2025-06-11 10:22

Dear Epiroc analyst,

I hope all is well. Please find some already communicated information to consider (checklist) when preparing your pre-results analysis. **Black text = new.** Grey text = from previous pre-results e-mail. You can find all financial publications here.

Report details:

- We plan to publish the results at **11:00 CEST** on Friday, July 18.
- The **webcast** is planned for 12:00 CEST.
- Webcast link here.
- Telco numbers can be found here.
- We enter quiet period on June 18.

Company-compiled consensus:
As always, we gather company-compiled consensus and share with those analysts contributing. See form attached. Please add your estimates and send it back no later than **Monday, July 7.**

Pre-call?
By sending this e-mail, I hope that you get all your questions answered. However, if anything is unclear, please reach out as soon as you can.

Demand comment in CEO comment:

- In the near term, we expect underlying mining demand, both for equipment and aftermarket, to remain at a high level. The construction demand is, however, expected to remain weak.
  - *Comments from the Q1 results call.*

Demand comment for construction? *22% of group orders in Q125.*

- The demand for equipment used in larger infrastructure projects, such as tunneling, was stable, whereas the demand for attachments used for construction work remained weak.
- In the near term, we expect the construction demand to remain weak.
  - *From the Q1 report.*
- Sequentially, however, it was a positive seasonality, supported by demand for attachment driving the organic growth of 10%. And then the big question is, does this mean then that the weak construction market has turned? Well, we would be very careful in making that conclusion yet. It is still a challenging construction market, although we are seeing the destocking phase that we have talked about for a while now, among distributors is coming to an end.
  - *Comments from the Q1 results call.*

Details on mining demand? *78% of group orders in Q125.*

- Mining demand was strong and equipment orders were very strong.
- We expect that the underlying mining demand both for equipment and aftermarket will remain at a high level, or as I sometimes say, the business-cooking and the potential for large orders looks good also onwards.
  - *Comments from the Q1 results call*

Large (mining) orders?

- We won MSEK 600 in large orders (in Q1). Among these, we had a large one, MSEK 280 from Hindustan Zinc for underground trucks and rigs. And we had a large battery fleet order as well, MSEK 100 from Hudbay Minerals in Canada.
- We see a lot of replacement orders of fewer machines in more or less all parts of the world. And we continue to see that the pipeline looks good. It's both a strong pipeline when it comes to replacement of existing fleet, but also a strong pipeline of large orders. And that's why we guide like we do here short term. So it looks solid.
  - *Comments from the Q1 results call. See also our key figures file, sheet "large orders".*
- Epiroc AB has won a significant contract to deliver a major fleet of fully autonomous and electric surface mining equipment to Fortescue in Australia. It is the largest order contract in Epiroc's history. The equipment order contract is valued at MAUD 350 (SEK 2.2 billion) over five years. A first portion of the contract, valued at approximately MSEK 100, is expected to be booked in the second quarter of 2025.
  - Press release

Quarter	Sum of externally announced large orders (press release)	Comment in results presentation
Q225	100	*NA*
Q125	380	600
Q424	245	820
Q324	Approx 200	*1 400*
Q224	215	*950*

How would Epiroc be affected by potential US tariffs?

- We are closely monitoring market developments, and we have already started to optimize logistics and distribution flows, leveraging our global manufacturing footprint and explore alternative suppliers as well as discuss potential pricing impact with our customers.
  - *From Q1 report*
- We are not quantifying the effect. But of course, there is an impact. We are busy with mitigating actions, redirecting routes of our distribution, for example, from Europe not going through U.S. and then into Canada or Mexico or South America, we're going direct instead. We're also leveraging our global footprint when it comes to manufacturing because we have dual capabilities for many products.
  - *Comments from the Q1 results call*
- **Group revenues from US?** 13% in 2024.
- **COGS from within the US vs. COGS imported?** We do not share this data, but Epiroc produces more in value in the US, than Epiroc invoices in the US.
- **Main production sites / countries?** Our main production countries (numbers of headcounts) are in Sweden, South Africa, US, China and Australia. Largest production sites are: Örebro, Sweden (underground and surface equipment), Johannesburg South Africa (Rock reinforcement and ground support), Garland, US (Surface drill rigs), Fagersta, Sweden (Rock drilling Tools).
  - *IR comment. The Epiroc Annual report 2024, page 150, lists all facilities and entities. In addition, Epiroc has another 10+ facilities in the US that came into Epiroc with the acquisition of Stanely Infrastructure in 2024.*

Demand for automation solutions? Position within automation?

- In April when we announced our largest ever order contract. And this is not only a large contract. This is the future of mining making its entry in full scale. We will provide a fleet of more than 50 machines fully autonomous and electric to Fortescue in Australia.
  - *Comments from the Q1 results call.*
- We increased the number of driverless machines by 21% in 2024 and automated mixed fleet number now exceeds 3 450 machines. It is pleasing to see that our customers trust our abilities, which have translated into a strong demand for solutions for mixed fleet automation for all types of driverless machines. And the demand has been strong for teleremote solutions for fully automated drill rigs as well as for mixed fleet solutions within load and haul, which is very much fleets consisting of other OEMs machines.
  - *Comments from the Q4 results call*
- Market leader in mixed-fleet automation with +3 100 driverless machines. We have more than 1300 machines with tele-remote capabilities. We have 1100 fully autonomous drill rigs – and this number is both underground and surface – and we have more than 850 fully autonomous load/haul machines using our software systems. To our knowledge, this makes Epiroc the largest provider of automation in the mining and construction industry.
  - *Comments from the CMD presentation.*

Size of electric business? BaaS? Impact on Balance sheet?

- We will provide a fleet of more than 50 machines fully autonomous and electric to Fortescue in Australia. The machines, we will provide are cable-electric Pit Vipers 271 E and battery-electric SmartROC D65 BE.
- We had a large battery fleet order as well, SEK 100 million from Hudbay Minerals in Canada.
  - *Comments from the Q1 results call.*
- In 2024, the electrification revenues of group total were 4.2% and we have noticed that our first movers are happy with their BEV fleet with utilization more than doubling in 2024. In total, 39 mining sites globally have ordered battery electric equipment since we launched our 2018 generation of BEVs. And of the sites with BEVs in operation, 28% have already ordered more. And let me be clear, our electric trucks, loaders and drill rigs are designed and purposely built to exceed the productivity of the diesel versions.
  - *Comments from the Q4 results call.*

Working capital? Supply-chain issues? Lead times? Time to translate equipment orders to equipment revenues?

- Compared to the previous year, net working capital decreased 3% to SEK 22.7 billion, which is 36.9% of revenues. In absolute terms, and if we exclude currency and M&A, the working capital was roughly flat and the changes in each of them offset each other. Our inventory amounted to SEK 18.3 billion, which is the lowest level in many quarters. As we have talked about before, we work hard on reducing the inventory and becoming more efficient in working capital management.
- Sequentially, the average net working capital in relation to revenues decreased.
    - *Comments from the Q1 results call*

What about EBIT-margins?

- We do not provide guidance (on margin).
- **Group:** In total for the group, we ended with a margin of 19.9% and with an adjusted operating margin of 19.9%. It was supported by currency, while the organic contribution was negative, partly explained by a lower share of service revenues.
- **E&S:** 23.3% in EBIT margin. The adjusted operating margin, when we exclude items affecting comparability, improved to 23.3% from 22.3%, supported by currency. The organic contribution was slightly negative, explained by service mix, both a lower share but also that the strongest growth was achieved in part of the business with lower margins.
- **T&A:** The margin was 12.1%, Currency impacted the margin positively, while lower revenues and acquisitions impacted negative. And the dilution from acquisitions included in structure was minus 2.7 percentage points on the adjusted margin and again, mainly then related to the acquisition of Stanley Infrastructure. *See more below, under the section Stanley Infrastructure*
    - *All margin comments above from the Q1 results call.*
- In May, Epiroc announced the consolidation of a drilling tools manufacturing site from Canada to Mexico (Tools Division). It will begin in the third quarter 2025 and the consolidation will be completed by the first quarter 2027. Around 65 employees will be affected and Epiroc will have restructuring costs of approximately MSEK 70 (excluding tax impacts) in the second quarter 2025.
    - Press release

Interest cost?

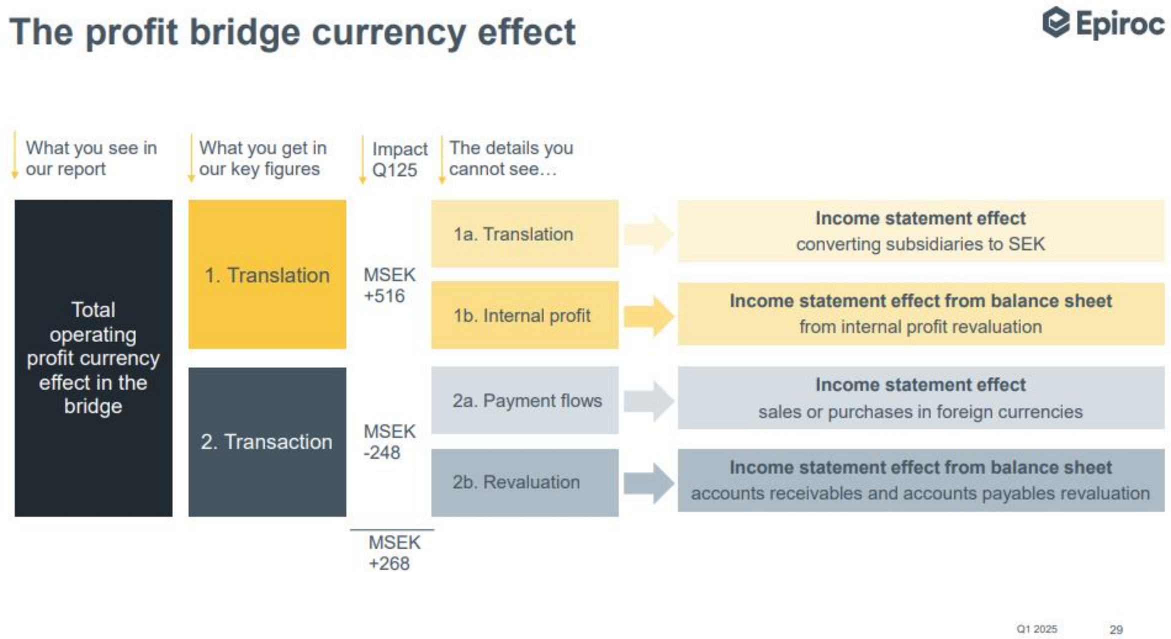
- As of Q125. The average tenor of Epiroc's long-term debt was 4.5 years. The average interest duration was 19 months (25) and the average interest rate at the end of the quarter was 4.12% (4.80).
    - *From the Q1 report*

Cash generation?

- Operating cash flow came in at SEK 1.6 billion compared with the SEK 1.8 billion last year, supported by the increased profit, but we had a buildup in net working capital and also currency, which impacted negatively. Cash conversion, rolling 12 months, at 100%.
- Capital efficiency, we ended the quarter with a net debt of SEK 12.3 billion and a net debt-to-EBITDA ratio of 0.76. So we do have a very strong financial position entering into this year.
    - *Comments from the Q1 results call.*

FX?

- There's been quite big swings during the quarter, not the least for the SEK. See slide #29 in the Q1 results presentation.



- The "easy one": Transaction is very much related to revaluation of outstanding accounts receivables and payables meaning that if we sell something, for example, from Sweden in U.S. dollar and then the krona strengthened as it has during this quarter, and we have outstanding accounts receivables. They become worth less in Swedish krona, and therefore, we get a negative impact.
- The "more complicated one": Translation and internal profit. If we sell something, let's say, a spare part from Sweden to a distribution center in another part of the world and it's sold in U.S. dollar. We do have a profit in Sweden, but since we haven't sold it yet to the external market, we need to eliminate at the group level, of course. And then if that's a different currency in SEK, we have an FX impact. And if then the currency moves as it has done. And in this case, the SEK has strengthened, there is less profit that we need to eliminate and therefore, we get the positive impact in the quarter on the balance sheet.
- It's minus MSEK 248 on transaction and plus MSEK 516 on translation, in total, that gives us the positive impact of MSEK 268.
    - *Comments from the Q1 results presentation.*
- *IR comment: More color regarding FX was provided on the [2024 Capital Markets Day], see slides 165 – 167. You can also see more information in our Key figures file on sheet "Adjusted bridges".*

Items affecting comparability, including for change in provision for share-based long-term incentive (LTI) programs?

- In Q125: IAC was MSEK -11 (-127). These include a change in provision for the share-based long-term incentive programs of MSEK -11 (-2). The previous year also included transaction and integration costs of MSEK -125 related to the acquisition of Stanley Infrastructure.
- In May, Epiroc announced the consolidation of a drilling tools manufacturing site from Canada to Mexico (Tools Division). It will begin in the third quarter 2025 and the consolidation will be completed by the first quarter 2027. Around 65 employees will be affected and Epiroc will have restructuring costs of approximately MSEK 70 (excluding tax impacts) in the second quarter 2025.
    - Press release

Acquisition of Stanley infrastructure

- We now no longer have the inventory step-up value from Stanley and again, the consolidation of sites and the other efficiency actions we have taken are now starting to show.
- It's a clean result, nothing extraordinary in Q1 in the performance of Stanley. I think what we see is the effect of all the efficiency actions that we have taken in the last 3 quarters. It's trending in a good way. We do see that the inventory levels are coming down to a more normal level, and the true demand… helps with the absorption.
- Stanley came into our books on April 2 in 2024, which means that Q1 was the last quarter when you will see this acquisition as part of structure. And let me give you a brief update of what has gone well and what has not gone so well during the first year now with Stanley Infrastructure. On the positive side, the strong customer relationships that we expected have been proven. We have gained an access to an indirect sales network with more than 2 700 dealers. And we see that there's a good cultural fit with a strong focus on innovation. But then on the not-so-positive side, well, the end markets have, of course, been weaker than we first anticipated. And this has impacted both revenues and also earnings. We have

taken actions in response to the market weakness. And for example, we consolidated 3 manufacturing sites into 1. Long term, we are still certain that this is a good fit for Epiroc. We have a strong market position in specialty attachment with industry-leading brands. And once the market turns, we are ready to leverage our global sales efforts with a multi-brand strategy.
    - *Comments from the Q1 results call.*

Other M&A comments?

- Radlink (remaining share). On April 2, 2025 Epiroc completed the acquisition of the minority share of the mine connectivity provider Radlink. Epiroc acquired a majority shareholding of Radlink, 53%, already in 2022, and now owns 100%. Radlink has approximately 415 employees and had revenues in 2024 of about MSEK 1 330.
- ACB+ manufactures attachments and quick couplers used on excavators for construction as well as related areas such as scrap recycling and deconstruction. Quick couplers are used with carriers, typically excavators, to enable safe and efficient change of attachments, such as buckets and hydraulic tools. The company is market leading in France and has customers throughout Europe. The company has approximately MSEK 325 in annual revenues and 140 employees. The acquisition was announced on May 24 and was completed on September 4, 2024. Revenues from the acquisition are reported in “Tools & Attachments”.
- ASI Mining (new product name: LinkOA) provides mining automation systems, such as remote control, teleoperation, and fully autonomous solutions. Its solutions are OEM agnostic, meaning they work regardless of machine brand and fit well for mixed fleets. The company has approximately MSEK 300 in annual revenues. Epiroc already owned 34% of ASI Mining, which it acquired in 2018. The acquisition of the remaining 66% of the company was completed on July 3, 2024. Revenues from the acquisition are reported in “Equipment”. The transaction has led to a positive revaluation effect of the ownership held prior to the acquisition in the segment Equipment & Service. The gain has been reported as an item affecting comparability of MSEK +554 in the third quarter 2024.
- You can always find an updated M&A list here.

Other relevant announcements for the quarter?

- 2025-05-21 Epiroc to consolidate North American drilling tools manufacturing
- 2025-05-08 Report from Epiroc’s Annual General Meeting 2025
- 2025-04-24 Epiroc establishes sponsored American Depositary Receipts in United States
- 2025-04-16 Epiroc wins its largest contract ever, for autonomous and electric-powered mining equipment
- 2025-04-15 Epiroc wins large mining equipment order in India
- 2025-04-09 Epiroc expands manufacturing footprint in India with inauguration of new rock drilling tools facility
- Our Chair of Board, Ronnie Leten, has participated in an investment pod (in English). You can find it if you search for “Montrose podden”. Or in Spotify by using this link: https://open.spotify.com/episode/1tc87kIvOdlvrdeXzt0k30?si=a976b7c1d4fb47f4

Seasonality?

- Historically, Q2 has somewhat higher revenues than Q1. Attachments generally strong in H1.
    - *IR comments to financial markets in key figure file, sheet OIB.*

Capital Markets Day in Las Vegas, September 24

- Epiroc Capital Markets Day: strategy for resilient, recurring and profitable growth
    - The purpose of the event was to give an update on how Epiroc is positioning itself for profitable growth that is resilient and recurring in an ever-changing world.
    - Link to the press release.
    - Link to the CMD 2024 presentation.

Capital allocation priorities?

- Our priorities are to continuously invest in profitable organic growth, do acquisitions that support our organic efforts, and pay dividend (goal of 50% pay-out ratio). Thanks to the asset light business model, we have low investment needs.

Capex needs?

- Roughly 75% of the product cost for equipment is purchased, and we produce equipment to order, and that means that we can go quite quickly up and down in our demand depending on how the demand changes. And we only produce the core components, and those ones we want to produce ourselves to

safeguard, that we actually keep the innovations internally. All in all, this results in quite low CapEx needs, **roughly 2% to 3%** of revenues over a cycle.
    - From CMD 2024-09-24

Tax rate guidance?

- Between 22% and 24%.

Other, not price sensitive, information

- ispace, the Japan-based lunar resource company that Epiroc has supported with a scoop and related technology for its rover, last week unfortunately failed to safely touch down its lander on the Moon. After four and half months in space, ispace's lander was set to descend on the Moon's surface when suddenly the signal was permanently lost. ispace confirmed in a press release that it had concluded that its lander performed a "hard landing," meaning it had crashed on the Moon.
- The Epiroc-IR-team is nominated as “Best in sector: Industrials” in Europe by IR Impact (formerly IR Magazine). The nominees are determined by the input of hundreds of analysts and portfolio managers, who give their opinions on which companies provide them with the best IR service. Thank you for votes! We are very grateful and appreciate your support. You can find the list of nominees here.

Please let us know if anything is unclear – or if there is anything we can improve. We are happy to help.
BR Karin, Alexander & Gustaf

Best regards / Med vänlig hälsning

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