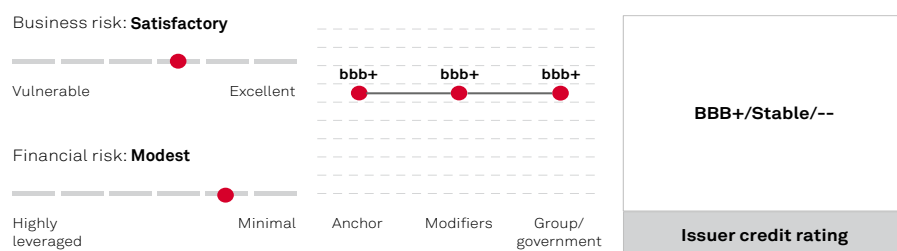


# Alfa Laval AB

October 13, 2025

This report does not constitute a rating action.

## Ratings Score Snapshot



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## Credit Highlights

### Overview

#### Key strengths

Leading global market positions within its key technologies-- separation, heat transfer, and fluid handling.

An expanding portfolio of climate-friendly technologies and solutions, supported by megatrends such as decarbonization and energy efficiency, which underpins its revenue and order intake.

Solid profitability track record, with S&P Global Ratings-adjusted EBITDA margins forecast to exceed 18% through the cycle (average adjusted EBITDA margin of 18.9% between 2019 and 2024).

A track record of defensive leverage, with our calculation of debt to EBITDA averaging 1.2x over the past five years.

#### Key risks

Some exposure to cyclical end markets such as shipping, and to a minor extent oil and gas (O&G), making revenue susceptible to some volatility.

Relatively small, but expanding, presence in the aftermarket, representing 31.4% of sales for the first half of 2025, 30% of sales in 2024, and 22% in 2023.

Potential for S&P Global Ratings-adjusted funds from operations (FFO) to debt to fall below the 45% threshold commensurate with the rating if headroom under the company's reported net debt to EBITDA threshold of 2x is utilized.

**We expect Alfa Laval's revenue will rise 4% in 2025, supported by a healthy order backlog and acquisitions.** We forecast revenue of Swedish krona (SEK)69.7 billion (about €6.3 billion) in 2025,

up from SEK66.9 billion in 2024. As of June 30, 2025, the company's backlog remained high at SEK50.3 billion, despite an 11% order intake decline over the first half of the year, primarily due to normalizing demand in the Marine division (29% of group revenue in 2024), after several years of increased shipbuilding activity, and unfavorable foreign exchange movements. We anticipate that consolidated revenue will continue to expand in the second half of 2025, driven by strong execution of the backlog, after 3% growth in the first half.

**The Marine division will remain a key contributor to revenue growth in 2025.** It achieved an 11% sales increase to SEK11.8 billion in the first half of the year from SEK10.6 billion for the same period in 2024. It also has a robust SEK25 billion order backlog, even as order intake and demand continue to normalize. We expect the lower order intake for cargo pumping will lead to a moderate revenue contraction in 2026, although we expect the division will continue to benefit from service, digitalization, and the shift to green shipping, coupled with high offshore activity.

**The Energy division should partially recover in the second half of 2025.** This will be supported by an expected gradual improvement in heating, ventilation, and air conditioning (HVAC) demand and continued strong demand for data center applications. The Food & Water division will face softer demand. In addition, the acquisition of Fives Cryogenics, which is set to add SEK2.0 billion-SEK 2.5 billion to the annual order book, was completed in July 2025. It will be integrated under the Energy division and will also support revenue expansion in 2025. For 2026, we anticipate group revenue growth will normalize and expand by 2%, primarily driven by the Energy division as heat pump demand recovers and supported by the full-year consolidation of Fives Cryogenics.

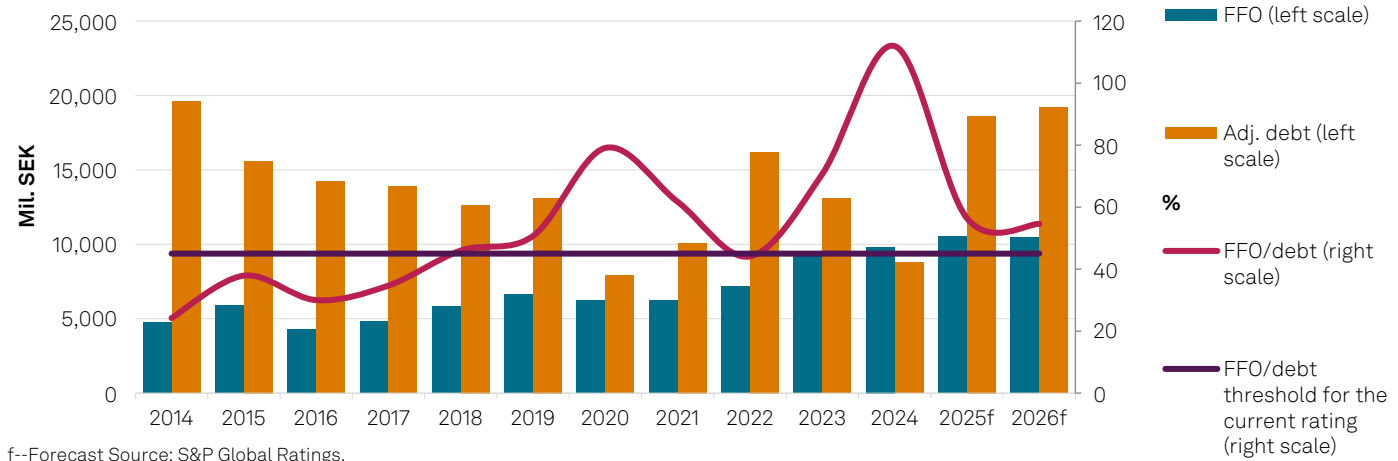
**We anticipate S&P Global Ratings-adjusted EBITDA margins will reach about 20% over 2025-2026 from 19.0% in 2024, driven by profitability improvement in Marine.** For the first half of 2025, Alfa Laval's adjusted EBITA margin improved to 17.8%, up from 16.5% for the same period last year. This primarily reflects the significant margin improvement of the Marine division, which reached 22.9% compared with 18.1% for the first half of 2024, due to high volumes, a favorable invoicing mix, and good execution. We anticipate that a stable mix over the next quarters, with a high share of service sales, will enable this segment to maintain strong profitability in 2025 before normalizing in 2026. This should compensate for margin deterioration in the Energy division, where company-adjusted EBITA margin declined to 17.7% for the first half of 2025 from 19.4% for the same period in 2024, weakened by research and development costs and a negative currency effect. The Food & Water division maintained a relatively stable company-adjusted EBITA margin of 14.9%, supported by a positive sales mix that offset rising costs. We expect that Alfa Laval will maintain its track record of S&P Global Ratings-adjusted EBITDA margins exceeding 18% over the cycle.

**After completion of the Fives Cryogenics acquisition, we expect Alfa Laval's FFO-to-debt ratio to remain sustainably above 45%, consistent with our 'BBB+' rating.** For 2025, our base case assumes acquisition spending of up to SEK12 billion, after SEK50 million in 2024, primarily due to the acquisition of Fives Cryogenics for a total purchase price of about €800 million (approximately SEK8.8 billion) during the first half of the year. As a result, we expect Alfa Laval's S&P Global Ratings-adjusted debt will increase to SEK18.6 billion at year-end 2025, from SEK8.8 billion in 2024, while FFO to debt will moderate at around 50%-60% over 2025-2026, down from 112% in 2024, however still with sufficient rating leeway under our 45% threshold.

**Robust free operating cash flow (FOCF) should support deleveraging.** We forecast capital expenditures (capex) of SEK2.5 billion-SEK3.0 billion per year to support strategic investments (SEK3.3 billion in 2024), which represent roughly 4% of sales per year, and working capital absorption of SEK1.4 billion in 2025 and SEK1.0 billion in 2026, after a SEK1.7 working capital release in 2024, to support revenue growth and business expansion needs. Therefore, we project the

company will generate robust FOCF of SEK6.5 billion-SEK7.0 billion annually in 2025-2026, versus SEK8.5 billion in 2024, thanks to its resilient operating performance.

### Alfa Laval AB -- FFO to debt evolution



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## Outlook

The stable outlook reflects that we expect Alfa Laval will continue to generate solid FOCF despite capacity investments, owing to supportive demand from most of the company's end markets. We expect the group will maintain FFO to debt well above 45% in 2025-2026 and EBITDA margins of 18%-19%.

### Downside scenario

We could lower the rating if Alfa Laval's credit ratios materially depart from our expectations, including FFO to debt below 45%, with no prospects for short-term recovery. This could follow a material deterioration of economic conditions beyond what we currently envision or large unanticipated acquisitions.

We could also lower the rating if Alfa Laval's profitability deteriorates from historical levels, specifically if its EBITDA margins drop significantly below 18% without near-term prospects for recovery. This could stem from further substantial restructuring expenses, or a sharper-than-expected weakening of end markets, resulting in declining sales volumes and order intake, and insufficient counterbalancing measures from the company.

### Upside scenario

We see limited rating upside over the next two years. We could take a positive rating action if we observe a material strengthening of credit ratios, including management's commitment to maintaining a stronger balance sheet and supportive financial policies, leading to FFO to debt materially above 60%, notwithstanding the business cycle and the company's appetite for acquisitions.

## Our Base-Case Scenario

### Assumptions

- Global activity remained strong over the first half of 2025, however U.S. policy uncertainty remains a negative overhang on growth. We expect global real GDP growth to slightly slow to 3.1% in 2025 and 3.0% in 2026, after 3.3% in 2024. Regionally, we forecast growth of 1.1% for the eurozone for 2025 and 2026; 1.9% and 1.8%, respectively, in the U.S.; and 4.6% and 4.0% in China.
- We expect Alfa Laval's total sales to rise approximately 4% in 2025 and 2%-3% in 2026. We expect positive organic growth and contribution from the acquisition of the cryogenics business unit of Fives will more than offset negative currency effects. Organic growth is expected to be driven mainly by transactional orders and services business, while large projects continue to experience a soft demand environment.
- The Group's Marine division, with an order backlog of SEK25 billion as of June 30, 2025, provides revenue visibility and should support revenue growth as execution continues into 2025, before normalizing in 2026. The Energy division is expected to benefit from gradually improving HVAC demand, with heat pumps in particular contributing to the recovery.
- We project that Alfa Laval's S&P Global Ratings-adjusted EBITDA margin will remain robust and improve to approximately 20% in 2025, supported by volume growth, particularly within the transactional and service business segments, which we believe will offset the impact of foreign currency movements.
- In line with increasing revenue and business expansion needs, we expect working capital needs of about SEK1.4 billion in 2025 and about SEK1.0 billion in 2026 and thereafter. This compares with working capital inflows of about SEK1.7 billion in 2024.
- S&P Global Ratings-adjusted capex moderating to about SEK2.8 billion 2025 and SEK2.6 billion in 2026 from SEK3.3 billion in 2024.
- Acquisition spending of up to SEK12 billion in 2025, incorporating the now completed acquisition of Fives Cryogenics at about €800 million (SEK8.8 billion), as well as potential additional bolt-on acquisitions. For 2026 we expect acquisition spending of up to SEK3.0 billion. This compares with SEK50 million in 2024 and SEK337 million in 2023.
- Dividend payments of about SEK3.5 billion in 2025 and SEK3.9 billion in 2026, compared with SEK3.1 billion in 2024, reflecting the company's dividend policy of distributing 40%-50% of net income over a business cycle.

## Key metrics

### Alfa Laval AB--Forecast summary

| Period ending                   | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (Mil. SEK)                      | 2021a       | 2022a       | 2023a       | 2024a       | 2025e       | 2026f       |
| Revenue                         | 40,911      | 52,135      | 63,598      | 66,954      | 69,722      | 71,283      |
| EBITDA                          | 8,036       | 9,279       | 11,650      | 12,699      | 14,048      | 14,104      |
| Less: Cash interest paid        | (210)       | (290)       | (489)       | (520)       | (657)       | (812)       |
| Less: Cash taxes paid           | (1,599)     | (1,834)     | (1,933)     | (2,359)     | (2,878)     | (2,825)     |
| Funds from operations (FFO)     | 6,227       | 7,155       | 9,228       | 9,820       | 10,512      | 10,468      |
| Capital expenditure (capex)     | 1,229       | 1,853       | 2,440       | 3,336       | 2,859       | 2,637       |
| Free operating cash flow (FOCF) | 3,909       | 1,244       | 6,413       | 8,484       | 6,530       | 7,037       |
| Dividends                       | 2,309       | 2,492       | 2,498       | 3,133       | 3,513       | 3,957       |
| Share repurchases (reported)    | 1,339       | 661         | --          | --          | --          | --          |

## Alfa Laval AB--Forecast summary

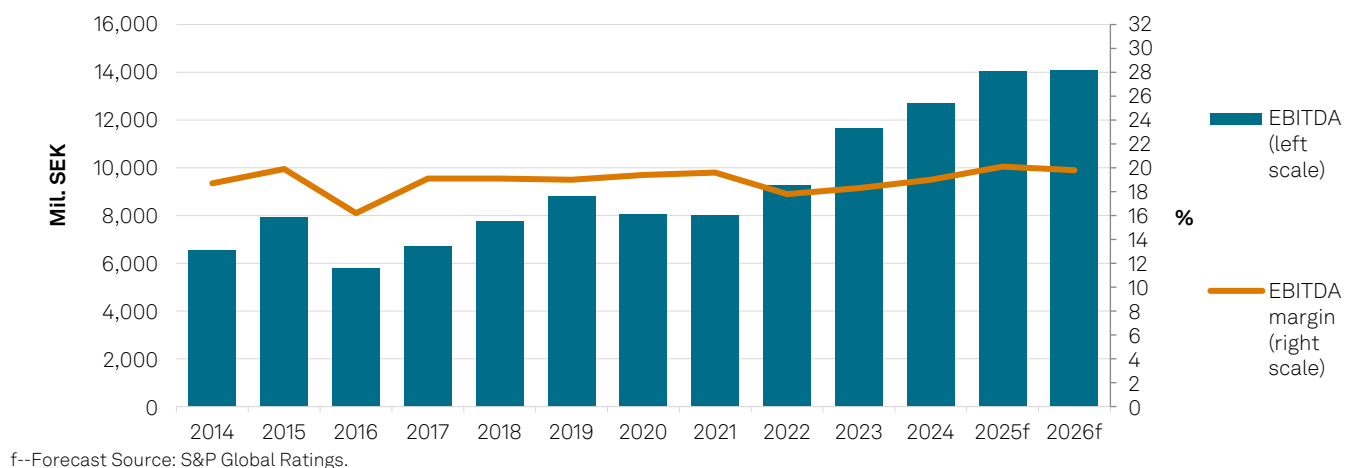
|                           |        |        |        |       |        |        |
|---------------------------|--------|--------|--------|-------|--------|--------|
| Acquisitions              | 3,828  | 3,685  | 337    | 50    | 12,000 | 3,000  |
| Debt                      | 10,088 | 16,209 | 13,059 | 8,771 | 18,632 | 19,179 |
| <b>Adjusted ratios</b>    |        |        |        |       |        |        |
| Annual revenue growth (%) | (1.3)  | 27.4   | 22.0   | 5.3   | 4.1    | 2.2    |
| EBITDA margin (%)         | 19.6   | 17.8   | 18.3   | 19.0  | 20.1   | 19.8   |
| Debt/EBITDA (x)           | 1.3    | 1.7    | 1.1    | 0.7   | 1.3    | 1.4    |
| FFO/debt (%)              | 61.7   | 44.1   | 70.7   | 112.0 | 56.4   | 54.6   |
| FOCF/debt (%)             | 38.7   | 7.7    | 49.1   | 96.7  | 35.0   | 36.7   |

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. SEK--Swedish krona.

## Company Description

Alfa Laval is a leading global supplier of products and solutions for heat transfer, separation, and fluid handling. For 2024, the group reported revenue of SEK66.9 billion, up 5.3% compared with 2023. Its EBITDA margin, adjusted by S&P Global Ratings, stood at 19.0% in 2024, compared with 18.3% in 2023.

### Alfa Laval AB -- Evolution of EBITDA and EBITDA margin



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Alfa Laval's main products are:

- Heat transfers used in heating, cooling, and ventilation systems, representing 39% of the group's revenue in 2024.
- Separators and decanters to separate liquids from other liquids or solids, representing 16% of the group's revenue in 2024.
- Sanitary fluid-handling equipment--including pumps, valves, and fittings--representing 24% of the group's revenue in 2024.

Alfa Laval AB

- Other products and services representing about 21% of the group's revenue in 2024. These mainly include Marine environmental products, other associated products that compliment Alfa Laval’s product offering, and services.

Alfa Laval reports under three main business divisions with a shared supply chain:

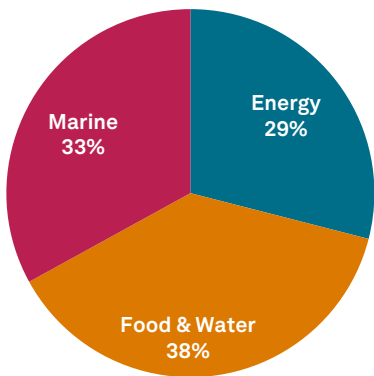
- The Energy division serves clients focused on O&G, heating, vacuuming and air conditioning, and refrigeration. Sales in 2024 totaled SEK19.3 billion, or 29% of consolidated revenue.
- The Food & Water division offers food, pharmaceuticals, biotech, vegetable oils, breweries, dairy, and body care products. In addition, it focuses on public and industrial water and wastewater treatment. Sales in 2024 totaled SEK25.7 billion, or 38% of consolidated revenue.
- The Marine division targets ship owners, shipyards, manufacturers of diesel and gas engines, and companies that specialize in offshore extraction of oil and gas. Total sales in 2024 amounted to SEK21.9 billion, or 33% of consolidated revenue.

Alfa Laval's customers operate in the sanitary, food and brewery, ship manufacturing, utility, pharmaceutical, forest products, oil and gas, chemicals, and original equipment manufacturing industries. The group has a diversified geographic span. Europe accounted for about 35% of total sales in 2024 and the remainder stemmed from Asia (40%), North America (20%), Latin America (5%), and Africa and Oceania (3%).

Alfa Laval was first listed on the Stockholm Stock Exchange in 1901. It remained there for 90 years until Tetra Pak bought the company in 1991. Alfa Laval returned to the stock exchange on May 17, 2002. The largest shareholder is Winder Holding AG, (formerly Tetra Laval International SA, ultimately owned by Tetra Pak), which controls about 29.5% of Alfa Laval's capital. Free float represents about 70% of shares outstanding. The company's market capitalization as of Oct. 13, 2025, was about SEK185.8 billion.

Alfa Laval AB -- Consolidated sales breakdown by division

Based on 2024 reported figures



Source: S&P Global Ratings.

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Peer Comparison

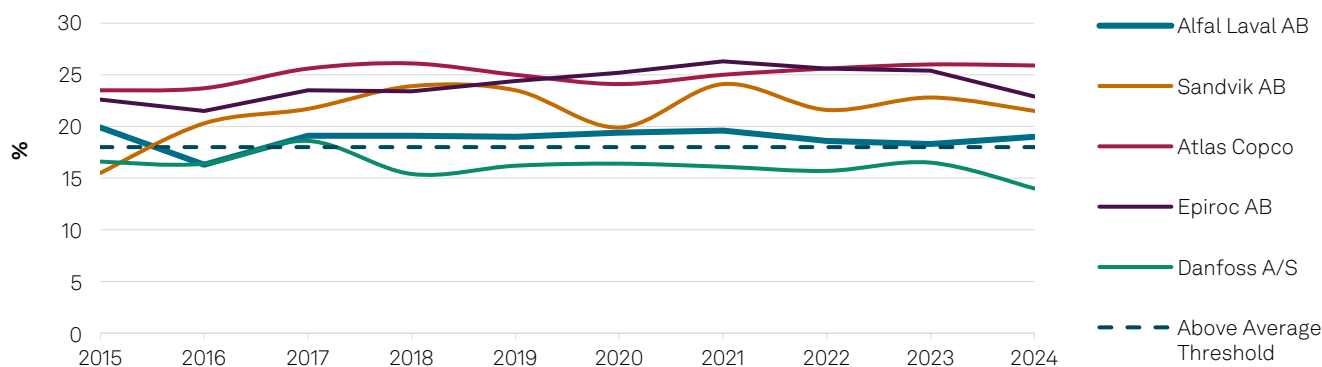
Alfa Laval's operations are similar in scale to Epiroc's, but smaller than a few other highly rated investment-grade rated peers. However, broad end-market diversity partially counterbalances

## Alfa Laval AB

Alfa Laval's moderate size with margin stability. In our view, Alfa Laval's diversity is still moderate when compared with that of peers in the wider capital goods industry, such as Atlas Copco, ABB, and Siemens.

At the same time, the acquisition of Fives Cryogenics will likely result in a temporary increase in Alfa Laval's adjusted debt, resulting in FFO to debt comparable to peers such as Sandvik and Epiroc. Despite this, Alfa Laval's track record demonstrates an ability to restore credit metrics following periods of higher leverage and to execute acquisitions while maintaining financial stability.

### Alfa Laval's EBITDA margins versus peers



Source: S&P Global Ratings.

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### Alfa Laval AB--Peer Comparisons

|                                       | Alfa Laval AB  | Sandvik AB      | Atlas Copco AB | Epiroc AB      | Danfoss A/S    |
|---------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| Foreign currency issuer credit rating | BBB+/Stable/-- | BBB+/Stable/A-2 | A+/Stable/A-1  | BBB+/Stable/-- | BBB/Stable/A-2 |
| Local currency issuer credit rating   | BBB+/Stable/-- | BBB+/Stable/A-2 | A+/Stable/A-1  | BBB+/Stable/-- | BBB/Stable/A-2 |
| Period                                | Annual         | Annual          | Annual         | Annual         | Annual         |
| Period ending                         | 2024-12-31     | 2024-12-31      | 2024-12-31     | 2024-12-31     | 2024-12-31     |
| Mil.                                  | SEK            | SEK             | SEK            | SEK            | SEK            |
| Revenue                               | 66,954         | 122,878         | 176,771        | 63,604         | 110,849        |
| EBITDA                                | 12,699         | 26,377          | 45,739         | 14,562         | 15,503         |
| Funds from operations (FFO)           | 9,820          | 18,166          | 35,474         | 10,379         | 10,817         |
| Interest                              | 519            | 2,613           | 899            | 940            | 1,444          |
| Cash interest paid                    | 520            | 2,737           | 795            | 1,144          | 1,352          |
| Operating cash flow (OCF)             | 11,820         | 21,169          | 35,884         | 9,440          | 11,266         |
| Capital expenditure                   | 3,336          | 5,402           | 4,760          | 1,115          | 5,236          |
| Free operating cash flow (FOCF)       | 8,484          | 15,767          | 31,124         | 8,325          | 6,029          |
| Discretionary cash flow (DCF)         | 5,351          | 8,826           | 16,574         | 3,732          | 2,558          |
| Cash and short-term investments       | 7,819          | 4,528           | 18,968         | 7,179          | 3,884          |
| Gross available cash                  | 7,819          | 4,528           | 18,968         | 7,179          | 3,884          |
| Debt                                  | 8,771          | 42,032          | 21,780         | 17,644         | 34,231         |

## Alfa Laval AB--Peer Comparisons

|                                |        |        |         |        |        |
|--------------------------------|--------|--------|---------|--------|--------|
| Equity                         | 42,281 | 96,999 | 113,760 | 43,180 | 64,178 |
| EBITDA margin (%)              | 19.0   | 21.5   | 25.9    | 22.9   | 14.0   |
| Return on capital (%)          | 20.7   | 14.1   | 30.2    | 22.8   | 8.8    |
| EBITDA interest coverage (x)   | 24.5   | 10.1   | 50.9    | 15.5   | 10.7   |
| FFO cash interest coverage (x) | 19.9   | 7.6    | 45.6    | 10.1   | 9.0    |
| Debt/EBITDA (x)                | 0.7    | 1.6    | 0.5     | 1.2    | 2.2    |
| FFO/debt (%)                   | 112.0  | 43.2   | 162.9   | 58.8   | 31.6   |
| OCF/debt (%)                   | 134.8  | 50.4   | 164.8   | 53.5   | 32.9   |
| FOCF/debt (%)                  | 96.7   | 37.5   | 142.9   | 47.2   | 17.6   |
| DCF/debt (%)                   | 61.0   | 21.0   | 76.1    | 21.1   | 7.5    |

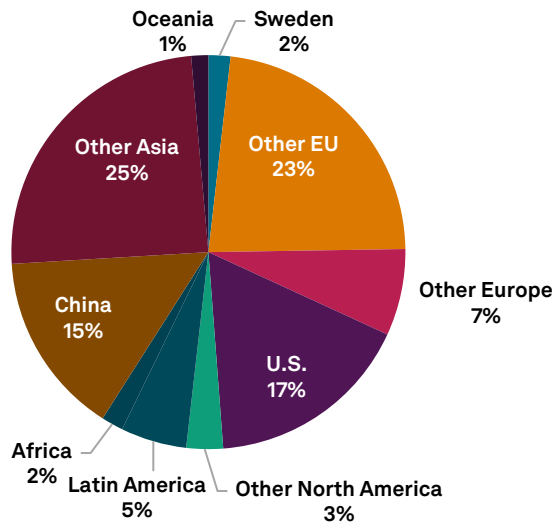
## Business Risk

**Alfa Laval has a robust position in its core businesses.** The company enjoys market-leading positions in heat transfer (estimated 30%-35% market share), separation (estimated 25%-30% market share), and fluid handling (estimated 10%-15% market share) through key products like heat exchangers, separators, pumps, and valves. The group's record as a reliable supplier of quality products and its global service network underpin its strong brand name. Alfa Laval already offers a wide range of products that reduce energy consumption and emissions in different industries and industrial processes. The group has significant experience within sustainable solutions and invests about 2.5% of sales in research and development a year, and we believe Alfa Laval is well positioned to innovate within these areas in the future.

**The company benefits from a broad customer base spanning multiple industries and a geographically diversified revenue stream.** Alfa Laval's customers operate in the sanitary, food and brewery, ship manufacturing, utility, pharmaceutical, forest products, oil and gas, chemicals, and original equipment manufacturing industries. No single customer accounts for more than 10% of net sales. The company's largest customer is Tetra Laval Group, which represented about 6.7% of sales in 2024. Furthermore, a key characteristic of Alfa Laval is its robust business model, underpinned by a balanced geographic footprint. The company generates revenue across multiple regions mitigating the impact of regional cyclicalities. In 2024, Europe accounted for about 32% of total sales in 2024 and the remainder stemmed from Asia (40%), North America (20%), Latin America (5%), and Africa and Oceania (3%). That said, the U.S. and China are the largest markets, with 16.9% and 15.0% of sales, respectively, in 2024.

## Alfa Laval AB -- Consolidated sales breakdown by geography

Based on 2024 reported figures



Source: S&P Global Ratings.

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**We expect Alfa Laval to maintain EBITDA margins higher than 18% over the cycle.** In our view, Alfa Laval's strong profitability for the industries it operates in supports its business risk. The company's efforts to streamline its Energy and Marine divisions have kept its EBITDA margin resilient. Despite a challenging operating environment in 2024 with high interest rates, geopolitical tensions bundled with inflationary pressures, the company's adjusted EBITDA margin continued to improve to about 19.0% for the full year 2024 compared with 18.3% recorded in 2023. We view Alfa Laval's flexible cost structure as a key strength, allowing the group to maintain an EBITDA margin of 18%-19%, even with exposure to the volatile oil and gas and shipping sectors, where investment declined significantly between 2014 and 2017. This consistent performance is further underpinned by a favorable product and service mix, particularly within the marine segment, and a solid order backlog providing visibility into medium-term performance. Furthermore, we expect the Fives Cryogenics acquisition to strengthen the energy segment and boost overall profitability.

## Financial Risk

**Alfa Laval has clearly defined processes for managing its capital allocation.** The group aims to expand annual sales by at least 5%, measured over a business cycle (revenue increased 5.3% in 2024 and 22.0% in 2023). In terms of profitability, it aims to achieve an adjusted EBITA margin of at least 15%, based on its own definition. In 2024, the company's adjusted EBITA margin rose to 16.6% from 16.1% in 2023. Alfa Laval's board also targets a return on capital of at least 20%. In 2024, the group achieved 23.2%, while for 2023, the group had return on capital of about 21.0%. All these operational goals are calibrated on a leverage target that stipulates that the company's net debt to EBITDA, based on Alfa Laval's definition, should not exceed 2.0x. Based on the company's financial accounts, its net debt to EBITDA for the period ended June 30, 2025, was 0.60x (or 0.9x as adjusted by S&P Global Ratings); net debt to EBITDA was 0.43x and 0.85x in 2024 and 2023, respectively (or 0.7x and 1.1x as adjusted by S&P Global Ratings).

**We believe that use of all the headroom under the company's leverage target could result in our adjusted FFO-to-debt metric being below our 45% threshold for the 'BBB+' rating.** Based on the company's definition, its debt to EBITDA has averaged 0.9x over the past eight years. We estimate that if the company used its full flexibility under its net debt to EBITDA threshold of 2.0x, this would result in an S&P Global Ratings-adjusted FFO to debt ratio of about 35%, all else being equal. While

we expect FFO to debt to remain above the 45% threshold in 2025-2026, rating headroom has narrowed considerably in comparison with 2024 when FFO to debt reached 112%.

**The company has a positive track record of rapidly reducing leverage following large acquisitions.** For example, the 2014 debt-financed acquisition of Frank Mohn tripled the company's debt and materially weakened its credit ratios. That year, Alfa Laval's S&P Global Ratings-adjusted FFO to debt decreased to 24.2% from 82.1% in 2013, subsequently improving toward 40% in 2015, thanks to fast deleveraging. More recently, Alfa Laval has focused on smaller, bolt-on acquisitions. These include the 2021 acquisition of Norway-based marine digital services company StormGeo (NOK 3.6 billion, or SEK3.8 billion) and the 2022 purchase of Belgium-based engineering company Desmet, a carve-out from Desmet Ballestra Group, for SEK3.7 billion. Given Alfa Laval's demonstrated ability to manage its leverage following past acquisitions, we believe the company can effectively handle the debt associated with the SEK8.8 billion acquisition of Fives Cryogenics and maintain its financial metrics above our rating thresholds.

**The group has a defined dividend policy.** This policy stipulates that the group should distribute about 40%-50% of its net profit to shareholders. In 2025, the company paid SEK3.5 billion in dividends, representing a payout ratio of about 47% after SEK3.1 billion paid in 2024 (payout ratio of 49%). Under our base case, we anticipate that the company's payout ratio will remain at 40%-50%.

## Debt maturities

Debt maturity profile as of June 30, 2025, mainly included;

- Short-term debt amounting to SEK4.4 billion due by June 30, 2026. These mainly include the SEK1 billion bond due in November 2025 and the €300 million bond due in February 2026.
- €300 million bond due in 2029.
- SEK600 million and SEK 400 million bonds due in 2030.
- €300 million bond due in 2031.
- Two term loans of €200 million each, undrawn as of June 30, 2025.
- Furthermore, the company has two loans of €100 million from Svensk Exportkredit, maturing in 2027 and 2028, respectively.

### Alfa Laval AB--Financial Summary

| Period ending                   | Dec-31-2019 | Dec-31-2020 | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Reporting period                | 2019a       | 2020a       | 2021a       | 2022a       | 2023a       | 2024a       |
| Display currency (mil.)         | SEK         | SEK         | SEK         | SEK         | SEK         | SEK         |
| Revenues                        | 46,517      | 41,468      | 40,911      | 52,135      | 63,598      | 66,954      |
| EBITDA                          | 8,830       | 8,045       | 8,036       | 9,279       | 11,650      | 12,699      |
| Funds from operations (FFO)     | 6,648       | 6,248       | 6,227       | 7,155       | 9,228       | 9,820       |
| Interest expense                | 347         | 301         | 248         | 350         | 537         | 519         |
| Cash interest paid              | 281         | 260         | 210         | 290         | 489         | 520         |
| Operating cash flow (OCF)       | 5,062       | 7,522       | 5,138       | 3,097       | 8,853       | 11,820      |
| Capital expenditure             | 1,337       | 1,232       | 1,229       | 1,853       | 2,440       | 3,336       |
| Free operating cash flow (FOCF) | 3,725       | 6,290       | 3,909       | 1,244       | 6,413       | 8,484       |
| Discretionary cash flow (DCF)   | 1,628       | 6,290       | 261         | (1,909)     | 3,915       | 5,351       |

## Alfa Laval AB--Financial Summary

|                                 |        |        |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Cash and short-term investments | 6,467  | 7,768  | 3,647  | 4,663  | 5,863  | 7,819  |
| Gross available cash            | 6,467  | 7,768  | 3,647  | 4,663  | 5,863  | 7,819  |
| Debt                            | 13,112 | 7,901  | 10,088 | 16,209 | 13,059 | 8,771  |
| Common equity                   | 27,747 | 29,071 | 32,344 | 35,704 | 37,378 | 42,281 |

## Adjusted ratios

|                                |      |      |      |        |      |       |
|--------------------------------|------|------|------|--------|------|-------|
| EBITDA margin (%)              | 19.0 | 19.4 | 19.6 | 17.8   | 18.3 | 19.0  |
| Return on capital (%)          | 18.4 | 14.7 | 15.7 | 14.1   | 18.2 | 20.7  |
| EBITDA interest coverage (x)   | 25.4 | 26.7 | 32.4 | 26.5   | 21.7 | 24.5  |
| FFO cash interest coverage (x) | 24.7 | 25.0 | 30.7 | 25.7   | 19.9 | 19.9  |
| Debt/EBITDA (x)                | 1.5  | 1.0  | 1.3  | 1.7    | 1.1  | 0.7   |
| FFO/debt (%)                   | 50.7 | 79.1 | 61.7 | 44.1   | 70.7 | 112.0 |
| OCF/debt (%)                   | 38.6 | 95.2 | 50.9 | 19.1   | 67.8 | 134.8 |
| FOCF/debt (%)                  | 28.4 | 79.6 | 38.7 | 7.7    | 49.1 | 96.7  |
| DCF/debt (%)                   | 12.4 | 79.6 | 2.6  | (11.8) | 30.0 | 61.0  |

## Reconciliation Of Alfa Laval AB Reported Amounts With S&amp;P Global Adjusted Amounts (Mil. SEK)

|                                                          | Debt        | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|----------------------------------------------------------|-------------|--------------------|---------|--------|------------------|------------------|-----------------------|---------------------|-----------|---------------------|
| Financial year                                           | Dec-31-2024 |                    |         |        |                  |                  |                       |                     |           |                     |
| Company reported amounts                                 | 10,554      | 41,912             | 66,954  | 12,853 | 10,435           | 493              | 12,699                | 12,159              | 3,133     | 3,336               |
| Cash taxes paid                                          | -           | -                  | -       | -      | -                | -                | (2,359)               | -                   | -         | -                   |
| Cash interest paid                                       | -           | -                  | -       | -      | -                | -                | (520)                 | -                   | -         | -                   |
| Trade receivables securitizations                        | 12          | -                  | -       | -      | -                | -                | -                     | (2)                 | -         | -                   |
| Lease liabilities                                        | 3,038       | -                  | -       | -      | -                | -                | -                     | -                   | -         | -                   |
| Postretirement benefit obligations/deferred compensation | 644         | -                  | -       | (121)  | (121)            | 26               | -                     | -                   | -         | -                   |
| Accessible cash and liquid investments                   | (5,595)     | -                  | -       | -      | -                | -                | -                     | -                   | -         | -                   |
| Income (expense) of unconsolid. cos.                     | -           | -                  | -       | (33)   | -                | -                | -                     | -                   | -         | -                   |
| Nonoperating income (expense)                            | -           | -                  | -       | -      | 169              | -                | -                     | -                   | -         | -                   |
| Reclassification of interest and dividend cash flows     | -           | -                  | -       | -      | -                | -                | -                     | (337)               | -         | -                   |
| Noncontrolling/minority interest                         | -           | 369                | -       | -      | -                | -                | -                     | -                   | -         | -                   |
| Debt: Litigation                                         | 118         | -                  | -       | -      | -                | -                | -                     | -                   | -         | -                   |

## Reconciliation Of Alfa Laval AB Reported Amounts With S&amp;P Global Adjusted Amounts (Mil. SEK)

|                             | Debt    | Shareholder Equity | Revenue | EBITDA | Operating income | Interest expense | S&PGR adjusted EBITDA | Operating cash flow | Dividends | Capital expenditure |
|-----------------------------|---------|--------------------|---------|--------|------------------|------------------|-----------------------|---------------------|-----------|---------------------|
| Total adjustments           | (1,783) | 369                | -       | (154)  | 48               | 26               | (2,879)               | (339)               | -         | -                   |
| S&P Global Ratings adjusted | Debt    | Equity             | Revenue | EBITDA | EBIT             | Interest expense | Funds from Operations | Operating cash flow | Dividends | Capital expenditure |
|                             | 8,771   | 42,281             | 66,954  | 12,699 | 10,483           | 519              | 9,820                 | 11,820              | 3,133     | 3,336               |

## Liquidity

We consider Alfa Laval's liquidity as strong, with a sources-to-uses ratio of about 1.6x over the coming 12 months and 2.0x over the next 24 months. We also believe that the group's geographic and end-market diversity should enable it to absorb high-impact, low-probability events in some sectors without refinancing. Other supportive factors include Alfa Laval's solid relationships with banks and its high-standing in credit markets, demonstrated by its repeated access to capital markets, and the solid investment-grade rating.

| Principal liquidity sources                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Principal liquidity uses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>About SEK1.6 billion of our estimate of accessible cash as of June 30, 2025, pro forma the acquisition of Five Cryogenics (closed on July 7) as partly financed through €400 million term loans which were undrawn as of June 30, 2025</li> <li>A fully undrawn bank line of €700 million (or SEK7.8 billion) maturing in April 2028.</li> <li>Cash FFO of SEK9.5 billion-SEK10.5 billion annually for the next 24 months.</li> </ul> | <ul style="list-style-type: none"> <li>Debt maturities of about SEK4.4 billion over the next 12 months and about SEK1.1 billion due over the subsequent 12 months.</li> <li>Working capital outlay of SEK1 billion-SEK1.2 billion over the coming 12 months, and about SEK1.0 billion over the 12 months thereafter.</li> <li>Reported capex of about SEK2.7 billion over the next 12 months and gradually normalizing to about SEK2.6 billion over the subsequent 12 months.</li> <li>Dividends of SEK3.7 billion over the next 12 months and increasing to about SEK3.9 billion thereafter.</li> </ul> |

## Environmental, Social, And Governance

Environmental factors are a neutral consideration in our credit analysis of Alfa Laval. The company has considerable exposure (about 35% of orders) to industries that carry above-average environmental risk, such as O&G, shipping, and power generation. At the same time, these end market companies will need to invest substantially in the energy transition and path to carbon neutrality in the next few years. In addition, and most importantly, the products Alfa Laval offers are aimed at increasing energy efficiency, which in turn will allow companies to better control energy costs. Alfa Laval's sales and order intake are positively influenced by these trends as the company offers products aimed at reducing the emissions from and consumption of fossil fuels, which offsets its exposure to sectors carrying above-average environmental risks. We believe there are uncertainties regarding those future profit pools. However, in our view, Alfa Laval--with its long experience, resources, and leading market positions within its core

technologies, for example heat exchangers--is well positioned to capture future opportunities that relate to the need to optimize and transition.

We view as positive that the company is rapidly developing its product offering to optimize the use of energy and to facilitate the energy transition and emissions reduction in its end markets, both organically and inorganically. About 80% of sales in the Energy division consist of energy efficiency-related products and services, which together realize energy savings of 100 gigawatts per year. Alfa Laval's research and development activities currently represent about 2.5% of its sales, and the company had over 4,200 patents at the end of 2024. In addition, we expect Alfa Laval will keep its capex at about 4% of its sales, translating into capex of SEK2.5 billion-SEK3 billion per year over 2025-2026, to continue to develop more sophisticated products and services. We do not expect this capex will materially affect the group's free cash flow generation.

Governance and social factors are neutral considerations in our credit analysis for Alfa Laval.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

Alfa Laval's capital structure comprises senior unsecured debt issued at its financing subsidiary, Alfa Laval Treasury International AB.

The total reported debt as of Dec. 31, 2024, excluding leases, reached SEK 10.3 billion, all issued by Alfa Laval Treasury International AB.

### Analytical conclusions

We rate Alfa Laval's debt 'BBB+', in line with the issuer credit rating, because no significant elements of subordination risk are present in the capital structure. This is also supported by the group's low leverage and our view of modest financial risk.

## Rating Component Scores

|                                              |                       |
|----------------------------------------------|-----------------------|
| <b>Foreign currency issuer credit rating</b> | <b>BBB+/Stable/--</b> |
| <b>Local currency issuer credit rating</b>   | <b>BBB+/Stable/--</b> |
| <b>Business risk</b>                         | <b>Satisfactory</b>   |
| Country risk                                 | Intermediate          |
| Industry risk                                | Intermediate          |
| Competitive position                         | Satisfactory          |
| <b>Financial risk</b>                        | <b>Modest</b>         |
| Cash flow/leverage                           | Modest                |
| <b>Anchor</b>                                | <b>bbb+</b>           |
| <b>Modifiers</b>                             |                       |
| Diversification/portfolio effect             | Neutral (no impact)   |
| Capital structure                            | Neutral (no impact)   |
| Financial policy                             | Neutral (no impact)   |
| Liquidity                                    | Strong (no impact)    |
| Management and governance                    | Neutral (no impact)   |
| Comparable rating analysis                   | Neutral (no impact)   |
| <b>Stand-alone credit profile</b>            | <b>bbb+</b>           |

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10 2021
- [General Criteria: Group Rating Methodology](#), July 1 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28 2018
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16 2011

## Related Research

- [Industry Credit Outlook Update Europe: Capital Goods](#), July 16, 2025
- [Bulletin: Alfa Laval Can Absorb The Planned EUR800 Million Acquisition Of Fives Cryogenics Thanks To Its Ample Financial Flexibility](#), March 25, 2025

Alfa Laval AB

- [Alfa Laval AB](#), Dec. 23, 2024
- [Nordic Capital Goods Companies: Margins remain relatively resilient, although M&A has eroded ratings leeway](#), Dec. 17, 2024

Ratings Detail (as of October 13, 2025)\*

|                                      |                   |
|--------------------------------------|-------------------|
| <b>Alfa Laval AB</b>                 |                   |
| Issuer Credit Rating                 | BBB+/Stable/--    |
| <b>Issuer Credit Ratings History</b> |                   |
| 17-Nov-2020                          | BBB+/Stable/--    |
| 14-Jul-2020                          | BBB+/Watch Neg/-- |
| 01-Apr-2020                          | BBB+/Negative/--  |

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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