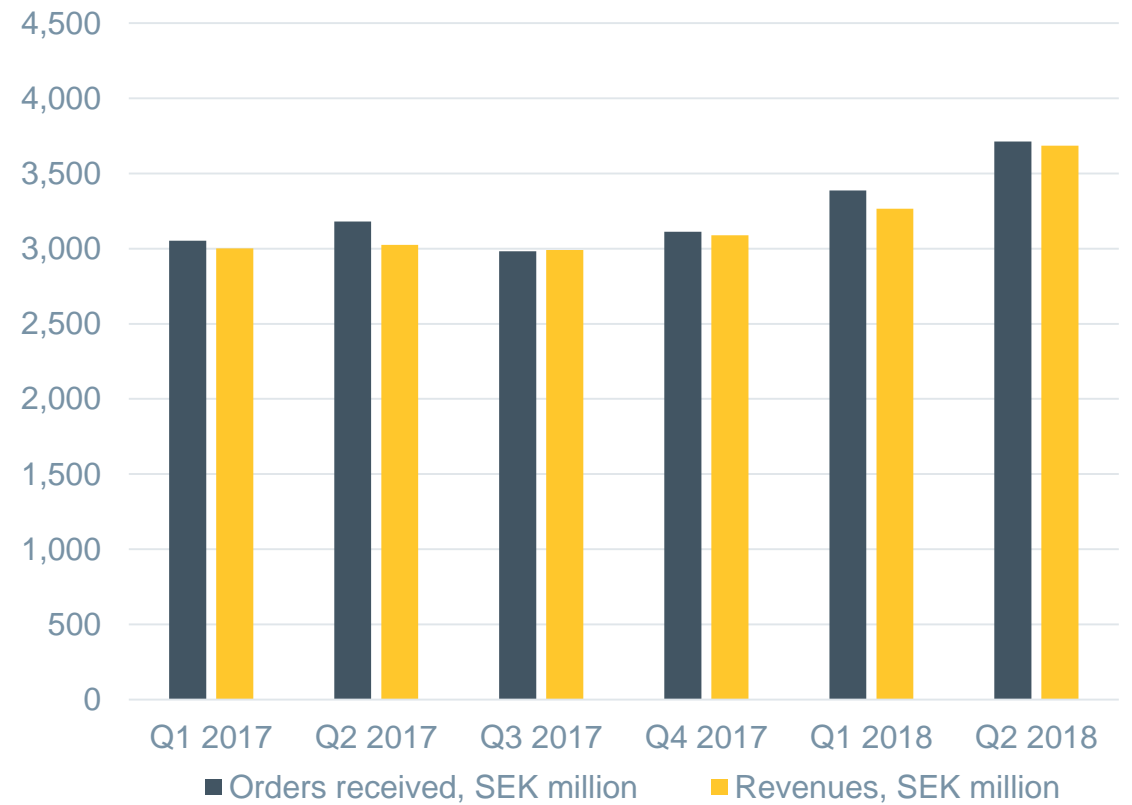


# Equipment & Service

## Equipment



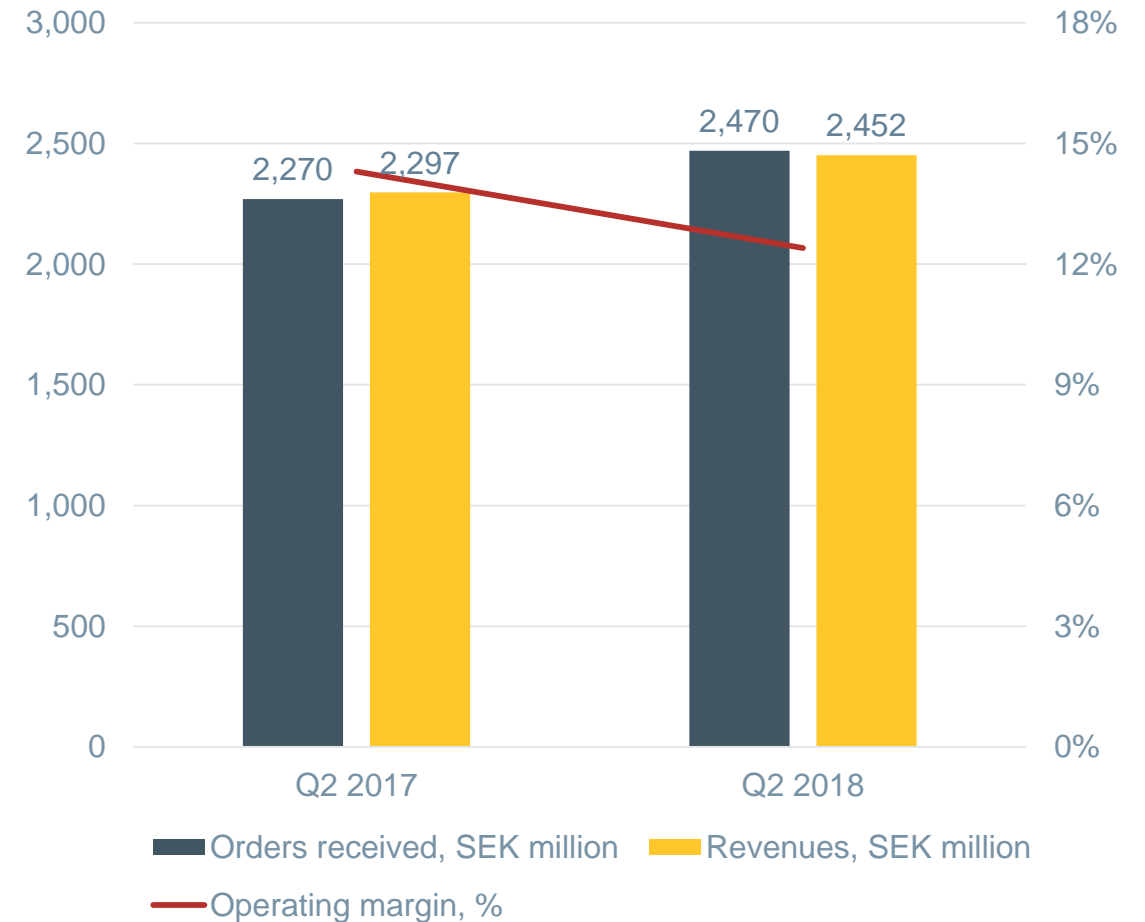
## Service





# Tools & Attachments

- Good demand for both rock drilling tools and hydraulic attachments
- Organic order growth of 6%
- Organic revenue growth of 5%
- Book to bill at 101%
- Operating margin was 12.4% (14.3)
  - Negative impact from costs, mix, currency and dilution from acquisitions.





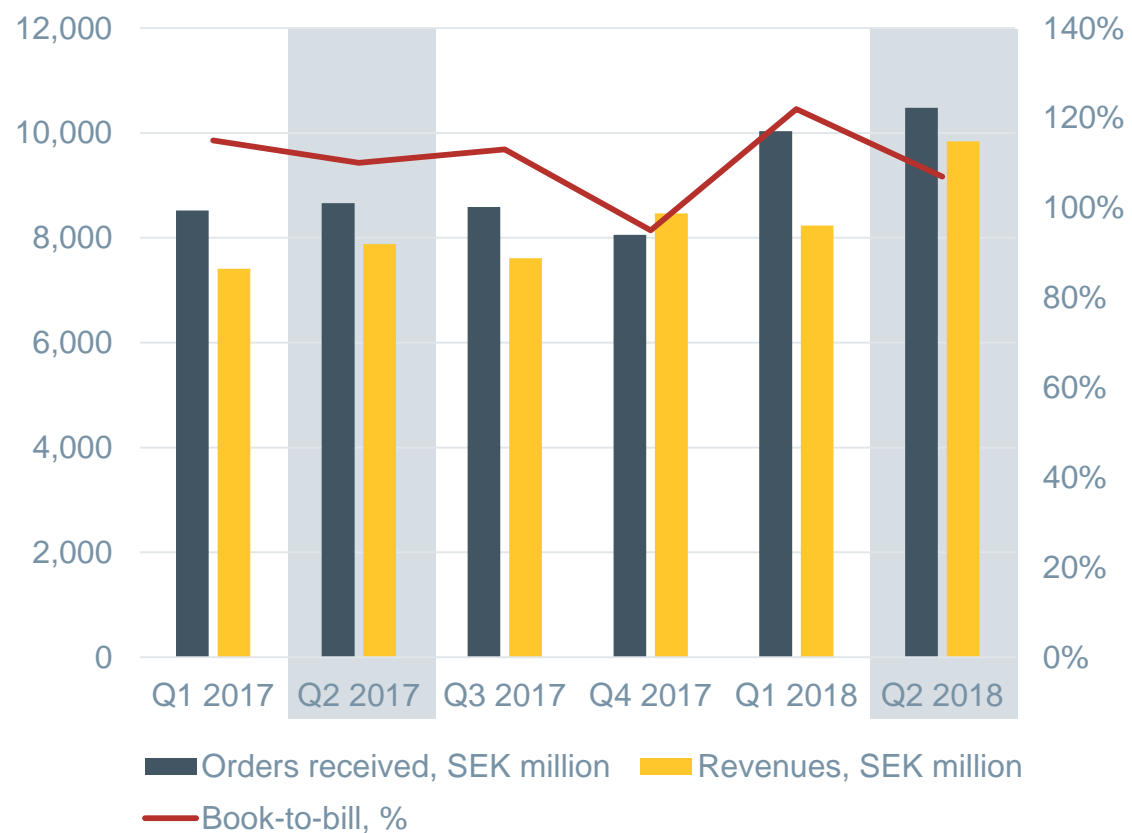
## Financials



# Orders received and revenues

## Q2 2018

### Trend



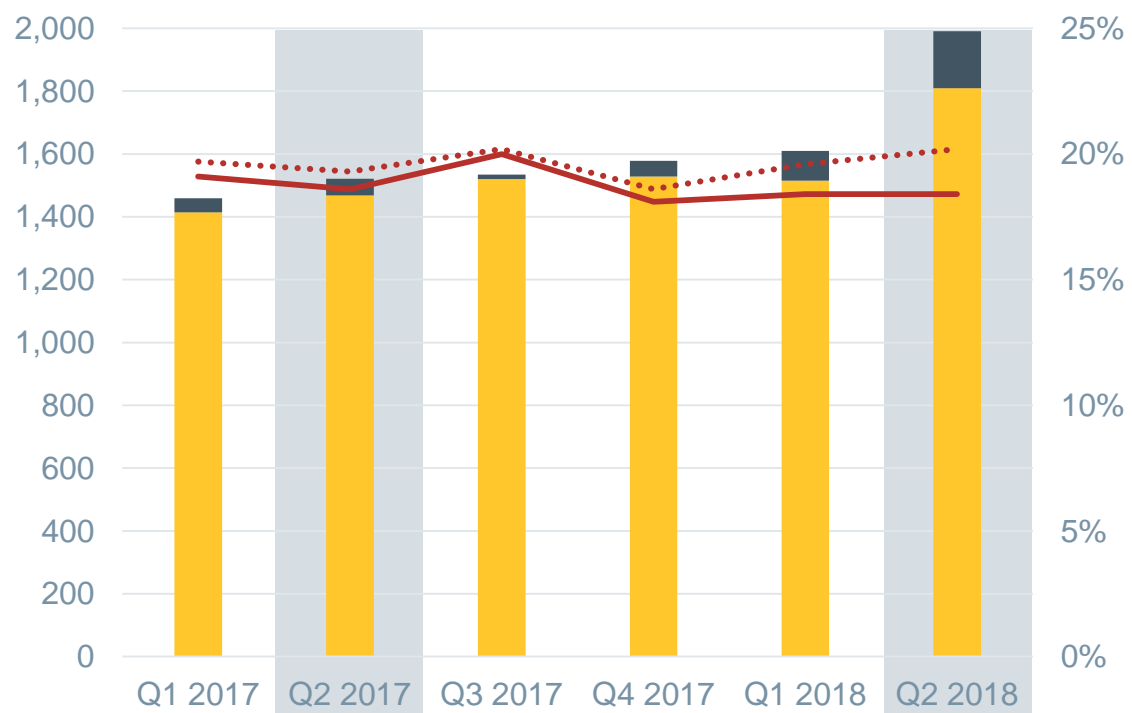
### Sales bridge

	Orders received SEK million Δ, %	Revenues SEK million Δ, %
<b>Q2 2017</b>	<b>8 662</b>	<b>7 879</b>
Organic	+18	+22
Currency	+1	+1
Structure and other	+2	+2
<b>Total</b>	<b>+21</b>	<b>+25</b>
<b>Q2 2018</b>	<b>10 483</b>	<b>9 843</b>

# Operating profit and margin

## Q2 2018

### Trend



Split and incentive\*, SEK million
  Operating profit, SEK million  
 Operating margin, %
  Operating margin, adj., %

\*Includes one-time costs related to the split from Atlas Copco and changes in provision for share-based long-term incentive programs.

### Profit bridge

	Operating profit SEK million	Margin, % Δ, pp
<b>Q2 2017</b>	<b>1,468</b>	<b>18.6</b>
Organic	539	+2.2
Currency	-70	-0.8
Structure and other	-127*	-1.6
<b>Total</b>	<b>342</b>	<b>-0.2</b>
<b>Q2 2018</b>	<b>1,810</b>	<b>18.4</b>

\*Includes operating profit/loss from acquisitions, contract manufacturing, one-time costs, and changes in provision for share-based long-term incentive programs.

# Profit bridges – segments

Q2 2018

## Equipment & Service

	Operating profit SEK million	Margin, % Δ, pp
<b>Q2 2017</b>	<b>1,242</b>	<b>22.6</b>
Organic	564	+2.7
Currency	-60	-0.9
Structure and other	1*	-0.5
<b>Total</b>	<b>505</b>	<b>+1.3</b>
<b>Q2 2018</b>	<b>1,747</b>	<b>23.9</b>

\*Includes operating profit/loss from acquisitions and contract manufacturing.

## Tools & Attachments

	Operating profit SEK million	Margin, % Δ, pp
<b>Q2 2017</b>	<b>328</b>	<b>14.3</b>
Organic	-21	-1.5
Currency	-3	-0.3
Structure and other	0*	-0.1
<b>Total</b>	<b>-24</b>	<b>-1.9</b>
<b>Q2 2018</b>	<b>304</b>	<b>12.4</b>

\*Includes operating profit/loss from acquisitions.

# Income statement

SEK million	Q2 2018	Q2 2017*
<b>Revenues</b>	<b>9,843</b>	<b>7,879</b>
Cost of sales	-6,275	-4,990
<b>Gross profit</b>	<b>3,568</b>	<b>2,889</b>
<i>Gross profit margin</i>	36.2%	36.7%
Marketing and administration expenses	-1,389	-1,146
Research and development expenses	-257	-184
Other expenses from operations	-112	-91
<b>Operating profit</b>	<b>1,810</b>	<b>1,468</b>
<i>Operating margin</i>	18.4%	18.6%
Net financial items	-44	-10
- of which interest net	-38	-6
<b>Profit before tax</b>	<b>1,766</b>	<b>1,458</b>
<i>Profit margin</i>	17.9%	18.5%
Income tax expense	-445	-380
<i>Tax rate</i>	25.2%	26.1%
<b>Profit for the period</b>	<b>1,321</b>	<b>1,078</b>

\*Financial statements prior to 2018 are combined.

- Gross profit margin
  - Impacted by mix with more equipment
- R&D expenses increasing as planned
- Costs for split and long-term incentive programs
- Corporate costs SEK 57 million
- Interest net impacted by hedging
- Tax rate 25.2%

# Balance sheet

SEK million	June 30, 2018	June 30, 2017*	Dec. 31, 2017*
Intangible assets	3,637	3,136	3,121
Rental equipment	1,300	1,271	1,215
Other non-current assets	4,448	4,136	3,891
Inventories	10,664	7,945	8,440
Receivables	9,542	7,063	7,920
Current financial assets	1,228	6,804	1,152
Cash and cash equivalents	4,205	610	1,808
<b>Total assets</b>	<b>35,024</b>	<b>30,965</b>	<b>27,547</b>
Total equity	17,537	16,156	12,047
Interest bearing liabilities	7,286	6,805	7,239
Non-interest-bearing liabilities	10,201	8,004	8,261
<b>Total equity and liabilities</b>	<b>35,024</b>	<b>30,965</b>	<b>27,547</b>

\*Financial statements prior to 2018 are combined.

- Increase in working capital
- Funding in place, reflected in current balance sheet

# Epiroc Group - Net working capital

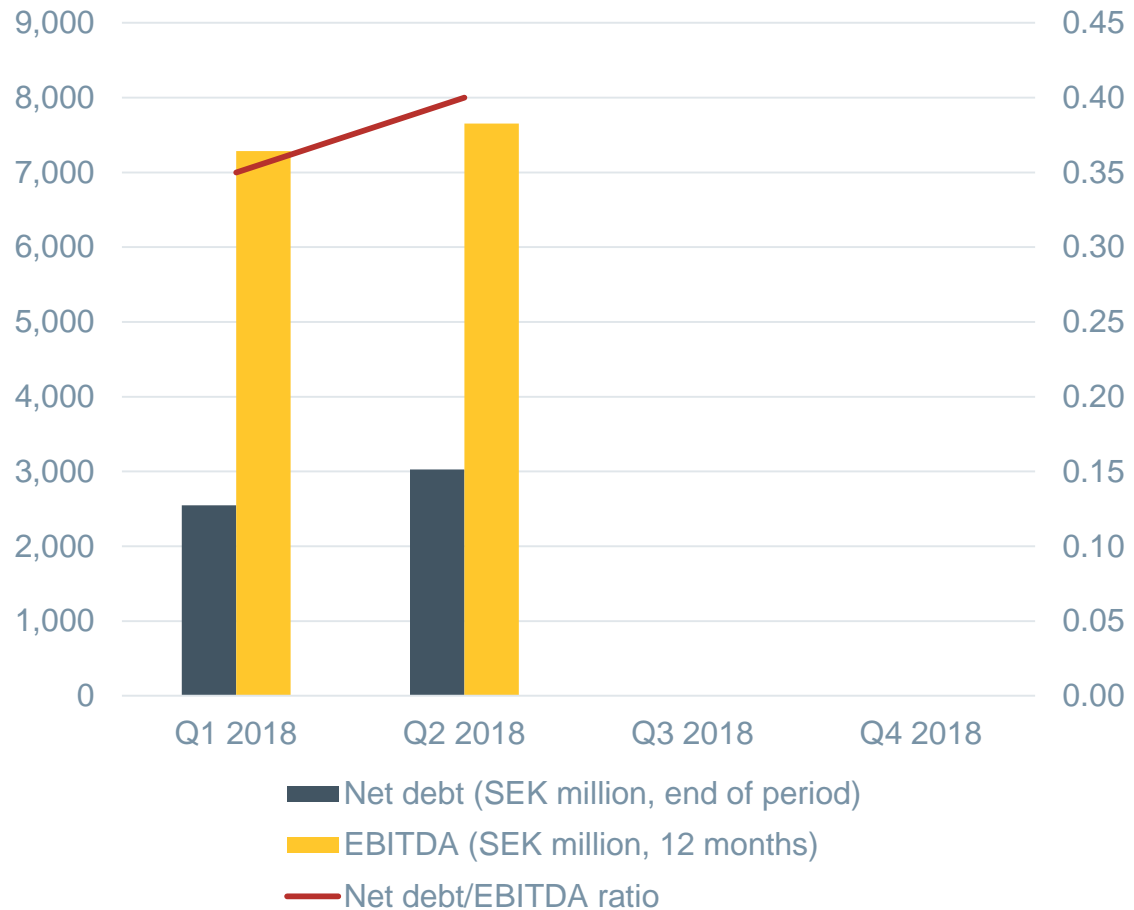


- Average net working capital/revenues 31.7%
- Strong volume growth increased customer receivables and inventories
- Supply-chain program progressing according to plan

\*Financial statements prior to 2018 are combined.



# Epiroc Group - Net debt



- Net debt SEK 3,027 million
- Net debt/EBITDA 0.40
- Financing
  - Bridge and EIB loan in place
- Share repurchases to start in Q3 2018

# Cash flow

SEK million	Q2 2018	Q2 2017*
Operating profit	1,810	1,468
Depreciation, amortization and impairment	340	308
Capital gain/loss and other non-cash items	54	148
	<b>2,204</b>	<b>1,924</b>
Net financial items received/paid	-512	-35
Taxes paid	-359	-190
Pension funding	-11	-10
Change in working capital	-1,226	-53
Increase in rental equipment, net	-158	-150
<b>Net cash from operating activities</b>	<b>-62</b>	<b>1,486</b>
Investments in PPE, net	-155	-114
Investments in intangible assets	-108	-59
Other investments, net	-54	-1,093
Other adjustments**	578	1,093
<b>Operating cash flow</b>	<b>199</b>	<b>1,313</b>
Acquisitions of subsidiaries	-	6

\*Financial statements prior to 2018 are combined.

\*\*Mainly changes in cash-pool with Atlas Copco and currency hedges of loans.

- Weak operating cash flow
- Working capital increased
- Net financial items paid/received impacted by payments related to currency hedges
  - Hedges not part of operating cash flow



## Summary



# Summary

- Strong quarter
  - Orders received above SEK 10 billion
  - Ramp up of manufacturing and record high revenues
  - Good operating profit performance
  - Negative impact from split costs and provision for incentive programs
  - Cash flow impacted by working capital
- Demand continues to be healthy
- Q3 report on October 25





Q&A





**Epiroc**

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Performance unites us, innovation inspires us,  
and commitment drives us to keep moving forward.

Count on Epiroc to deliver the solutions you need  
to succeed today and the technology to lead tomorrow.

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