

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

## Q4 Report 2017

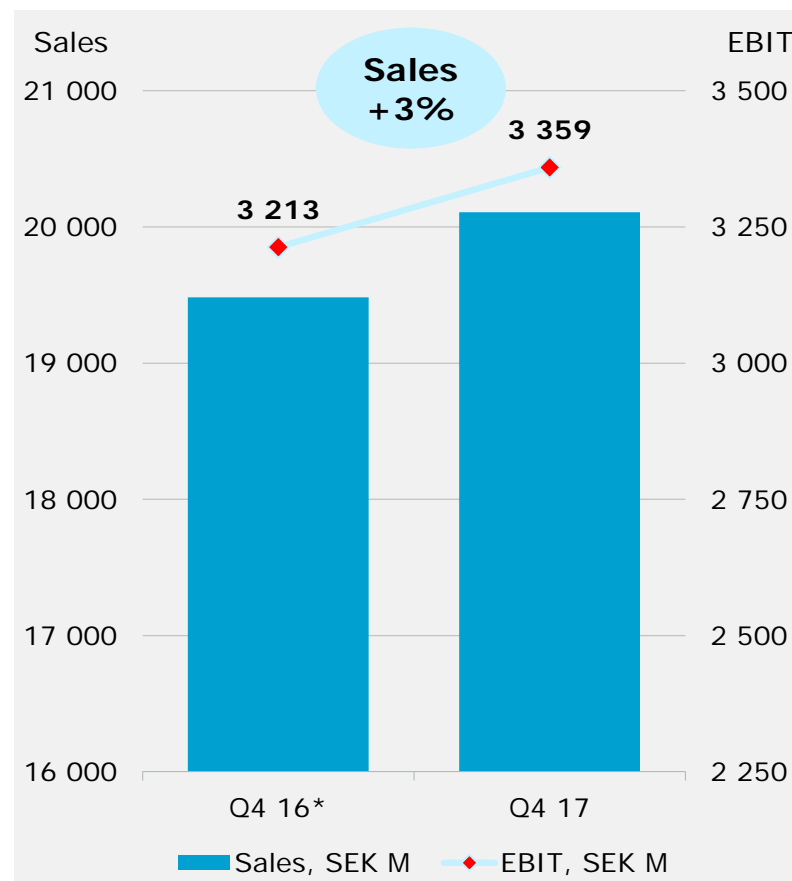
# Q4 2017 in brief

- **Organic growth in all divisions**
  - Strong growth in Global Tech and EMEA
  - Continued good growth in Americas, Entrance Systems, and APAC, with flat sales in China
  - Continued strong development for smart door locks and electro-mechanical solutions
- **Strong profit and cash flow**
- **New CEO Nico Delvaux appointed**



# Q4 2017 figures in summary

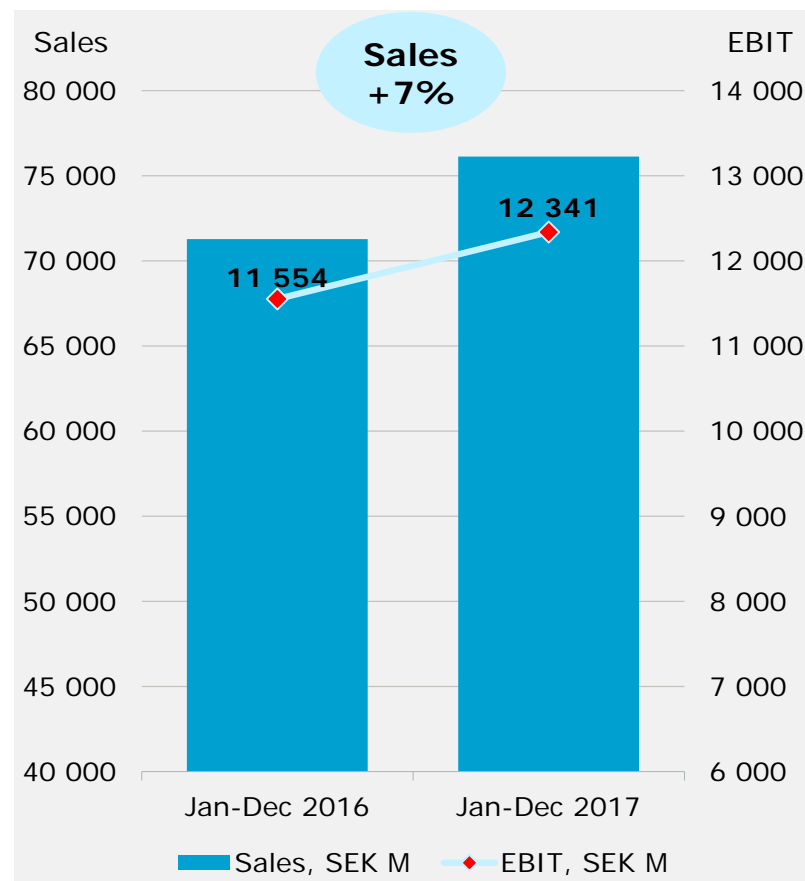
- **Sales SEK 20,109 M** **+3%**
  - 5% organic
  - 3% acquired
  - -5% currency
- **EBIT SEK 3,359 M** **+5%\***
  - Amortization of acquisition-related intangible assets SEK 87 M (51)
  - Currency effect SEK -130 M
- **Operating margin 16.7% (16.5\*)**
  - EBITA-margin 17.1% (16.8\*)
- **EPS SEK 2.15** **+14%\*\***



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

# Jan. – Dec. 2017 figures in summary

- **Sales SEK 76,137 M** **+7%**
  - 4% organic
  - 2% acquired
  - 1% currency
- **EBIT SEK 12,341 M** **+7%\***
  - Amortization of acquisition-related intangible assets SEK 240M (200)
  - Currency effect SEK 37 M
- **Operating margin 16.2% (16.2\*)**
  - EBITA-margin 16.5% (16.5\*)
- **EPS SEK 7.77** **+10%\*\***



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

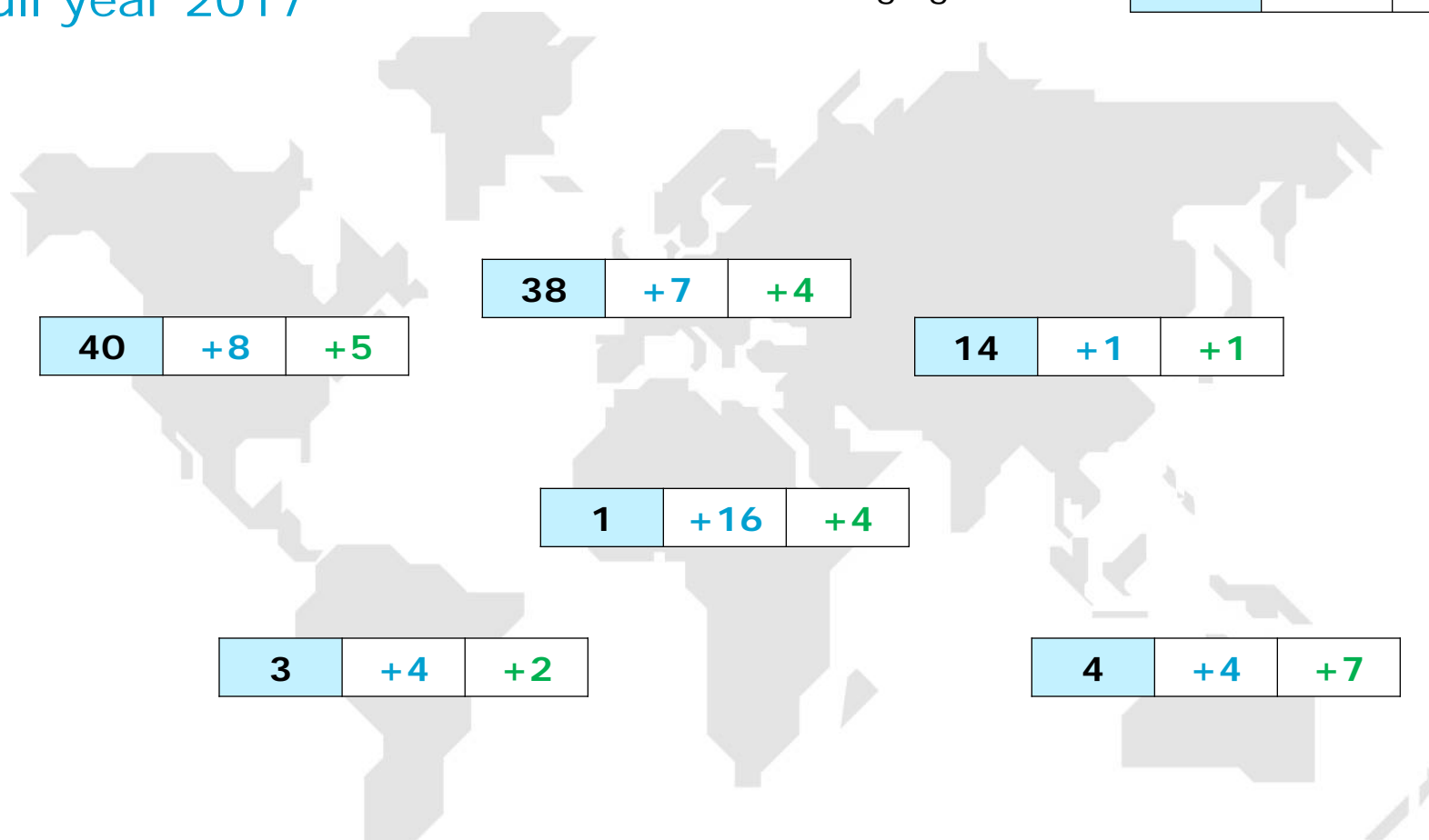
# Sales by Region

## Full year 2017

### ASSA ABLOY

Emerging markets

100	+6	+4
23	+5	+3



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

## ■ Strong e-cylinder demand

- New platform driver: Cliq Web Manager, Cliq-go, Medeco XT
- Bluetooth keys
- Additional sales from new pulse platform in Q1 2018

## ■ Strengthened position in smart door locks

- Continued strong organic growth
- Launch of Amazon key partnership with Yale
- Gearing up for Yale Lock for nest - in store March 2018
- Acquisition of August Home

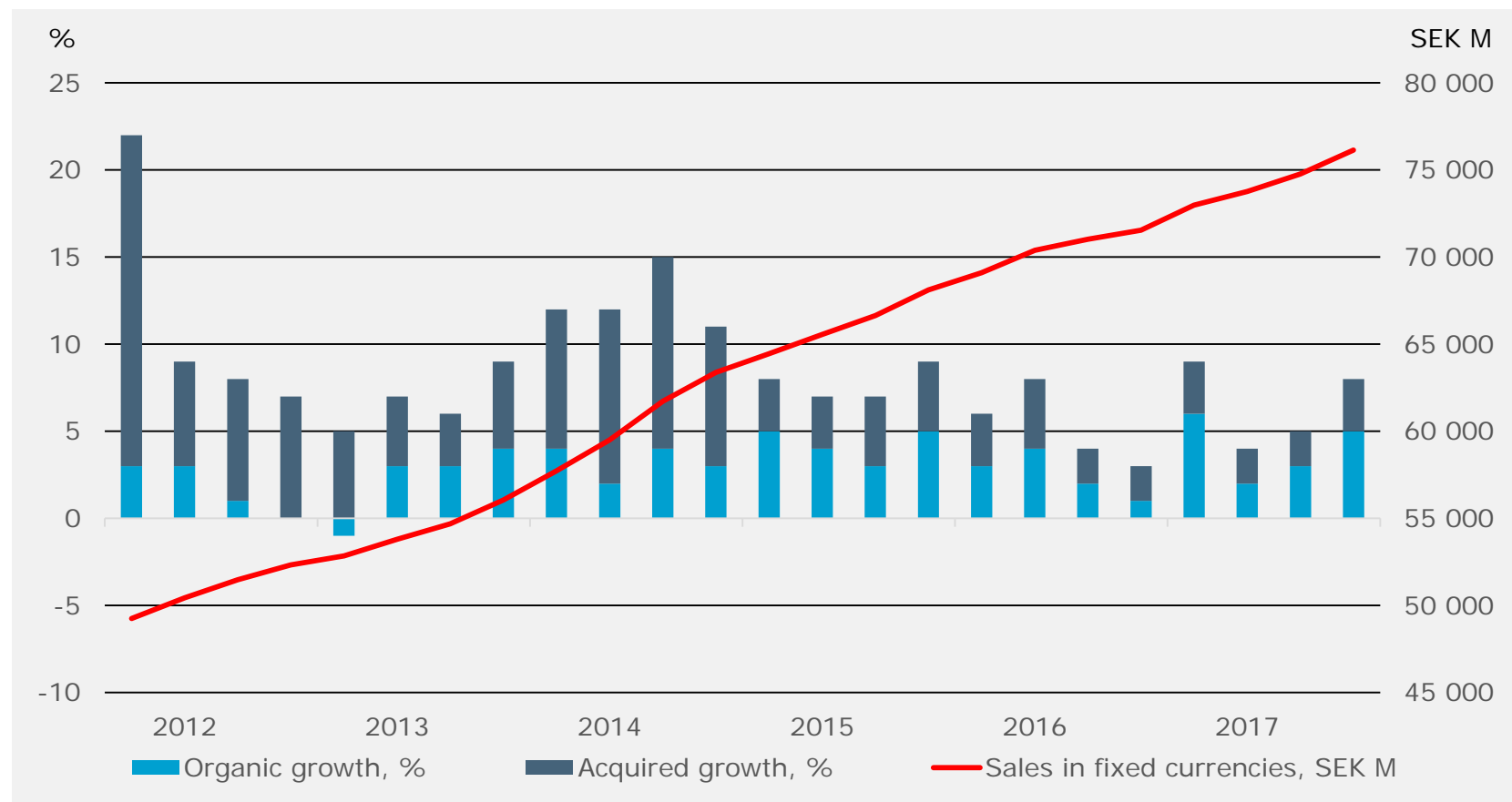
## ■ Major HID win for eCovers in South America

- New country win and leading regional reference
- eCover with Shielding material - New HID Technology
- Deliveries during 2018 with expected additional opportunities



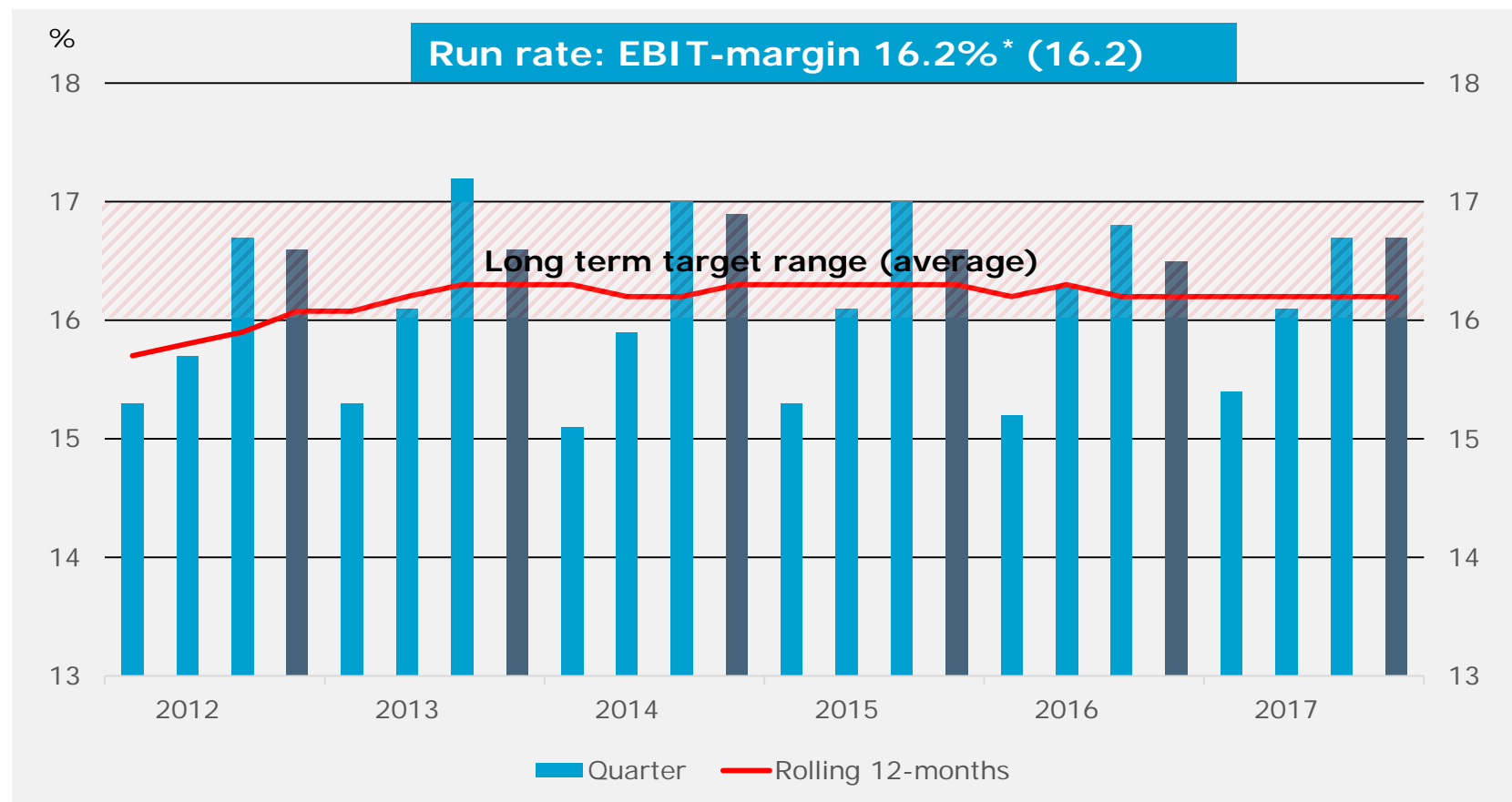
# Sales growth, currency adjusted

2017	QTD
Organic	+5%
Acquired	+3%
	+8%



# Operating margin, %

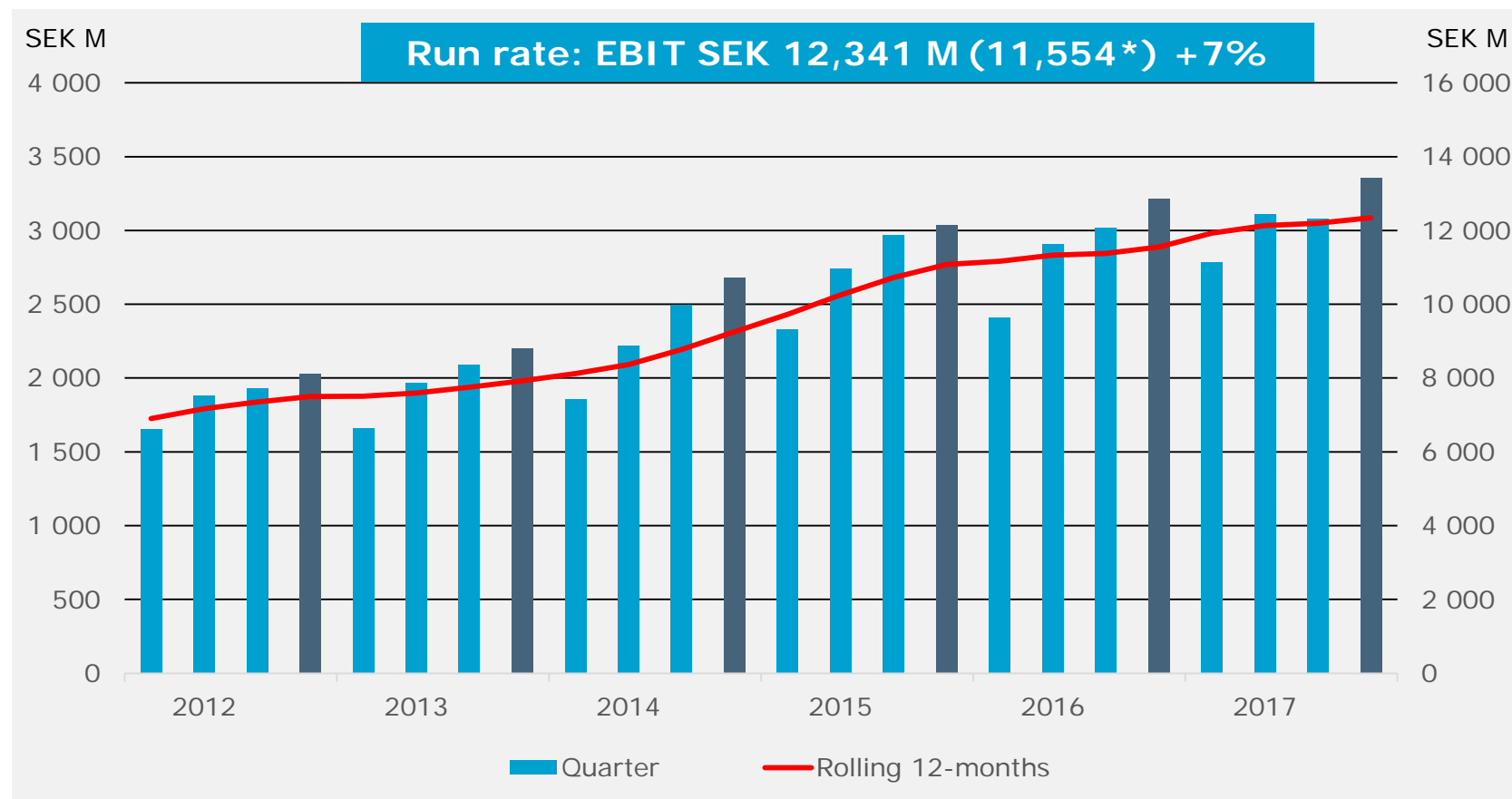
Margin Bridge			
2017	OG	Currency	ACQ
Q4	0.3%	-0.1%	0.0%
YTD	0.2%	-0.1%	-0.1%



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

# Operating profit, SEK M

+65%  
in  
5 years



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

# Manufacturing footprint

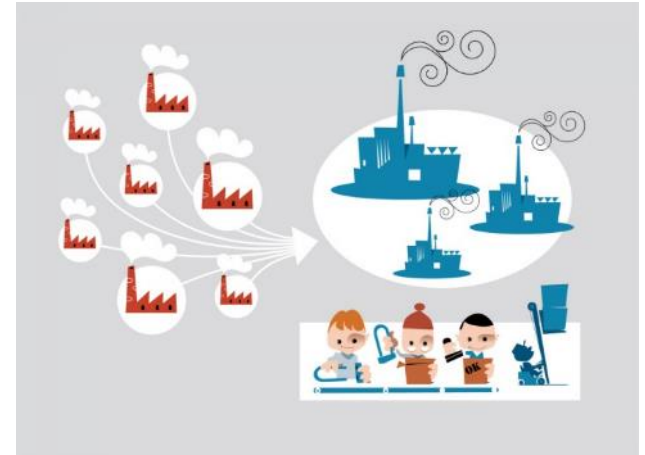
- **Status of programs launched 2006-2016**

- 77 factories closed to date, 11 to go
- 126 factories converted to assembly, 28 to go

- **Total personnel reduction**

- 13,564 FTE in total since 2006
- 723 FTE in recent quarter
- 1,353 FTE to go for all programs

- **SEK 944 M provisions remain for all programs**



# Acquisitions

- Fully active pipeline
- 19 acquisitions done
- Acquired annualized sales SEK 3,200 M
- Added sales 4%
- Divestment of AdvanIDe SEK 1,250 M



# Phoniro, Sweden

phoniro

- Turnover of SEK 175 M with 80 employees
- Leading provider of physical & digital security solutions for elderly care
- Development of homecare vertical
- Accretive to EPS



# Dale & Excel Hardware, UK



- Turnover of SEK 210 M with 75 employees
- Market leading supplier of high quality architectural hardware
- Complements and extends current hardware portfolio
- Accretive to EPS

Furniture



Pocket Door Systems



Hinges

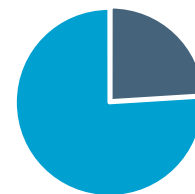


Installation tools



# EMEA

24%  
of Group  
sales

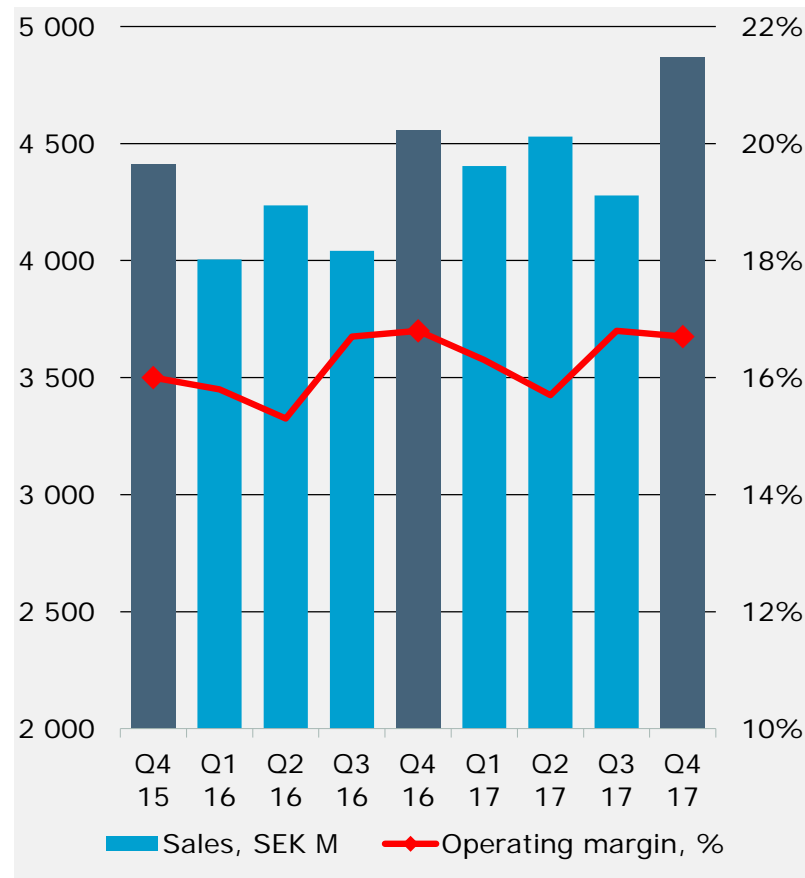


## ■ Organic growth of 5%

- Strong growth in Finland, UK, France, Southern and Eastern Europe, and in Africa/Middle East
- Good growth in Germany
- Growth in Scandinavia and Benelux
- Strong growth for electromechanical products and smart door locks

## ■ Operating margin 17.3% (16.8)

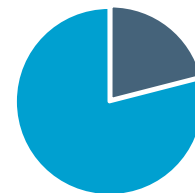
- Organic growth leverage +0.4%
  - + Footprint savings and efficiency
  - Investments in sales
- Curr. 0.1% and Acq. 0.0%



Excluding restructuring items.

# Americas

21%  
of Group  
sales

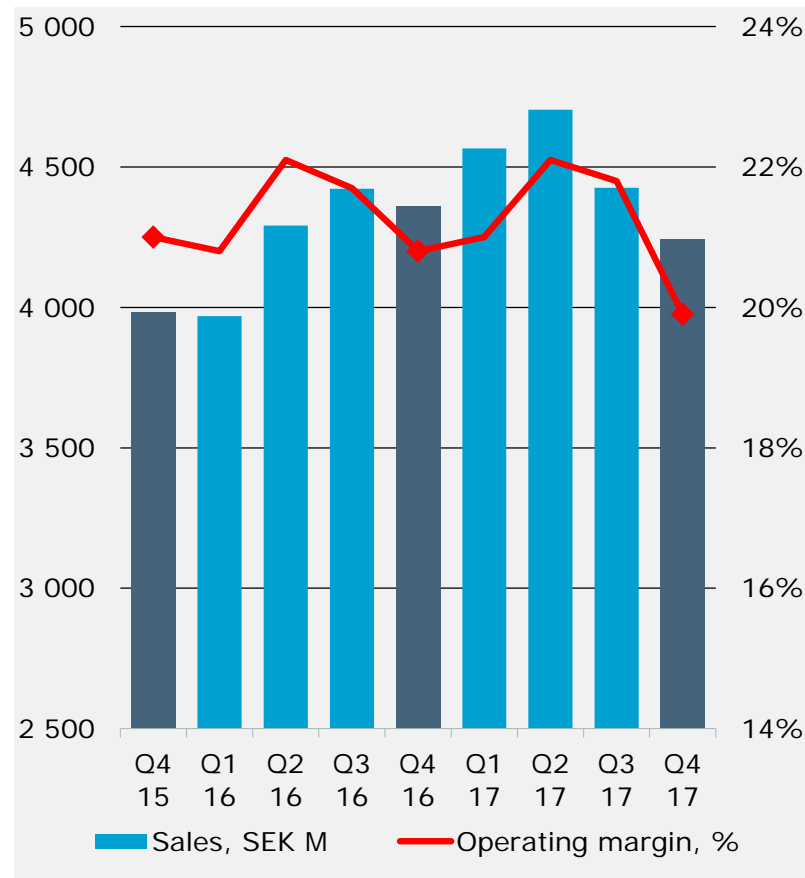


## ■ Organic growth of 4%

- Strong growth in Electromechanical, High Security, US Residential, Canada, Mexico and South America (excl. Brazil)
- Growth in Architectural Hardware, Perimeter Protection, Security Doors and in Brazil

## ■ Operating margin 19.9% (20.8)

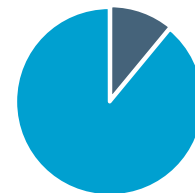
- Organic growth leverage +0.4%
  - + Leverage
  - Material cost
- Curr. 0.0% Acq. -1.3%



Excluding restructuring items.

# Asia Pacific

11%  
of Group  
sales

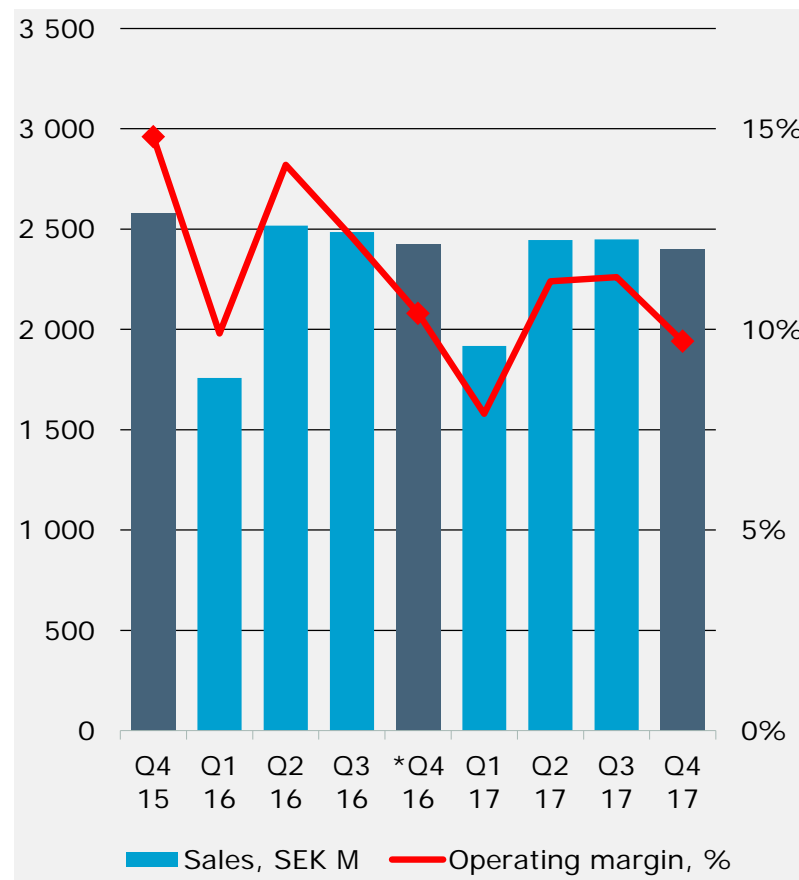


## ■ Organic growth of 3%

- Strong growth in South Korea, South Asia, Pacific, and China Architectural Hardware
- Negative in China Fire and Security Doors
  - Personnel adjustment in China YoY -8%
- Strong growth in Smart Door Locks

## ■ Operating margin 9.7% (10.4\*)

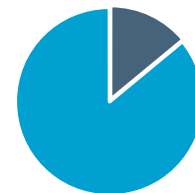
- Organic growth leverage -0.8%
  - China, incl. higher steel costs
  - + Savings
- Curr. -0.2% Acq. 0.3%



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

# Global Technologies

14%  
of Group  
sales

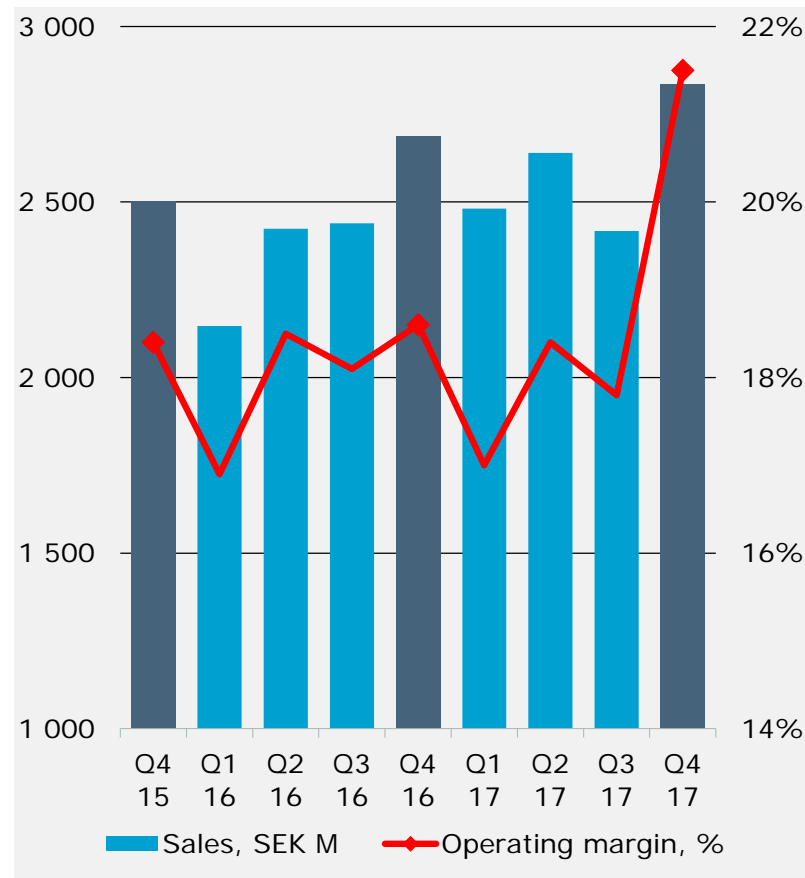


## ■ Organic growth of 9%

- HID
  - Strong growth in Access Control (Mobile keys), Secure Issuance, Citizen ID and Identification Technology
  - Negative in Identity & Access management
  - Strong seasonality in acquired businesses
- Hospitality
  - Strong growth, including Mobile keys

## ■ Operating margin 21.5% (18.6)

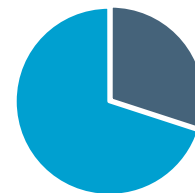
- Organic growth leverage 0.9%
- Curr. 0.2% and Acq. 1.8%



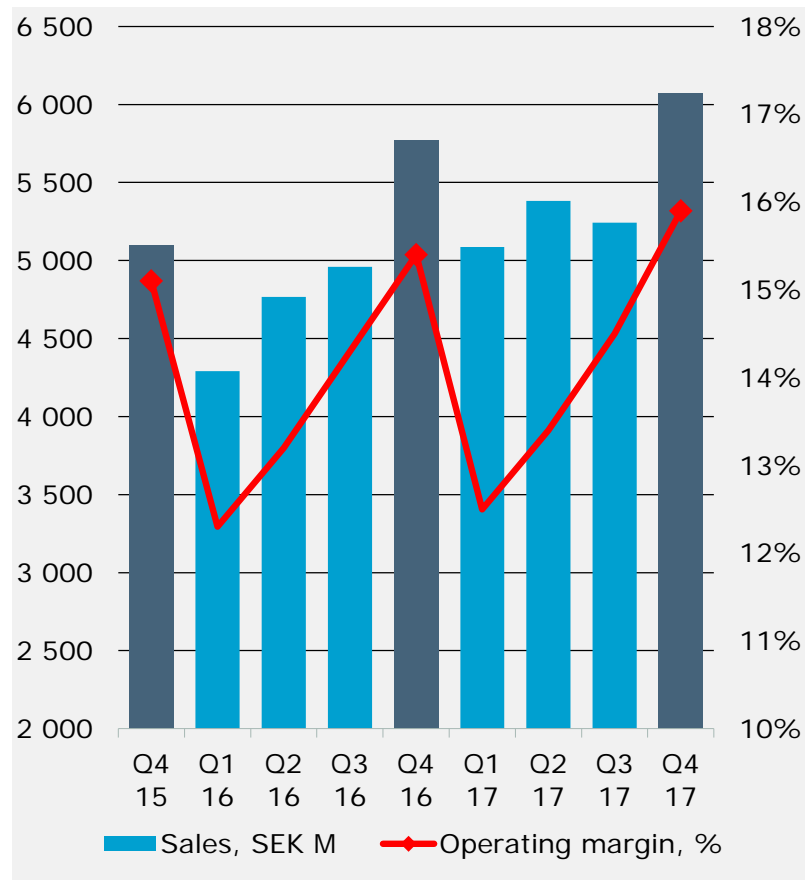
Excluding restructuring items.

# Entrance Systems

30%  
of Group  
sales



- **Organic growth of 3%**
  - Strong growth in Pedestrian Doors, Door components, Industrial and High speed doors.
  - Good growth in Residential doors
  - Negative sales in warehouse and logistics solutions
- **Operating margin 15.9% (15.4)**
  - Organic growth leverage +0.6%  
+ Good leverage from consolidation
  - Curr. 0.1% and Acq. -0.2%



Excluding restructuring items.

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# Q4 Report 2017

Carolina Dybeck Happe  
CFO

# Financial highlights

SEK M	October - December			January - December		
	2016	2017	Change	2016	2017	Change
<b>Sales</b>	<b>19,484</b>	<b>20,109</b>	<b>3%</b>	<b>71,293</b>	<b>76,137</b>	<b>7%</b>
- Organic growth	120	878	5%	1,428	2,834	4%
- Acquired growth	455	480	3%	1,967	1,753	2%
- FX-differences	609	-733	-5%	-201	257	1%
<b>Operating income (EBIT)*</b>	<b>3,213</b>	<b>3,359</b>	<b>5%</b>	<b>11,554</b>	<b>12,341</b>	<b>7%</b>
EBITA-margin*	16.8%	17.1%		16.5%	16.5%	
EBIT-margin*	16.5%	16.7%		16.2%	16.2%	
Income before tax**	2,767	3,226	17%	10,549	11,673	11%
Net income**	2,088	2,385	14%	7,874	8,635	10%
<b>EPS, SEK**</b>	<b>1.88</b>	<b>2.15</b>	<b>14%</b>	<b>7.09</b>	<b>7.77</b>	<b>10%</b>
<b>Operating cash flow</b>	<b>4,620</b>	<b>4,876</b>	<b>6%</b>	<b>10,467</b>	<b>10,929</b>	<b>4%</b>

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

# Bridge Analysis – Q4 2017

SEK M	Q4 2016	Organic	Currency	Acq/Div	Q4 2017
		5%	-5%	3%	3%
Sales	19,484	878	-733	480	20,109
Operating profit*	3,213	199	-130	77	3,359
Operating margin, %*	16.5%	22.6%	17.7%	16.0%	16.7%
Dilution/accretion		0.3%	-0.1%	0.0%	

- Price +2% and volume +3%
- Positive leverage from all divisions, except APAC
- Accretion from acquisitions/divestments in Global Technologies
- Dilution from acquisitions in Americas and Entrance Systems

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

# P&L components as % of sales

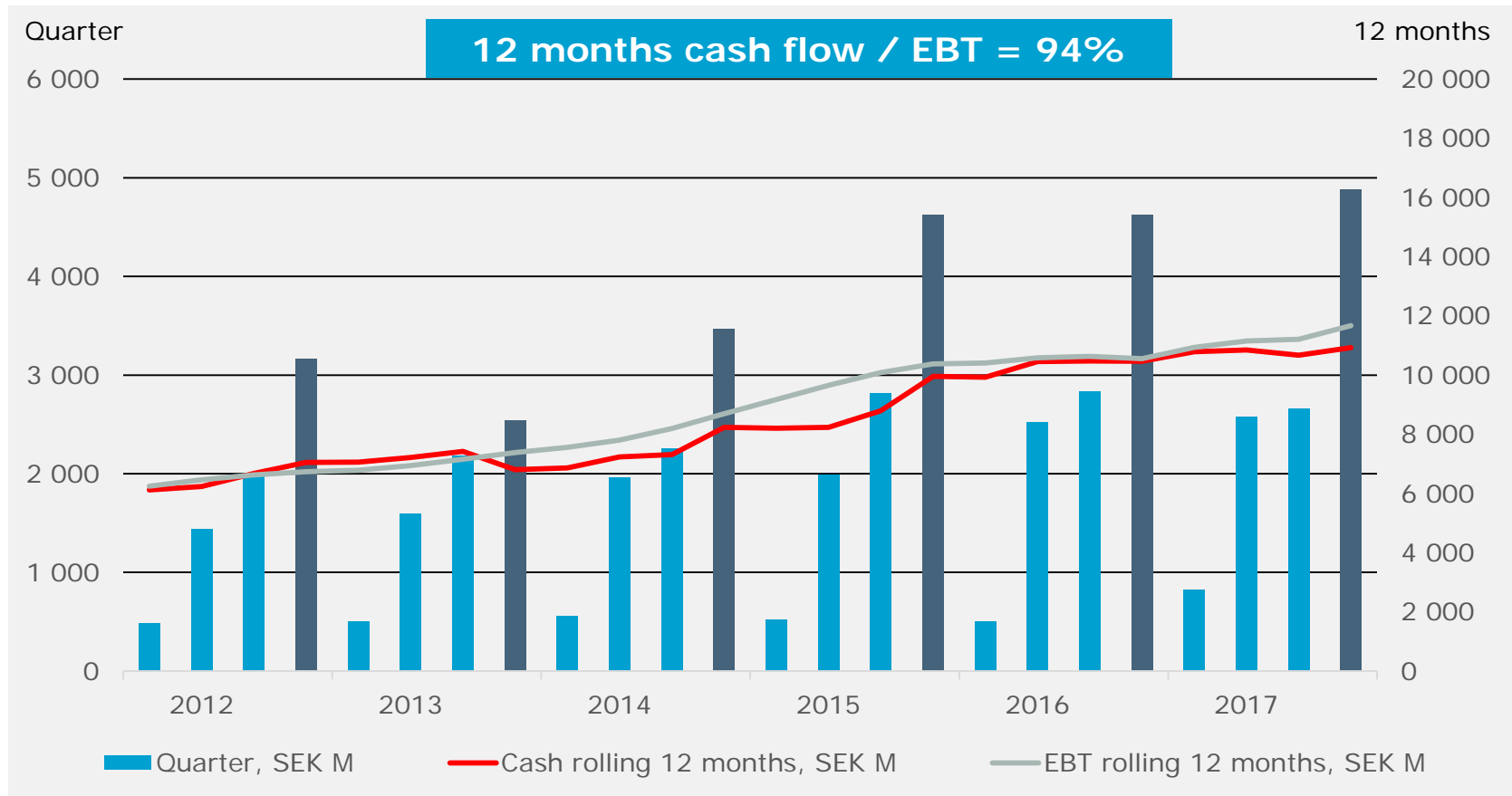
## January - December 2017

%	YTD 2016	YTD 2017 excl. acquisitions	Δ	YTD 2017
Direct material	-35.9%	-36.5%	-0.6%	-36.3%
Conversion cost	-24.6%	-24.2%	+0.4%	-24.3%
Gross margin	39.5%	39.3%	-0.2%	39.4%
S, G & A	-23.3%	-23.0%	+0.3%	-23.2%
EBIT*	16.2%	16.3%	+0.1%	16.2%

- Higher material cost and lower conversion cost
- Organic growth leverage
  - S, G & A down 0.3% vs. previous year, despite investments in R&D and sales

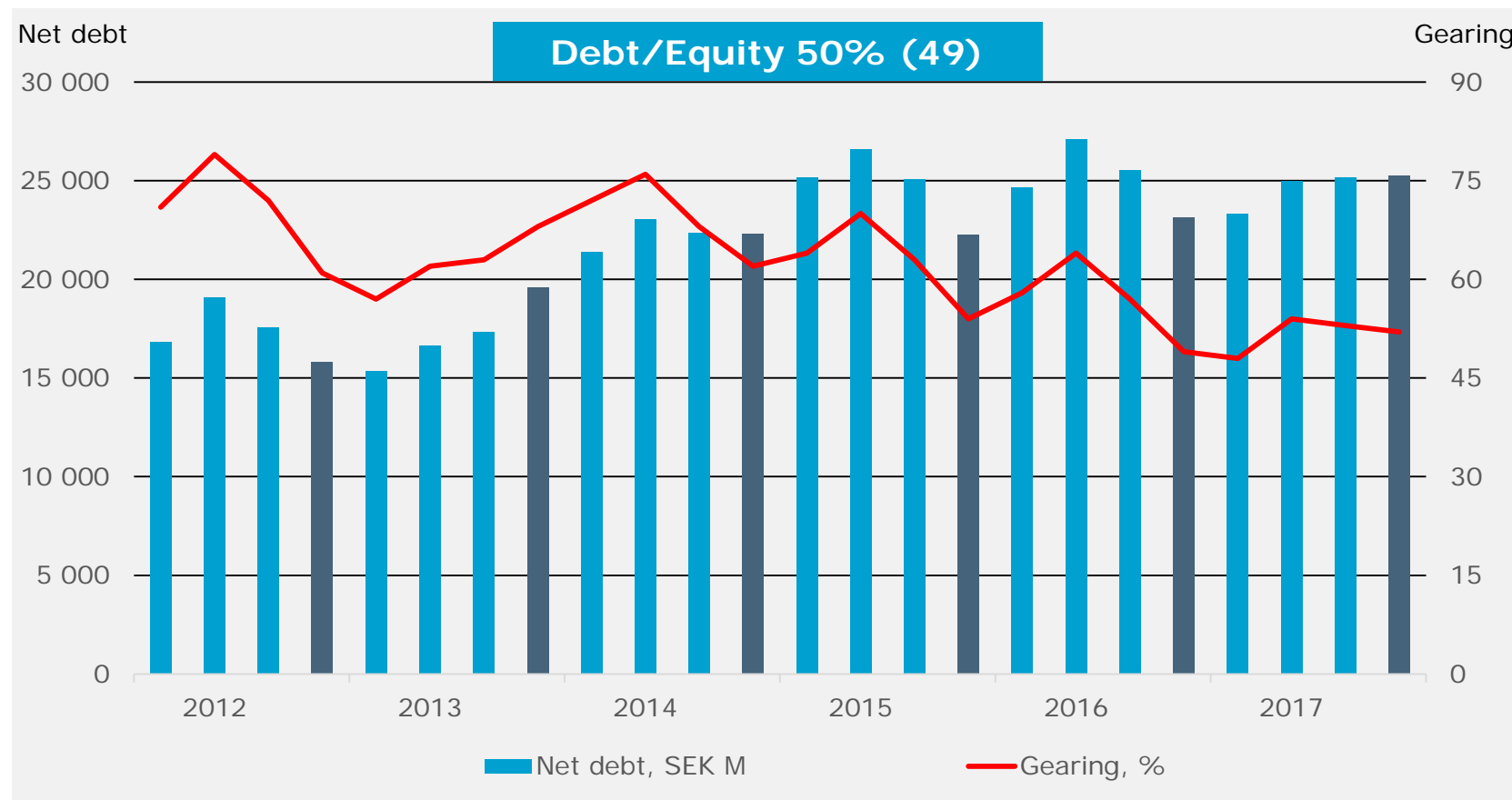
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# Operating cash flow, SEK M



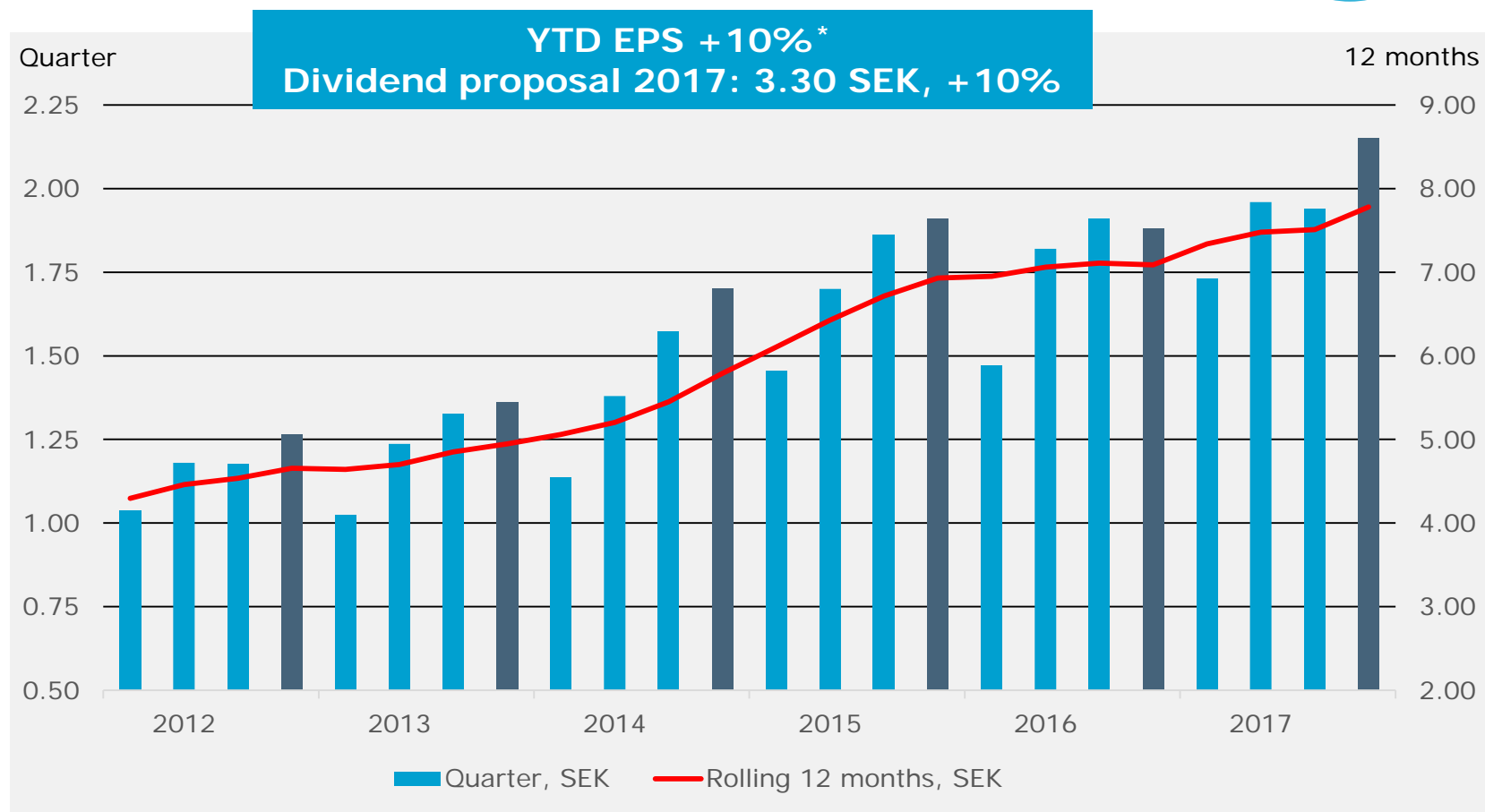
# Gearing % and net debt, SEK M

Net debt/EBITDA  
1.8 (1.8)




# Earnings per share, SEK

+67%  
in  
5 years



\* Excluding restructuring items in Q4 2016.

Chart is restated for Stock split 3:1 2015 and excludes cost for restructuring programs in 2013 and 2016.

A nighttime photograph of a city skyline, likely Singapore, featuring several tall skyscrapers with illuminated windows. A river flows through the city, and a bridge with light trails from traffic spans across it. The sky is a deep blue with some clouds.

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## Q4 Report 2017

Johan Molin

President and CEO

# Conclusions Q4 2017

- Sales +8%, excluding currency
  - Strong growth in Global Tech and EMEA
  - Continued good growth in Americas, Entrance Systems, and APAC, with flat sales in China
  - Strong development for smart door locks and electro-mechanical solutions
- Strong profit and cash flow

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



# Q&A

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