



## Q3 2020

October 23, 2020

Helena Hedblom, President and CEO

Anders Lindén, CFO



# Recovery in orders and solid results

## Key highlights Q3 2020

- Demand improved
  - Moderate impact from Covid-19 restrictions
  - Strong development in our resilient service
  - Customers taking investment decisions
- Strong interest for automation, digitalization and electrification
  - Several orders won
  - Successfully deployed unique solutions for mixed fleet automation
- Solid results and cash flow
  - Efficiency actions executed according to plan
- Second dividend proposed

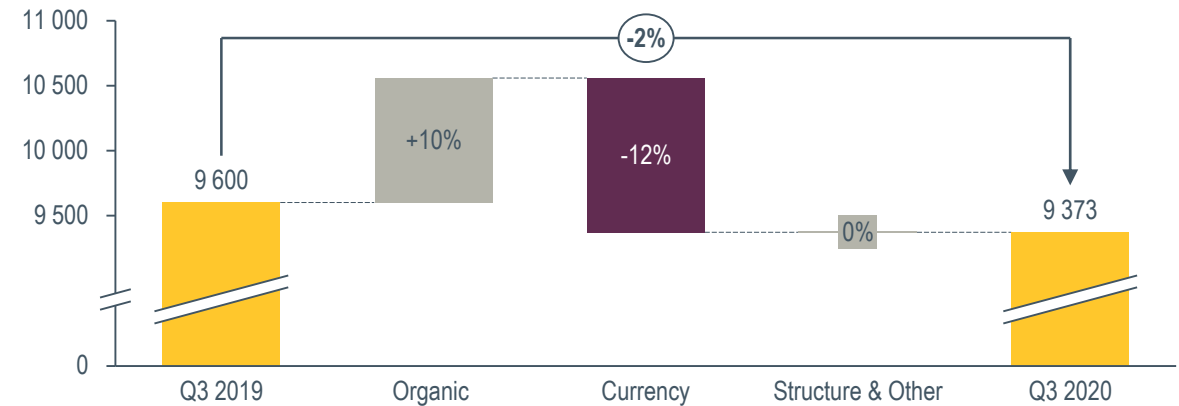


# Key financials

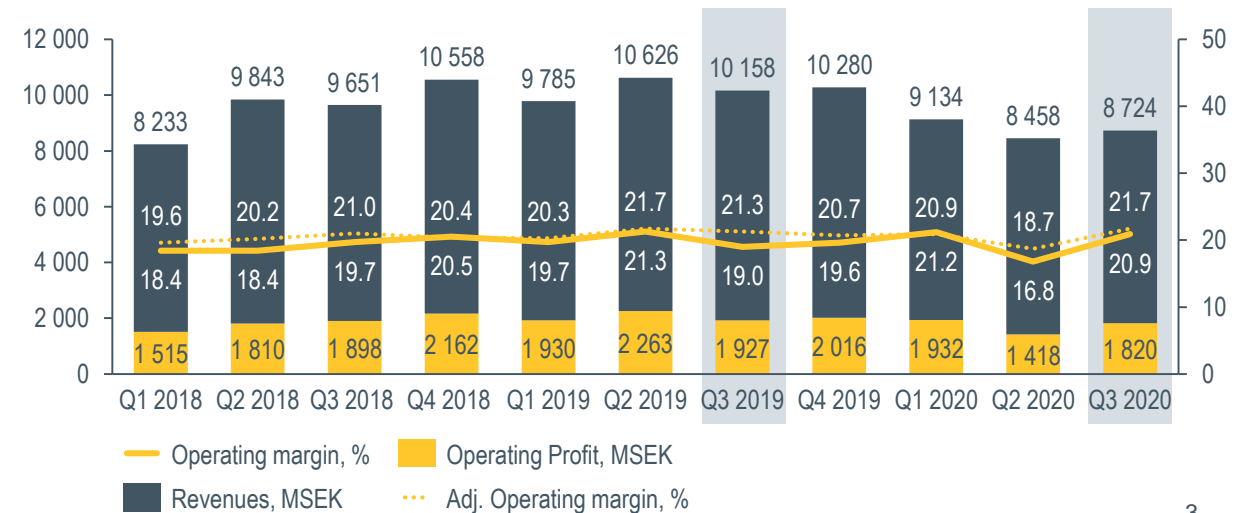
## Q3 2020

- Order intake decreased 2%, +10% organic
  - Equipment recovering, +25% organic
  - Service proving resilient, +9% organic
- Revenues decreased 14%, -3% organic
- Operating profit was MSEK 1 820
  - Items affecting comparability of MSEK -76 (-233); restructuring costs -55 (-179) and LTI -21 (-54)
- Margin improved to 20.9% (19.0)
  - Adjusted margin 21.7% (21.3)
- Operating cash flow at MSEK 1 355 (1 883)

Orders received, MSEK and change, %



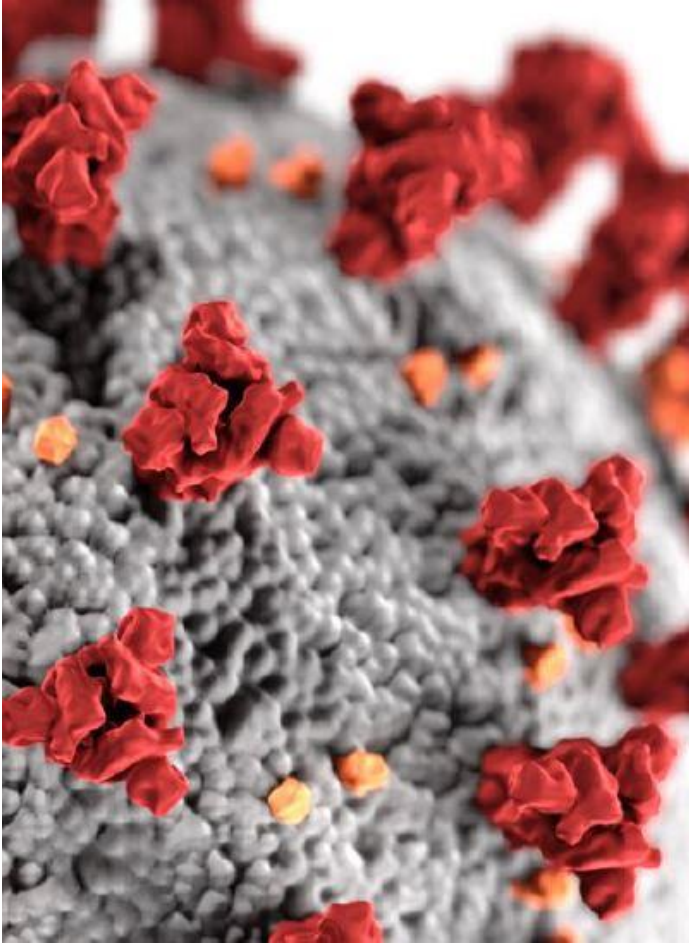
Revenues, operating profit and margin





# Covid-19

## Current status

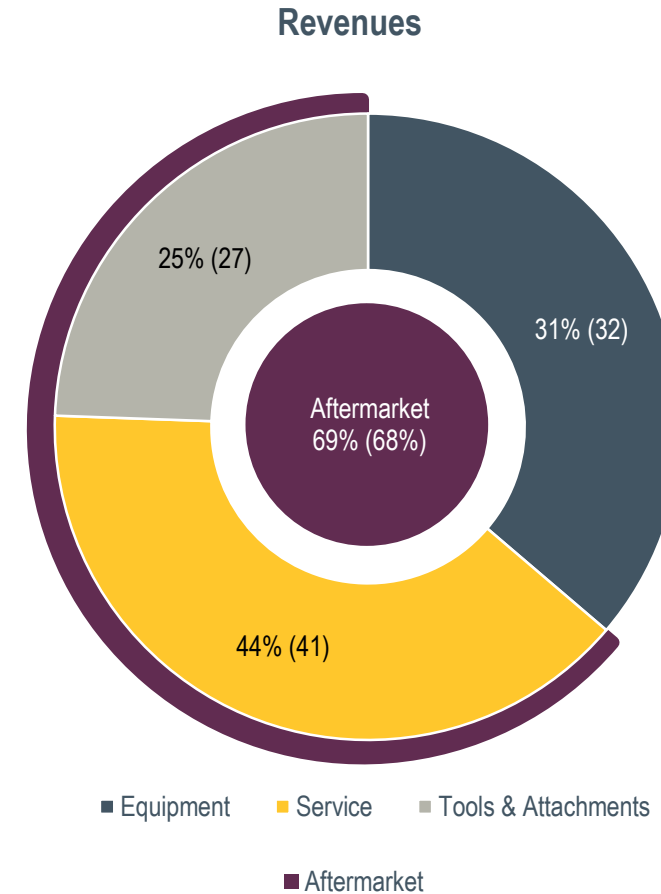


- Fewer customers are temporarily closed or work with reduced capacity today compared to Q2
- Covid-19-related restrictions vary among countries, which results in large differences in activities
- All distribution centers and manufacturing facilities are operational and capacity is being adapted to the demand
- There are still uncertainties regarding the Covid-19 development and related restrictions

# Our aftermarket focus pays off

Q3 2020

- Double-digit organic growth sequentially
- Increasing productivity for our customers
- Full-service contracts and mid-life rebuilds



# Actions for operational excellence

## Q3 2020

- Cost-savings program
  - Long-term actions with savings of MSEK +500 annually implemented successfully with full impact in Q3 2020
- Additional savings expected from year end, including savings from planned layoffs
  - Restructuring costs of MSEK 55 in Q3
- Supply-chain program continues according to plan

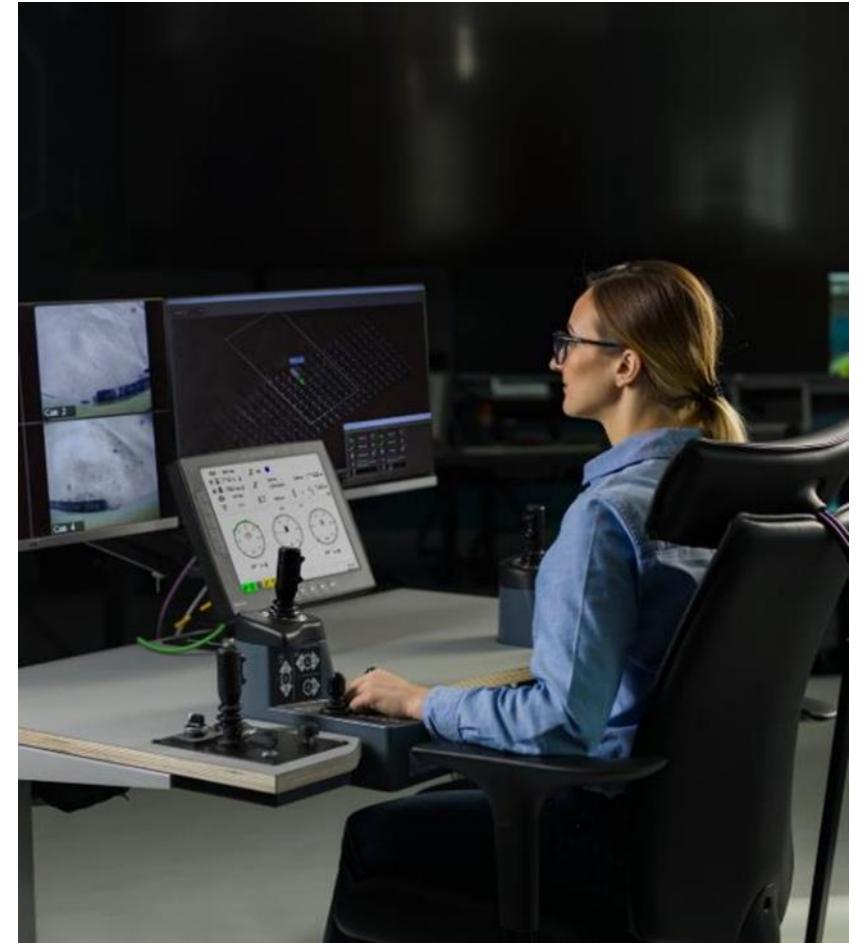


# Driving the future in intelligent mining and infrastructure



## Q3 2020

- Increased interest in automation and information management solutions
  - Several automation orders won
  - Deployment of unique solutions for OEM-mixed fleet automation
- Growing demand for battery-electric vehicles
- Innovations
  - Epiroc TCO supervisory agreement
  - Epsilon2



# Innovation and sustainability go hand in hand

Q3 2020

- Automation, digitalization and electrification support productivity and sustainability
- Sustainability performance continuously improving
  - Supply-chain program with less air freight
  - SafeStart builds a safety culture
  - Energy-efficiency actions in operations





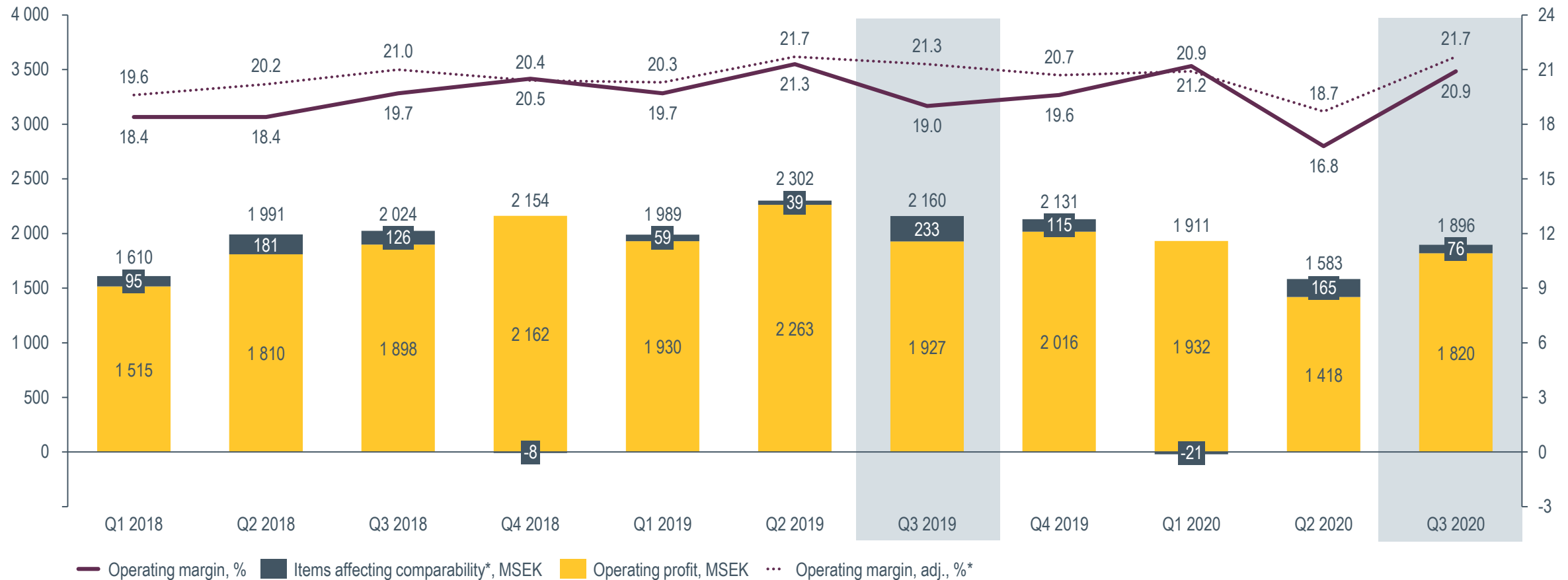
## Financials



# Operating profit and margin

Q3 2020

Operating profit and margin

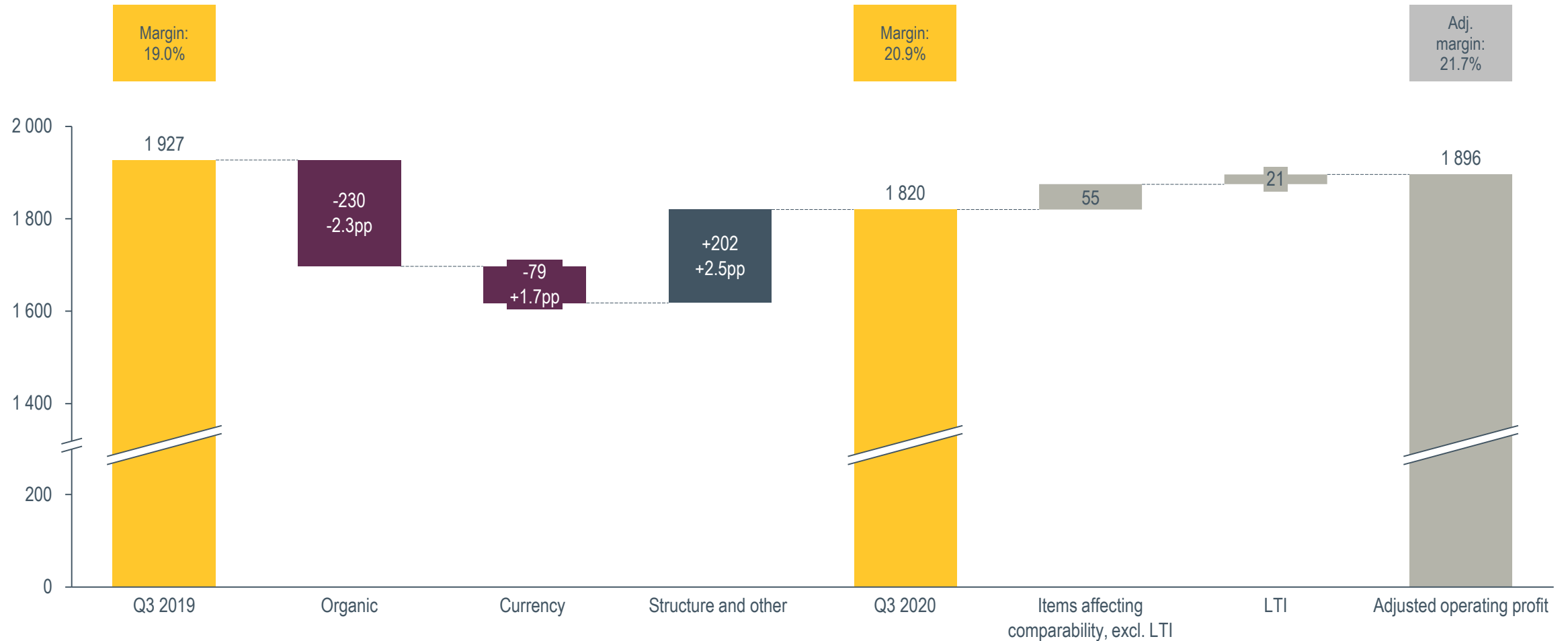


\* Q1 2018-Q4 2018 includes costs related to the split from Atlas Copco.

\* Q3 2020 includes items affecting comparability of MSEK -76. Restructuring costs of MSEK -55 and change in provision for long-term incentive plans of MSEK -21. All details can be found in the quarterly report.

# Epiroc Group – Profit bridge

## Looking into the numbers



\*Structure and other" includes operating profit/loss from acquisitions and divestments, items affecting comparability, one-time items, and change in provision for share-based long-term incentive programs.

\*Items affecting comparability" includes change in provision for long-term incentive programs MSEK 21 and restructuring costs of MSEK 55.

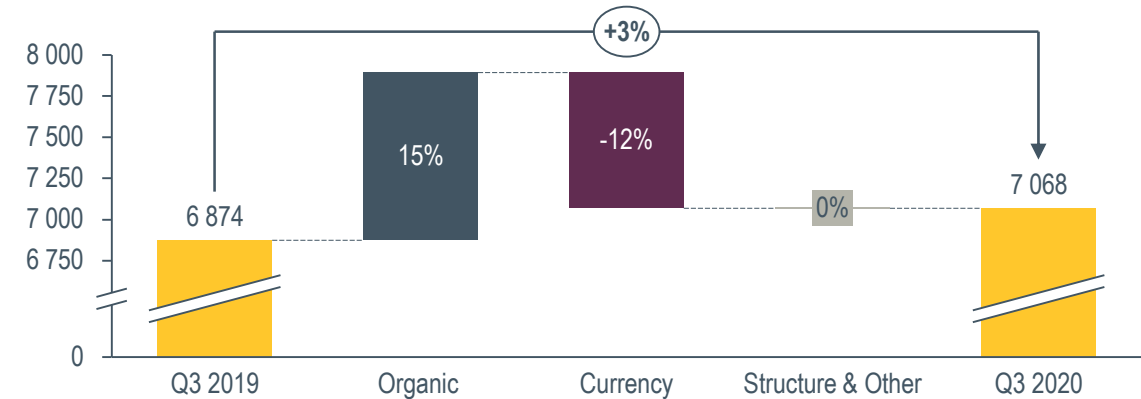
# Segment: Equipment & Service



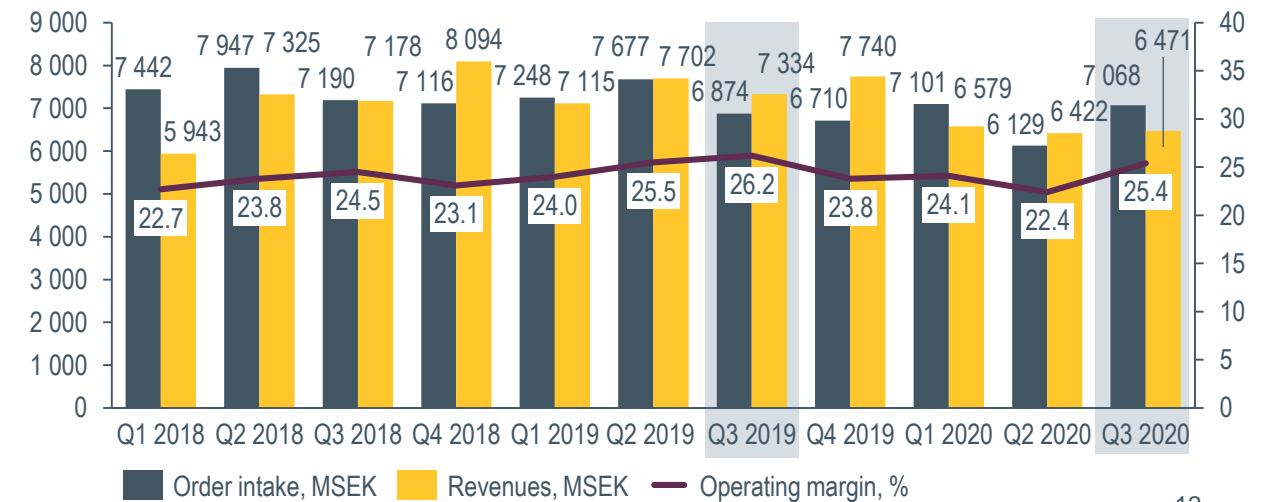
## Q3 2020

- Orders received +15% organic
  - Service orders +9% organic
  - Equipment orders +25% organic
- Revenues -2% organic
- Operating profit at MSEK 1 646 (1 923)
  - Reported margin 25.4% (26.2)
  - Negative impact from lower volumes and restructuring costs of MSEK -33 (-).
  - Positive impact from currency
  - Adjusted margin at 25.9% (26.2)

Orders received, MSEK and change, %



Orders received, revenues and operating margin\*

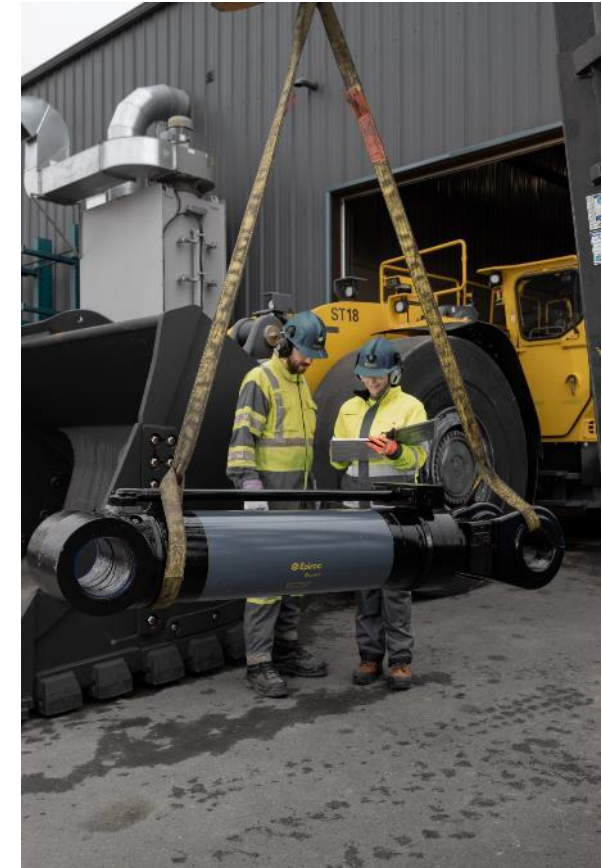
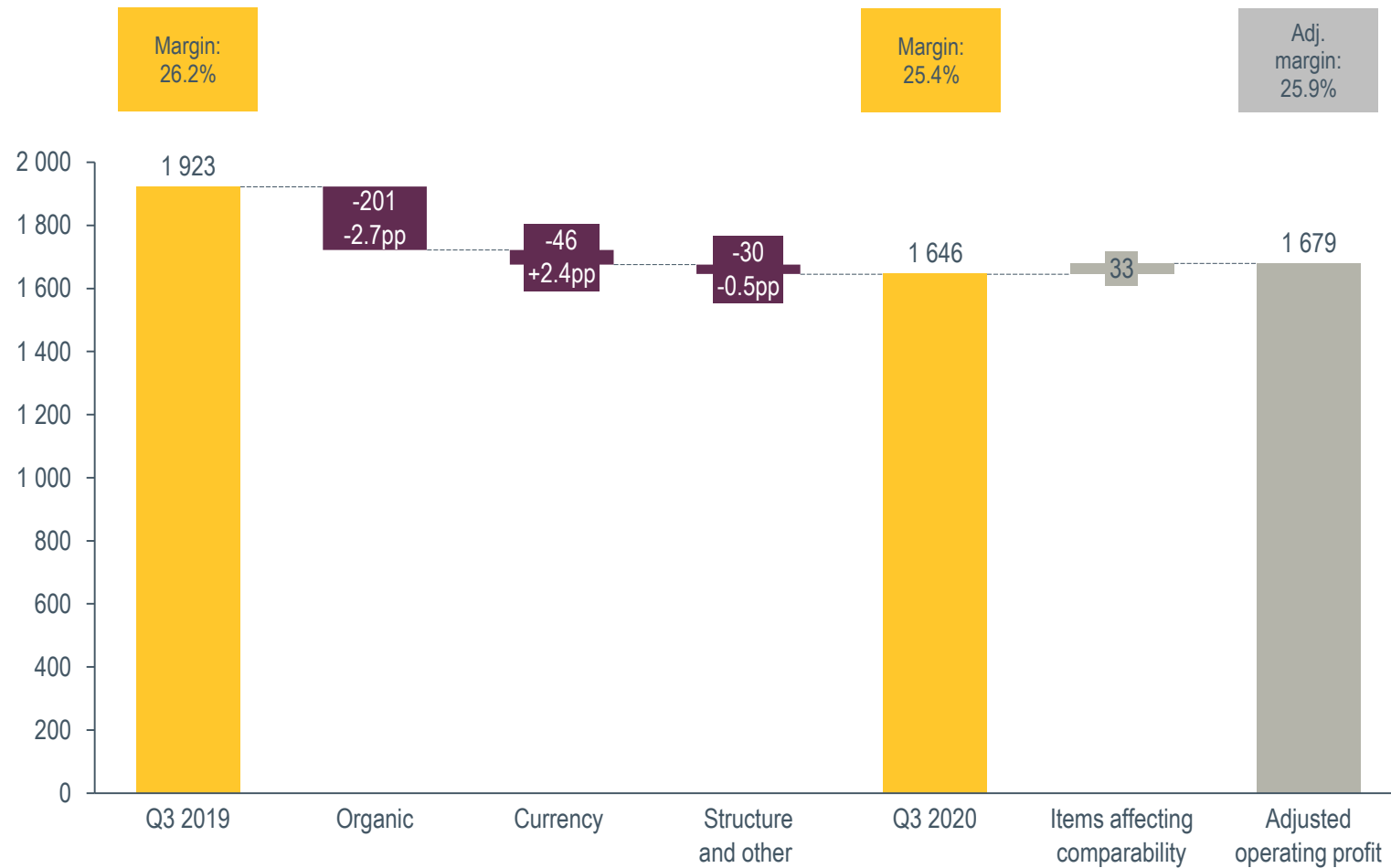


As from Q2 2020, the Epiroc IT-function is included in the segment E&S instead of in common group functions. Figures for 2019 have been restated and are not material.



# Equipment & Service – Profit bridge

## Looking into the numbers

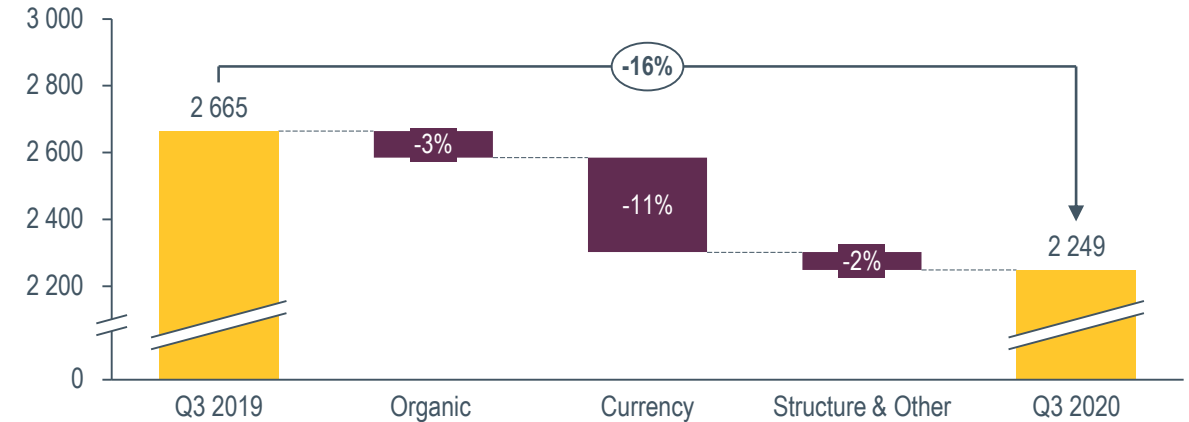


# Segment: Tools & Attachments

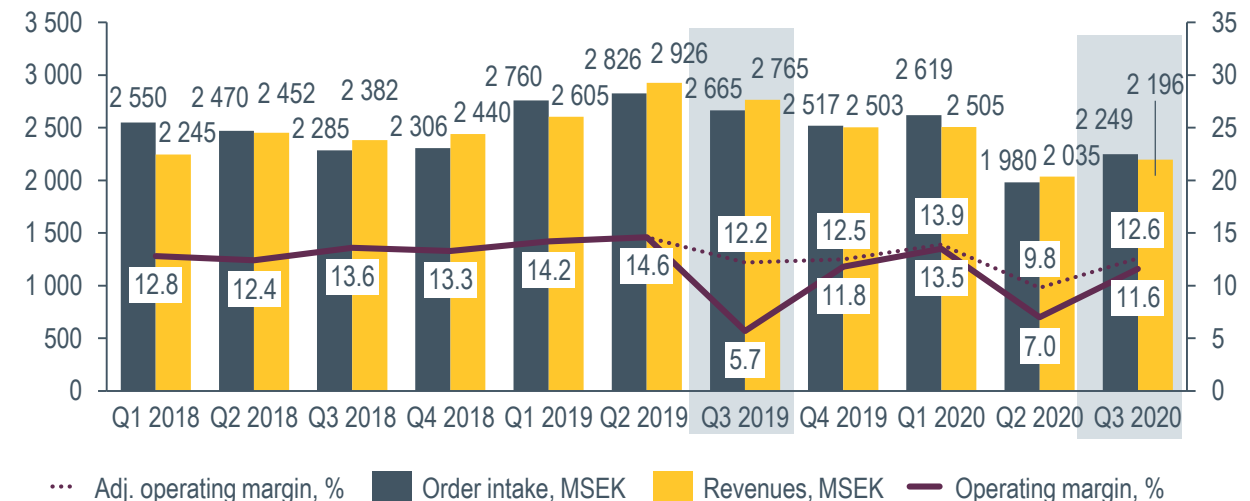
## Q3 2020

- Orders received -3% organic
  - Orders for hydraulic attachments increased
  - Large variations among countries depending on restrictions
- Revenues -8% organic
- Operating profit at MSEK 254 (157)
  - Reported margin of 11.6% (5.7)
  - Positive impact from lower restructuring costs, negative from volume and currency
  - Restructuring costs of MSEK -22 (-179)
  - Adjusted margin 12.6% (12.2)

Orders received, MSEK and change, %

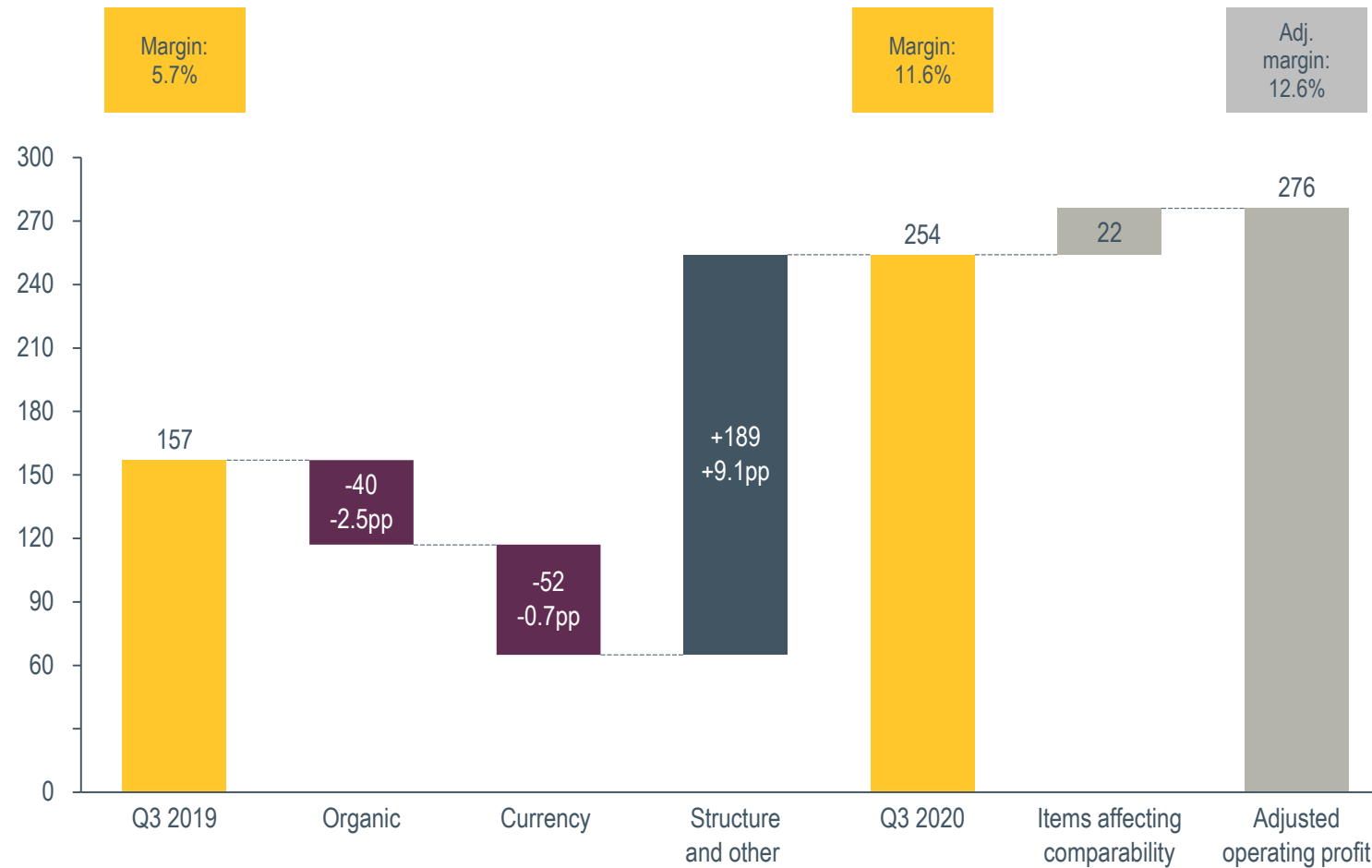


Orders received, revenues and operating margin



# Tools & Attachments – Profit bridge

## Looking into the numbers

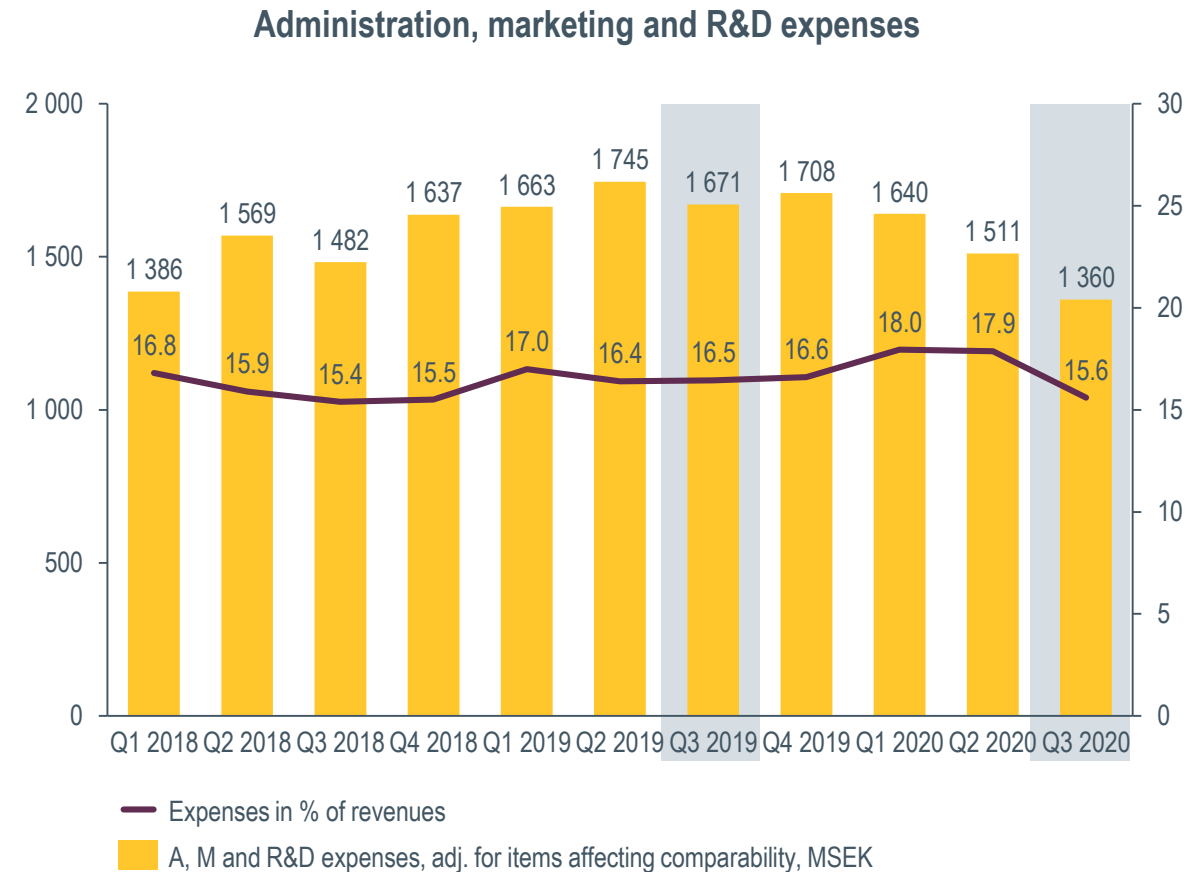


# Costs, net financials and tax

Q3 2020



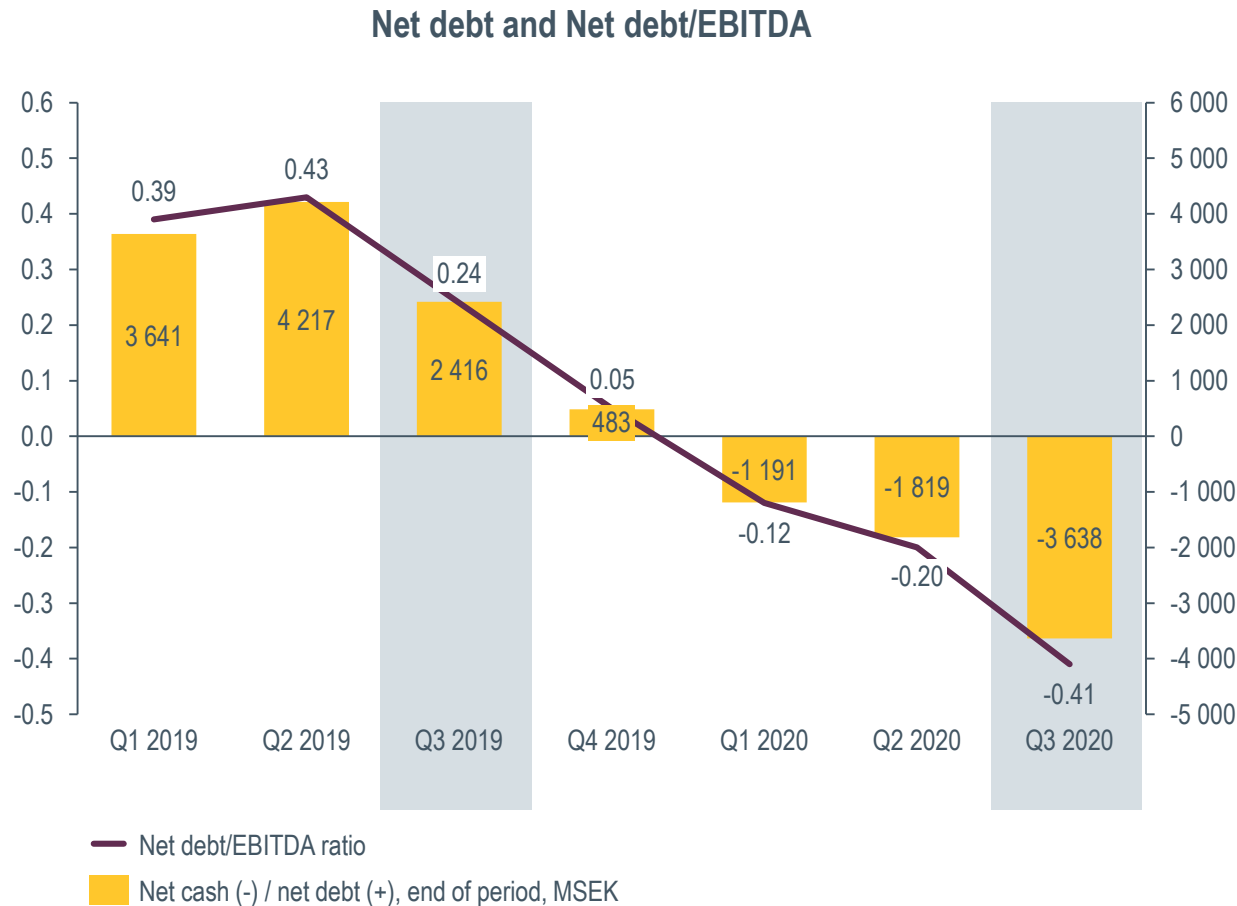
- Lower costs
  - Full effect from savings program (MSEK +500 p.a.)
  - Quick adjustment to the situation
  - Short-term actions maintained
- Net financial items MSEK -76 (-61)
  - Interest net MSEK -36 (-54)
- Tax expense MSEK -420 (-525)
  - Effective tax rate 24.1% (28.1)
  - Guidance: below 25%





# Capital structure

Q3 2020

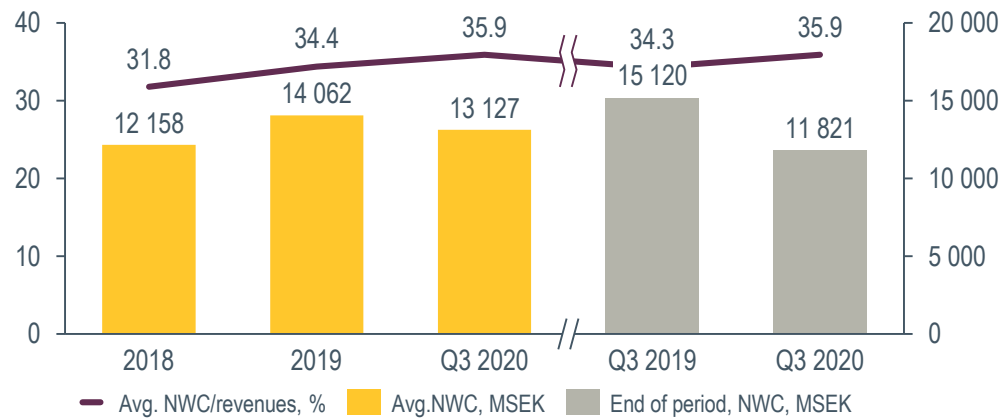


- Strong financial position
  - Net cash MSEK 3 638 (net debt MSEK 2 416)
- Net debt/EBITDA ratio at -0.41 (0.24)
- Second dividend of SEK 1.20 per share for the fiscal year 2019 proposed by Board
  - Proposed record date; December 1
  - Total dividend, incl. May payment: SEK 2.40
  - 49% payout ratio (FY 2019)

# Capital efficiency

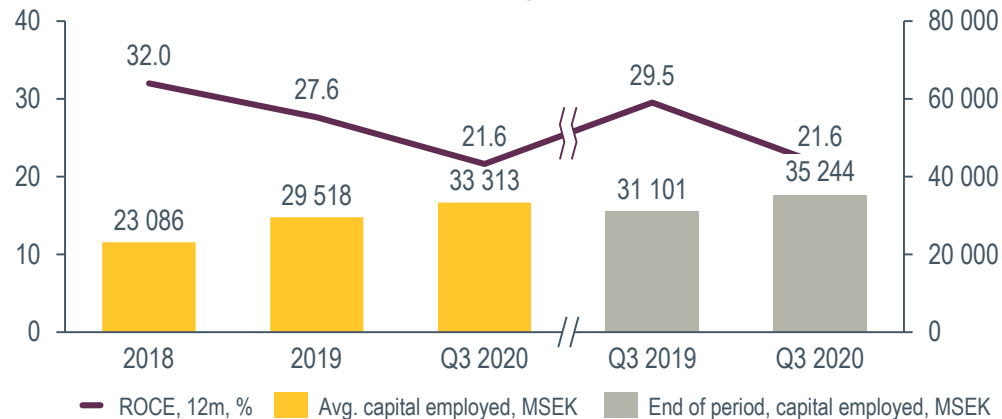
Q3 2020

Net working capital



- Net working capital decreased 22% of which 12% was related to currency

Capital employed and ROCE



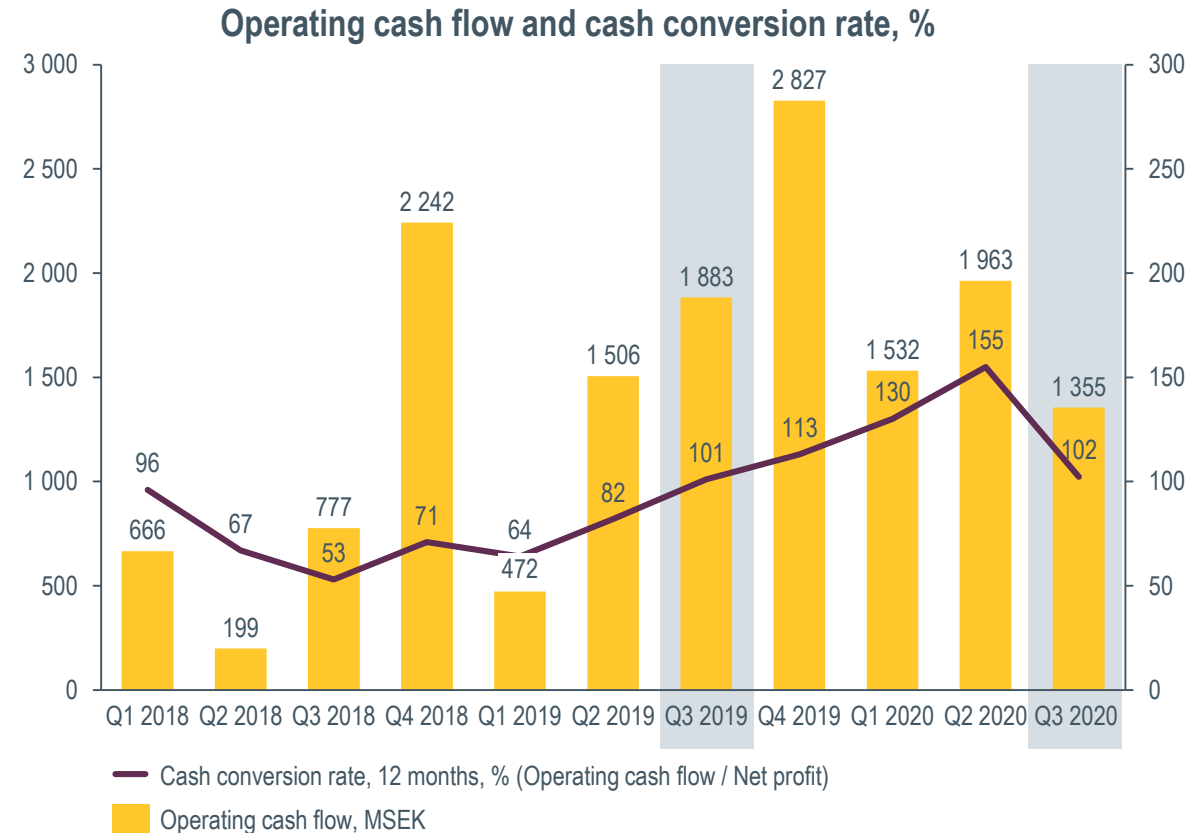
- ROCE at 21.6% (29.5)
  - Ratio impacted by lower profit and increased capital employed mainly due to accumulation of cash

# Strong operating cash flow

Q3 2020



MSEK	Q3 2020	Q3 2019
Operating profit	1 820	1 927
Depreciation, amortization and impairment	426	556
Capital gain/loss and other non-cash items	80	-104
	<b>2 326</b>	<b>2 379</b>
Net financial items received/paid	114	-113
Taxes paid	-544	-559
Change in working capital	-32	126
Investments, incl. rental equipment*	-284	-150
Pension funding and other**	225	-200
<b>Operating cash flow</b>	<b>1 355</b>	<b>1 883</b>
Acquisitions and divestments	-31	33



\* Investments include rental investments, net, other PPE, net, and intangible assets, net.

\*\* Other includes adjustments for currency hedges of loans and proceeds to/from other financial assets, adjusted for divestment of Payment Solutions credit portfolios.



## Summary and outlook

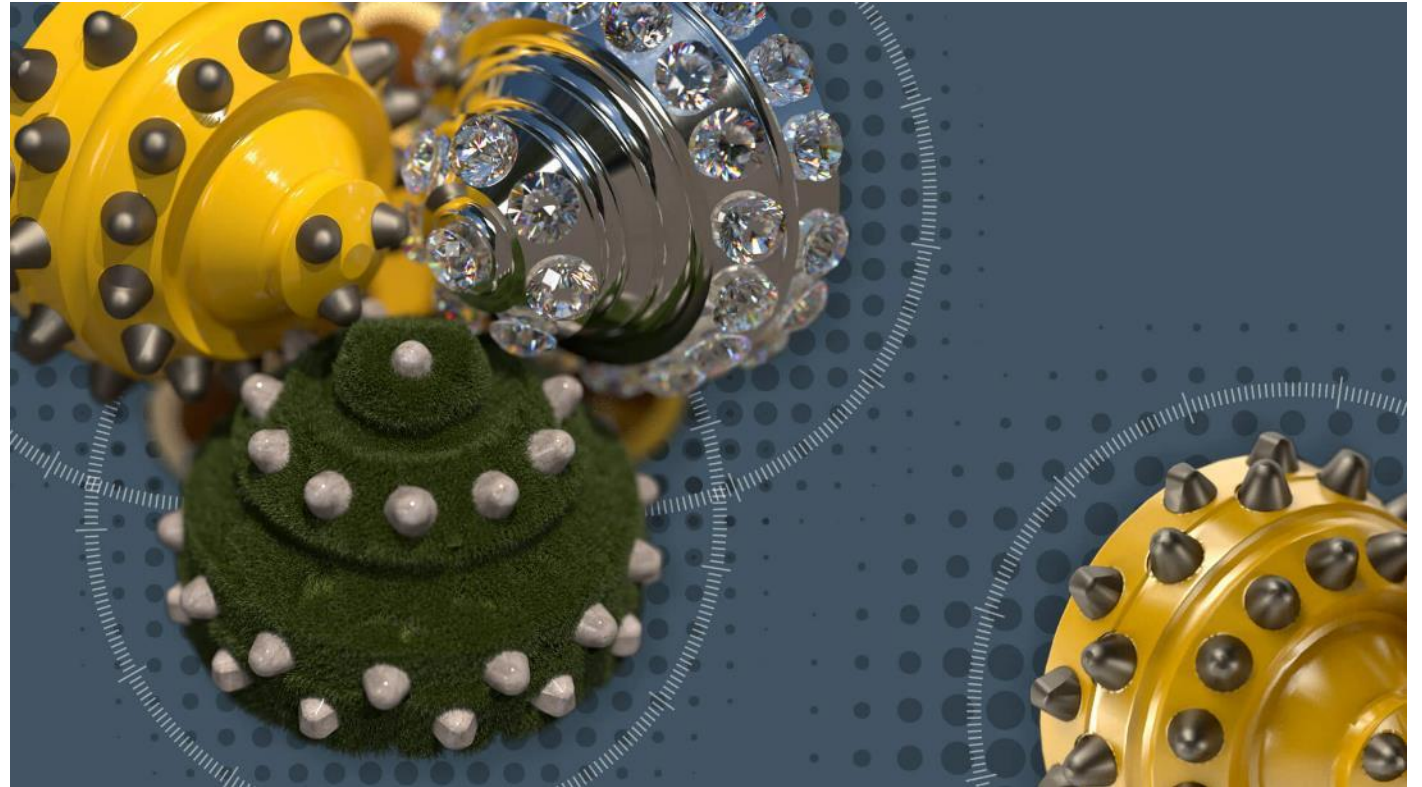




# Solid results

## Q3 summary

- Demand recovered, but Covid-19 restrictions still impacting
- Service proving resilient
- Customers investing for the future – with strong interest for automation
- Efficiency actions executed according to plan
- Solid results and strong cash flow
- Second dividend proposed





***“We expect that the demand, both for equipment and aftermarket, will remain stable in the near term. That said, there are uncertainties regarding the Covid-19 development and related restrictions, which can have an adverse effect on the demand.”***





**Q&A**



# Please join us for our CMDF\*!

## November 23 at 15:00 CET

*Two hours with management updates on  
innovation and aftermarket*

### See you online!



\*Capital Markets Digital Fika

*Fika = The Swedish practice of taking a break from daily activities to enjoy coffee, often with something sweet. Like for example a traditional kanelbulle (cinnamon bun).*



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