2025-12-11 07:34

Dear Epiroc analyst,

Hope all is well.

First, there is always a better way. As someone who knows us well, we'd greatly appreciate if you could take 5–10 minutes to complete this short, **anonymous** survey. Your feedback is much appreciated.

Please note: Since responses are anonymous, we'll send up to three reminders. Once you have completed the survey, you can ignore our reminders. Thank you beforehand for your time and patience!

Secondly, the registration to our CMD in Örebro, Sweden, on June 8-9, 2026, has opened. Please register here to secure your spot.

And, thirdly; the pre-results mail. 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 **11:30 CET** on Monday, January 26, 2026.
- The telco is planned for **14:30 CET.**
  - Presentation: https://epiroc.events.inderes.com/q4-report-2025
  - Telco: https://events.inderes.com/epiroc/q4-report-2025/dial-in
- We enter the silent period on December 27; however, if you have questions, please reach **out before December 18**, as we then will leave for Christmas holiday with near and dear ones.

Company-compiled consensus:

As always, we gather company-compiled consensus and share it with those analysts contributing. Please add your estimates and send them back **no later than Friday, January 16**.

No pre-results call:

By sending this e-mail, we hope that you get all your questions answered. We do not organize a pre-results call. However, if anything is unclear, please reach out as soon as you can and we will try to help.

Demand comment in CEO comment:

- In the near term, we expect mining demand to remain high, while demand from construction customers is expected to be stable at a low level.
  - *From the Q3 report.*

Demand comment for infrastructure? *22% of Group orders in Q325.*

- Following a prolonged period of low demand for attachments used in construction work, we are now seeing that the inventory destocking phase among distributors is largely complete. But it's still low levels and the second half of the year is typically seasonally weaker for our construction customers.
- We are cautious because we don't see activity levels picking up yet. Looking at the market, activity remains low. However, for us, this means higher order intake as the destocking phase has ended. That's positive because what impacted our results over the last two years was under-absorption in our factories due to inventory reduction and lower activity. Now, this helps with factory absorption, and we already see improvements. Our factories in the Attachments division are better loaded.
  - *Comments from the Q3 results call.*
- On the infrastructure side, things were moving along well in the quarter, and the projects are normally long term in nature and rather stable.
  - *Comments from the Q2 results call.*

Details on mining demand? *78% of Group orders in Q325.*

- Within mining, customer activity was high, which led to strong order growth both in equipment and rock drilling tools, and continued growth in service. We also noted high demand within exploration.
- The strong demand from the mining sector continued to drive solid revenue growth across both rock drilling tools and service.

- Epiroc stands strong to capture growth with more than 60% of our mining orders deriving from gold and copper mines and with an increasing willingness by the industry to invest in both existing and new mines, exploration demand specifically has increased.
- "When I look at the pipeline, I see expansion of existing mines and replacements. The fleet continues to grow older. Expansion initiatives include brownfield projects, and this quarter we also won equipment orders for greenfield expansions. Overall, I see a positive outlook for equipment moving forward. We have said this for many quarters, and it's also driven by the geopolitical situation, with many initiatives pushing permitting in different countries to safeguard the mineral value chain. That's good to see. Exploration activity stood out with very strong demand in the quarter, mainly related to copper and gold, which is promising. This is essential for both brownfield and greenfield expansions."
- We have lost about half of our business in nickel due to many mines being under care and maintenance.
- We have a very strong position in the surface segment, and I don't see any changes there.
    - *Comments from the Q3 results call.*
- In 2024, YTD Q1-Q3, Nickel represented roughly 3% of Group orders. We have lost roughly half of this business, which was tilted towards service. The impact is expected to remain during Q4, as Nickel prices are still at a subdued level.
    - *IR comment.*

Service demand? What are deciding factors when Epiroc captures more customer share?

- The organic orders in Service was +2%. The strongest growth was achieved in traditional service. The service growth had tough comps (Q324 =6%), was impacted by reduced activity in Nickel (see above) and lower activity in the Kamoa contract in DRC where the production was hampered by seismic activities.
    - *Comments from the Q3 report, results call and Q3 2024 report.*
- The growth in service depends on our own ability to capture customer share = capturing the share of our own machines... And we have a good correlation in how much we capture when it comes to the aftermarket of the more advanced machines.
    - *From the Q3 results presentation*

- Please note: Customer share is not market share. Customer share is how much of installed base Epiroc provides services to/for. In 2024, Epiroc provided service to about half of the installed base of Epiroc machines, and 32% of the Epiroc fleet had some kind of service agreement. Historically, Epiroc has been very successful in capturing more customer share in own fleet, thereby driving service growth. That pace has slowed down. As the technological height increases in the machines, there is a large potential to grasp a higher share of service agreements onwards.
    - *IR comment in meetings.*

Large (mining) orders?

- Large mining equipment orders, which are lumpy in nature, amounted to MSEK 600 (1 400) in Q3 2025.
- Looking back 2–3 years, we can see projects are becoming larger. For example, we secured the Fortescue order we mentioned earlier, and going forward, there are bigger projects than we saw at least three years ago.
    - *Comments from the Q3 results call.*
- In Q2 2025, Epiroc won its largest order contract ever; SEK 2.2 billion over five years to deliver a fleet of roughly 50 drill rigs – automated and electric – to Fortescue in Australia. With a conservative booking approach, only MSEK 100 of these have been booked (in Q2).
    - *Press release 2025-04-16*

See also our key figures file, sheet "large orders".

Quarter	**Sum of externally announced large orders (press release)**	**Comment in results presentation**
Q425	NA	*NA*
Q325	115	*600*
Q225	100	*500*
Q125	380	600
Q424	245	820

How is Epiroc affected by US tariffs?

- On the financial side, our operating margin declined primally due to tariffs and costs relating to efficiency measures.
- We work hard to mitigate the negative effect of tariffs, that said, still, the net estimate effect on the margin in the quarter was roughly 0.5 percent point on group level.
- We expect the impact from tariffs to go down in Q4 because we have been quick in adjusting prices, redirecting flows as well as changing suppliers. Some of the tariffs also between U.S. and Canada that impacted in Q3 will not be there now moving forward. This is, of course, a very evolving landscape.
    - *Comments from the Q3 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 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 & Sustainability 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 Stanley Infrastructure in 2024.*

Demand for automation solutions? Position within automation?

- It is encouraging to see that many of our equipment orders include our latest technologies, both in automation and electrification, leading to higher productivity, increased safety, reduced energy consumption and a lower total cost of ownership for our customers.
    - *Comments from the Q3 results call.*
- Our collaboration with Hancock Iron Ore Roy Hill mine in Australia is truly a unique achievement. All 78 haul trucks have now been converted to fully autonomous operations, creating the world's largest OEM-agnostic automated mine. The non-Epiroc fleet is operating seamlessly under Epiroc's automation

system. And the real time traffic management is handled remotely from operations center located 1 100 kilometers away in Perth. And to date, this autonomous fleet has safely moved over 250 million tonnes of material and traveled more than 6 million kilometers, which corresponds to going around the globe 150 times. The final phase of the project is on track for completion by year-end, and to deliver these high-end mixed fleet automation projects, you need the highest connectivity quality and that we have managed with the help of Radlink, a fully owned connectivity provider. In Q3, we recognized SEK 300 million in revenues from this R&D like project, and we expect recurring revenues going forward. And after years of development and learning, we are confident that this solution is both productive and safe, and we are now ready to scale to more mines. The Roy Hill project revenues were dilutive, but the project comes with profitable margin. When we scale, the solution will be more profitable, similar to when we rolled out automation for our equipment years ago. Mixed fleet automation is profitable.

- One incident that stands out is the ground fall at the Red Chris Mine in British Columbia in Canada this July. The workers were trapped 280 meters underground. And within just 24 hours, Epiroc was called in to deploy our RCT teleremote automation kit on a non-Epiroc loader. The machine was then operated remotely, digging through collapsed ground toward the refuge station. After more than 60 hours underground, all 3 miners were safely rescued. This moment is a powerful testament that fast action, automation and collaboration can save lives.
    - *Comments from the Q3 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 September 2024.*

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

- The Fortescue order contract (SEK 2.2 billion over five years) is a key electrification milestone. Epiroc will deliver a fleet of fully autonomous and electric equipment, including cable-electric Pit Viper 271 E and battery-electric SmartROC D65 BE drill rigs. MSEK 100 was booked in Q2 2025.
    - *Press release 2025-04-16*

- Battery-electric performance continues to exceed diesel benchmarks. At Boliden's Kristineberg mine in Sweden, the trolley truck solution achieved 23% higher productivity, 50% faster speed up ramp, and 25% lower maintenance costs compared to diesel. At Assmang's Black Rock mine in South Africa, the BEV fleet increased ore excavation by 11%, reduced ventilation needs by 42%, lowered energy costs by 18%, and saved over 8 200 tonnes of CO_2e.
    - *Comments from Q2 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 2024 results call.*

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

- Our net working capital decreased by 7%, now to SEK 22.6 billion. Excluding the effect of acquisitions and currency, net working capital increased slightly, mainly due to increased receivables. We have put and we are putting a lot of effort into being more efficient, especially when it comes to inventory. Despite having a strong organic growth in Equipment this year, we have actually improved here.
- Tariffs: See above.
    - *Comments from the Q3 results call.*
- Lead times for equipment are at normal levels: 6–9 months from order to invoicing.
    - *IR comment.*

What about EBIT margins?

- We do not provide guidance on margin. Our goal is to have an industry-best operating margin.
- **Group:** The operating margin, EBIT, decreased to 18.4% (20.9). The adjusted operating margin, excluding items affecting comparability, decreased to 19.0% (19.7). The margin was negatively impacted by tariffs, as well as product mix and reduced customer activity in the nickel segment.

- We work hard to mitigate the negative effect of tariffs, that said, still, the net estimate effect on the margin in the quarter was roughly 0.5 percent point on Group level. We expect the impact from tariffs to go down in Q4 because we have been quick in adjusting prices, redirecting flows as well as changing suppliers. Some of the tariffs also between U.S. and Canada that impacted in Q3 will not be there now moving forward. This is, of course, a very evolving landscape.
- **E&S:** The EBIT margin was 21.1% (24.6), and the adjusted EBIT margin was 21.9% (22.9). The organic contribution was negatively impacted by tariffs, as well as product mix and reduced customer activity in the nickel segment. In addition, MSEK 300 was booked from the Roy Hill project at “below Group average” margin.
- **T&A:** EBIT margin was 11.8% (11.3), and the adjusted EBIT margin was 11.6% (11.3). The margin was negatively impacted by tariffs, while supported by efficiency measures taken. The division showed improved efficiency, and the positive effects from these actions offset increased tariff costs.
    - *All margin comments above from the Q3 results call and from the Q3 report.*
- **Group:** In Q4, the following margin impacts are still to be expected based on the communication above: Tariffs, nickel, product mix within E&S (especially within service). The Kamoa issues, however, were solved towards the end of Q3.
    - *IR comments in meetings*

Interest cost?

- The average tenor of Epiroc’s long-term debt was 3.9 years (4.3). The average interest duration was 17 months (20) and the average interest rate at the end of the quarter was 3.9% (4.4).
    - *From the Q3 report.*

Cash generation?

- Our operating cash flow increased by 38% to SEK 2.5 billion (1.8), supported by lower working-capital tie-up and lower taxes paid in the quarter. Cash conversion (12-month rolling) improved to 105% (88%).

Financial position?

- Net debt decreased to SEK 11.1 billion (15.2), and the net-debt-to-EBITDA ratio improved to 0.73 (0.97). The improvement was driven primarily by the reduction in working capital and continued strong earnings generation, despite margin headwinds from tariffs and mix.

    - *Comments from the Q3 report and results call.*

FX?

- FX had a significant negative impact on orders and revenues in Q3. Currency reduced orders received by -9% and revenues by -8%. The EBIT impact from currency was negative in absolute terms, minus SEK 230 million, but it was actually positive with 0.2 percentage points on the margin, and this is mainly due to that we have some revaluation of internal profits.
    - *From Q3 report presentation.*

IR comment: More color regarding FX was provided at 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 Q3 2025, items affecting comparability amounted to MSEK -94 (+191), relating to efficiency actions and a change in provision for the share-based long-term incentive programs of MSEK +1 (-17). Equipment & Service included items affecting comparability of MSEK -101 (+208) relating to efficiency measures. Tools & Attachments included items affecting comparability of MSEK +6 (0), relating to reversed costs for previous restructuring measures. The previous year included positive revaluation effect of the shares held prior to the acquisition of ASI Mining and impairments of intangible assets, net MSEK +208.
- No IAC announced for Q4.

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.
- You can always find an updated M&A list here.

Other relevant announcements for the quarter?

- 2025-10-24 Epiroc and Hancock Iron Ore reach milestone as Roy Hill becomes world's largest fully agnostic autonomous mine
- 2025-10-22 Epiroc's ground-breaking drill rig Pit Viper celebrates 25 years including a decade with autonomous operations

Seasonality?

- Historically Q4 has somewhat higher revenues than Q3.
    - *IR comments to financial markets in key figure file, sheet OIB.*

Capital allocation priorities?

- Our priorities are to continuously invest in profitable organic growth, make acquisitions that support our organic efforts, and pay dividends (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 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%.

Please let us know if anything is unclear – or if there is anything we can improve. We are happy to help.
MERRY CHRISTMAS!

BR Karin, Alexander & Gustaf