



# Q4 Report 2018

The global leader in door opening solutions

**ASSA ABLOY**



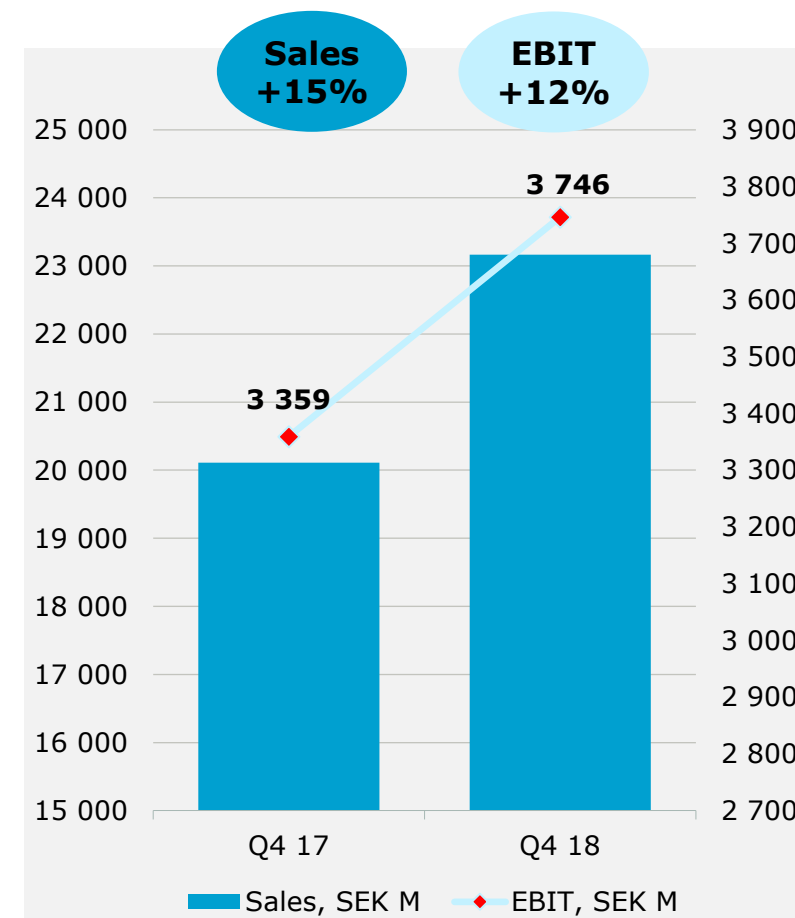
# Q4 2018 in brief

- **Strong organic sales development**
  - Very strong growth in Americas and APAC
  - Strong growth in Global Technologies
  - Good growth in EMEA
  - Growth in Entrance Systems
- **Electromechanical products up 30%**
- **Strong EBIT growth of 12%**
  - Margin diluted by M&A and raw material headwind
- **Launch of the 7<sup>th</sup> manufacturing footprint program**
- **Strong cash flow of SEK 4.9 billion**



# Q4 2018 figures in summary

- **Sales SEK 23,167M** **+15%**
  - 6% organic
  - 3% acquired
  - 6% currency
- **EBITA-margin\* 16.7% (17.1%)**
- **EBIT-margin 16.2% (16.7%)**
- **EBIT SEK 3,746M** **+12%**
  - Amortization of acquisition-related intangible assets SEK -113M (-87)
- **EPS SEK 2.33** **+9%**



\*) Operating margin before amortization of intangible assets recognized in business combinations.

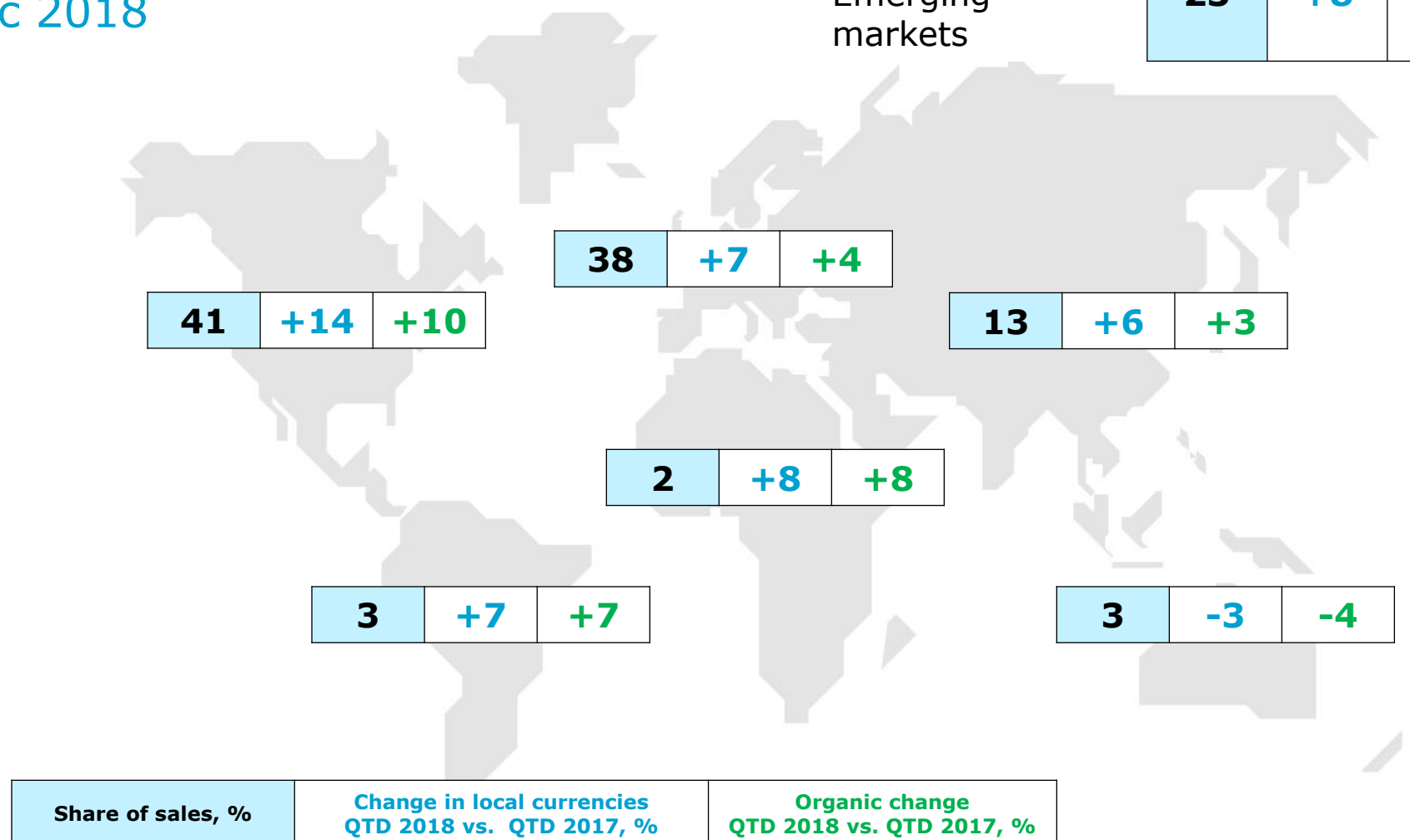
# Sales by Country

Oct-Dec 2018

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Emerging  
markets

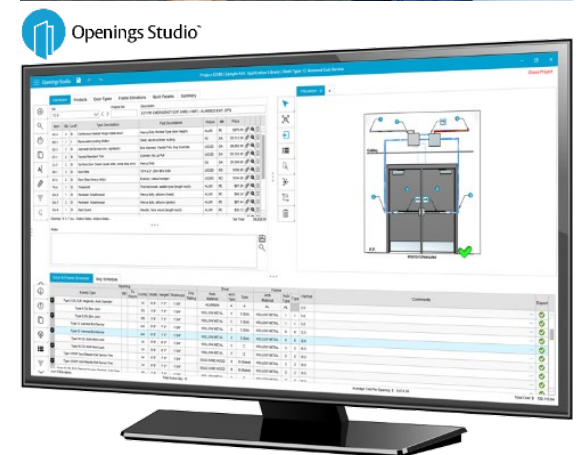
100	+9	+6
23	+8	+4



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

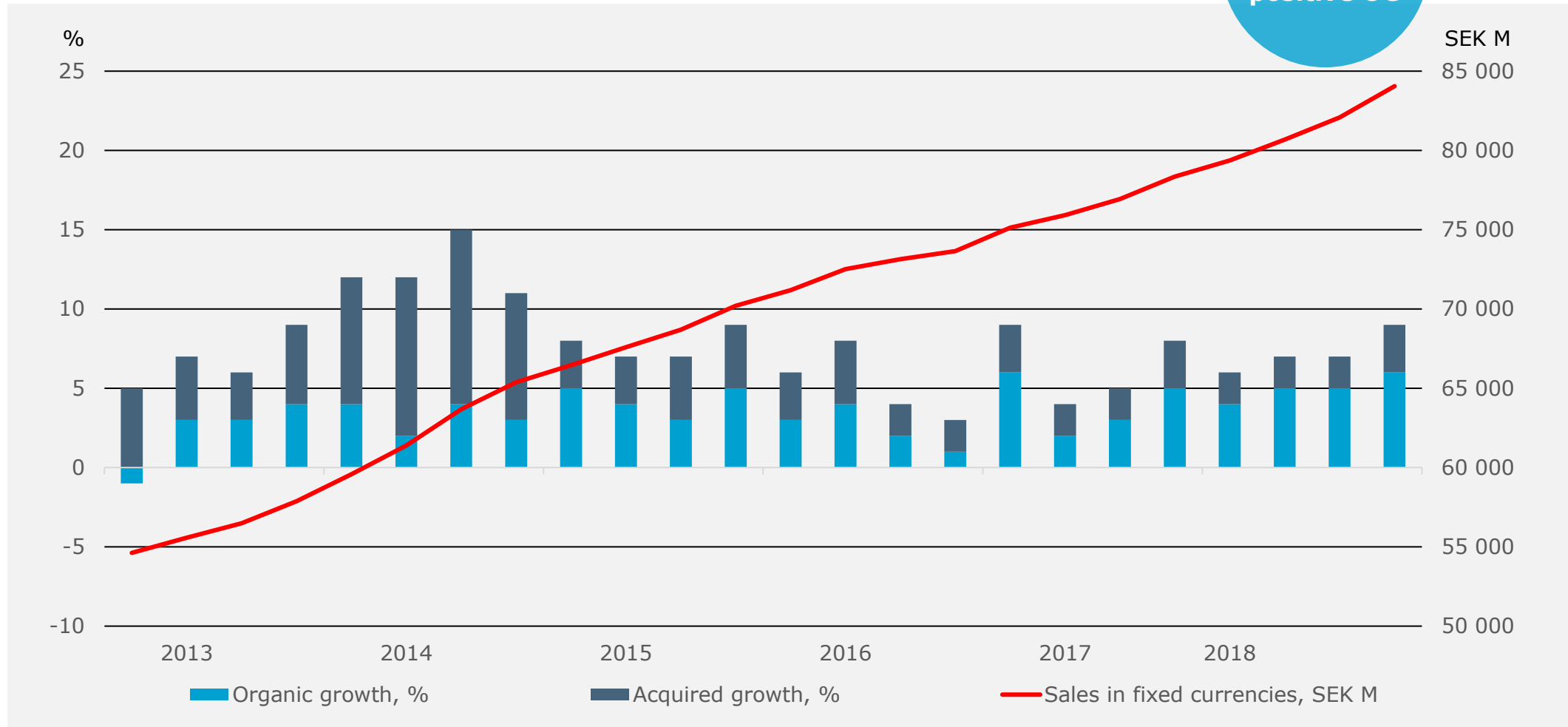
# Market highlights

- **Significant growth in electromechanical products**
  - Especially driven by the Americas division and smart locks
  - Increasing recurring contribution from mobile keys
- **Easier for customer to buy from Entrance systems**
  - Merger of Industrial doors and high performance doors
  - Focus on service
- **Openings studio continue to lead in BIM specifications**
  - New release with major user experience and design uplift

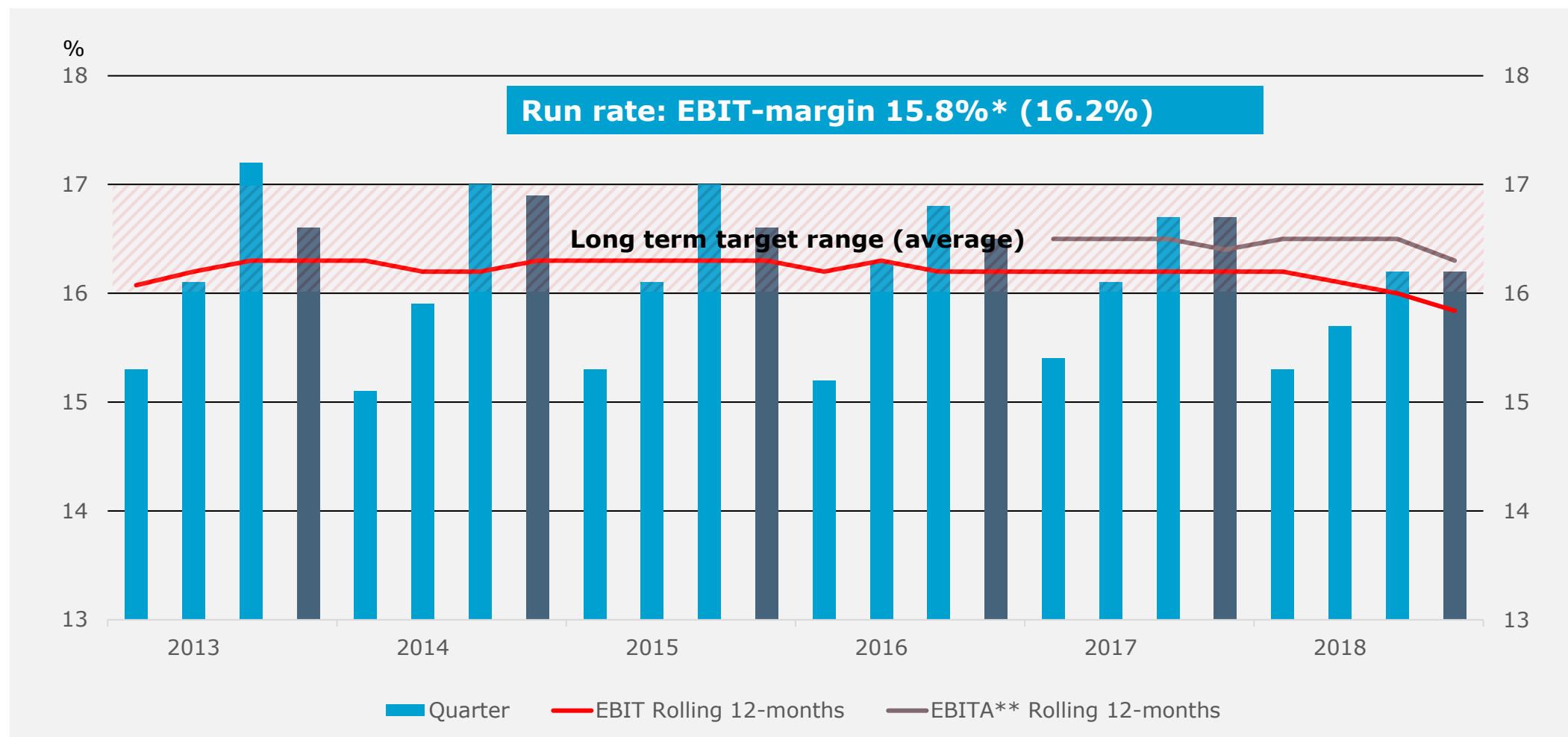


# Sales growth, currency adjusted

23 Quarters  
with  
positive OG



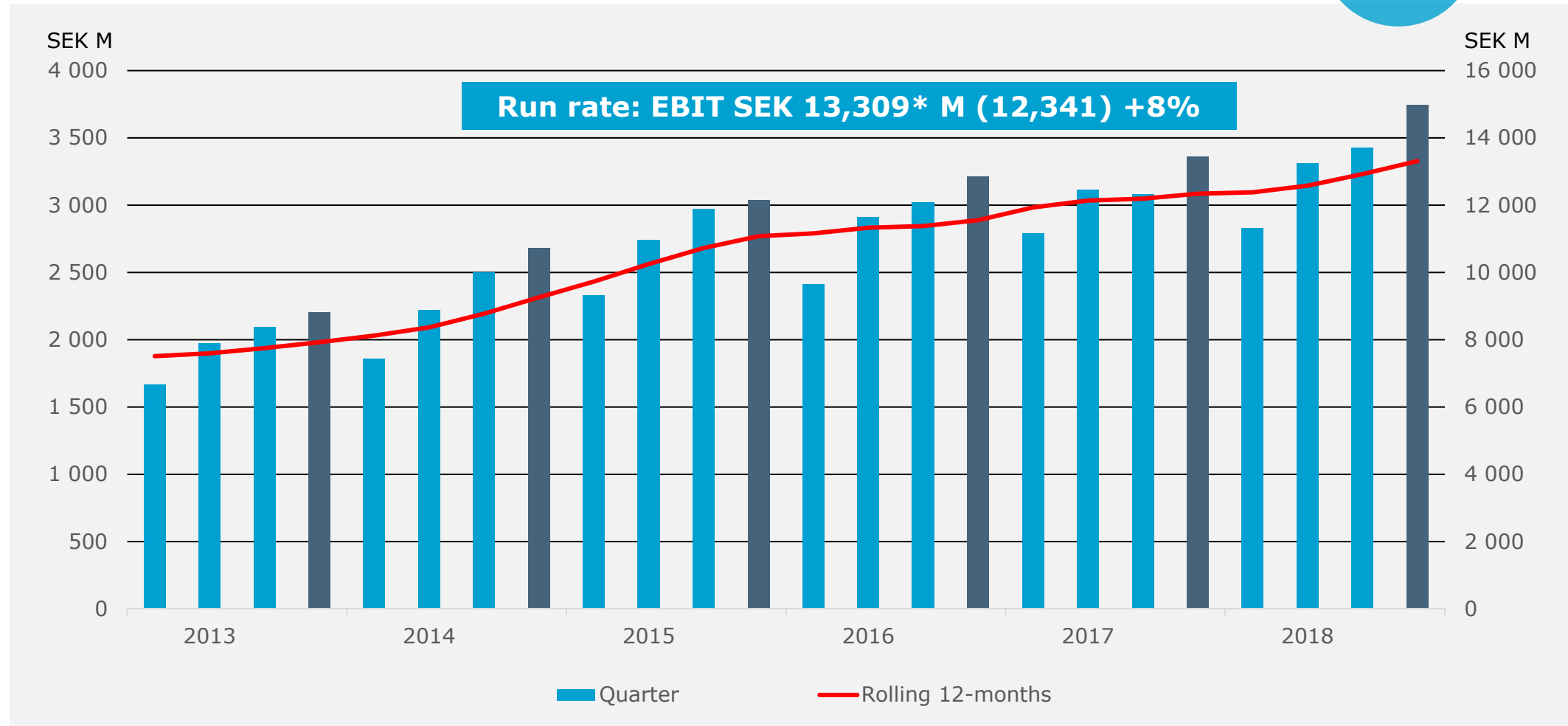
# Operating margin, %



\*) Excluding China write-downs and restructuring items. \*\*) Operating margin before amortization of intangible assets recognized in business combinations.

# Operating profit, SEK M

+68%  
in  
5 years



\*) Excluding China write-downs and restructuring items.



# Manufacturing footprint

- **New program launched in Q4 2018 with <3 years payback time**

- Closure of ~15 factories and >30 offices
- ~1,600 FTE net reduction
- Restructuring cost for the full program SEK 1,500 M
  - SEK 1,218 M in Q4 2018 and remainder in Q4 2019
  - Annual savings of approximately SEK 800 M by 2021

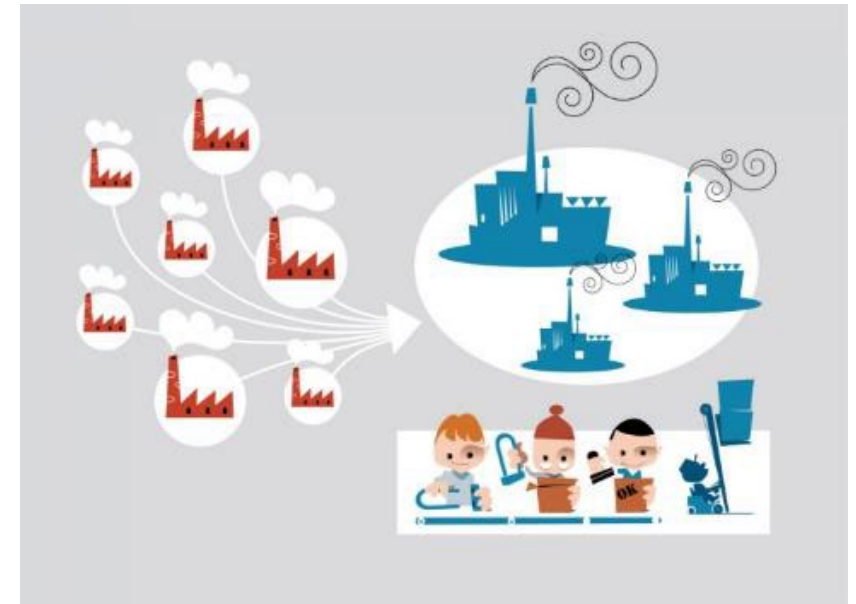
- **Status of programs launched 2006-2018**

- 88 factories closed to date
- 7 factories closed during the quarter

- **Total personnel reduction**

- 15,362 FTE in total since 2006
- 962 FTE in recent quarter
- 1,408 FTE to be affected in all programs

- **SEK 1,190 M provisions remain for all programs**



# Acquisitions

- Fully active pipeline
- 5 acquisitions in Q4 and 19 in 2018
- Acquired annualized sales SEK 3,800 M
- Divestment of Wood Door business SEK 600 M



LUXER<sup>®</sup>  
ONE

CROSSMATCH<sup>®</sup>

Door Systems

Planet<sup>swiss</sup><sup>®</sup>  
Wir machen Türen dicht

LORIENT

PacificDoors

PIONEER

HKC

LULEÅ LÅSKONSULT  
med all säkerhet

LUKKO AITTA OY

LOB

Brüken<sup>®</sup>  
ACCESORIOS PARA LA CONSTRUCCIÓN

CFEFO

phoniro

Dale  
Hardware

excel  
ARCHITECTURAL HARDWARE

KAD

# Luxer One, USA

LUXER<sup>®</sup>  
ONE

- Leading advanced package locker solutions business
- Market leader in the last mile delivery space
  - Reinforces position in solutions for home delivery
  - Compliments the multi-family product offerings
  - 'Click and collect' at retail stores
- Turnover of SEK 335 M with 130 employees
- Neutral to EPS



# Lorient, UK



- A leading designer and manufacturer of door sealing systems
- Complements the acquisition of Planet GDZ
- Turnover of SEK 220 M with 135 employees
- Accretive to EPS

**Acoustic, smoke, fire  
and thermal seals**

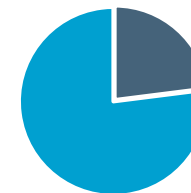


**Architectural seals**  
(incl. door drop seals)



# EMEA

23%  
of Group  
sales

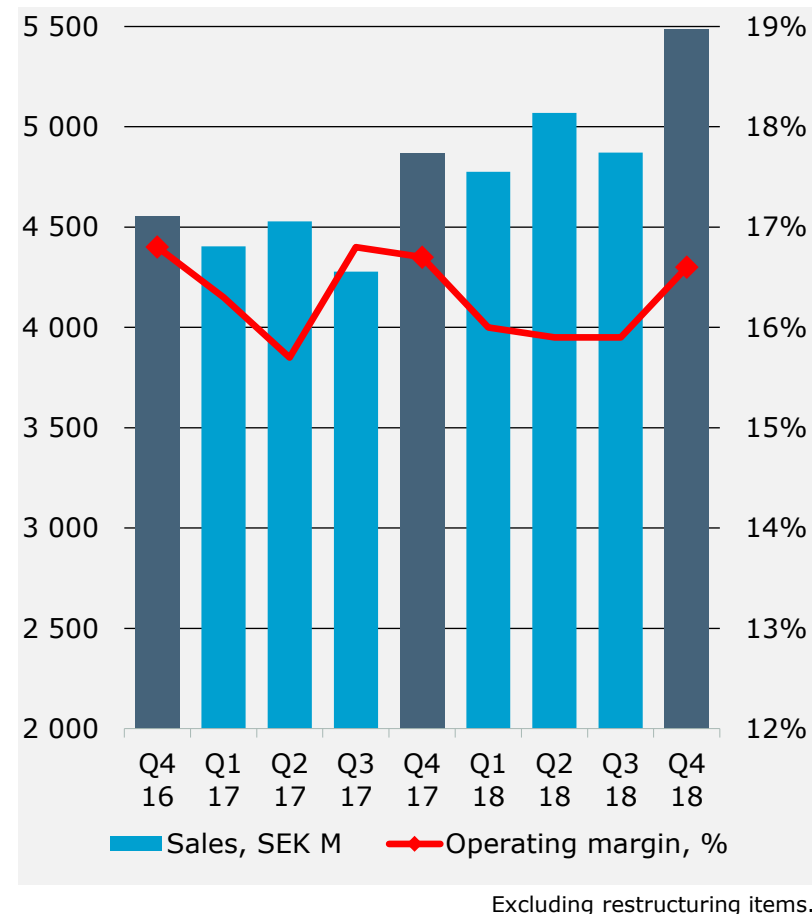


- **Organic growth of 3%**

- Strong growth in Finland, Germany, the UK and Middle East/Africa
- Good growth in Eastern Europe
- Stable growth in Scandinavia, Benelux and South Europe
- Slight negative growth in France
- Strong growth for Electromechanical products

- **Operating margin 16.6% (17.3%)**

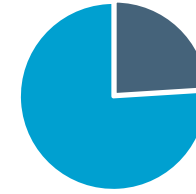
- Dilution from FX, M&A and pension costs





# Americas

22%  
of Group  
sales

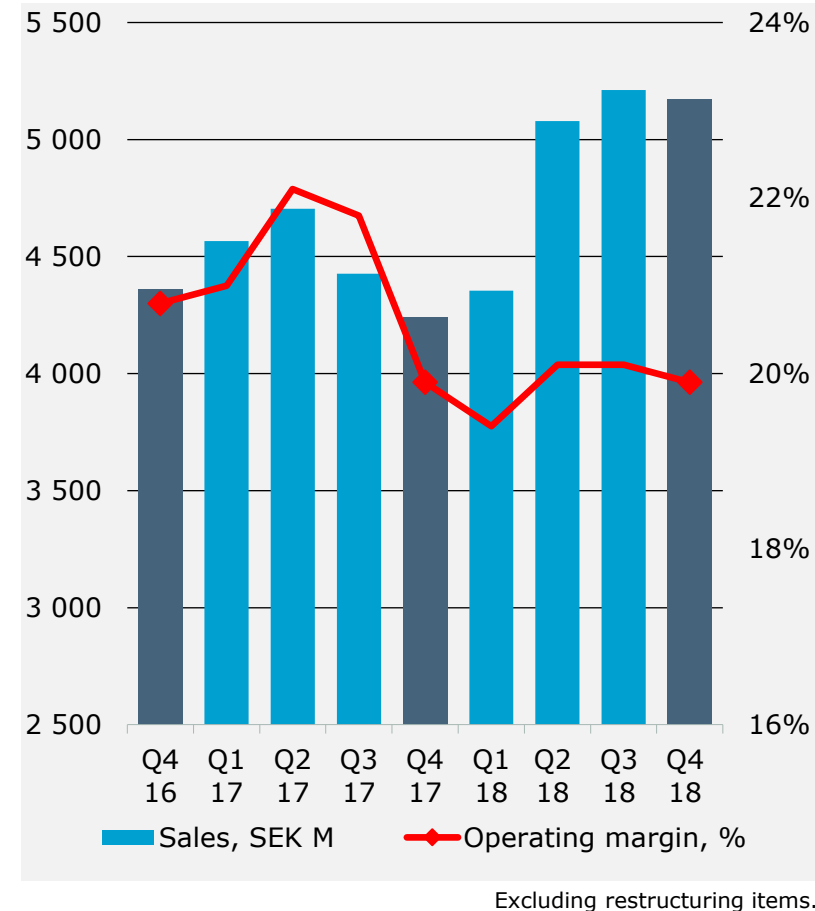


- **Organic growth of 14%**

- Very strong growth for US Residential, Electromechanical & High Security and Security doors
- Strong growth for US Architectural Hardware, Chile and Mexico
- Stable in Canada, Brazil, Colombia and the US Perimeter Protection
- Very strong growth for Electromechanical products

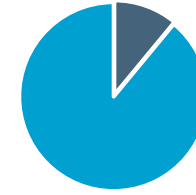
- **Operating margin 19.9% (19.9%)**

- Good volume leverage, but dilution from raw material costs, mix and M&A

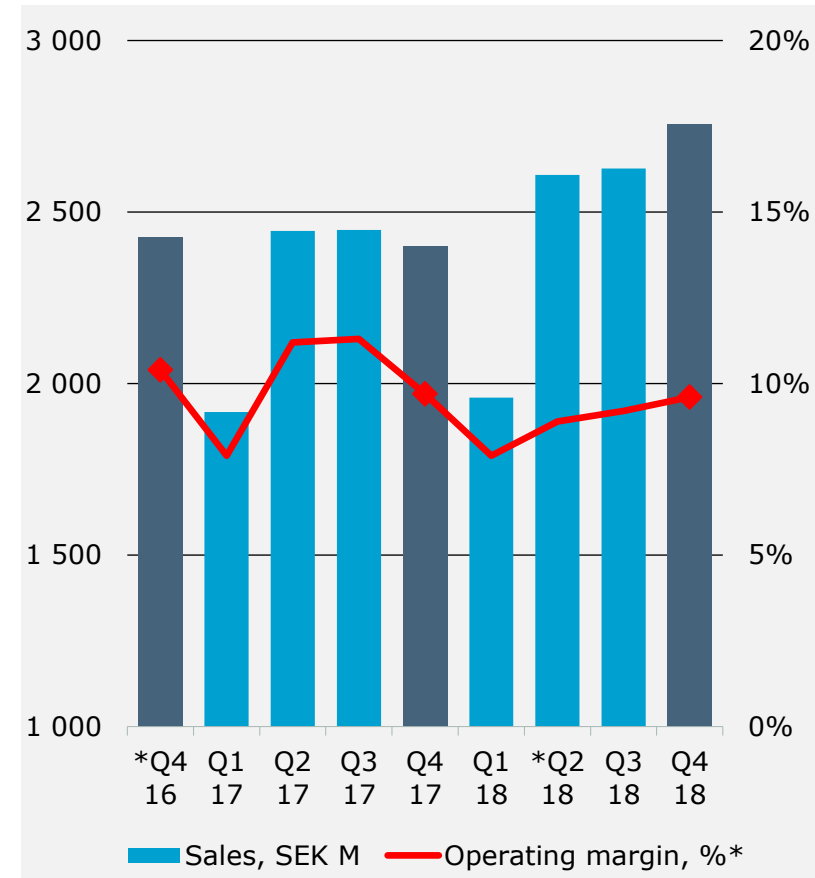


# Asia Pacific

11%  
of Group  
sales



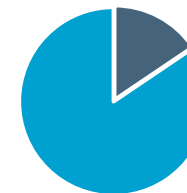
- **Organic growth of 11%**
  - Very strong growth in Japan, South Asia, India and intra-group sales
  - Good growth in South Korea and China
    - New organization established and new strategy being implemented in China
  - Stable growth in Pacific
- **Operating margin 9.6% (9.7%)**
  - Good volume leverage, but dilution from FX and M&A



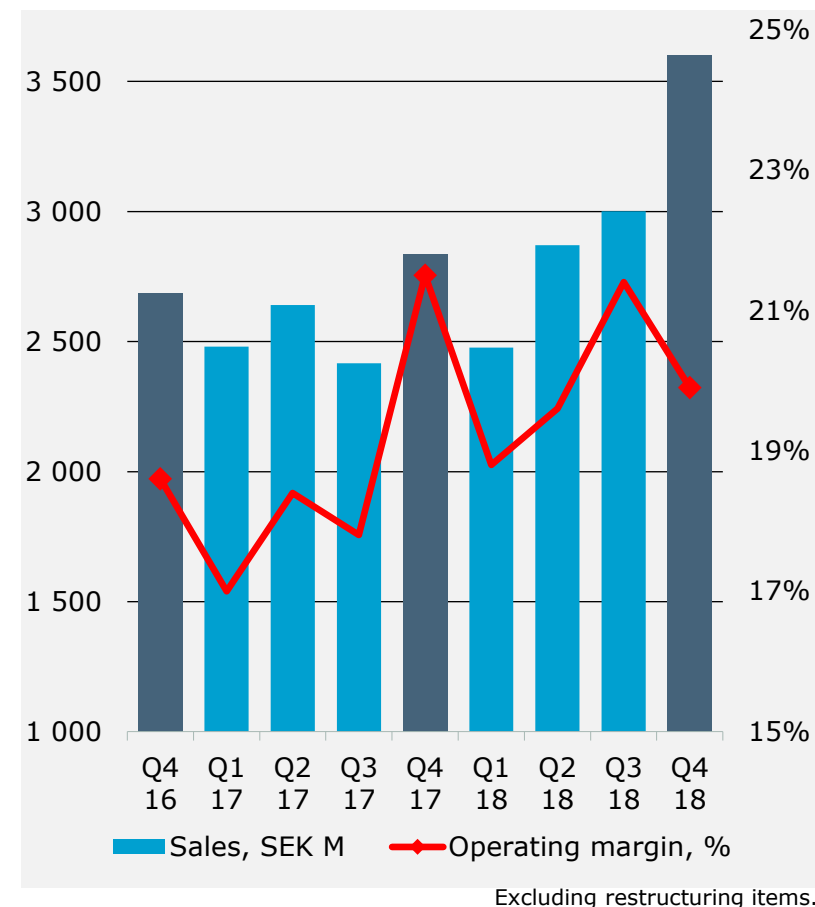
\*) Ex restructuring items in China in Q4 2016 and China write down of SEK 400 M in Q2 2018

# Global Technologies

16%  
of Group  
sales

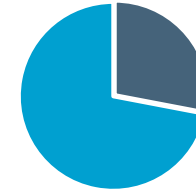


- **Organic growth of 8%**
  - HID
    - Very strong growth in Secure Issuance and Identify & Access Solutions
    - Strong growth in Physical Access Control
    - Good growth in Identification Technology and Extended Access
    - Negative growth in Citizen ID
  - ASSA ABLOY Global Solutions grew strongly
    - Strong contribution from all verticals
- **Operating margin 19.9% (21.5%)**
  - Dilution from M&A and mix

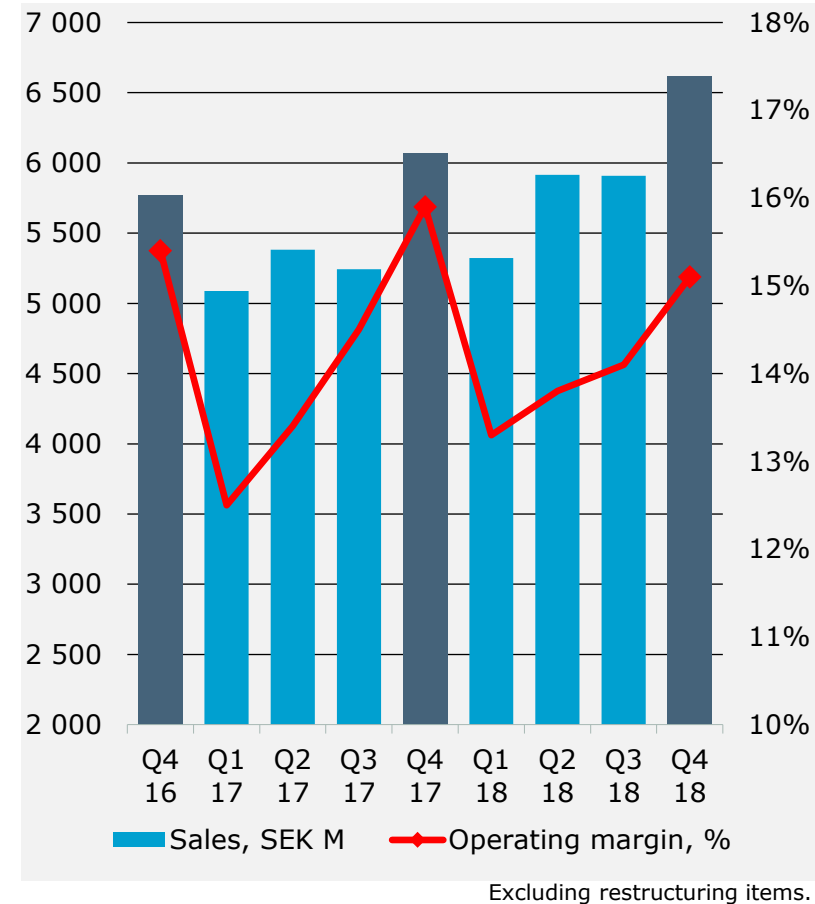


# Entrance Systems


28%  
of Group  
sales



- **Organic growth of 2%**
  - Strong growth in US Residential Doors
  - Good growth in Industrial Doors and Pedestrian Doors
  - Stable growth in Door components
  - Negative sales in High Performance Doors and EU Residential Doors
- **Operating margin 15.1% (15.9%)**
  - Margin affected by lower sales growth, mix and higher project costs







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

Erik Pieder  
CFO

The global leader in door opening solutions

**ASSA ABLOY**



# Financial highlights 2018

SEK M	October-December			January – December		
	2017	2018	Change	2017	2018	Change
<b>Sales</b>	<b>20,109</b>	<b>23,167</b>	<b>15%</b>	<b>76,137</b>	<b>84,048</b>	<b>10%</b>
- Organic growth	878	1,281	6%	2,834	3,901	5%
- Acquired net growth	480	714	3%	1,753	1,793	2%
- FX-differences	-733	1,063	6%	257	2,217	3%
<b>Operating income (EBIT)*</b>	<b>3,359</b>	<b>3,746</b>	<b>12%</b>	<b>12,341</b>	<b>13,309</b>	<b>8%</b>
EBITA-margin*	17.1%	16.7%	-0.4 pts	16.5%	16.3%	-0.2 pts
EBIT-margin*	16.7%	16.2%	-0.5 pts	16.2%	15.8%	-0.4 pts
Income before tax**	3,226	3,515	9%	11,673	12,110	4%
Net income**	2,385	2,588	9%	8,635	8,984	4%
<b>EPS**, SEK</b>	<b>2.15</b>	<b>2.33</b>	<b>9%</b>	<b>7.77</b>	<b>8.09</b>	<b>4%</b>
<b>Operating cash flow</b>	<b>4,876</b>	<b>4,923</b>	<b>1%</b>	<b>10,929</b>	<b>11,357</b>	<b>4%</b>

\*) Excluding China write down of SEK 400 M and impairments of SEK 5,595M in Q2 2018.

\*\*) Excluding the impairment in China of goodwill and other intangible assets.

# Bridge Analysis – Q4 2018

SEK M	Q4 2017	Organic	Currency	Acq/Div	Q4 2018
		6%	6%	3%	15%
	20,109	1,281	1,063	714	23,167
Operating profit	3,359	138	190	59	3,746
Operating margin, %	16.7%	10.8%	17.8%	8.3%	16.2%
Dilution/accretion		-0.3 pts	0.1 pts	-0.3 pts	

## Sales up SEK 3,058 M

- Price +2% and volume +4%
- Positive development driven by Americas and Global Technology

## EBIT up SEK 387 M

- Strong contribution from Americas and Global Technology

## Margin

- Dilution from acquisitions, raw material costs and lower sales in Entrance Systems

**FX & acquisition  
'run-rate' effects in Q1 2019  
(31 Dec 2018):**

**SALES**  
FX: +5%  
Acq: +4%

# P&L components as % of sales

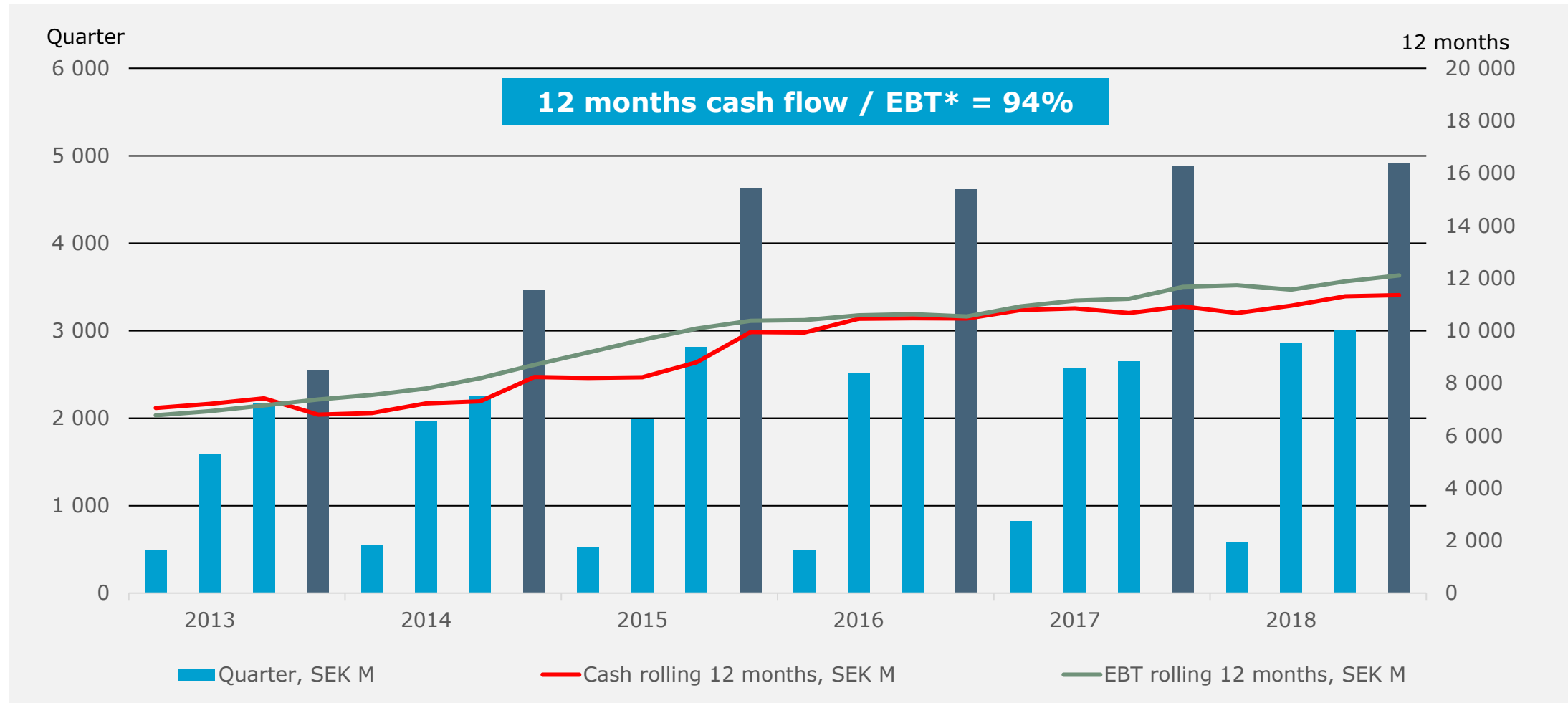
## January – December 2018

%	YTD 2017	YTD 2018 excl. acquisitions	Δ	YTD 2018
Direct material	-36.3%	-36.8%	-0.5 pts	-36.2%
Conversion cost	-24.3%	-24.2%	0.1 pts	-24.2%
Gross margin	39.4%	39.0%	-0.4 pts	39.6%
S, G & A*	-23.2%	-23.1%	0.1 pts	-23.7%
EBIT*	16.2%	16.0%	-0.2 pts	15.8%

- Direct Material – dilution due to raw material cost (50bps YTD and 20bps in Q4)
- Conversion cost – slight improvement
- SG&A - leverage from strong organic sales

\*) Excluding China write down of SEK 400 M in Q2 2018.

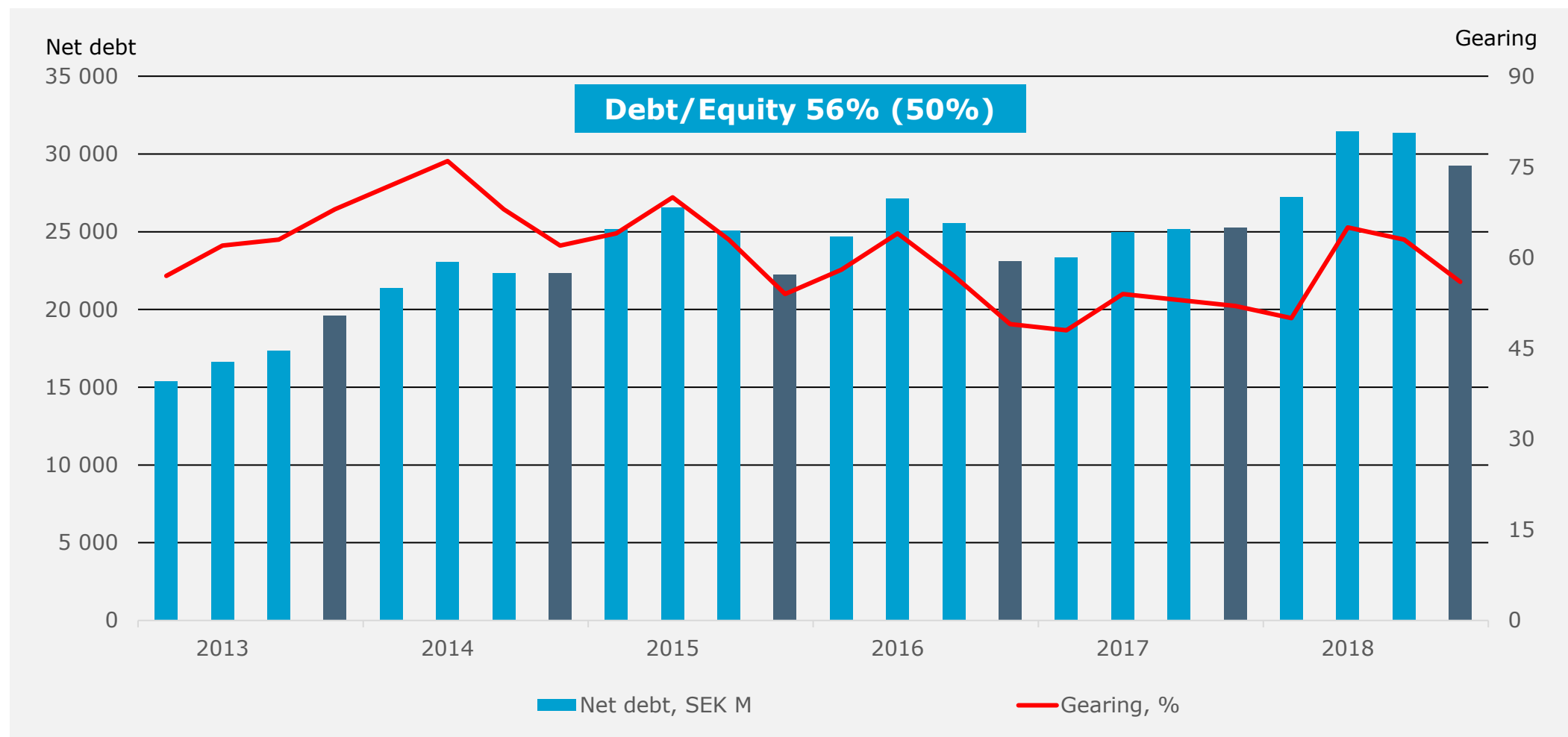
# Operating cash flow, SEK M



\*) Excluding the impairment in China of goodwill and other intangible assets.

# Gearing % and net debt, SEK M

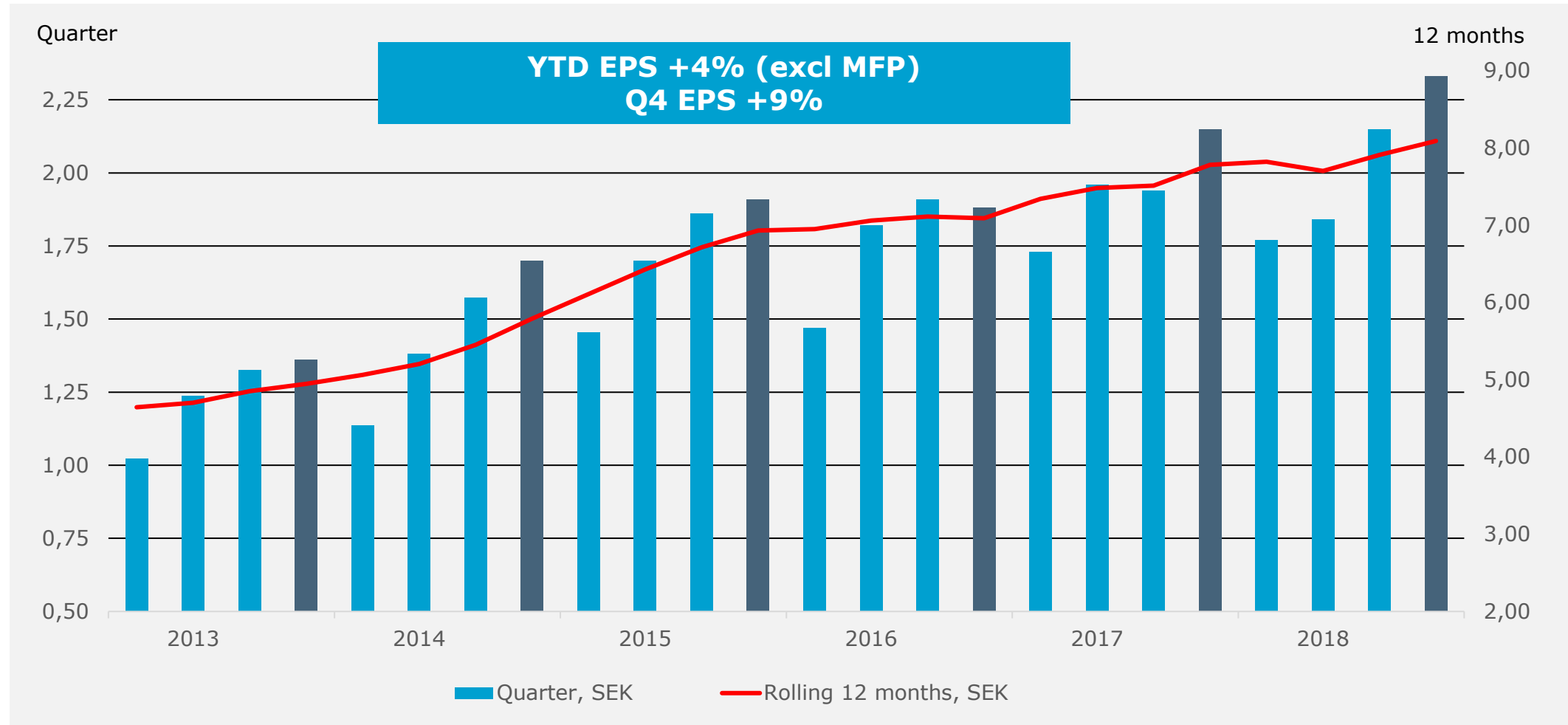
Net debt/EBITDA\*  
1.9 (1.8)



\*) Excluding China write down of SEK 400 M



# Earnings per share, SEK



\* Excluding restructuring items and impairment of intangible assets in China. Chart is restated for Stock split 3:1 2015.



Nico Delvaux  
President and CEO

The global leader in door opening solutions

**ASSA ABLOY**



# Conclusions Q4 2018

- **Strong organic sales development**
  - Very strong growth in Americas and APAC
  - Strong growth in Global Technologies
  - Good growth in EMEA
  - Growth in Entrance Systems
- **Electromechanical products up 30%**
- **Strong EBIT growth of 12%**
  - Margin diluted by M&A and raw material headwind
- **Launch of the 7<sup>th</sup> manufacturing footprint program**
- **Strong cash flow of SEK 4.9 billion**
- **Proposed dividend of SEK 3.50 per share**









# Appendix



# EMEA Financial Review

<b>SEK M</b>	<b>Q4 2017</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q4 2018</b>
Growth		3%	5%	5%	13%
Sales	4,869	159	181	276	5,485
Operating income	842	9	21	39	911
Operating margin, %	17.3%	5.6%	11.4%	14.2%	16.6%
Dilution/accretion		-0.3 pts	-0.3 pts	-0.1 pts	
12 months figures					
Sales	18,081				20,201
EBIT	2,990				3,256
Operating cash flow before paid interest	2,977				2,819
Cash flow/EBIT	99%				87%

# Americas Financial Review

<b>SEK M</b>	<b>Q4 2017</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q4 2018</b>
Growth		14%	8%	0%	22%
Sales	4,243	606	307	17	5,173
Operating profit	847	138	66	-23	1,027
Operating margin, %	19.9%	22.8%	21.6%	-138.0%	19.9%
Dilution/accretion		0.4 pts	0.1 pts	-0.5 pts	
12 months figures					
Sales	17,940				19,817
EBIT	3,815				3,941
Operating cash flow before paid interest	3,491				3,903
Cash flow/EBIT	92%				99%

# Asia Pacific Financial Review

SEK M	Q4 2017	Organic	Currency	Acq/Div	Q4 2018
Growth		11%	4%	0%	15%
Sales	2,400	263	92	0	2,756
Operating profit	232	27	7	-2	264
Operating margin, %	9.7%	10.3%	7.6%	n/a	9.6%
Dilution/accretion		0.1 pts	-0.1 pts	-0.1 pts	
12 months figures*					
Sales	9,211				9,949
EBIT	934				892
Operating cash flow before paid interest	859				811
Cash flow/EBIT	92%				91%

\*) Excluding China write down SEK 400 M in Q2 2018.

# Global Technologies Financial Review

<b>SEK M</b>	<b>Q4 2017</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q4 2018</b>
Growth		8%	8%	11%	27%
Sales	2,835	252	176	339	3,602
Operating profit	608	33	43	33	716
Operating margin, %	21.5%	13.0%	24.2%	9.7%	19.9%
Dilution/accretion		-0.5 pts	0.0 pts	-1.1 pts	
12 months figures					
Sales	10,373				11,951
EBIT	1,946				2,387
Operating cash flow before paid interest	1,732				2,463
Cash flow/EBIT	89%				103%

# Entrance Systems Financial Review

<b>SEK M</b>	<b>Q4 2017</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q4 2018</b>
Growth		2%	6%	1%	9%
Sales	6,072	142	321	82	6,616
Operating profit	966	-37	56	13	998
Operating margin, %	15.9%	-25.9%	17.5%	15.6%	15.1%
Dilution/accretion		-0.9 pts	0.1 pts	0.0 pts	

## 12 months figures

Sales	21,781				23,762
EBIT	3,087				3,358
Operating cash flow before paid interest	3,065				2,772
Cash flow/EBIT	99%				83%





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