



ASSA ABLOY Q1 report 2019

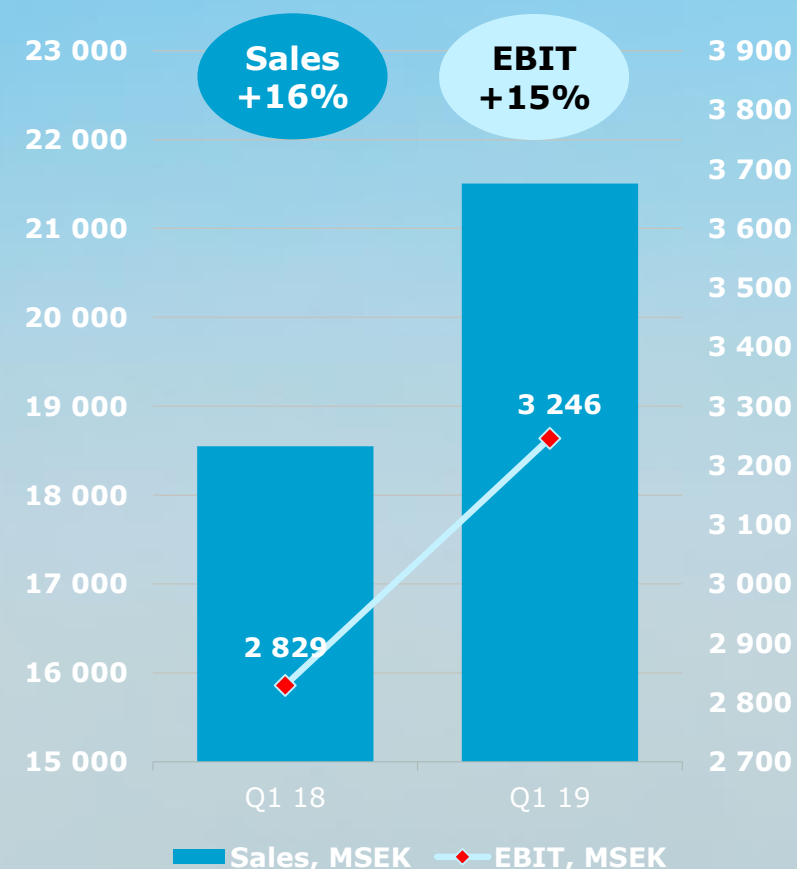
Q1 2019 in brief

- **Strong organic sales development**
 - Very strong growth in Americas
 - Strong growth in Global Technologies and APAC
 - Good growth in EMEA and Entrance Systems
- **Electromechanical products up 30%**
- **Strong EBIT growth of 15%**
 - Margin diluted by M&A, product mix and raw material headwind
- **Operating cash flow more than doubled**



Q1 2019 figures in summary

- **Sales SEK 21,505 M** **+16%**
 - 5% organic
 - 3% acquired
 - 8% currency
- **EBITA-margin 15.6% (15.7%)**
- **EBIT-margin 15.1% (15.3%)**
- **EBIT SEK 3,246 M** **+15%**
- **EPS SEK 2.00** **+13%**

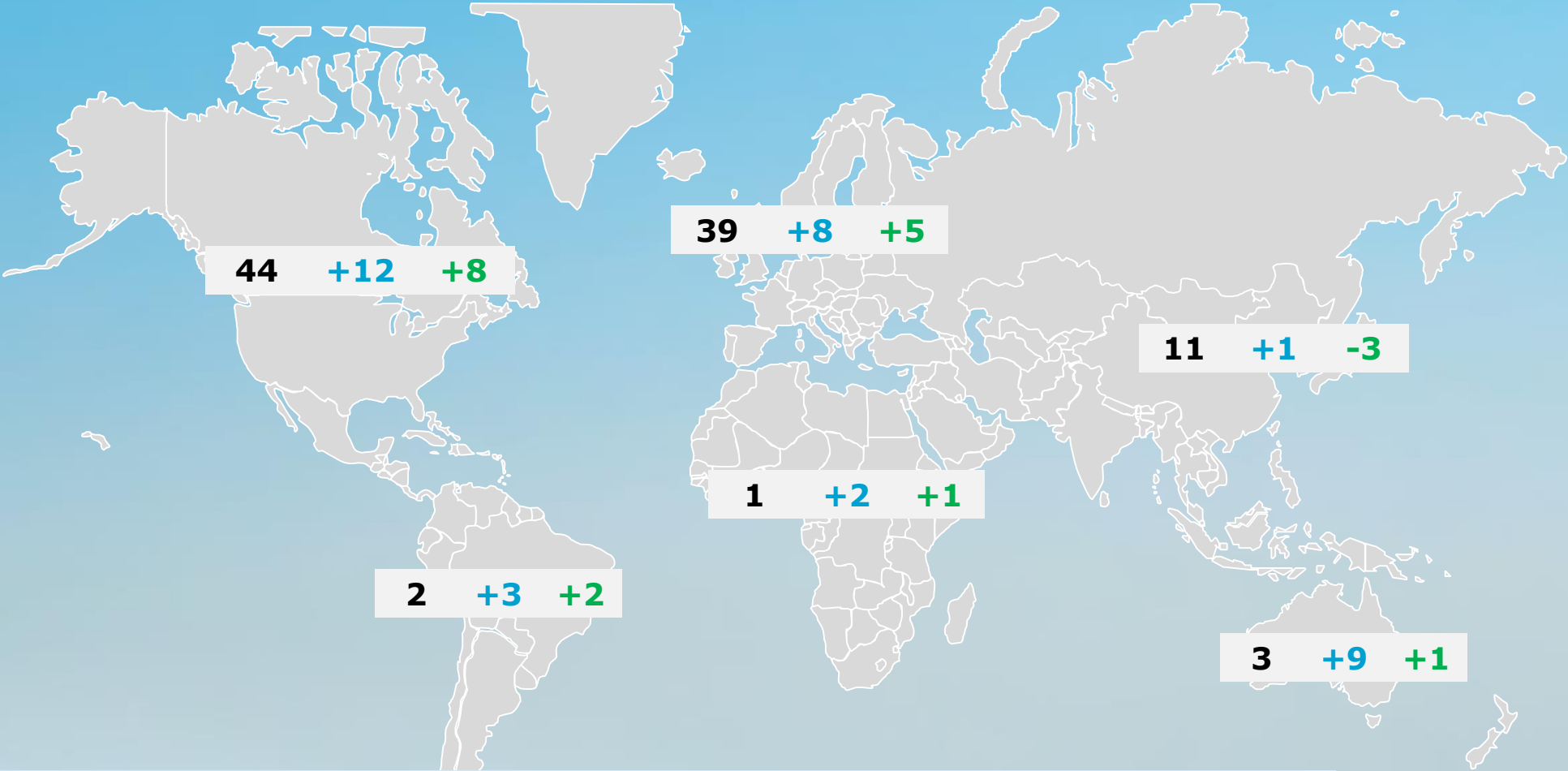


Sales by country

Jan – Mar 2019

ASSA ABLOY	100	+9	+5
Emerging markets	15	+4	+0

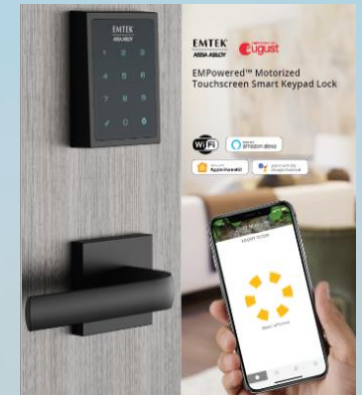
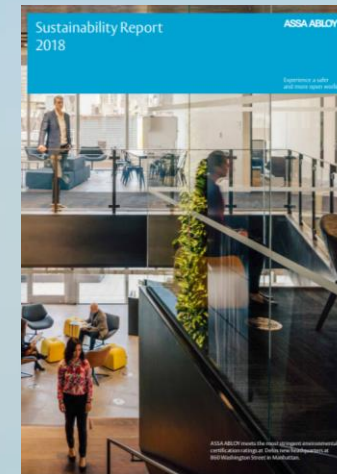
Emerging markets comprise follows IMF’s definition as per 2018-12-31



Share of sales, %	Change in local currencies YTD 2019 vs. YTD 2018, %	Organic change YTD 2019 vs. YTD 2018, %
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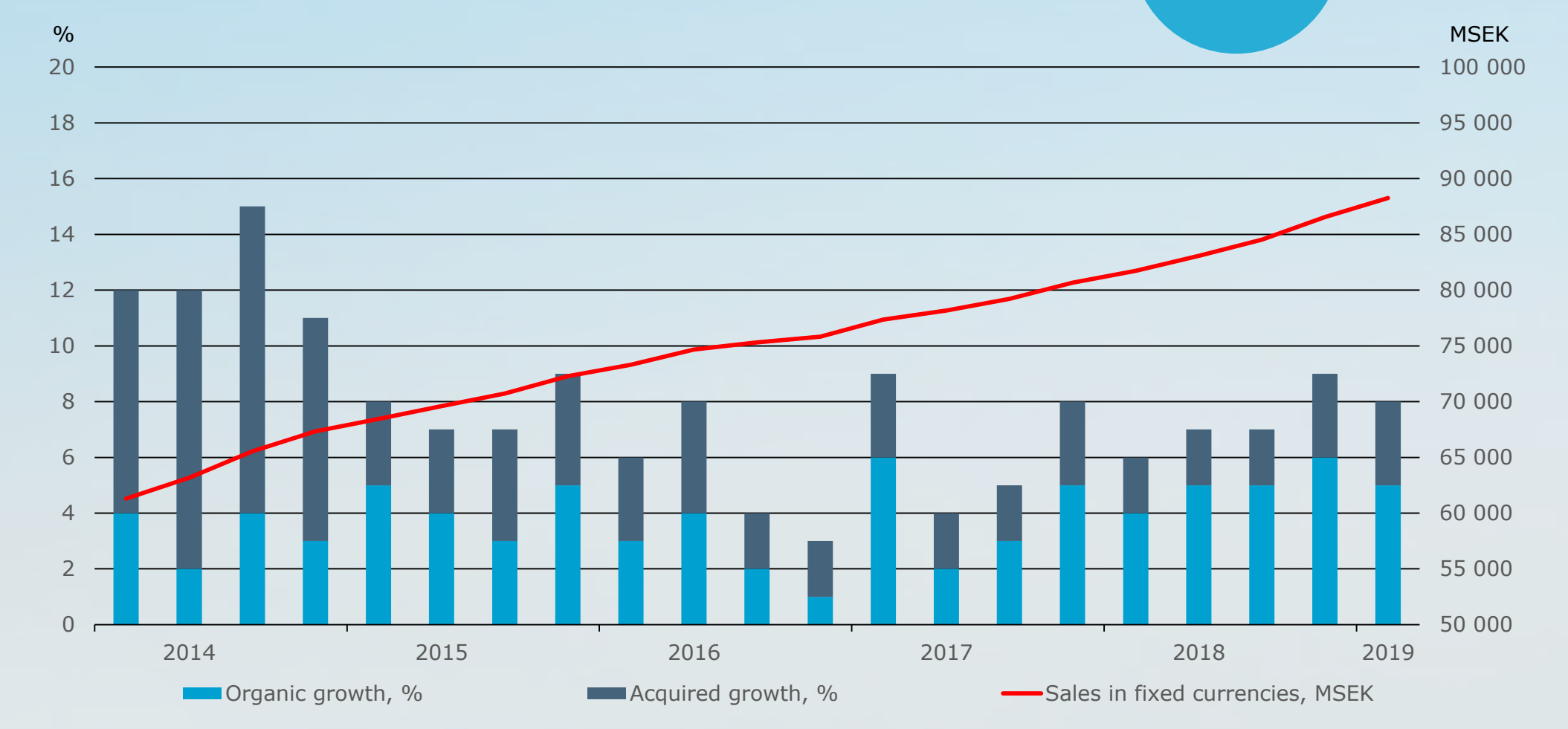
Market highlights

- **Investments and new product launches**
 - August WiFi video doorbell with integration with Alexa and Google Assistant
 - New fingerprint reader by HID
- **China: PanPan brand refresh launched**
- **Sustainability report 2018 published**
 - 11% injury rate reduction
 - 5% energy intensity reduction
- **Awards**
 - Seven awards received at the ISC West exhibition
 - High Security Printing conference award for Tanzania's e-Passport
 - IoT Breakthrough award to HID Trusted Tag Services

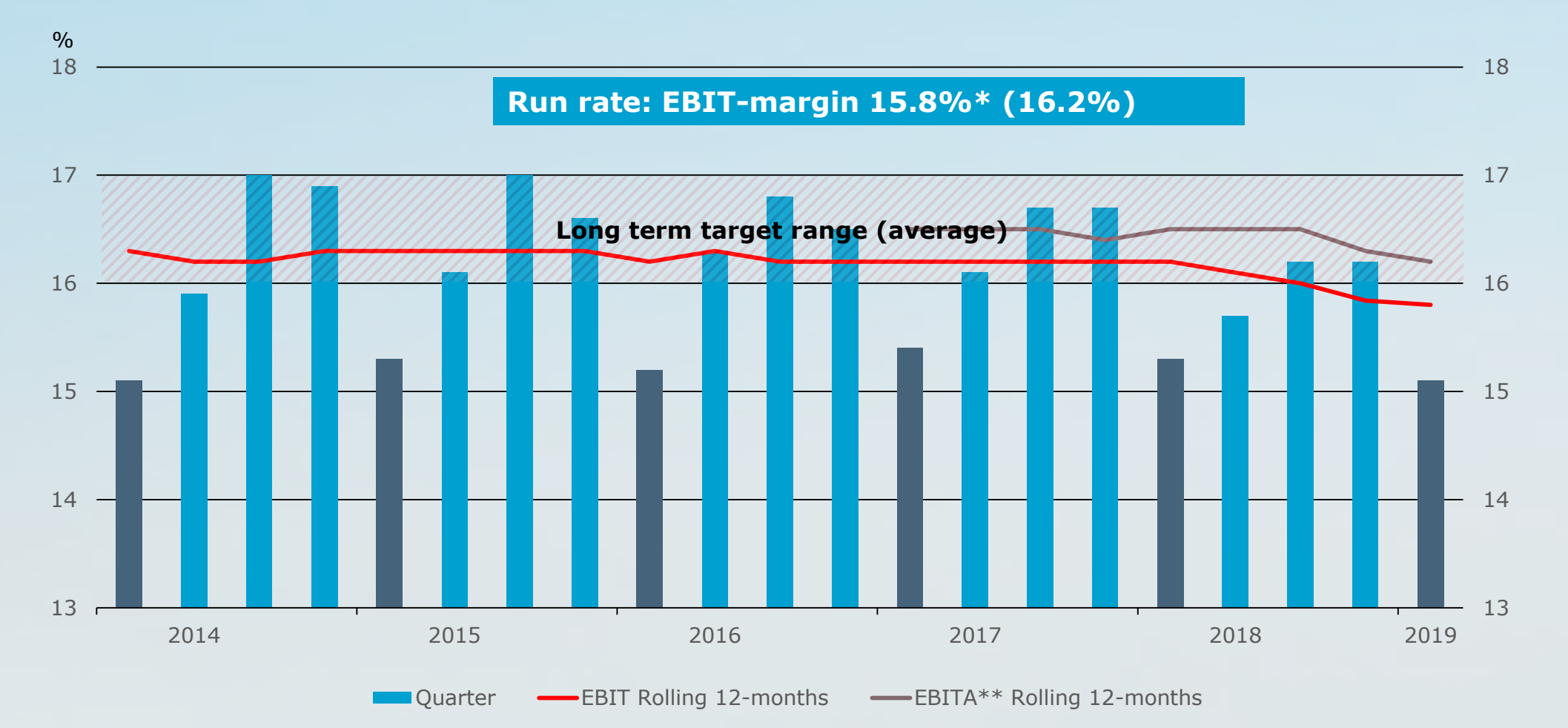


Sales growth

24 Quarters
with
positive OG



Operating margin

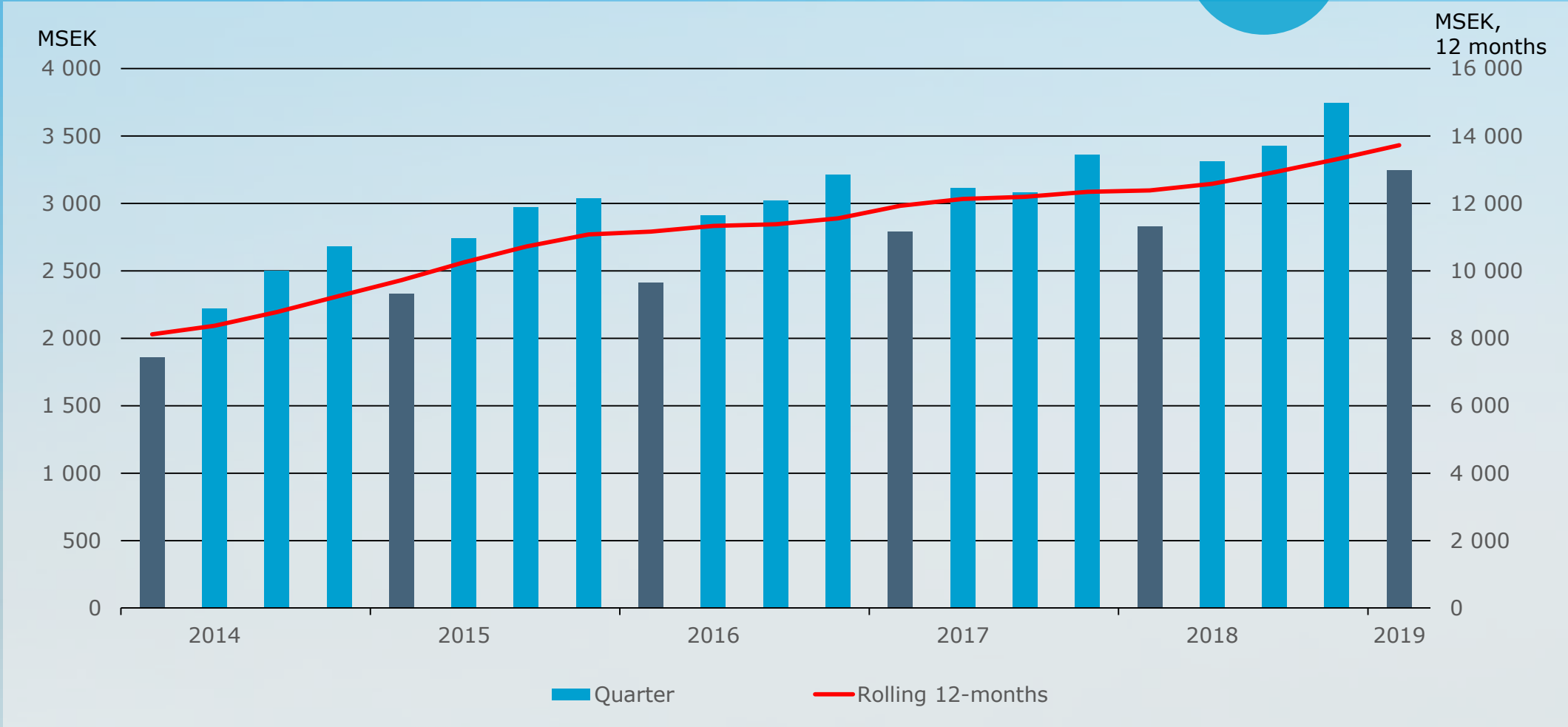


*) Excluding China write-downs and restructuring items.

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

Operating profit

+69%
in
5 years



*) Excluding China write-downs and restructuring items.

Acquisitions

- **Fully active pipeline**

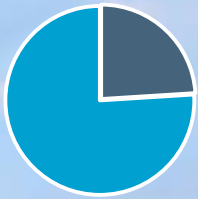
- 3 acquisitions completed in Q1 2019
- Acquired annualized sales of MSEK 650

- **Agreement to take majority stake in agta record**

- Automated pedestrian door supplier complementing ASSA ABLOY's product offering and geographic coverage
- Conditional upon regulatory approval and expected to close during the fourth quarter of 2019
- Sales of MEUR 378 and EBITA-margin of 12%* in 2018

* Adjusted for extraordinary personnel expenses of MEUR 8.9



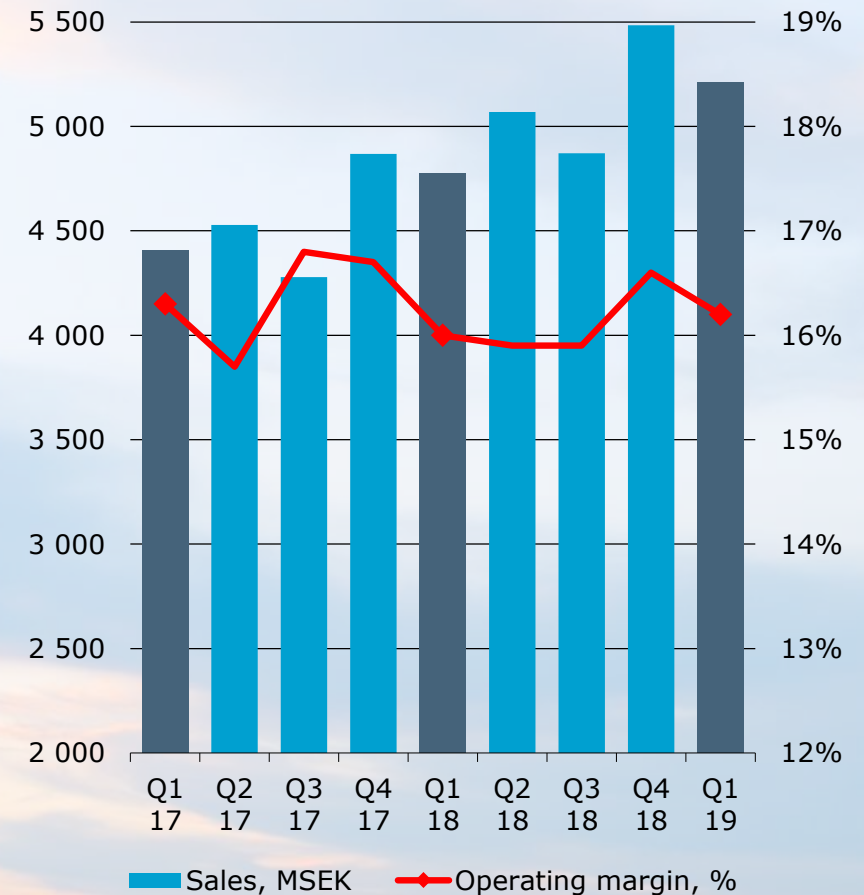


• Organic sales growth of 3%

- Strong growth in Scandinavia, Finland, Germany and Middle East/Africa
- Good growth in East Europe, Benelux and the UK
- Stable growth in South Europe
- Negative sales growth in France

• Operating margin 16.2% (16.0%)

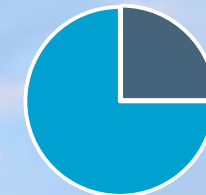
- Strong organic growth leverage of 50bps
- FX -50bps and acquisitions +20bps



Excluding restructuring items.

Americas

25%
of Group
sales

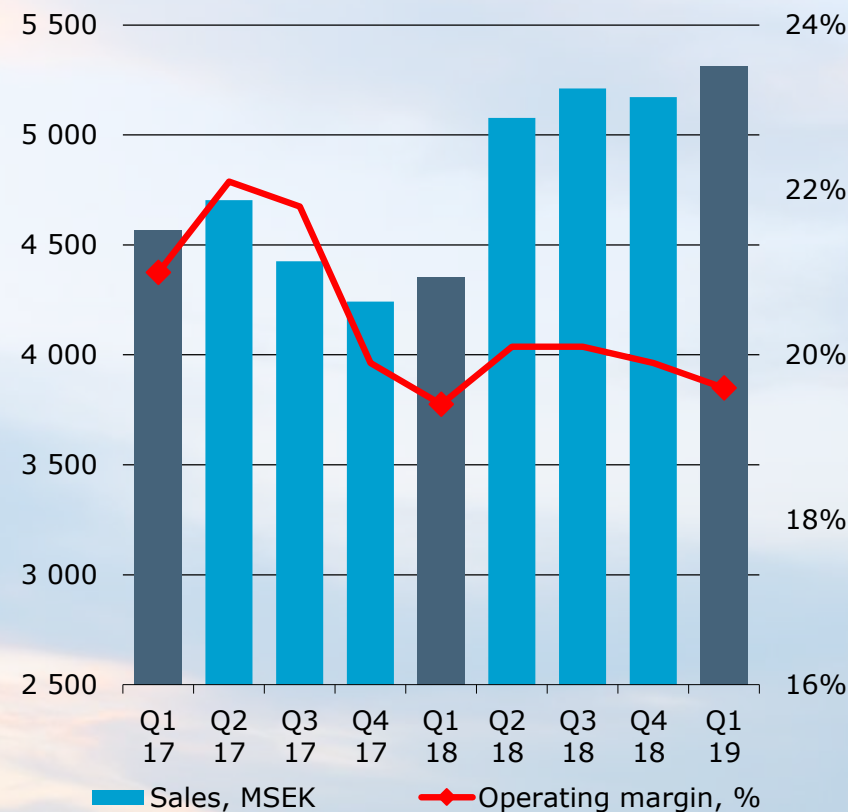


- **Organic sales growth of 10%**

- Very strong growth for US Smart Residential, Electromechanical & High Security, Architectural Hardware and Brazil
- Strong growth for US Security Doors/Residential Group
- Good growth in Canada and stable growth in Mexico
- Declining sales in Colombia, Chile and Perimeter Security

- **Operating margin 19.6% (19.4%)**

- Good volume leverage (10bps) despite negative product mix and continued dilution from raw materials
- FX +20bps and M&A -10bps



Excluding restructuring items.

Asia Pacific

9%
of Group
sales

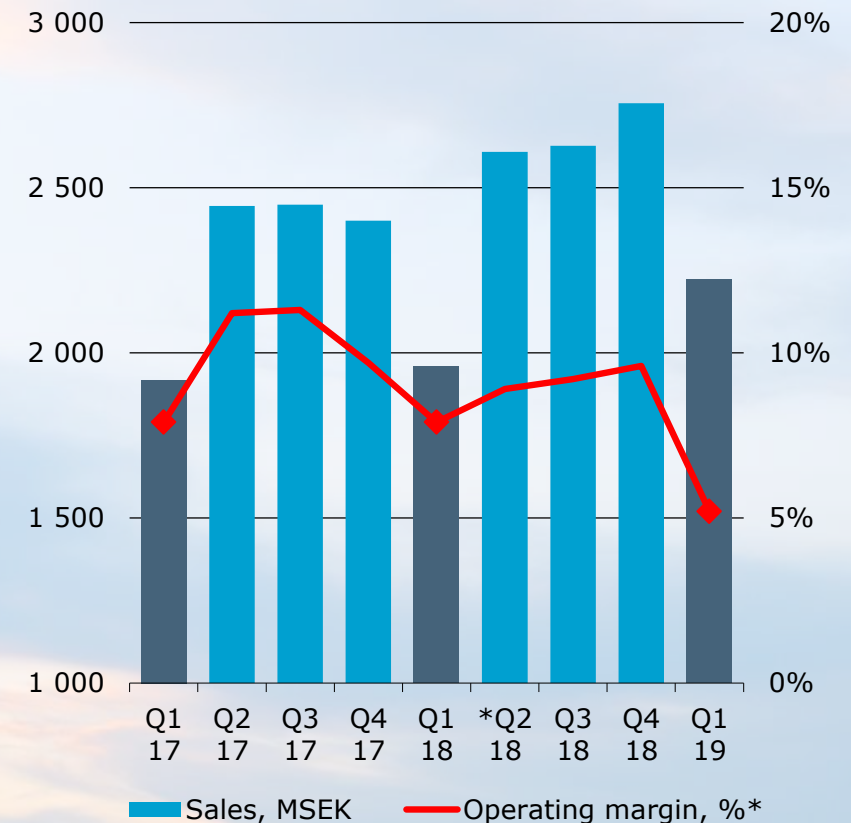


- **Organic sales growth of 6% but externally flat**

- Strong growth in Japan
- Good growth in Pacific and South Korea
- Stable growth in India and China
- Declining sales in South Asia

- **Operating margin 5.2% (7.9%)**

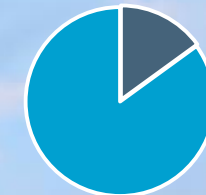
- Operating leverage -240bps due to flat external sales, low-margin intragroup sales and build-up of the new Chinese organization
- FX -30 bps and M&A flat



*) Excluding restructuring items and China write downs MSEK 400 in Q2 2018.

Global Technologies

15%
of Group
sales

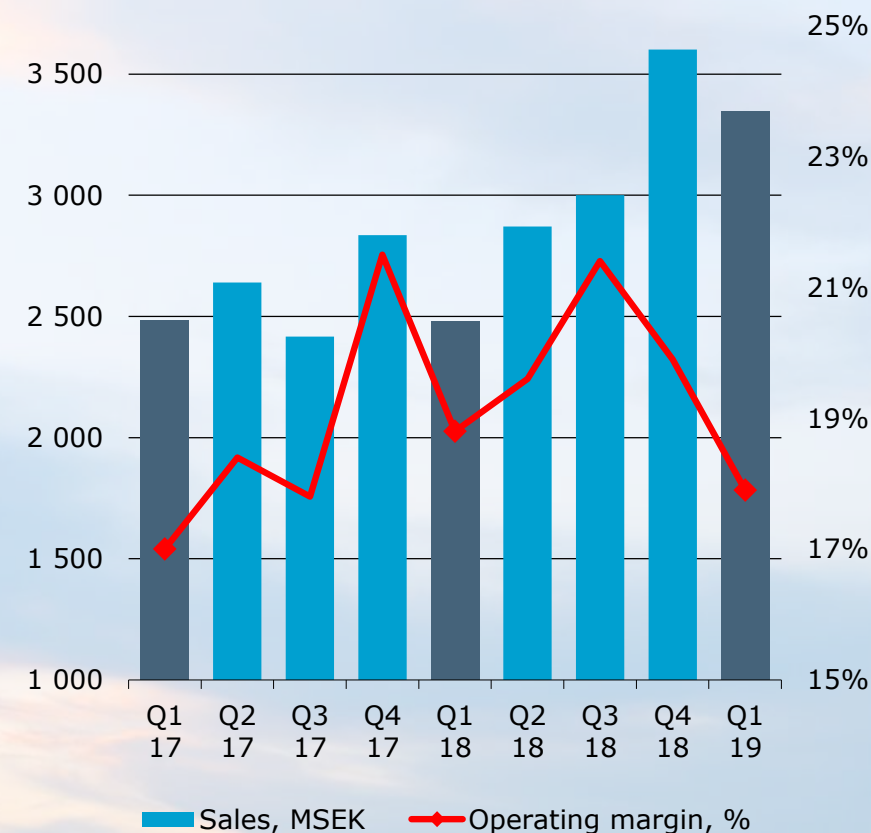


- **Organic sales growth of 9%**

- Very strong growth in Citizen ID, Secure Issuance and Physical Access Control
- Strong growth in Identify & Access Solutions
- Good growth in Global Solutions
- Negative growth in Identification Technology and Extended Access

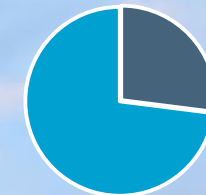
- **Operating margin 17.9% (18.8%)**

- Very strong volume leverage (+50bps) despite investments in R&D
- FX +60bps and M&A -200bps



Entrance Systems

27%
of Group
sales

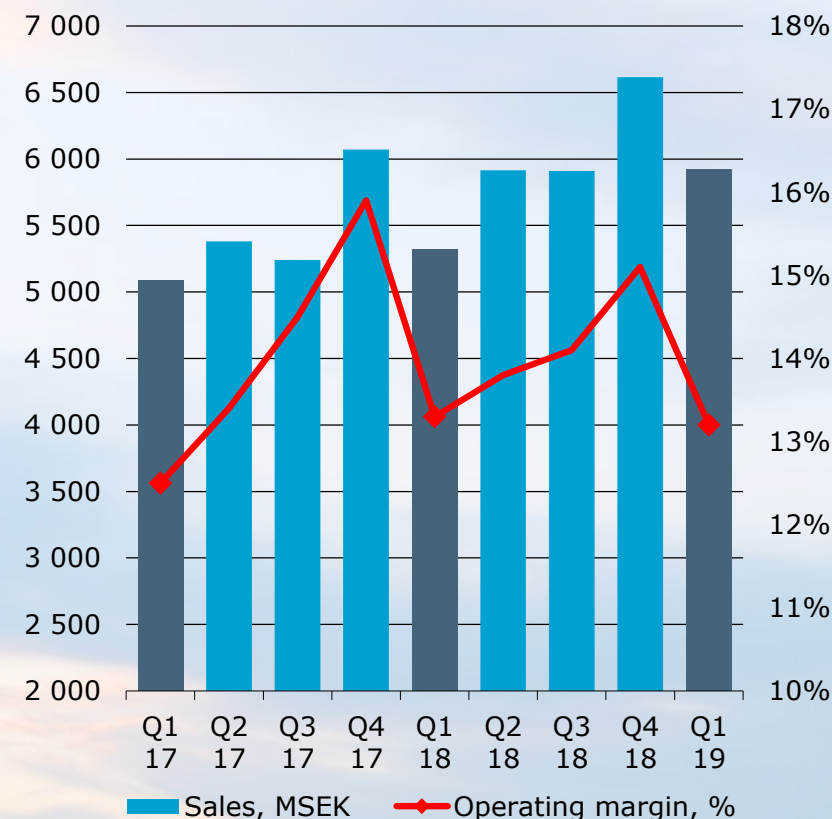


- **Organic sales growth of 3%**

- Strong growth in Pedestrian Doors, EU Residential Doors and Industrial Doors
- Good growth in Door components
- Stable growth in High Performance Doors
- Slightly negative sales in US Residential Doors
- Accelerated service growth

- **Operating margin 13.2% (13.3%)**

- Negative volume leverage (-10bps) due to product mix, raw material and investments in service organization



Excluding restructuring items.

Financial summary, Q1 2019

SEK M	January – March		
	2018	2019	Change
Sales	18,550	21,505	16%
- Organic growth	705	1,006	5%
- Acquired net growth	268	689	3%
- FX-differences	-565	1,260	8%
Operating income (EBIT)	2,829	3,246	15%
EBITA-margin	15.7%	15.6%	-0.1pts
EBIT-margin	15.3%	15.1%	-0.2 pts
Income before tax	2,654	2,997	13%
Net income	1,964	2,218	13%
EPS, SEK	1.77	2.00	13%
Operating cash flow	575	1,171	104%

Bridge analysis - Q1 2019

SEK M	Q1 2018	Organic	Currency	Acq/Div	Q1 2019
Growth		5%	8%	3%	16%
Sales	18,550	1,006	1,260	689	21,505
Operating profit	2,829	162	183	71	3,246
Operating margin, %	15.3%	16.1%	14.6%	10.3%	15.1%
Dilution/accretion		0.1 pts	-0.1 pts	-0.2 pts	

Sales up MSEK 2,955

- Price +2% and volume +3%
- Growth driven by Americas and Global Technologies

EBIT up MSEK 417

- Strong contribution from Americas and Global Technologies

Margin

- Dilution from APAC (-20 bps) and acquisitions (-20bps)

**FX & acquisition
'run-rate' effects in Q2 2019
(31 Mar 2019):**

SALES
FX: +3%
Acq: +3%

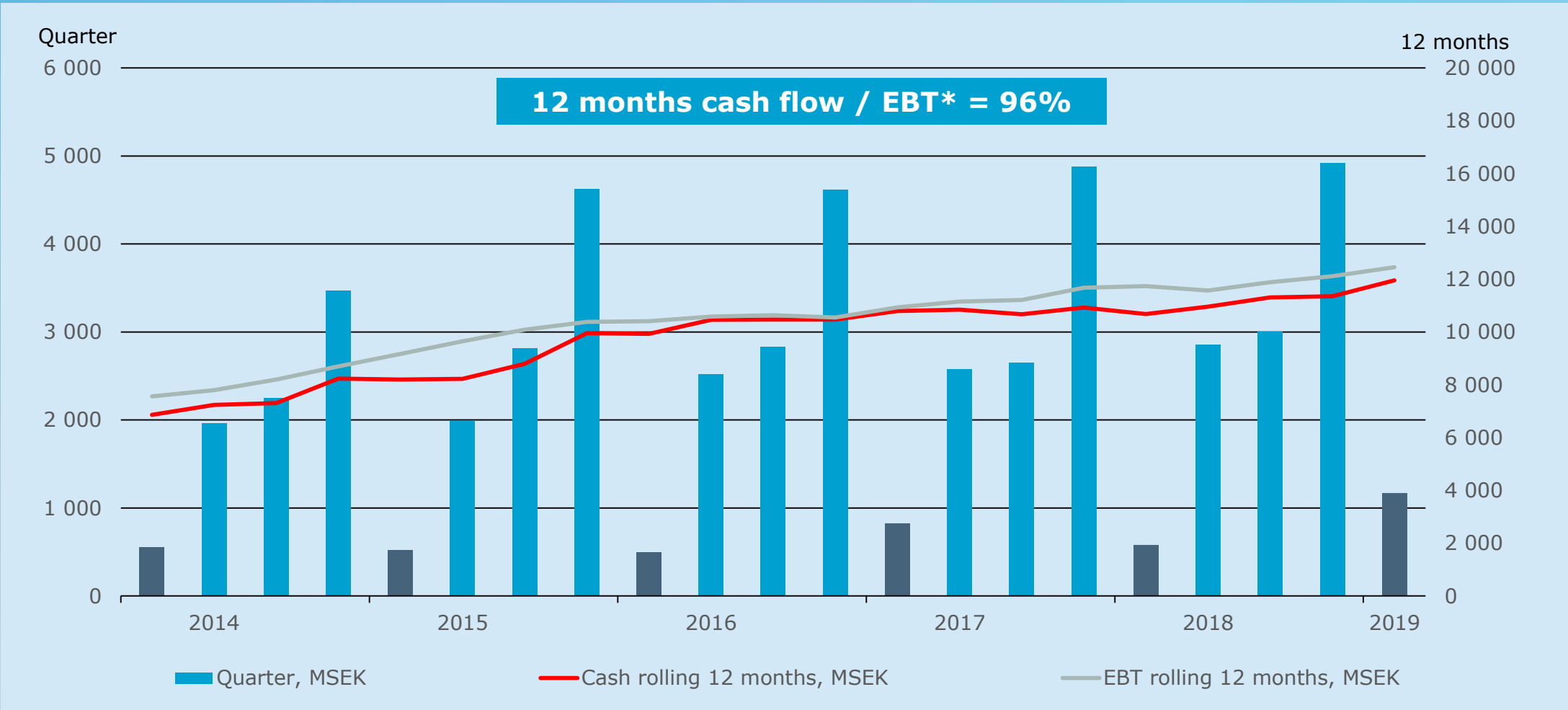
Cost breakdown as % of sales

January – March

%	Q1 2018	Q1 2019 excl. acquisitions	Δ	Q1 2019
Direct material	-34.9%	-35.6%	-0.7 pts	-35.6%
Conversion cost	-25.4%	-24.7%	0.7 pts	-24.4%
Gross margin	39.7%	39.7%	0.0 pts	40.0%
S, G & A	-24.4%	-24.4%	0.0 pts	-24.9%
EBIT	15.3%	15.3%	0.0 pts	15.1%

- Direct Material – increase due to mix, FX and high raw material prices
- Conversion cost – strong improvement from volume leverage and operational efficiencies
 - MFP efficiencies of MSEK 180 in Q1
- SG&A – volume leverage offset by R&D investments

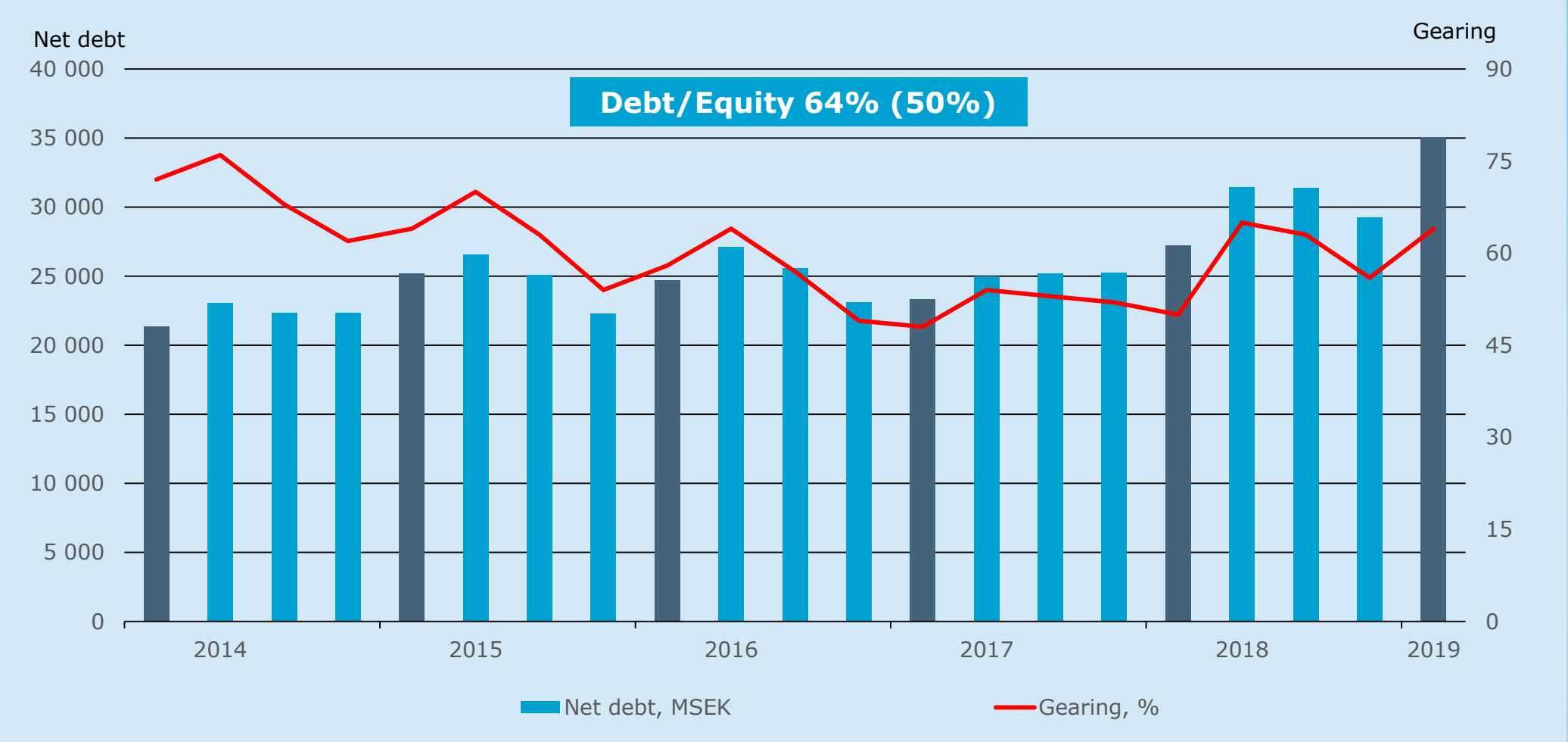
Operating cash flow, MSEK



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

Gearing % and net debt, MSEK

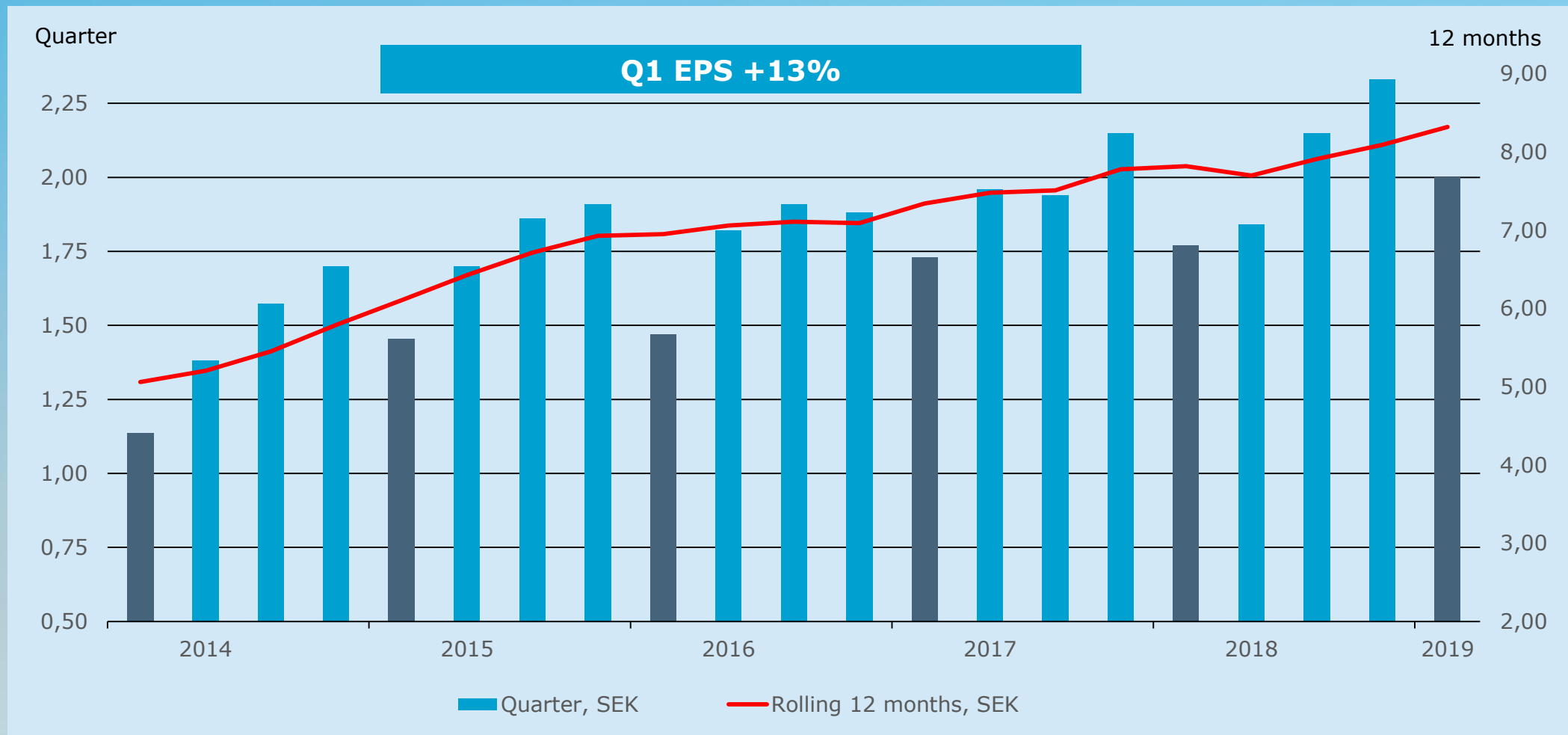
Net debt/EBITDA*
2.2 (1.9)



IFRS 16
effect on net
debt
SEK 3.7 bn

*) 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.

Conclusions

- **Strong organic sales development**
 - Very strong growth in Americas
 - Strong growth in Global Technologies and APAC
 - Good growth in EMEA and Entrance Systems
- **Electromechanical products up 30%**
- **Strong EBIT growth of 15%**
- **Operating cash flow more than doubled**
- **Dividend proposal for 2018 of SEK 3.50**





Q&A

Appendix



EMEA's bridge

MSEK	Q1 2018	Organic	Currency	Acq/Div	Q1 2019
Growth		3%	3%	3%	9%
Sales	4,775	138	154	141	5,208
Operating income	764	49	-5	34	841
Operating margin, %	16.0%	35.5%	-3.4%	23.9%	16.2%
Dilution/accretion		0.5 pts	-0.5 pts	0.2 pts	

12 months figures

Sales	18,451		20,634
EBIT	3,036		3,333
Operating cash flow before paid interest	2,911		2,846
Cash flow/EBIT	96%		85%

Americas' bridge

MSEK	Q1 2018	Organic	Currency	Acq/Div	Q1 2019
Growth		10%	11%	1%	22%
Sales	4,354	469	454	35	5,312
Operating income	845	98	93	3	1,040
Operating margin, %	19.4%	20.9%	20.5%	9.1%	19.6%
Dilution/accretion		0.1 pts	0.2 pts	-0.1 pts	

12 months figures

Sales	17,728		20,775
EBIT	3,699		4,136
Operating cash flow before paid interest	3,535		3,922
Cash flow/EBIT	96%		95%

Asia Pacific's bridge

MSEK	Q1 2018	Organic	Currency	Acq/Div	Q1 2019
Growth		6%	5%	2%	13%
Sales	1,959	116	107	38	2,221
Operating income	154	-44	3	2	115
Operating margin, %	7.9%	-37.8%	3.2%	5.0%	5.2%
Dilution/accretion		-2.4 pts	-0.3 pts	0.0 pts	

12 months figures

Sales	9,253		10,211
EBIT	937		853
Operating cash flow before paid interest	855		847
Cash flow/EBIT	91%		99%

Global Technologies' bridge

MSEK	Q1 2018	Organic	Currency	Acq/Div	Q1 2019
Growth		9%	11%	15%	35%
Sales	2,477	264	209	399	3,348
Operating income	466	63	55	14	598
Operating margin, %	18.8%	24.0%	26.3%	3.4%	17.9%
Dilution/accretion		0.5 pts	0.6 pts	-2.0 pts	

12 months figures

Sales	10,368		12,822
EBIT	1,991		2,519
Operating cash flow before paid interest	1,876		2,607
Cash flow/EBIT	94%		103%

Entrance Systems' bridge

MSEK	Q1 2018	Organic	Currency	Acq/Div	Q1 2019
Growth		3%	7%	1%	11%
Sales	5,322	176	354	70	5,922
Operating income	710	18	44	7	779
Operating margin, %	13.3%	10.4%	12.3%	9.4%	13.2%
Dilution/accretion		-0.1 pts	0.0 pts	0.0 pts	

12 months figures

Sales	22,016		24,362
EBIT	3,159		3,427
Operating cash flow before paid interest	2,784		3,288
Cash flow/EBIT	88%		96%



www.assaabloy.com

Group vision

To be the leader in providing innovative access solutions that help people feel safe and secure so that they can experience a more open world