



ASSA ABLOY Q2 report 2019

Good growth and improved margin – Q2 2019 in brief

- **Good organic sales development**

- Strong growth in Americas and Global Technologies
- Good growth in APAC and EMEA
- Stable growth in Entrance Systems

- **Electromechanical products up 20%**

- **Strong EBIT growth of 13%***

- Good margin – raw material offset and good operational leverage

- **Very strong operating cash flow up 27%**



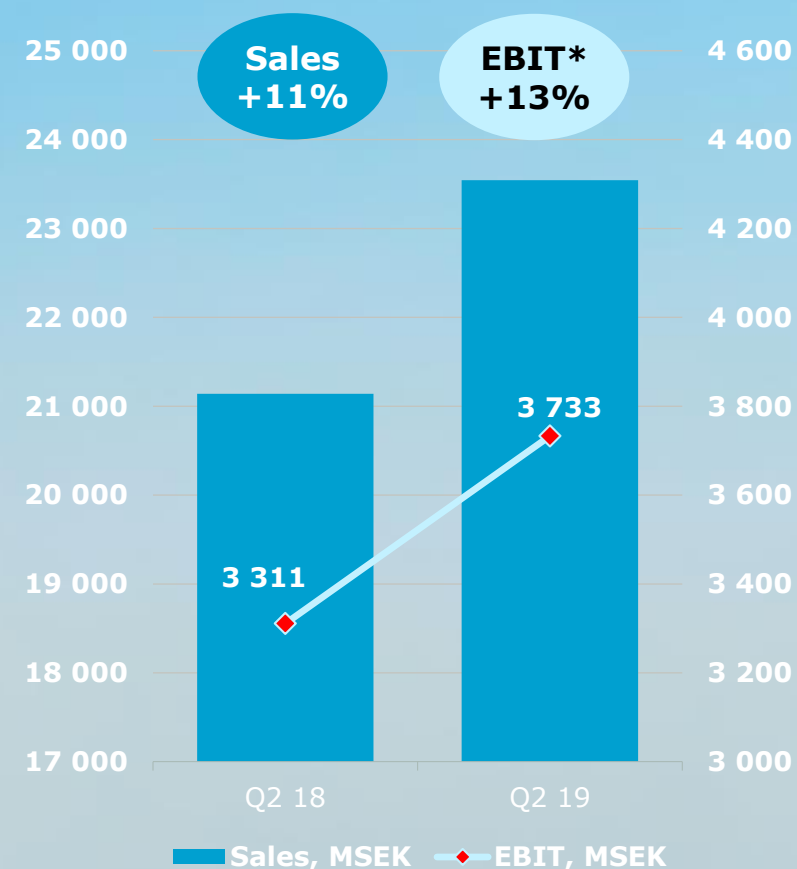
*) Excluding China write downs in Q2 2018.

Q2 2019 figures in summary

- **Sales SEK 23,544 M** **+11%**
 - 3% organic
 - 4% acquired
 - 4% currency
- **EBITA-margin 16.4% (16.1%*)**
- **EBIT-margin 15.9% (15.7%*)**
- **EBIT SEK 3,733 M** **+13%***
- **EPS SEK 2.31** **+25%****

*) Excluding China write downs in Q2 2018.

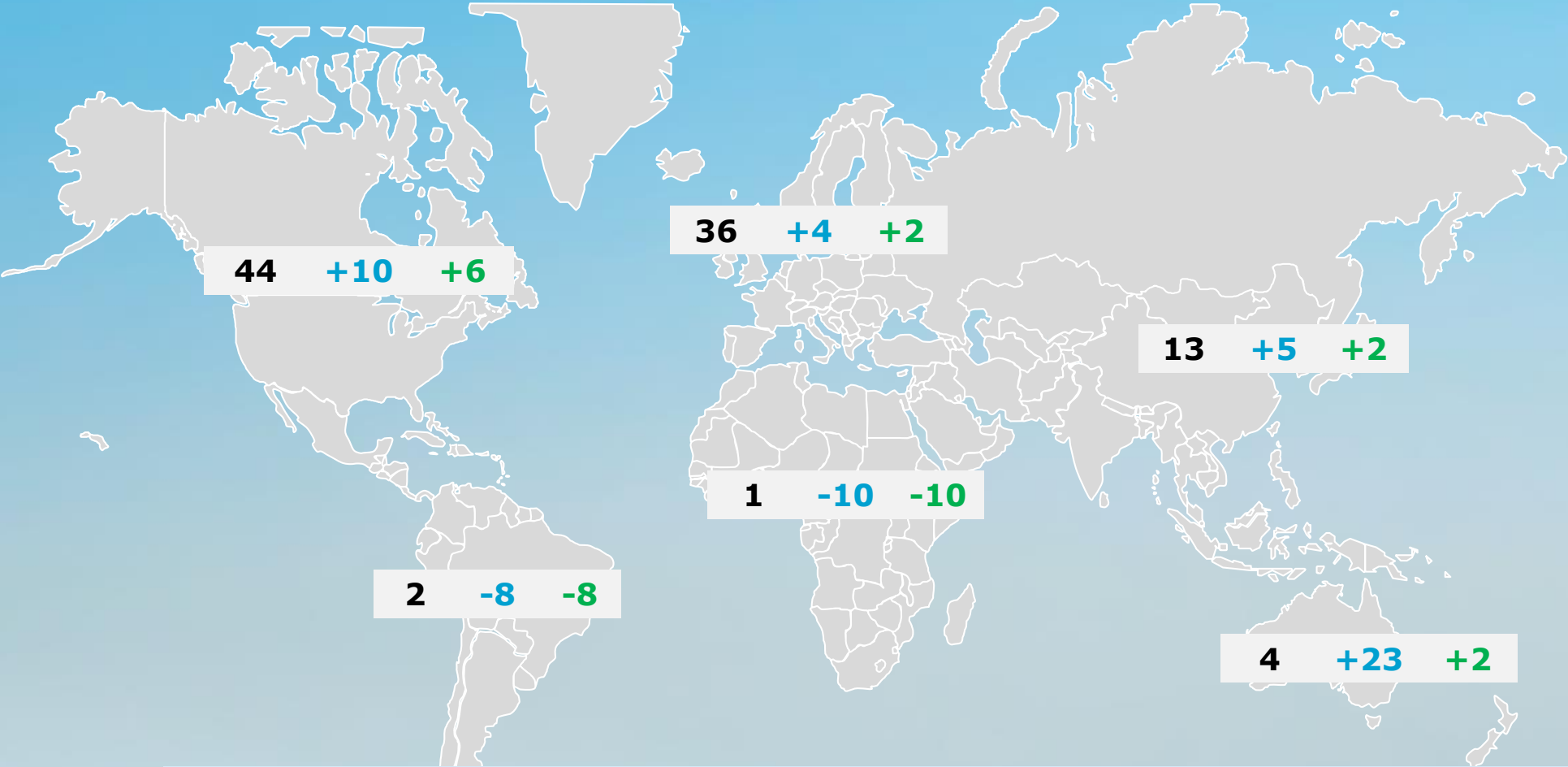
**) Excluding the impairment in China of goodwill and other intangible assets.



Sales by country

Apr – Jun 2019

ASSA ABLOY	100	+7	+3
Emerging markets	17	+2	+0



Share of sales, %	Change in local currencies QTD 2019 vs. QTD 2018, %	Organic change QTD 2019 vs. QTD 2018, %
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Emerging markets comprise follows IMF’s definition as per 2018-12-31

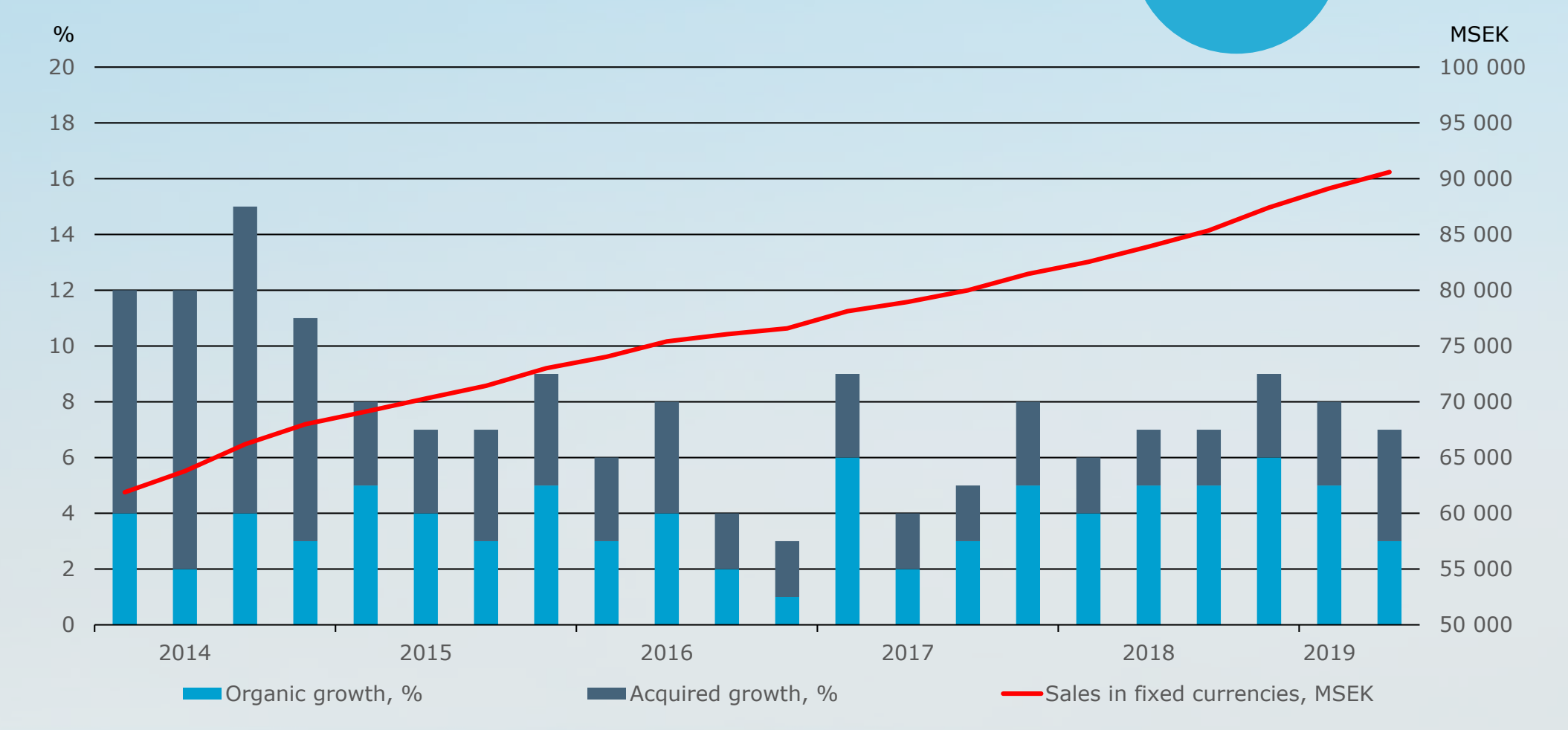
Market highlights

- **Investment in Global Solutions shows progress**
 - Melbourne Metro Train Line Cliq order for 13,500 units
 - Agreement with Marriott for maid distress solution
 - Several large deliveries with mobile key functionality in Marine
- **Good progress in service business**
 - Investing in service technicians
 - New service upgrade kits for modernization
- **Continued recognition for leading innovation position**
 - Secure Campus in the US for Attack Resistant Openings
 - DIY Week UK 'Best Security Product' for Sync Smart Alarm
 - Gold winner in German brand award

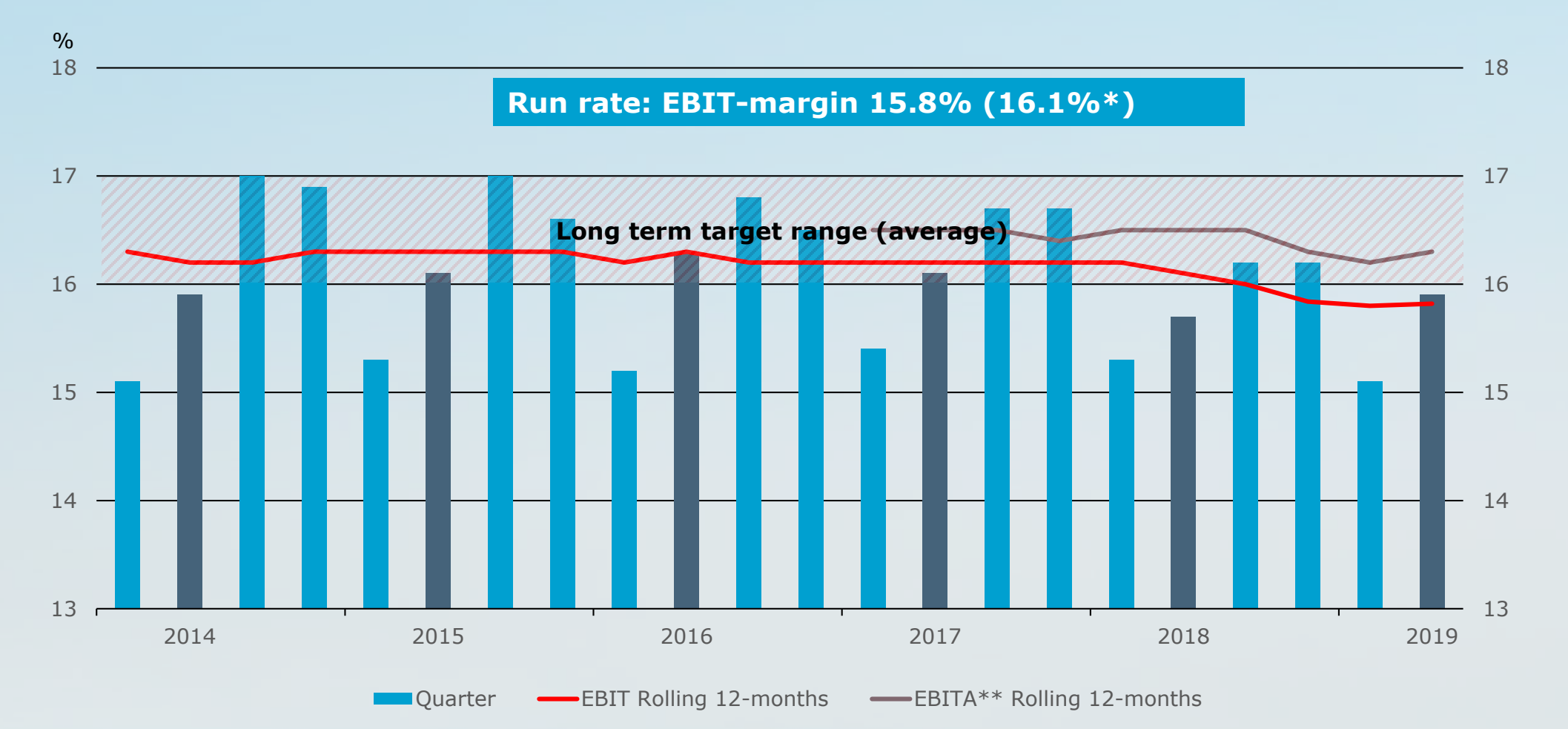


Sales growth

25 Quarters
with
positive OG



Operating margin



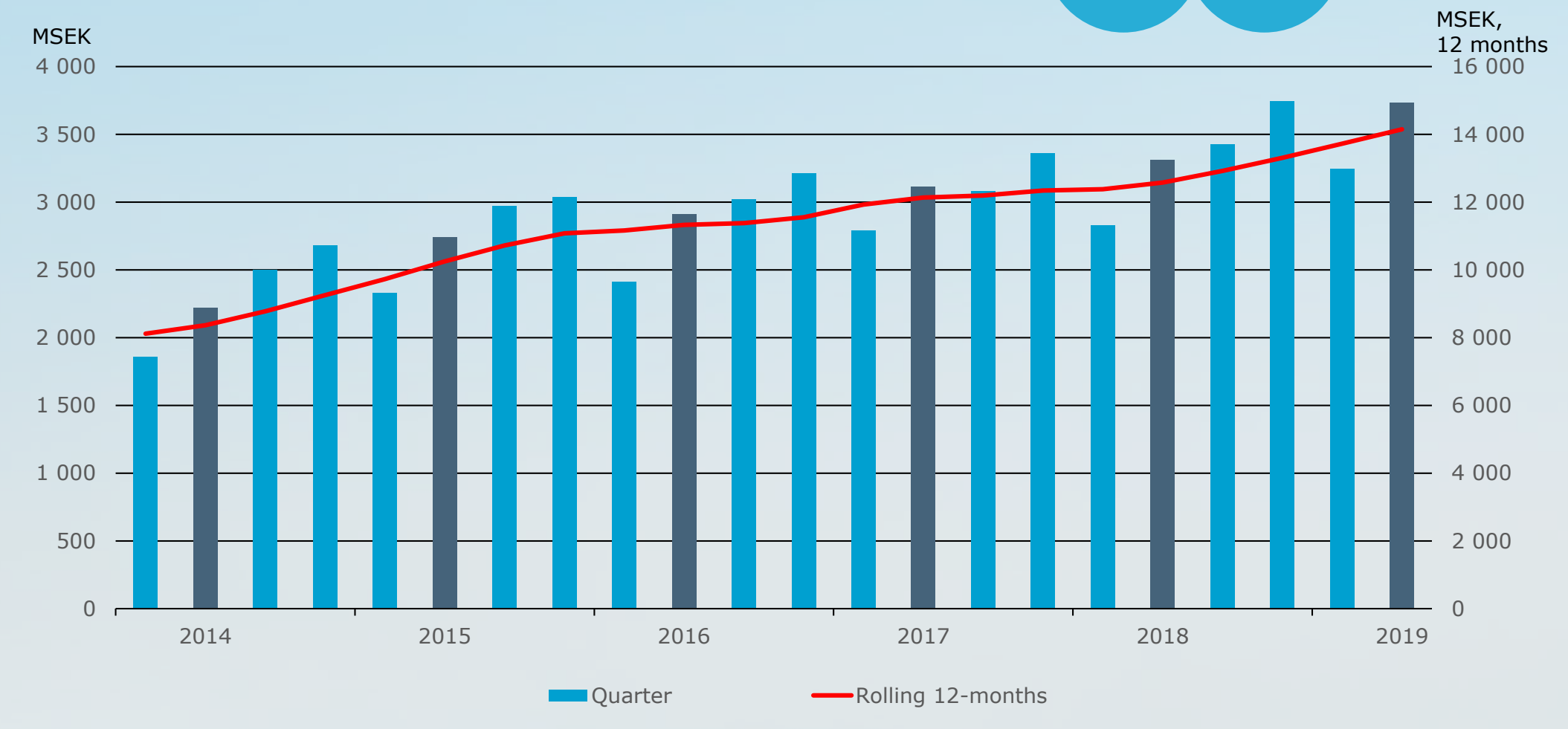
*) Excluding China write-downs and restructuring items.

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

Operating profit

+13%
vs
Q2 LY

+69%
in
5 years



*) Excluding China write-downs and restructuring items.

Acquisitions

- **Fully active pipeline**

- 5 acquisitions completed in 2019
- Acquired annualized sales of MSEK 1,000

- **Additional acquisitions to be closed**

- **agta record**

- Sales of MEUR 378 and EBITA-margin of 12%* in 2018
- Conditional upon regulatory approval and expected to close during the fourth quarter of 2019

- **De La Rue's Citizen ID Business**

- Sales of MSEK 460

* Adjusted for extraordinary personnel expenses of MEUR 8.9



De La Rue's Citizen ID Business, UK



- **Sales of MSEK 460 with 200 employees**
- **Leading passport manufacturer**
- **Considerably enhancing our Citizen ID business**
- **Expected closing Q3**
- **Neutral to EPS from start**



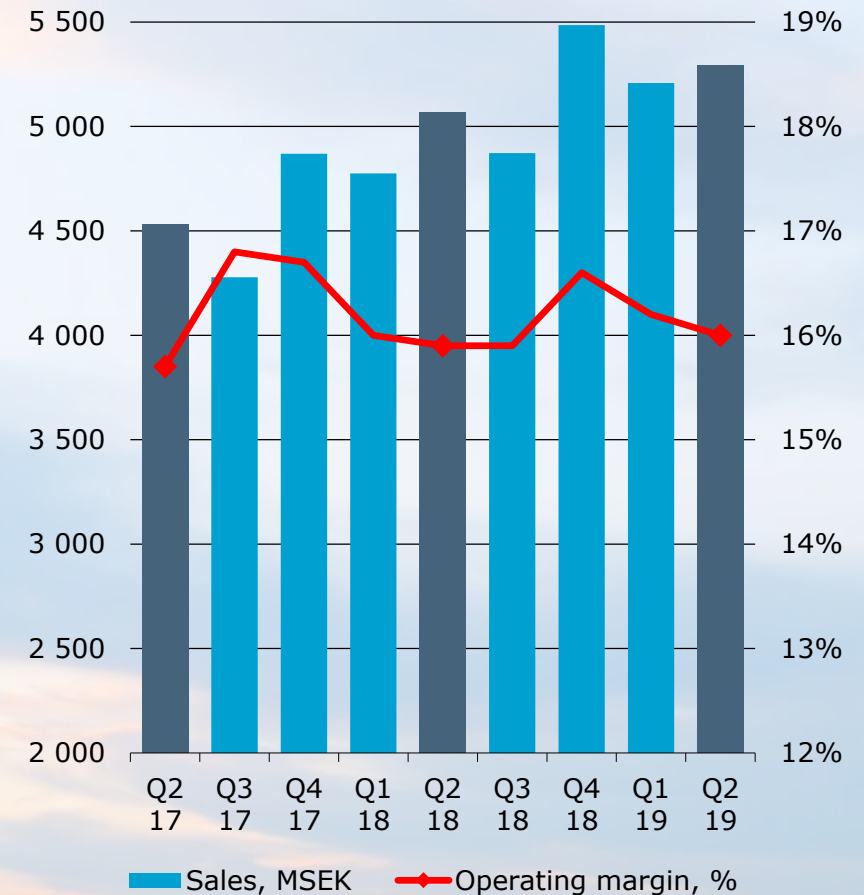


• Organic sales growth of 3%

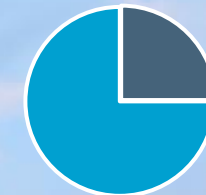
- Strong growth in Middle East/Africa, Benelux and Finland
- Good growth in East Europe, Germany and France
- Stable growth in Scandinavia
- Negative growth in South Europe and UK

• Operating margin 16.0% (15.9%)

- Good organic growth leverage of (20bps) driven by efficiency savings
- FX -40bps and acquisitions +30bps



Excluding restructuring items.



- **Organic sales growth of 6%**

- Very strong growth for US Smart Residential
- Strong growth for Architectural Hardware, Residential Group and Security Doors
- Good growth in Electromechanical & High Security and stable in Canada
- Negative growth in Latin America and Perimeter Security

- **Operating margin 20.5% (20.1%)**

- Good volume leverage (20 bps) from strong growth and neutralized raw material impact
- FX +10 bps and M&A +10bps



Excluding restructuring items.

Asia Pacific

11%
of Group
sales

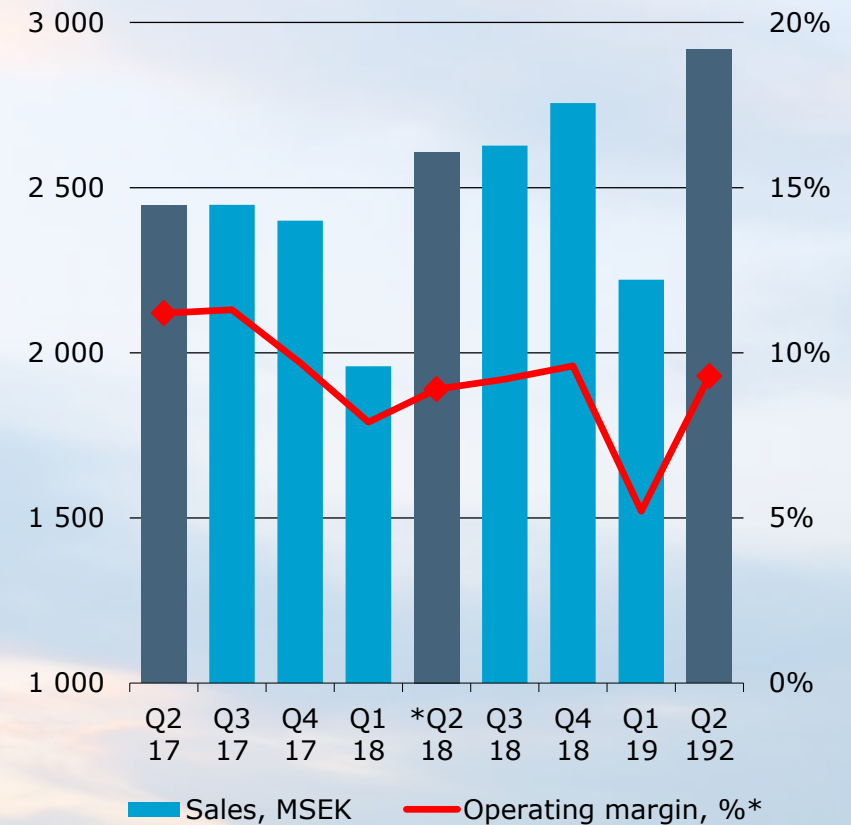


- **Organic sales growth of 3%**

- Strong growth in India and Pacific
- Stable growth in South Asia and China
- Negative growth in South Korea and Japan

- **Operating margin 9.3% (8.9%*)**

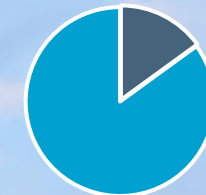
- Strong leverage (60bps) due to Pacific, China and cost efficiency
- FX +20bps and M&A -40bps



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

Global Technologies

15%
of Group
sales

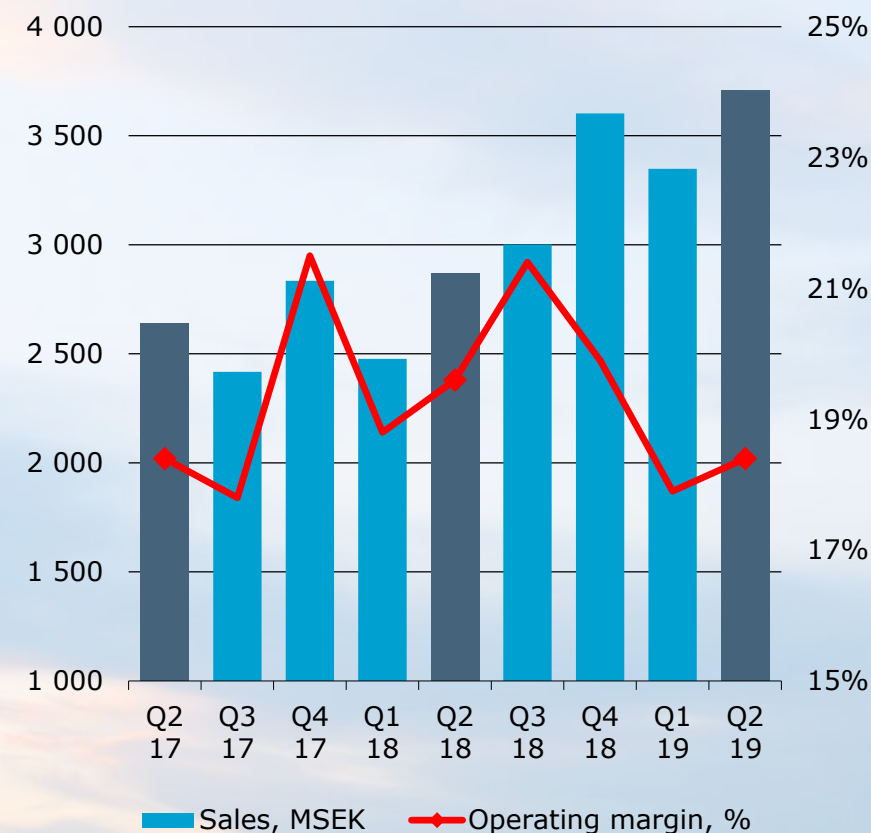


- **Organic sales growth of 5%**

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

- **Operating margin 18.4% (19.6%)**

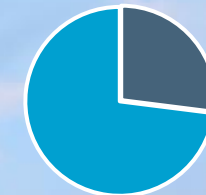
- Negative volume leverage (-80bps) due to investments in R&D and new verticals in Global Solutions
- FX +30bps and M&A -70bps



Excluding restructuring items.

Entrance Systems

27%
of Group
sales

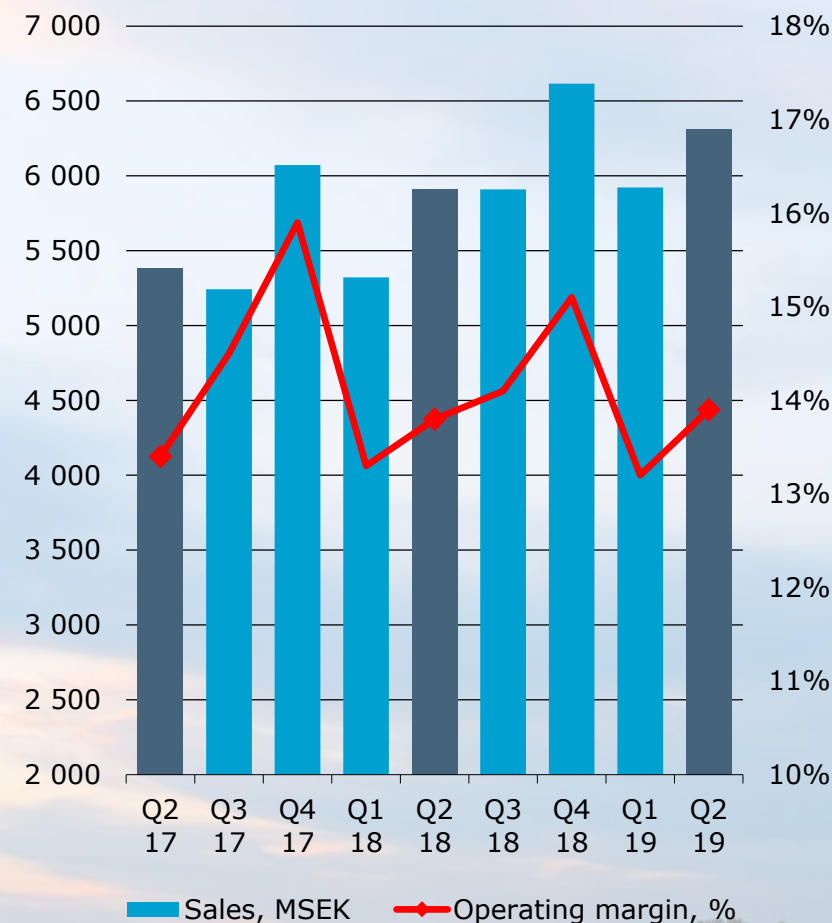


- **Organic sales growth of 1%**

- Strong growth in Pedestrian Doors and EU Residential Doors
- Good growth in Door components
- Stable growth in US Residential Doors, Logistic solutions and Industrial Doors
- Negative growth in High Performance Doors
- Strong service growth

- **Operating margin 13.9% (13.8%)**

- Stable volume leverage (flat) due to strong growth in service
- FX +10bps and M&A flat



Excluding restructuring items.

Financial summary, Q2 2019

**FX & acquisition
'run-rate' effects in Q3 2019
(30 Jun 2019):
SALES
FX: +3%
Acq: +3 to 4%**

SEK M	April-June			January-June		
	2018	2019	Change	2018	2019	Change
Sales	21,140	23,544	11%	39,690	45,048	14%
- Organic growth	954	692	3%	1,659	1,698	4%
- Acquired net growth	366	790	4%	633	1,478	4%
- FX-differences	433	922	4%	-131	2,182	6%
Operating income (EBIT)*	3,311	3,733	13%	6,140	6,978	14%
EBITA-margin*	16.1%	16.4%	0.3pts	16.0%	16.0	0.0 pts
EBIT-margin*	15.7%	15.9%	0.2 pts	15.5%	15.5%	0.0 pts
Income before tax**	2,720	3,462	27%	5,374	6,459	20%
Net income**	2,049	2,562	25%	4,013	4,780	19%
EPS**, SEK	1.84	2.31	25%	3.61	4.30	19%
Operating cash flow	2,855	3,636	27%	3,431	4,807	40%
ROCE	14%	16%	2.0 pts	15%	16%	1.0 pts

*) Excluding China write down of MSEK 400 in Q2 2018

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

Bridge analysis – Q2 2019

SEK M	Q2 2018	Organic	Currency	Acq/Div	Q2 2019
Growth		3%	4%	4%	11%
Sales	21,140	692	922	790	23,544
Operating profit*	3,311	151	165	106	3,733
Operating margin, %*	15.7%	21.8%	17.9%	13.4%	15.9%
Dilution/accretion		0.2 pts	0.1 pts	-0.1 pts	

Sales up MSEK 2,404

- Price +2% and volume +1%
- Growth driven by Americas and Global Technologies

EBIT up MSEK 422

- Strong contribution from Americas and Global Technologies

Margin

- Accretion from Americas and APAC

*) Excluding China write down in Q2 2018.

Cost breakdown as % of sales

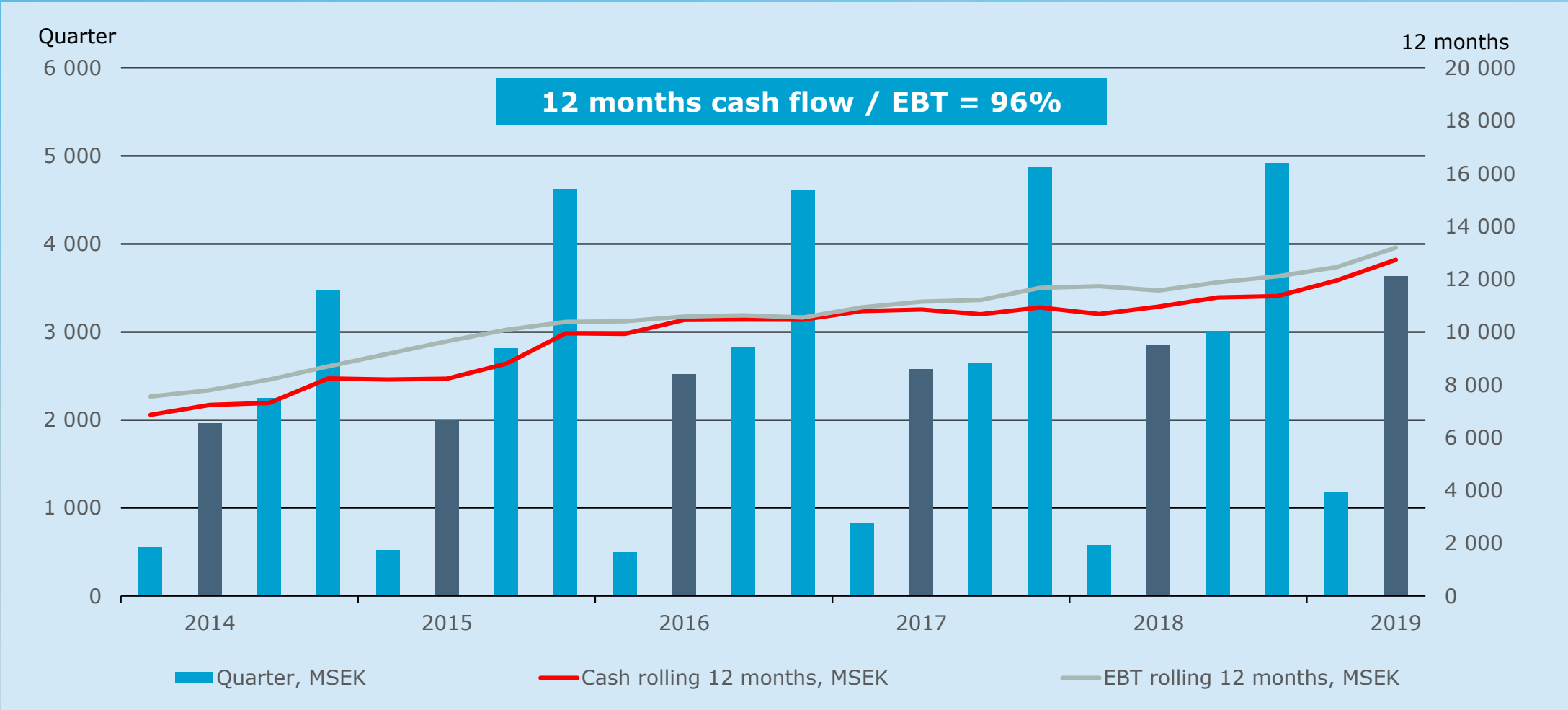
Apr-Jun

%	QTD 2018	QTD 2019 excl. acquisitions	Δ	QTD 2019
Direct material	-36.1%	-36.0%	+0.1 pts	-35.9%
Conversion cost	-24.4%	-23.9%	+0.5 pts	-23.7%
Gross margin	39.5%	40.1%	+0.6 pts	40.4%
S, G & A	-23.8%	-24.1%	-0.3 pts	-24.5%
EBIT*	15.7%	16.0%	+0.3 pts	15.9%

- Direct Material – raw material prices now offset
- Conversion cost – improvement from operational efficiencies and pricing
 - MFP efficiencies of MSEK 180 in Q2
- SG&A – higher due to investments in R&D

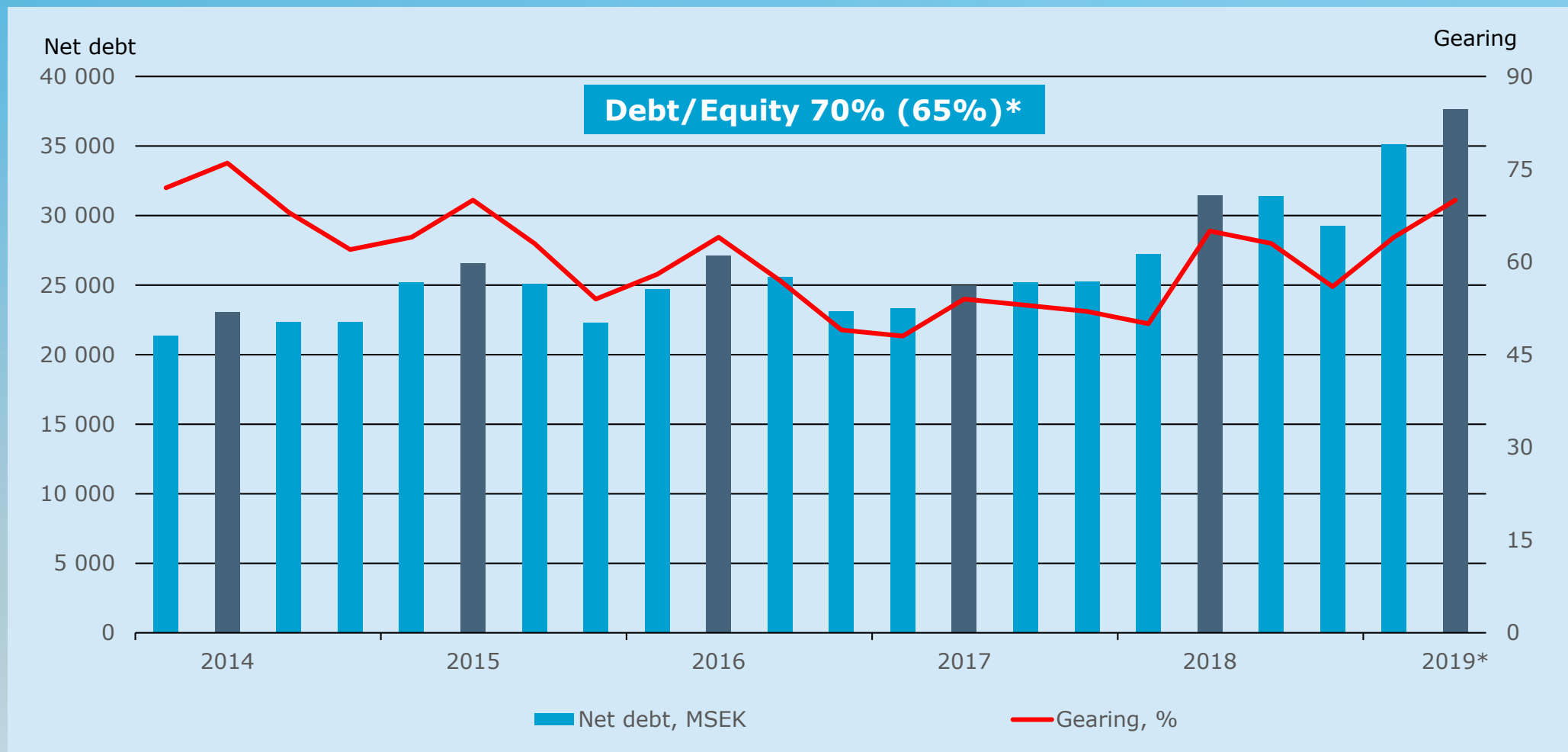
*) Excluding China write down in Q2 2018.

Operating cash flow, MSEK



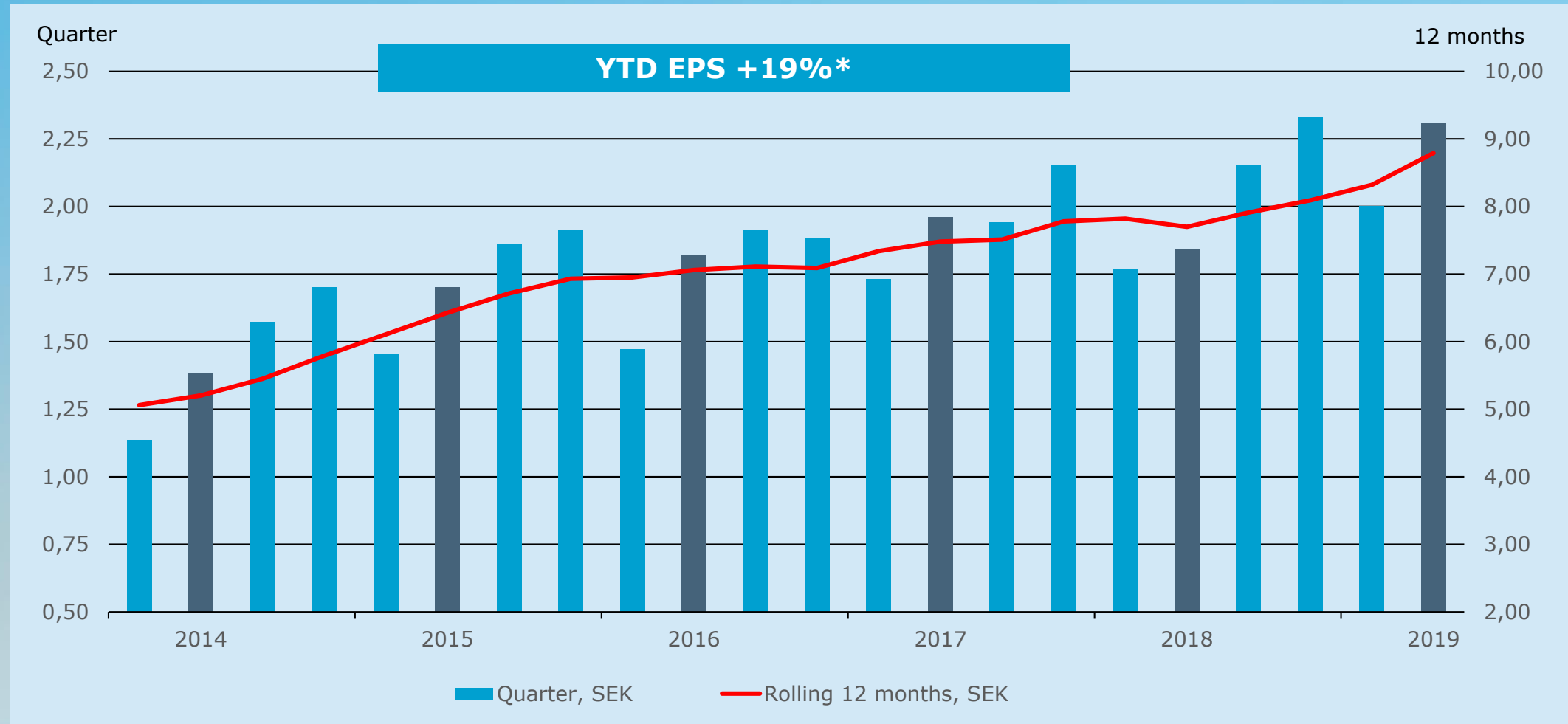
Gearing % and net debt, MSEK

Net debt/EBITDA
2.2* (2.2)



*) IFRS 16 effect on net debt SEK 3.7 bn.

Earnings per share, SEK



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

Conclusions

- **Good organic sales development**
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 - Good growth in APAC and EMEA
 - Stable growth in Entrance Systems
- **Electromechanical products up 20%**
- **Strong EBIT growth of 13%***
- **Very strong operating cash flow, up 27%**



*) Excluding China write downs in Q2 2018.



Q&A

Appendix



Cost breakdown as % of sales

%	QTD 2018	QTD 2019 excl. acquisitions	Δ	QTD 2019	YTD 2018	YTD 2019 excl. acquisitions	Δ	YTD 2019
Direct material	-36.1%	-36.0%	0.1 pts	-35.9%	-35.5%	-35.8%	-0.3 pts	-35.7%
Conversion cost	-24.4%	-23.9%	0.5 pts	-23.7%	-24.9%	-24.3%	0.6 pts	-24.1%
Gross margin	39.5%	40.1%	0.6 pts	40.4%	39.6%	39.9%	0.3 pts	40.2%
S, G & A	-23.8%	-24.1%	-0.3 pts	-24.5%	-24.1%	-24.3%	-0.2 pts	-24.7%
EBIT*	15.7%	16.0%	0.3 pts	15.9%	15.5%	15.6%	0.1 pts	15.5%

*) Excluding China write downs in Q2 2018.

EMEA's bridge

MSEK	Q2 2018	Organic	Currency	Acq/Div	Q2 2019
Growth		3%	1%	0%	4%
Sales	5,069	140	92	-9	5,291
Operating income	807	33	-6	14	849
Operating margin, %	15.9%	24.0%	-6.7%	-151.9%	16.0%
Dilution/accretion		0.2 pts	-0.4 pts	0.3 pts	

12 months figures

Sales	18,991		20,856
EBIT	3,125		3,375
Operating cash flow before paid interest	2,999		2,898
Cash flow/EBIT	96%		86%

Americas' bridge

MSEK	Q2 2018	Organic	Currency	Acq/Div	Q2 2019
Growth		6%	8%	1%	15%
Sales	5,078	347	367	68	5,861
Operating income	1,022	80	81	21	1,203
Operating margin, %	20.1%	23.0%	22.0%	30.7%	20.5%
Dilution/accretion		0.2 pts	0.1 pts	0.1 pts	

12 months figures

Sales	18,102		21,557
EBIT	3,680		4,316
Operating cash flow before paid interest	3,617		4,213
Cash flow/EBIT	98%		98%

Asia Pacific's bridge

MSEK	Q2 2018	Organic	Currency	Acq/Div	Q2 2019
Growth		3%	3%	6%	12%
Sales	2,608	88	61	161	2,919
Operating income*	232	24	11	3	270
Operating margin, %*	8.9%	27.3%	18.4%	1.8%	9.3%
Dilution/accretion		0.6 pts	0.2 pts	-0.4 pts	

12 months figures

Sales	9,415		10,521
EBIT*	895		892
Operating cash flow before paid interest	983		864
Cash flow/EBIT	110%		97%

*) Excluding China write downs in Q2 2018.

Global Technologies' bridge

MSEK	Q2 2018	Organic	Currency	Acq/Div	Q2 2019
Growth		5%	7%	17%	29%
Sales	2,871	174	153	508	3,706
Operating income	564	3	46	70	682
Operating margin, %	19.6%	1.6%	30.1%	13.8%	18.4%
Dilution/accretion		-0.8 pts	0.3 pts	-0.7 pts	

12 months figures

Sales	10,599		13,657
EBIT	2,068		2,638
Operating cash flow before paid interest	2,007		2,945
Cash flow/EBIT	97%		112%

Entrance Systems' bridge

MSEK	Q2 2018	Organic	Currency	Acq/Div	Q2 2019
Growth		1%	5%	1%	7%
Sales	5,914	82	258	56	6,310
Operating income	819	12	38	6	875
Operating margin, %	13.8%	14.9%	14.7%	10.1%	13.9%
Dilution/accretion		0.0 pts	0.1 pts	0.0 pts	

12 months figures

Sales	22,550		24,758
EBIT	3,258		3,483
Operating cash flow before paid interest	2,723		3,436
Cash flow/EBIT	84%		99%



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