

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

## Q2 Report 2017

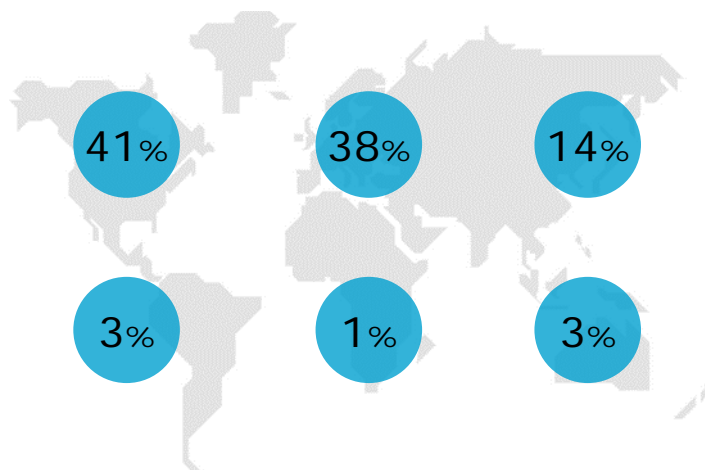
# ASSA ABLOY overview January – June 2017

## Financials (SEK bn)

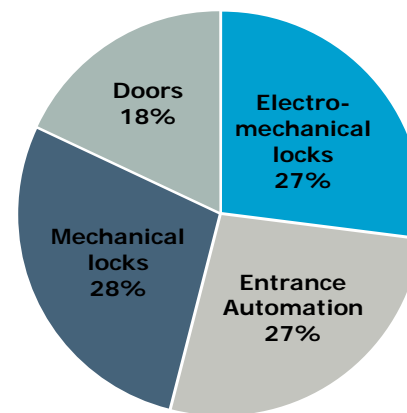
Net sales	37.5
EBIT	5.9
Op cash flow	3.4
Net debt	25.0
Market cap*	198

\* July 20, 2017

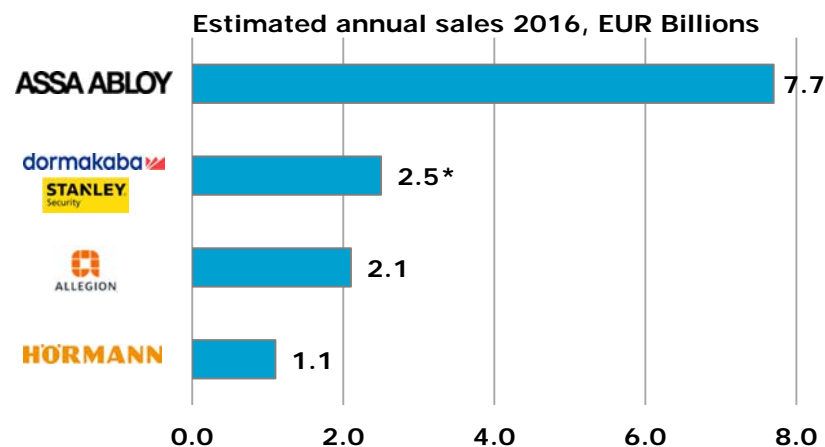
## Sales by region June 2017



## Sales by product group June 2017



## Leading market position



\* Dormakaba, including Stanley Mechanical Security, pro forma

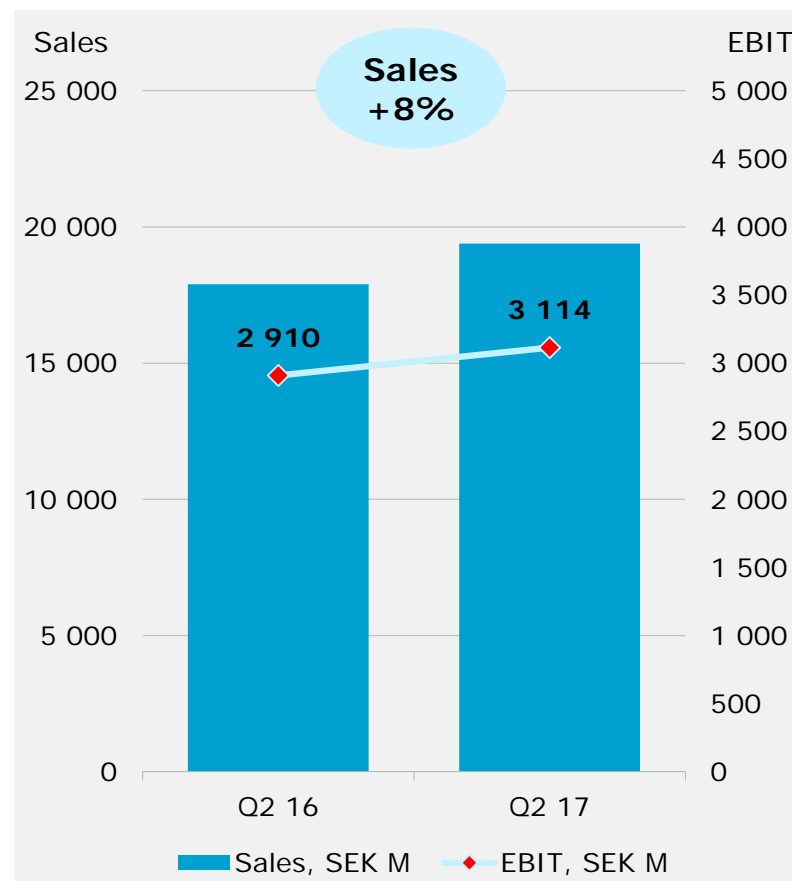
# Q2 2017 in brief

- **Another good quarter**
  - Organic growth in all divisions, but APAC
  - Good development in many mature markets
  - China, Brazil and Middle East negative
  - Continued strong growth in digital door locks and in electro-mechanical solutions
  - Easter effect



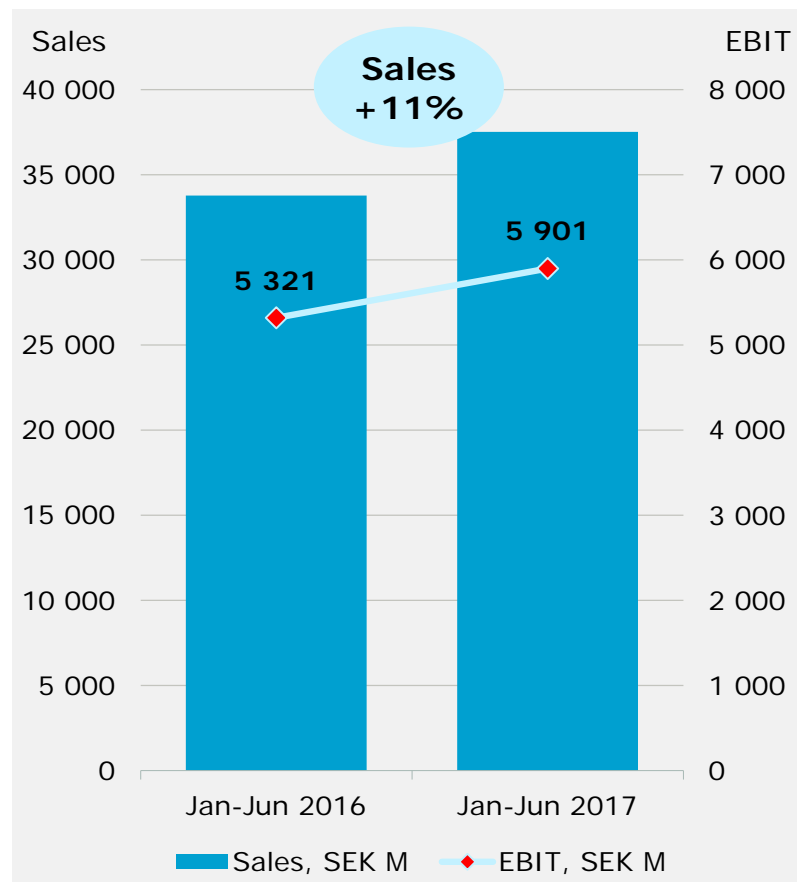
# Q2 2017 figures in summary

- **Sales SEK 19,387 M +8%**
  - 2% organic
  - 2% acquired
  - 4% currency
- **EBIT SEK 3,114 M +7%**
  - Currency effect SEK 104 M
- **Margin 16.1% (16.3)**
- **EPS SEK 1.96 +8%**



# January – June 2017 figures in summary

- **Sales SEK 37,529 M +11%**
  - 4% organic
  - 3% acquired
  - 4% currency
- **EBIT SEK 5,901 M +11%**
  - Currency effect SEK 237 M
- **Margin 15.7% (15.7)**
- **EPS SEK 3.69 +12%**



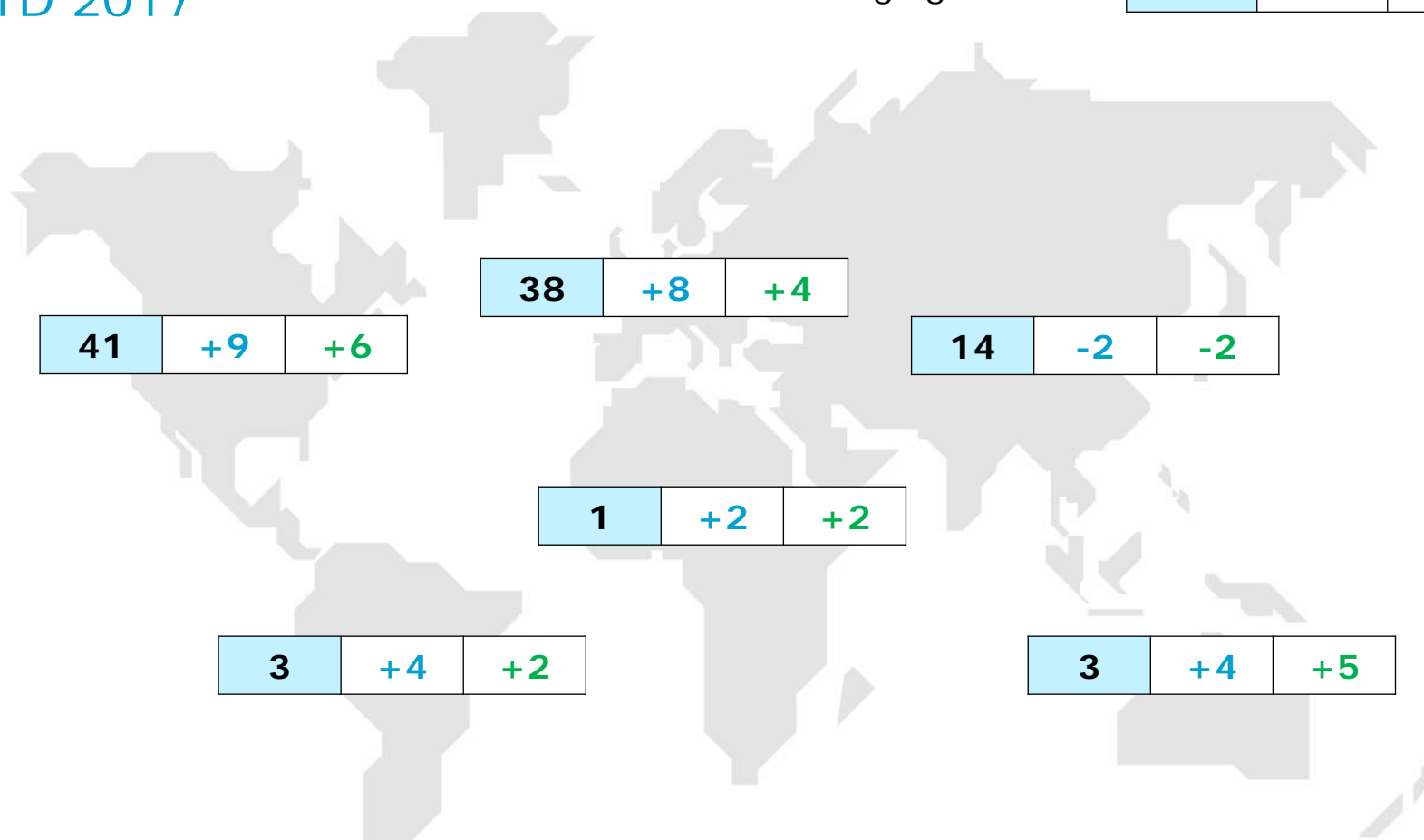
# Sales in local currency

## YTD 2017

**ASSA ABLOY**

Emerging markets

100	+7	+4
23	+3	+1

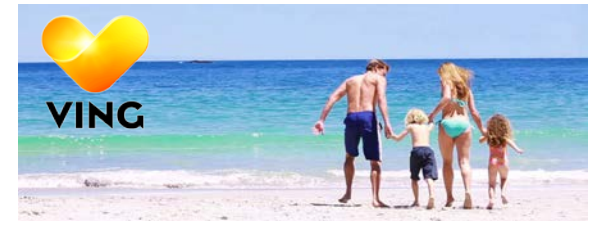


Share of sales, %	Change in local currencies YTD 2017 vs. YTD 2016, %	Organic change YTD 2017 vs. YTD 2016, %
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Emerging markets comprise Africa, Asia (excl. Japan), the Middle East, Latin America and Eastern Europe.

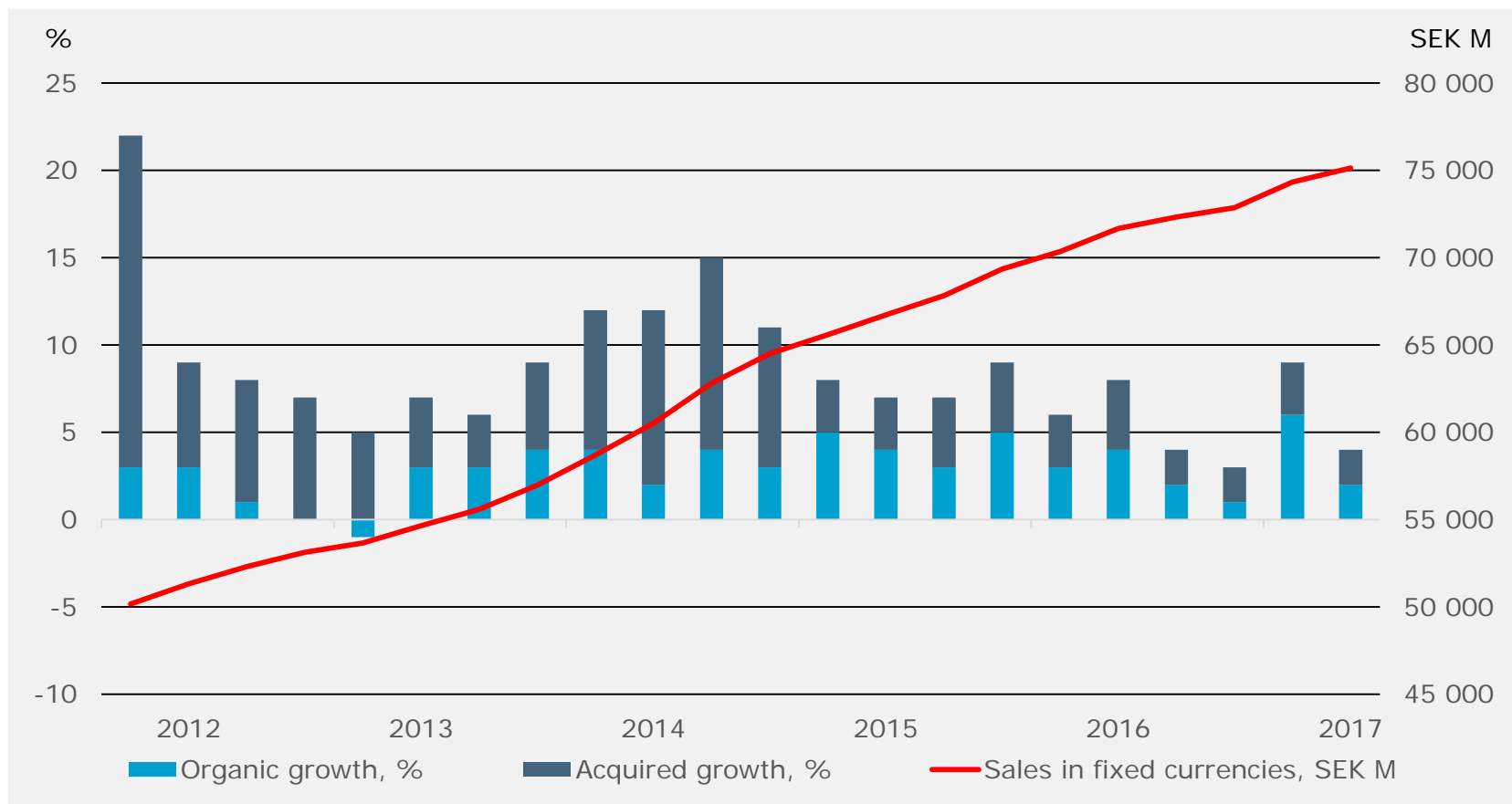
# Market highlights

- **Continued roll out of smart door locks and mobile keys**
  - Strong interest in mobile keys
  - First orders for direct in home deliveries and several pilots with Yale Doorman mobile keys solutions
- **Strong pipeline of new innovation launches**
  - Aperio® door handle H100
  - Americas Glass Solutions – delivering on decorations trends
  - Fast, safe and energy efficient overhead sectional door OH1042S introduced



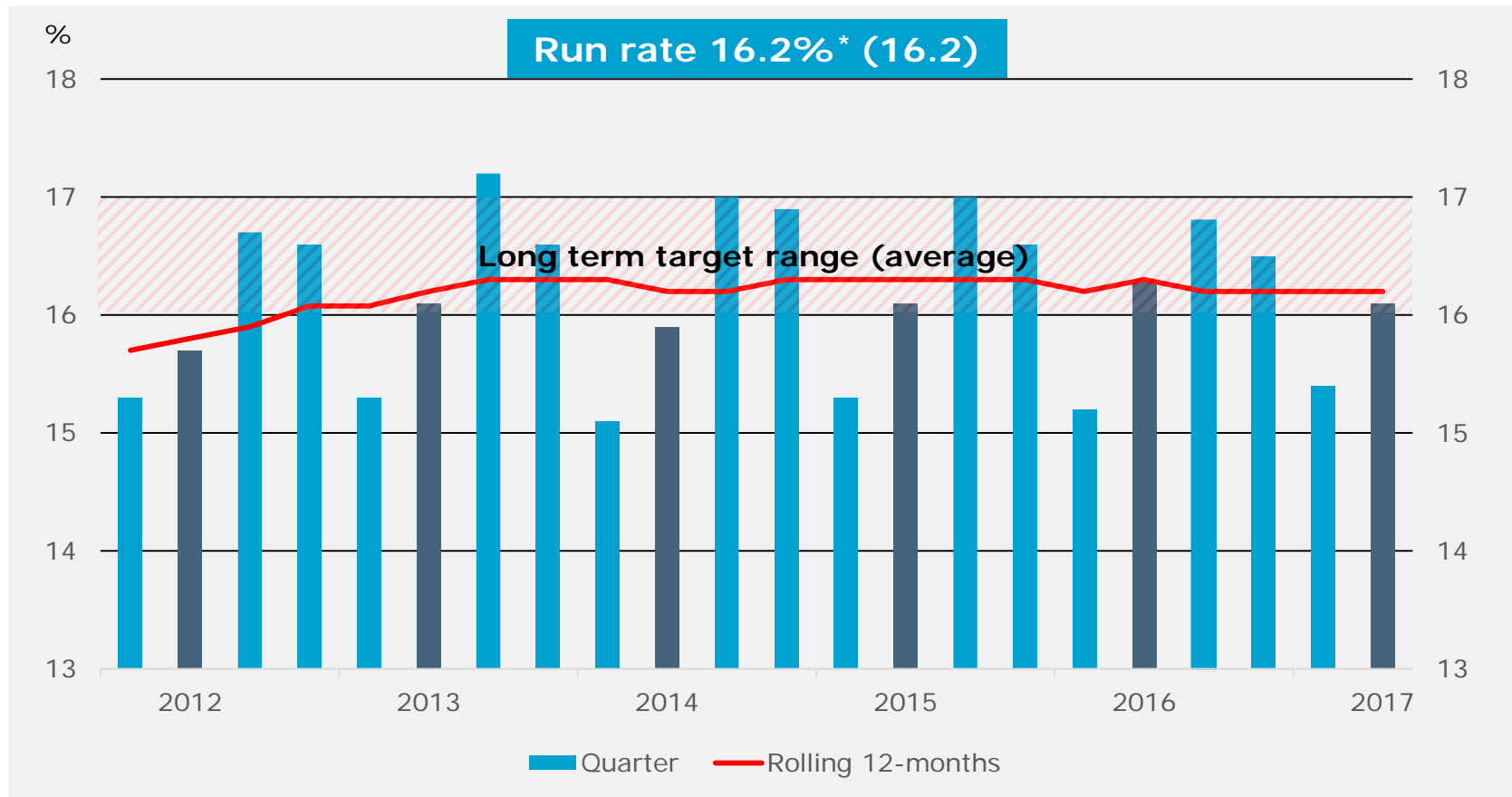
# Sales growth, currency adjusted

2017	QTD
Organic	+2%
Acquired	+2%
	+4%



# Operating margin, %

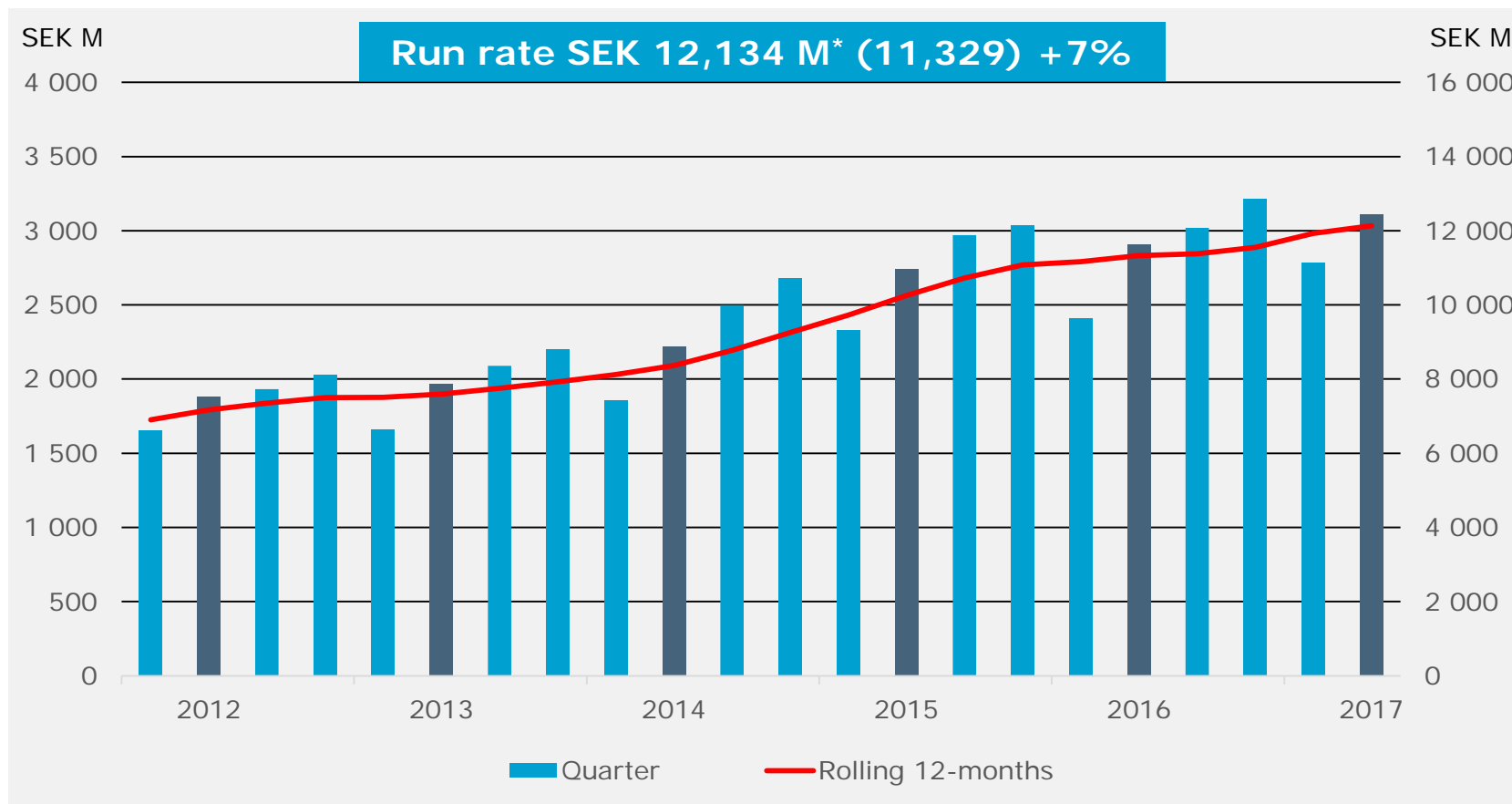
	Dilution from		
2017 Q2	acquisitions	currency	APAC
	-0.1%	-0.1%	-0.3%



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

# Operating profit, SEK M

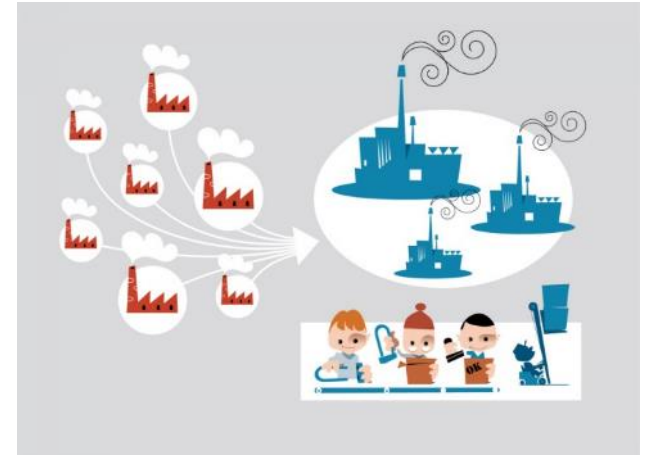
+69%  
in  
5 years



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

# Manufacturing footprint

- **Status of programs launched 2006-2016**
  - 77 factories closed to date, 11 to go
  - 113 factories converted to assembly, 36 to go
- **Total personnel reduction**
  - 12,477 FTE in total since 2006
  - 158 FTE in recent quarter
  - 1,794 FTE to go for all programs
- **SEK 1,342 M provisions remain for all programs**



# Acquisitions

- Fully active pipeline
- 12 acquisitions done in 2017
- Acquired annualized sales 1,600 MSEK
- Added sales 2.2%



# Arjo, France

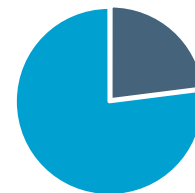


- Turnover of SEK 550 M with 100 employees
- Technology leading provider of physical and digital identity solutions for government ID
- Significantly enhances our Government ID business
- Accretive to EPS



# Division – EMEA

23%  
of Group  
sales

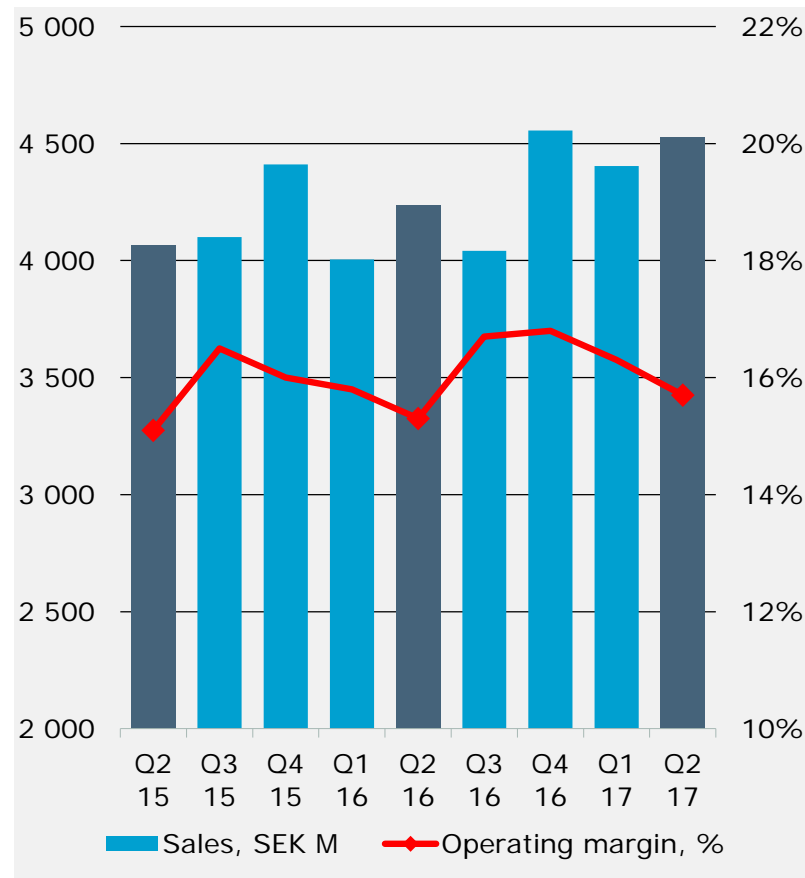


## ■ Organic growth of 2%

- Strong growth in the UK and in Eastern Europe
- Good growth in South Europe and Israel
- Stable in Scandinavia, Finland, Germany, France, and Benelux
- Negative in the Middle East
- Electromechanical products lead the growth

## ■ Operating margin 15.7% (15.3)

- Organic growth leverage +0.6%
  - + Footprint savings and efficiency
  - Material cost
  - Middle East
- Acquisitions 0% and currency -0.2%



Excluding restructuring items.

# EMEA Financial Review

SEK M	Q2 2016	Organic	Currency	Acq/Div	Q2 2017
Growth		2%	3%	2%	7%
Sales	4,234	77	115	103	4,529
Operating income (EBIT)	649	40	7	17	713
Operating margin, %	15.3%	52.2%	5.9%	16.5%	15.7%
Dilution/accretion		0.6%	-0.2%	0.0%	

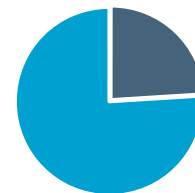
12 months figures\*

Sales	16,750				17,532
EBIT	2,663				2,871
Operating cash flow before paid interest	2,818				2,657
Cash flow/EBIT	106%				93%

\* Excluding restructuring items.

# Americas

24%  
of Group  
sales

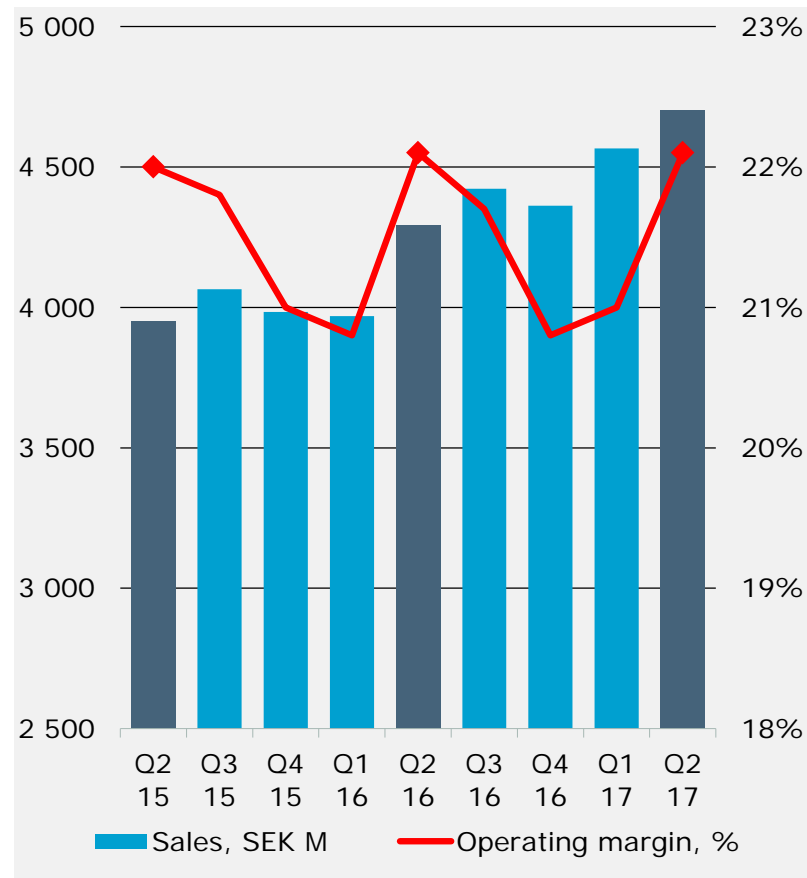


## ■ Organic growth of 3%

- Strong growth in Security doors, Perimeter protection, High security, Mexico and Lat Am (ex Brazil)
- Good sales in Canada
- Stable sales in Architectural Hardware and Residential
- Negative in Brazil

## ■ Operating margin 22.1% (22.1)

- Organic growth leverage +0.2%
  - + Good leverage
  - Material cost - doors
  - Brazil
- Acquisitions 0% and currency -0.2%



Excluding restructuring items.

# Americas Financial Review

SEK M	Q2 2016	Organic	Currency	Acq/Div	Q2 2017
Growth		3%	6%	1%	10%
Sales	4,291	134	222	57	4,704
Operating profit	949	37	43	12	1,041
Operating margin, %	22.1%	27.3%	19.5%	21.8%	22.1%
Dilution/accretion		0.2%	-0.2%	0.0%	

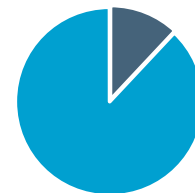
12 months figures\*

Sales	16,308			18,055
EBIT	3,495			3,869
Operating cash flow before paid interest	3,503			3,409
Cash flow/EBIT	100%			88%

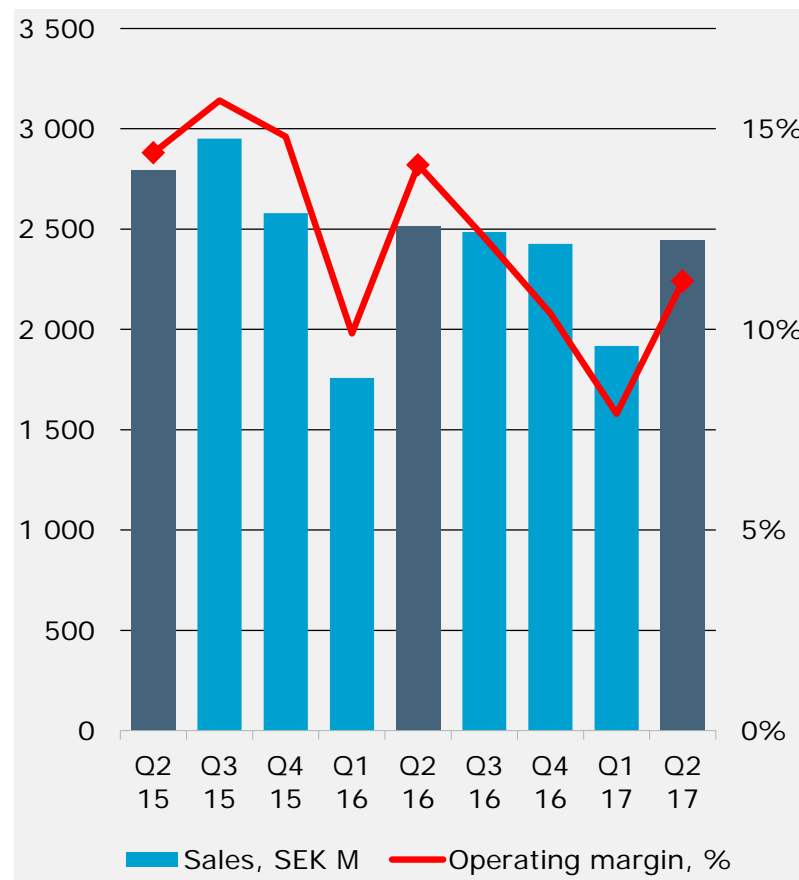
\* Excluding restructuring items.

# Asia Pacific

12%  
of Group  
sales



- **Organic growth of -6%**
  - Strong growth in Japan and South Asia
  - Good growth in South Korea and Pacific
  - Negative in China
    - Personnel adjustment in China YoY -11%
  - Strong growth in Digital Door Locks
  
- **Operating margin 11.2% (14.1)**
  - Organic growth leverage -3.1%
    - Negative volume
    - Material cost
    - Redundancy cost
    - + Savings
  
  - Currency +0.2%



Excluding write down in China in Q4 2016 and restructuring items.

# Asia Pacific Financial Review

SEK M	Q2 2016	Organic	Currency	Acq/Div	Q2 2017
Growth		-6%	3%	0%	-3%
Sales	2,518	-147	86	-12	2,445
Operating profit	355	-98	19	-2	274
Operating margin, %	14.1%	-66.6%	22.3%	12.7%	11.2%
Dilution/accretion		-3.1%	0.2%	0.0%	

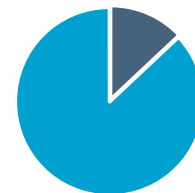
12 months figures\*

Sales	9,807				9,275
EBIT	1,372				984
Operating cash flow before paid interest	1,328				1,384
Cash flow/EBIT	97%				141%

\* Excluding write down in China in Q4 2016 and restructuring items.

# Global Technologies

13%  
of Group  
sales

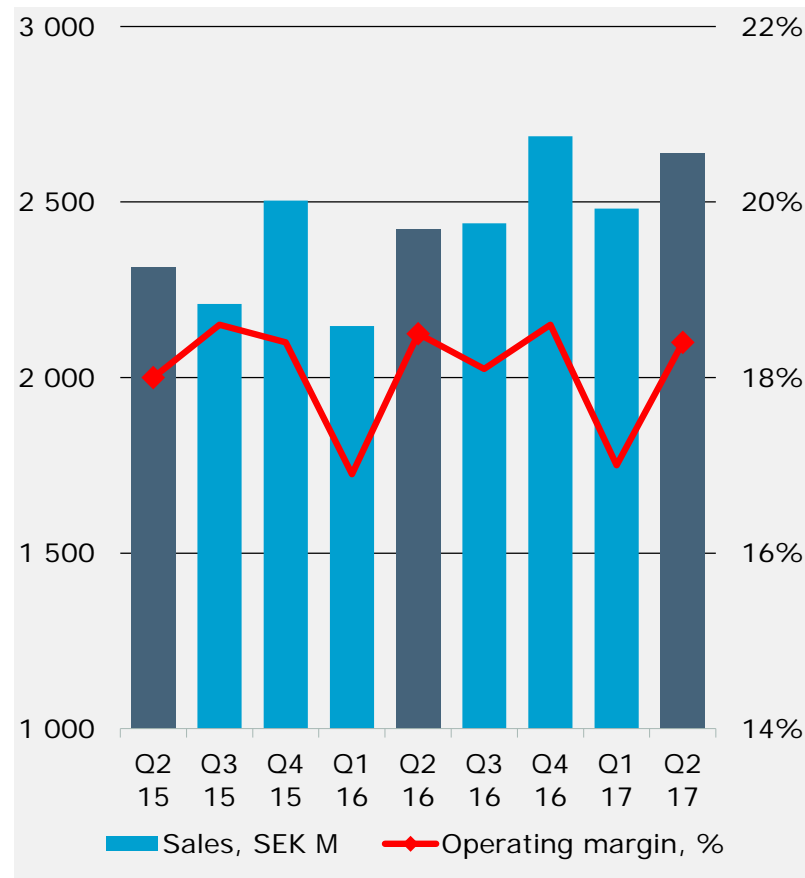


## ■ Organic growth of 3%

- HID
  - Strong growth in Access Control, Identification Technology, and the Project business
  - Negative in Secure Issuance, Identity & Access management and GovID
- Hospitality
  - Strong growth
  - Mobile keys increasingly popular

## ■ Operating margin 18.4% (18.5)

- Organic growth leverage +0.3%
- Acquisitions -0.2% and currency -0.2%



Excluding restructuring items.

# Global Technologies Financial Review

SEK M	Q2 2016	Organic	Currency	Acq/Div	Q2 2017
Growth		3%	4%	2%	9%
Sales	2,424	75	99	42	2,640
Operating profit	447	21	15	3	486
Operating margin, %	18.5%	28.1%	14.8%	6.0%	18.4%
Dilution/accretion		0.3%	-0.2%	-0.2%	

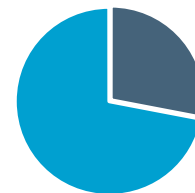
12 months figures\*

Sales	9,284				10,248
EBIT	1,680				1,850
Operating cash flow before paid interest	1,702				1,863
Cash flow/EBIT	101%				101%

\* Excluding restructuring items.

# Entrance Systems

28%  
of Group  
sales

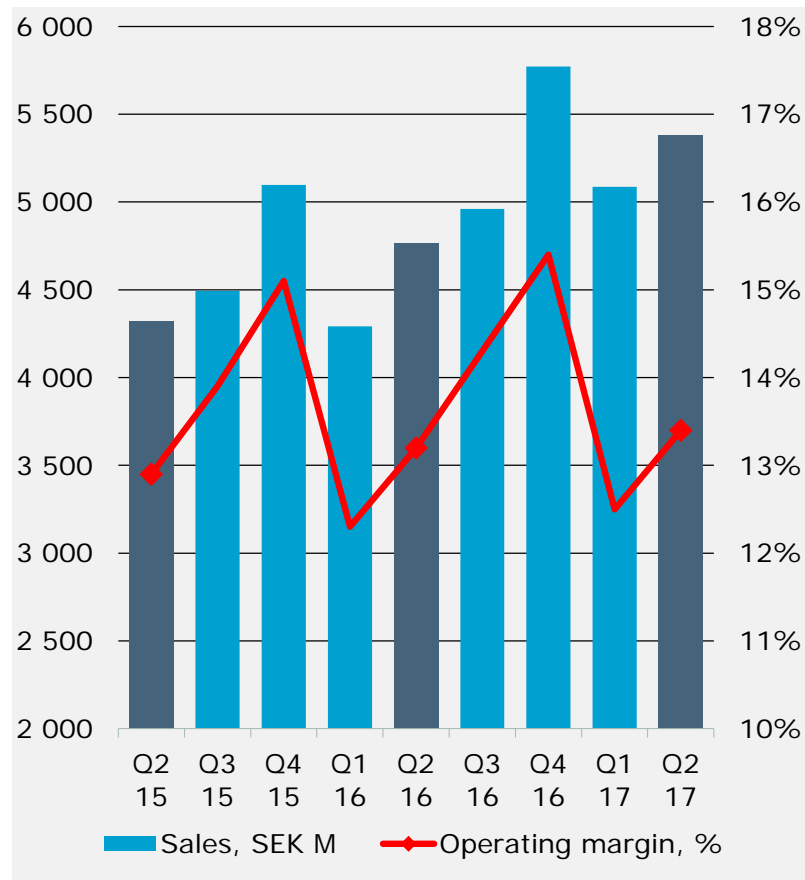


## ■ Organic growth of 3%

- Strong growth in Door components, US industrial and US Residential
- Good growth in Door automatics, High speed doors and Gate automation
- Stable sales of EU Industrial doors

## ■ Operating margin 13.4% (13.2)

- Organic growth leverage +0.5%
  - + Good leverage from growth and consolidation
  - Direct material
- Acquisitions -0.3% and currency 0%



Excluding restructuring items.

# Entrance Systems Financial Review

SEK M	Q2 2016	Organic	Currency	Acq/Div	Q2 2017
Growth		3%	5%	5%	13%
Sales	4,767	171	184	259	5,381
Operating profit	628	51	20	22	720
Operating margin, %	13.2%	29.7%	10.6%	8.4%	13.4%
Dilution/accretion		0.5%	0.0%	-0.3%	

12 months figures\*

Sales	18,648			21,199
EBIT	2,551			2,955
Operating cash flow before paid interest	2,605			2,977
Cash flow/EBIT	102%			101%

\* Excluding restructuring items.

# Financial highlights

SEK M	April - June			January - June		
	2016	2017	Change	2016	2017	Change
<b>Sales</b>	<b>17,894</b>	<b>19,387</b>	<b>8%</b>	<b>33,785</b>	<b>37,529</b>	<b>11%</b>
- Organic growth*	602	344	2%	1,002	1,356	4%
- Acquired growth	593	451	2%	1,083	900	3%
- FX-differences*	-383	698	4%	-633	1,478	4%
<b>Operating income (EBIT)</b>	<b>2,910</b>	<b>3,114</b>	<b>7%</b>	<b>5,321</b>	<b>5,901</b>	<b>11%</b>
EBIT-margin	16.3%	16.1%		15.7%	15.7%	
Income before tax	2,729	2,944	8%	4,938	5,537	12%
Net income	2,026	2,179	8%	3,664	4,097	12%
<b>EPS, SEK</b>	<b>1.82</b>	<b>1.96</b>	<b>8%</b>	<b>3.30</b>	<b>3.69</b>	<b>12%</b>
<b>Operating cash flow</b>	<b>2,519</b>	<b>2,575</b>	<b>2%</b>	<b>3,017</b>	<b>3,399</b>	<b>13%</b>

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

# Bridge Analysis – Q2 2017

SEK M	Q2 2016	Organic	Currency	Acq/Div	Q2 2017
		2%	4%	2%	8%
Sales	17,894	344	698	451	19,387
Operating profit	2,910	48	104	53	3,114
Operating margin, %	16.3%	13.8%	14.9%	11.7%	16.1%
Dilution/accretion		0.0%	-0.1%	-0.1%	

- Good leverage, except APAC
  - APAC dilution 0.3%
- Small negative currency effect
- Dilution from acquisitions in Entrance Systems and Global Technologies

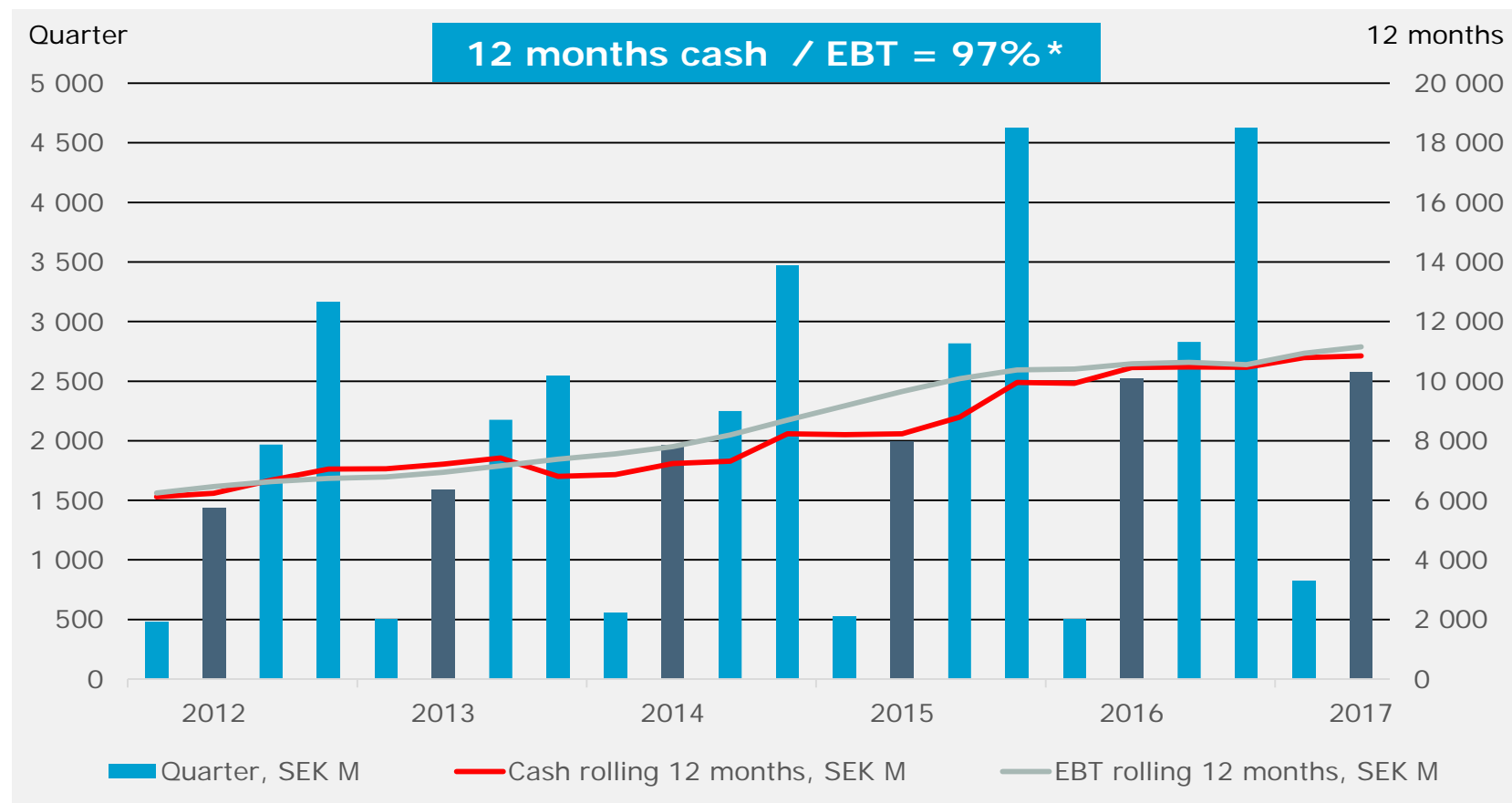
# P&L components as % of sales

## January - June 2017

%	YTD 2016	YTD 2017 excl. acquisitions	Δ	YTD 2017
Direct material	-35.3%	-35.8%	-0.5%	-35.9%
Conversion costs	-25.3%	-24.6%	+0.7%	-24.7%
Gross margin	39.4%	39.6%	+0.2%	39.4%
S, G & A	-23.7%	-23.7%	+0.0%	-23.7%
EBIT	15.7%	15.9%	+0.2%	15.7%

- Higher material cost
- Lower conversion costs
- Organic growth leverage
  - Flat S, G & A vs. previous year, despite investments in R&D and sales

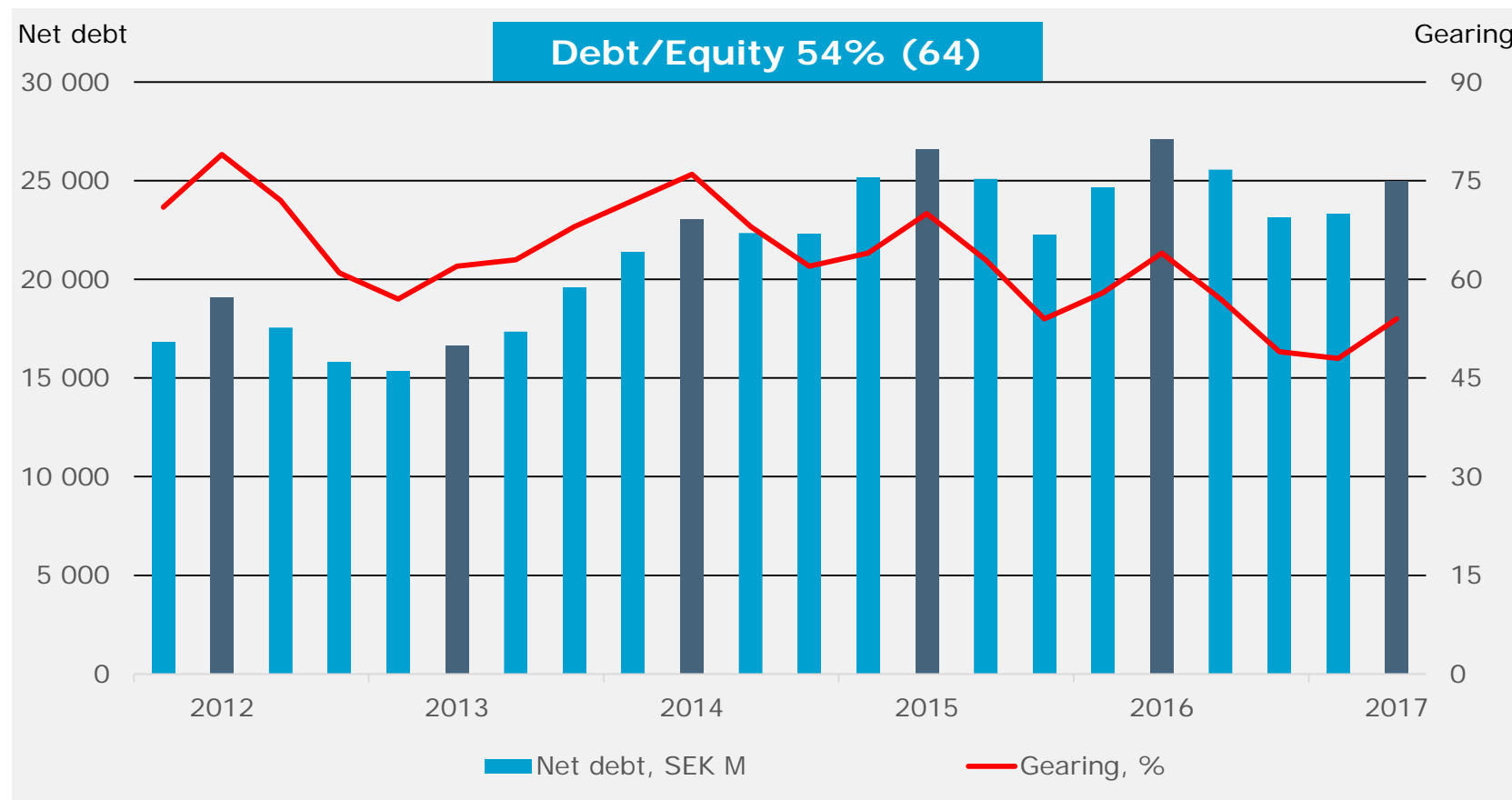
# Operating cash flow, SEK M



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

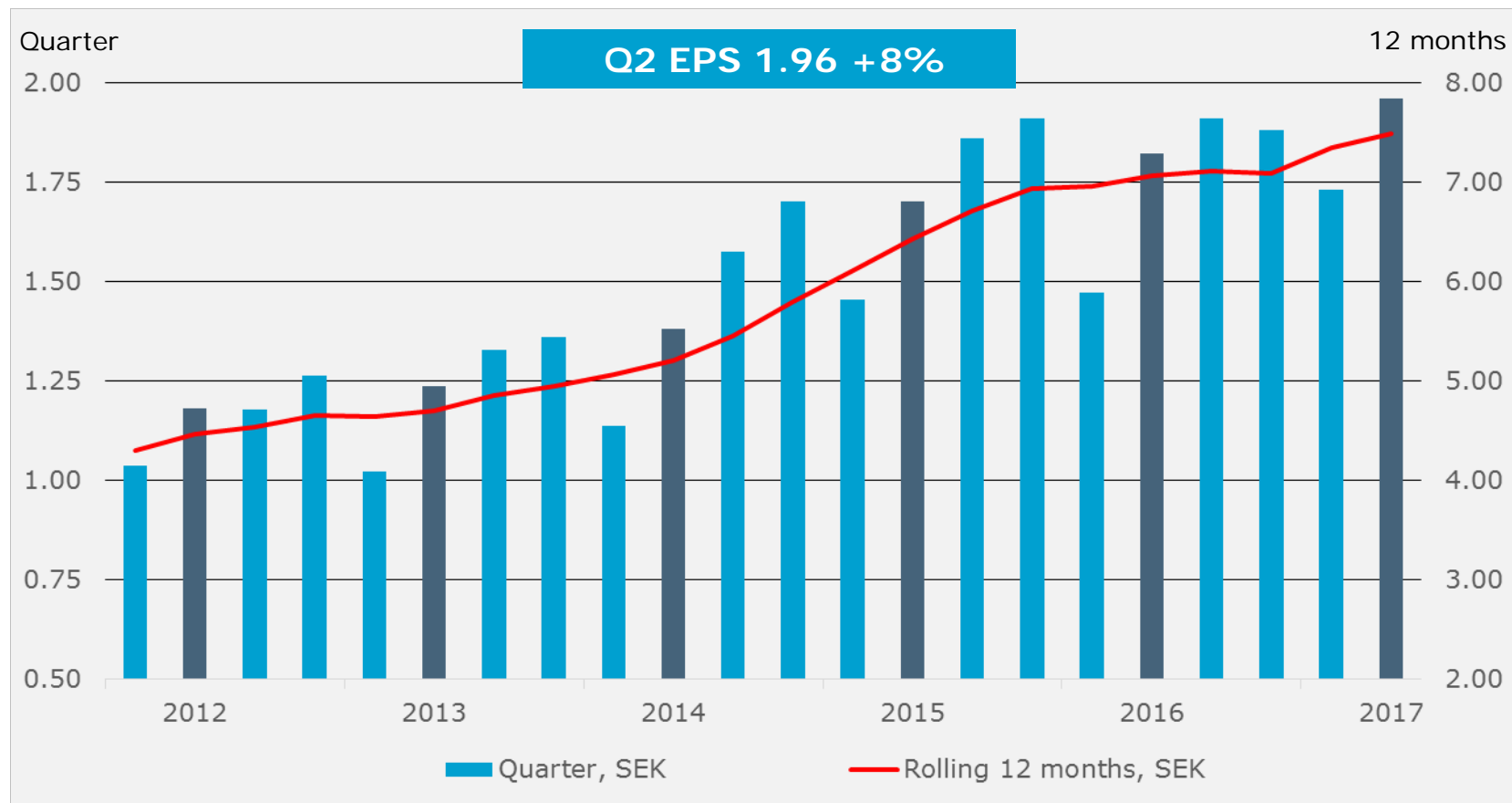
# Gearing % and net debt, SEK M

Net debt/EBITDA  
1.9 (2.1)



# Earnings per share, SEK

+68%  
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.

# Conclusions Q2 2017

- +8% sales growth, whereof 4% excluding currency
- Good growth in all divisions, but APAC
- Technology leadership
- Arjo – Important step forward in Government ID solutions
- EBIT +7% and EPS +8%



# Q&A

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