



## Sandvik

Sweden | Nasdaq Stockholm | Large Cap | Industry

2026-01-28

## Rating:

**Buy**

12 M Target price: 410 SEK  
Current price: 346 SEK  
Difference: Upside 18%

## A Resilient Industrial Leader with Structural Growth and Upside Optionality

Sandvik is a global industrial technology leader with a strong focus on mining, automation, digitalisation, and sustainability, operating in more than 150 countries with approximately 41,000 employees. The company operates through three business segments with different margin and cyclical profiles, providing diversification across the industrial cycle.

The investment case is anchored in Mining as a structural growth driver, supported by strong order momentum, long lead times, and a large aftermarket business that enhances earnings stability. High switching costs, technical complexity, and continued innovation within automation and electrification form a strong operational moat, enabling Sandvik to defend margins even in a challenging macro environment.

While a broad industrial recovery is not yet visible, the case does not rely on an immediate cyclical upswing. Instead, it combines structural growth in Mining with cyclical upside optionality and solid downside protection, offering an attractive risk-adjusted profile with stable cash flows, resilient margins, and upside as macro conditions normalise.

### Key insights

#### Mining provides structural growth and earnings visibility

Strong order momentum in Mining, combined with a 10–11 month order backlog, supports predictable revenues and cash flows into 2026. Rising metal prices continue to stimulate mining investments, underpinning demand.

#### Market underestimates Sandvik's margin resilience

High switching costs, technical complexity and pricing power allow Sandvik to defend margins through the cycle. FX-adjusted margins already operate close to target levels despite a weak macro environment.

#### Tariff risk is overdiscussed relative to actual impact

Despite market concerns, Sandvik's strong US footprint and ability to reprice have limited the earnings impact from recent tariff developments, creating a valuation disconnect.

### Analyst

**Nahom Yared** Fund Analyst

### Market Data

Exchange	OMX
Trading Currency	SEK
Shares OS	1 254 385 923
Market Cap	476 290,3 MSEK
EV	502 110 MSEK

Metrics & Drivers	2025	2026E	2027E
P/E	20,8x	19,4x	17,4x
EV/EBIT	18x	16,8x	15,1x
EV/EBITDA	14,5x	13,7x	12,5x
ROIC	13,2%	14,2%	15,8%
FCF Yield	4,0%	5,3%	5,9%
EV/SALES	3,8x	3,7x	3,6x

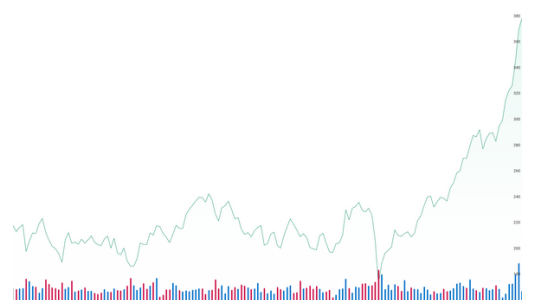
### Major Shareholders (votes)

AB Industrivärden	15% (15%)
BlackRock	5% (5%)
Vanguard	3,8% (3,8%)
Swedbank Robur Fonder	3,7% (3,7%)
LE Lundbergföretagen AB	3,4% (3,4%)

### Management

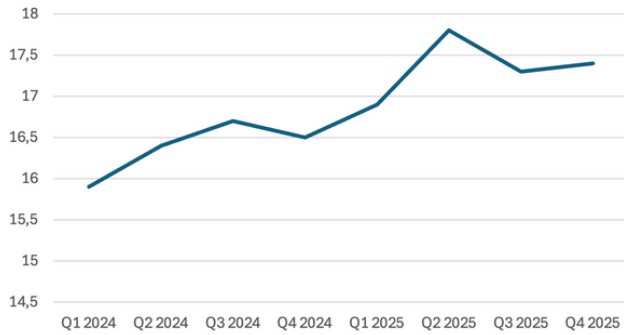
Stefan Widing, CEO  
Cecilia Felton, CFO

### Stock Price Movement 3Y %

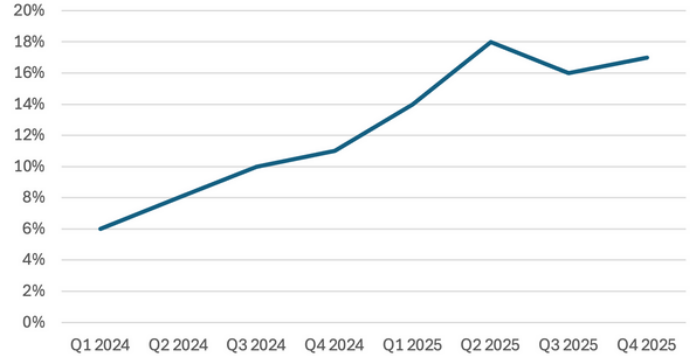


## Investment Thesis Overview

Order intake (SEK mdr)



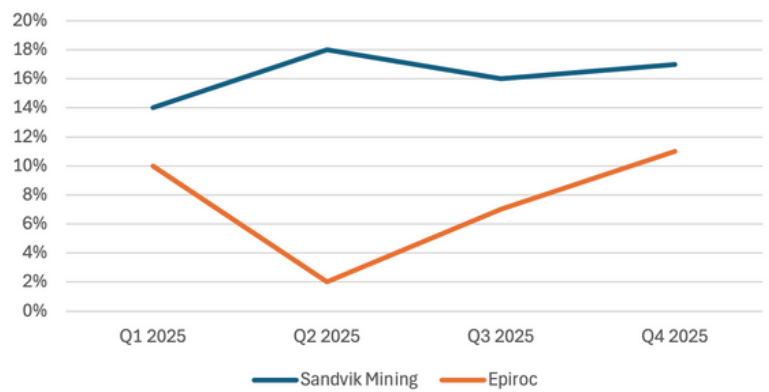
Organic order growth



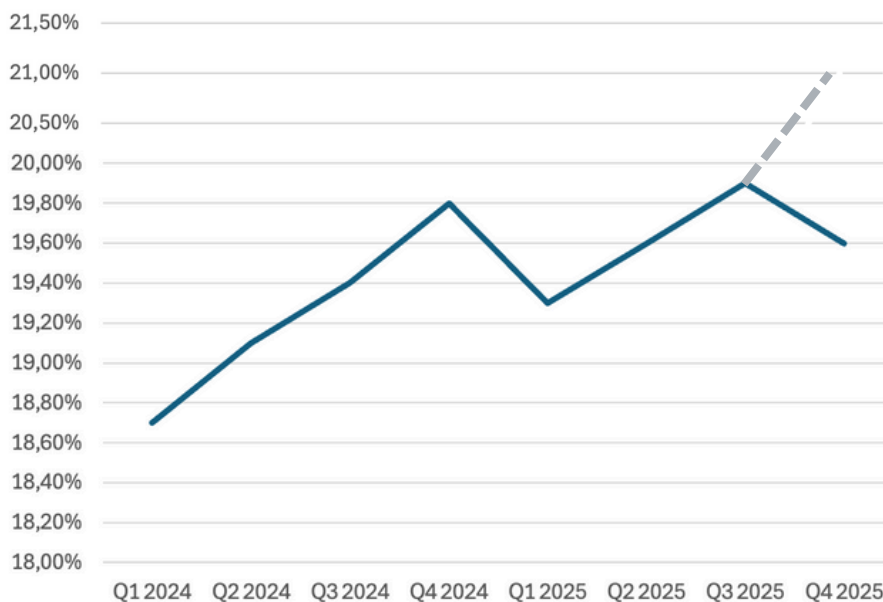
Revenue mix - Heavy aftermarket revenue



Organic order growth for Sandvik vs Epiroc



Development of EBIT-margin, Grey line shows FX-adjusted EBIT-margin growth into Q4 2025





## Investment Thesis

### **Mining as Sandvik's core growth driver with record backlog and high earnings visibility**

Mining is Sandvik's largest and most strategic business area, representing the first step in the customer value chain and benefiting from a large, high-margin aftermarket. The segment has demonstrated strong momentum, with +17% organic order growth and +14% organic revenue growth in Q4 2025, supported by increased capacity and solid customer demand.

The order backlog is at record levels, with lead times of 10–11 months, providing strong revenue visibility well into 2026. This is the highest backlog ever reported by Sandvik and is expected to convert into higher deliveries, supporting stable cash flows and earnings durability while reducing near-term execution risk.

Backlog strength is underpinned by several large, long-duration mining contracts, including recently announced orders of approximately SEK 0.5bn in Australia and SEK 0.3bn in Canada, reinforcing earnings predictability over time. Sandvik continues to outperform peers, reporting stronger order growth than Epiroc for the third consecutive quarter (17% vs 11%), indicating potential market share gains. As Mining is the group's largest EBIT contributor, the current order momentum materially reduces downside risk to near- and mid-term earnings estimates.

### **Structural margin resilience driven by aftermarket exposure and tungsten integration**

Sandvik benefits from a structurally high share of aftermarket revenues, particularly within Mining, where services, spare parts and consumables account for approximately 69% of sales. This recurring revenue stream is higher-margin and less cyclical than original equipment, supporting earnings resilience during periods of weaker new equipment demand.

The group reported an FX-adjusted EBIT margin of 19.6% in Q4 2025, only marginally below the long-term target range of 20–22%, primarily due to currency effects rather than operational weakness. A key structural advantage is Sandvik's vertical integration in tungsten, including in-house powder production and proprietary mines in Austria. While rising tungsten prices are expected to pressure margins for peers such as Epiroc, they are neutral to positive for Sandvik, supporting stable profitability and earnings quality across cycles.

### **Cyclical upside through industrial normalization without relying on a full recovery**

Sandvik's Machining Solutions (SMS) and Rock Processing Solutions (RPS) segments provide meaningful cyclical upside, despite operating below normalized demand levels. Historically, these businesses have delivered mid-20% EBIT margins in Machining and mid-teens margins in Rock Processing, highlighting strong operating leverage in a recovery.

A moderate normalization by 2026–27 could add approximately SEK 1.5–2.0bn in incremental EBIT, equivalent to around 7% uplift to group earnings, with high conversion into free cash flow. At current valuation levels (around 12× EV/EBIT), this implies high-single-digit percentage upside to equity value through earnings upgrades and potential multiple re-rating. This upside is not required for the base case but provides attractive optionality as industrial conditions normalize.

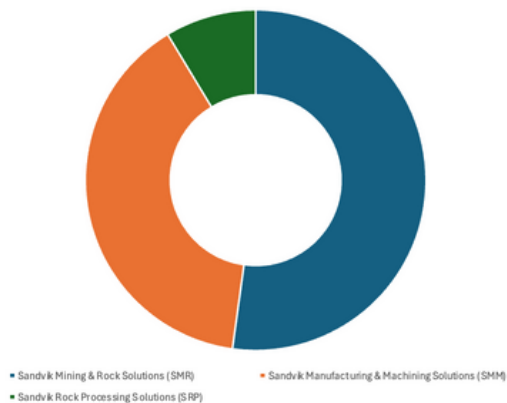
## Company Overview

Sandvik AB is a global industrial technology group with leading positions in mining equipment, rock processing solutions, and advanced manufacturing technologies. The company operates in more than 150 countries and employs approximately 41,000 people, supported by a decentralized operating model with strong local customer proximity.

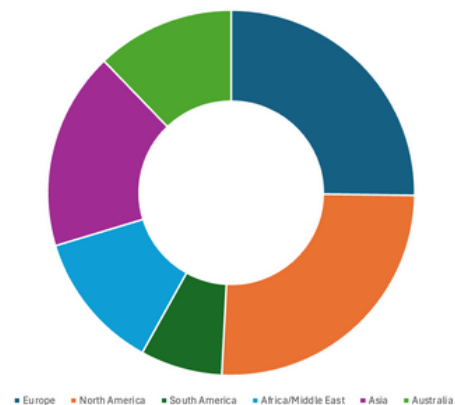
Sandvik reports its operations through three business segments with distinct margin and cyclicity profiles: Mining and Rock Solutions, Rock Processing Solutions, and Machining Solutions. Mining represents the largest and most strategic segment, characterized by high aftermarket exposure and long-term customer relationships. Machining Solutions offers higher margins and strong technology leadership, while Rock Processing provides additional cyclical leverage to infrastructure and construction markets.

The group's competitive position is underpinned by high switching costs, technical complexity, and continuous investments in automation, electrification, and digital solutions. Combined with a strong focus on sustainability and productivity-enhancing solutions, Sandvik has built a resilient business model capable of delivering stable cash flows and defending margins across economic cycles.

Sales split by division



Sales split by region



## Market Overview

Sandvik operates in end-markets shaped by a combination of structural growth drivers and cyclical dynamics. The global mining market benefits from long-term demand for metals driven by electrification, renewable energy investments, and increased infrastructure spending. Rising demand for commodities such as copper, lithium, and nickel continues to support mining investment activity, favoring suppliers with strong technology and aftermarket capabilities.

At the same time, industrial and infrastructure-related markets remain cyclical. While near-term demand in areas such as machining and rock processing has been subdued due to macroeconomic uncertainty, these markets are expected to normalize as inventory adjustments ease and capital expenditure gradually recovers. Even moderate improvements in industrial activity can have a meaningful impact on suppliers with operating leverage.

Overall, Sandvik is well positioned within its markets due to its exposure to structurally growing mining demand, balanced by cyclical upside in industrial segments. This combination provides a favorable risk-reward profile, with downside protection from stable aftermarket revenues and long-term growth supported by secular trends in automation, electrification, and sustainability.

## Valuation

The valuation of Sandvik AB is based on a combination of a DCF analysis and relative valuation. The DCF is built on conservative assumptions and does not rely on a full industrial recovery. Growth is primarily driven by structurally strong demand in Mining, supported by a record order backlog and high aftermarket exposure, while Machining and Rock Processing are assumed to normalize gradually over the forecast period.

We apply a WACC of 7.0% and a terminal growth rate of 2.0%, in line with long-term nominal economic growth. Under these assumptions, the DCF implies a fair value of SEK 409.6 per share, corresponding to an upside of approximately 18% from the current share price.

On a relative basis, Sandvik trades broadly in line with peers on EV/EBIT and P/E, but at a discount on EV/Sales and EV/EBITDA, despite offering superior earnings visibility and stronger free cash flow generation. While ROIC is currently below some peers, this largely reflects higher capital intensity and working capital tied to Mining, which is expected to normalize as backlog converts into revenues.

Overall, Sandvik offers an attractive risk-adjusted valuation, with downside supported by Mining fundamentals and stable cash flows, and upside driven by cyclical normalization, earnings upgrades, and potential multiple re-rating.

## Peer Valuation

Company Name	Valuation (LTM)						FCF/share
	EV/Sales	EV/EBITDA	EV/EBIT	P/E	ROIC		
Sandvik	4,1	17,7	24,0	31,7	11,4	10,2	
Epiroc	4,6	19,1	24,1	32,1	16,7	3,8	
Atlas Copco	4,9	18,8	24,0	30,3	20,2	3,1	
Caterpillar	5,4	25,4	32,6	37,2	17,1	146,3	
Average	4,8	20,3	26,2	32,8	16,4	40,8	
Median	4,8	19,0	24,1	31,9	16,9	7,0	

## DCF

DCF	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
NOPAT		(3 375)	18 000	21 237	19 561	20 872	22 405	24 865	25 386	25 919
(+) D&A		5 200	5 800	6 300	6 100	6 300	6 300	6 500	6 600	6 700
(-) CapEX		(3 900)	(4 400)	(4 900)	(4 700)	(4 899)	(4 997)	(5 097)	(5 199)	(5 303)
(-) Change in OWC		(1 108)	(2 079)	(1 463)	(330)	(1 256)	(518)	(528)	(539)	(549)
Discount period						1	2	3	4	5
Unlevered FCF		(3 183)	17 321	21 174	20 631	21 017	23 190	25 740	26 249	26 767
Present Value of FCF						19 613	20 195	20 918	19 906	18 943
Terminal Value										529 230
Present Value of Terminal Value										374 544
Sum of FCF									21%	99 576
TV									79%	374 544
EV										474 121
(-) Debt										35 000
(+) Cash										4 528
Equity Value										513 649
Share outstanding										1 254
Equity Value per Share										409,61



## Appendix

### WACC

WACC	
Market Cap	469 768
<i>% of Equity</i>	93,07%
Risk Free Rate	2,00%
Beta	1,1
Market Risk Premium	5%
Cost of Equity	7,50%
Debt	35 000
<i>% of Debt</i>	6,93%
Cost of Debt	3,25%
Tax Rate	21%
Total	504 768
<b>WACC</b>	<b>7,16%</b>



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