



Atlas Copco



Atlas Copco Group

Mats Rahmström
President and CEO

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CFO

Agenda



- 1 Recent performance update
- 2 This is what we do and how
- 3 Focus on sustained profitable growth
- 4 Financial goals and performance
- 5 Summary



Recent performance update



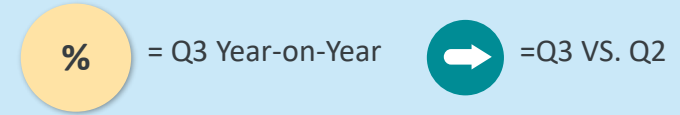
Recent performance update

Q3 in brief

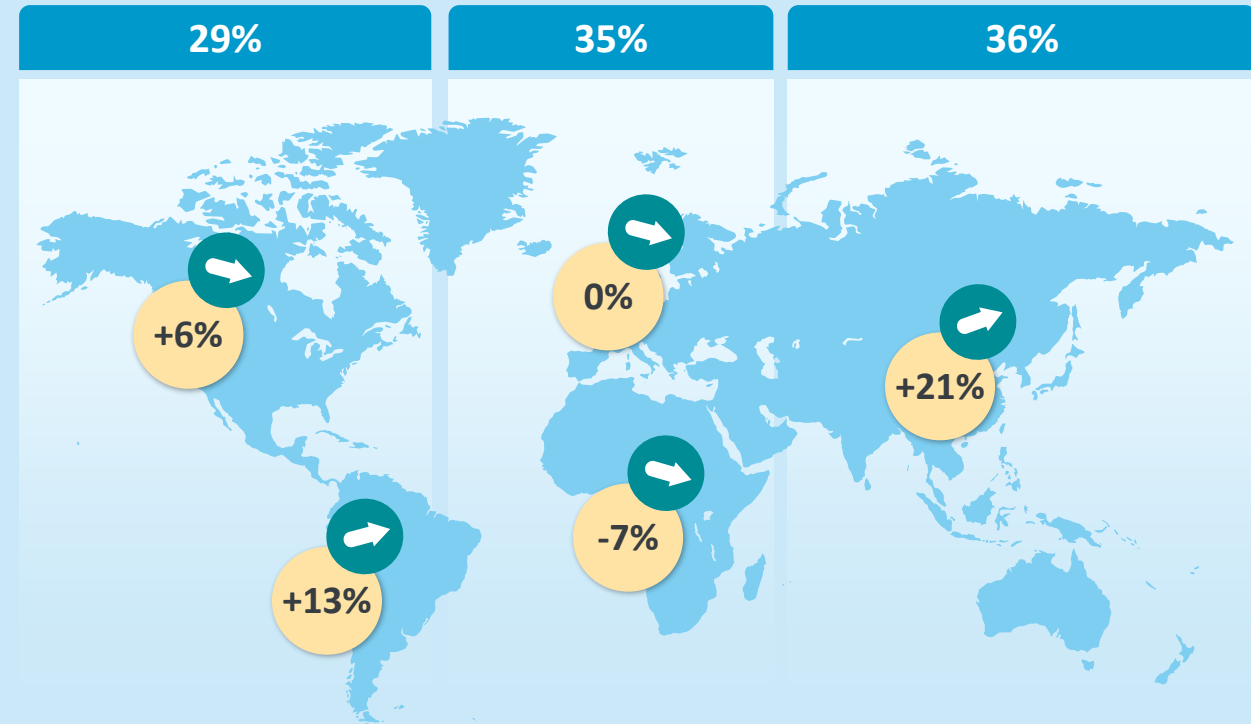
- Order growth despite uncertainties in the global economy
- Mixed equipment demand
- Continued growth for service in all business areas
- Order growth primarily driven by Asia and the Americas
- Revenue growth, 4% organically
- Operating profit margin at 21.9%
- Solid operating cash flow of MSEK 4 643

Near-term outlook

The demand for Atlas Copco's products and services is expected to be somewhat lower than the level in the third quarter.



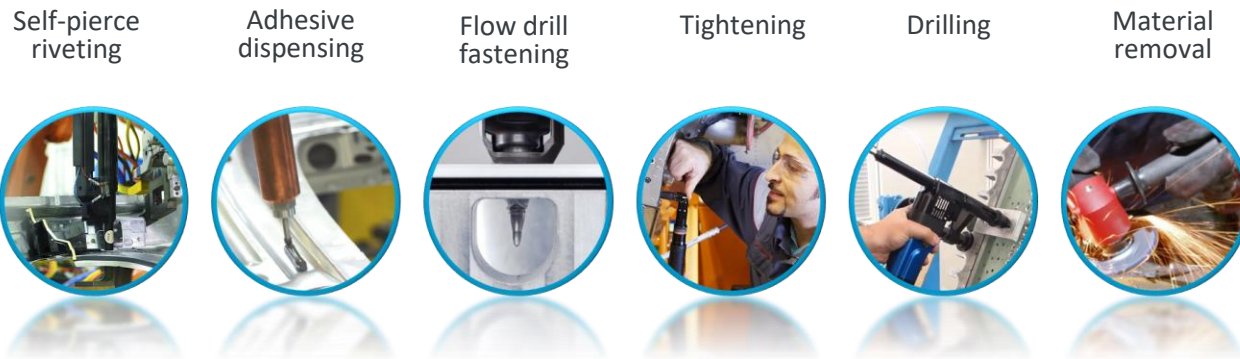
ORDERS RECEIVED YEAR TO DATE:



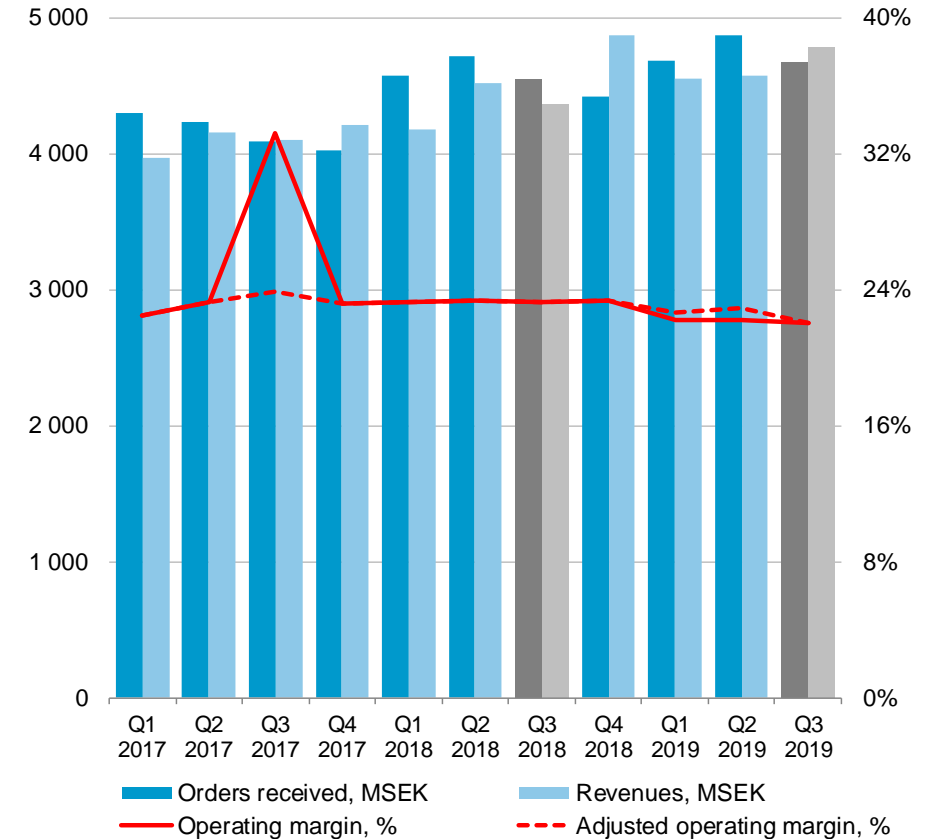
Industrial Technique

ROCE
36%

- Growth through a broad offer for critical customer processes
- Innovation is key
- Supporting customers transformation towards Industry 4.0 and automation
- Acceleration in service



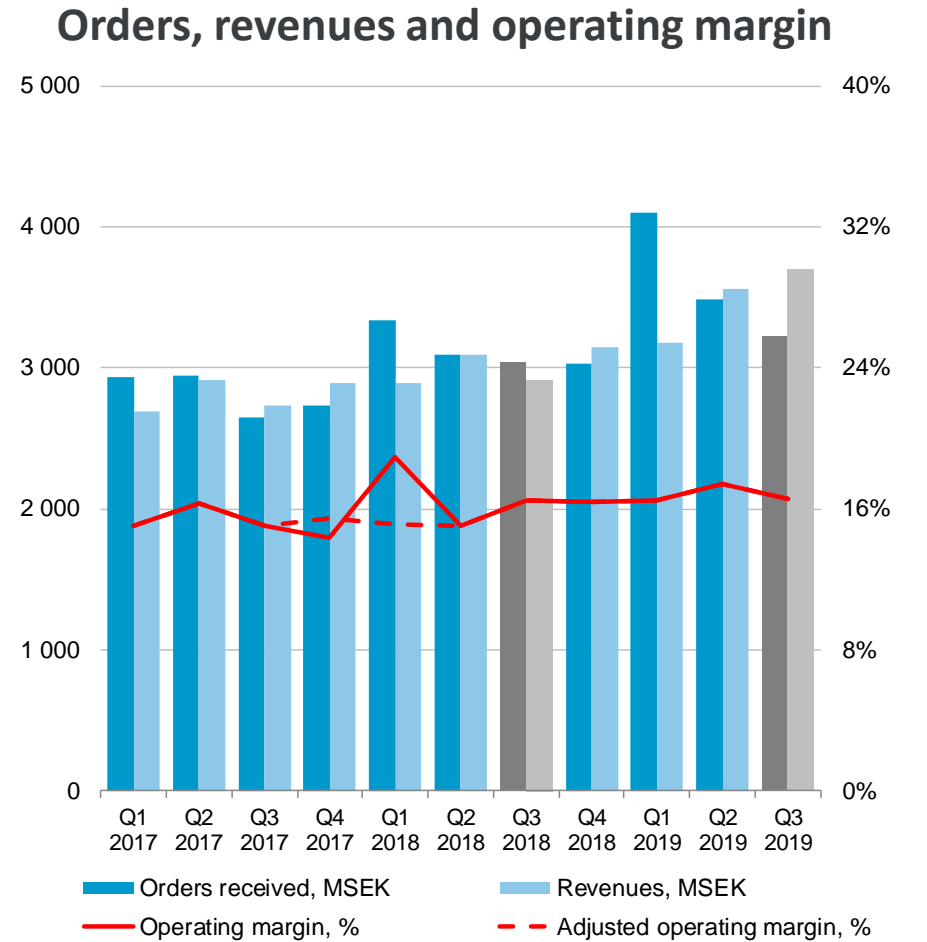
Orders, revenues and operating margin



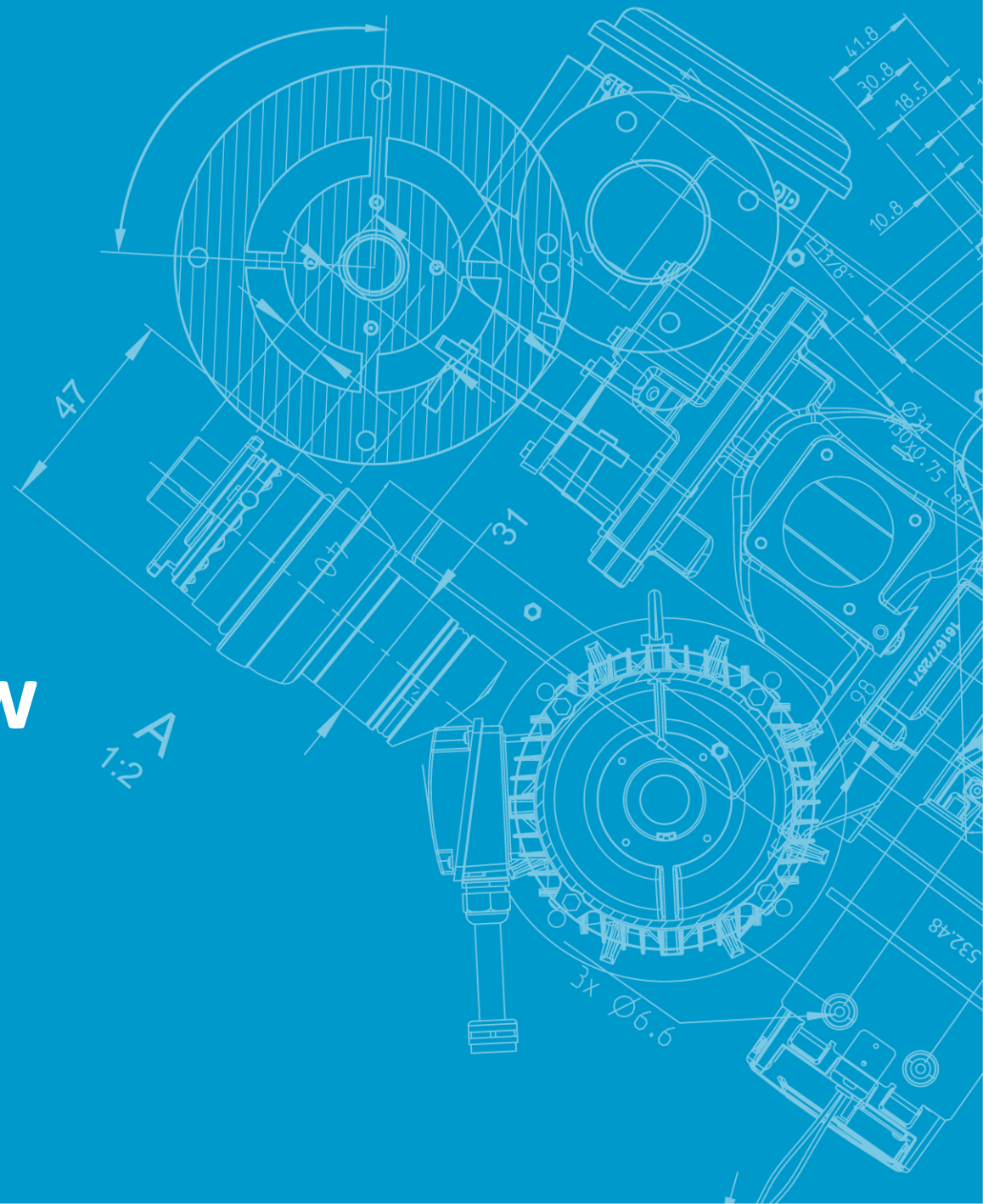
Power Technique

ROCE
29%

- Growth through innovation and presence
- Solid operating margin
- Strong recurring business
- Increased focus on industrial solutions



This is what we do and how



Why we are doing what we are doing

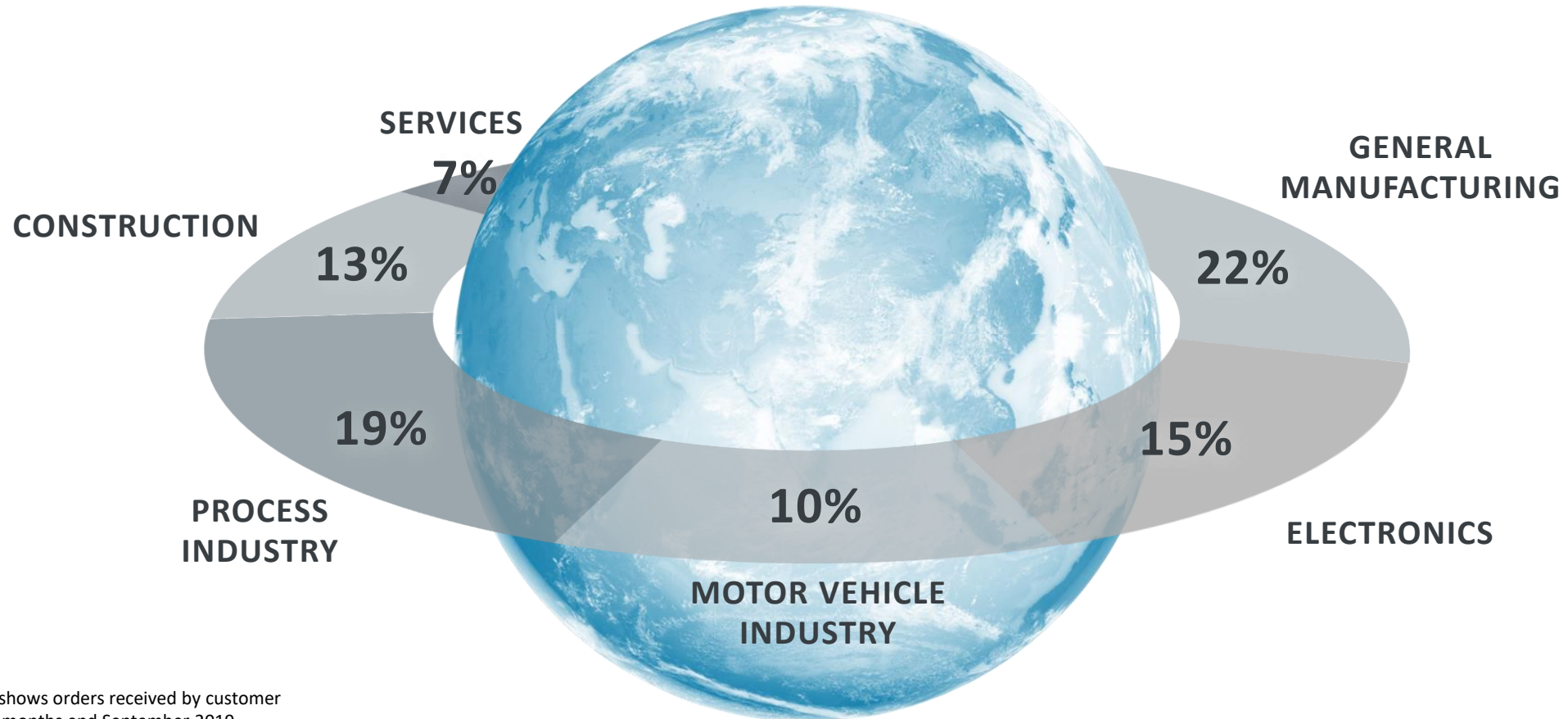


Our industrial ideas **empower** our customers to grow and drive society forward.

This is how we create a **better tomorrow.**

This is what we do

– We help customers around the world to succeed



* Percentage shows orders received by customer category 12 months end September 2019.

– Our customers' success is our success

EXAMPLE:
Power Equipment
Manufacturer in
USA



CUSTOMER NEEDS:

- Improve rework process in the production of electrical cabinets which is causing excessive warranty claims, customer dissatisfaction and potential thermal events in the field (safety concerns)

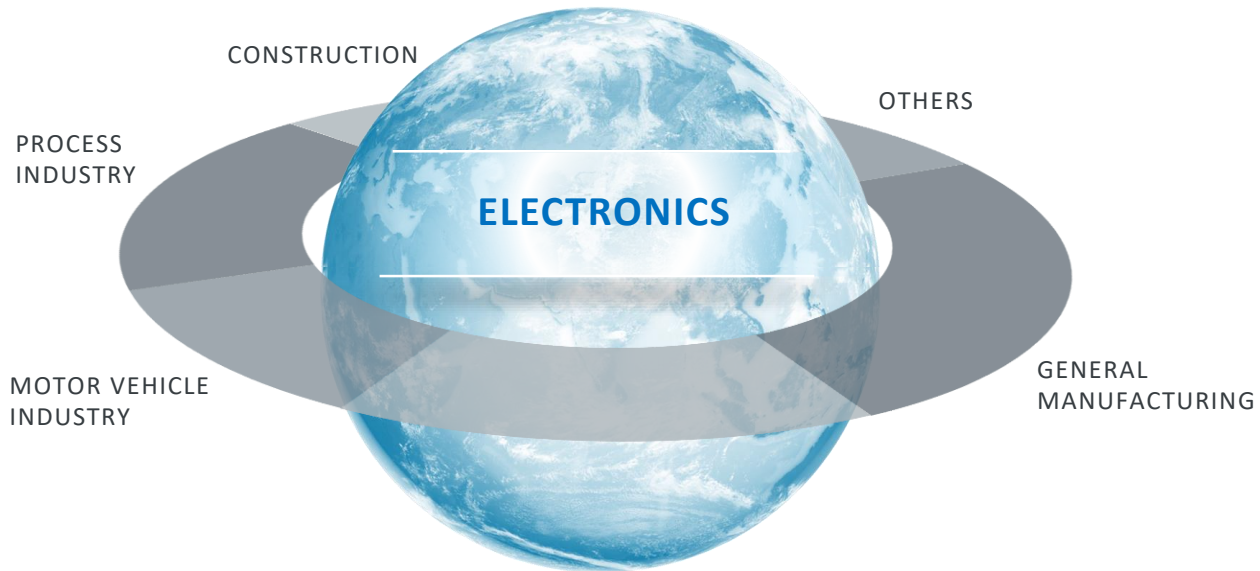
OUR SOLUTION:

- Introduced a full error proofing solution combining operator guidance and tightening equipment to secure quality control

CUSTOMER VALUE:

- Elimination of failures in the field, estimated around \$40,000 per year
- Improved tightening traceability and operator guidance in the rework process

– Our customers' success is our success



EXAMPLE:
Semiconductor
customer



CUSTOMER NEEDS:

- Reduce energy and operating costs
- Increase performance and process up-time

OUR PATENTED SOLUTION:

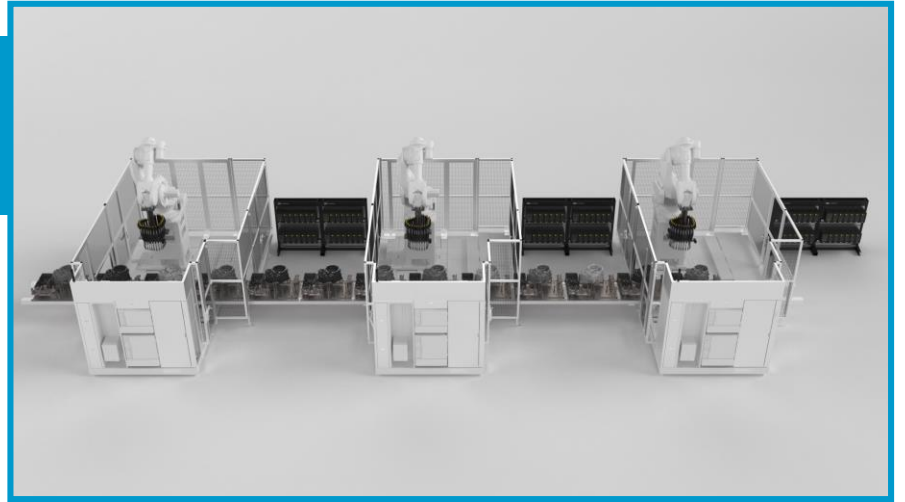
- Innovative efficient and compact pumping mechanism
- Application optimized materials and utility controls

CUSTOMER VALUE:

- Reduced energy costs by up to 60% per pump
- Higher process throughput from each pump
- Extended service intervals increasing uptime

– Our customers' success is our success

EXAMPLE:
Ford Power Train,
Detroit, USA



CUSTOMER NEEDS:

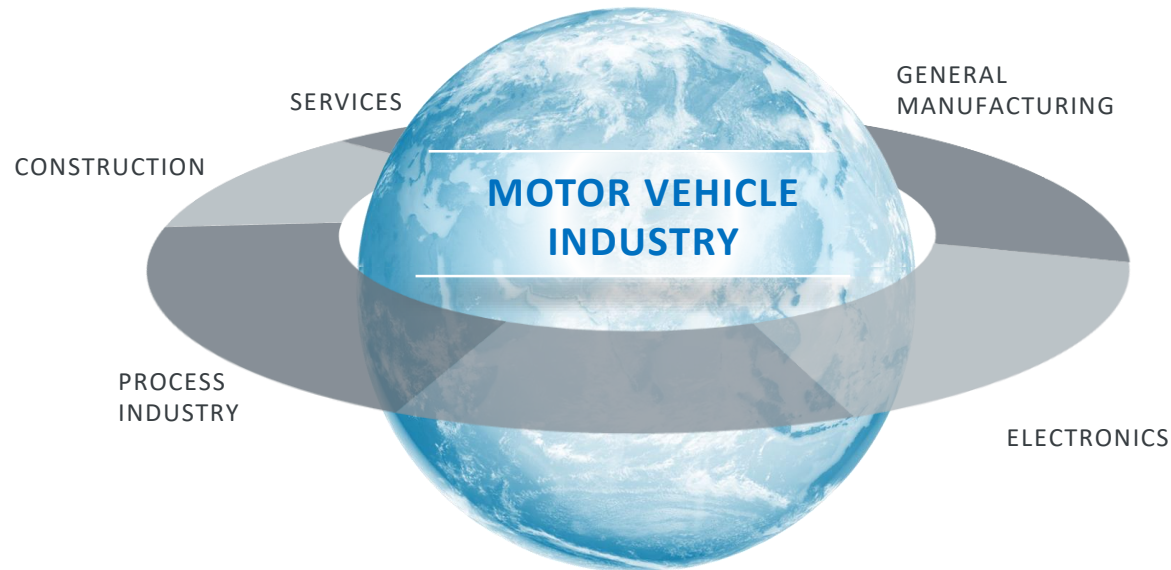
- Increase asset utilization
- Decrease line-length and line footprint
- Allow for efficient multi-variant production

OUR SOLUTION:

- Replaced three robot and tool stations with only one station

CUSTOMER VALUE:

- Reduction of floor space
- Ease of rebalancing (one station instead of three)
- Multiple transmission variants capabilities in one station



– Our customers' success is our success



EXAMPLE: Crisp bread factory



CUSTOMER NEEDS:

- Reduce energy costs

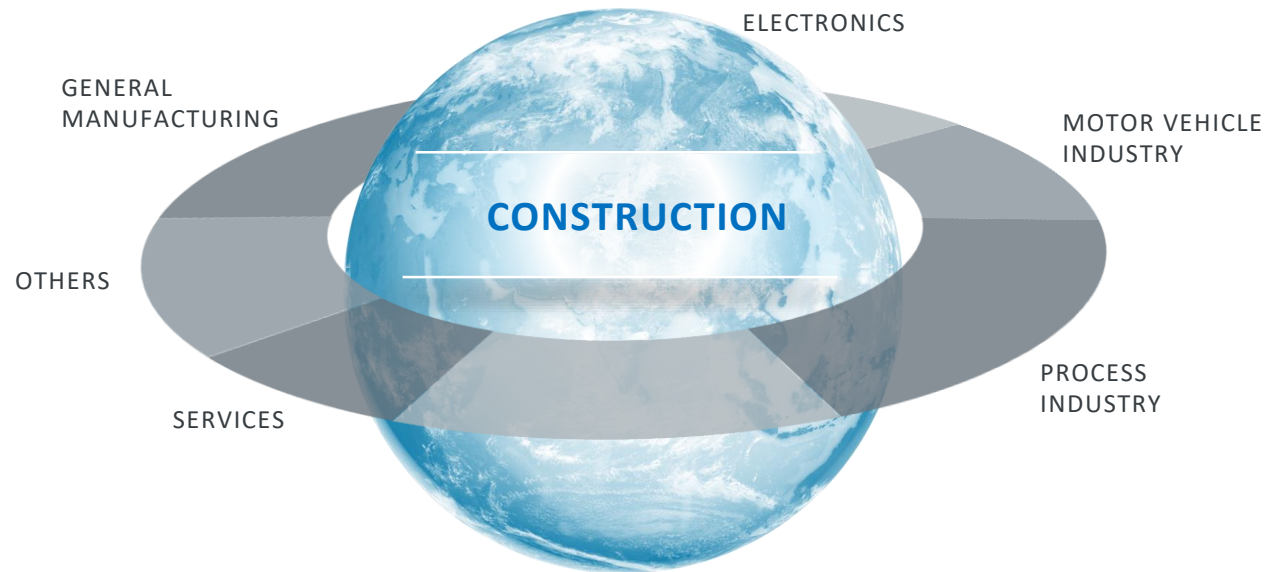
OUR SOLUTION:

- Air Scan audit
- Replaced old compressors with VSD compressors
- Upgrade of air control system for optimized usages

CUSTOMER VALUE:

- Reduced energy usage of more than 1 000 000 kWh in one year (= 30% energy savings)

– Our customers' success is our success



EXAMPLE:
Cimentaciones Abando
– A geotechnical drilling company in Spain



CUSTOMER NEEDS:

- New drilling compressors that delivers high performance at low fuel consumption

OUR SOLUTION:

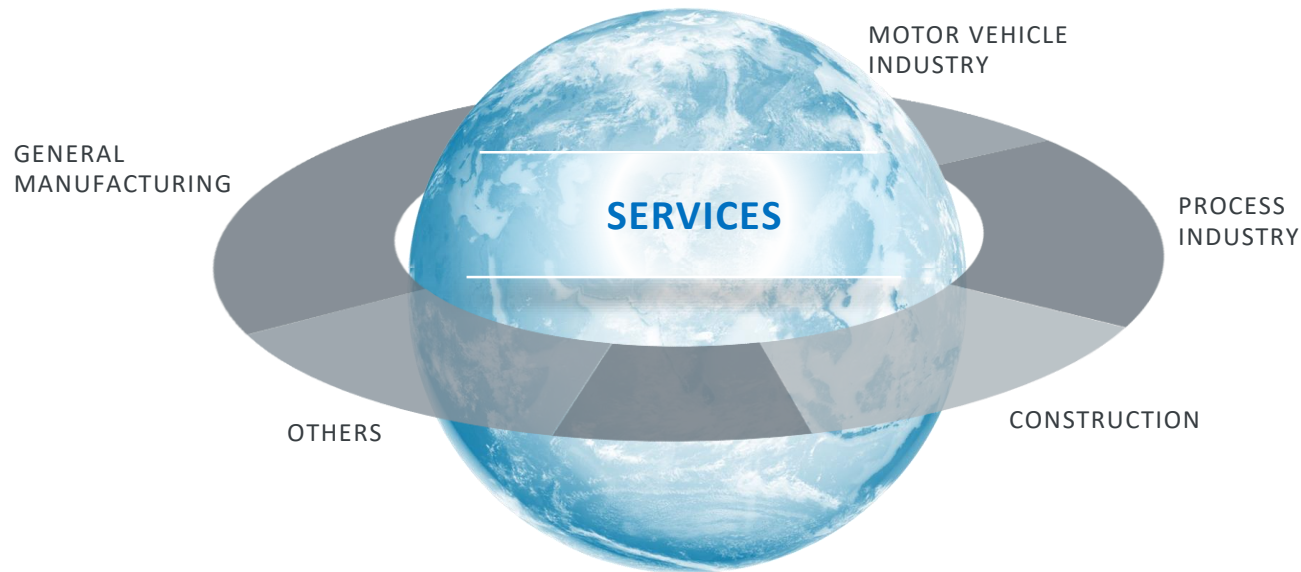
- Test of newly developed portable compressors to validate potential energy savings
- Replaced current compressors with Atlas Copco DrillAir range

CUSTOMER VALUE:

- Outperformance of comparable products, resulting in 20% fuel savings for the customers

– Our customers' success is our success

EXAMPLE:
Waste water treatment Lake Michigan, USA



CUSTOMER NEEDS:

- 24/7 without failures – aeration process can never stop
- Very low noise – no community impact
- Very low energy consumption

OUR SOLUTION:

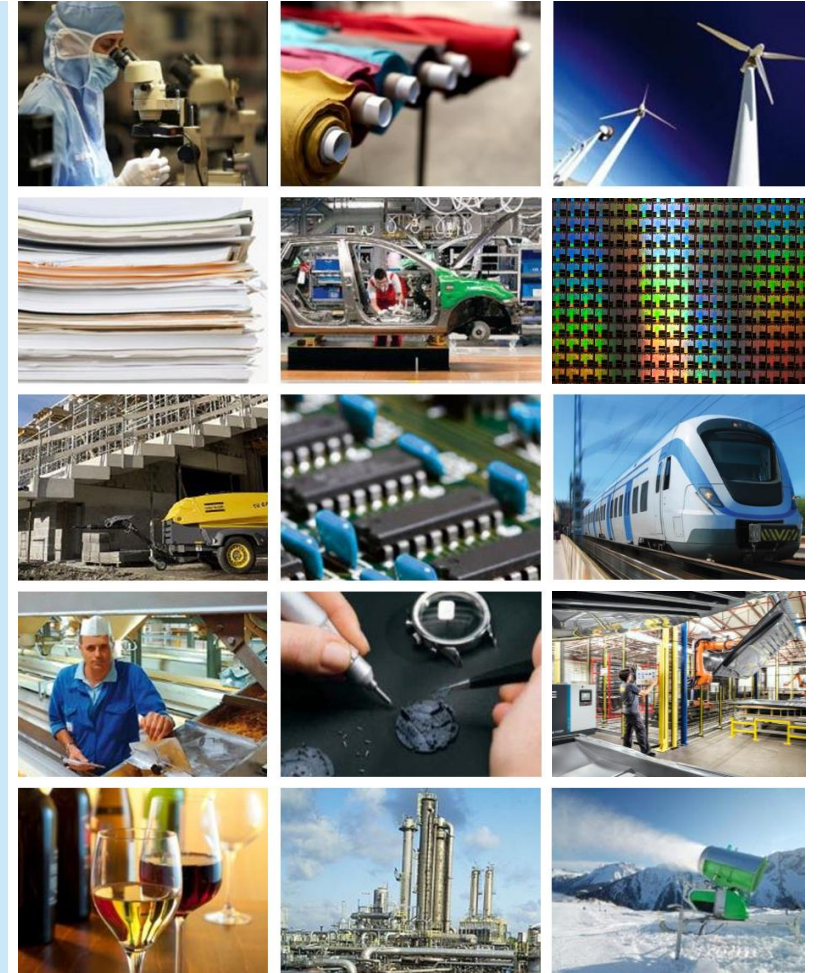
- Two high efficient screw blower ZS110VSD
- Total responsibility service plan

CUSTOMER VALUE:

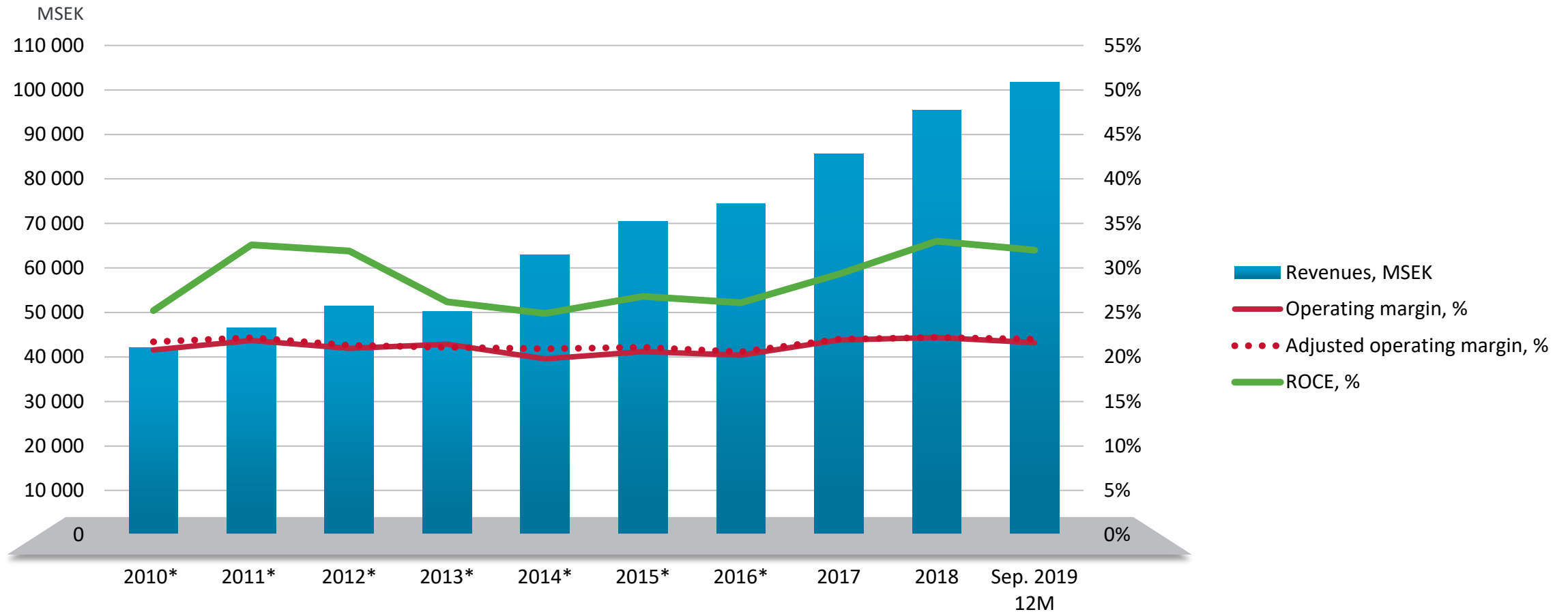
- Adaption delivery of compressed air to the amount of water in tanks
- 100% clean air
- Energy savings of 50% compared to previous installation equals to 4 500 euro/month

Focus on profitable niches and delivering lasting value

- Leading positions in our defined markets
- Leading, differentiated technology
- Key products in customers' operations
- Smaller part of customers' investment
- Healthy service potential
- Balance sheet agility



Long term growth and profitability



* Figures for the years 2010-2016 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS15 are not fully reconciled.

Product driven – Customer Focused

Business Areas

COMPRESSOR
TECHNIQUE

VACUUM
TECHNIQUE

INDUSTRIAL
TECHNIQUE

POWER
TECHNIQUE

21 Divisions

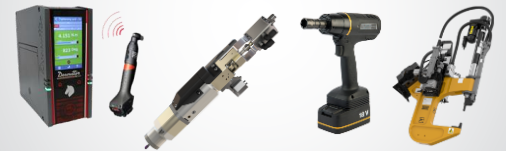
Compressor Technique Service
Industrial Air
Oil-free Air
Professional Air
Gas and Process
Medical Gas Solutions
Airtec

Vacuum Technique Service
Semiconductor Service
Semiconductor
Scientific Vacuum
Industrial Vacuum

Industrial Technique Service
MVI Tools and
Assembly Systems
General Industry Tools and
Assembly Systems
Chicago Pneumatic Tools
Industrial Assembly Solutions

Power Technique Service
Specialty Rental
Portable Air
Power and Flow

Products

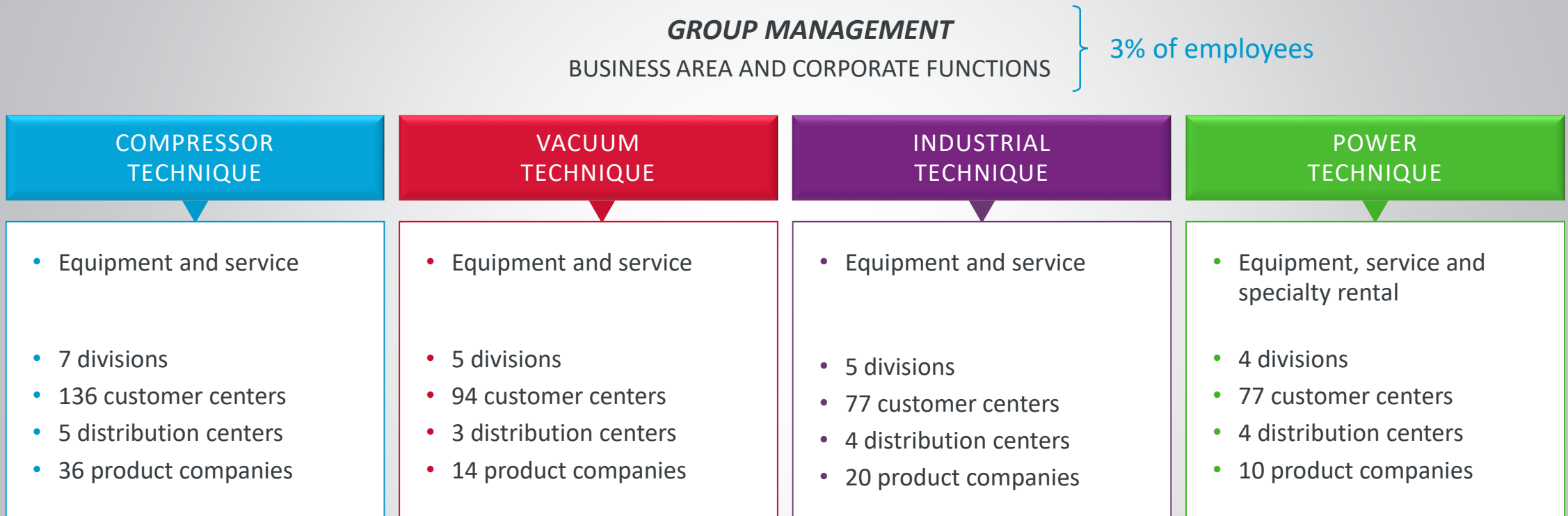


Customers



Transparency

– Clear responsibilities with more than 500 P&L



Divisions generally conduct business through product companies, distribution centers and customer centers

Diversified, agile and resilient

DIVERSIFIED

- Diverse customer base
- About 1/3 of sales in Asia, 1/3 in Americas, and 1/3 in EMEA
- Operations in Europe, Asia and America



AGILE

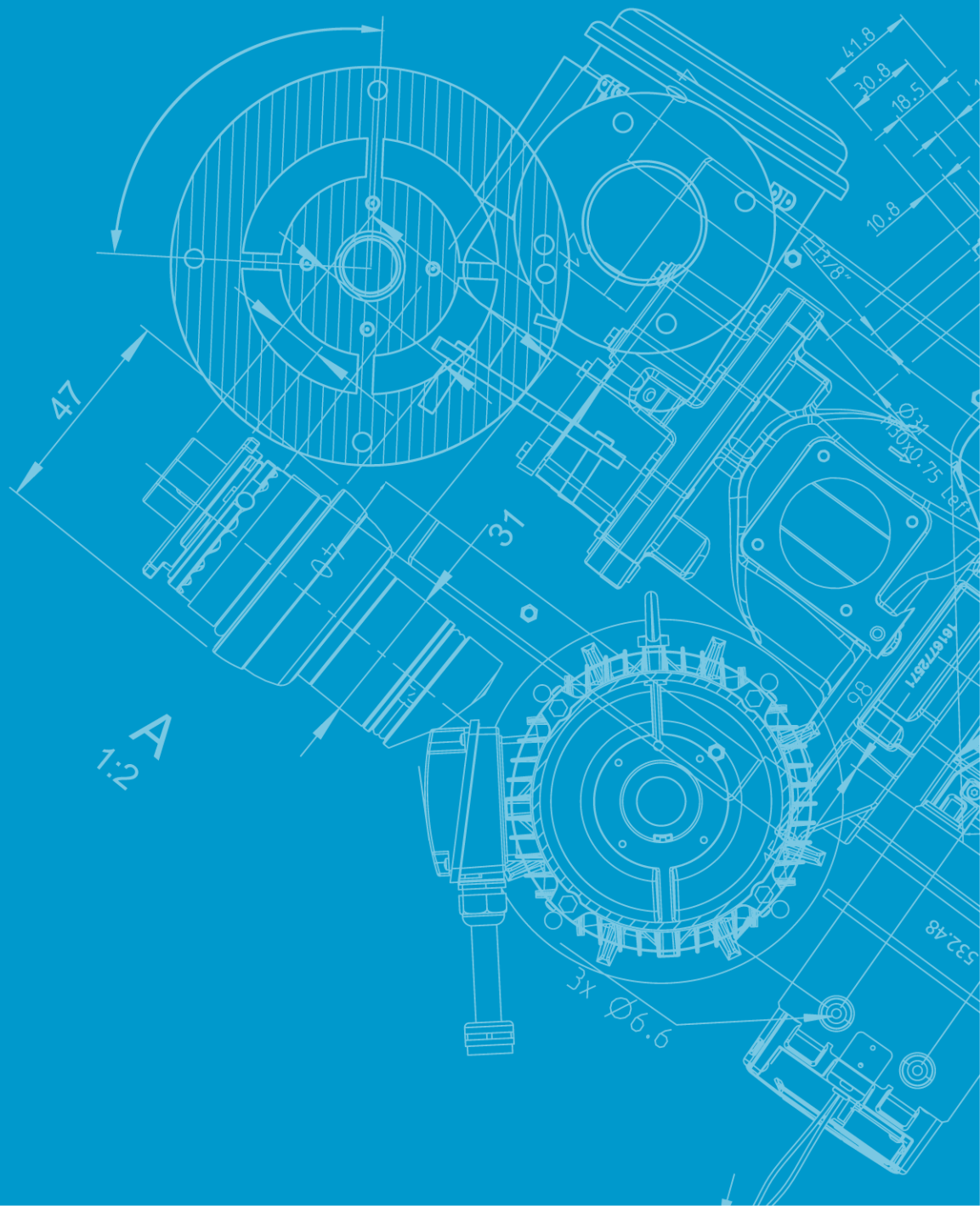
- Outsourced parts manufacturing
 - 75% of equipment production cost is purchased components
- Flexible workforce
- Continuous scenario planning
- Leadership model with direct accountability
- Transparent organization with clear follow up

RESILIENT

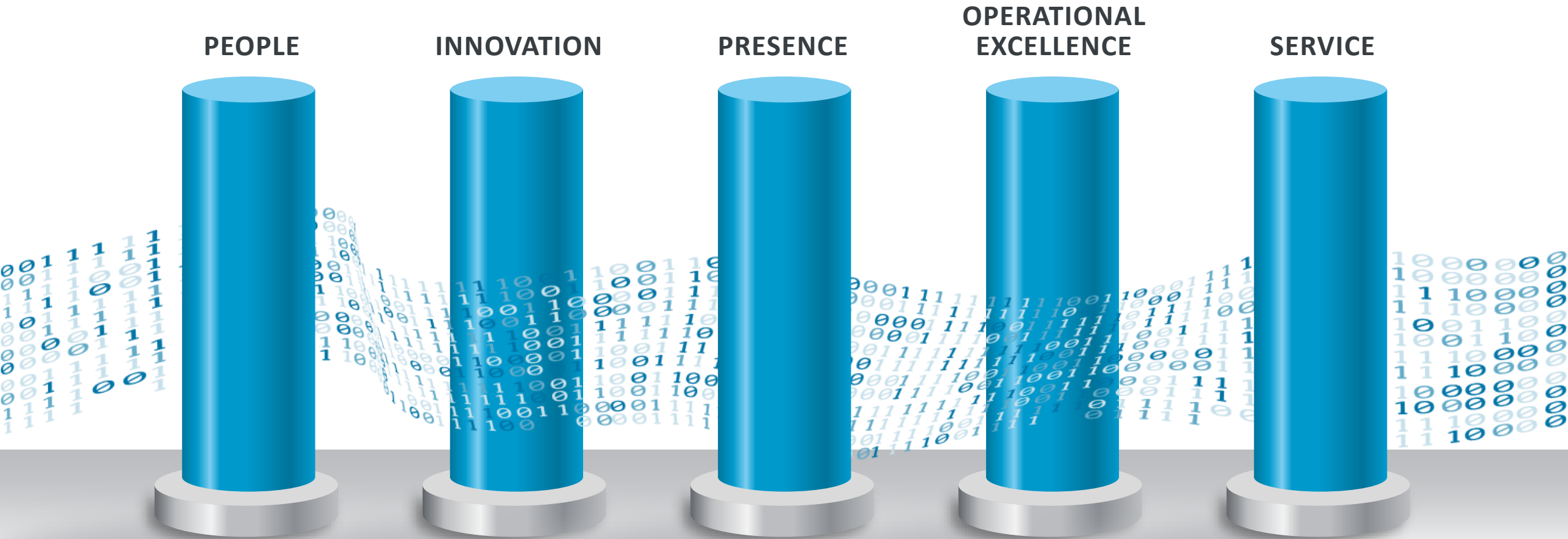
- 36% of sales is service business
- Asset light operations



**Focus on sustained
profitable growth**



Pillars for sustained profitable growth



People - Creating a culture of innovation and growth

- Leadership is defined as **the ability to create lasting results**
- **Passionate** people create **exceptional** things
- **Diversity** makes us **stronger**

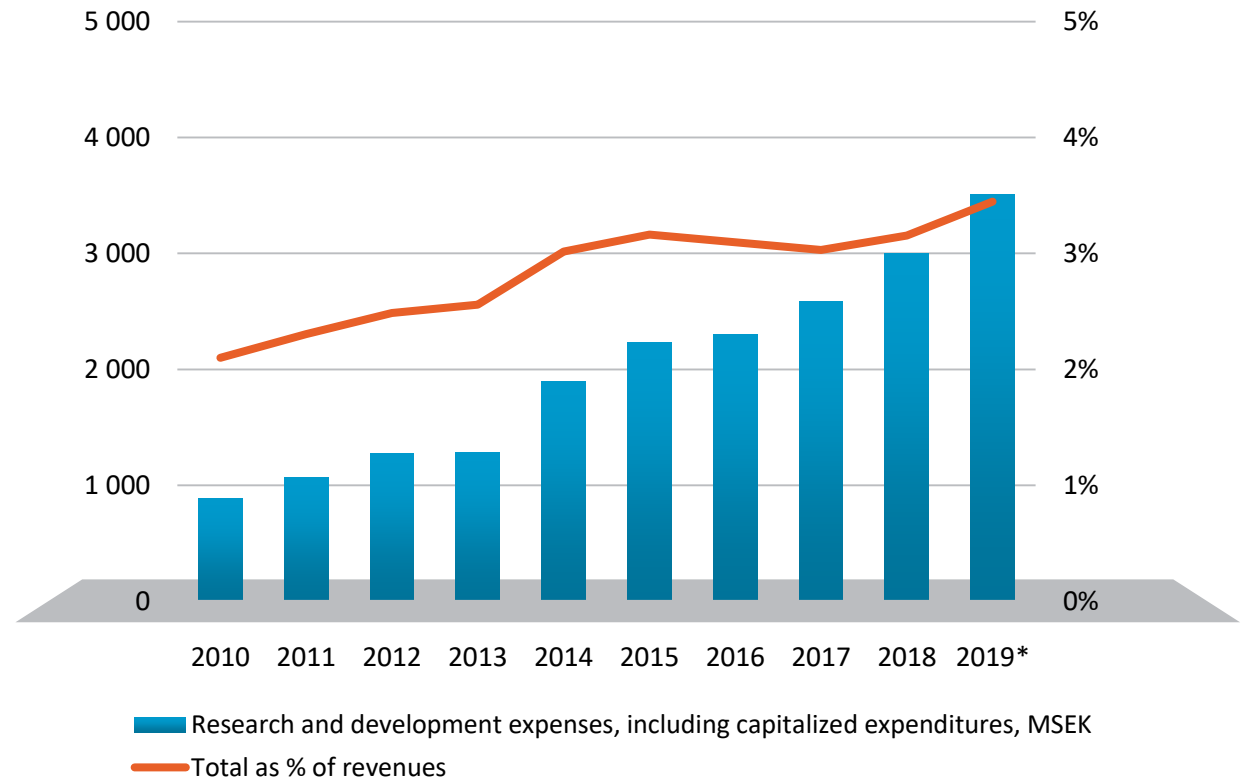


Innovation – Important part of our strategy to grow

- We want to be part of our customers future and their success

PRIORITIZING INNOVATION

Research and development costs 2010 – 2019

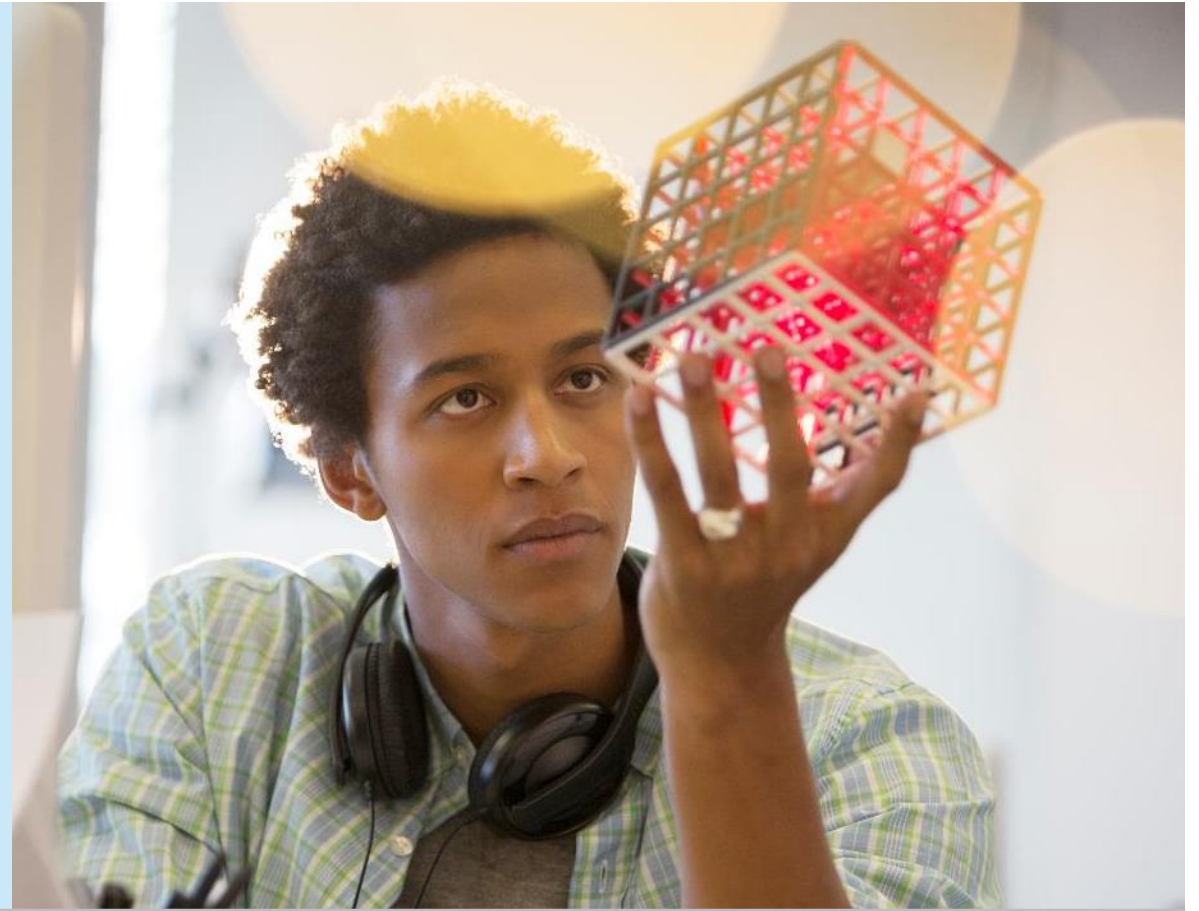


* 12M Sep 2019

Product development

- Understand customer needs before offering a product
- Focus innovation on where it has the biggest effect for our customers
- Split and measure by **long term technical development** and **near-term product developments**

PRIORITIZING INNOVATION



Understanding the customers generates results

– The Voice of the Customer



EXAMPLE: TBP Pulse Tool

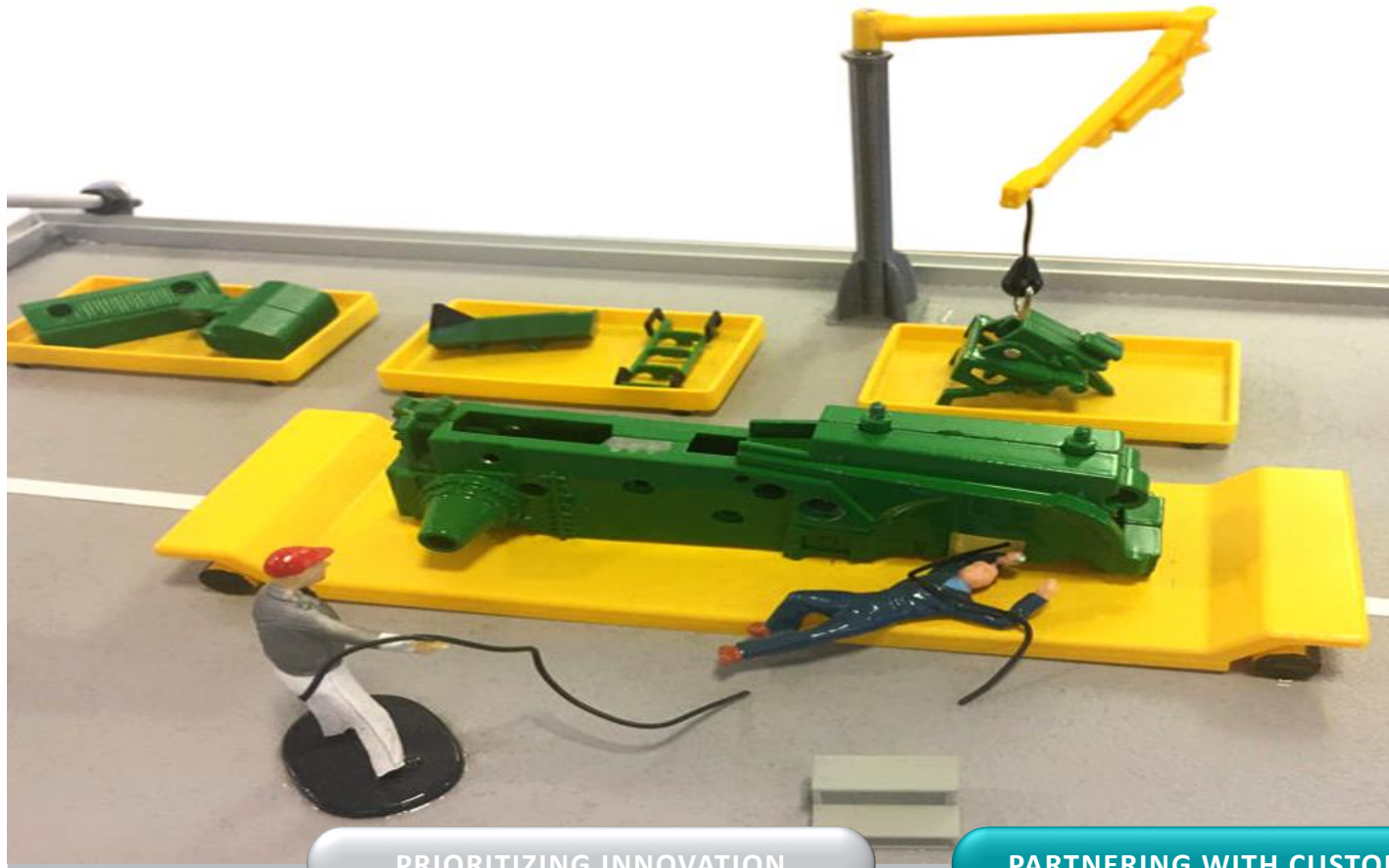
– A low reaction battery pulse tightening tool offering state of the art ergonomics high productivity.

- > 100 interviews with customers
- Studied customer behavior at customer site to identify unspoken needs

PRIORITIZING INNOVATION

PARTNERING WITH CUSTOMERS

Understanding the customers generates results



PRIORITIZING INNOVATION

PARTNERING WITH CUSTOMERS

- > 100 interviews with customers
- Studied customer behavior at customer site to identify unspoken needs
- Created a mockup of a production environment to increase the understanding of customer needs

Outcome

- MOST IMPORTANT IDENTIFIED CUSTOMER NEEDS:
 - Reduce reaction forces to minimize need for reaction arms and improve ergonomics
 - Reduce weight, sound and vibrations
 - Increase number of tightening per minute (productivity)
 - Traceability
- DEVELOPING NEW TECHNOLOGY BASED ON CUSTOMER NEEDS:
 - New innovative pulse mechanism
 - Efficient motor control and advanced tightening algorithms
 - High accuracy
 - Low weight
 - Low sound and vibration levels
 - High productivity



PRIORITIZING INNOVATION

PARTNERING WITH CUSTOMERS

Result

- Tangible customer values
- One of our biggest sales successes in industrial tools



EXAMPLE: TBP Pulse Tool
– A low reaction battery pulse tightening tool offering state of the art ergonomics high productivity.

PRIORITIZING INNOVATION

PARTNERING WITH CUSTOMERS

THERE IS ALWAYS A BETTER WAY

Creating a culture of innovation and growth

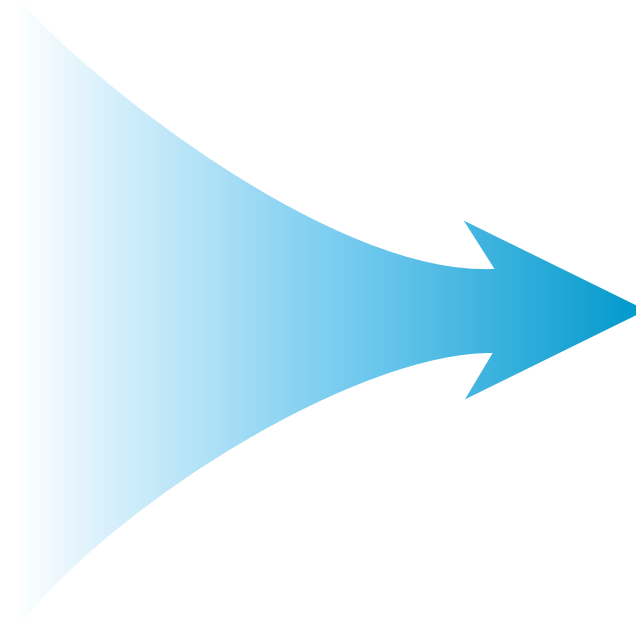
PRIORITIZING INNOVATION

PART OF OUR STRATEGY TO GROW

PARTNERING WITH CUSTOMERS

THERE IS ALWAYS A BETTER WAY

TEST – EVALUATE – MOVE ON



**Additional
Innovation Power**

Presence

– Committed people and a strong brand portfolio around the world

Develop local competences

Direct and indirect presence

Create high brand awareness with a strong brand portfolio

Develop digital presence



Operational excellence

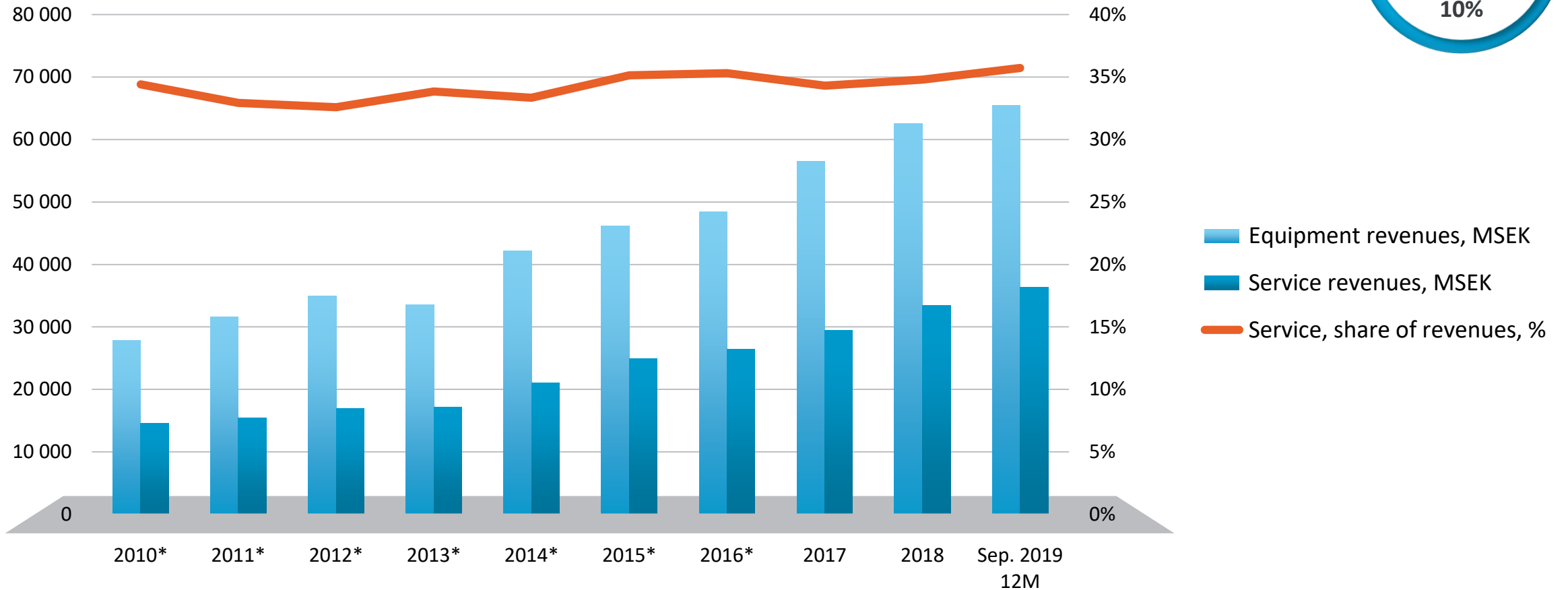


Dedicated divisions focused on recurring business



Growing service business generates resilience

CAGR
Service
11%
Equipment
10%



* Figures for the years 2010-2016 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS15 are not fully reconciled.

Three horizons – securing sustainable results

**DEVELOP AND
DEFEND CORE**

**BUILD NEW
BUSINESSES**

**CREATE
OPTIONS**

Acquisitions

– Businesses in, or close to existing core competencies

CHARACTERISTICS

Industry-to-industry

Geographically spread customer base

Leadership in niche markets

Differentiated core technology

Strong base of business partners

Healthy service potential

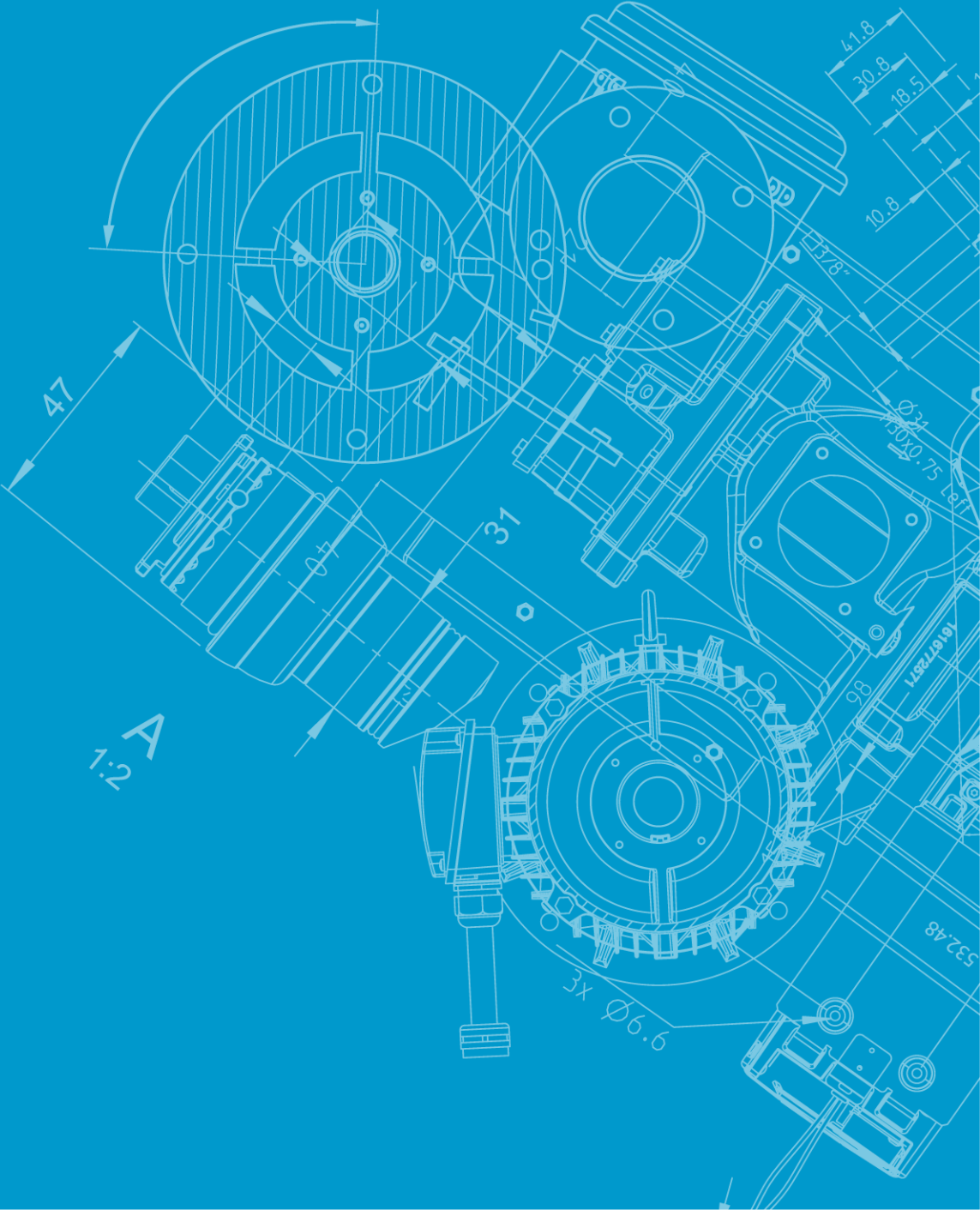
LEVERAGING

Application knowledge

Efficient manufacturing and product development processes

Capacity to swiftly market products and services globally

Financial goals and performance



Our financial goals



8% average growth per year over a business cycle

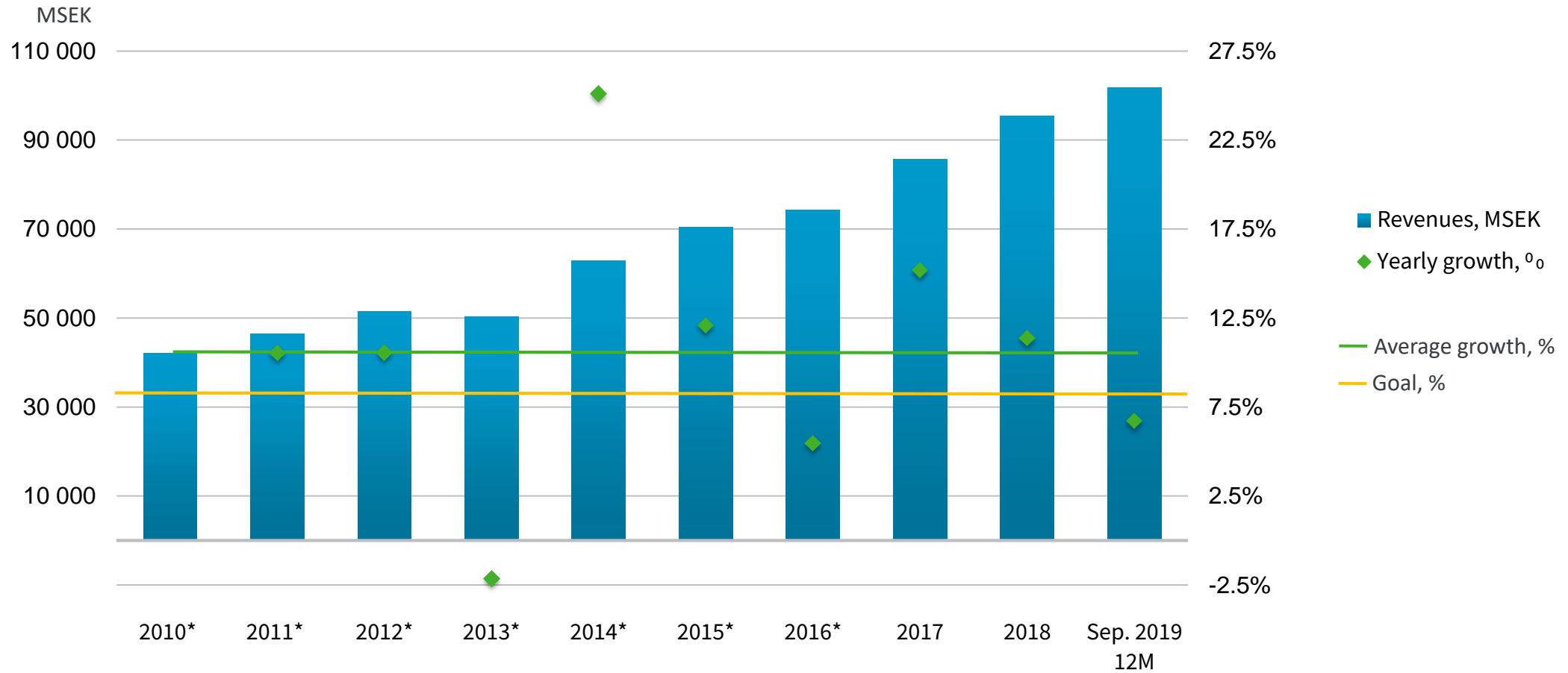


Sustained high return on capital employed (ROCE)



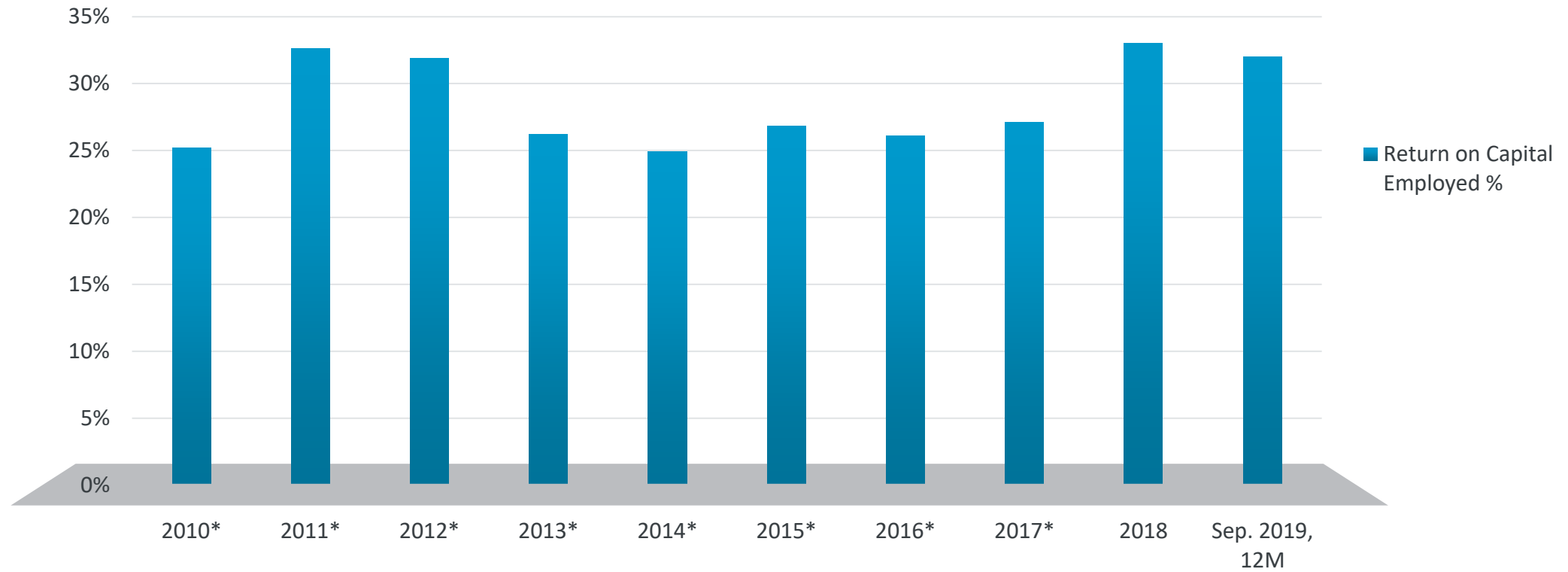
50% of net profit in annual dividend

Long term growth



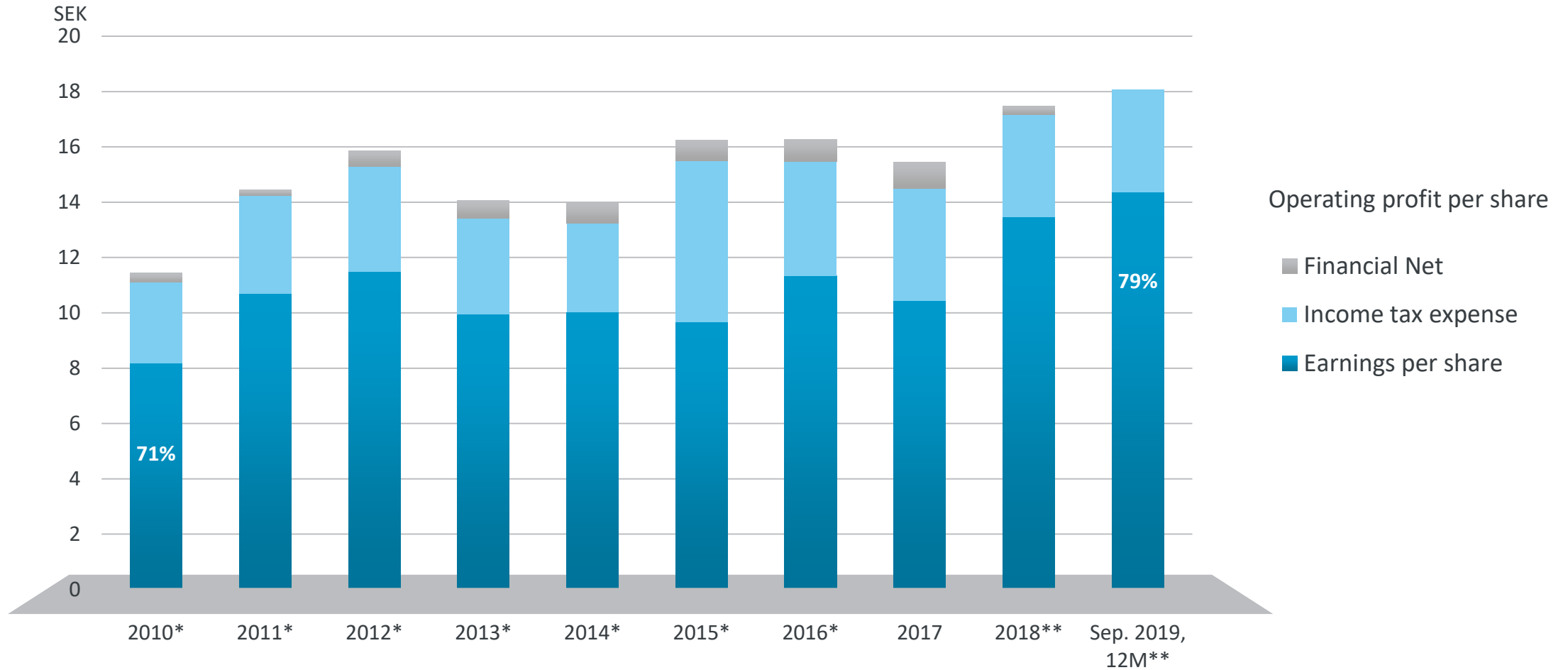
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Sustained high Return on Capital Employed



* Figures for the years 2010-2017 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS15 are not fully reconciled.

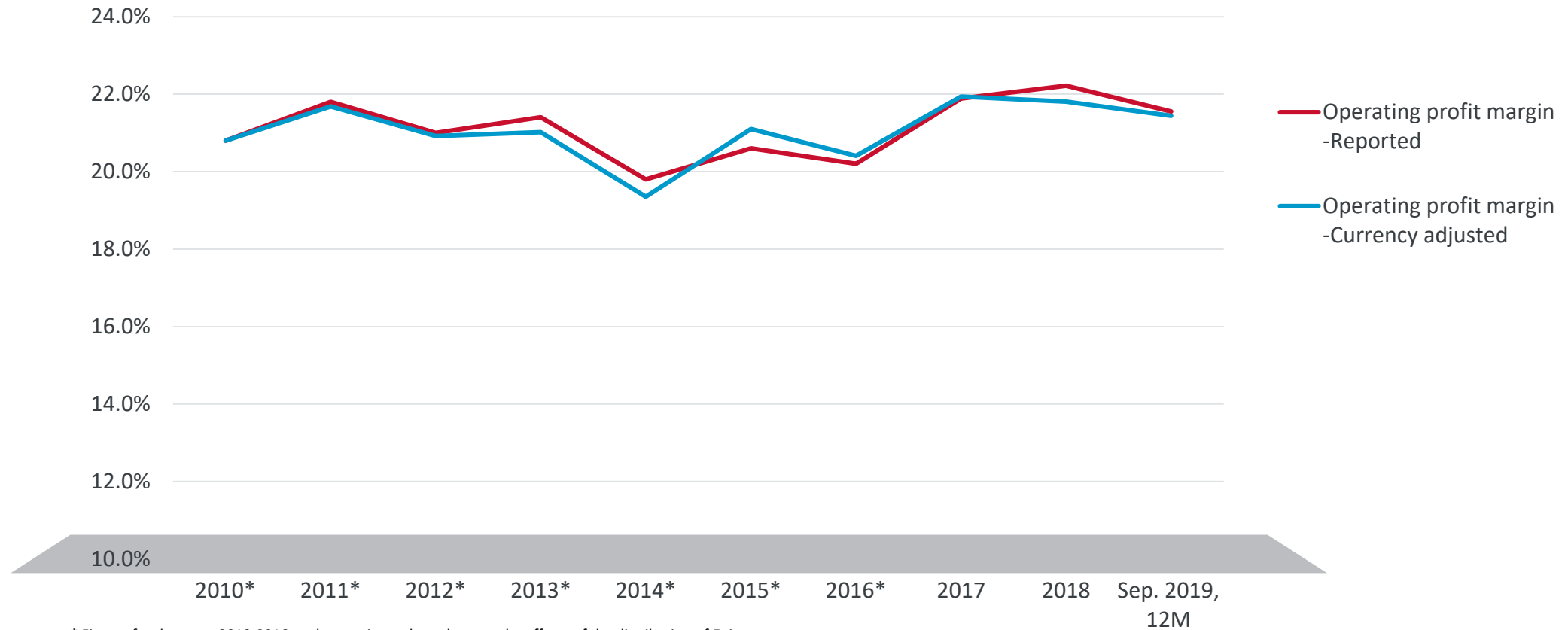
Operating profit per share



* Including Epiroc until 2016

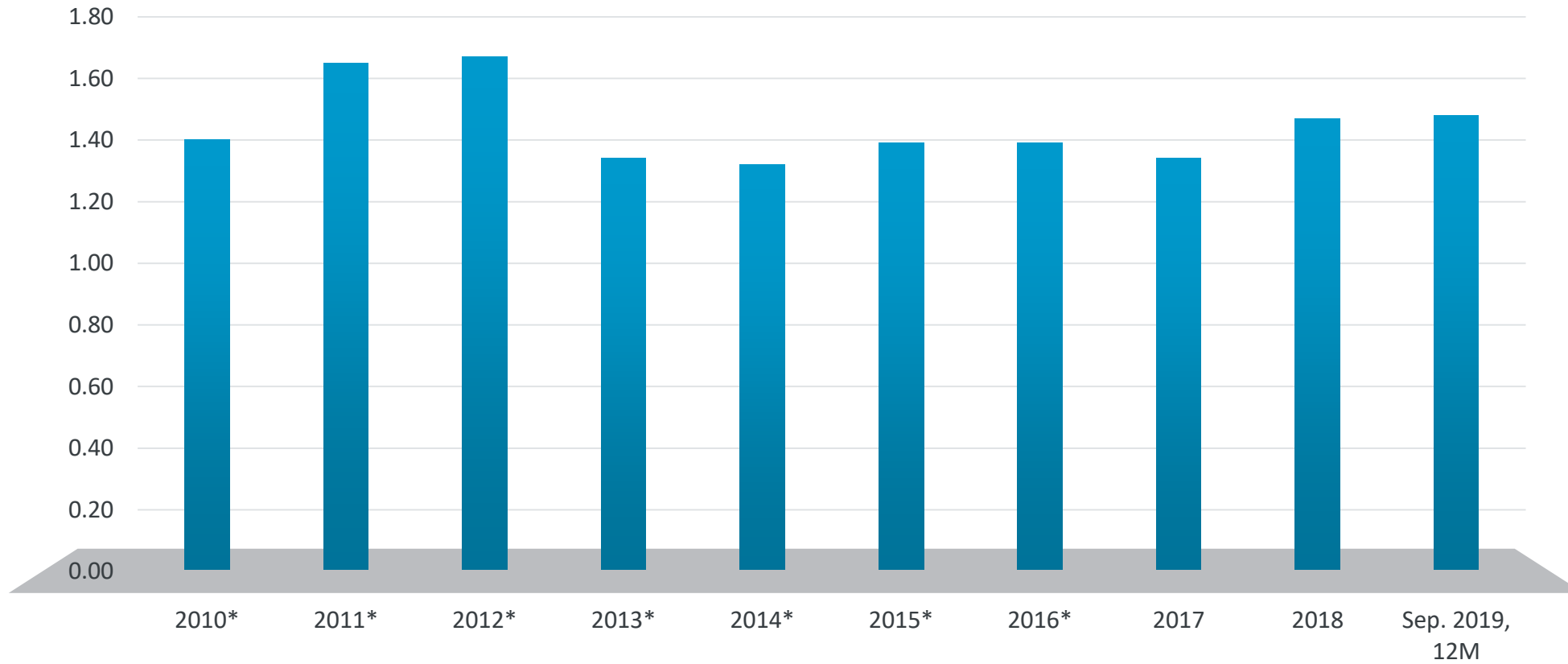
** Financial Net includes a tax-free gain of SEK 0.3 per share from repatriation to Sweden of Euro-denominated equity

Operating profit - Strong performance across currency fluctuations



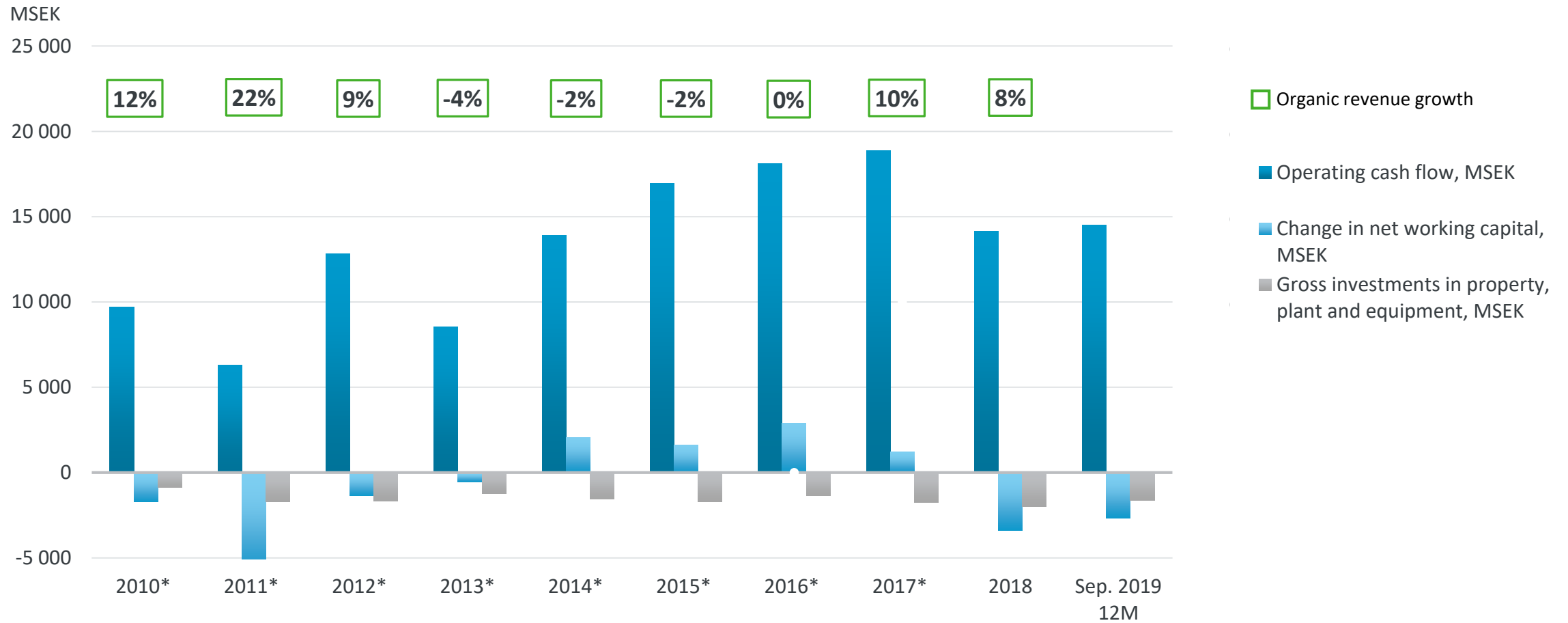
* Figures for the years 2010-2016 are best estimated numbers, as the effects of the distribution of Epiroc and restatements for IFRS15 are not fully reconciled.

Capital employed turnover ratio

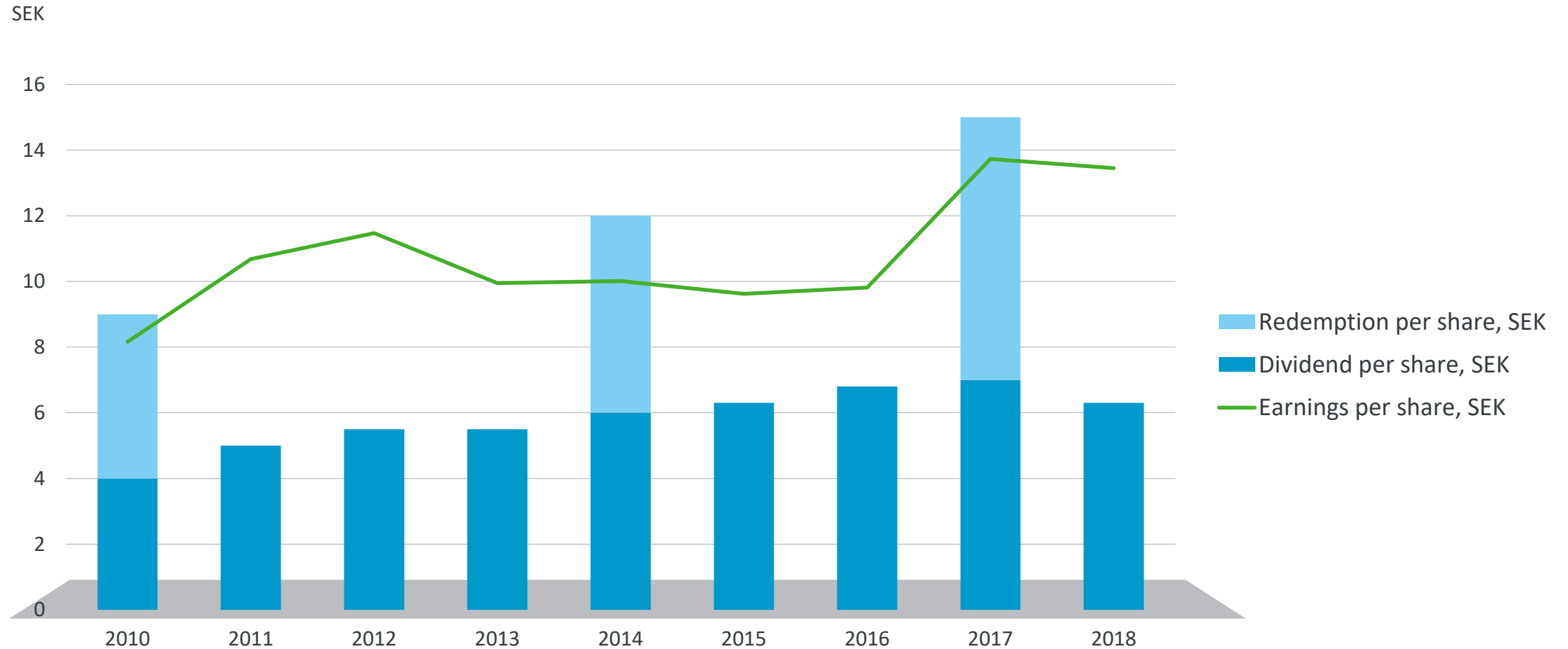


* Including Epiroc until 2016

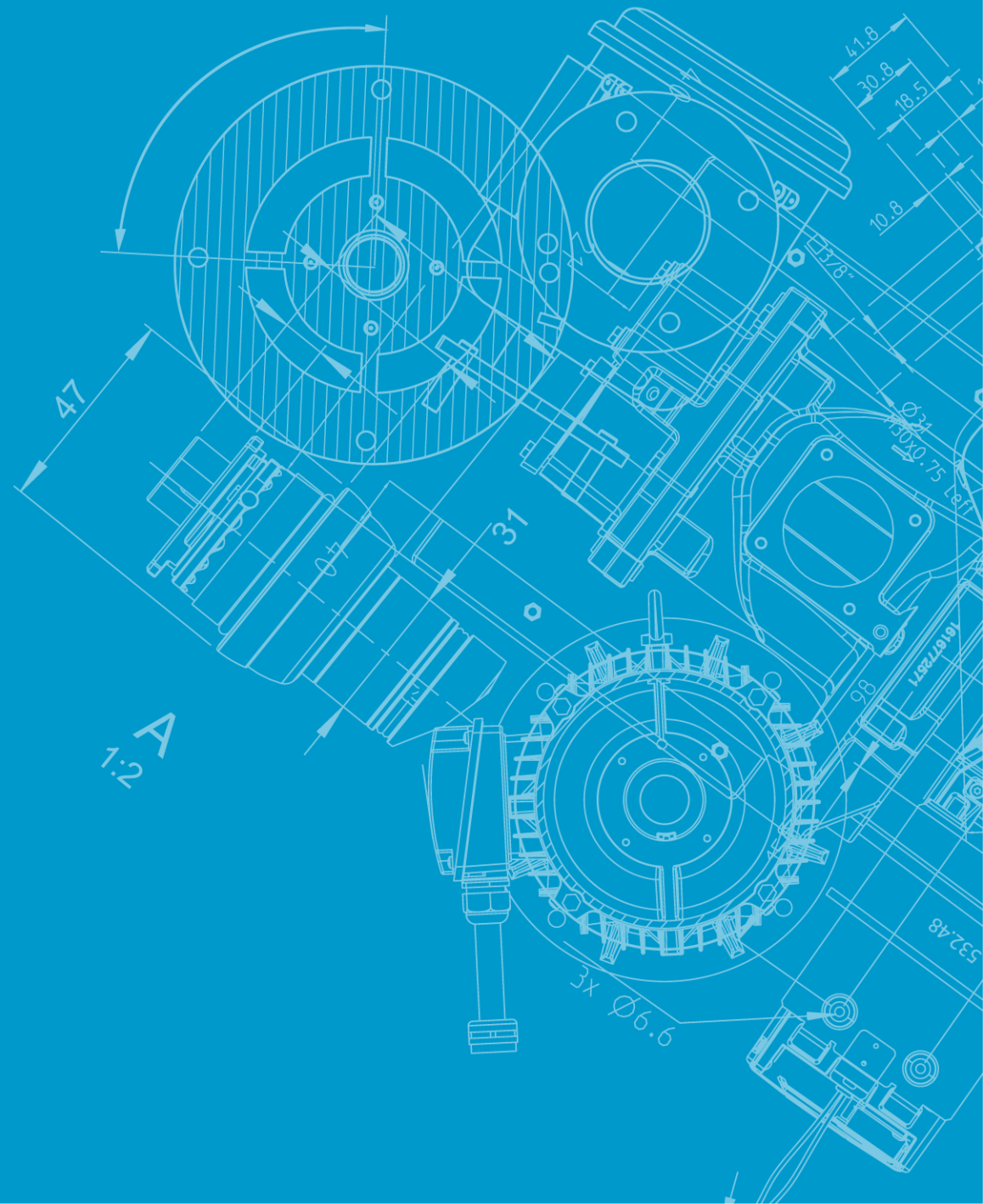
Cash generation



Sustainable cash distribution



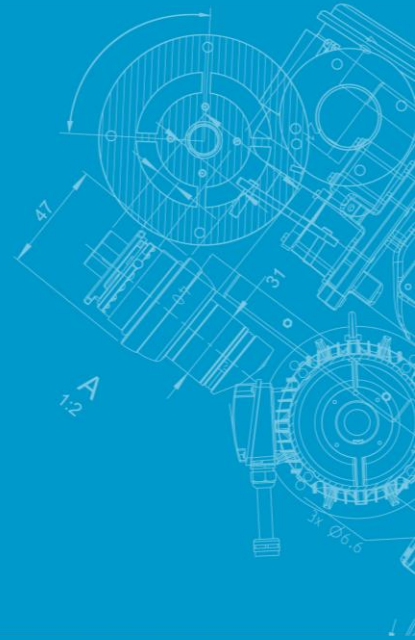
Summary



Summary



- Focus on profitable business niches
- Use our core competencies to develop the niches
- Strong execution through a decentralized leadership model
- Diversified, agile and resilient business
- Strong focus on innovation to create lasting values
- Sustained strong financial performance
- There is always a better way



Forward looking statements

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially and adversely affected by other factors such as the effect of economic conditions, exchange-rate and interest-rate movements, political risks, the impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.”