

ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience

ASSA ABLOY Leading the future

Capital Markets Day 2017

Johan Molin, CEO
Carolina Dybeck Happe, CFO

Agenda

- 1. Introduction - ASSA ABLOY 2017**
2. Finance – Overview
3. Strategy - Our Road to the Future
4. Leading the Future

Good industry to be in!

- Increased demand for security
- Urbanization & increased wealth
- Shift to new technologies
- Sustainable buildings
- Change of applications and codes



Trends create underlying strong demand

ASSA ABLOY

Solid market position

- Leading brands
- Large installed base
- Strong channel position
- Large specification team

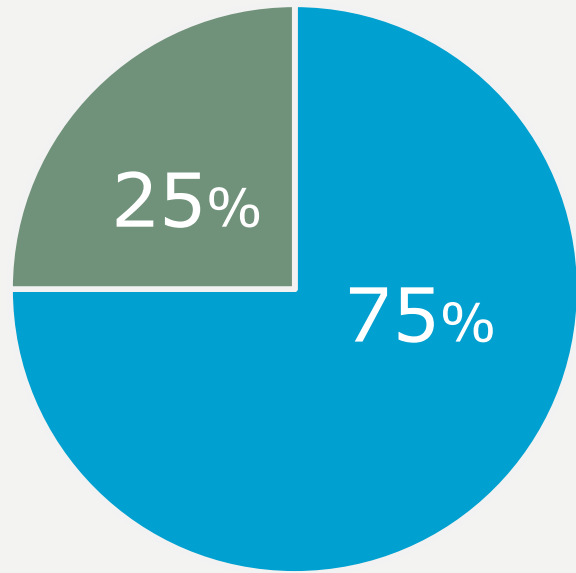


Strong barriers to entry

Good sales and customer composition

End users

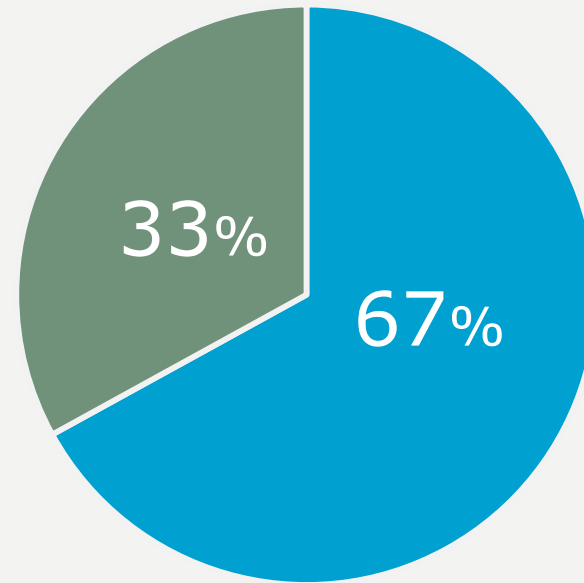
Residential



Commercial
and institutional

Recurring business

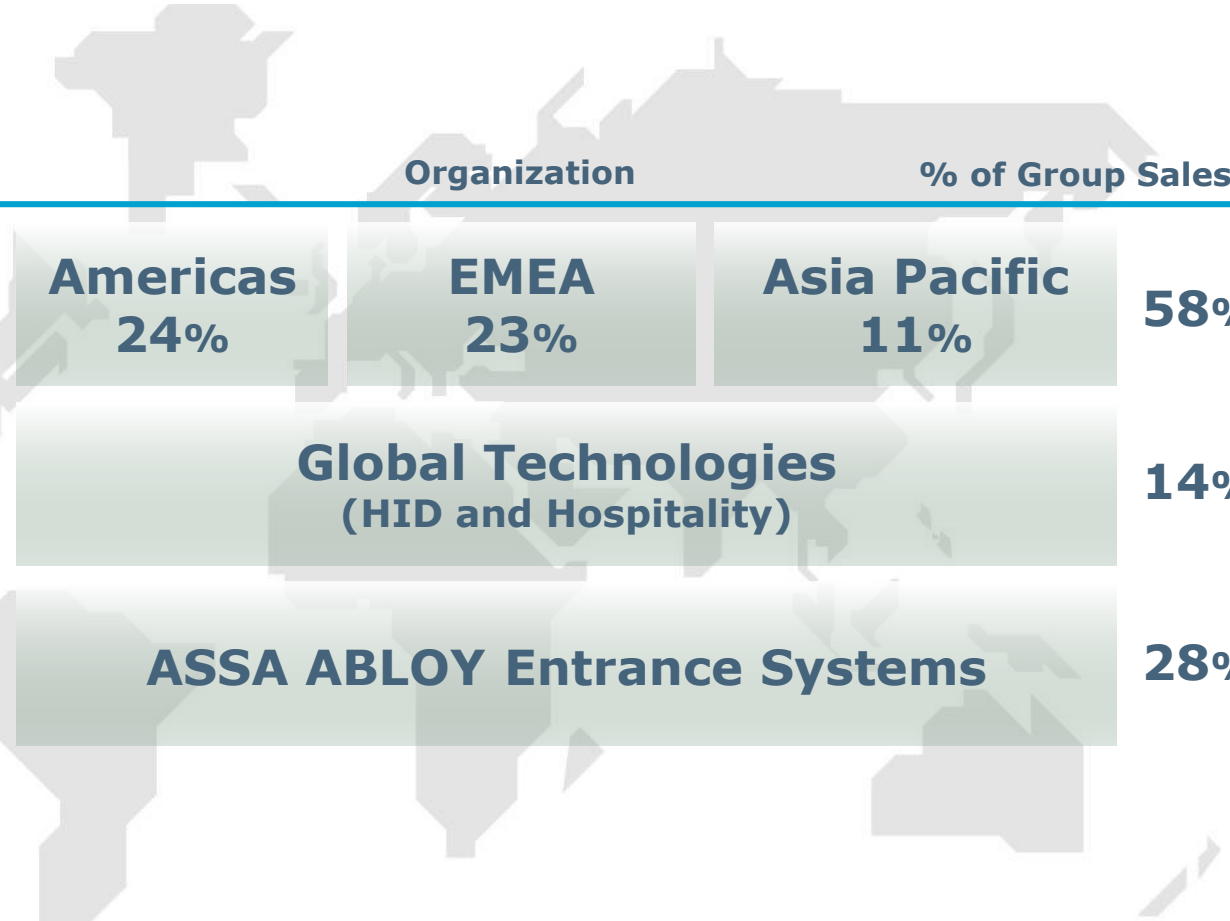
New construction



Aftermarket

Stable sales and profit

ASSA ABLOY divisions



Product offering	Organization			% of Group Sales
Mech & elmech locks, cylinders & security doors	Americas 24%	EMEA 23%	Asia Pacific 11%	58%
Electronic access and identity	Global Technologies (HID and Hospitality)			14%
Entrance automation	ASSA ABLOY Entrance Systems			28%

12 months until Sept. 2017

January - September 2017 in brief

- **Good organic growth, +4%**
 - Strong growth in Global Tech
 - Good growth in EMEA, Americas and Entrance Systems
 - Flat APAC, despite weak China
 - Continued good development for smart door locks and electro-mechanical solutions
- **17 acquisitions done, +4%**
 - Acquired annualized sales 2,800 MSEK



January - September 2017

figures in summary

- **Sales SEK 56,028 M +8%**

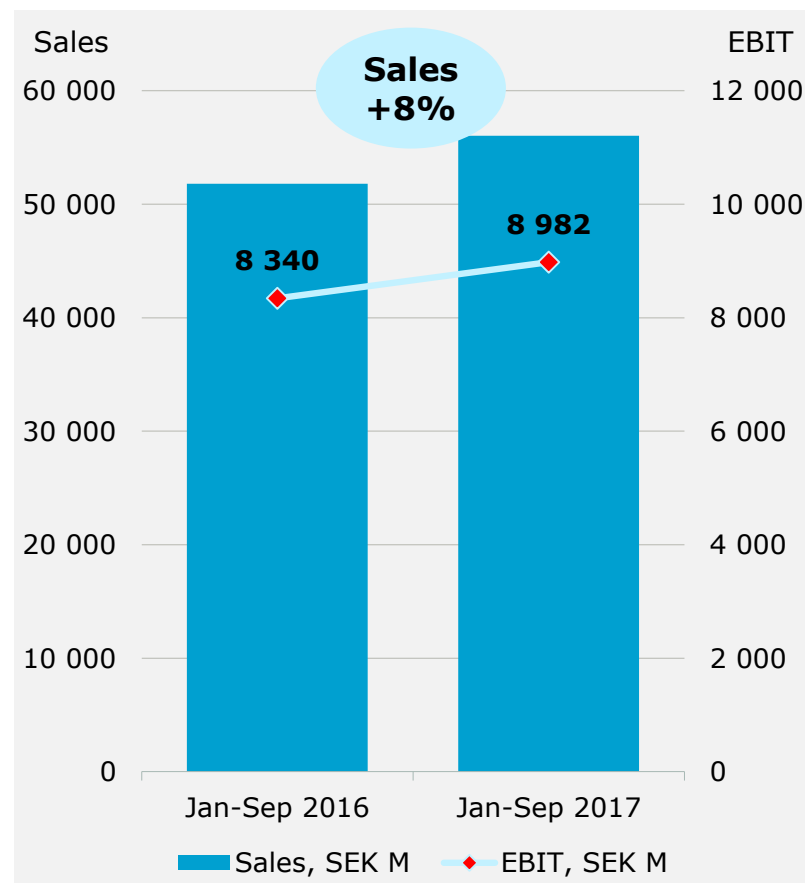
- 4% organic
- 2% acquired
- 2% currency

- **EBIT SEK 8,982 M +8%**

- Currency effect SEK 167 M

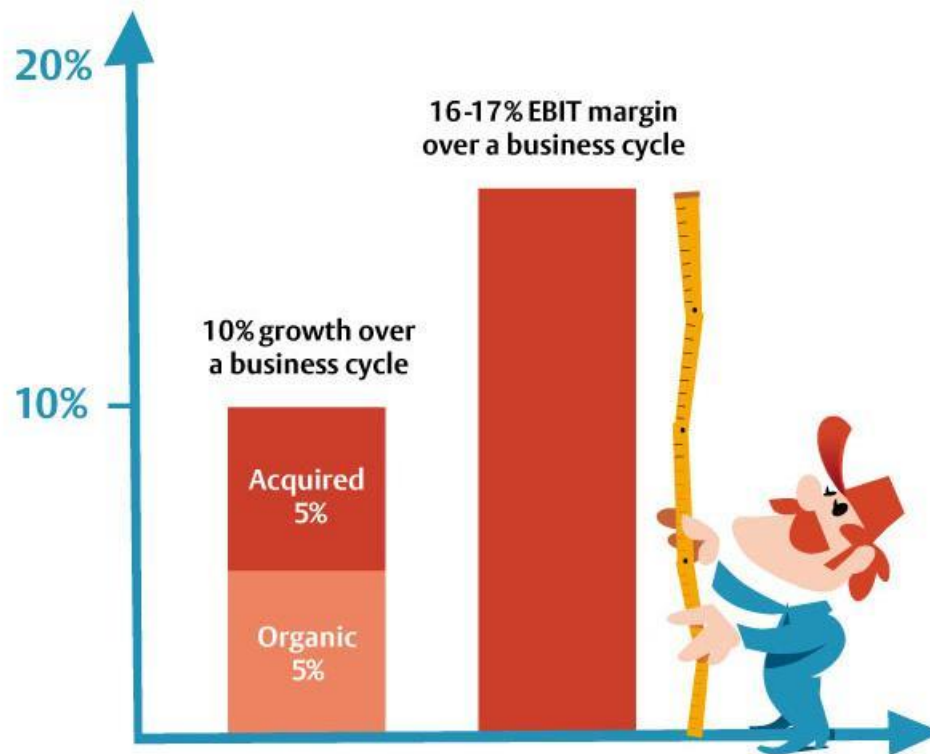
- **Margin 16.0% (16.1)**

- **EPS SEK 5.63 +8%**

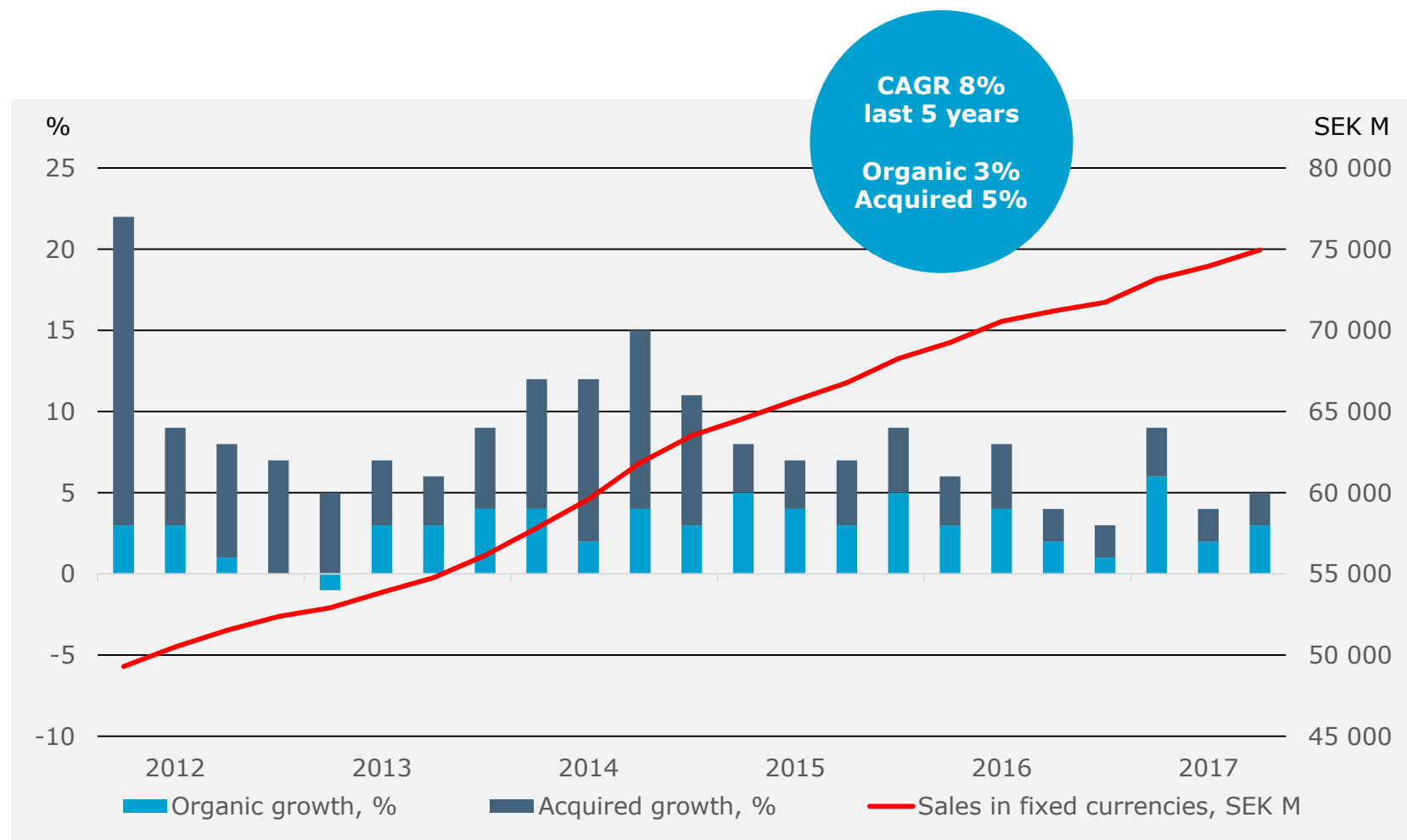


Financial targets

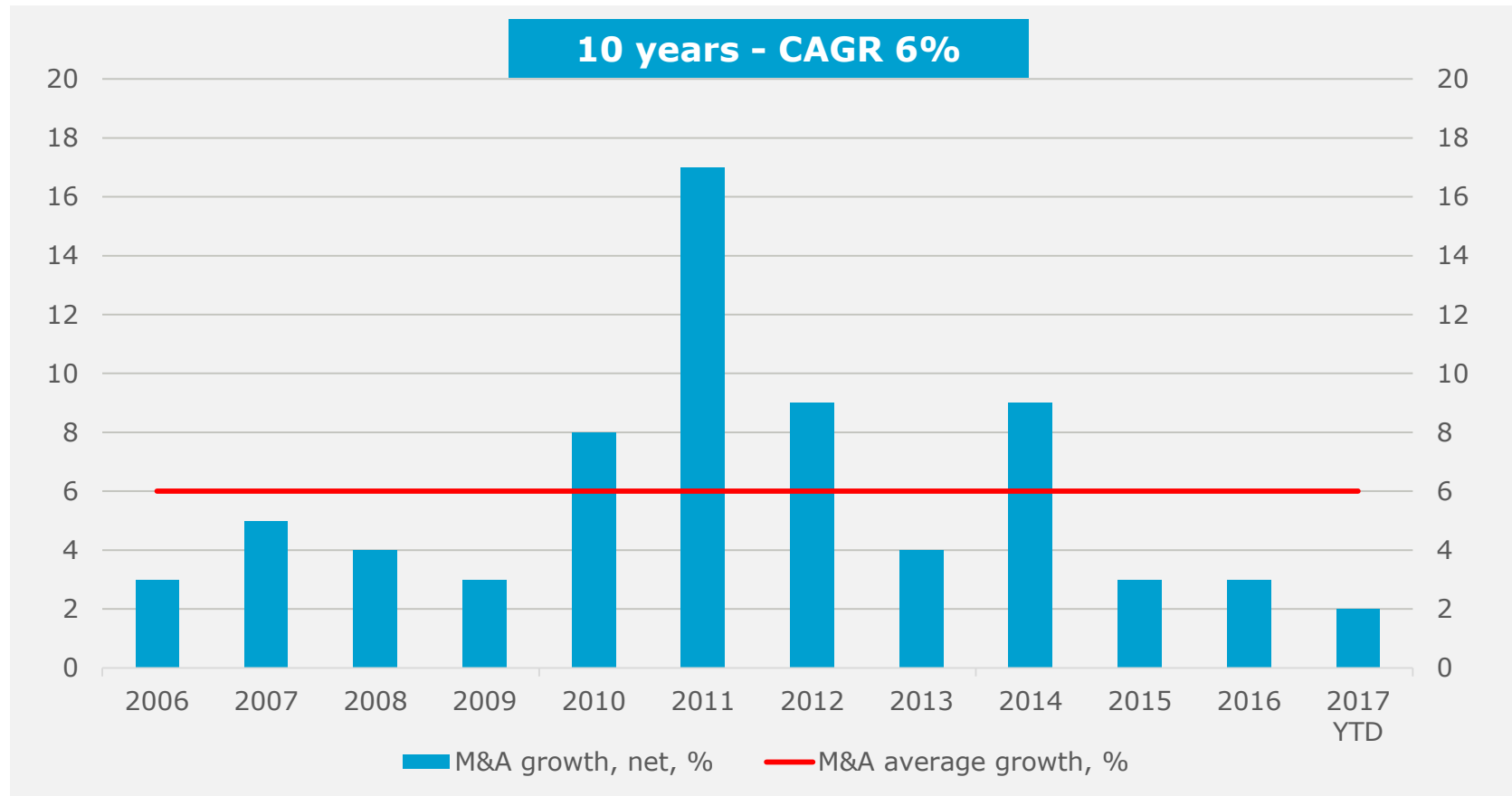
Over a business cycle



Sales growth, currency adjusted



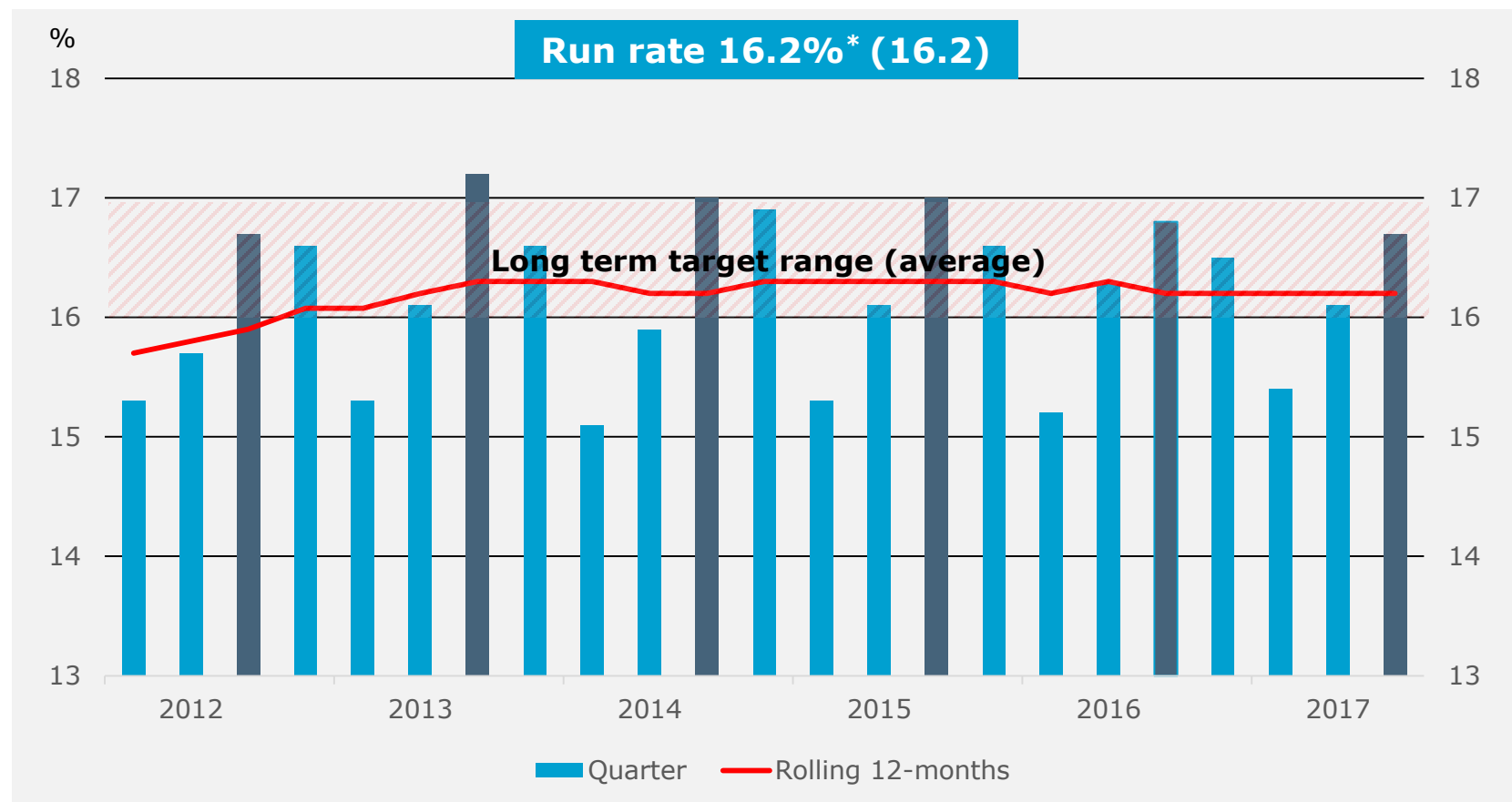
Acquisitions add further growth



*) M&A growth, net, including divestments.

Operating margin, %

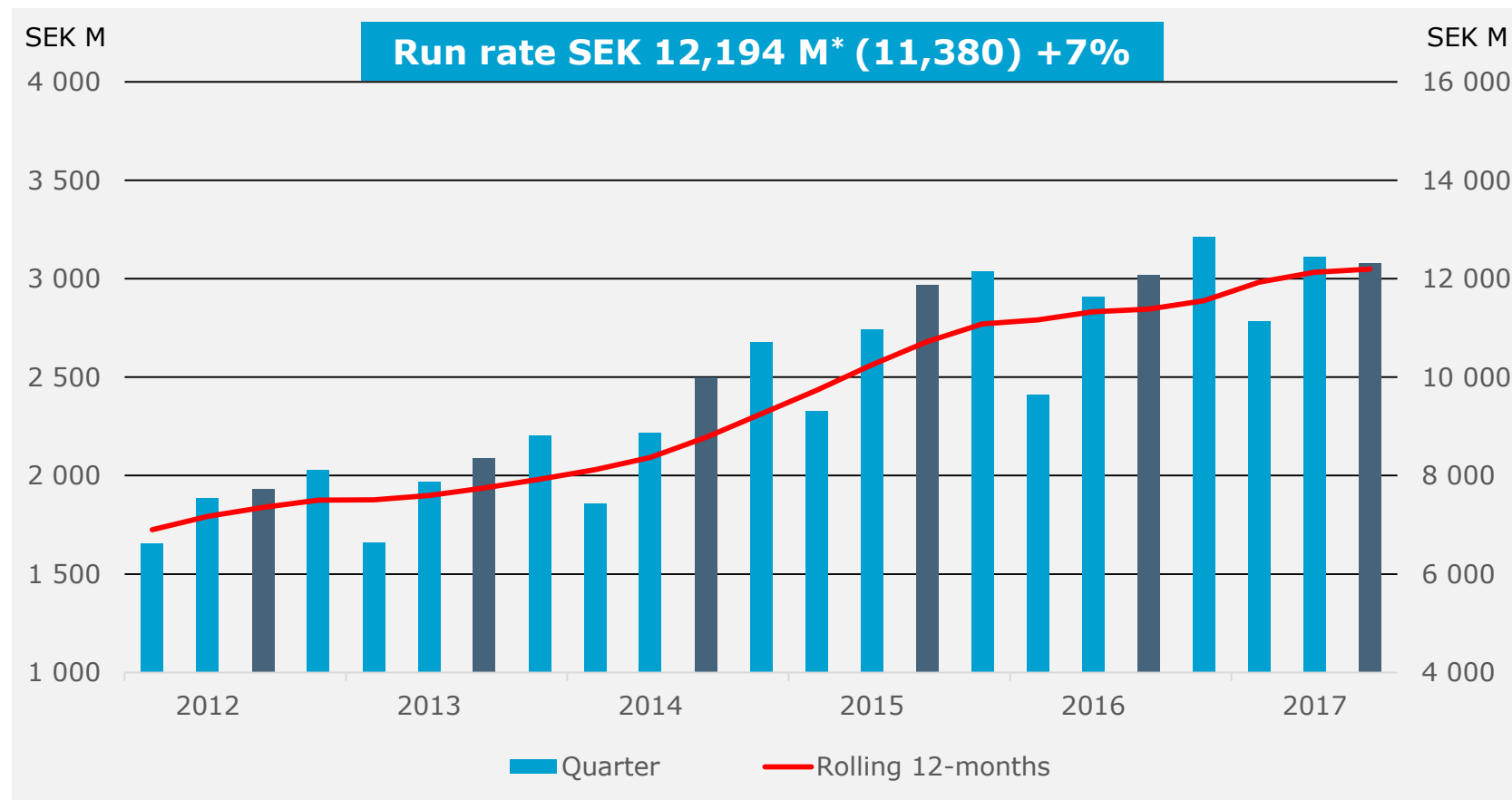
Accretion / dilution from				
2017	OG, ex APAC*	OG APAC*	M&A	currency
12-months	+0.4%	-0.3%	-0.2%	+0.1%



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

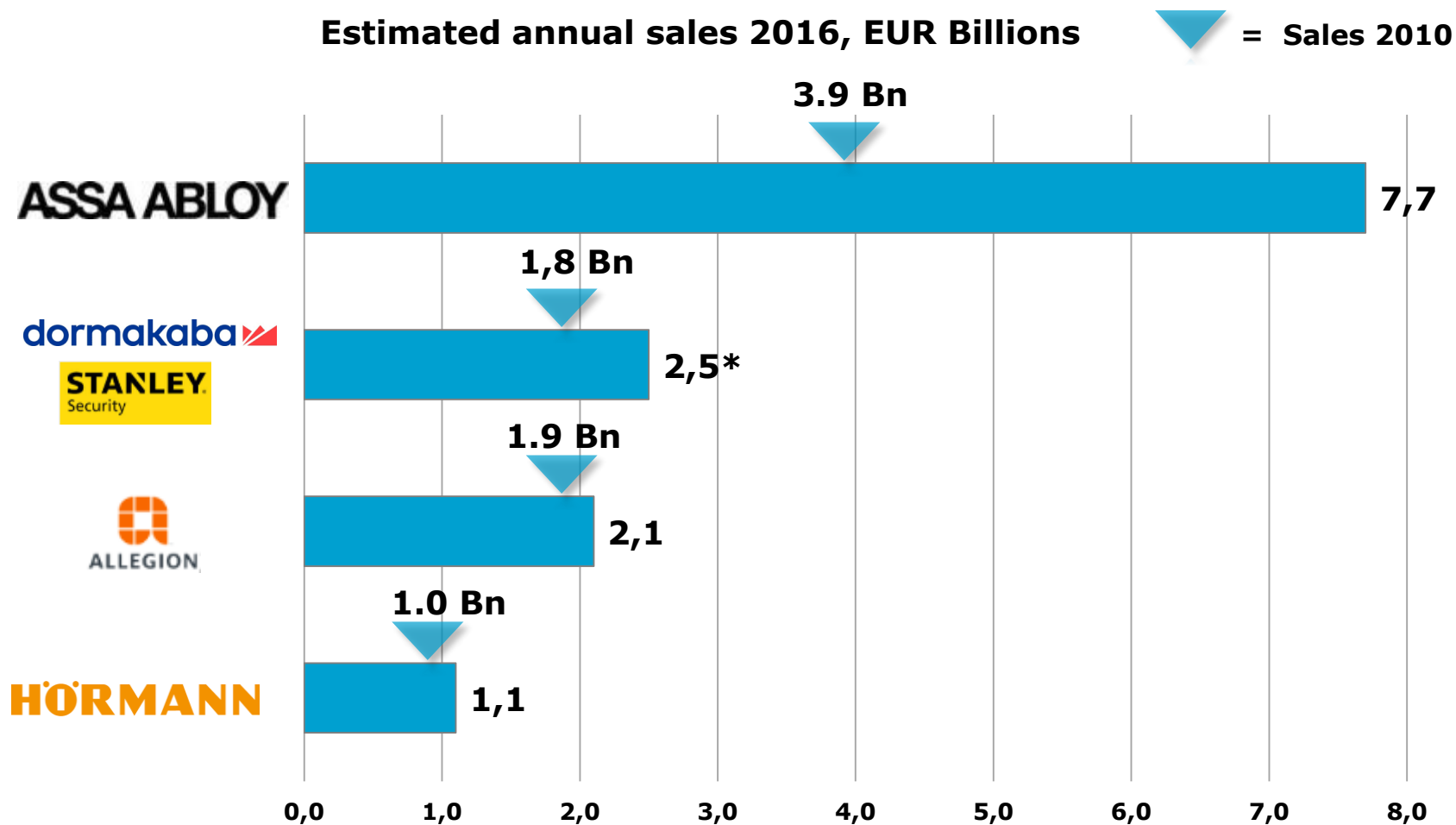
Operating profit, SEK M

**+66%
in
5 years**



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

Global competitors



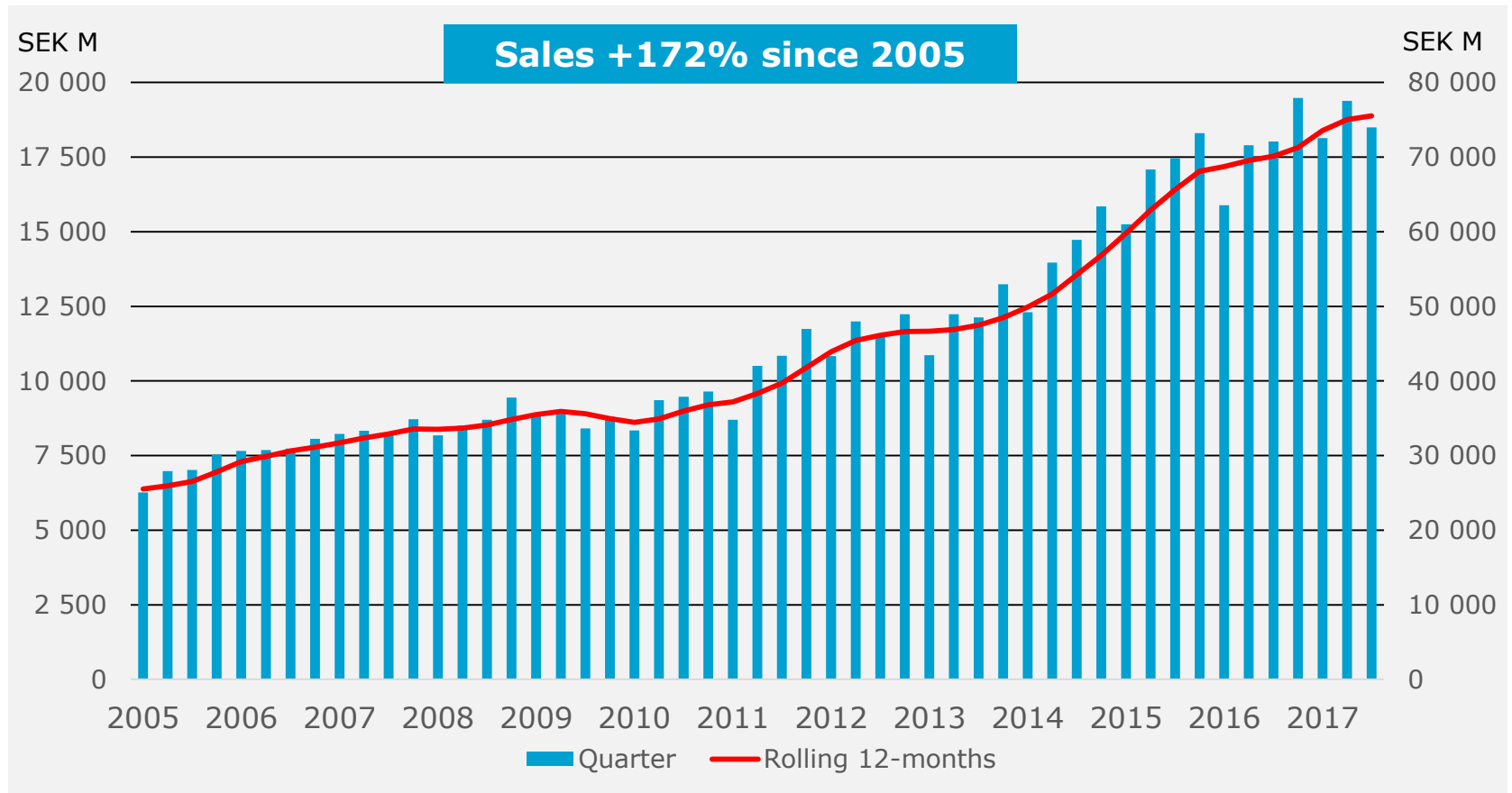
* Dormakaba, including Stanley Mechanical Security, pro forma

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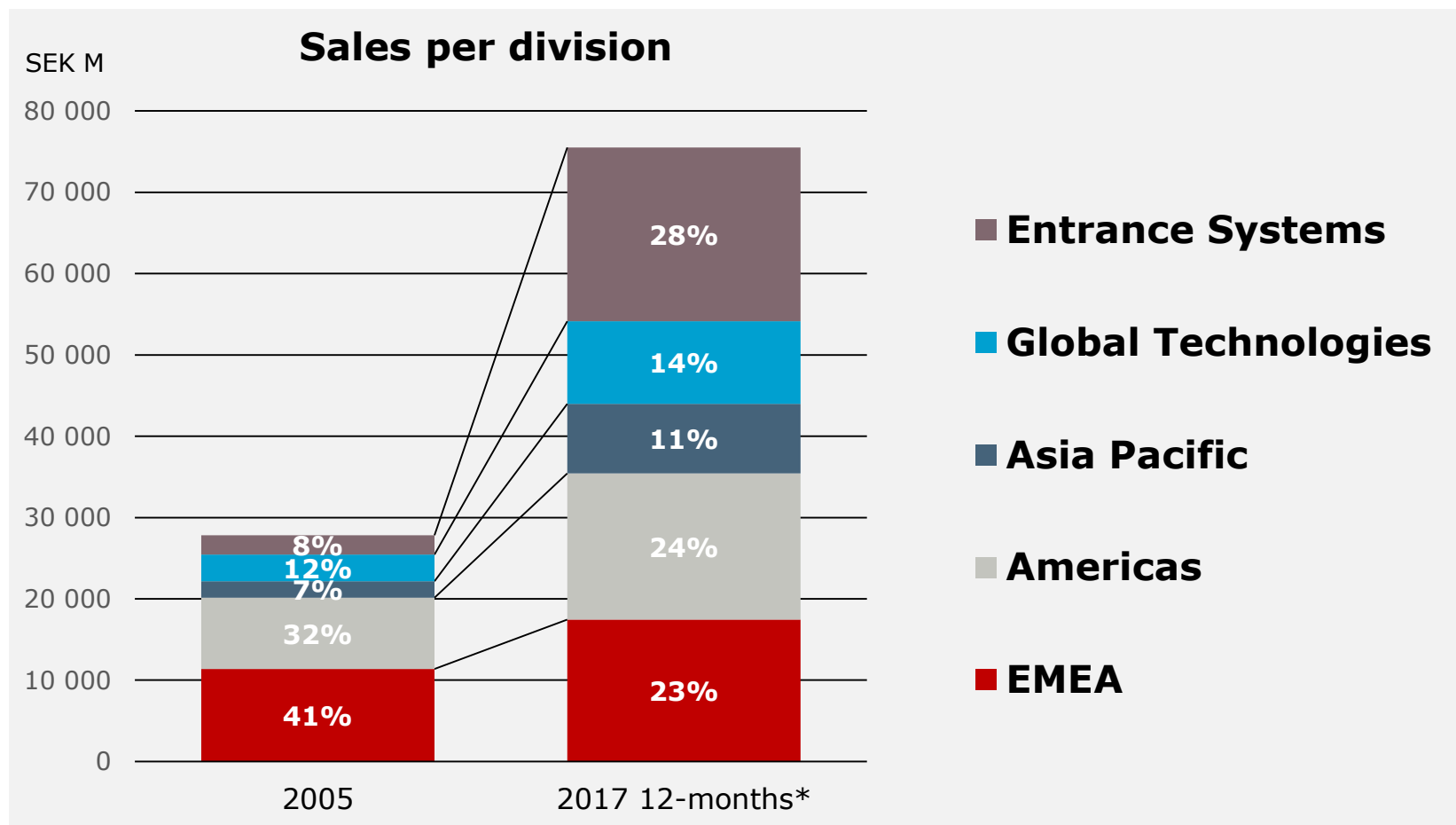
Sales development since 2005

Substantial top line improvement



Growth has triggered significant change

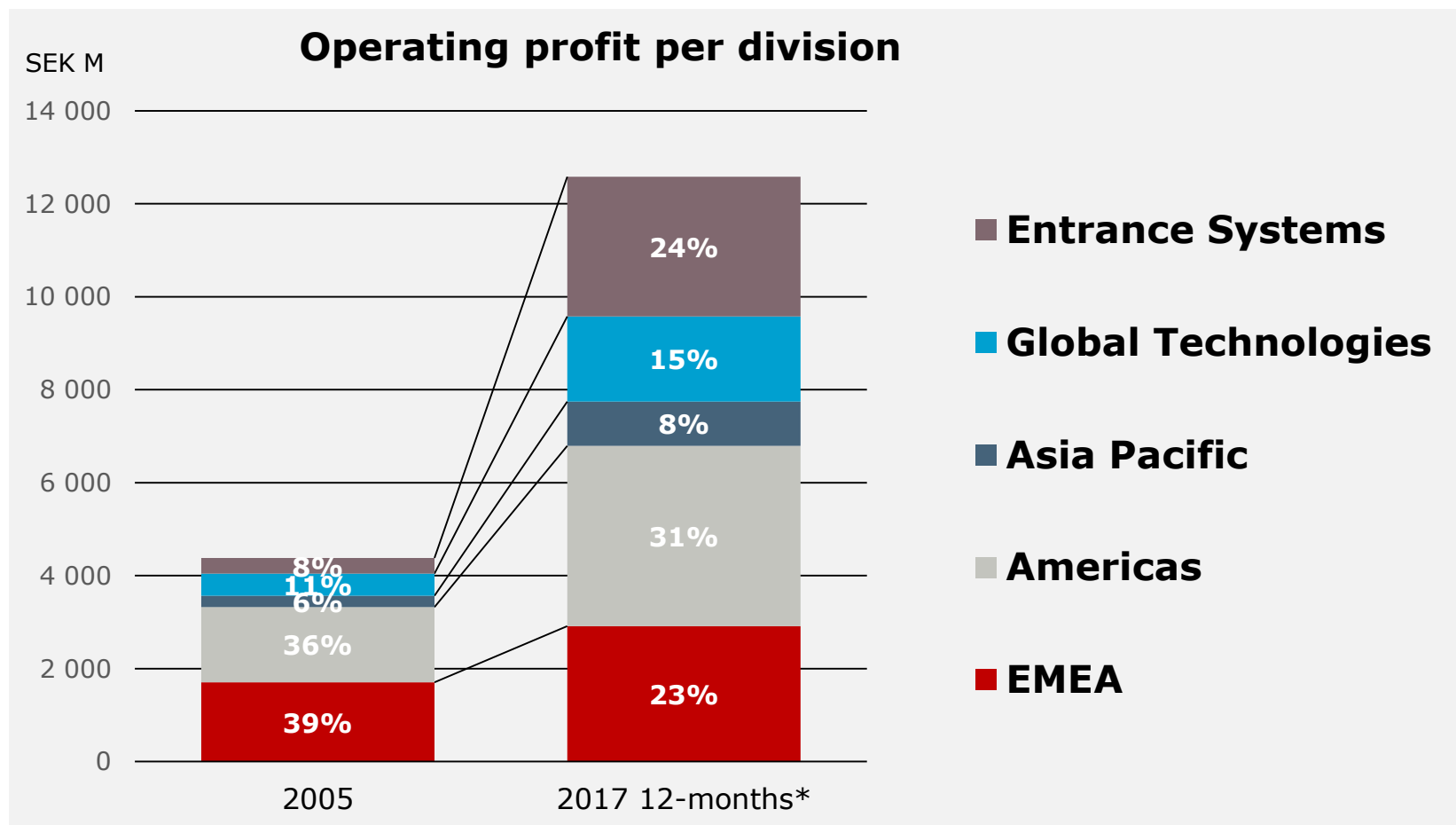
ASSA ABLOY is fundamentally different compared to 2005



*) Sales for 2017 is rolling 12-months Oct 2016 –Sep 2017.

Growth has triggered significant change

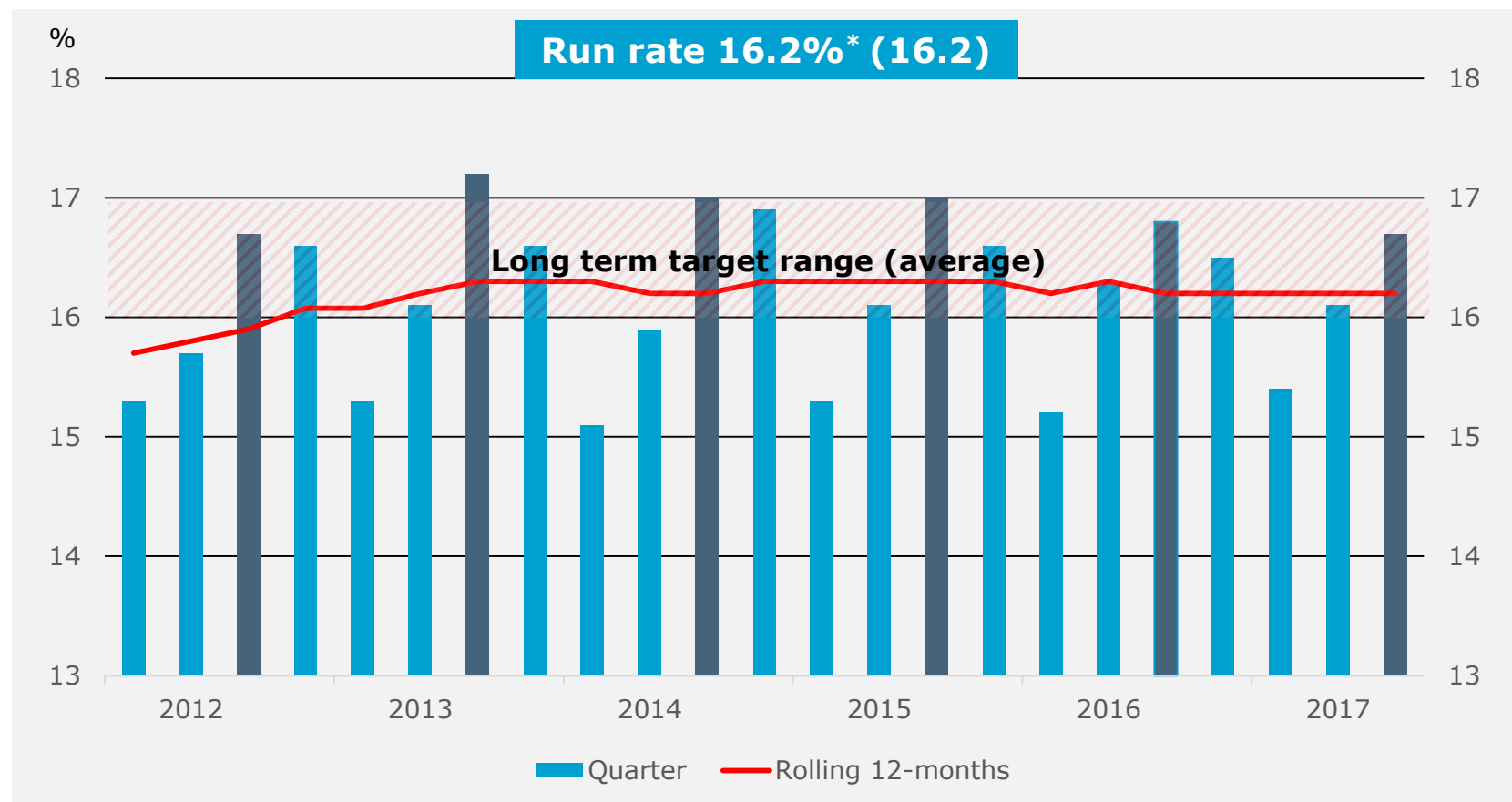
ASSA ABLOY is fundamentally different compared to 2005



Excluding Other. *) Operating profit for 2017 is rolling 12-months Oct 2016 –Sep 2017.

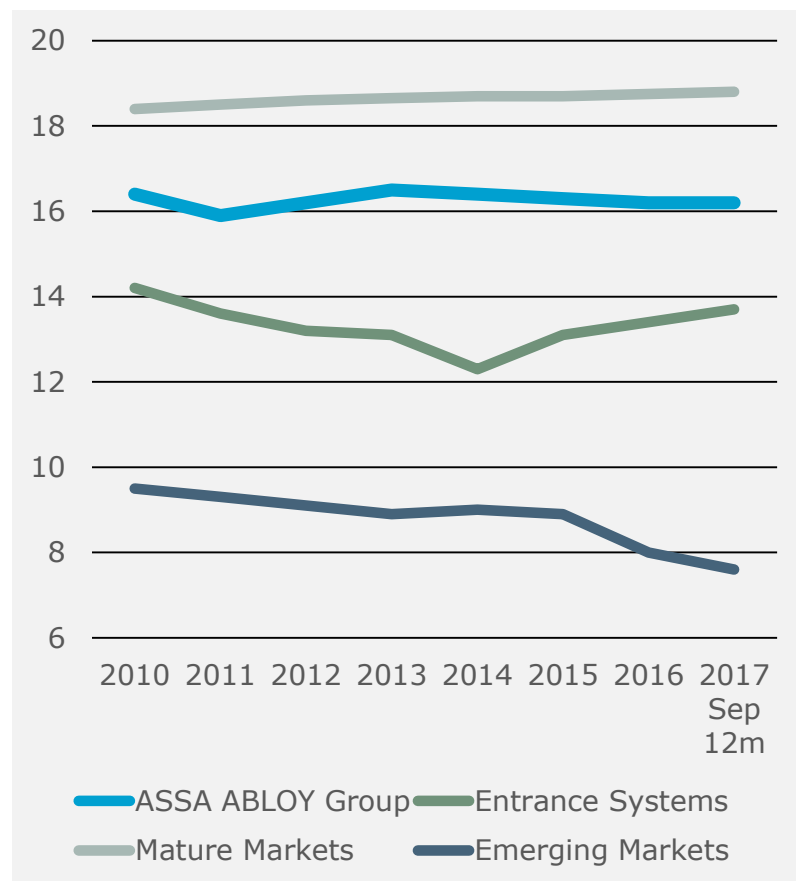
Operating margin, %

Accretion / dilution from				
2017	OG, ex APAC*	OG APAC*	M&A	currency
12-months	+0.4%	-0.3%	-0.2%	+0.1%



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

Operating margin (EBIT*) 2010-2017



Mature markets accretion

ASSA ABLOY Group

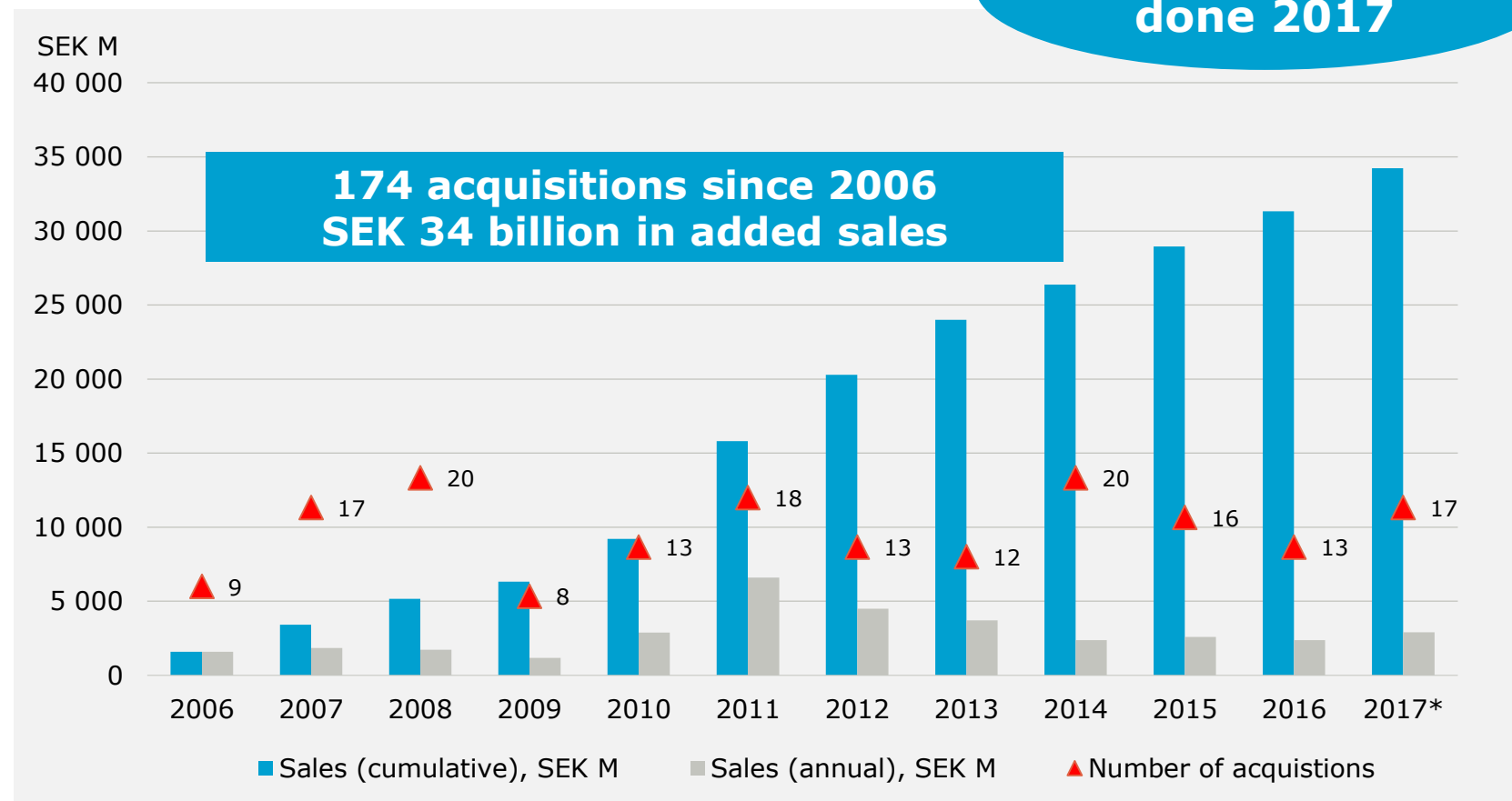
Entrance Systems dilution -0.8%

Emerging markets **dilution -1.4%

*) Excluding restructuring, currency and China write down Q4 2016.
Not including margin on export from mature markets.

Acquisitions first dilute, but give long term leverage

**17 acquisitions
done 2017**

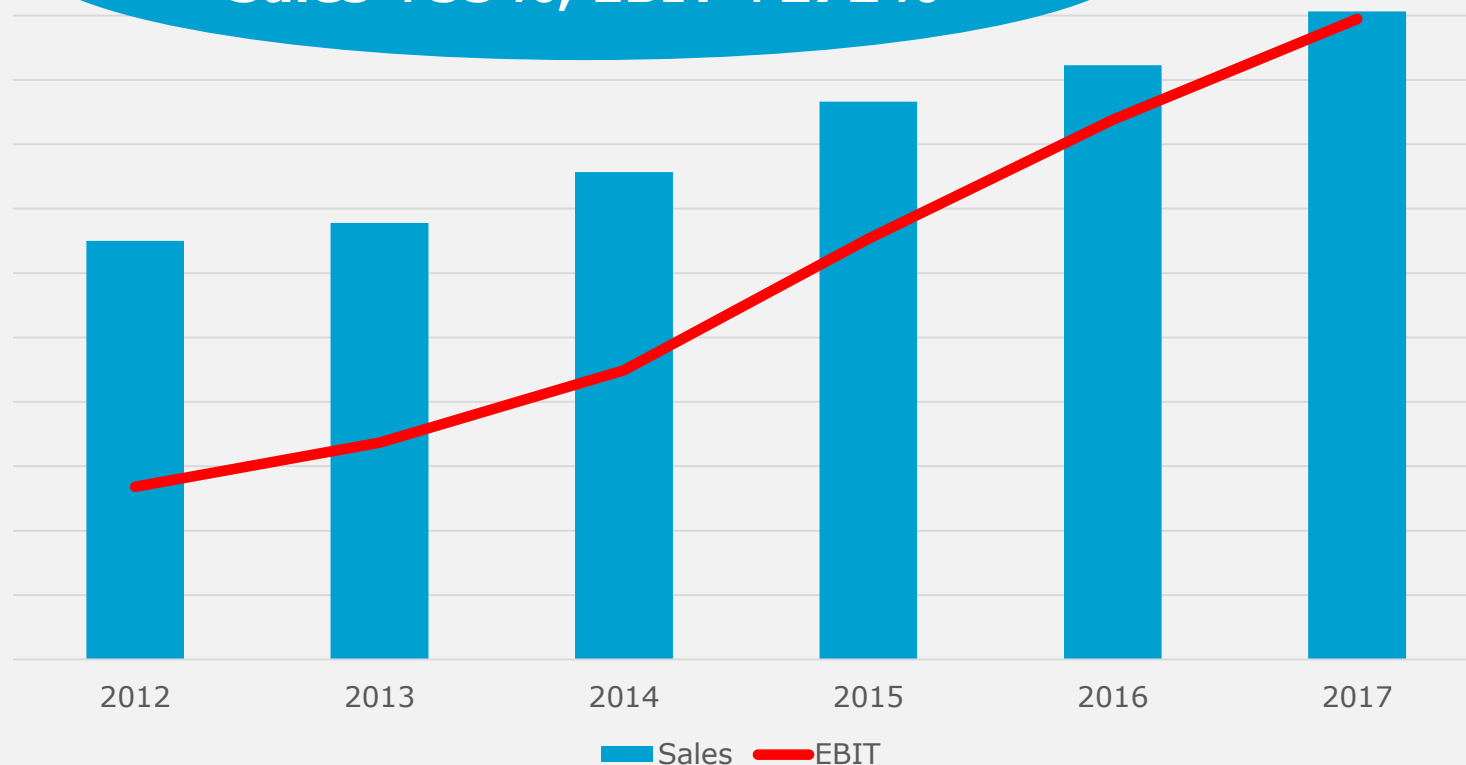


*) Including LOB and August, not consolidated.

Company acquired 2012



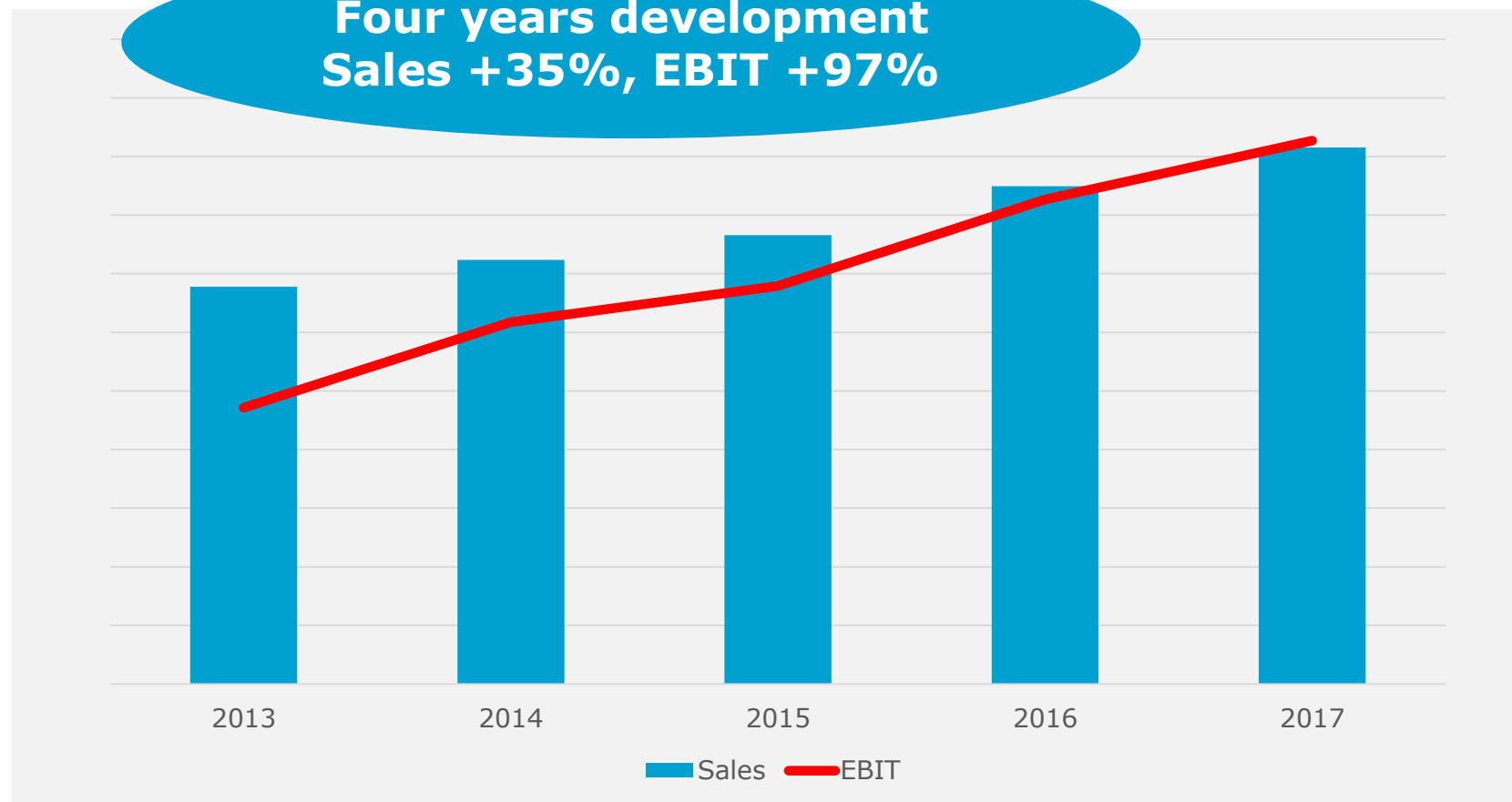
Five years development
Sales +55%, EBIT +272%



Company acquired 2013

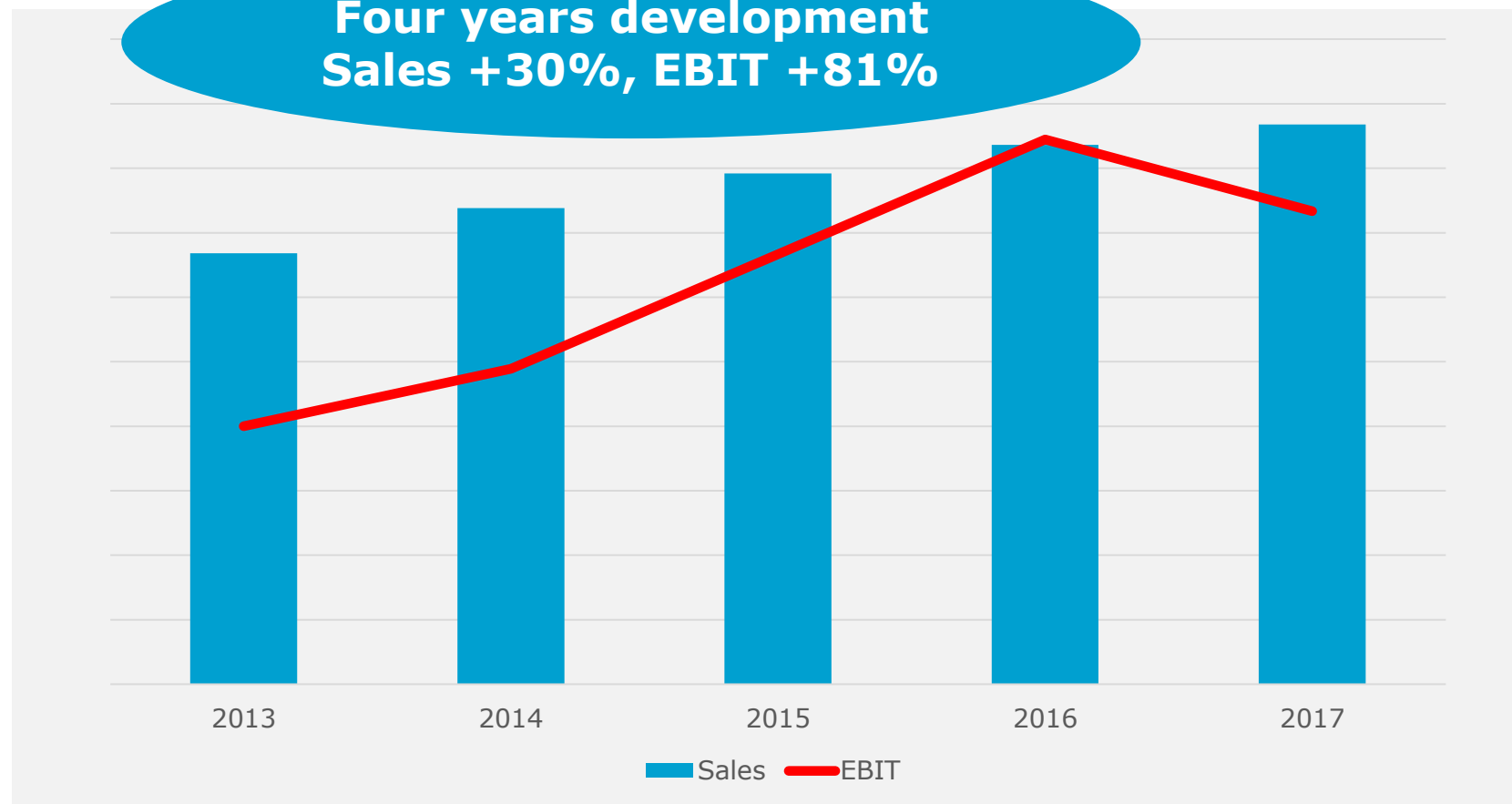


**Four years development
Sales +35%, EBIT +97%**

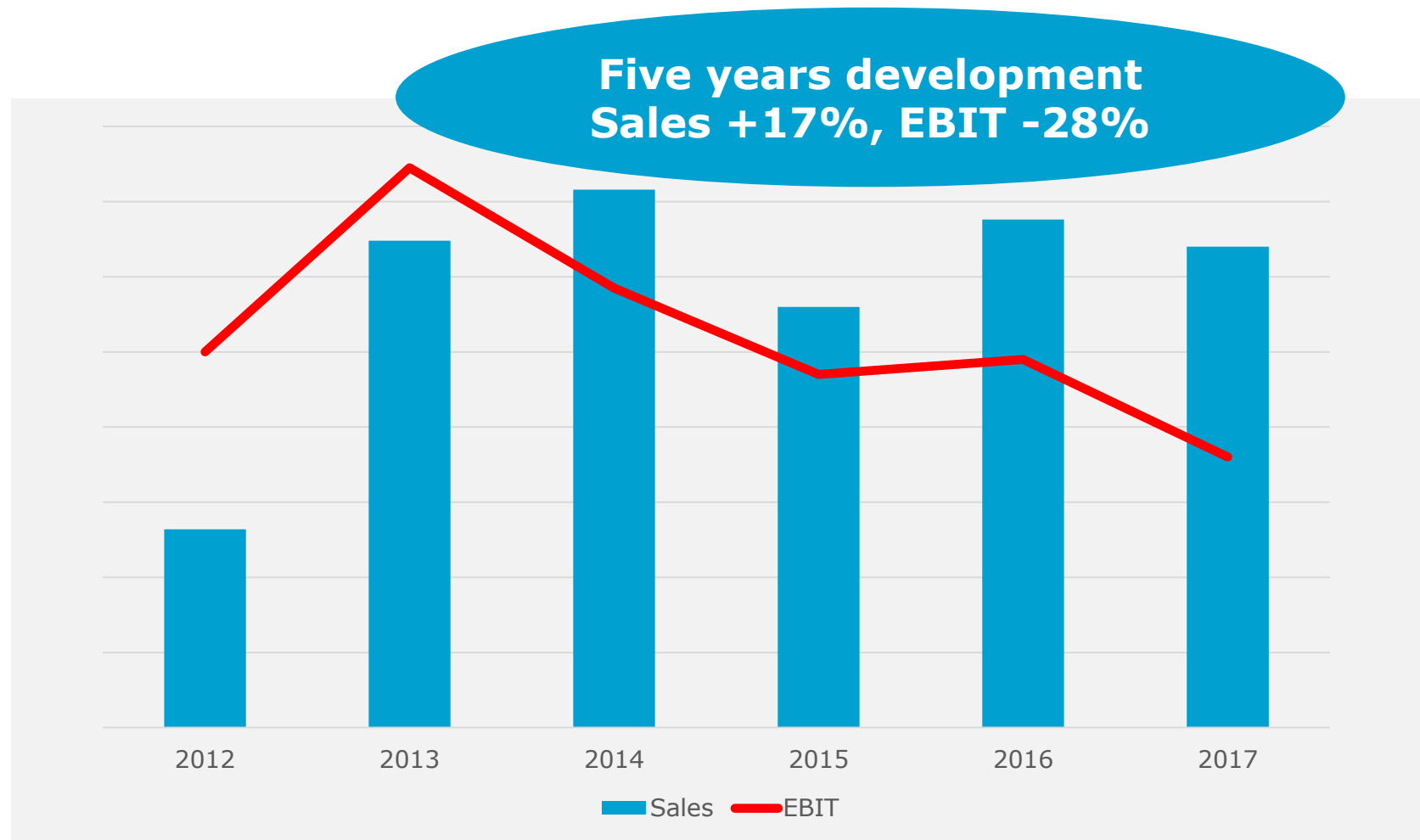


Company acquired 2013

**Four years development
Sales +30%, EBIT +81%**

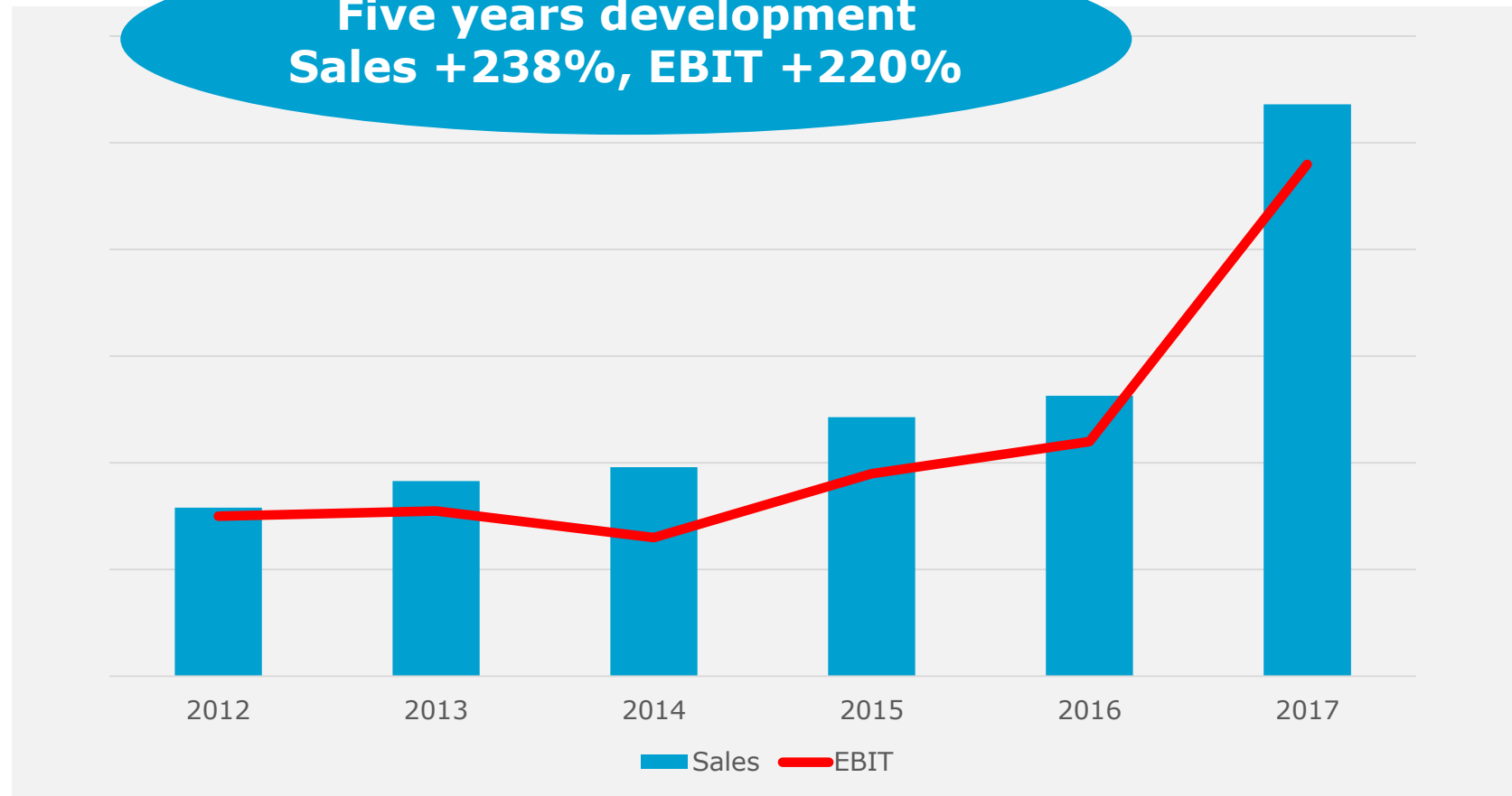


Company acquired 2012



Company acquired 2012

**Five years development
Sales +238%, EBIT +220%**



Operating margin (EBIT)

Effects of recent acquisitions and divestments

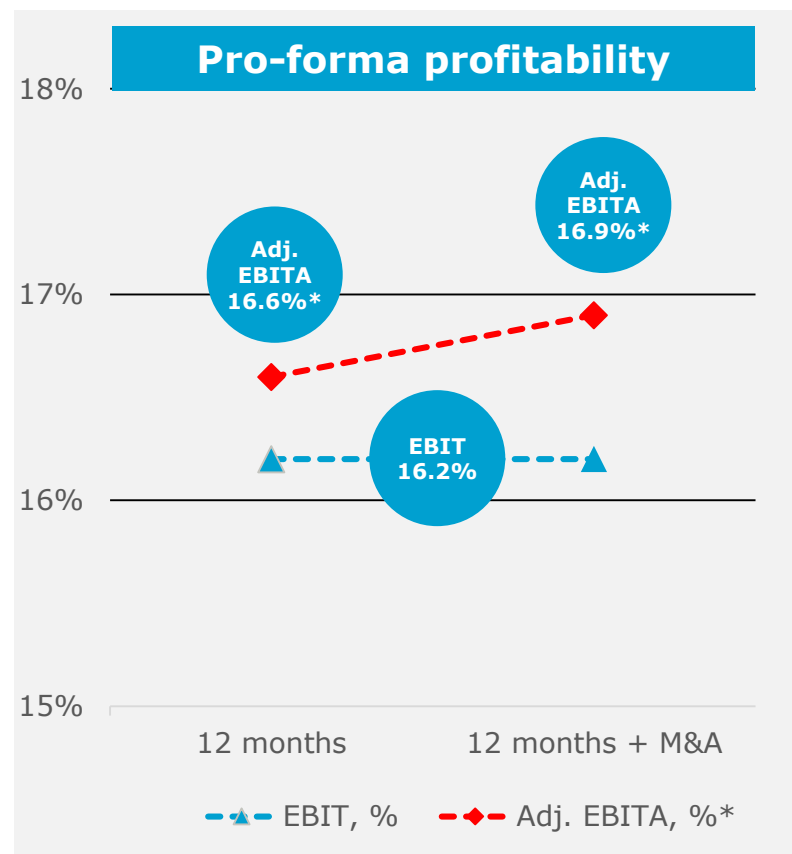
- ASSA ABLOY Group – no major impact on reported EBIT, %
 - Global Technologies
 - Acquisition of Mercury (Nov) & Arjo
 - Divestment of AdvanIDe
 - Accretion
 - Americas
 - August (consolidated in late Q4)
 - Dilution
 - Seasonality



Operating margin (EBIT)

Effects of recent acquisitions and divestments

- Stable EBIT, % - proforma
- Adj. EBITA, % - proforma increases
 - More M&A amortization from SEK 300 M to SEK 500 M/year



Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items. Adj. EBITA = EBIT + M&A amortization, %
Rolling 12 months figures.

Financial highlights

SEK M	July - September			January - September		
	2016	2017	Change	2016	2017	Change
Sales	18,025	18,499	3%	51,809	56,028	8%
- Organic growth*	307	590	3%	1,308	1,956	4%
- Acquired growth	429	373	2%	1,512	1,273	2%
- FX-differences*	-176	-488	-2%	-810	990	2%
Operating income (EBIT)	3,020	3,080	2%	8,340	8,982	8%
EBIT-margin	16.8%	16.7%		16.1%	16.0%	
Income before tax	2,844	2,910	2%	7,782	8,447	9%
Net income	2,122	2,153	1%	5,786	6,250	8%
EPS, SEK	1.91	1.94	1%	5.21	5.63	8%
Operating cash flow	2,830	2,654	-6%	5,846	6,053	4%

* The sales components Organic growth and FX-differences has been restated for 2016. No effect on sales numbers.

Bridge Analysis – YTD 2017

SEK M	YTD 2016	Organic	Currency	Acq/Div	YTD 2017
		4%	2%	2%	8%
Sales	51,809	1,956	990	1,273	56,028
Operating profit	8,340	371	167	103	8,982
Operating margin, %	16.1%	19.0%	16.9%	8.1%	16.0%
Dilution/accretion		0.1%	0.0%	-0.2%	

- Positive leverage from all divisions, except APAC, +40 bps
- Dilution from China/APAC, as expected, -30 bps
- Dilution from acquisitions in Entrance Systems, Global Technologies and EMEA

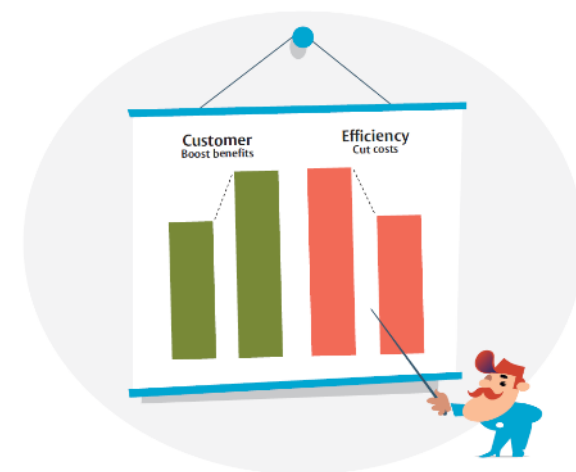
P&L components have changed but stable margin

%	YTD 2012	2017* 12-months	Δ
Direct material	-34.6%	-36.2%	-1.6%
Conversion costs	-25.9%	-24.4%	+1.5%
Gross margin	39.5%	39.4%	-0.1%
S, G & A	-23.4%	-23.2%	+0.2%
EBIT	16.1%	16.2%	+0.1%

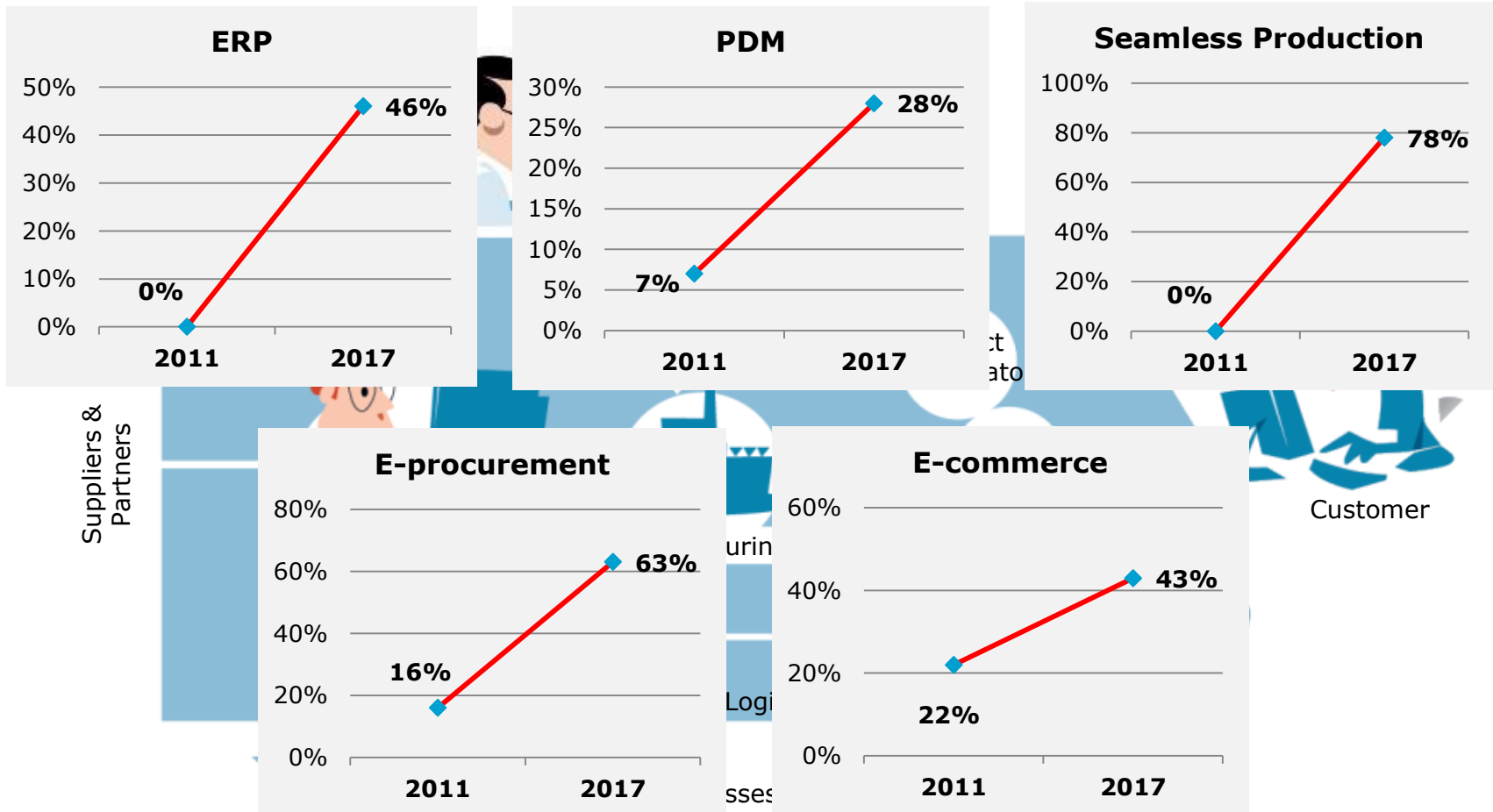
- Sourcing more direct material
 - Short term swings in raw material costs
- Lower conversion costs due to efficiency projects
- Increased investments in RnD and front sales

*) Sales for 2017 is Rolling 12 Months Oct-Sep

*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

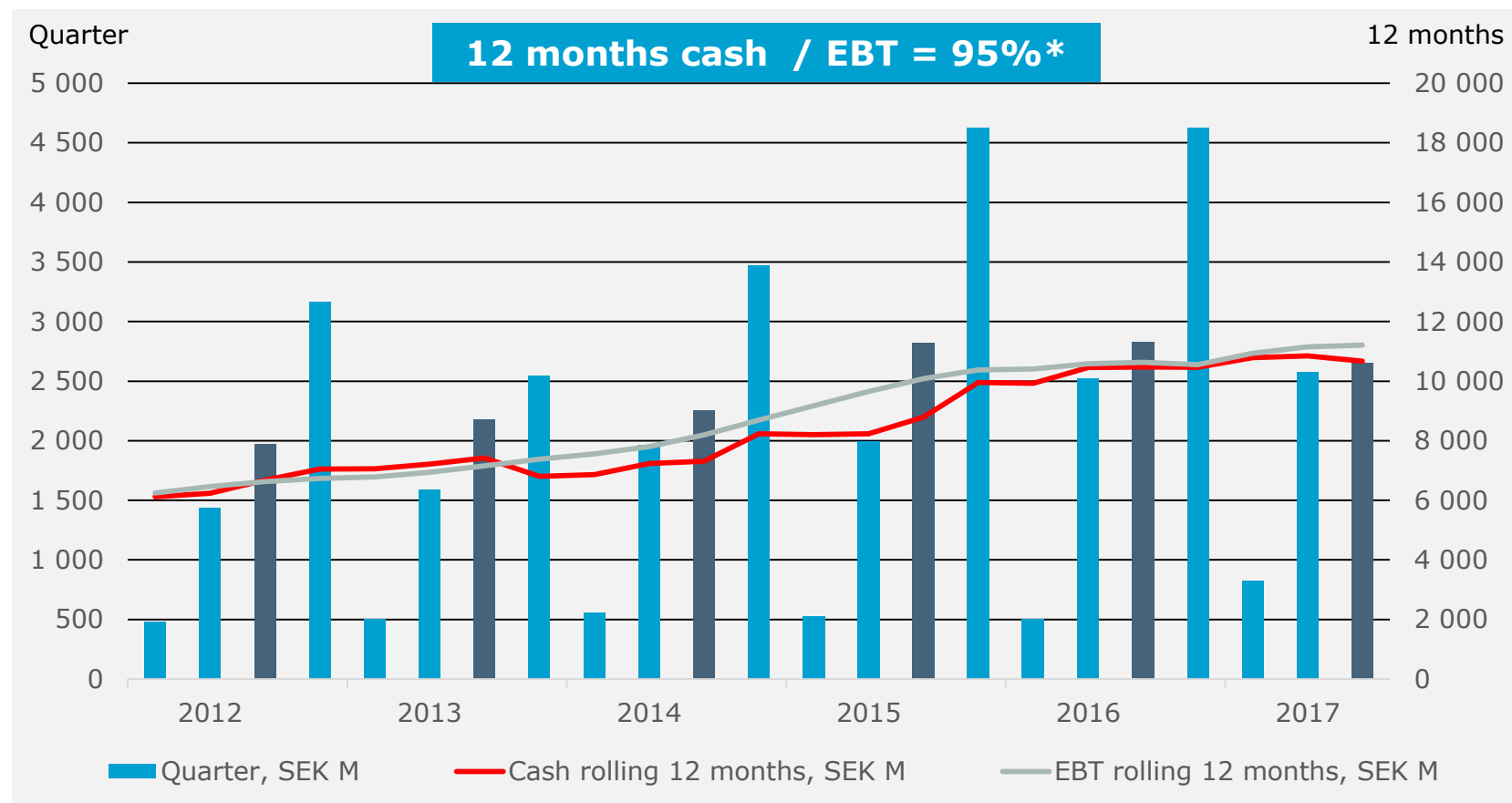


Seamless Flow



Target = 100% automation of processes

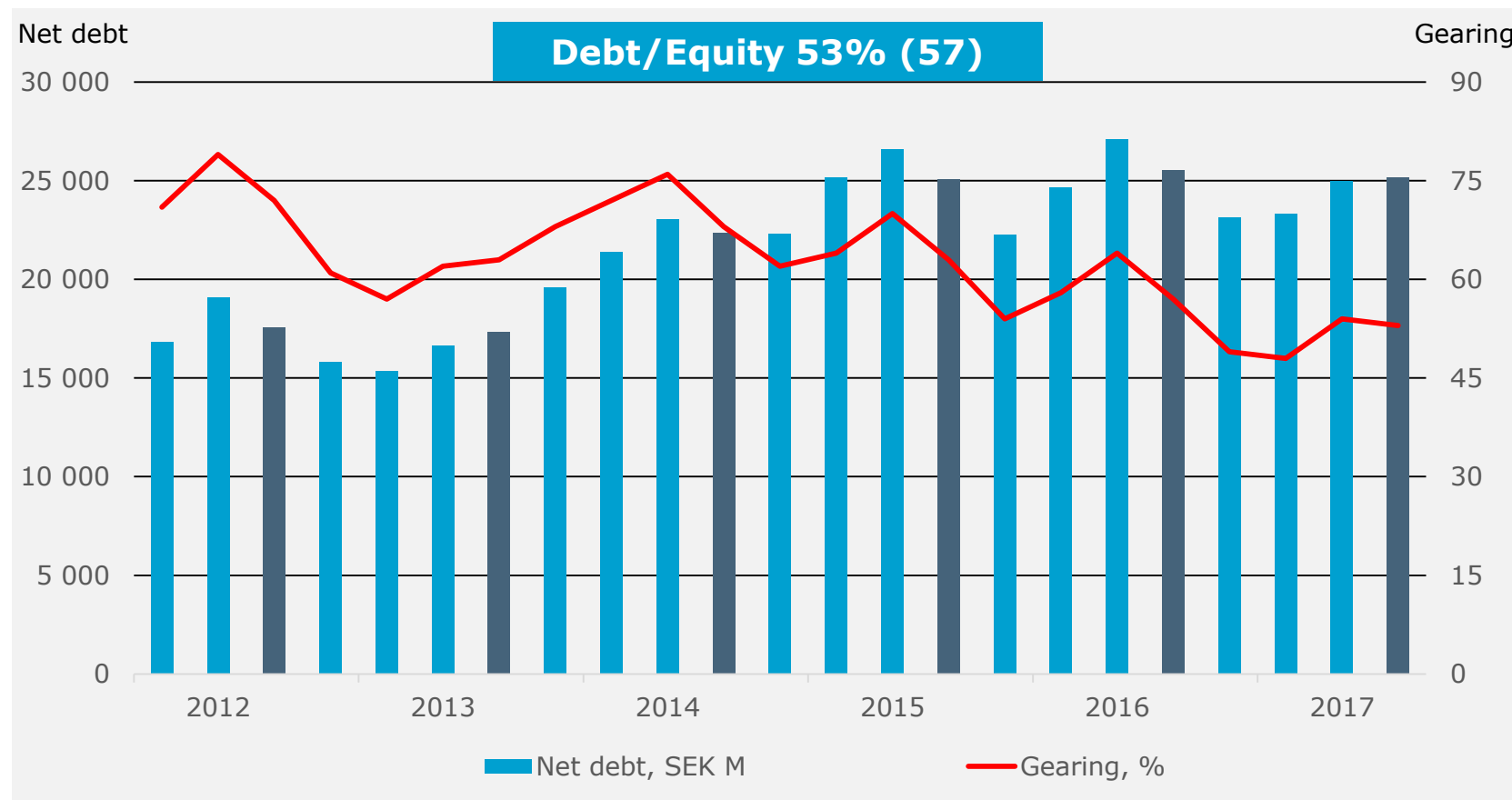
Operating cash flow, SEK M



*) Excluding China write down SEK 300 M in Q4 and full year 2016 and restructuring items.

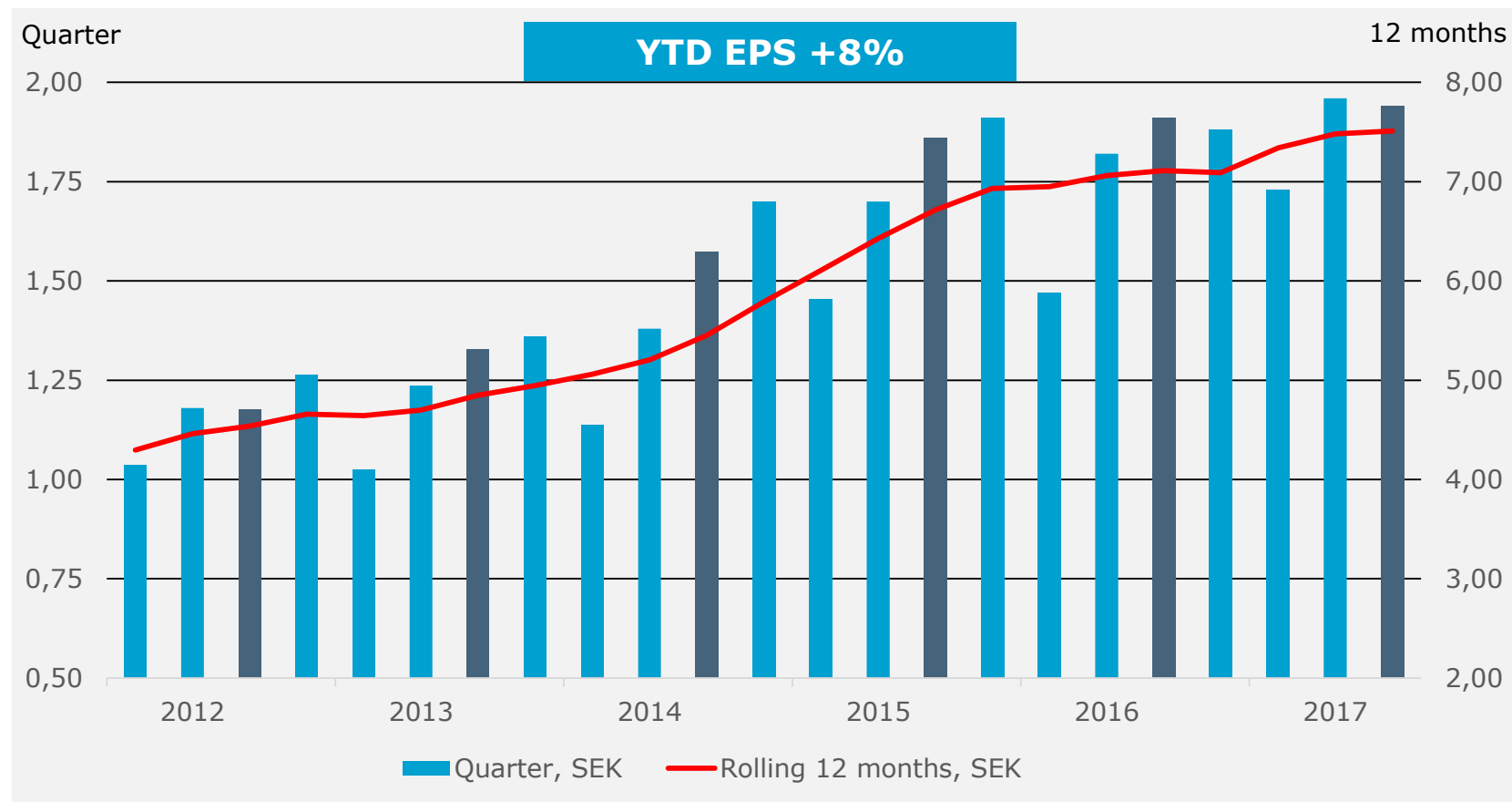
Gearing % and net debt, SEK M

Net debt/EBITDA
1.9 (2.0)



Earnings per share, SEK

**+66%
in
5 years**



*) Excluding restructuring items of SEK 1,597 M for Q4 and full year 2016.
Chart is restated for Stock split 3:1 2015 and excludes cost for restructuring programs in 2013 and 2016.

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Strategy



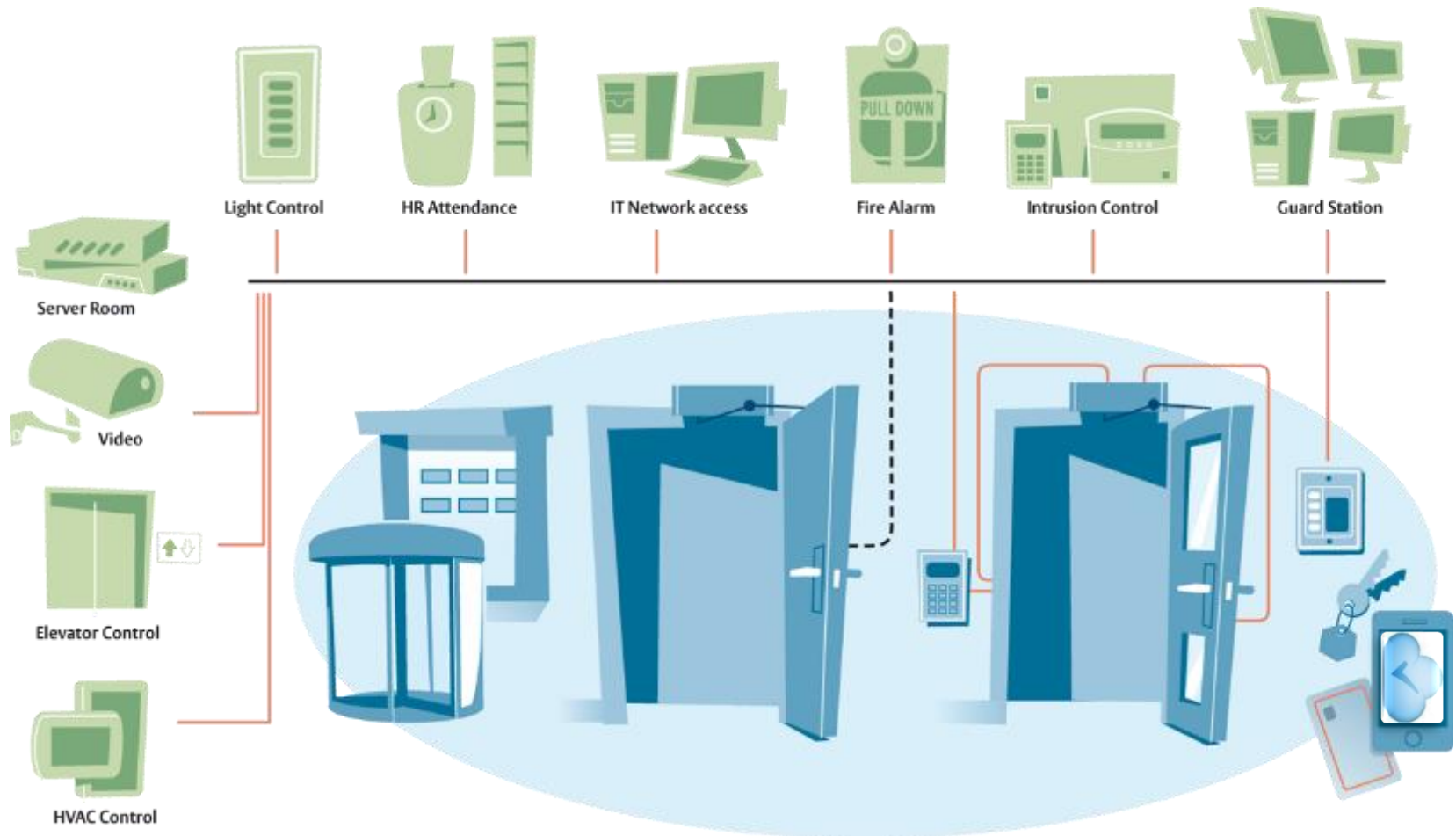
Our vision – remains unchanged

- To be the **true world leader**, most successful and innovative provider of **total door opening solutions**
- To **lead in innovation** and provide well-designed, convenient, safe and secure solutions that give true added value to our customers
- To offer an **attractive company** to our employees



Total door opening solutions

Seamlessly connected to the building



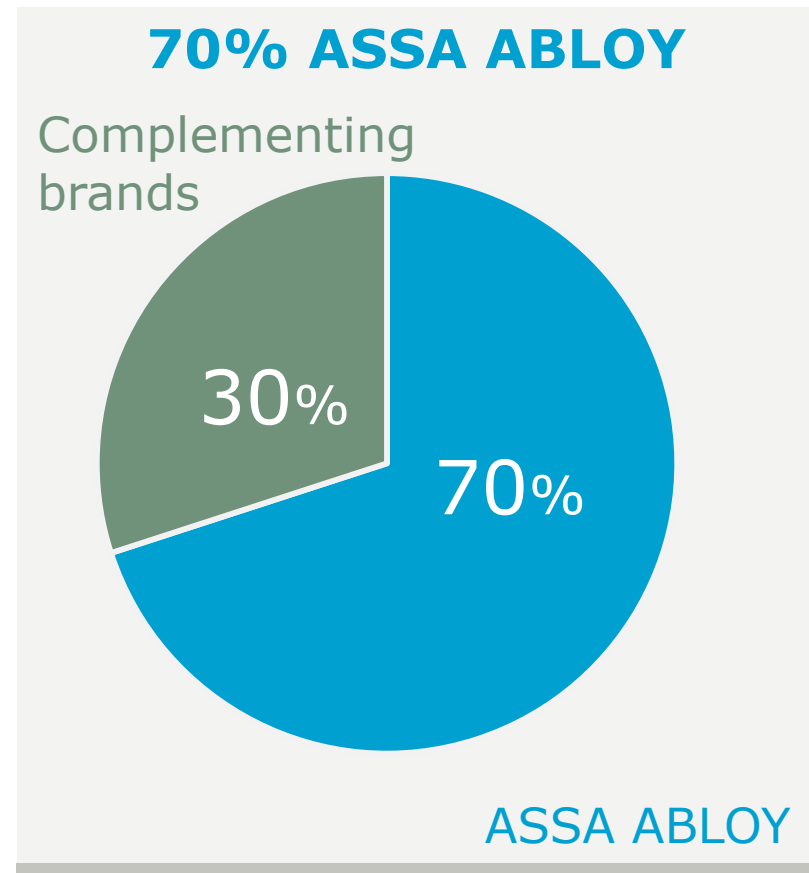
Market presence



ASSA ABLOY as Group brand

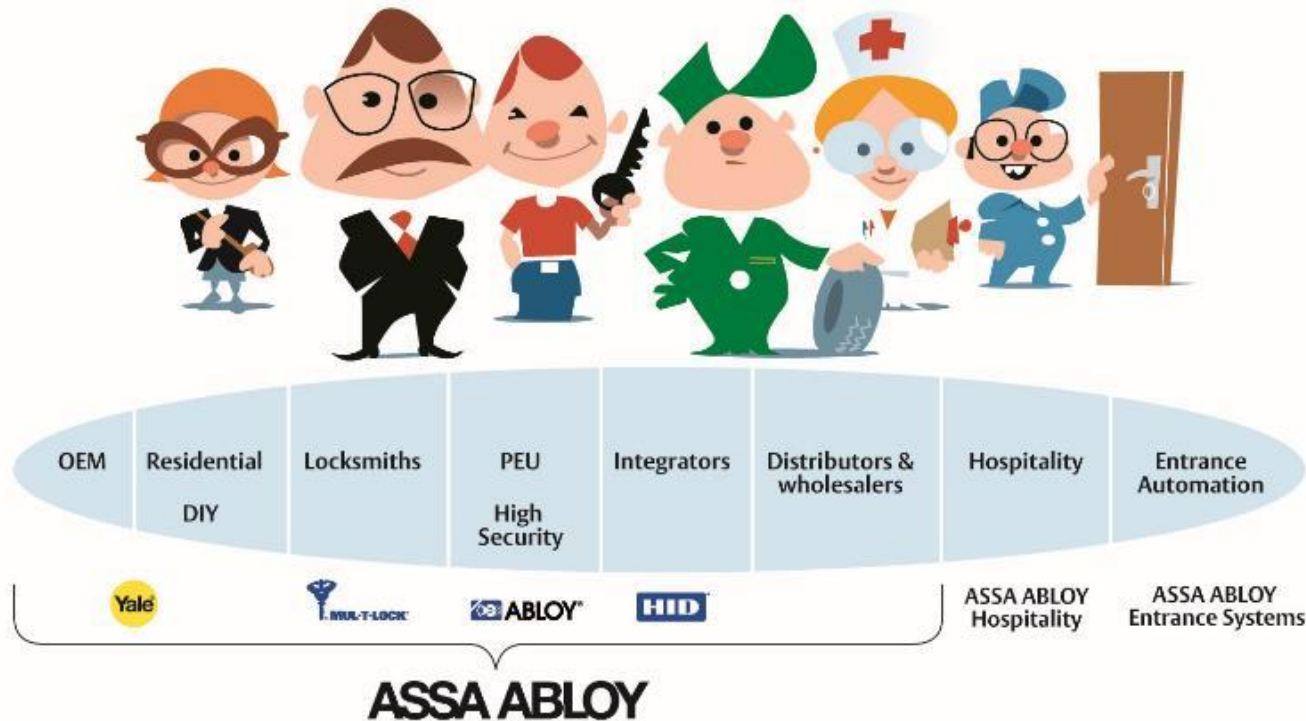
- Leverages local and global presence
- Total door solutions
- Product cross fertilization
- Reduced operational costs

ASSA ABLOY



Customer focus through segmentation

- The segmented approach **assures customer focus and relevance** and provides us with a **superior understanding of the customer needs**.



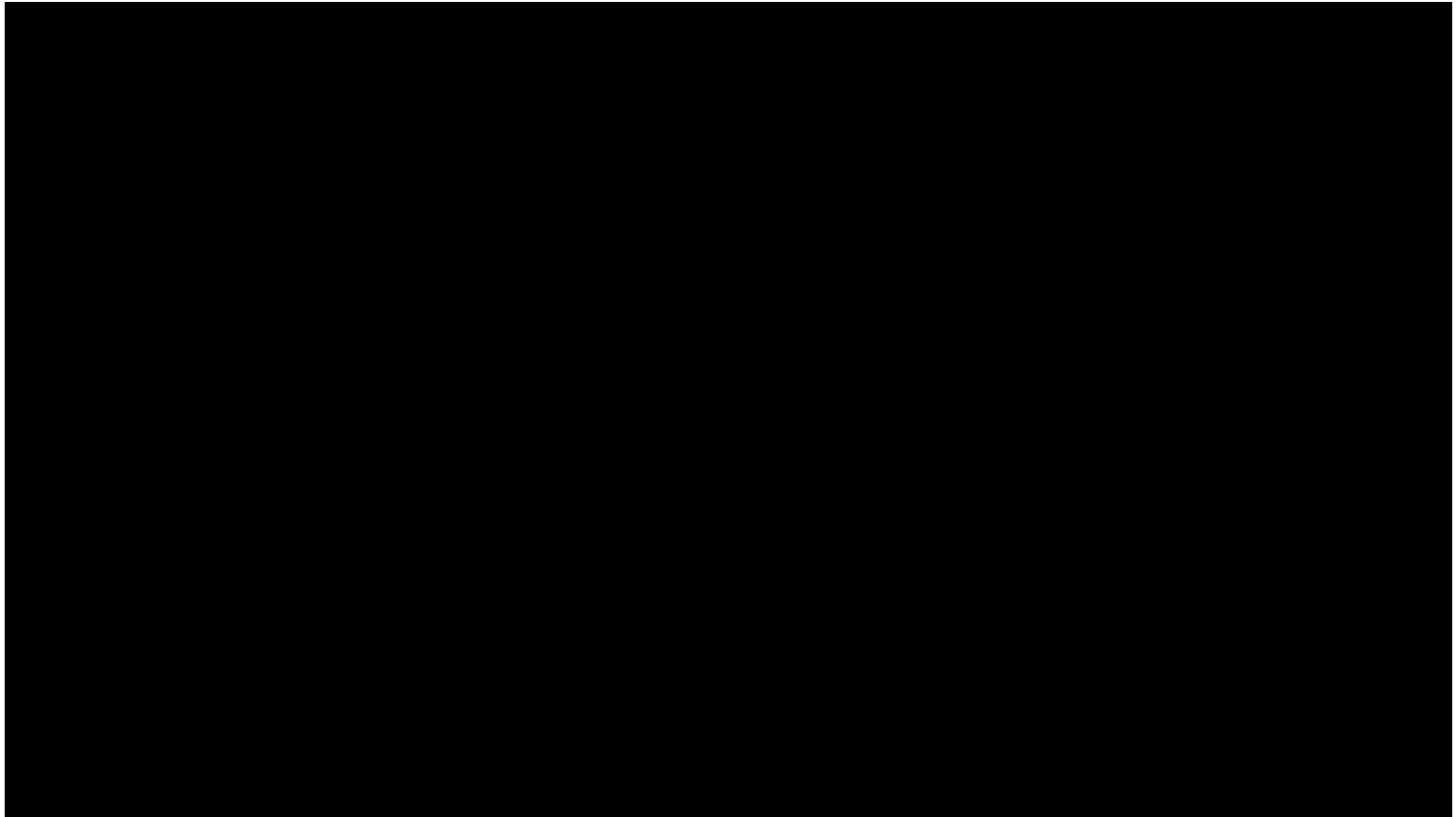
Specification

ASSA ABLOY leads the industry

- Global Specification force
 - End-customer specifiers
 - Electromechanical specifiers
- BIM – Building Information Modeling
 - Configuration and simulation tool
 - Architects, contractors, building consultants & facility managers
- Environmental product declarations automatically generated



Video BIM



Gødstrup Super Hospital, Denmark

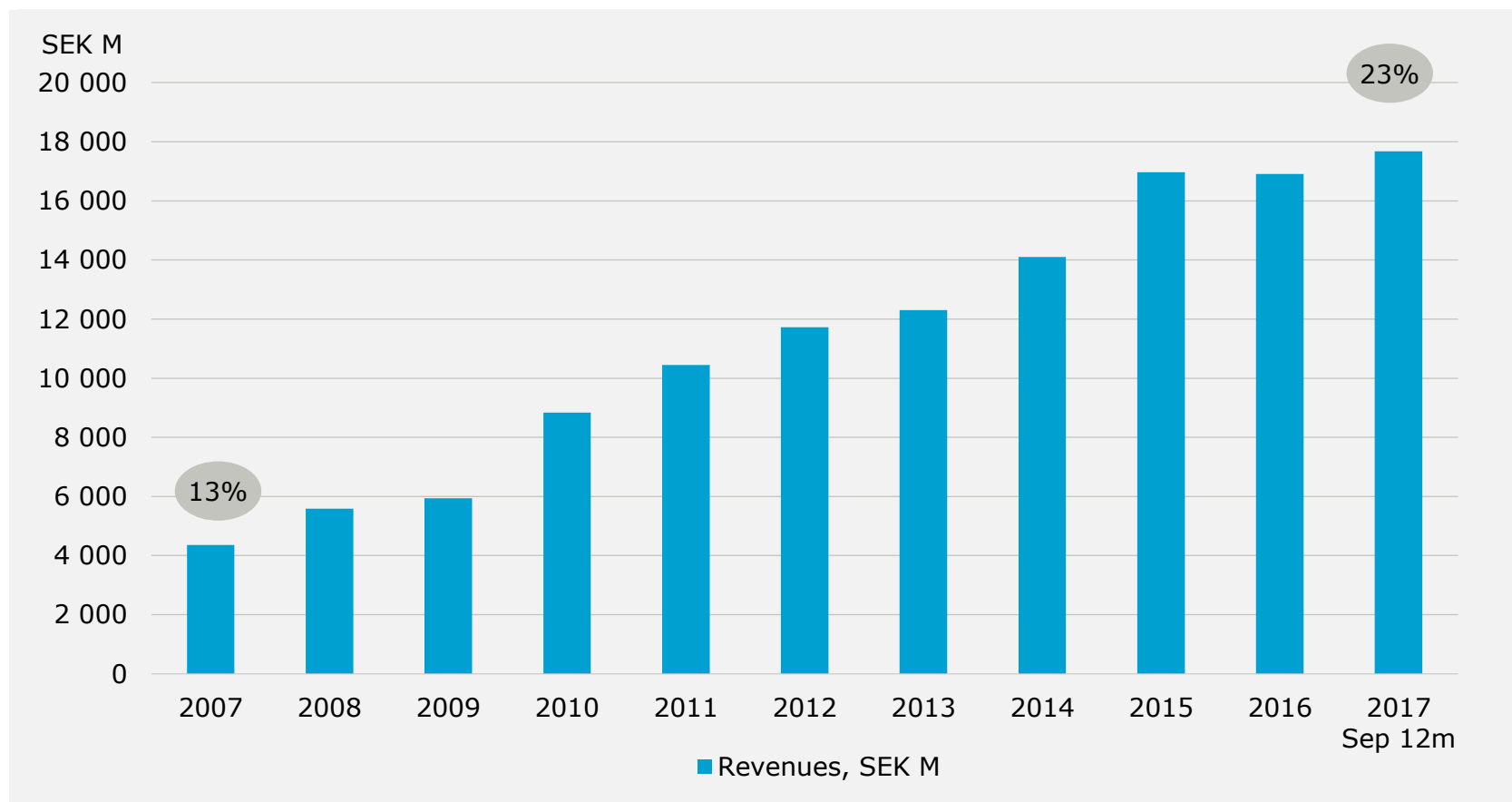
WON

BIM

€0.6m
project value

Solution: ARX Access Control, Master Key System, Architectural Hardware, Door Closers

Emerging markets sales, SEK M

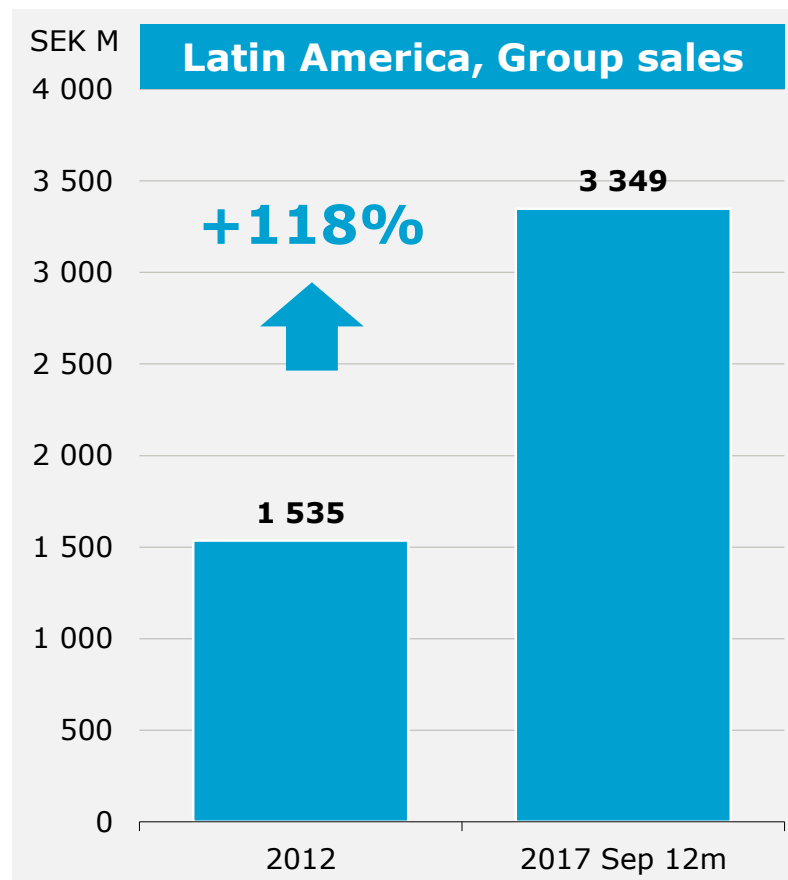


xx%

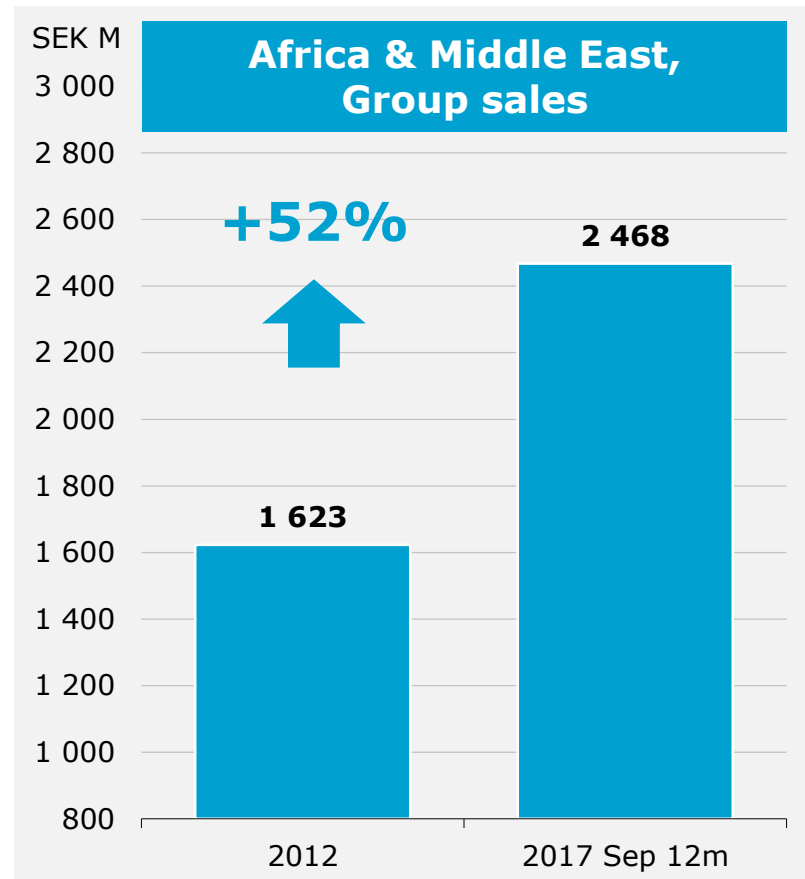
Share of sales from emerging markets, %.

Emerging markets comprise Africa, Asia (ex. Japan), the Middle East, South America and Eastern Europe.

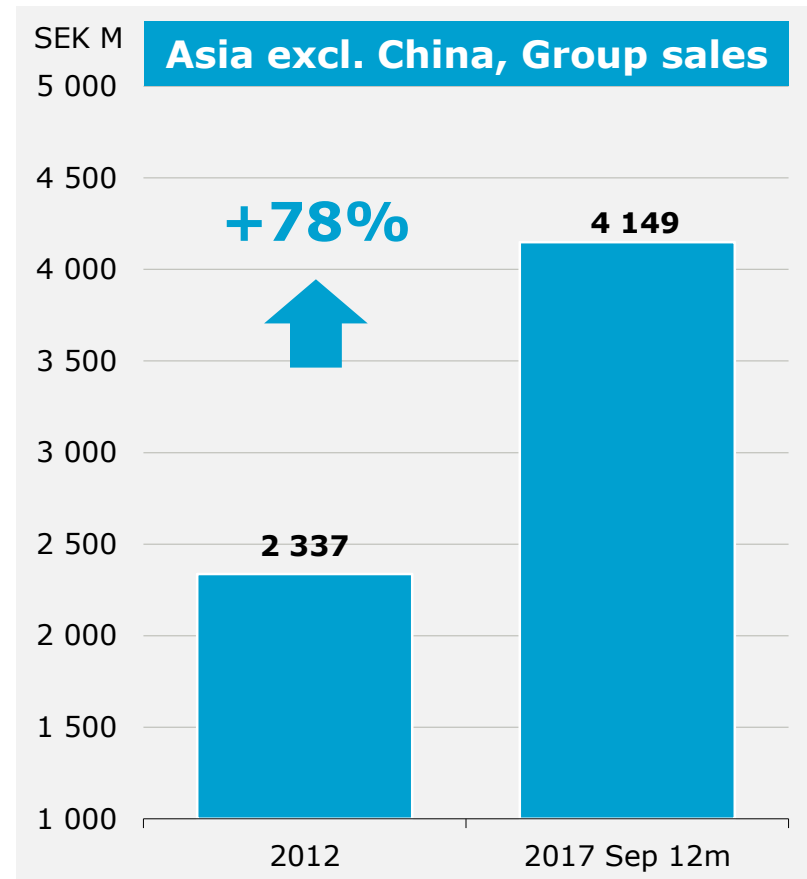
Latin America growth



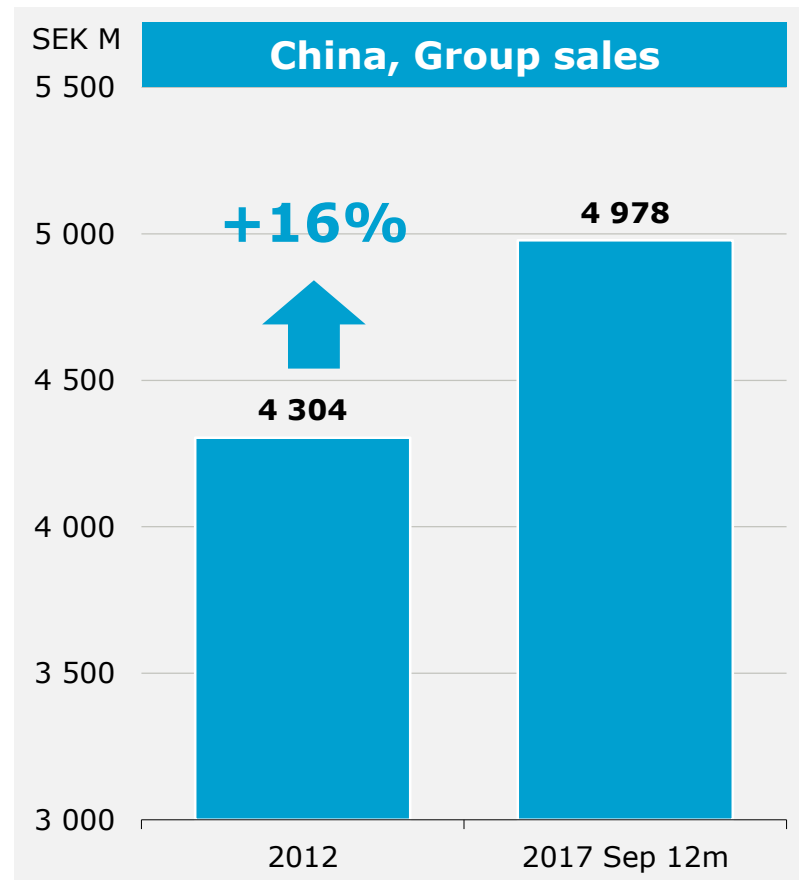
Africa & Middle East growth



Asia growth, excluding China



China growth



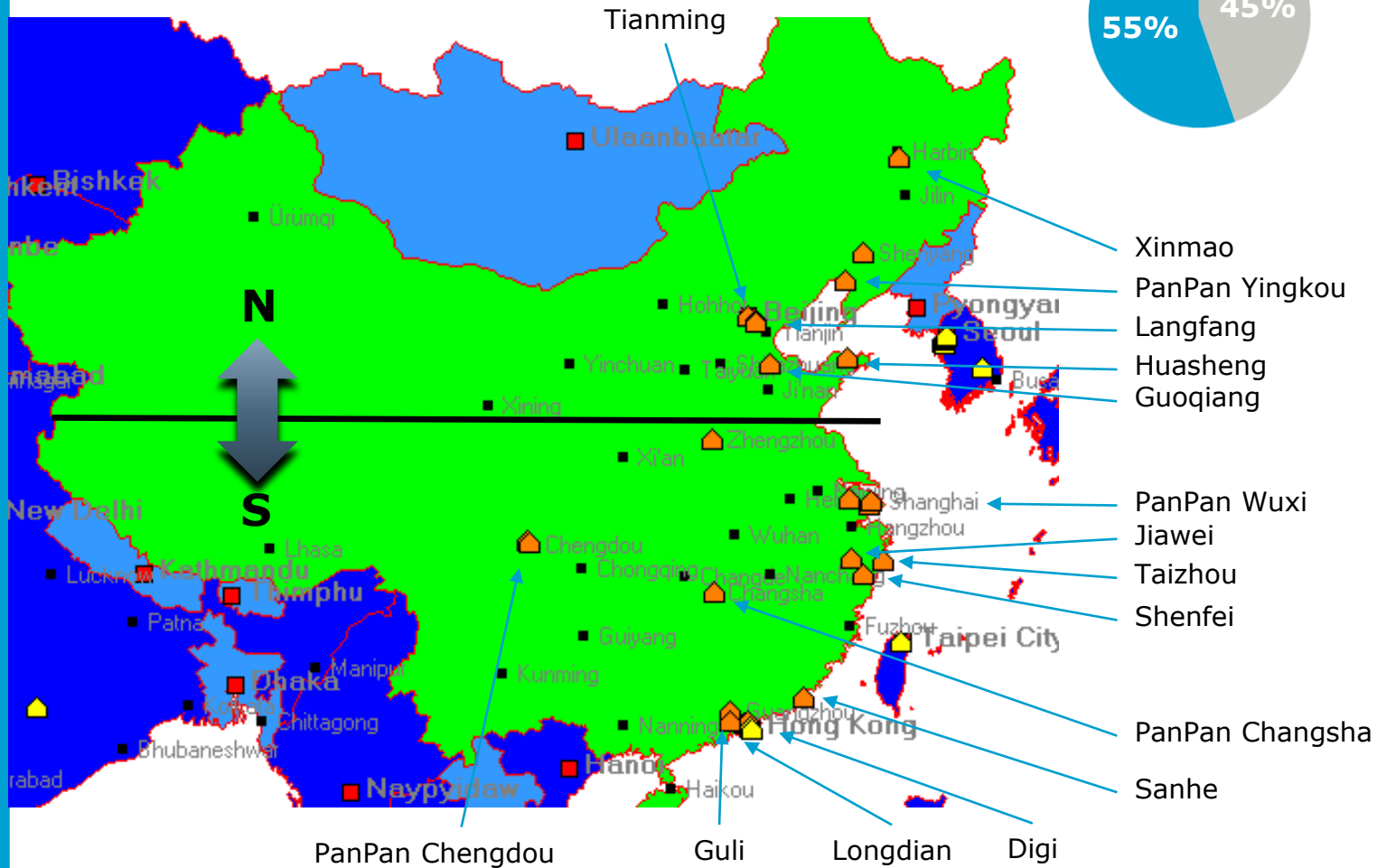
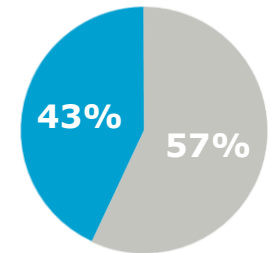
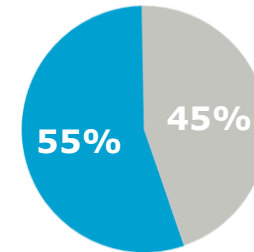
ASSA ABLOY in China

2014

2017

■ North ■ South

■ North ■ South



174 acquisitions since 2006

Added sales 34 BSEK



- Fully active pipeline
- 17 acquisitions done in 2017
- Acquired annualized sales 2,800 MSEK – added sales 4%
- Divestment of AdvanIDe 1,250 MSEK



Product leadership



Product leadership through innovation

Innovation

Our biggest driver for growth

R&D Investments

+200 percent since 2006
2,000 R&D engineers in 2017

Long term competitive advantage

Continuous innovation
>25% of sales from new products

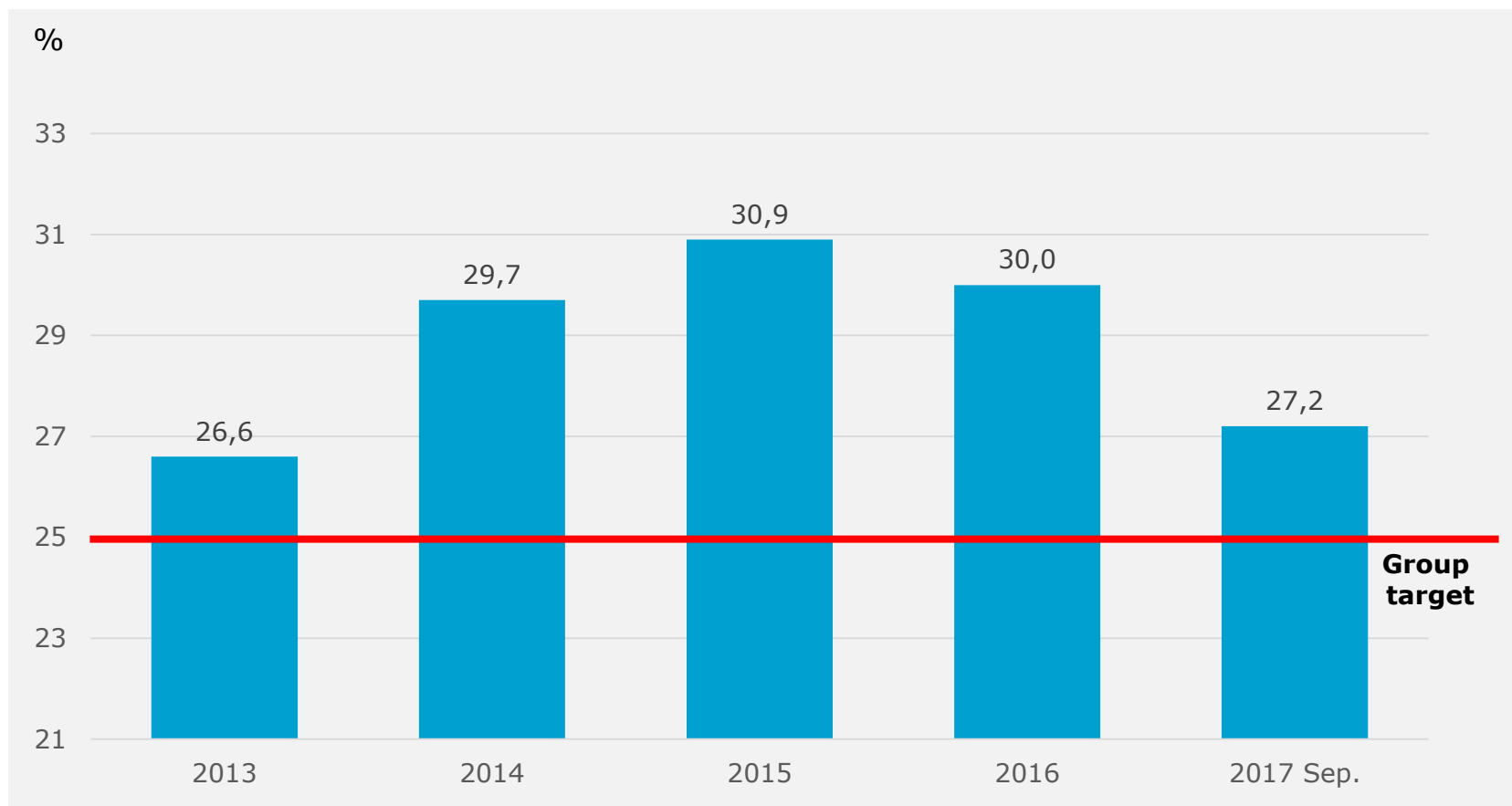
Benefits

Costs

Quality

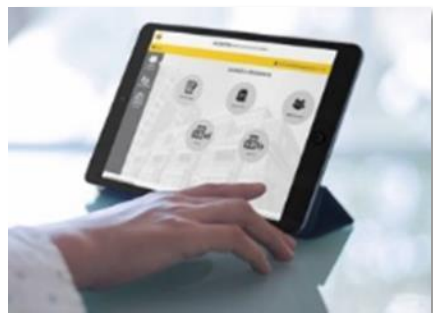


Sales from products launched past 3 years



Shared Technologies & Competence Centers

Global platforms & focused product units



Accentra™

seos



**Residential
SDL**



ABLOY® PULSE

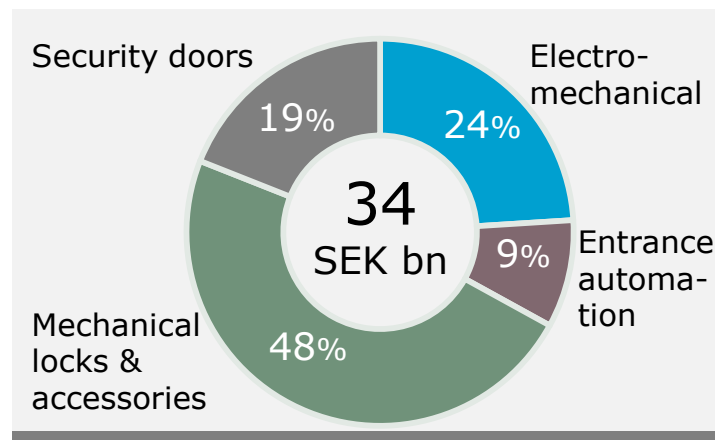


HI-O
HI-O TECHNOLOGY™

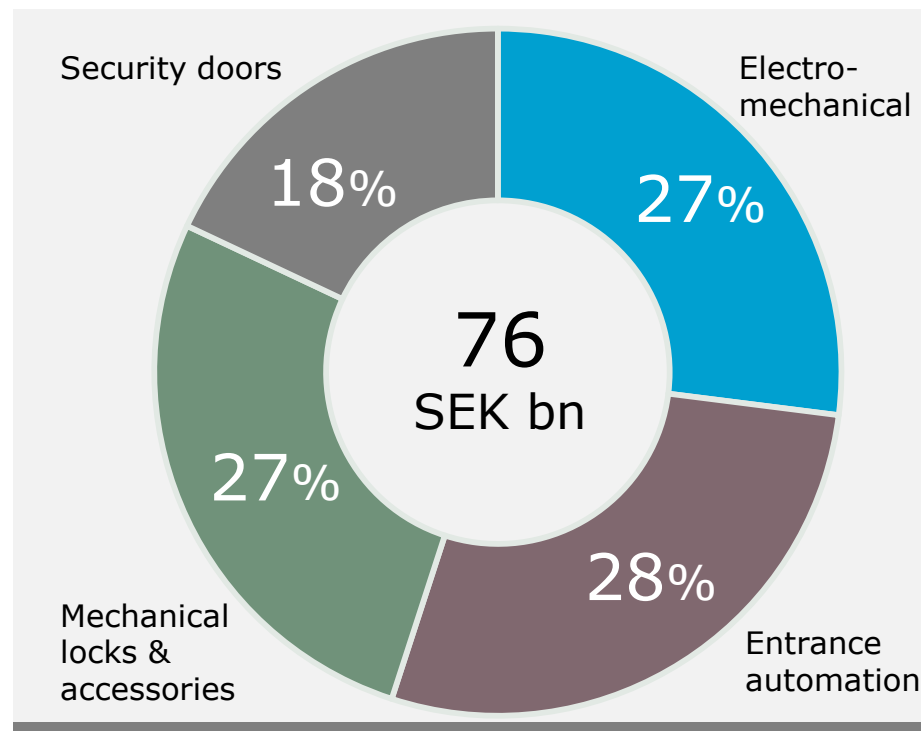


Growing electromechanical market

SEK billion	2007	2017 Sep 12 m	Change
Electro-mechanical	8.1	20.2	+149%
Mechanical	16.1	20.8	+29%



2007

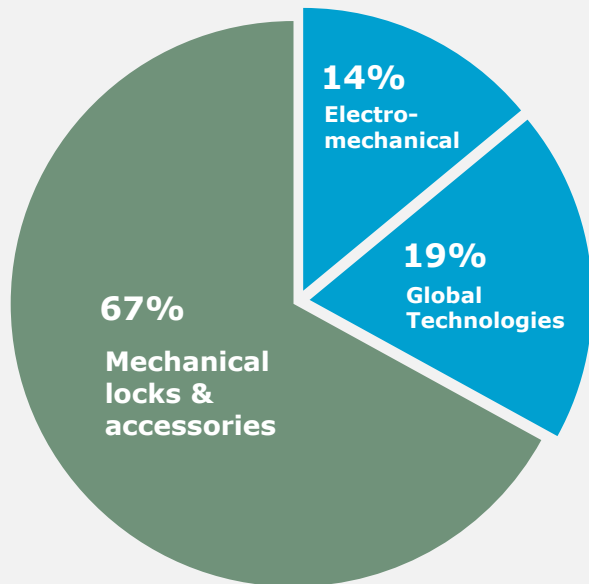


**2017 Sep
12 months**

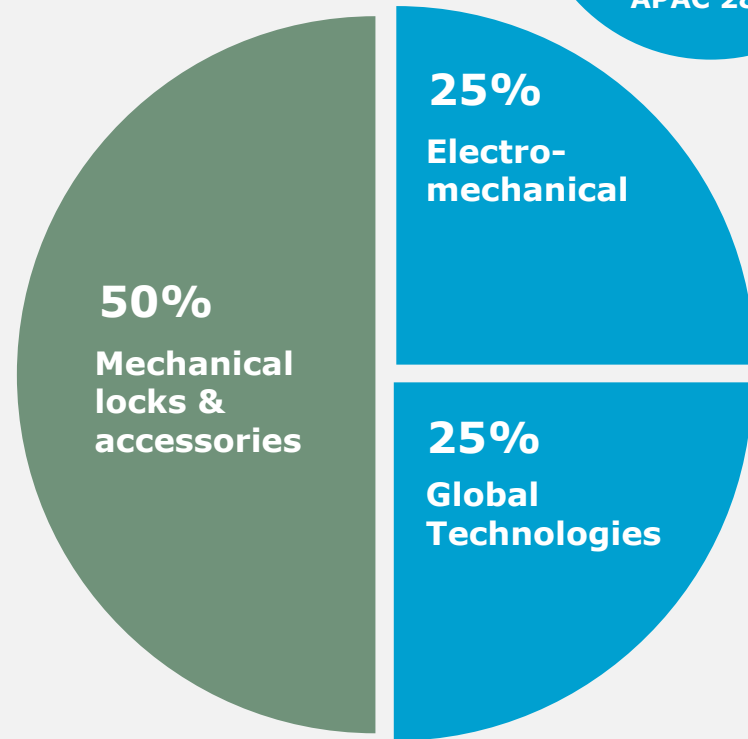
Electromechanics drives growth

Sales excl. Entrance Systems and doors

**SEK 24 Billion
2007**



**SEK 41 Billion
Sept. 2017***

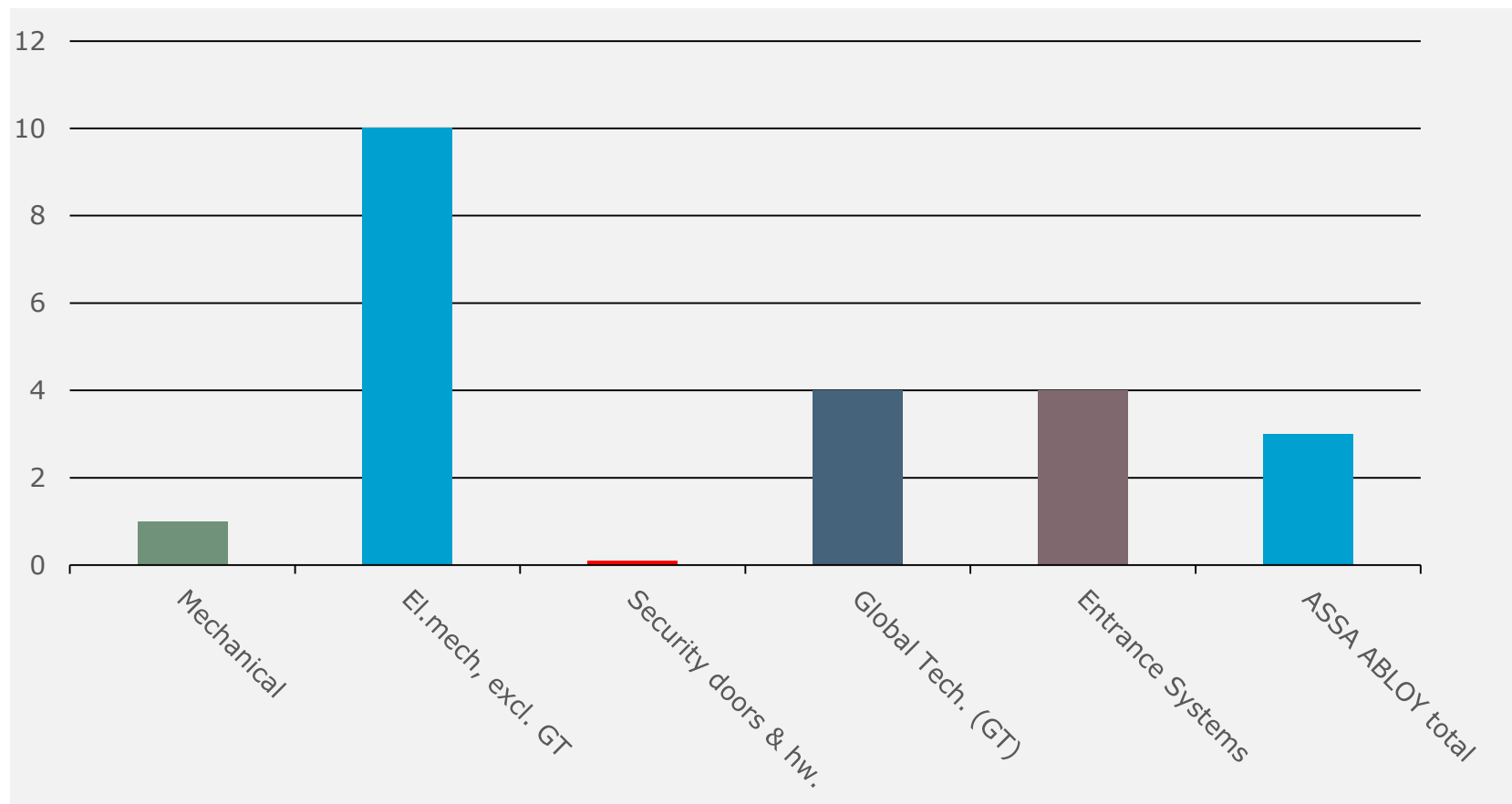


Electro-mechanical share of sales by division, excl. doors 2017*

EMEA 37%
Americas 26%
APAC 28%

*) Sales for 2017 is Rolling 12 Months Oct-Sep

Average annual organic growth 2014 – 2017 YTD^{*)}



^{*)} Organic growth estimated for Mechanical, El.mech, excl. GT and Security doors.

Connected home



Accentra – for multi-family housing, vacation rentals, assisted living, etc.



Home deliveries

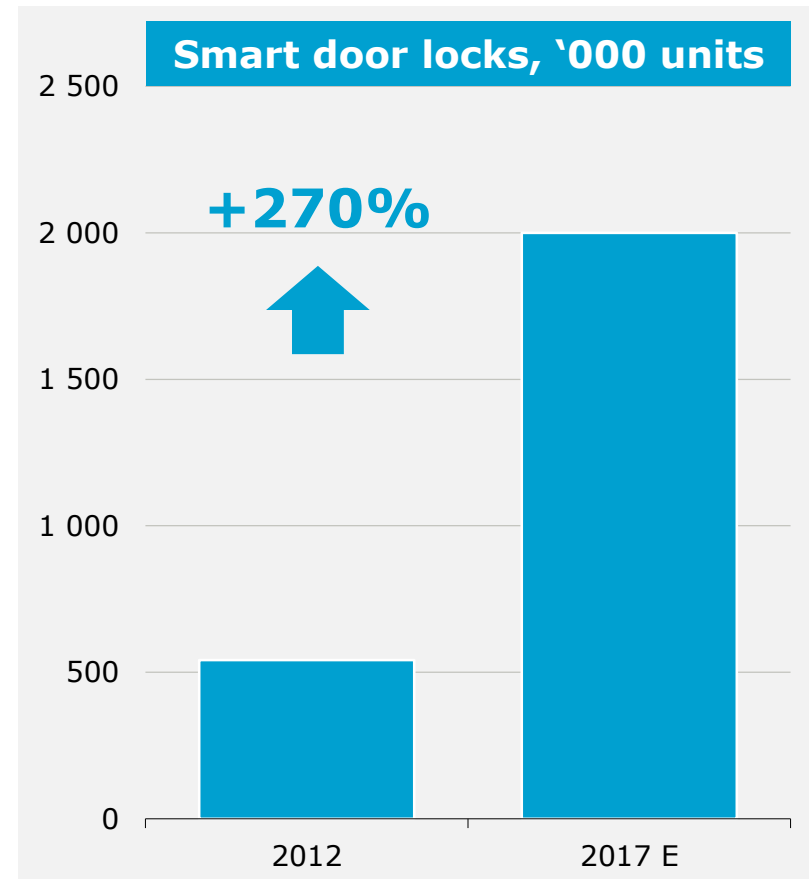


Digital door viewer
Door bells, alarms



Sales development – Smart door locks

- Strong sales growth
- Acquisition of August adds market presence in the US
- Local standards are critical



Future Park Istanbul, Turkey

WON



1,700
units

€0.3m
project value

Solution: Smart home integration of Yale Monoblock Smart Door Lock

**Non-residential moving
fast into digitalization,
connectivity and cloud
Recurring revenue >50%**



Sustainability is a commercial opportunity

Global expansion of 'Eco products'

Energy harvesting cylinder



Regenerative door operator



EcoFlex™



EcoStrike™

Energy efficient door system



Bloomberg European HQ

London, UK

Most sustainable
office building

BREEAM®
★★★★★
Outstanding

€1.5m
project value

Solution: Fire-rated steel doors, door controls, locks and cylinders

Cost efficiency



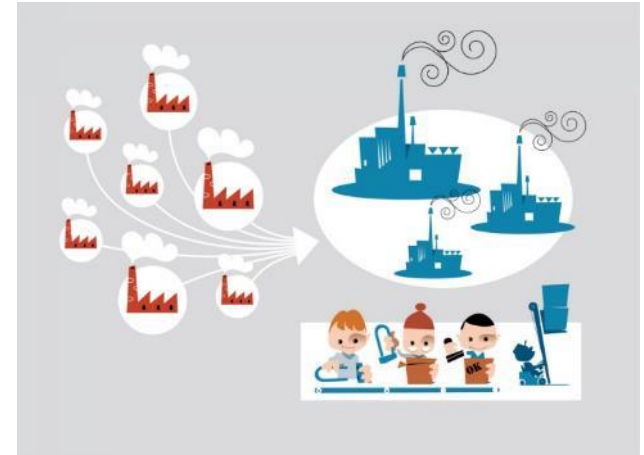
Efforts to radically reduce break-even costs

- Manufacturing footprint program
- Professional sourcing
- Lean operations
- Value Analysis and Value Engineering (VA/VE)
- Robotization
- Seamless Flow

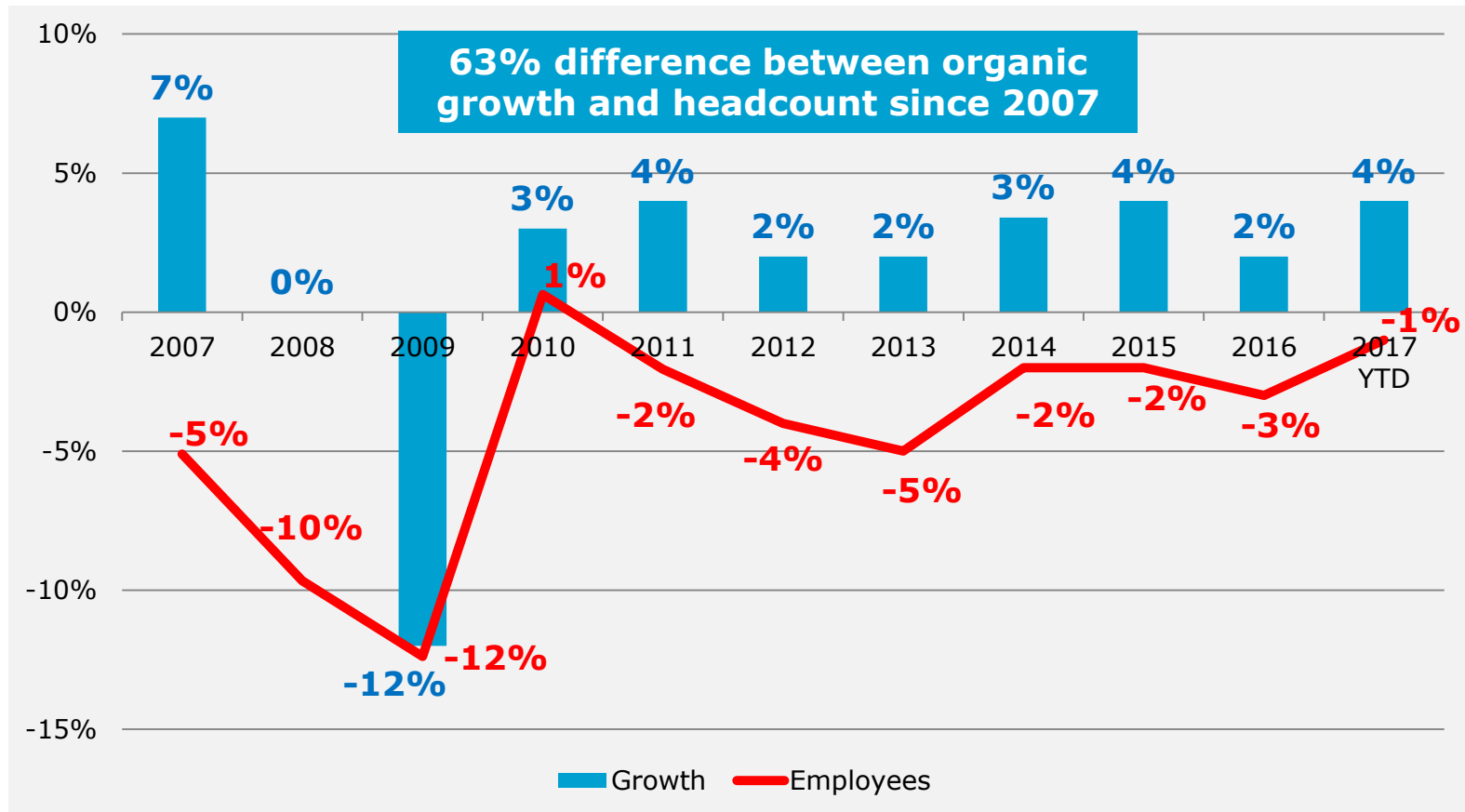


Manufacturing footprint

- **Status of programs launched 2006-2016**
 - 77 factories closed to date, 11 to go
 - 116 factories converted to assembly, 33 to go
- **Total personnel reduction**
 - 12,841 FTE in total since 2006
 - 364 FTE in recent quarter
 - 1,626 FTE to go for all programs
- **SEK 1,212 M provisions remain for all programs**



Efficiency: Organic Growth vs. Headcount

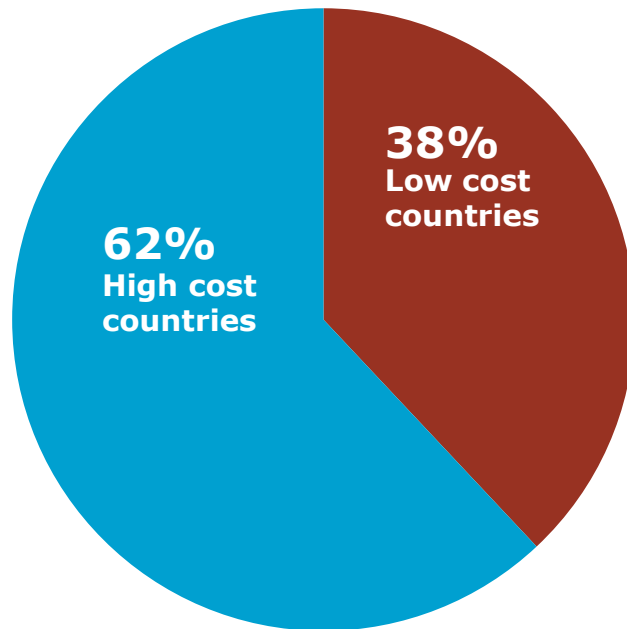


Organic growth each year, i.e. excluding acquisitions younger than 12 months, and the corresponding change in total number of employees for the same units.

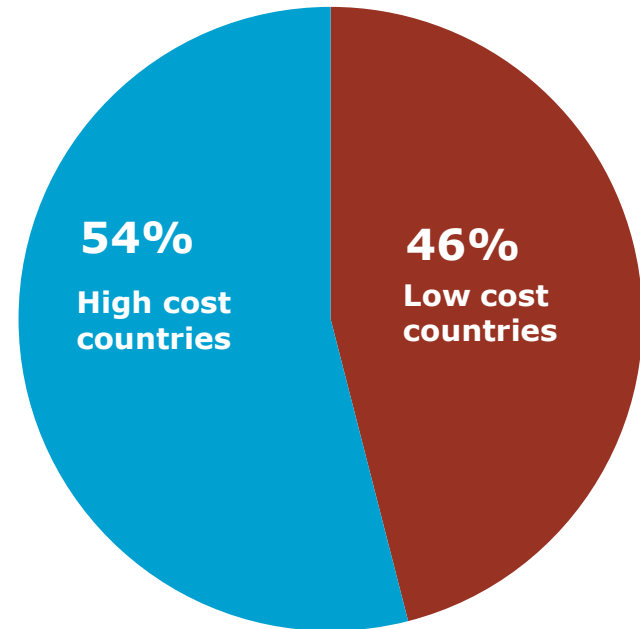
ASSA ABLOY Group

Average employees high-cost vs. low-cost countries

2008



2017

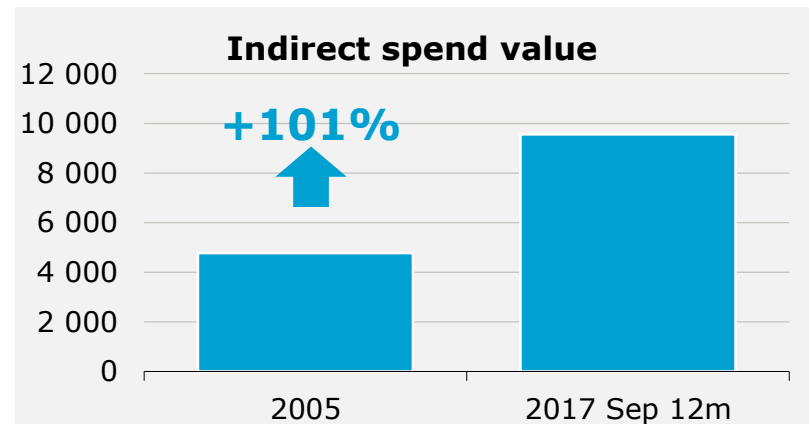
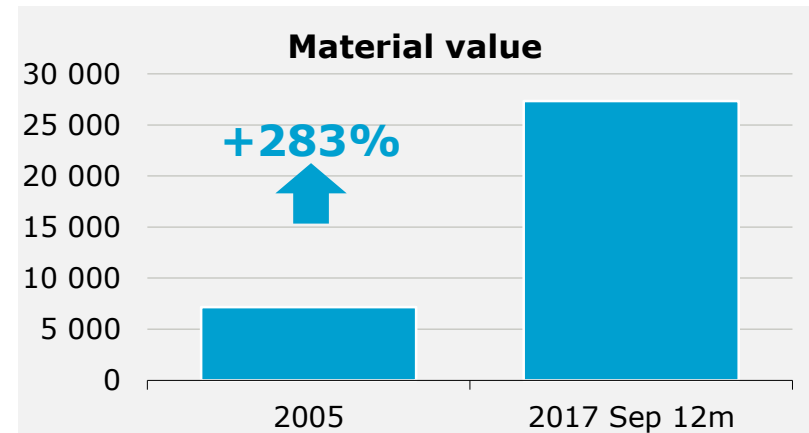


Not restated for acquisitions

Professional sourcing

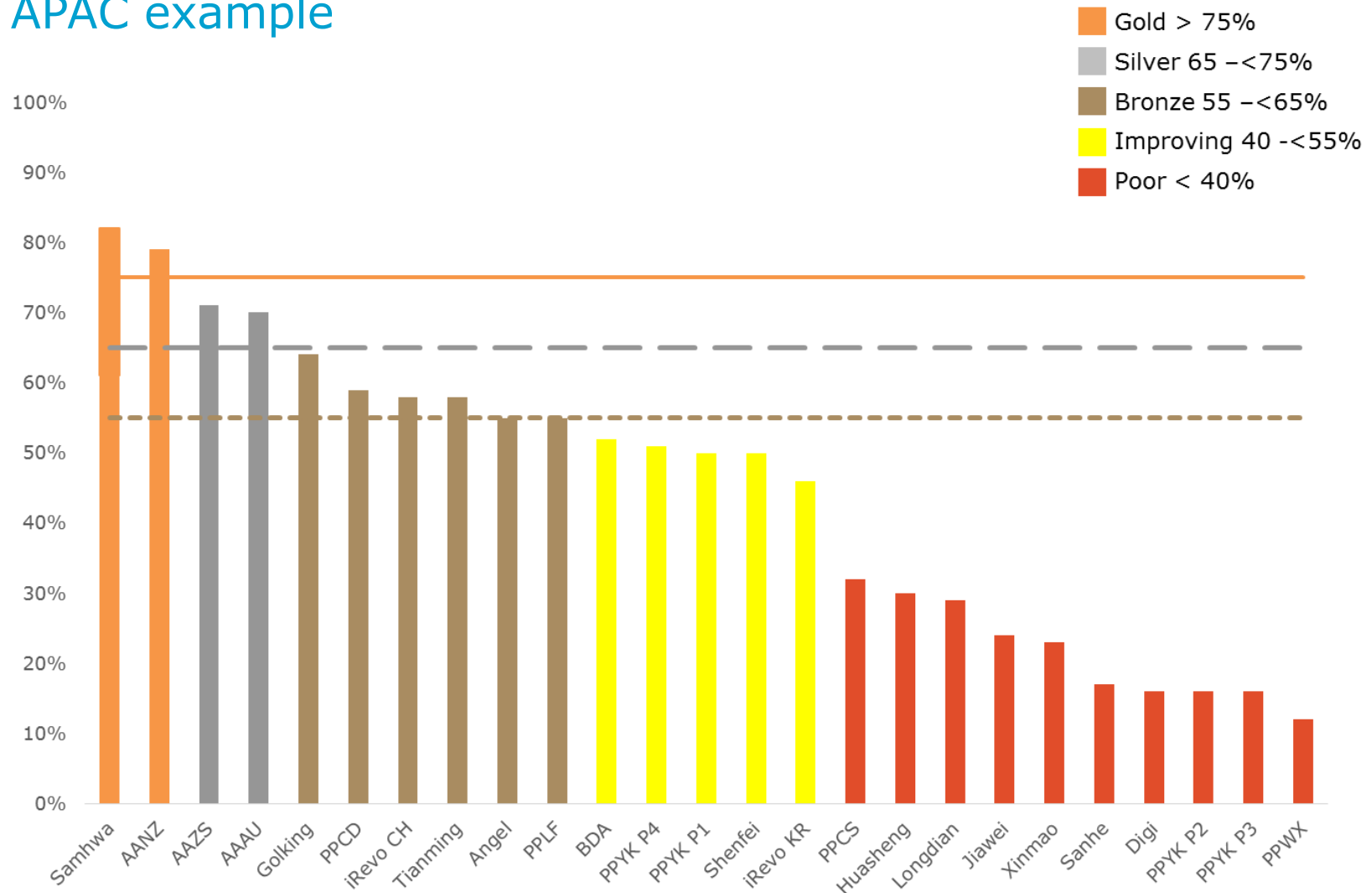
Sourcing is strategic & impact is rapidly increasing

- Professional sourcing
- Integration with R&D process
- Standardization
- Supplier provides sub systems
- Less and stronger suppliers
- Category management
- Supplier agreements
- Should cost process
- Audited suppliers



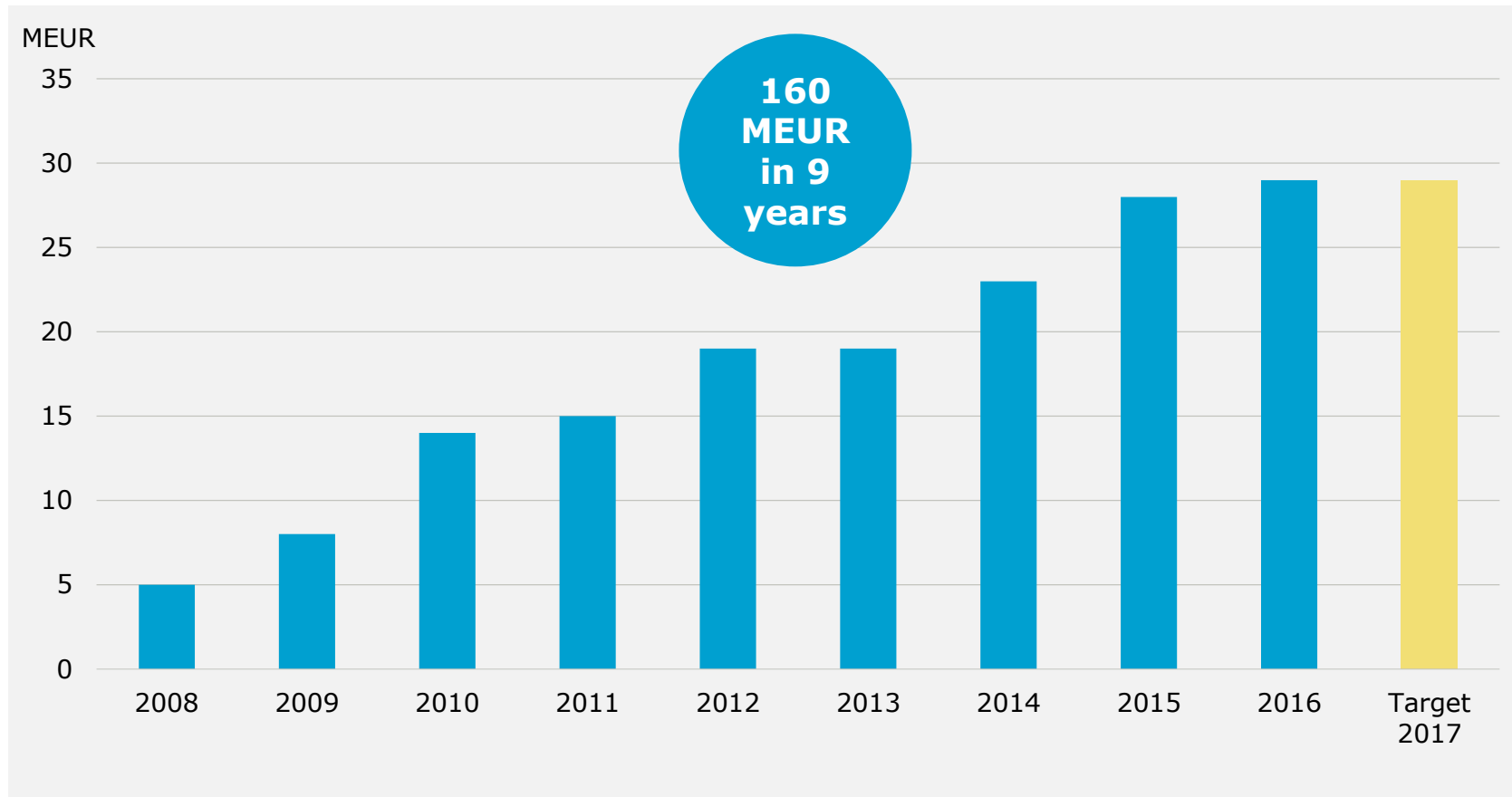
Lean implementation

APAC example

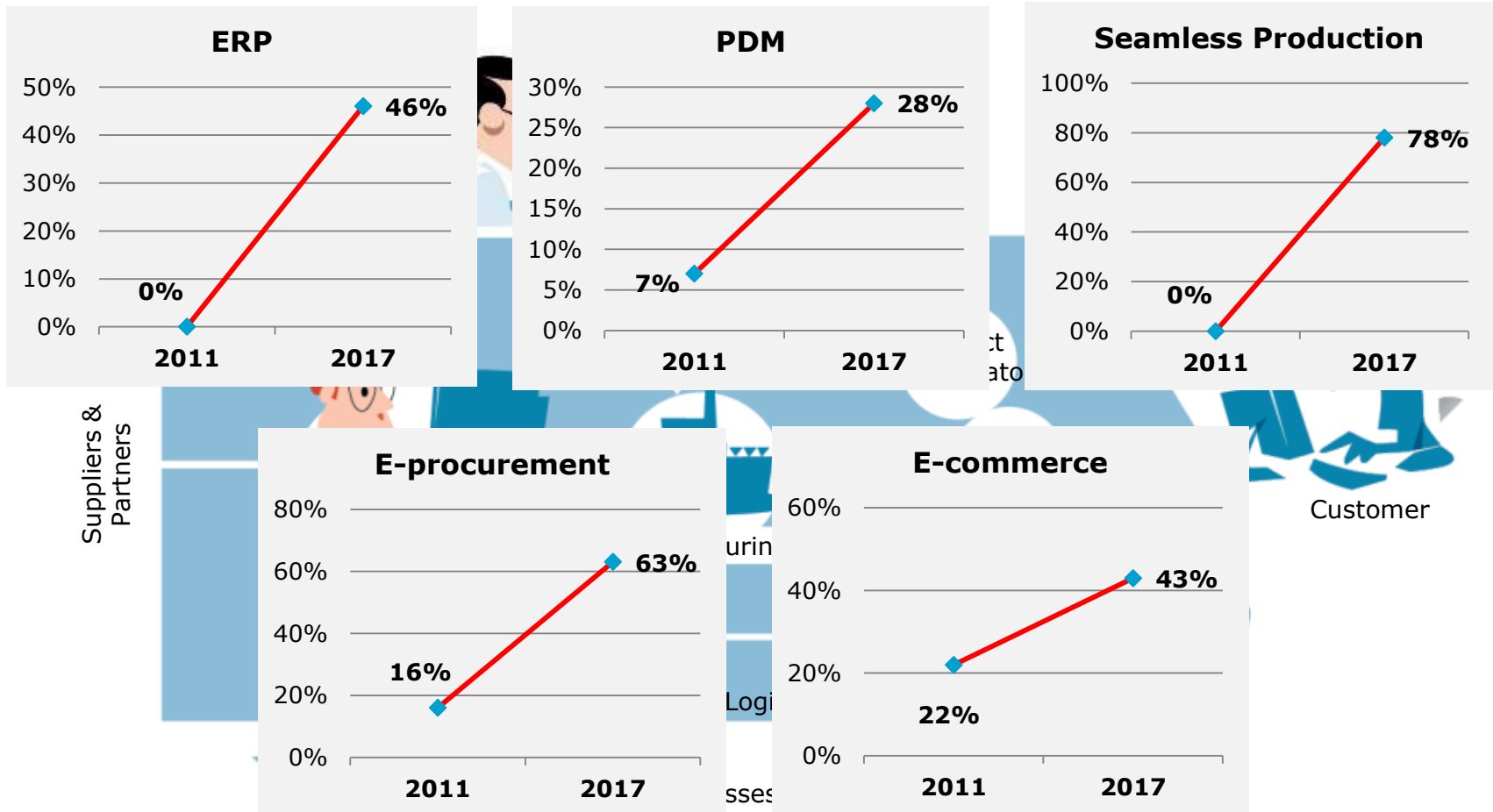


Value Analysis and Value Engineering

Savings from VA/VE



Seamless Flow



Target = 100% automation of processes

Agenda

1. Introduction - ASSA ABLOY 2017
2. Finance – Overview
3. Strategy - Our Road to the Future
- 4. Leading the Future**

A differentiated value proposition

Best gets copied

- Front end, catch maximum value
 - security is not transparent
- Uniqueness through constant innovation and differentiation
- Selective value chain – Focus on core competencies



**Uniqueness through differentiation
gives long term lasting value creation**

Leading the future

Uniqueness through differentiation

▪ **Market presence**

- Brand, segmentation, specification
- Emerging markets
- Acquisitions

▪ **Product leadership through innovation**

- Electro mechanics, connected homes and smart door locks
- IOT, Authentication, virtualization and connectivity
- Recurring revenue, service, software, cloud, IDs
- Sustainable products

▪ **Cost efficiency**

- Manufacturing footprint program
- Professional sourcing, lean operations, VA/VE
- Seamless Flow - automation



Achieve 10% annual growth with profitability between 16-17%

We are a true world leader



Operating in a growing market driven by improved wealth, urbanization and a strong trend towards increased safety and security



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