

**Epiroc Capital Markets Day 2021**





# Movie: Mining from a new perspective





**Karin Larsson**

**Head of IR**

2019: VP Investor Relations / Head of IR

2017: Head of External Communications, Ahlsell AB, Sweden

2016: Senior Consultant, COIN, Sweden

2011: IRO, Atlas Copco, Sweden

2010: Pan European Equity Sales, Barclays Capital, Germany

2006: Nordic Equity Sales, SEB Enskilda, Germany

M.Sc. Finance, Linköping University, Sweden

**Epiroc is a vital part of a sustainable society  
+ agenda**



A photograph of two miners in a dark tunnel. They are wearing hard hats with headlamps. The scene is dimly lit, with a bright light source in the background creating a silhouette effect. The text "Safety first" is overlaid in the center.

# Safety first





**Epiroc is a  
vital part of a  
sustainable society**

**Infrastructure  
23%**

**Mining  
77%**

# Strategy and foundations for success



**Focus on attractive niches**

**Innovation**

**Aftermarket**

**Operational  
excellence**

**Outperformance**

**Sustainability and a strong company  
culture being our foundation**

**30 min Q&A  
at the end**





**Helena Hedblom**

**President & CEO**

2020: President and CEO

2017: Senior Executive Vice President Mining and Infrastructure, Epiroc, Sweden

2013: President, Rock Drilling Tools Division, Atlas Copco, Sweden

2011: General Manager Rock Drilling Tools Division, Atlas Copco, Sweden

2008: Vice President R&D, Atlas Copco Rock Drilling Tools Division, Sweden

2002: Manager Material Development, Atlas Copco Rock Drilling Tools Division, Sweden

1997: Product Manager, Flux Cored Wire, Avesta Welding AB, Sweden

M.Sc. in Material Technology, Royal Institute of Technology, Stockholm, Sweden

**Sustainability and a strong company culture being our foundation**



# Strategy and foundations for success



Focus on attractive niches

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30 min Q&A  
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# Sustainability and a strong company culture are our foundation

- Strong company culture
  - Employer of choice
  - High-performing organization
  - Decentralized governance model that leverages functional excellence



”

We are a vital part of a sustainable society.

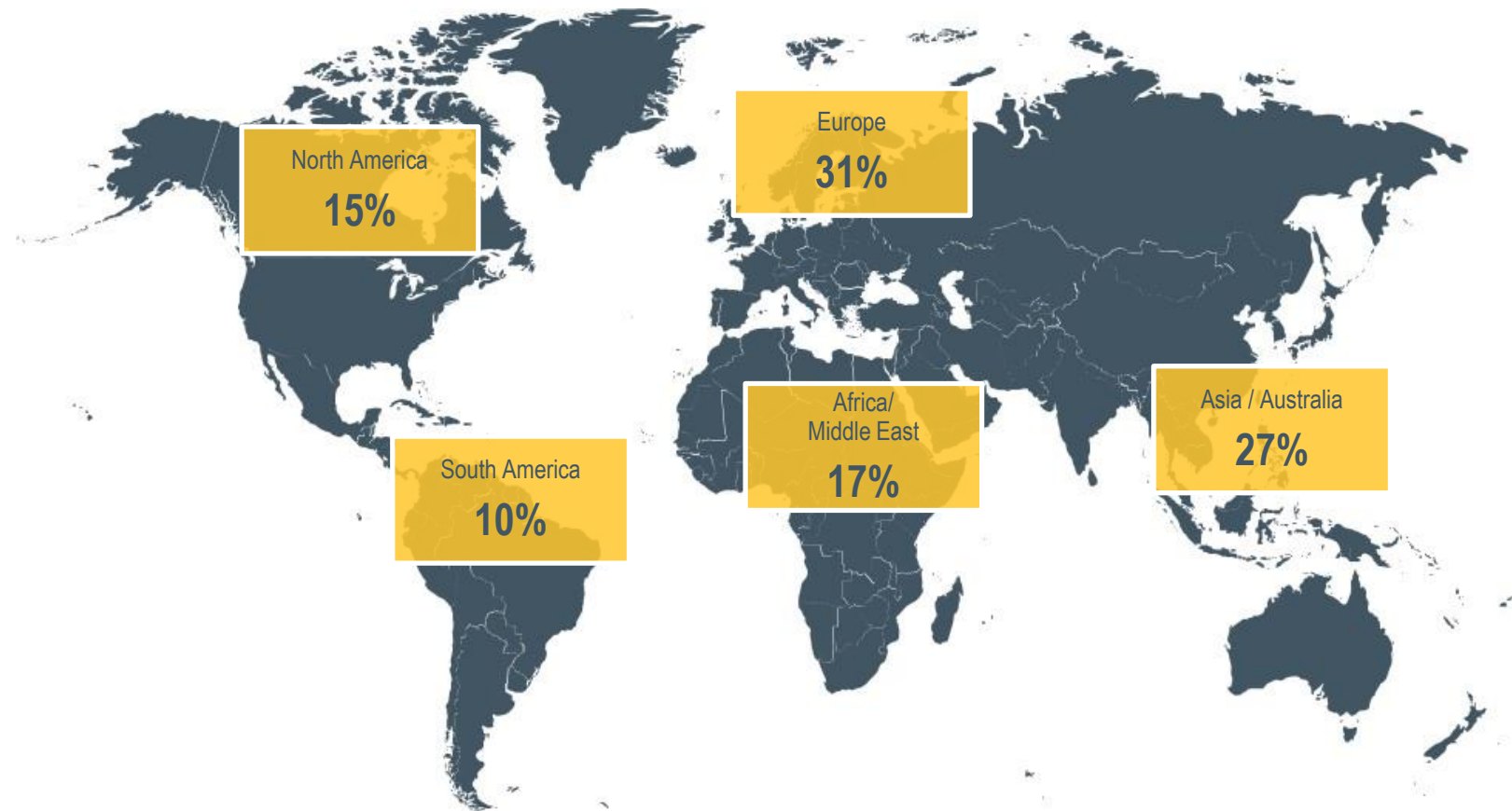
# Strong company culture and global presence



- Epiroc is a 148-year old start-up
- Decentralized organization
- Customers in 150+ countries
  - 10 largest = 20% of revenues
- ~85% direct sales
- Aftermarket: 2/3 of revenues
  - 74% of employees
  - More than 6 100 service technicians
- Strong innovation focus
  - 7% of employees

## At your service!

15 198 employees around the world





# Drive the productivity and sustainability transformation



- We can make a positive impact by enabling automation and digitalization
  - Improve working conditions and increase safety
  - Increase utilization of equipment
  - Less unscheduled maintenance
  - Increase efficiency in production and full value chain
  - Lower TCO for customers



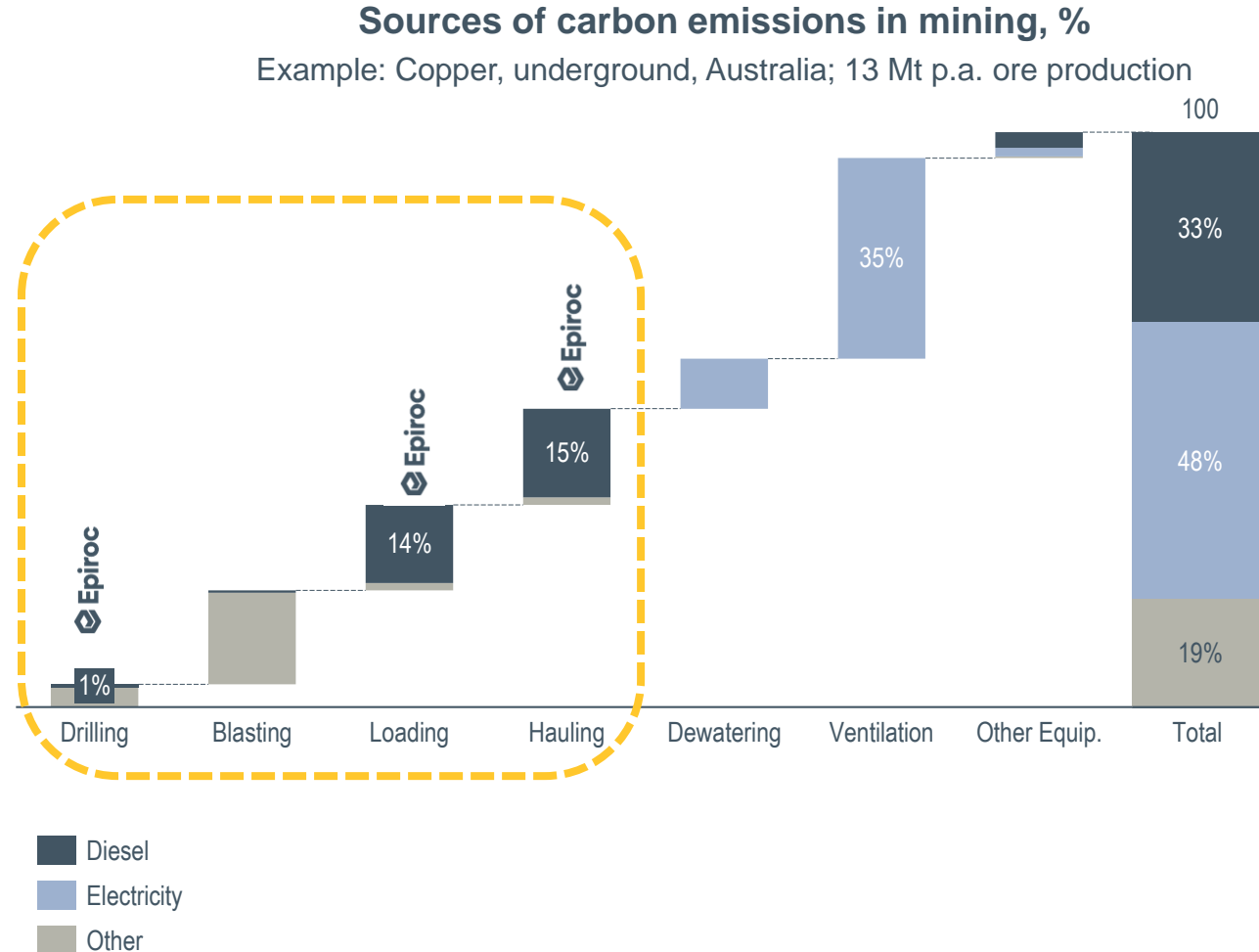
# Drive the productivity and sustainability transformation

- We can make a positive impact by enabling zero-emissions
  - The mining and infrastructure industries represents a meaningful portion of global emissions

83%

This is where we can make a difference

of Epiroc emissions derive from “use of products” in Scope 3.





# Drive the productivity and sustainability transformation

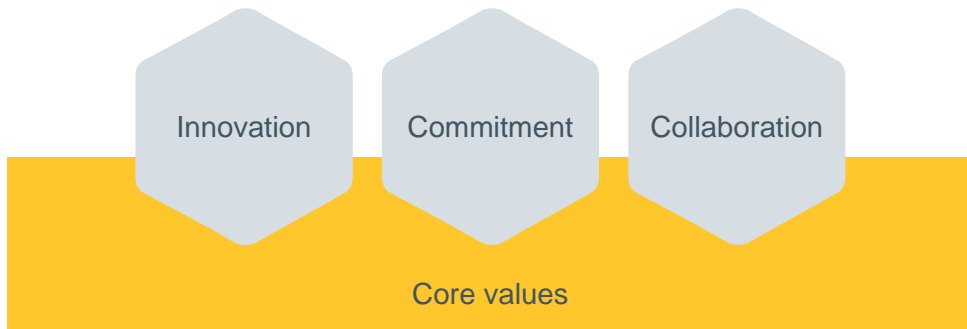


- How do we do it?
  - Innovation, automation, digitalization, and electrification
  - Collaboration and knowledge sharing
  - Strong local presence
  - Innovation culture



# How to foster a strong innovation culture

- Dare to think new: Creative, bold and open-minded employees
- Willingness to take on responsibility and grow to the next level
- Culture included in acquisition integration
- Take advantage of the full workforce for better results





# Collaborate with the best to make a real difference

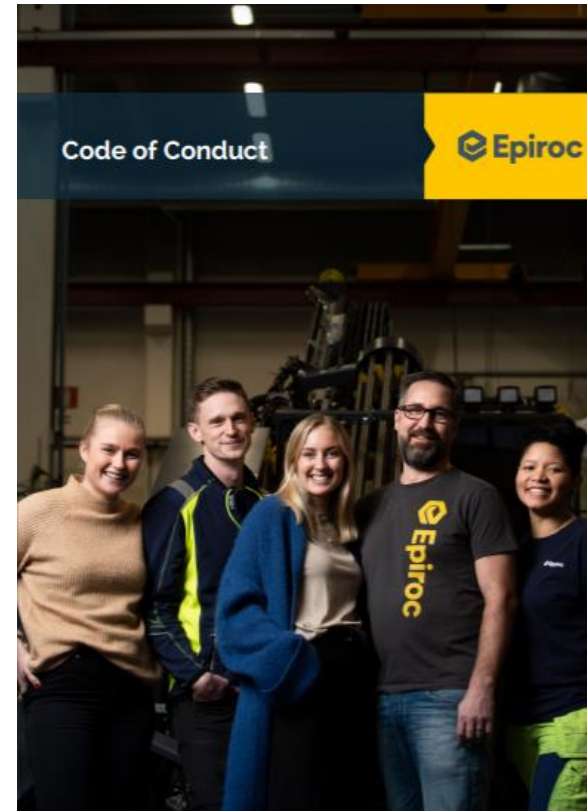
## A few examples

- The first mechanized development charging system in the world
  - “Avatel” is a game changer for improved safety
  - Collaboration with Orica
- Battery-electric in African greenfield mine
  - Most sustainable and productive manner possible
  - Collaboration with Ivanplats
- Converting diesel equipment to battery-electric
  - Speed up the shift to an emissions-free future
  - Collaboration with Evolution Mining



# Vital part of a sustainable society

- Focus areas in sustainability
  - We live by the highest ethical standards
  - We invest in safety and health
  - We grow together with passionate people and courageous leaders
  - We use resources responsibly and efficiently
- Sustainability included in remuneration
- 2030 sustainability goals



# 2030 sustainability goals for people and planet

- Health and safety
  - No work-related injuries
- Balanced workforce
  - Double the number of women in operational roles
- Walk the talk
  - Have all employees and business partners comply with our Code of Conduct
  - Responsible Sales Assessment Process implemented



- Operations
  - Halve CO<sub>2</sub> emissions in operations
  - 90% renewable energy in own operations
- Transport
  - Halve CO<sub>2</sub> emissions from transport
- Products
  - Offer a full range of emission-free products
  - Halve CO<sub>2</sub> emissions from machines sold in 2030
- Suppliers
  - Require 50% reduction of CO<sub>2</sub> emissions from relevant suppliers

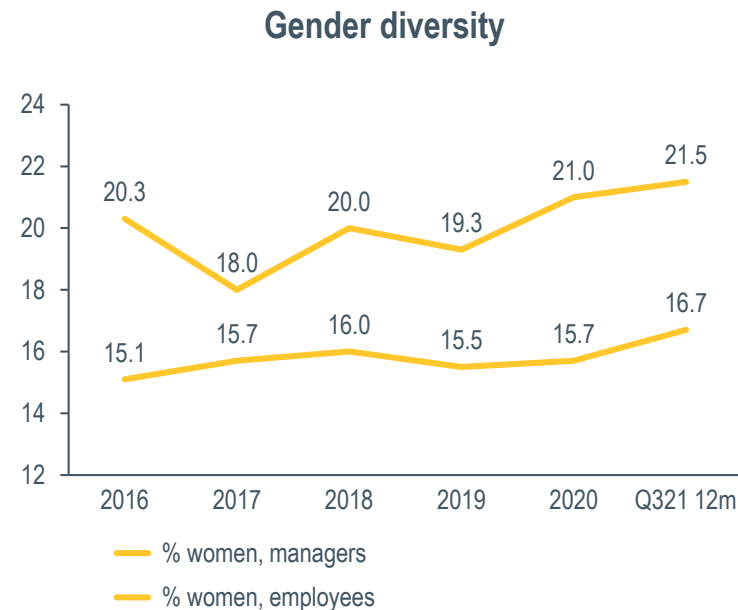


# Examples of initiatives and achievements



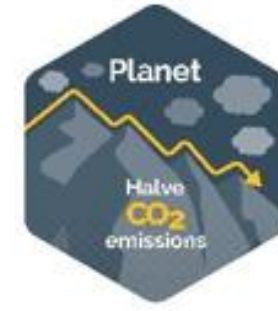
- Health and safety
  - Lost-time injury frequency rate down 16% y-o-y
  - Increased safety awareness
    - SafeStart
  - Designed products that eliminate risks, incl. technology and remote operations
    - Live Work Elimination

- Balanced workforce
  - Improved gender diversity
  - Diversity & Inclusion Board



- Walk the talk
  - Code of Conduct updated
    - Mandatory E-learning
    - Compliance target 100% for managers
    - All employees in 2022
  - Business Partner Code of Conduct
    - Sourcing Process updated

# Examples of initiatives and achievements



- Science based targets validated
  - Industry leading
  - Above SBTi's minimum requirements



- Operations
  - Halve CO<sub>2</sub> emissions in operations
    - Energy mapping
    - Renewable energy
  - 90% renewable energy in operations
    - E.g. solar panels
- Transport
  - Halve transport CO<sub>2</sub> emissions
    - Supply-chain improvement program
    - From air to sea
    - Consolidated transport

- Products
  - Offer a full range of emission-free products
  - Halve CO<sub>2</sub> emissions from machines sold in 2030
    - Battery electric
    - Reduced fuel consumption
- Suppliers
  - Require 50% reduction of CO<sub>2</sub> emissions from relevant suppliers

# Strategy and foundations for success



**Focus on attractive niches**

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**Aftermarket**

**Operational  
excellence**

**Outperformance**

**Sustainability and a strong company  
culture being our foundation**

**30 min Q&A  
at the end**

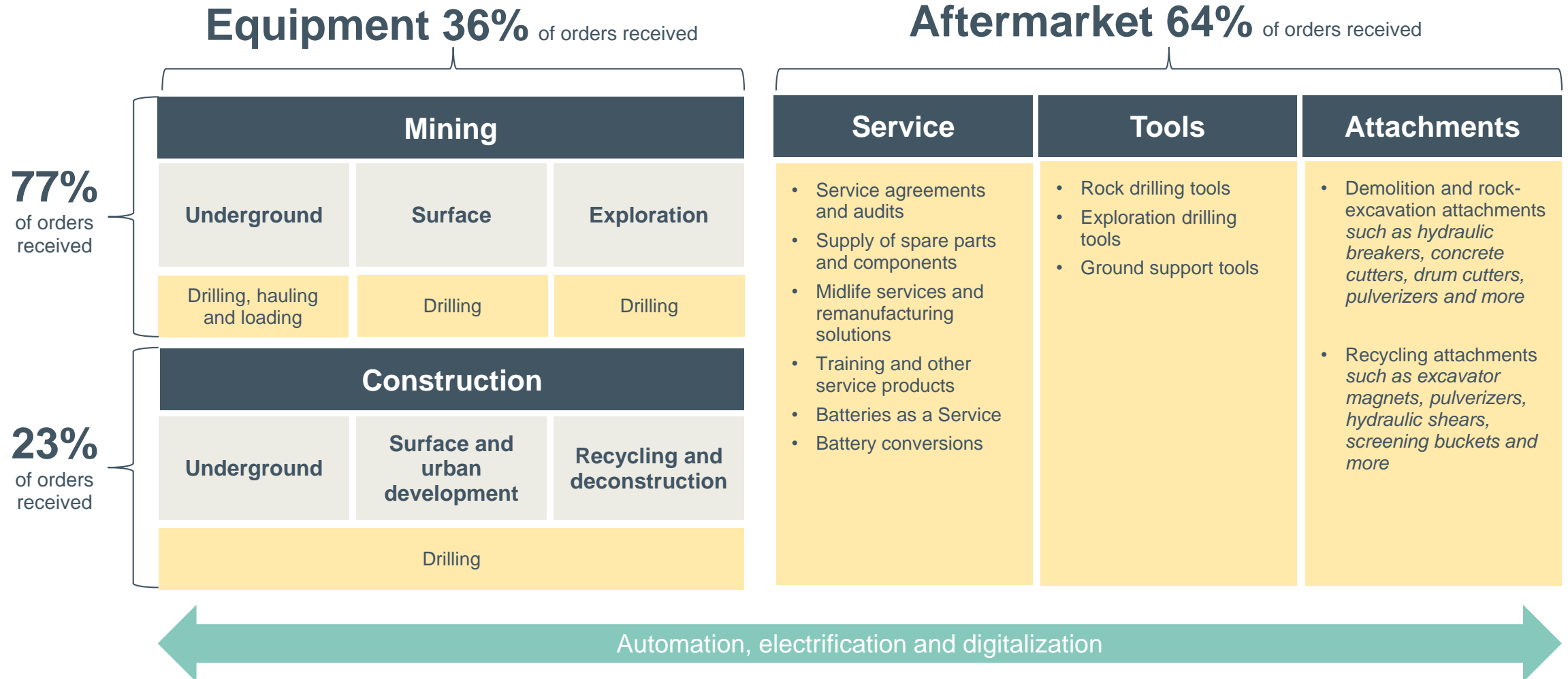


# Focus on attractive niches

- Niches where customers appreciate and seek best-in-class solutions
  - Global applicable solutions in hard-rock mining and/or infrastructure
  - Mission critical applications with high need of aftermarket
  - Solutions with technical height
  - Strong drive for increased safety, reduced environmental footprint and ethical behavior

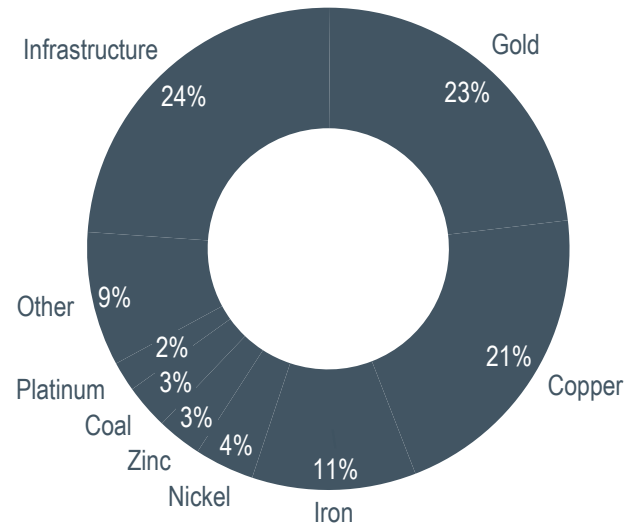


# Strong offering and exposure

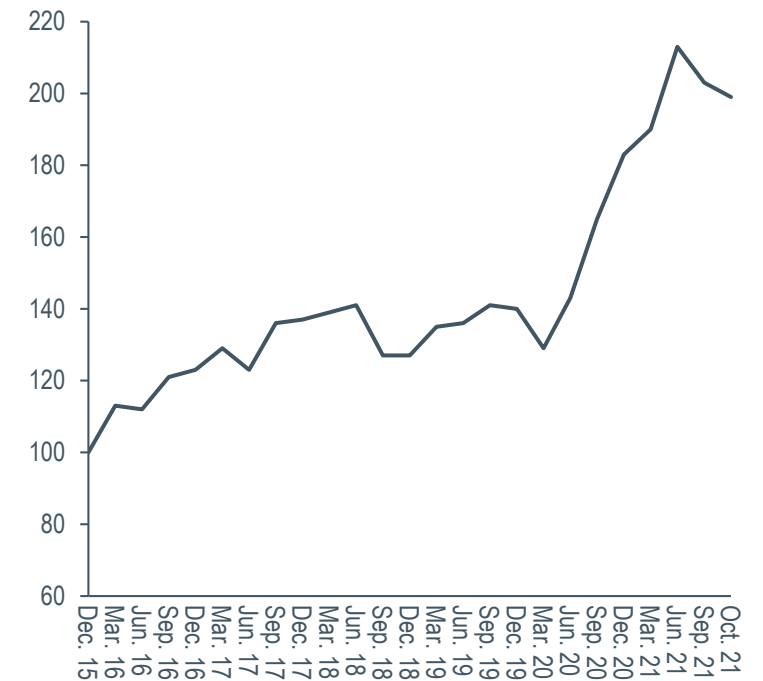


# Favorable hard-rock exposure

Hard rock exposure (of orders)



Mineral prices at good levels  
Epiroc exposure





# Q3 2021 and near-term outlook

- Record orders received
- Increased revenues and operating profit
- Supply-chain challenges
- Acquisitions

*“We expect that demand, both for equipment and aftermarket, will remain at a high level in the near term.”*





**Martin Hjerpe**

**SVP M&A and Strategy**

2019: SVP M&A and Strategy, Epiroc, Sweden

2002: Partner, McKinsey & Company, Sweden and Chicago, USA

2000: Business development analyst, ABGS, Sweden

2000: M.Sc. in Engineering Physics, Chalmers, Sweden

**Focus on attractive niches**



# Long term: Attractive market dynamics



## **Structural underlying growth...**

Increased need for mining and construction

## **... with increasing challenges for customers to meet demand...**

Increased demand for productivity solutions

## **...and strong focus on safety and sustainability**

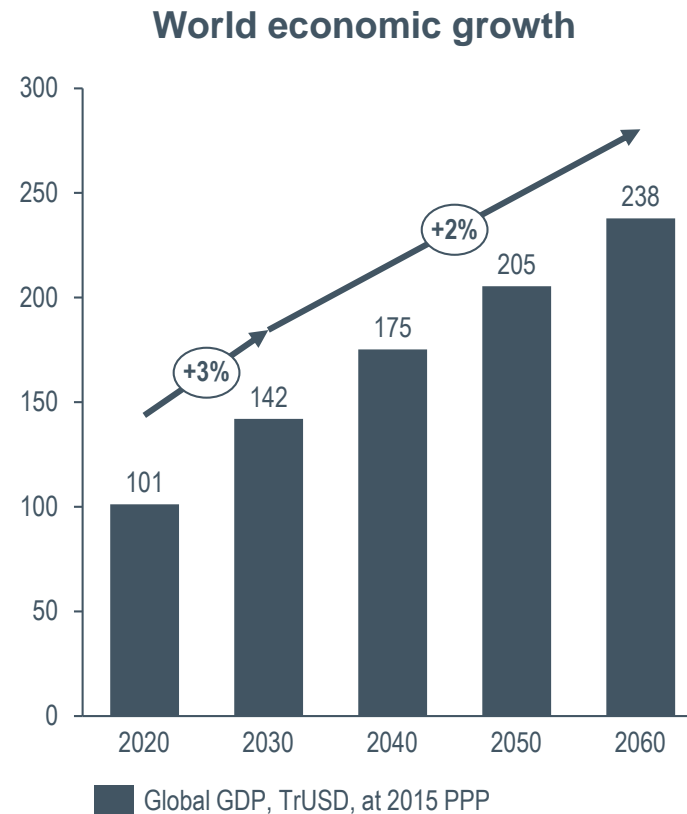
Increased demand for new types of solutions



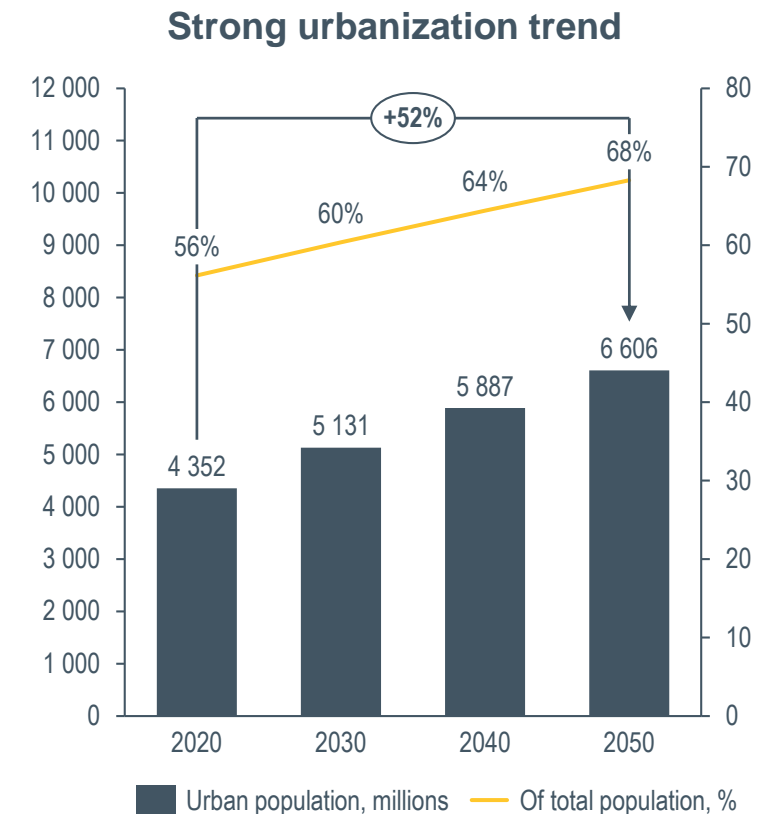


# Structural underlying growth

- Today: 56% of population lives in urban areas
- 2050: The world's urban population will increase to more than 2/3
- Urbanization brings economic growth. And challenges:
  - Affordable housing, well-connected transport systems, and other infrastructure ...



OECD Economic Outlook No 109 - October 2021 - Long-term baseline projections  
[https://stats.oecd.org/Index.aspx?DataSetCode=EO109\\_LTB](https://stats.oecd.org/Index.aspx?DataSetCode=EO109_LTB)

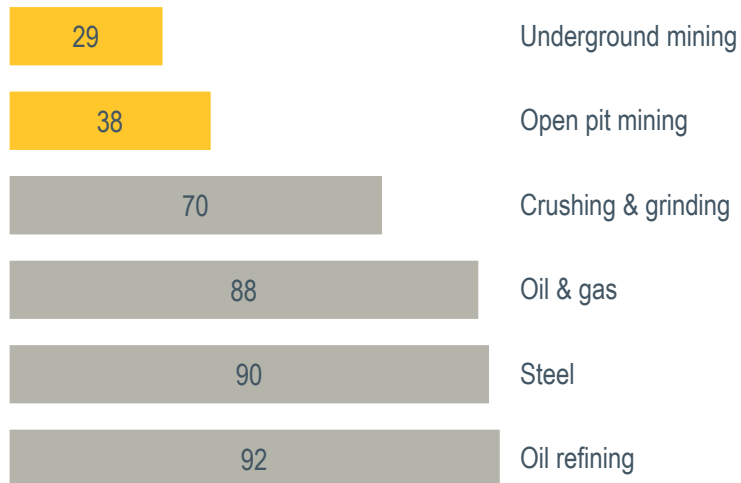


The World Bank – October 2021  
<https://www.worldbank.org/en/topic/urbandevelopment/overview#1>

# Customer challenges in mining

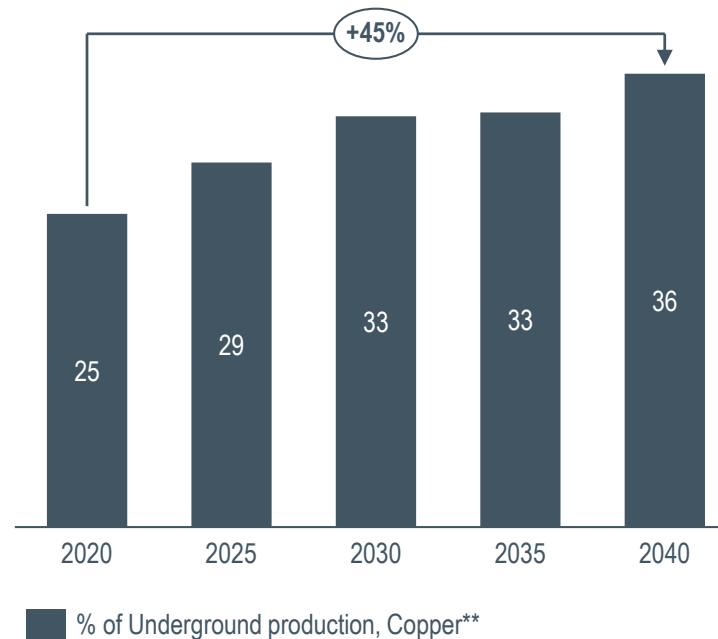
## Need to increase productivity

Average equipment utilization is low within mining, %



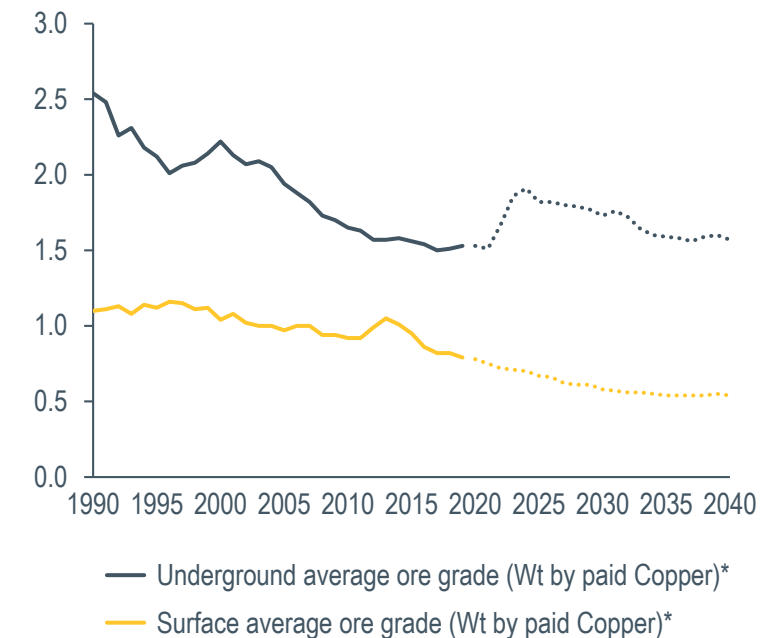
## Need to go underground

Underground mining expected to be strong in the coming years



## Need to excavate more rock

Depletion of ore grades expected to remain between 0.5%-2% in the foreseeable future



# Supply deficit expected for key minerals

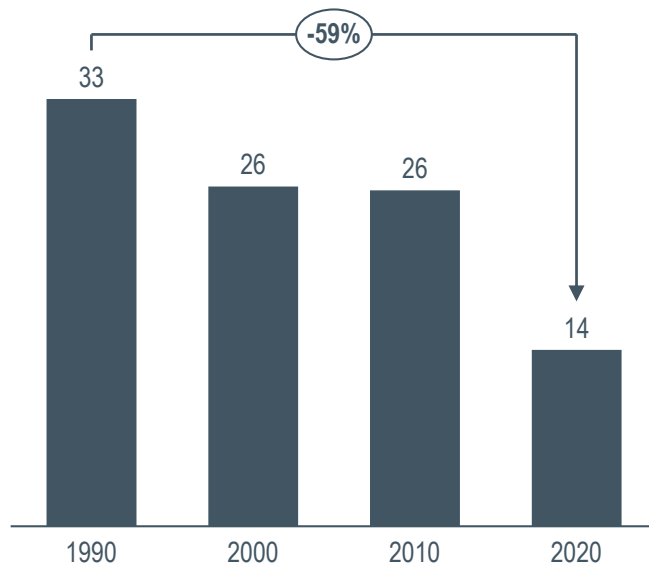
- Copper supply deficit in 2030
  - Decarbonization drives strong demand growth
  - Recycling increasing, but not enough to eliminate growth
  - High exploration activity
- Strong outlook for gold
  - Meaningful ore grade decline
  - Small recycling impact
  - High exploration activity





# Strong focus on safety and sustainability

- Need to improve safety
- Despite improvements more needs to be done



■ Operator Fatality Rate, surface and underground, per 100 000 FTE

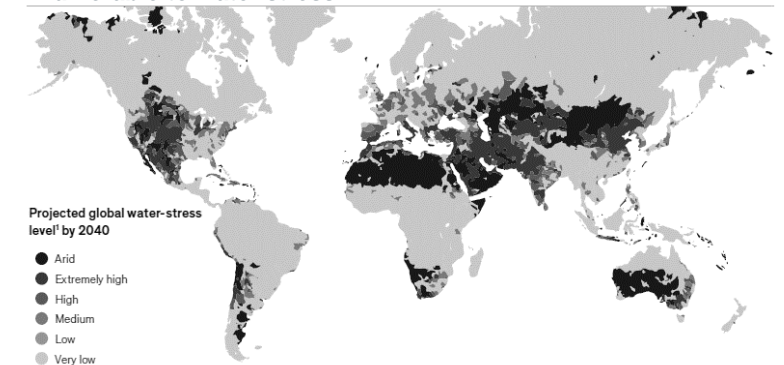
- Need to reduce GHG emissions
- Mining and construction are large GHG emitters – high



## Need to reduce environmental impact further

Water scarcity is increasingly important as 30-50% of copper, iron ore, silver and zinc production is in water stressed areas

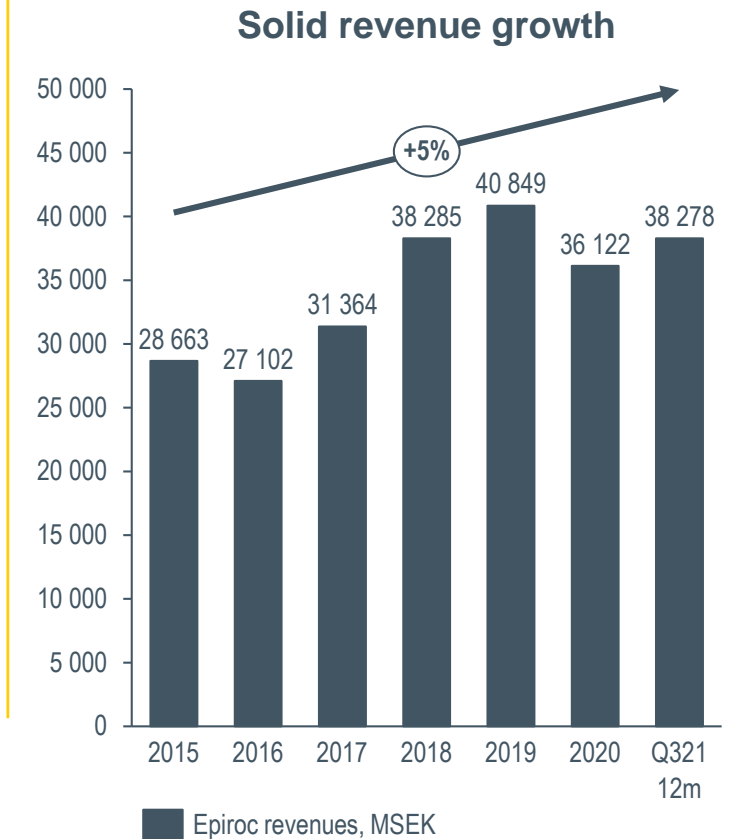
By 2040, key mining regions could be increasingly vulnerable to water stress



# Financial goal: Revenue growth of 8% p.a.

” Epiroc’s goal is to achieve annual **revenue growth of 8%** over a business cycle and to grow faster than the market

Growth will be organic and supported by selective acquisitions

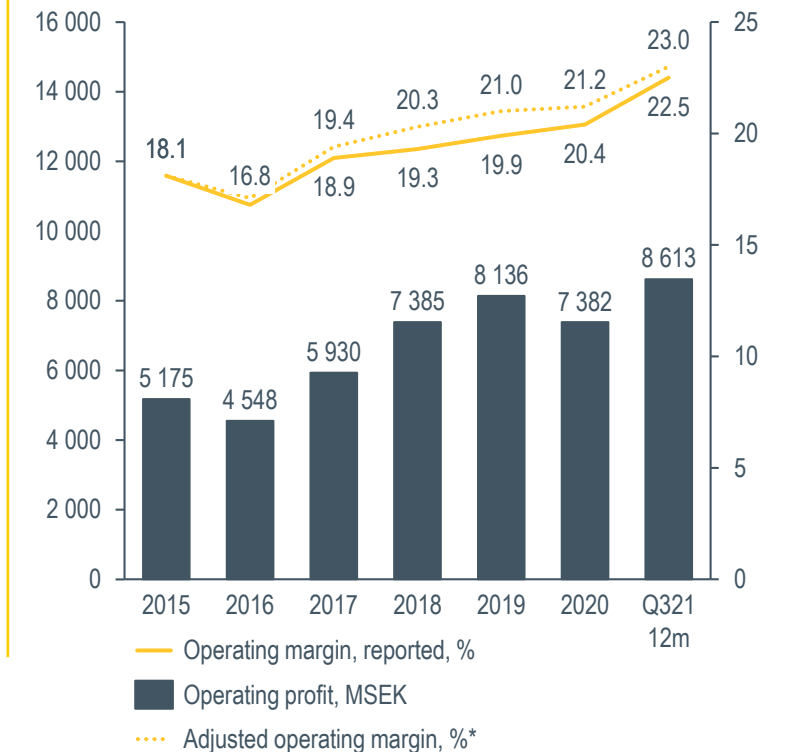


# Financial goal: Industry-best operating margin

” Epiroc’s goal is to have an **industry-best operating margin** with strong resilience over the cycle



## Operating profit and margin



\*Adjusted for items affecting comparability. Items affecting comparability include change in provision for long-term incentive plans and restructuring costs. Costs related to the split from Atlas Copco were classified as items affecting comparability in 2018.

# Strategy and foundations for success



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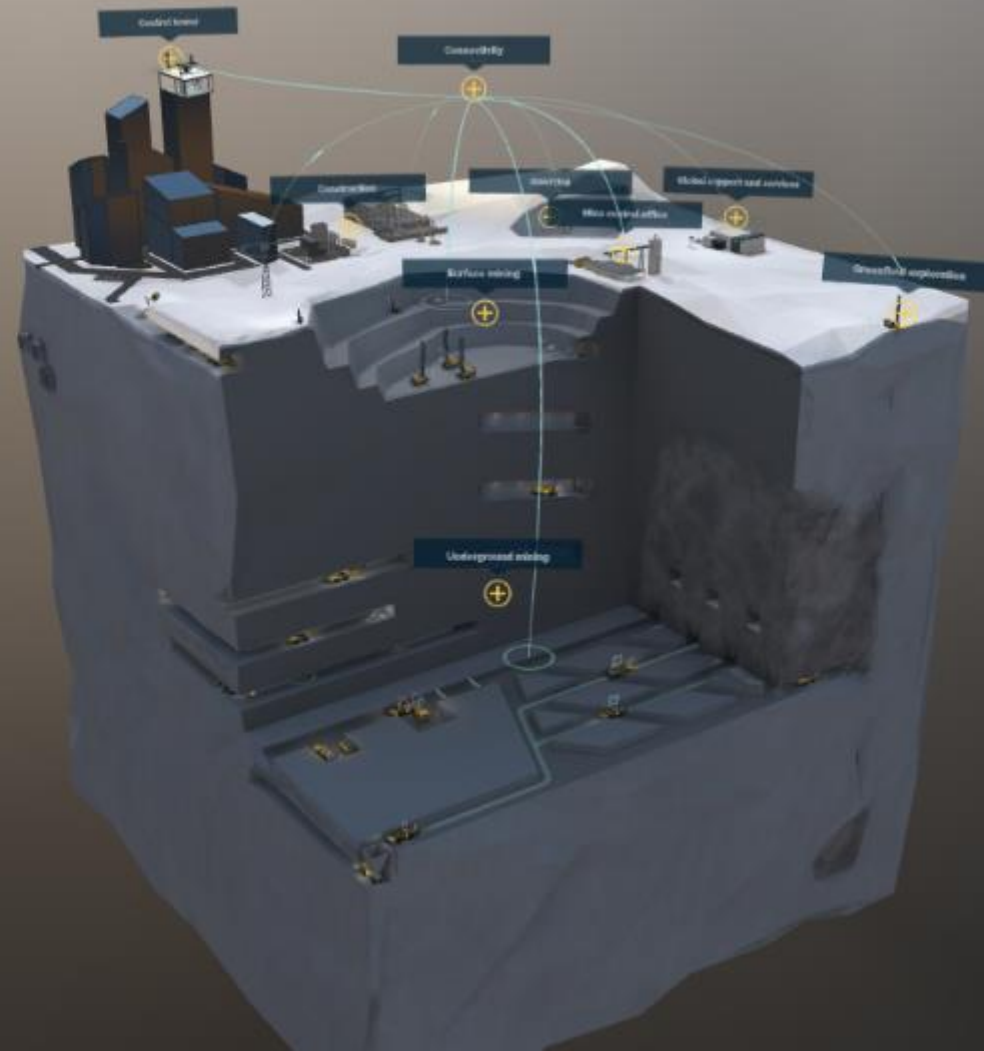
30 min Q&A  
at the end



# Leading productivity and sustainability partner in the digitalized mine



Increasingly  
digitalized and  
connected mines  
and worksites



Digital solutions  
improve and  
optimize the  
end-to-end process  
for our customers



**Jonas  
Albertson**

**President  
Technology & Digital  
Division**

2020: President Technology & Digital Division,  
Managing Director Epiroc Rock Drills AB

2018: President Rocktec division, Epiroc, Sweden  
Managing Director Epiroc Rock Drills AB

2016: President Rocktec division, Atlas Copco, Sweden  
Managing Director Atlas Copco Rock Drills AB

2011: Vice President, Technical Mining & Rock  
Excavation Service division, Atlas Copco, Sweden

2007: Vice President Parts and Services, Dynapac,  
Sweden

2005: Business Line Manager Rental Atlas Copco  
customer center, USA

1993: M. Sc. in Mechanical Engineering from Chalmers  
University, Sweden.

**Innovation, digitalization, automation  
and electrification**

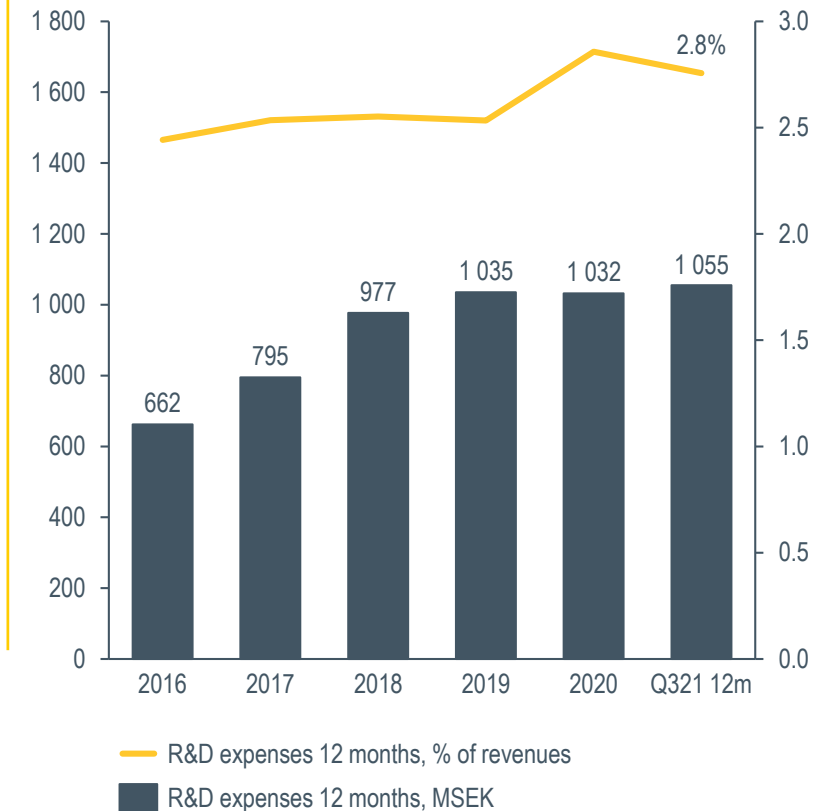


# Investing more than ever to stay ahead

- MSEK 1 000+ in R&D
- R&D engineers - always close to customers
  - Approx. 1 400 engineers (29% software)
- Reduce time to revenue
  - Partnerships and ecosystem
  - State-of-the-art simulation tools and verification methods
  - Cross-divisional collaboration
  - M&A



Research and development expenses



# Collaborate with the best to make a real difference

- Next Generation Carbon Neutral Pilots for Smart Intelligent Mining Systems (NEXGEN SIMS)
  - Collaboration for carbon-neutral sustainable mining
  - World-leading mining consortium
  - EU-sponsored project



- Sustainable Underground Mining (SUM)
  - Collaboration to set a new world standard for sustainable mining at great depth
  - The mine of the future is carbon-dioxide-free, digitalized and autonomous

**Sustainable  
Underground  
Mining**



# Help customers to embrace innovation

- Local digital competence
- Regional Application Centers (RAC)
  - Supporting customers to innovate and implement automation and digitalization
- Control towers
- Virtual reality test mine



A movie title card with a dark blue background. It features a bright, multi-colored lens flare in the upper left quadrant and a faint, glowing network of nodes and lines in the lower right. The text is centered and reads:

## Digital transformation of mining

6th Sense - Smart. Safe. Seamless.

# Why **digitalization** enables the productivity and sustainability transformation

- For our customers:
  - To increase safety
    - Full control of fleet, equipment and people
  - To increase productivity
    - Better mine planning, reduced traffic congestion and ore-grade optimization
    - Reliable operations with less unplanned maintenance
  - To measure environmental impact in real-time
    - Carbon emissions and water usage
- Benefits for Epiroc:
  - Higher service penetration
  - Better value proposition
  - New revenue streams

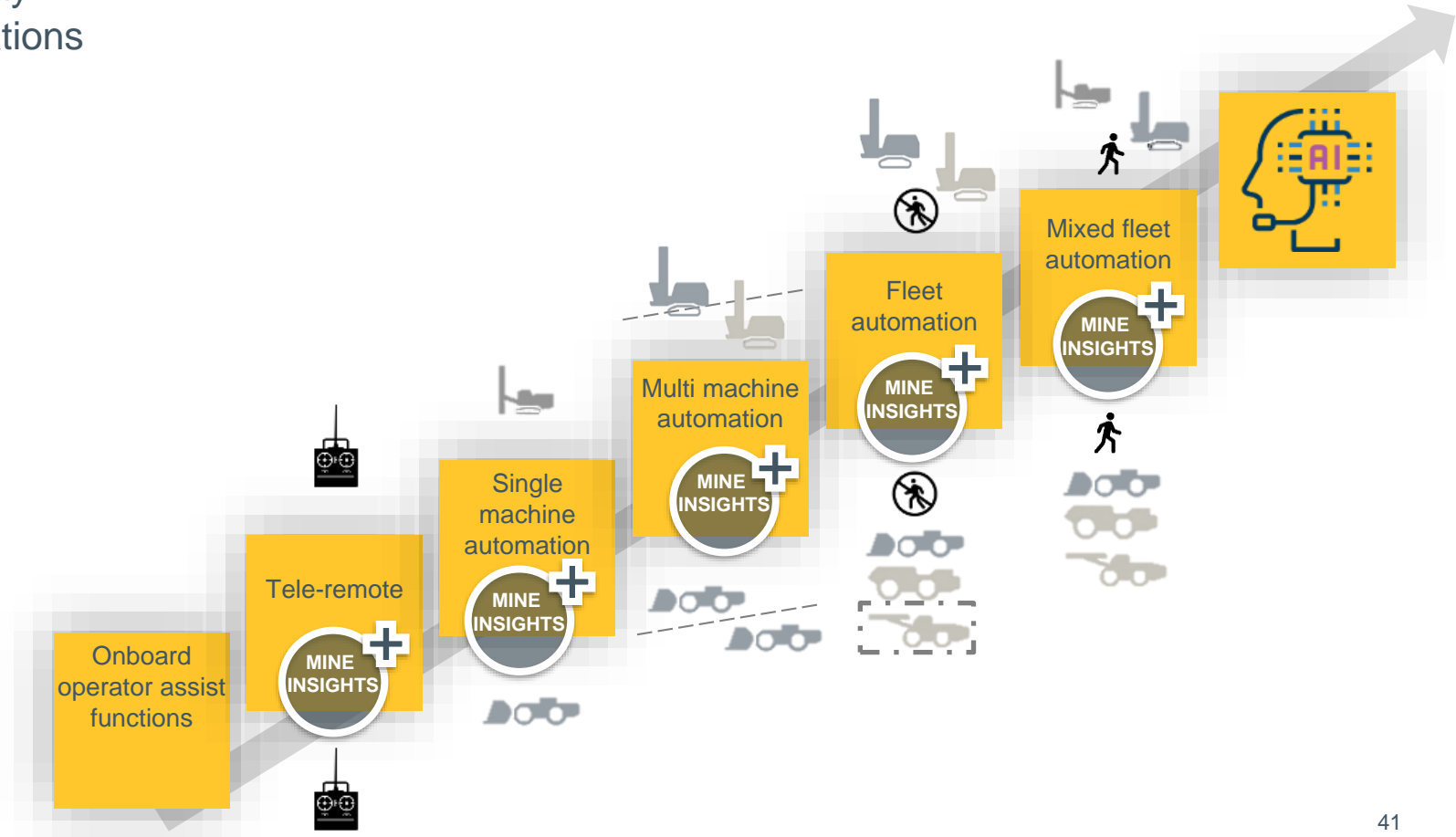


# Why **automation** enables the productivity and sustainability transformation

- For our customers:
  - To protect people. Keeping them away from equipment and dangerous situations
  - To increase productivity
  - To reduce fuel consumption
  - To lower the TCO
- Benefits for Epiroc:
  - Higher service penetration
  - New revenue streams

## Market-leading position with a wide range of automation solutions

Incl. proven and commercially viable mixed-fleet automation





# Why **electrification** enables the productivity and sustainability transformation

- For our customers:
  - To protect people from dangerous fumes, noise and heat
  - To eliminate or reduce CO<sub>2</sub> emissions
  - To reduce energy consumption (ventilation is a large part of opex)
  - To avoid costly capex investments in ventilation
  - To adhere to new legislation, rules and standards
- Benefits for Epiroc:
  - New revenue streams
  - Higher service penetration





**Sami Niiranen**

**President  
Underground Division**

2020: President Underground division and member of Group Management

2018: President, Underground Rock Excavation Division, Sweden

2016: General Manager, Atlas Copco, Finland

2014: General Manager, Atlas Copco, Ghana

2012: Marketing Manager, Atlas Copco, Sweden

2007: Global Business Manager and Regional Business Manager, Atlas Copco, Sweden

2004: Key Account Manager, Atlas Copco, Finland

2002: Nuclear Waste Management, Finland

1997: Mining Engineer in Finland and Australia

**Underground**



# Innovation – Underground

- Boomer M20 - the world's first face drill rig with internal hydraulics



- Avatel - the world's first mechanized development charging system



- COP MD20 – a robust rock drill that saves time and cost (incl. longer service intervals)





# Automation highlights – Underground

- Market leadership
- High customer demand
- Several large automation orders
- Growing number of automation units and projects
  - Automated rigs in infrastructure
  - Automated production drill rigs +36% y-o-y
- Proven autonomous mixed-fleet solutions
  - Newcrest in Australia





# Movie: Automation underground - Newcrest



# Digitalization highlights – Underground

## 6<sup>th</sup> Sense

- Connected machines +26% y-o-y (Certiq)
- Rapid Mine Development
  - Boosting productivity and lowering costs for Chilean copper miner Pucobre
- Collision Avoidance System Interface
  - Groundbreaking safety improvement
- Dynamic Tunneling Package
  - The drill rig sets its own drilling plans directly at the face of the tunnel
- Acquisition of Mobilaris (remaining share) and MiningTag
  - Solutions for increased safety and productivity



# Market leader in electrification

- Goal:

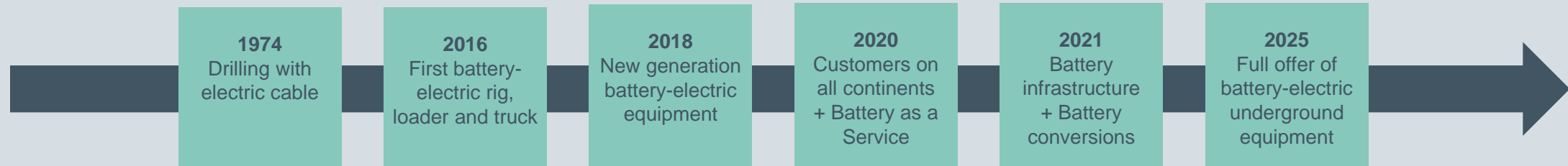
- Be a full-range partner and true enabler within electrification
  - Focus: Battery and cable
  - Alt. solutions, e.g. trolley systems

- Today:

- Largest battery-driven product portfolio in the market
- Batteries as a Service
- Battery conversions
- Electrical infrastructure

- In the future:

- Full range of emission-free underground equipment by 2025
- Halve CO<sub>2</sub> emissions from machines sold in 2030 (vs. 2019)



# Electrification highlights – Underground

- Large greenfield order from Ivanplats in South Africa
- Battery conversions
- Electric trolley solution
  - Collaboration with Boliden and ABB
- NEXGEN SIMS for carbon-neutral sustainable mining
- Acquisition of specialist in mining vehicle battery conversions (FVT Research) and provider of electrification infrastructure solutions (Meglab)





# Movie: Electrification underground – Glencore





**José Manuel Sánchez**

**President  
Surface division**

2020: President Surface division and member of Group Management

2015: President Drilling Solutions division, Atlas Copco, USA

2007: General Manager, Atlas Copco, Chile

2002: General Manager, Atlas Copco, Mexico

1998: Short-term assignment, Atlas Copco, France

1996: Product Manager Surface Drilling Exploration & Area Manager Americas, Atlas Copco Sweden

1994: Reg. Underground Rock Excavation Manager & Marketing Manager, Atlas Copco, China

1988: M.Sc. Mining from Madrid School of Mines, Master in Marketing & Sales Management

**Surface**



# Innovation – Surface

- Automatic Bit Changer
  - Next step in autonomous drilling
  - Changes rotary bits faster than people
  - No human interaction



# Movie: Innovation – Automatic Bit Changer



## Automatic Bit Changer

The safer way to drill





# Innovation – Surface



- Pit Viper 291 – powerful large diameter, single-pass drill rig with full automation features



- SmartROC D65 XLF - automated drilling and rod handling and 20% less fuel consumption

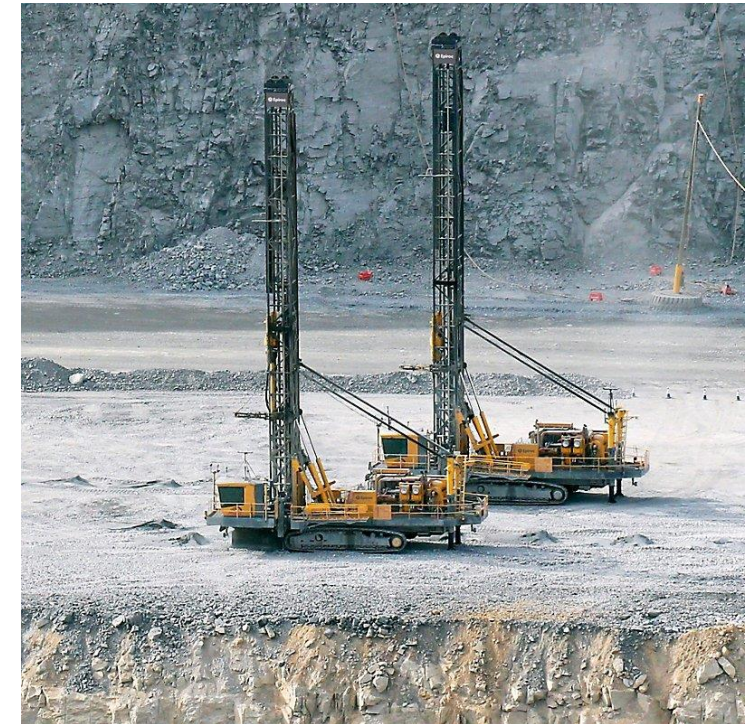
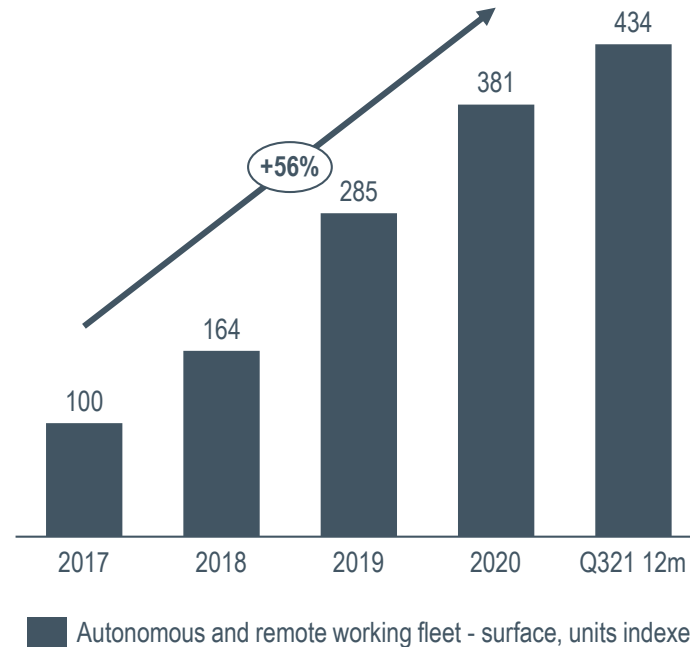




# Automation highlights – Surface

- Market leadership
- High customer demand
  - Several large automation orders
  - Fully autonomous Pit Vipers to greenfield
  - Autonomous fleet commissioned in Peru
- Largest autonomous mixed fleet deployment in the world
  - Roy Hill in Australia

Fully autonomous and remote control fleet



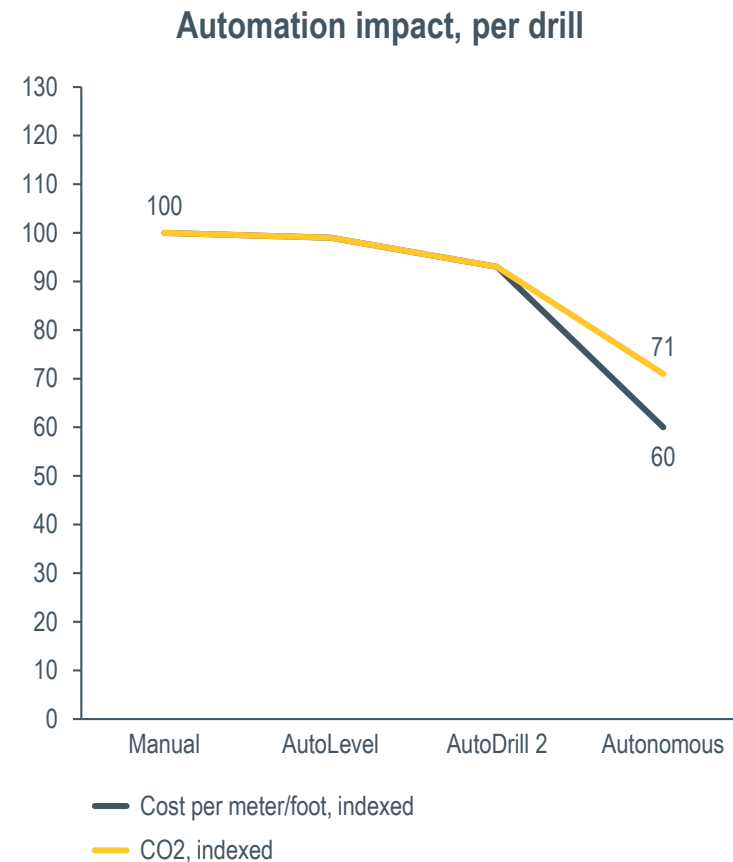
# Movie: Surface automation – Roy Hill





# Automation making a real positive impact

- Automation reducing cost and emissions
- Different levels of automation
  - AutoLevel: From average to expert operator
  - AutoDrill 2: Optimal drilling, with operator monitoring
  - Autonomous: Autonomous drilling with operator monitoring



# Digitalization highlights – Surface

- Connected machines +20% y-o-y (Certiq)
- Acquisition of 3D-P
  - Wireless connectivity for surface mining
  - Enables digitalization and automation
- Acquisition of Kinetic Logging Services
  - Solutions that provides near real-time borehole assay data and grade information



# Electrification highlights – Surface

- Reduce emissions is key
- Surface drilling by electric cable since 1990
  - Challenges: electrical infrastructure and logistics
  - Solutions: Motivator for tramming
- Full range of emission-free surface equipment by 2030



# Short break & Movie: Apprenticeships at Epiroc





# Strategy and foundations for success



Focus on attractive niches

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30 min Q&A  
at the end

# Broad aftermarket offering

Aftermarket 69%

Service 43%



- Service agreements and audits



- Spare parts and components



- Midlife services, training, and more

Tools & Attachments 26%

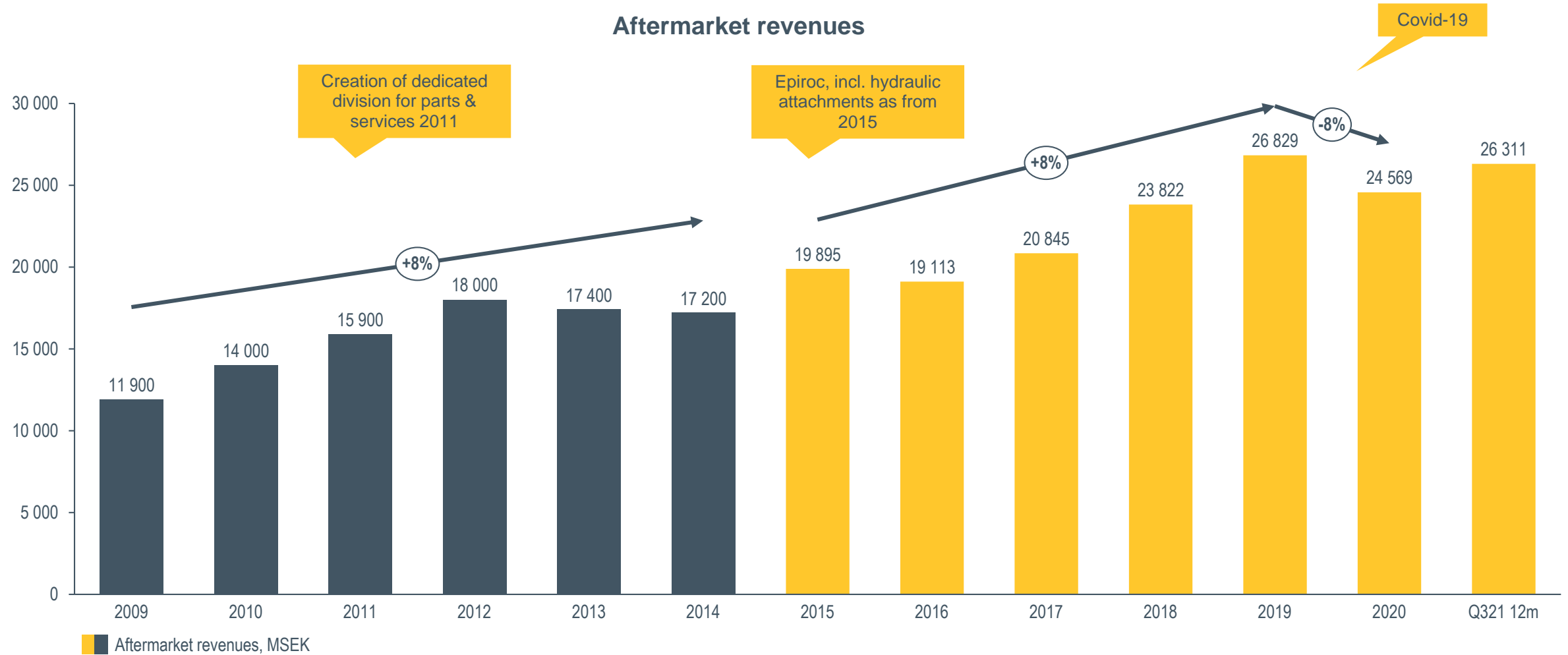


- Rock drilling tools



- Hydraulic attachments

# The aftermarket business provides resilience





**Jess Kindler**

**President  
Parts & Services Division**

2020: President Parts, Service and Supply Chain and member of Group Management

2016: President Mining and Rock Excavation Service division, Atlas Copco, Sweden

2013: Director, PT Atlas Copco Nusantara, Indonesia

2012: Master of Business Administration, Wharton School, USA

2005: Business Line Manager Atlas Copco CMT, USA

2002: Worldwide Service Manager, Ingersoll Rand Drilling Solutions, Garland, USA

2002: Captain, United States Army Corps of Engineers, USA

1998: Mining Engineer, Colorado School of Mines, USA

**Parts & Services**





# Let's start with the why

## Our offering



Replacement parts and kits



Service agreements and audits



Reman solutions



Batteries as a service



Midlife services  
(incl. battery conversion)



Custom-engineered solutions



Training products

## For our customers

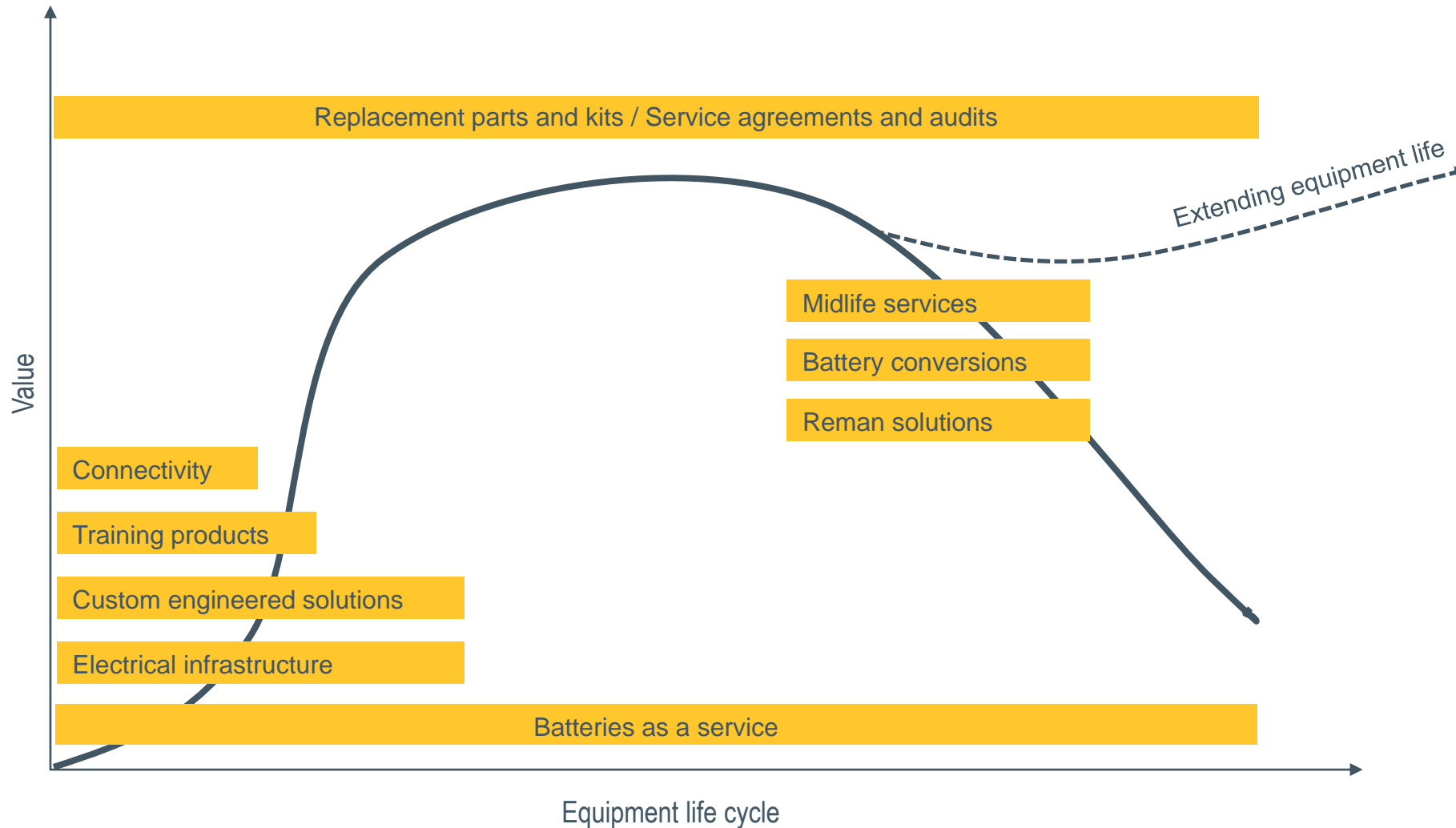
- Improved safety, e.g. Live Work Elimination
- Higher productivity
- Reliability and peace of mind
- Lower TCO
- Circular approach

## For Epiroc

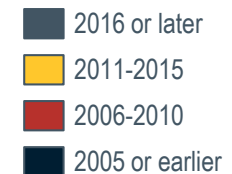
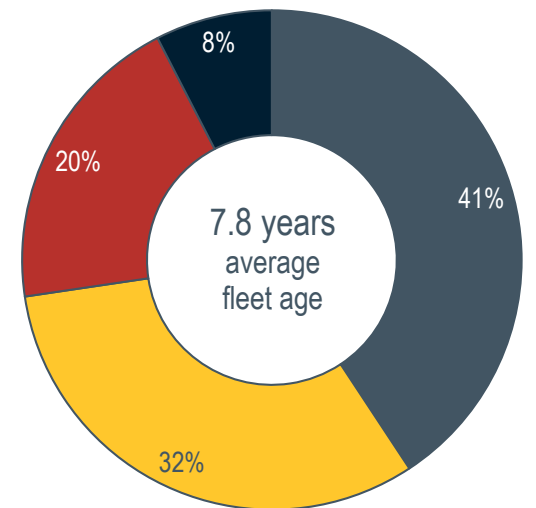
- Stronger customer relationships
- Recurring revenues
- New revenue streams
- Circular approach

# Equipment life cycle and service offerings

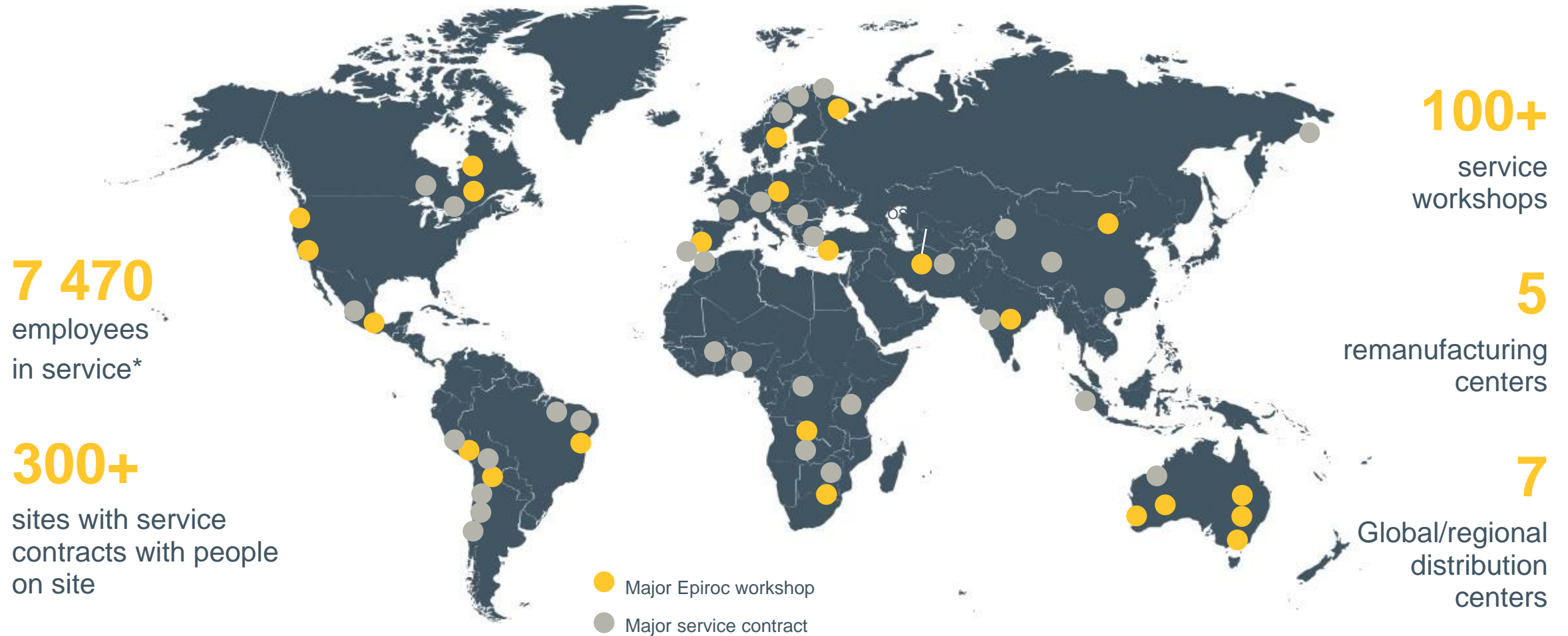
## Service – value proposition



**Equipment fleet**  
(year of commissioning)



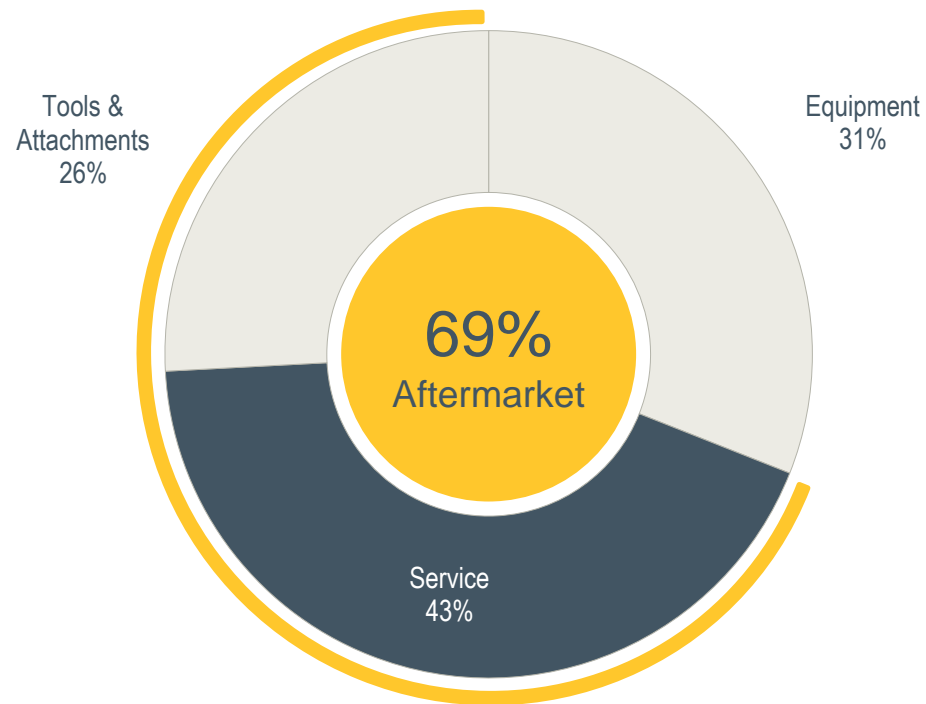
# Presence is vital and a competitive advantage!



\*Employees in Parts & Services division, excluding additional workforce

# A growing service business

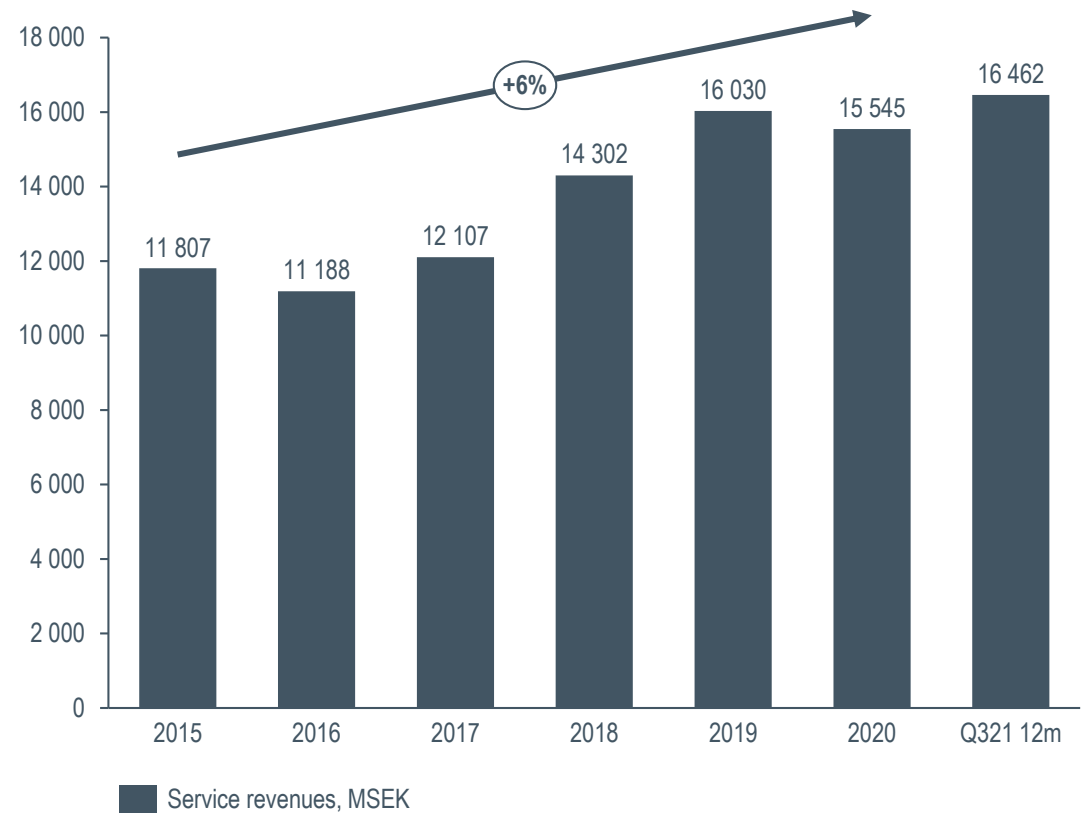
Revenues



12 months until September 2021



Service revenues





# Maximize full potential within service

- Right feet on the ground
- Connectivity to enable real-time data of activity levels, emissions, and need for aftermarket
- Take advantage of increasing technological height of capital equipment
- Tailored service products to different customer segments and channels
- Increase service excellence and strengthen aftermarket footprint

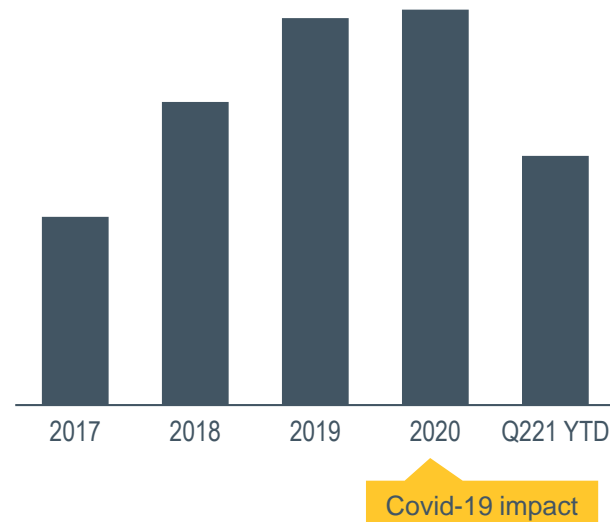


# The right feet on the ground

- 6 146 service technicians globally
- Focus on training and competence
  - Min. 40 hours per year
  - Efficiency, standardization, sales, quality, customer satisfaction and loyalty
- Around 300 apprentices in several academies

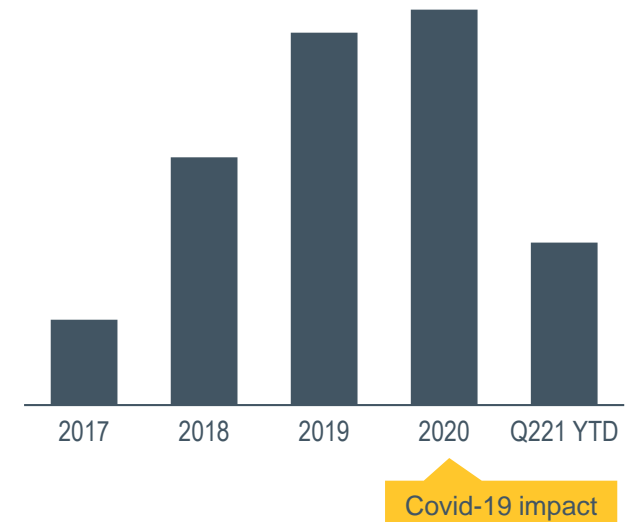
- 75% of technicians with knowledge in hydraulics, pneumatics and electrics

Certified technicians (Level 1), per year



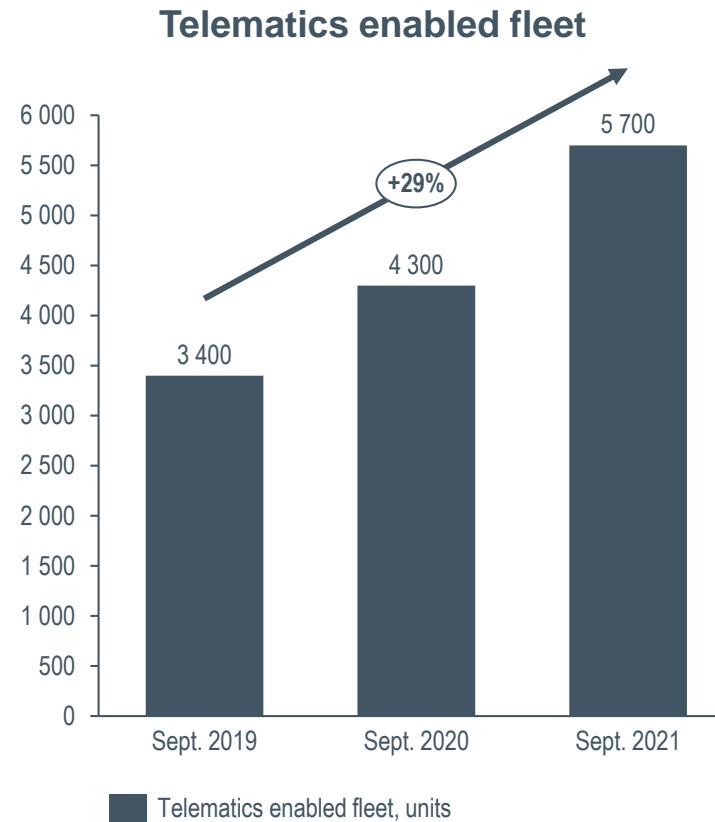
40% of technicians with deep technical knowledge in models and systems

Certified technicians (Level 2), per year



# Number of connected machines increasing

- Certiq – a telematics solution
  - Collects, compares and communicates vital real-time equipment information
  - Important building block for productivity and automation
  - User friendly web portal
  - Better maintenance planning; both for customers and Epiroc

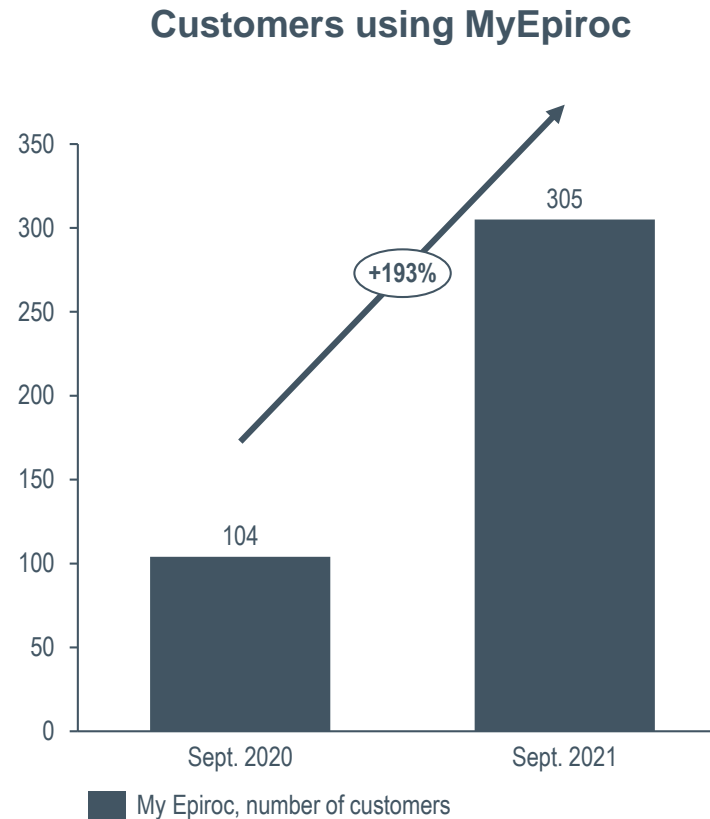


*Customer example:*

*LKAB, Europe's largest iron ore producer, has ordered several machines that include advanced automation features. All machines are equipped with Certiq. The order, totaling MSEK 105 was booked in Q3.*

# Number of connected machines increasing

- My Epiroc – track everything, act anywhere
  - Platform-independent solution for any device
  - Instant access to all machine data
  - Operational status, performance and location
  - Identifies replacement needs
  - Order of spare parts and tools directly through MyEpiroc



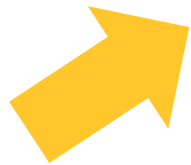
## *Customer example:*

*Easy to use, digital fault reports in My Epiroc tool has decreased downtime while increasing safety and productivity at Whatley Quarry, UK (operated by EPC Groupe UK).*



# Technological height increases aftermarket demand

- Positive correlation between technical height of equipment and share of installed base that we cater to



**+50%**

of installed base covered

- Automation vs. not automation
  - **>10%** higher 5 year cumulative parts revenues
    - Higher utilization contributing positively
    - Reduced parts damage contributing negatively
- Battery vs. combustion engine
  - **>12%** higher 5 year cumulative aftermarket revenues
    - Electric infrastructure and battery as a service contributing positively
    - Services and consumables on par or somewhat lower



# Electrification generates new revenues

- Batteries as a Service
  - Customers purchase the battery operation service
  - Circular approach
- Battery conversions
  - Scooptram ST1030
  - Scooptram ST14
  - Next up: Minetruck MT436
  - Several machines currently under conversion
  - Battery conversion for mixed fleet (other OEM)



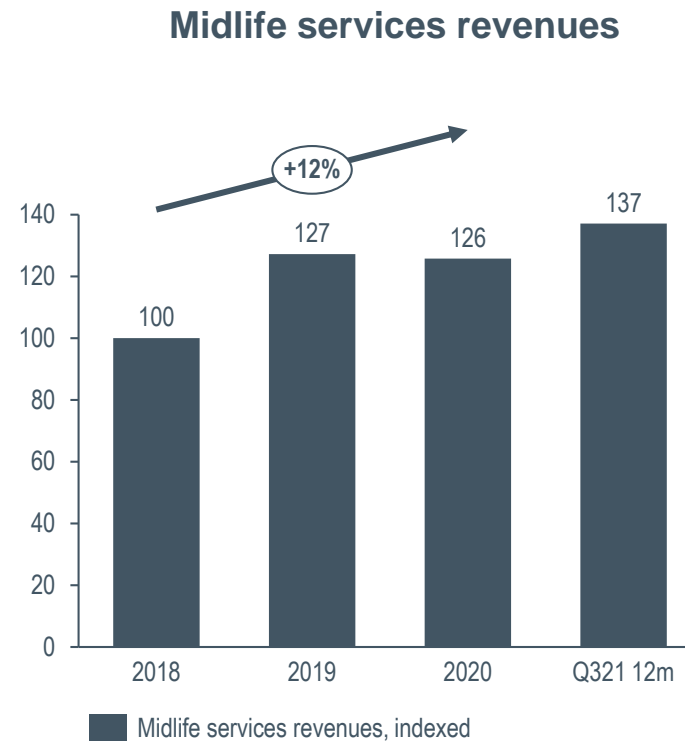
# Movie: Aftermarket – Battery conversion

**Make the switch.**



# Midlife services: Extending equipment life

- Returning equipment to maximum productivity and operating efficiency
- Replacing old components with new
- Only a fraction of the cost of a new machine
- Battery conversions
- Engine repower and emission upgrades
- Circular approach



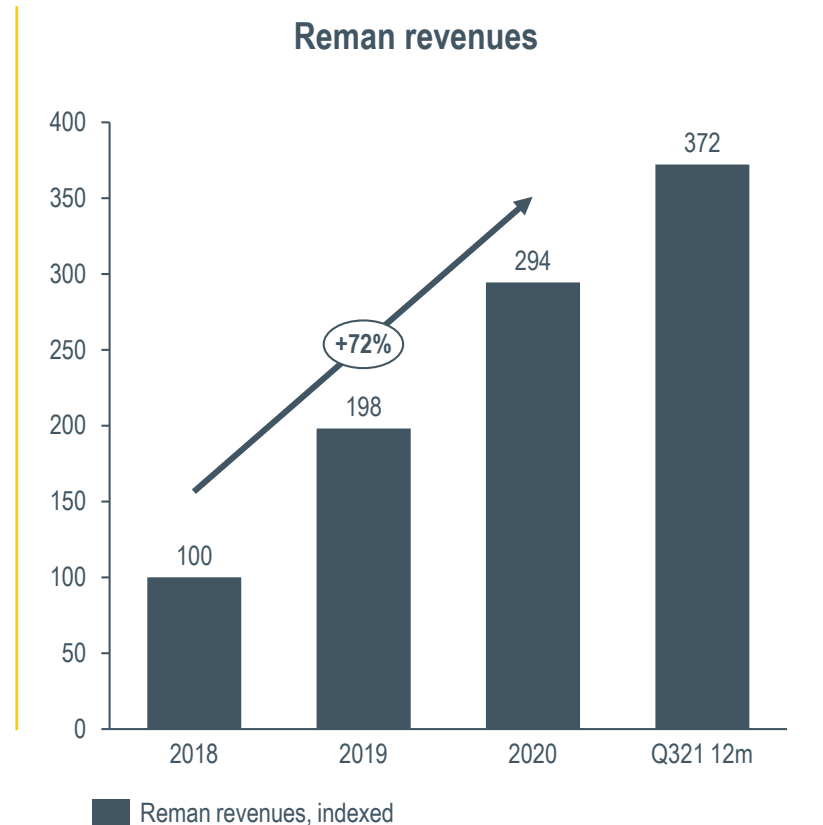


# Movie: Reman solutions: Extending life of existing parts



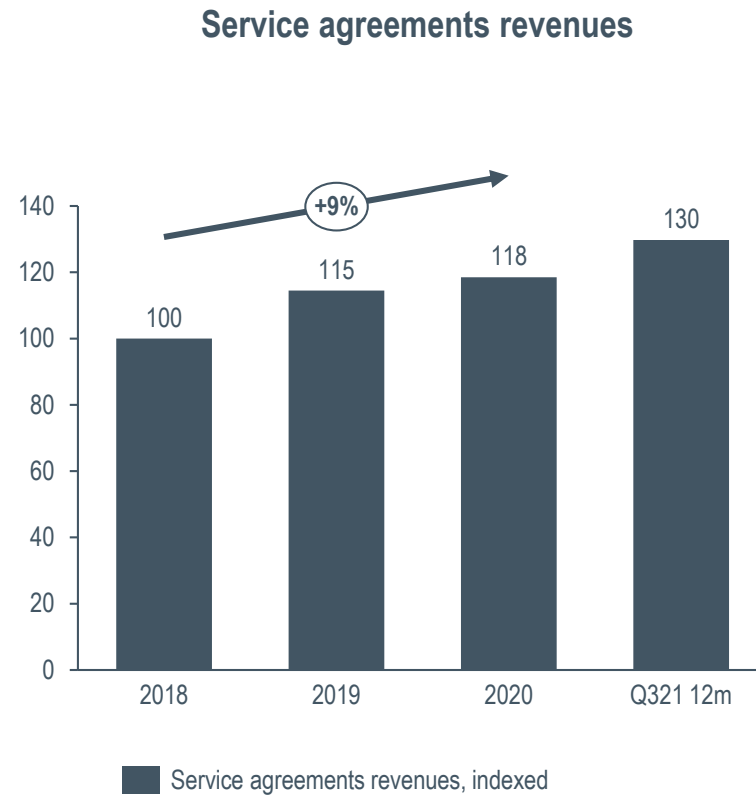
# Reman solutions: Extending life of existing parts

- Reliable parts with minimal downtime (incl. warranty)
- Sustainable option
- Reman programs in USA, Canada, Chile and Mexico
- Approx. 2 000 components remanufactured in 2021



# From parts provider to partner

- Strong local presence
- Improved value propositions
- Different agreements for different demands
- Lifecycle management
- Data-driven services and subscriptions





**Goran Popovski**

**President  
Tools & Attachments  
Division**

2020: President Tools & Attachments and member of Group Management

2017: President Hydraulic Attachment Tools Division, Sweden

2012: Vice President Marketing, Sweden

2010: Regional Business Manager SDE - Region EMEA (Europe, Middle East, Turkey and India), Czech Republic

2006: Regional Business Line Manager SDE - Region Central Europe, Czech Republic

2005: M.Sc. of Logistics, Materials and Supply Chain Management, Gothenburg University, Sweden

2002: M.Sc of International Business, Gothenburg University, Sweden

1998: B.Sc. from Univerzitet 'Sv. Kiril i Metodij' Skopje, Republic of Macedonia

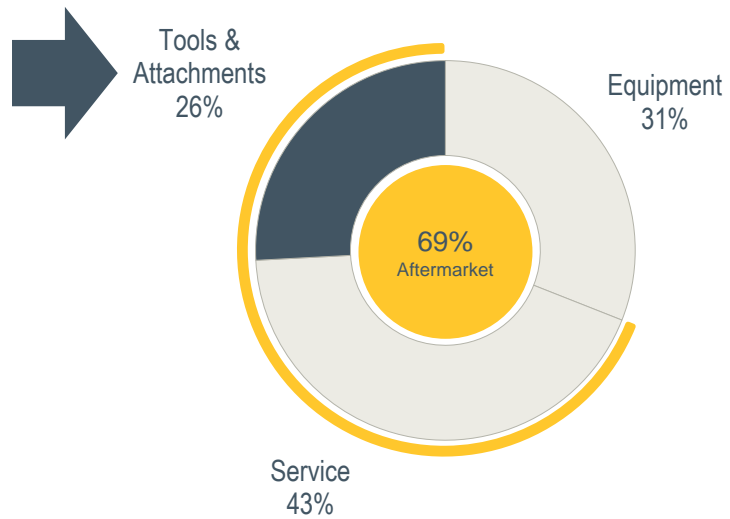
**Tools & Attachments**





# Tools & Attachments – division and reporting segment

## Revenues



=



# Tools and attachments for hard rock excavation, demolition and recycling

- Extensive range of high-end rock drilling, exploration and ground support drilling tools



- High-end hydraulic attachments



- Connectivity

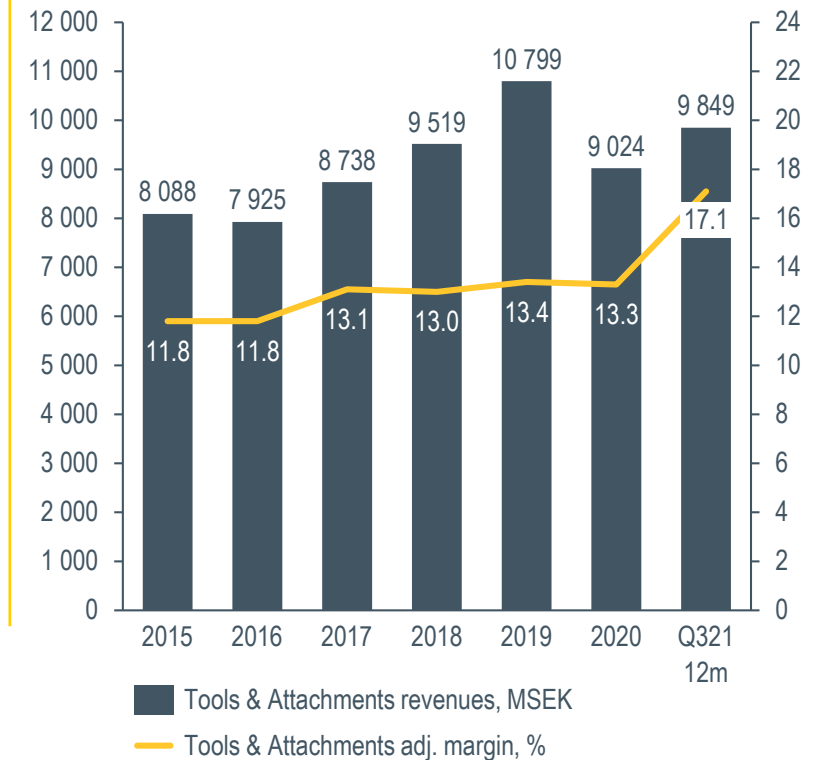


# Our profitable growth journey

- Strong innovation focus to stay ahead of competition
- Improving value proposition to reach more – and selective - customer segments
- Improving internal efficiency
- Ownership and focus on execution



Revenues and adj. operating margin



# Strong innovation focus to stay ahead of competition

- Drilling tools
  - Improved value proposition
  - Longer service life
  - DTH hammers with new valve system
  - Water Treatment Systems
    - Exploration tools with 70% reuse of water

- Hydraulic attachments
  - HatCon for higher utilization
  - Continuous product improvements
    - Performance
    - User friendliness
    - Aftermarket support
    - Sustainability in focus

- 6<sup>th</sup> Sense
  - Optimal utilization of Epiroc rigs and tools





# Improving value proposition to reach more customer segments

- Broadening range of channels to reach important customers
  - Construction
  - Recycling
  - Mining and quarrying
- E-commerce
  - MyEpiroc



- Smart Inventory Management system
  - Availability in focus
- Different value propositions
  - Essential Line Working tools
  - Extension of breaker range
    - Incl. DandA
  - Different agreements; e.g. Cost per meter contracts

# Movie: Kaunis Iron



# Improving internal efficiency

- Motivated and committed team
- Focused organization
- Reducing complexity
- Improving utilization of factories
  - Consolidated production of exploration drilling tools
- Portfolio improvements with niche focus
  - Closed production of handheld rock drilling tools
- Improved transport and logistics routines



*In the Tools & Attachment's RockStar awards, colleagues nominate colleagues in these categories:*

- *People Matter*
- *Innovation is Core*
- *Customer in Focus*
- *Best Performance*

# From tools provider to partner



- 240+ rock drilling tools contracts
  - Double digit growth
  - Surface, underground, mining and infrastructure
  - Approx. 150 cost per meter contracts
- Benefits for our customers:
  - Predictability of cost
  - Stable production
  - Reliable supply and service
- Benefits for Epiroc:
  - Customer centricity and partnership
  - Recurring business
  - Better planning and production
  - Economies of scale



## *Customer example:*

*JCHX Mining in Zambia has worked with Epiroc since 2012, with an ever increasing rate of collaboration. With the Epiroc drill bits, JCHX Mining has increased drilling rate by 66% while increased service life of components by 50% (vs. competitor consumables).*



# Movie: Second to none – Roc-Drill



# Strategy and foundations for success



Focus on attractive niches

Innovation

Aftermarket

Operational  
excellence

Outperformance

Sustainability and a strong company  
culture being our foundation

30 min Q&A  
at the end

# Operational excellence

**To do the right things**

**+**

**To do these things even better**



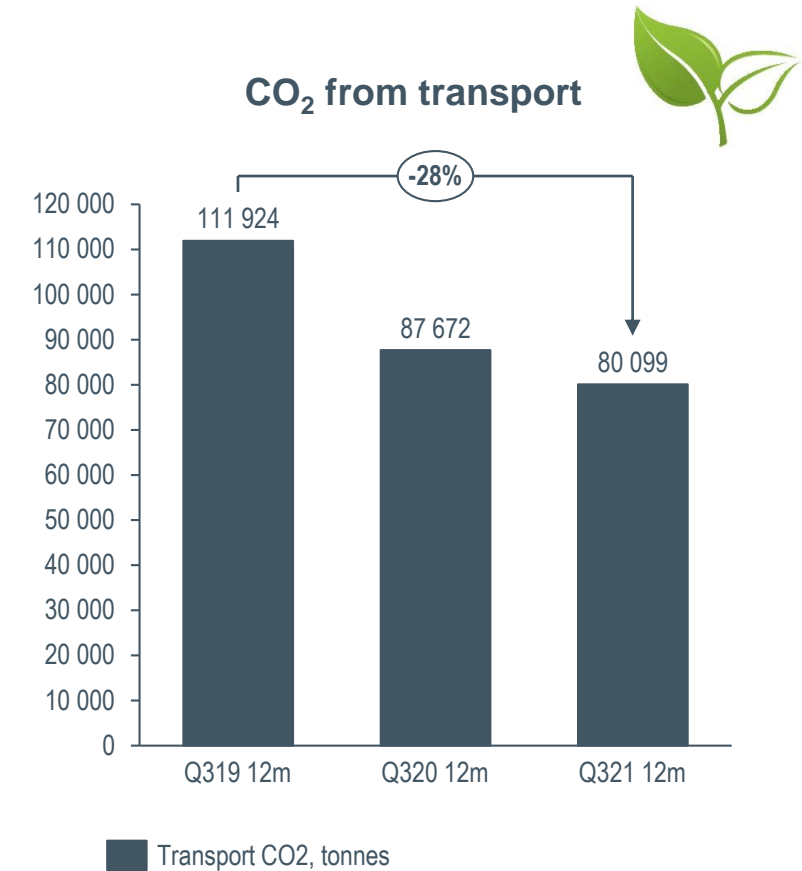
# Supply-chain excellence

- Supply-chain improvement program

- Integrate the supply-chain organization
- Re-design regional distribution centers

- Example of goals and achievements:

- Customer availability up 14% in Tools & Attachments\*
- Customer availability up 25% in Service\*
- Transport CO<sub>2</sub> down 28%



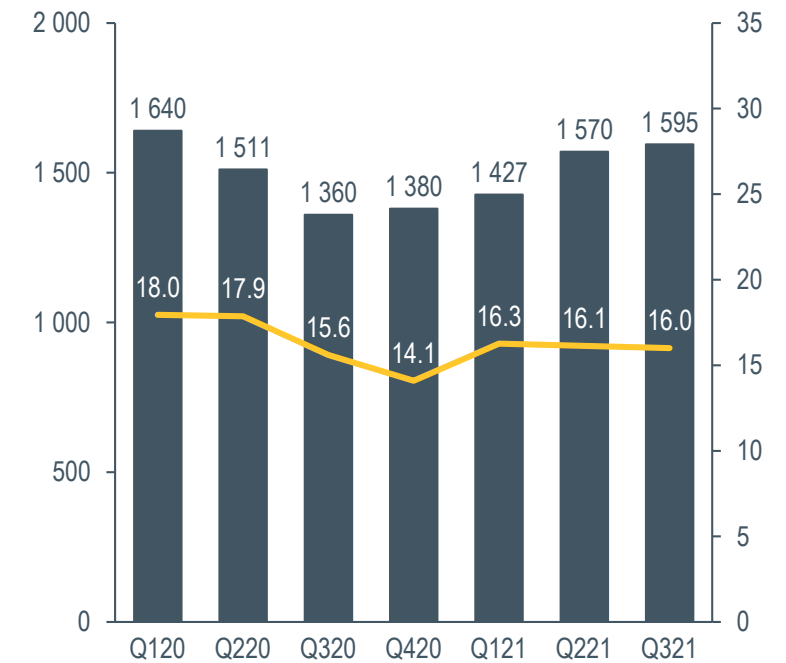


# Administration excellence

- Create a stronger and more agile Epiroc
  - Define best way of working
  - Simplify and increase process effectiveness
- Example of action and achievement:
  - Establish Regional Centers of Excellence to simplify and align administration processes



**Admin, marketing and R&D expenses**



— Expenses in % of revenues

■ A, M and R&D expenses, adj. for items affecting comparability, MSEK

# Welcome Håkan Folin!



- SVP Controlling and Finance (CFO)
  - Mission: to drive financial and operational excellence and actively contribute to Epiroc's continued profitable growth.
- 2013: CFO, SSAB AB
    - 2013: VP Group Business Control
    - 2010: CFO Business area APAC, SSAB AB
  - 2008: CFO, Tibnor AB
  - 2006: Group Business Controller
  - 2005: Business Development Newsec
  - 2002: Senior Associate, McKinsey
  - 2002: M.Sc. in Engineering/Industrial Management from KTH Royal Institute of Technology in Stockholm, Sweden

# Strategy and foundations for success



**Focus on attractive niches**

**Innovation**

**Aftermarket**

**Operational  
excellence**

**Outperformance**

**Sustainability and a strong company  
culture being our foundation**

**30 min Q&A  
at the end**



**Mattias Olsson**

**SVP Corporate  
Communications**

2018: SVP Corporate Communications,  
Epiroc

2016: Head of Investor Relations  
ASSA ABLOY, Sweden

2011: Vice President, Investor Relations,  
Atlas Copco, Sweden

2009: Investor Relations Manager and Senior Project  
Manager, Atlas Copco, Sweden

2008: Business Controller,  
Atlas Copco, Switzerland

2007: Equity analyst,  
Standard & Poor's, Sweden

2000: Investor Relations Manager,  
Atlas Copco, Sweden

1997: Market Communications Manager,  
Atlas Copco Rock Tools, Sweden

1997: M.Sc. in Business Administration, Linköping  
University, Sweden

**Outperformance**





# Financial goals for value creation

Goals	Description		2015 – 2020	2021 12m Sep.*
<b>Growth</b>	Annual revenue growth of 8% over a business cycle.	Compound annual growth rate	<b>5%</b>	<b>5%</b>
<b>Profitability</b>	Industry-best operating margin, with strong resilience over the cycle.	Average operating margin	<b>19.1%</b>	<b>22.5%</b>
<b>Capital efficiency</b>	Improve capital efficiency and resilience. Investments and acquisitions shall create value.	Average ROCE	<b>25.3%</b>	<b>25.0%</b>
<b>Capital structure</b>	Have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating.	Rating <b>BBB+</b>		
<b>Dividend policy</b>	Provide long-term stable and rising dividends to its shareholders. The dividend should correspond to 50% of net profit over the cycle.	Average dividend 2018-2020	<b>50%</b>	The dividend for 2020: <b>56%</b>

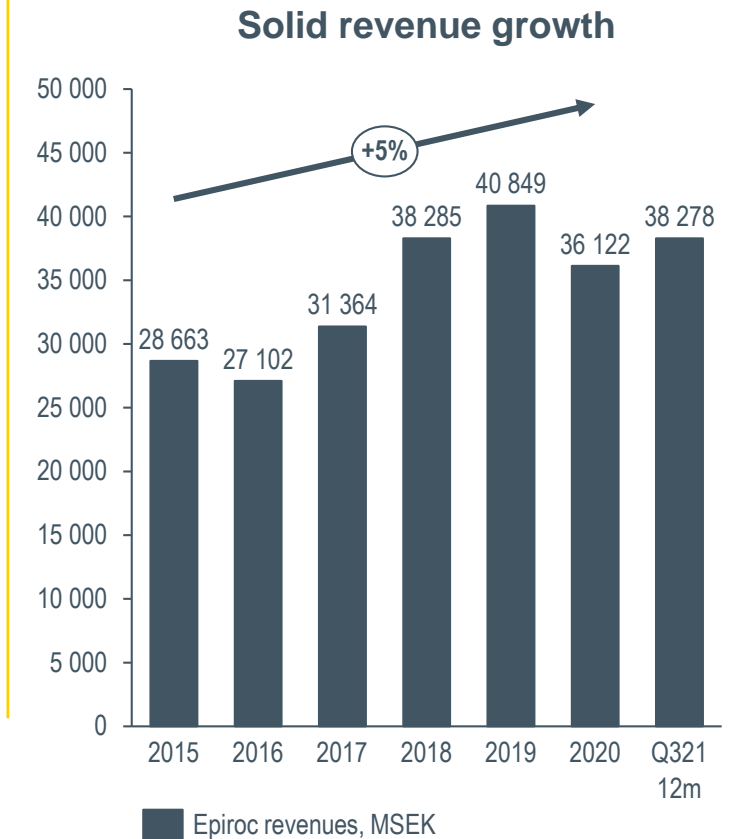
\*12 months until September 2021. Operating margin as reported, including change in provision for share-based long-term incentive programs and restructuring costs. (Adj. margin 23.0%)

+ SEK 3.00  
redemption  
per share

# Annual revenue growth impacted by pandemic

” Epiroc’s goal is to achieve annual **revenue growth of 8%** over a business cycle and to grow faster than the market

Growth will be organic and supported by selective acquisitions

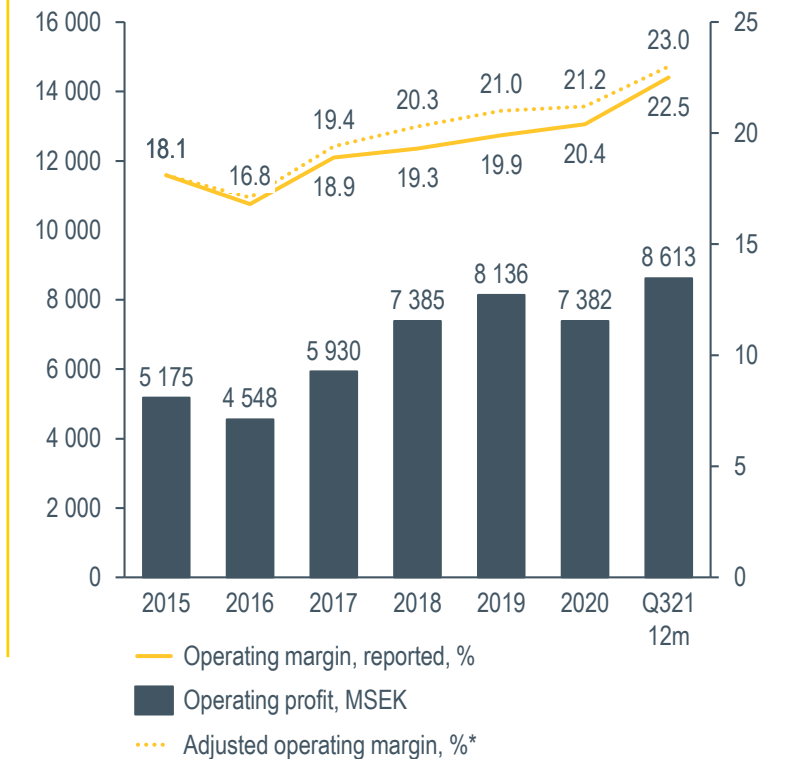


# Industry-best operating margin

” Epiroc’s goal is to have an **industry-best operating margin** with strong resilience over the cycle



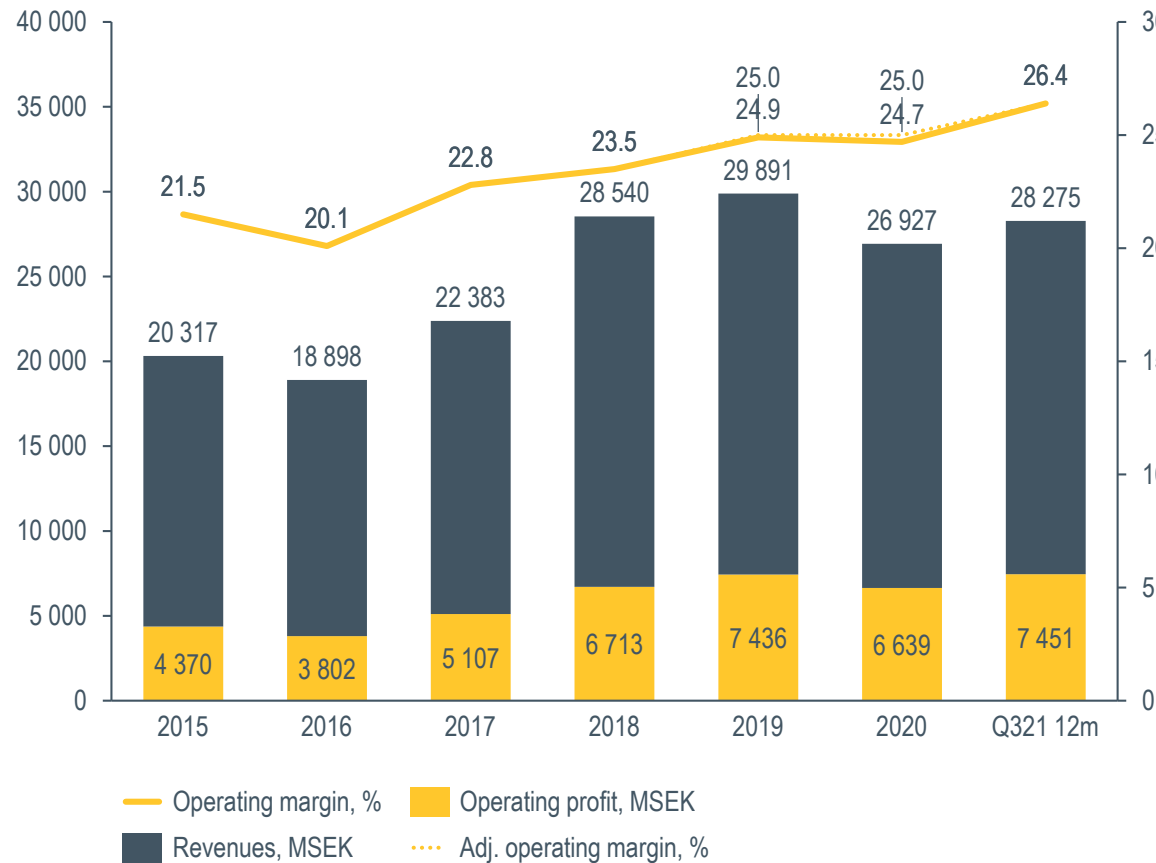
## Operating profit and margin



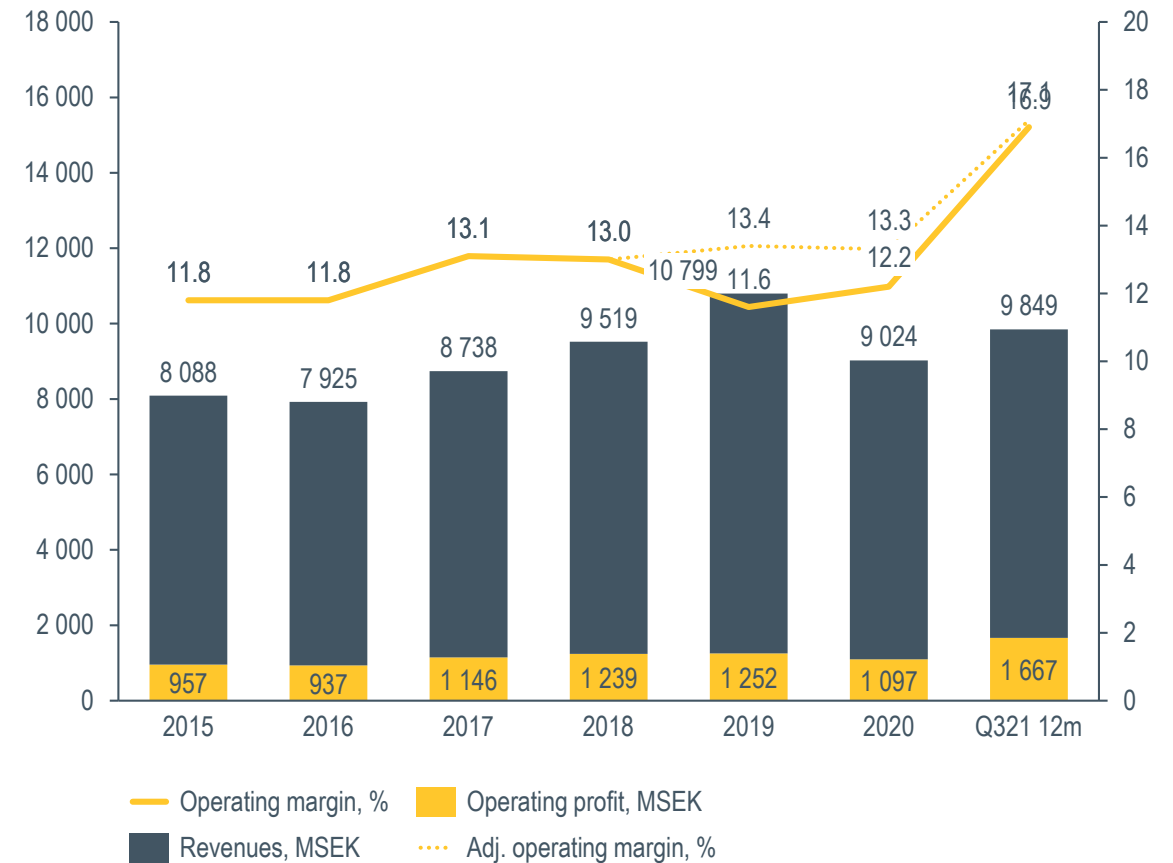
\*Adjusted for items affecting comparability. Items affecting comparability include change in provision for long-term incentive plans and restructuring costs. Costs related to the split from Atlas Copco were classified as items affecting comparability in 2018.

# Two reporting segments

## Equipment & Service



## Tools & Attachments





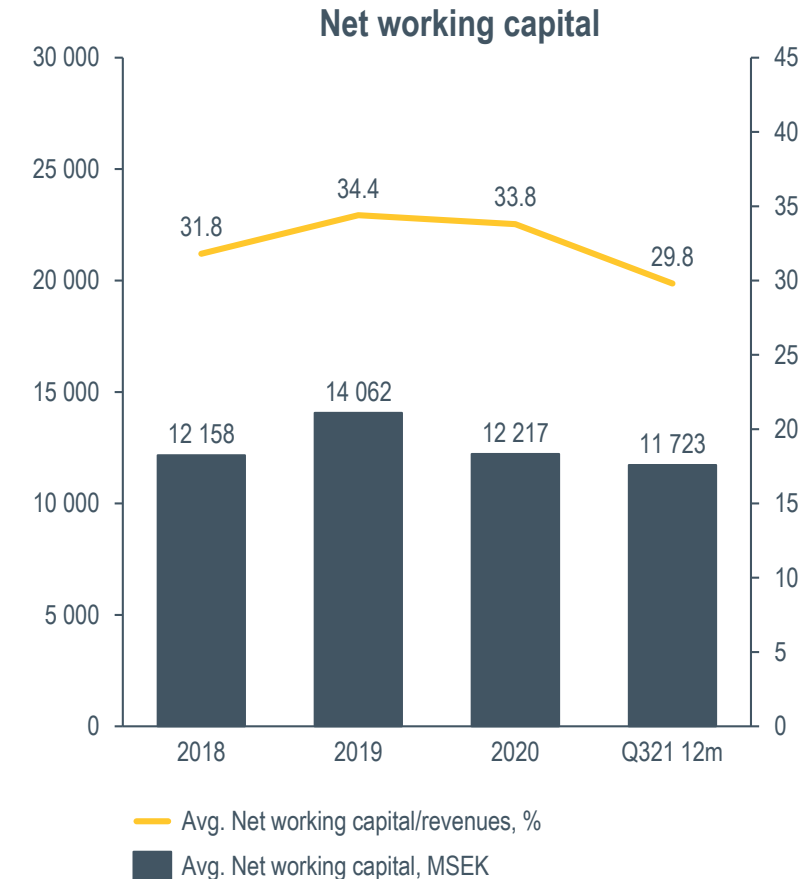
# Capital efficiency impacted by volume growth

” Epiroc’s goals are to

- Improve capital efficiency and resilience
- Investments and acquisitions shall create value

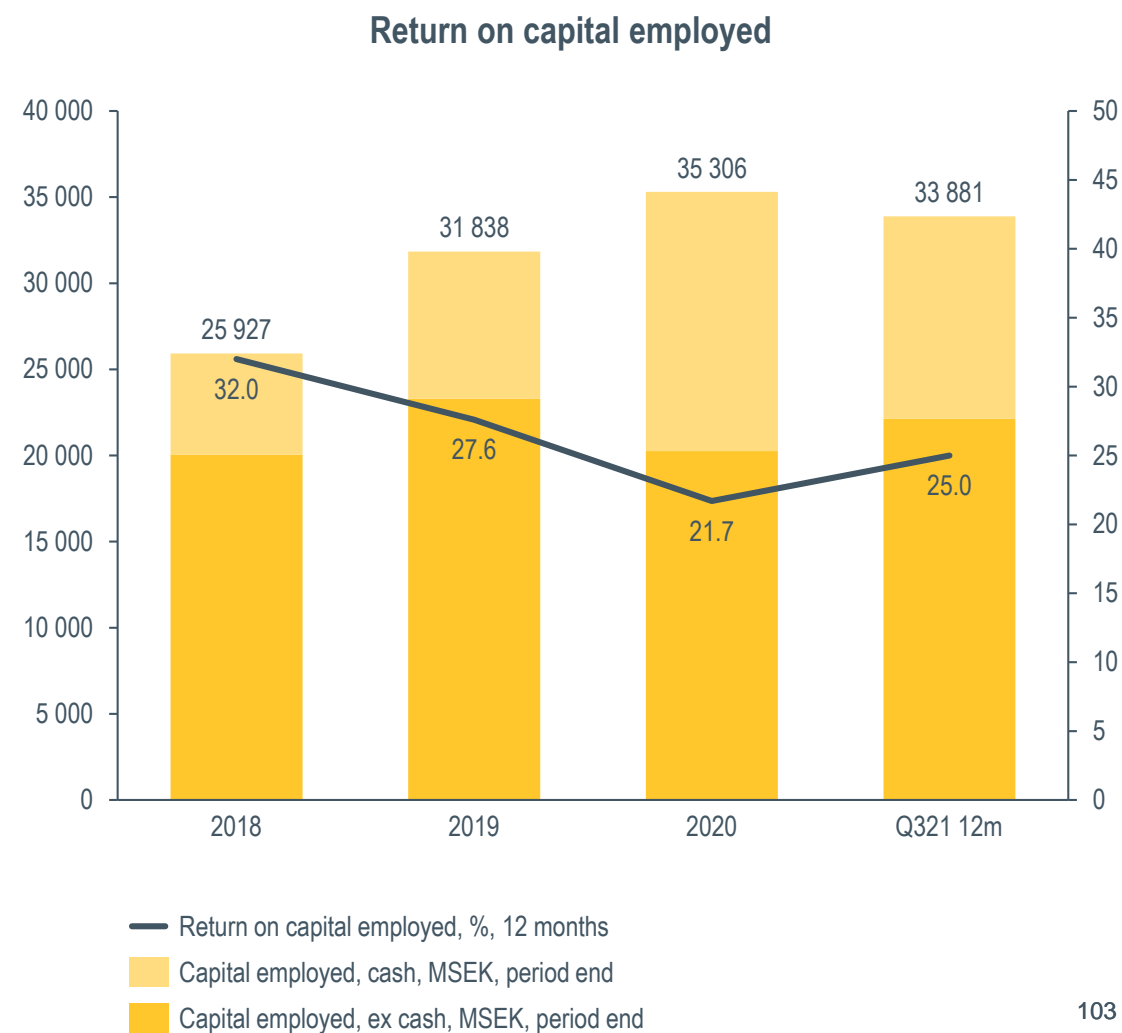


- Large aftermarket
- Flexible manufacturing
  - We produce on orders
  - We only produce core-components
  - 75% of product cost for equipment is purchased



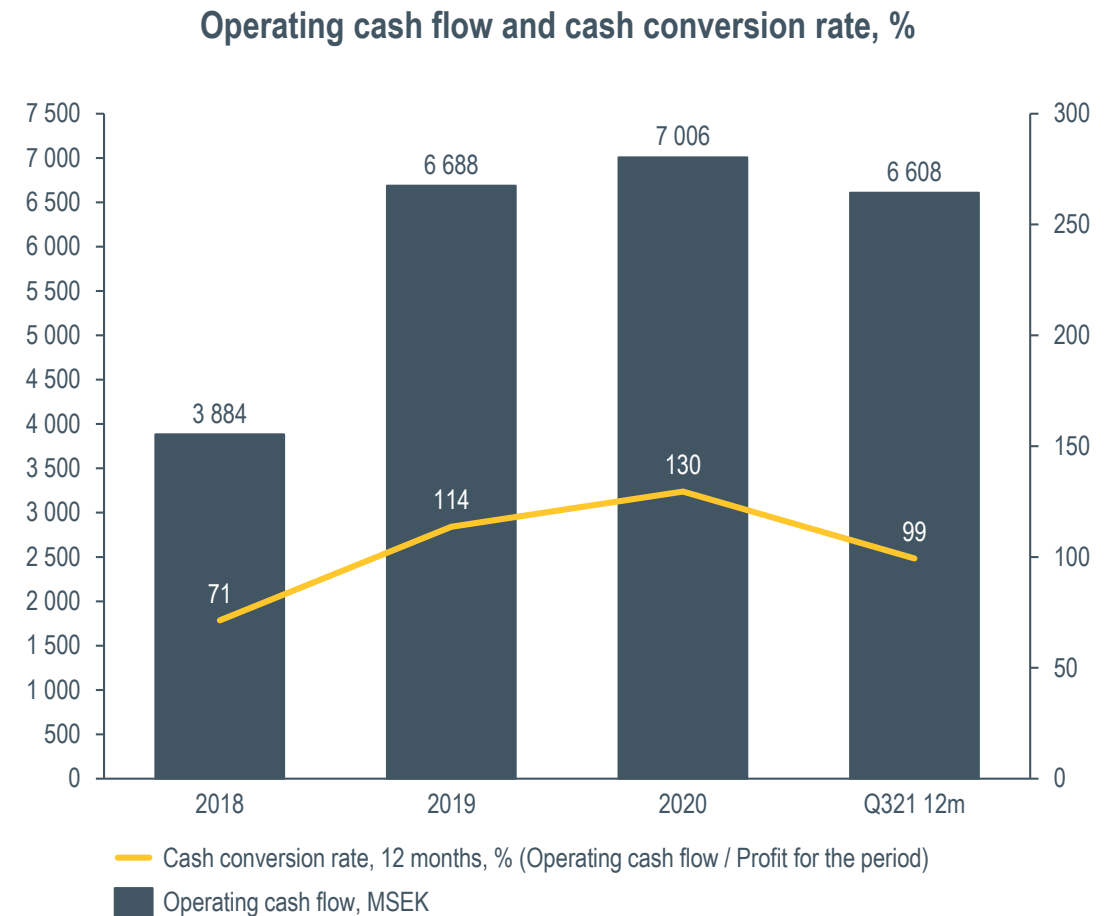
# Capital efficiency impacted by strong cash generation

- ” Epiroc’s goals are to
- Improve capital efficiency and resilience
  - Investments and acquisitions shall create value



# Strong cash generation

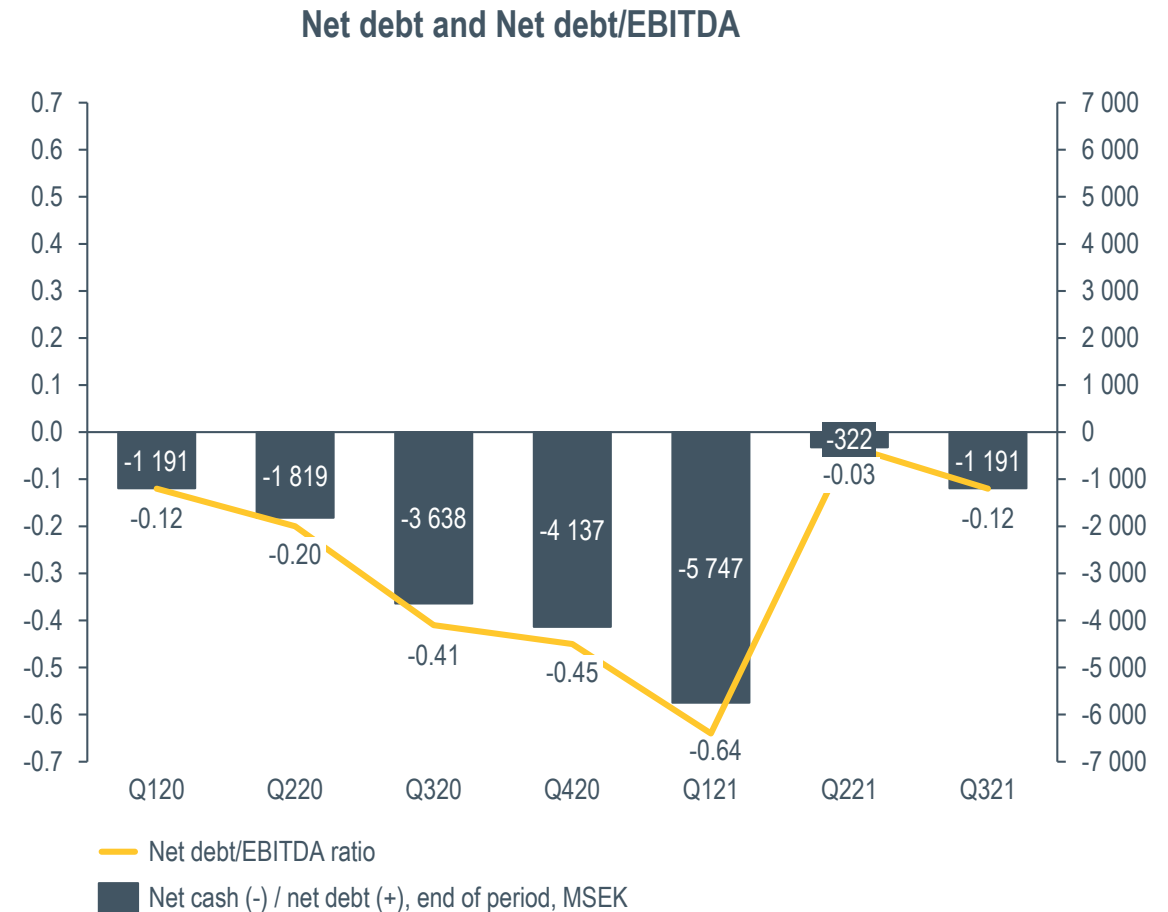
- Operating cash flow varies over the cycle
  - When the demand is good we grow and increase working capital
  - When the demand is poor we generate cash and release working capital
- Low capex needs
  - Limited investments in other property, plant and equipment
  - Rental equipment
  - Intangible assets mainly R&D and IT



# Solid financial position

” Epiroc is to have an efficient capital structure and have the flexibility to make selective acquisitions. The goal is to maintain an investment grade rating

Epiroc is assigned a **BBB+** long-term issuer credit rating with a stable outlook





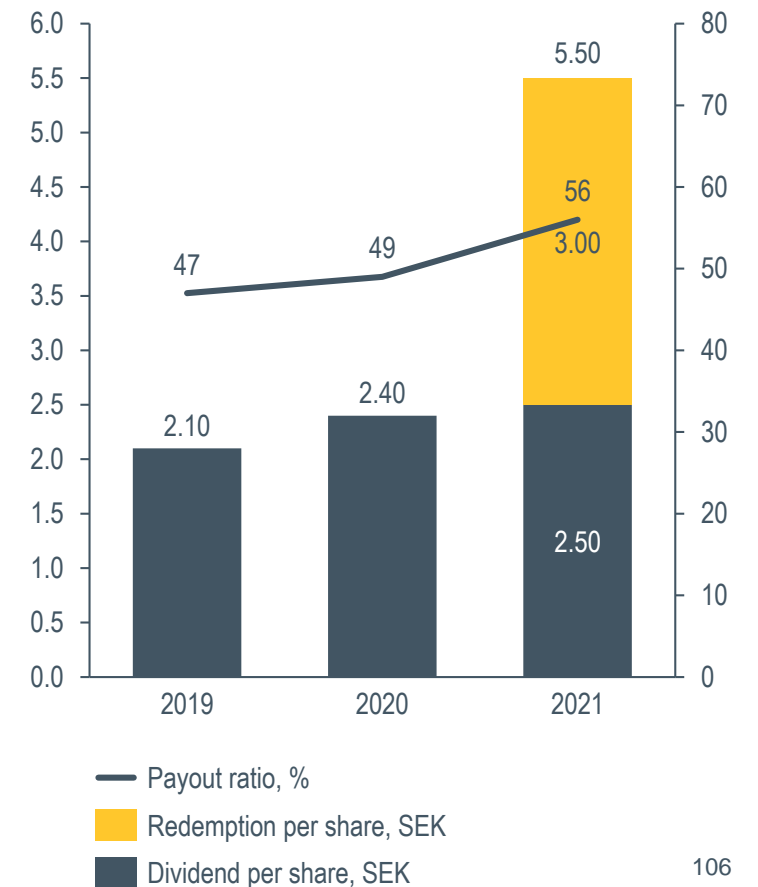
# Priorities for use of cash

- Continuously invest in organic profitable growth
- Invest in acquisitions that support our organic efforts
- Cash distribution

” Epiroc’s goal is to provide long-term stable and rising dividends to its shareholders

The **dividend** should correspond to **50% of net profit** over the cycle

Dividend and payout ratio



# Creating options for the future

- Outperformance by:
  - Foundation for success: Sustainability & culture
  - Focus on attractive niches
  - Innovation leadership
  - Aftermarket growth
- **Creating options for the future!**
  - M&A and partnerships



# ” Investments and acquisitions shall create value

- Achievements since 2017
  - 19 acquisitions
  - Focused on technology, aftermarket and consumables
  - Aligned with innovation and sustainability agenda
  - Over 3 BSEK in annual revenue contribution
  - Good progress and integration according to plan

- Acquisitions last 12 months
  - FVT Research
  - Mobilaris (remaining part)
  - DandA Heavy Industries
  - Mining Tag S.A.
  - Meglab
  - 3D-P
  - Kinetic Logging Services
  - MineRP



# Adding capability through M&A: Key criteria



Stand-alone  
attractiveness

*“Is this target attractive and  
well-performing in itself?”*



Strategic fit and  
synergies with Epiroc

*“Does it support a core  
business strategy of Epiroc?”*



Potential to become or  
remain number 1 or 2

*“Does it provide a path to a  
market leading position?”*



# Strategy and foundations for success



**Focus on attractive niches**

**Innovation**

**Aftermarket**

**Operational  
excellence**

**Outperformance**

**Sustainability and a strong company  
culture being our foundation**

**30 min Q&A  
at the end**

# Q&A



# United. Inspired.

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.

**[epiroc.com](https://epiroc.com)**





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