



Atlas Copco AB



A+ 1 year PD
0.02% to 0.04%

- Large multinational company with a broad range of products and services with over \$13 billion in revenue.
- Stability from established global presence, long operating history, tenured leadership, and diverse base of products, customers, and suppliers provide stability.

Key Strengths

- **Global Brand:** With over a century of operations, Atlas Copco has established itself as a globally recognized and reliable brand with operations in 180 countries
- **Earnings Growth:** Atlas Copco AB's earnings have increased from \$0.46 to an estimated \$0.52 over the past 5 quarters, they have shown strong acceleration in quarterly growth rates.
- **Innovation:** Strong focus on R&D has led to the creation of innovative products that cater to a wide range of industrial needs.

Key Risks

- **Near-Term Weakening Demand:** The company issued a warning about expected weaker demand in the near-term (Q2 Earnings Release). Forecasts predict third-quarter orders to decrease by 4% compared to the previous quarter.

Scorecard Summary

	Weight	Score	Scaled Rating	Contribution
Financial	75%	7.86	Liquidity	
			Leverage	
			Profitability	
Business	25%	8.55	Industry Risk	
			Competitive Position	
			Mgmt / Governance	
			Sponsor / Parent	
Modifiers		0.65	Revenue Segment	
			Trend Analysis	

Company Overview

Headquarters	Nacka (Stockholm County), Sweden
Type	Public Ticker: ATTKY
Employees	48,000
Year Founded	1873
Website	www.atlascopcogroup.com
Business	Industrial Tools / Equipment Manufacturer
Revenues (2022)	\$13,553M

- Atlas Copco is a Swedish multinational that specializes in industrial tools and equipment, with a workforce of over 48,000.
- **Products:** The company offers a range of products and services, including compressors, vacuum solutions, generators, power tools, and assembly systems. Compressors and vacuums drove 70% of revenues for 2022.
 - **Compressor Technique:** industrial compressors, vacuum solutions, gas and process compressors and expanders, air and gas treatment equipment and air management systems.
 - **Vacuum Technique:** vacuum, exhaust management systems, and valves.
 - **Industrial Technique:** industrial power tools and assembly solutions, material removal, software and service.
 - **Power Technique** business area provides air, power and flow solutions through products such as mobile compressors, pumps, light towers and generators.
- **Customers:** Industrial, manufacturing, and other sectors requiring compressed air, vacuum, power tools, and assembly solutions. The company serves a range of sectors like manufacturing, oil and gas, and construction in 180 countries.
- **Ownership:** Founded in 1873, headquartered in Stockholm and incorporated in 1917.

Financial Ratio Benchmarking

# of Benchmarks:	153	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.91	1.31	
	Quick Ratio	1.15	0.86	
Leverage	Net Debt / EBITDA	2.36	0.69	
	Debt to Assets	32.9%	14.6%	
Profitability	EBITDA Margin	11.9%	25.8%	
	ROCE %	10.9%	27.2%	
	Revenue	\$565M	\$13,553M	

- Lower importance of Liquidity ratios as the company is public with strong access to capital markets.

Financial Statement Highlights

\$ Millions	Dec-21 T12	Dec-22 T12	YOY Chg
Income Statement			
Total Revenue	10,636	13,553	27.4%
Adjusted EBITDA	2,780	3,501	25.9%
Gross Profit Margin	42.0%	42.0%	+7 bps
EBITDA Margin	26.1%	25.8%	(30) bps

Balance Sheet			
Cash And Cash Equivalents	1,821	1,079	-40.7%
Total Current Assets	6,522	7,692	17.9%
Total Goodwill & Intangibles	4,828	6,432	33.2%
Total Assets	13,108	16,524	26.1%
Total Debt	2,385	3,484	46.1%
Total Liabilities	6,622	8,849	33.6%
Total Shareholder Equity	6,486	7,674	18.3%

Cash Flow			
Net Income	1,739	2,252	29.5%
CAPEX	189	351	85.8%
Depreciation & Amortization	524	609	16.1%
Free Cash Flow	2,062	1,812	-12.1%
Fixed Charge Coverage Ratio	15.26x	16.46x	+1.2x

- Continued growth in 2Q 2023 with 2Q 2023 revenues achieving a 31% increase, including 18% in organic growth. Orders received by 6% with an organic decline of 5%.
- Stable gross margins and EBITDA Margins despite acquisitions, indicating strong operational control.

Business Risk Highlights

- **Market Outlook:** Anticipated slight weakening in customer activity levels as of the Q2 earnings release. This is a decrease from the previous outlook published on April 27, 2023.
- **Competitive Position:** Atlas Copco's competitive position is bolstered by its long history, global presence, diverse product range, strategic acquisitions, and a strong focus on innovation. They face competition in various segments but have maintained a leadership position in many of their core product areas.
- **Management:** Historical leadership stability with controls and succession planning in place reduces management volatility.