



ASSA ABLOY Q3 report 2019

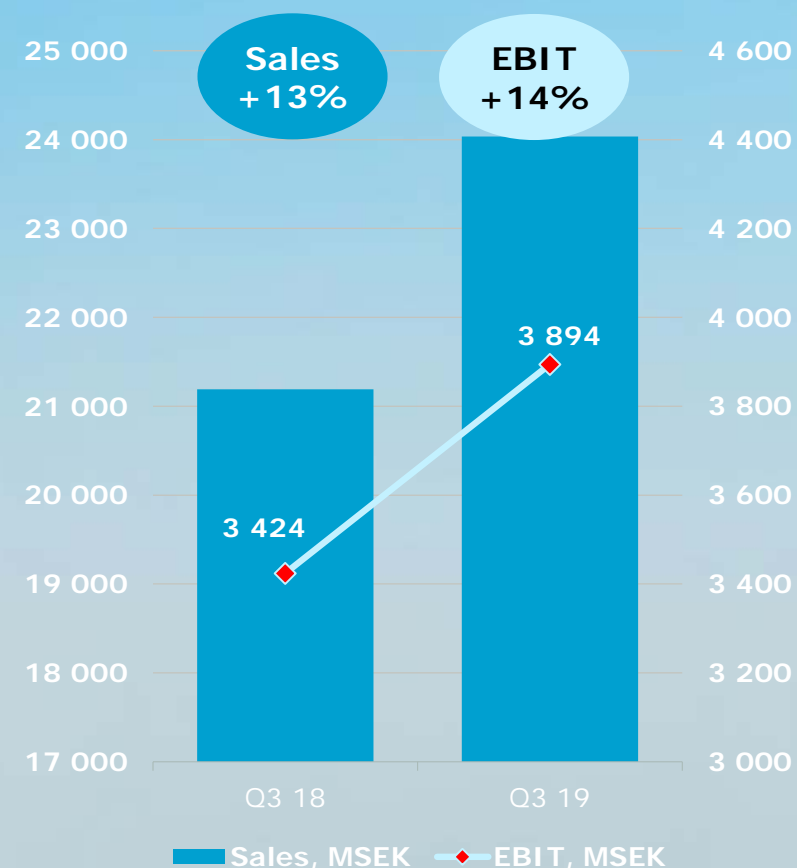
Strong performance in Q3 2019

- **Good organic sales development**
 - Strong growth in Americas and Global Technologies
 - Good growth in EMEA and Entrance Systems
 - Negative growth in APAC
- **Electromechanical products up 16%**
- **Strong EBIT growth of 14%**
 - Stable margin – despite MSEK 55 in M&A costs in Entrance Systems
- **Very strong operating cash flow, up 47%**



Q3 2019 figures in summary

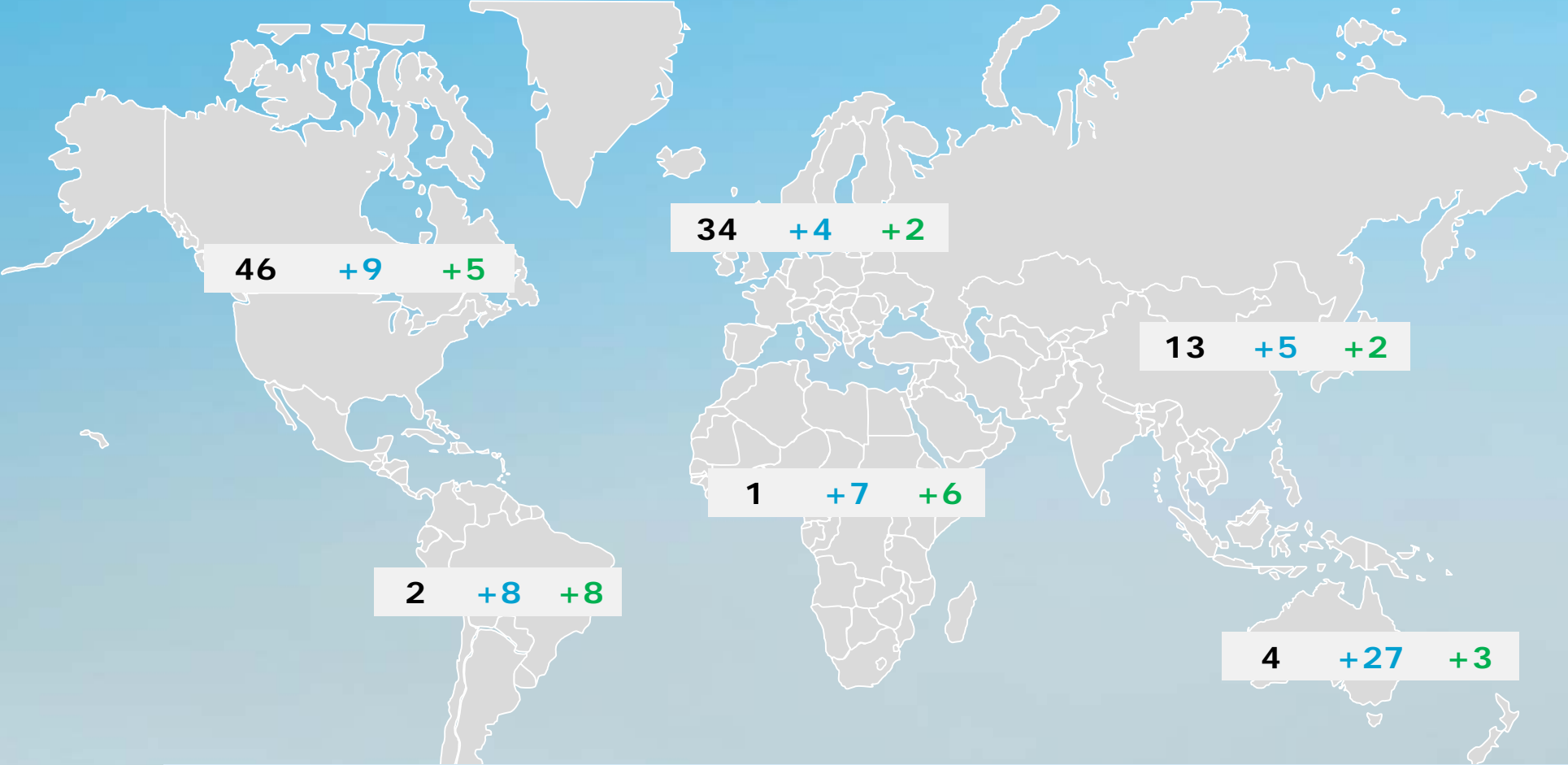
- **Sales SEK 24,034 M** **+13%**
 - 4% organic
 - 4% acquired
 - 5% currency
- **EBITA-margin 16.7% (16.6%)**
- **EBIT-margin 16.2% (16.2%)**
- **EBIT SEK 3,894 M** **+14%**
- **EPS SEK 2.43** **+13%**



Sales by region

Jul – Sep 2019

ASSA ABLOY	100	+7	+4
Emerging markets	18	+4	+2

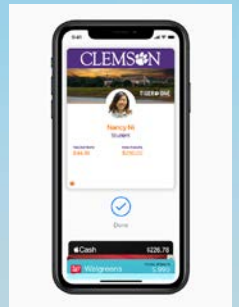


Share of sales, %	Change in local currencies QTD 2019 vs. QTD 2018, %	Organic change QTD 2019 vs. QTD 2018, %
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Emerging markets comprise follows IMF's definition as per 2018-12-31

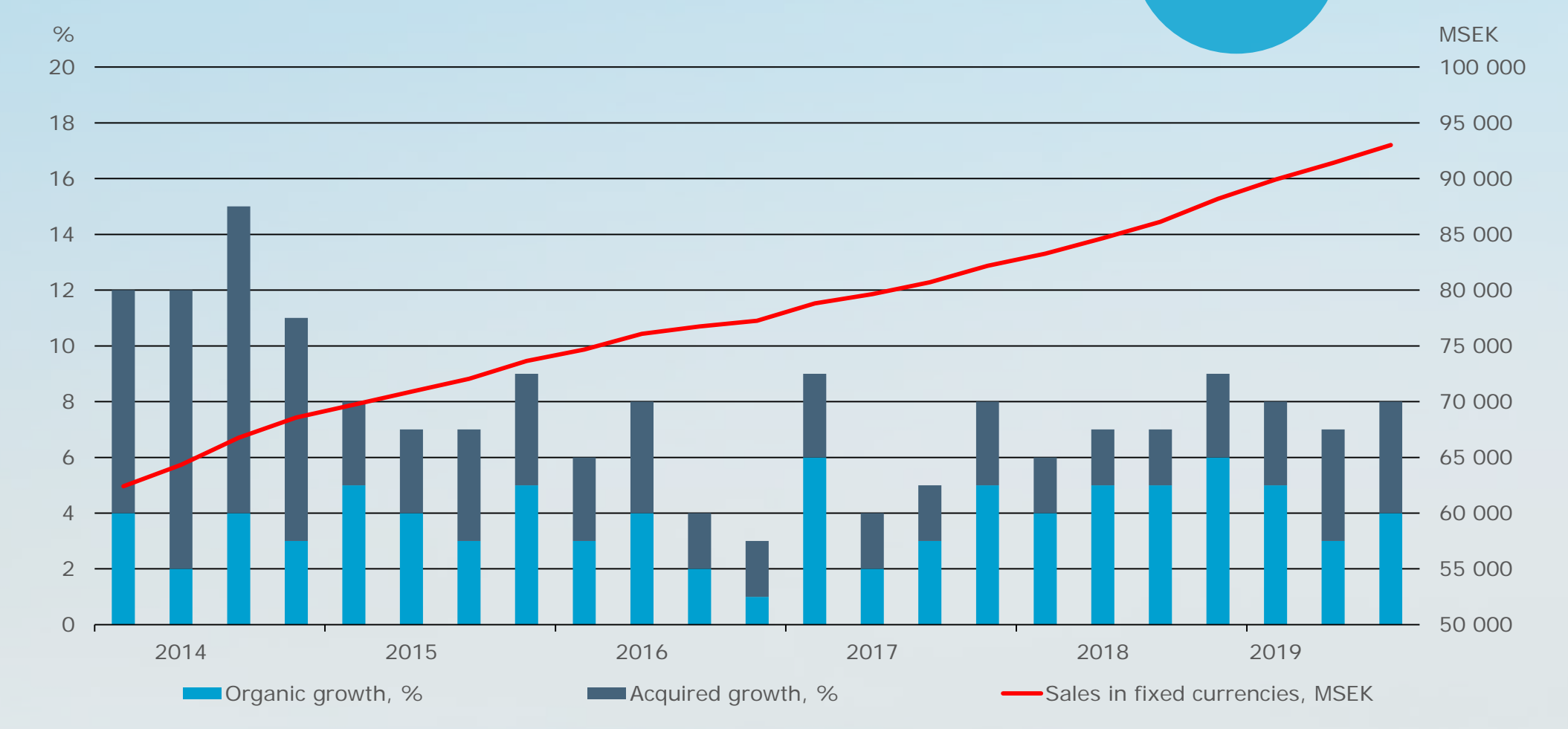
Market highlights

- **Strong project wins**
 - Specification initiatives in EMEA with strong momentum
 - HID technology and ASSA ABLOY electronic locks are helping Clemson University students
- **FiRa Consortium**
 - Ultra-Wideband (UWB) ecosystem will provide new use cases, setting a new standard in seamless user experiences
- **Several Smart Residential launches**
 - Yale access ecosystem in EMEA, following APAC launch in Q2
 - New Yale Pro Series in US with smaller product footprint
 - New smart interior door lock in South Korea (Gateman)

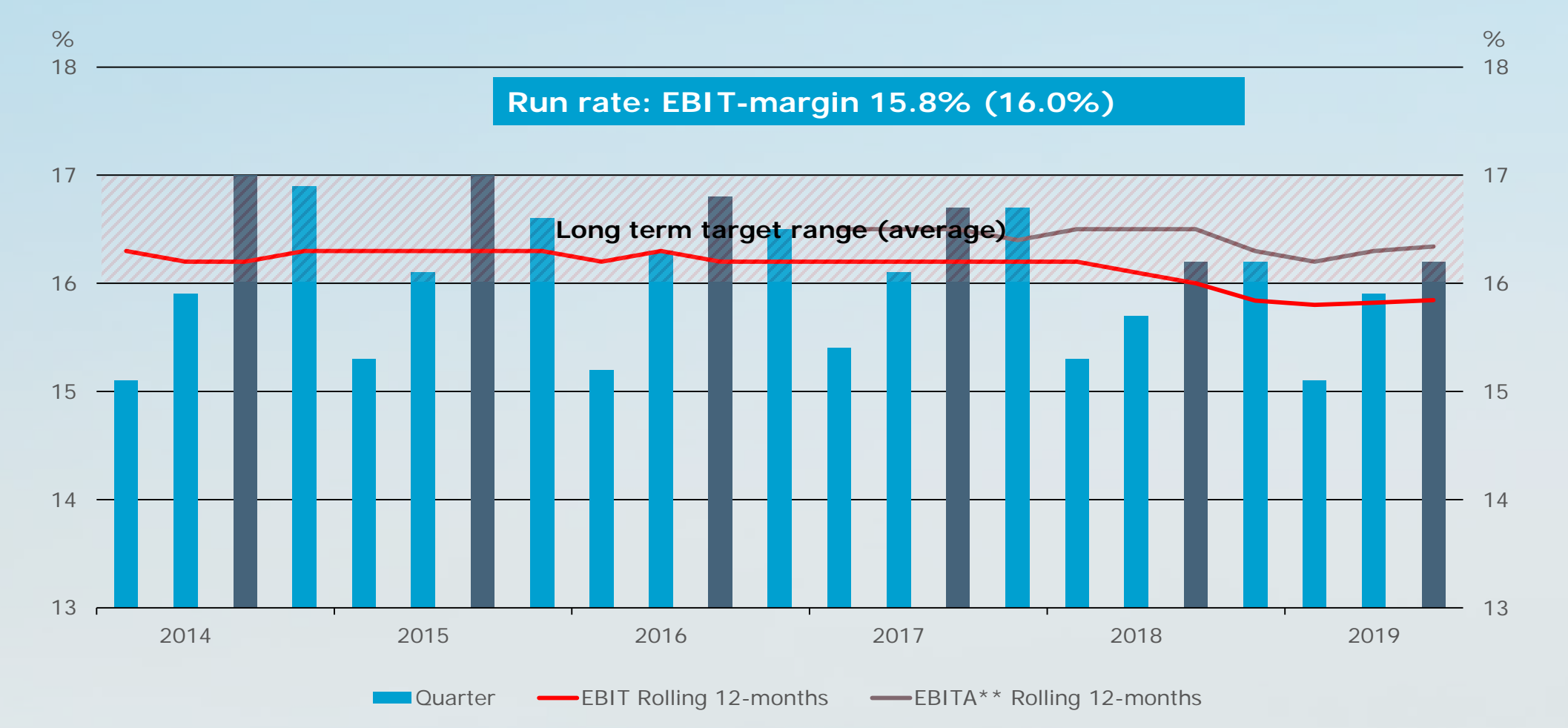


Sales growth

26 Quarters
with
positive OG



Operating margin



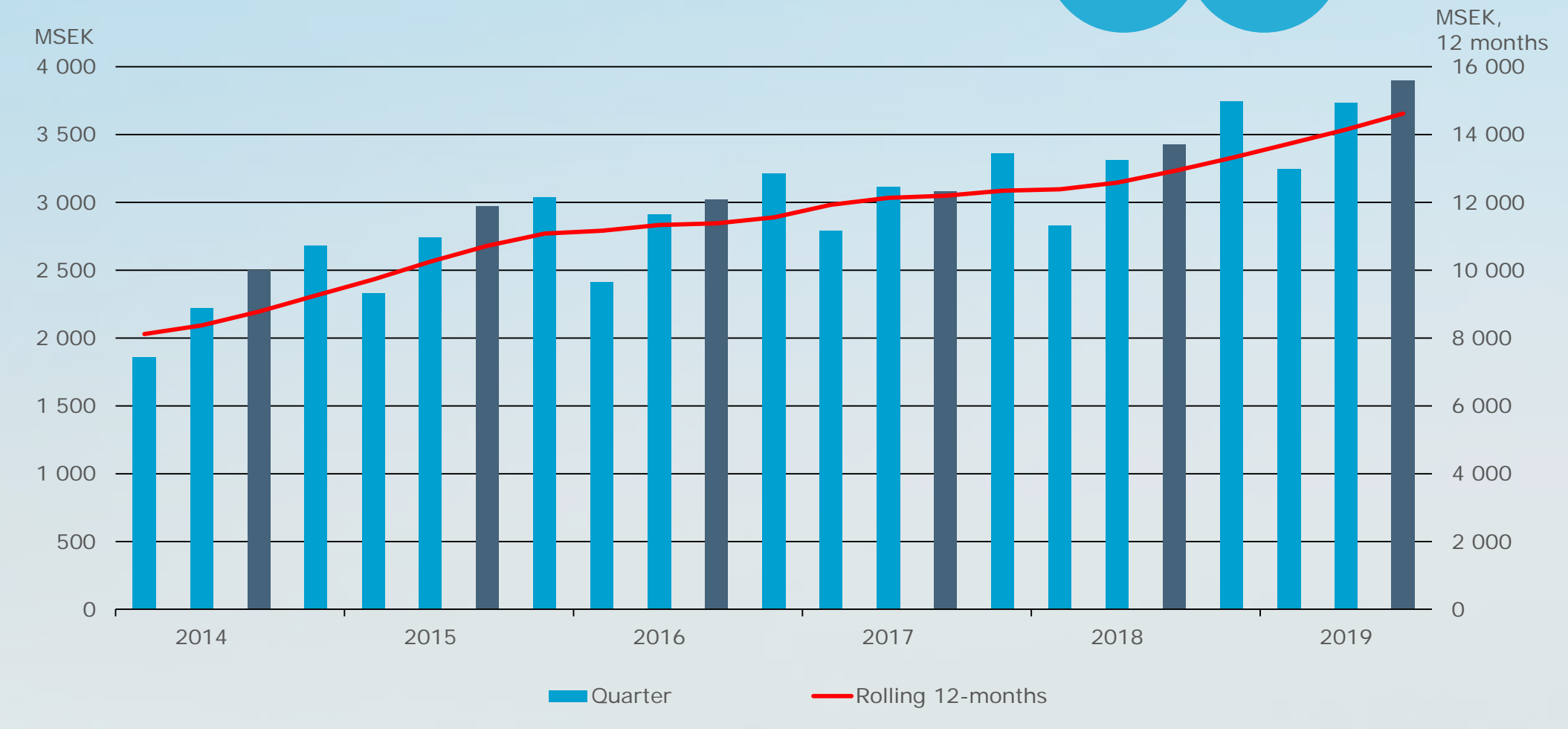
*) Excluding China write-downs and restructuring items.

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

Operating profit

+14%
vs
Q3 LY

+67%
in
5 years



*) Excluding China write-downs and restructuring items.

Acquisitions

- **Fully active pipeline**

- 4 acquisitions completed in Q3 and 10 year-to-date
- Acquired annualized sales of MSEK 2,400

- **Additional acquisitions to be closed**

- **agta record**

- Sales of MEUR 378 and EBITA-margin of 12%* in 2018
- Expected to close early 2020

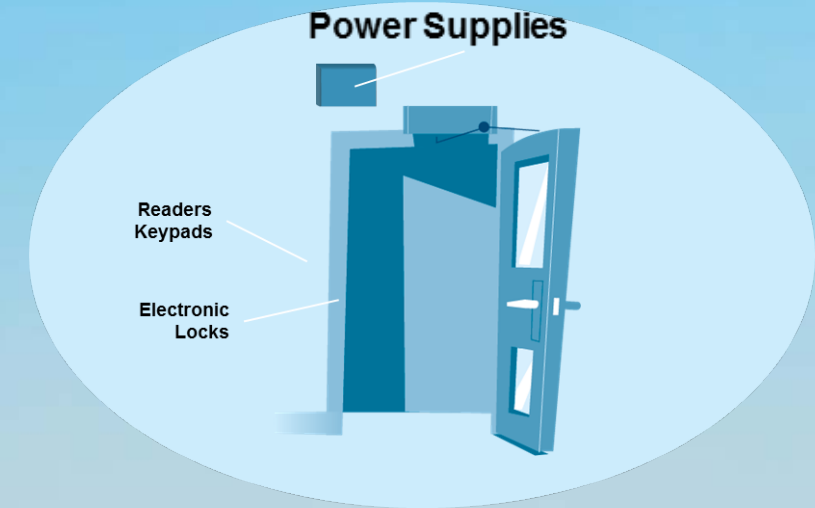
- **LUX-IDent**

- Sales of MSEK 180

* Adjusted for extraordinary personnel expenses of MEUR 8.9



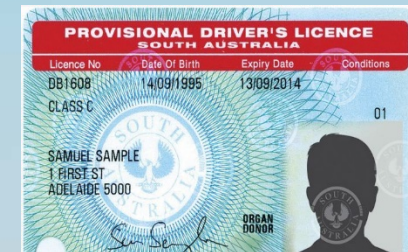
- Sales of MSEK 290 with 65 employees
- Supplier of smart access control power solutions
- Complement to access control portfolio
- Accretive to EPS from start



Placard, Australia



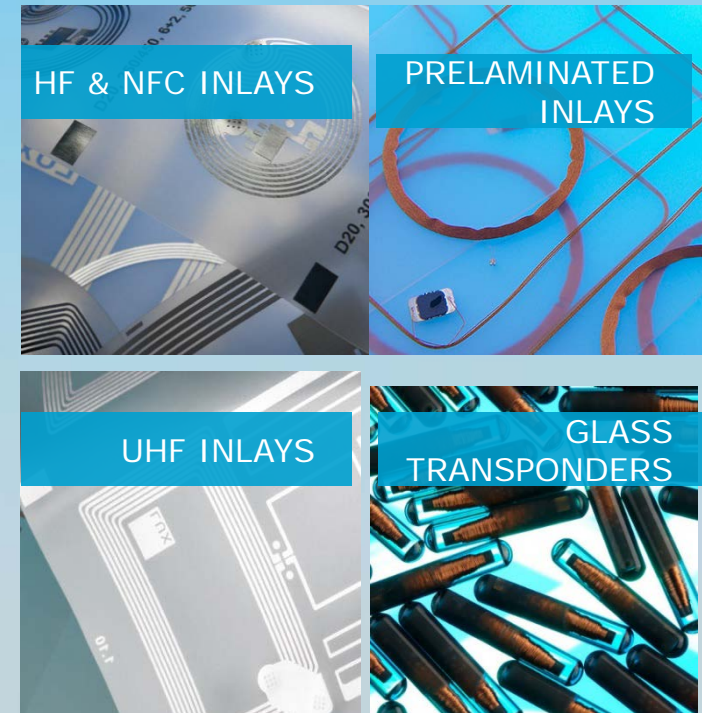
- Sales of MSEK 420 with 170 employees
- Secure card manufacturer
- Enhances position in smart card market
- Accretive to EPS from start



LUX-IDent, Czech Republic



- Sales of MSEK 180 with 145 employees
- RFID component provider
- Enhances offering within RFID components
- Optimizes ASSA ABLOY's operations
- Neutral to EPS from start



Opening Solutions EMEA

21%
of Group
sales

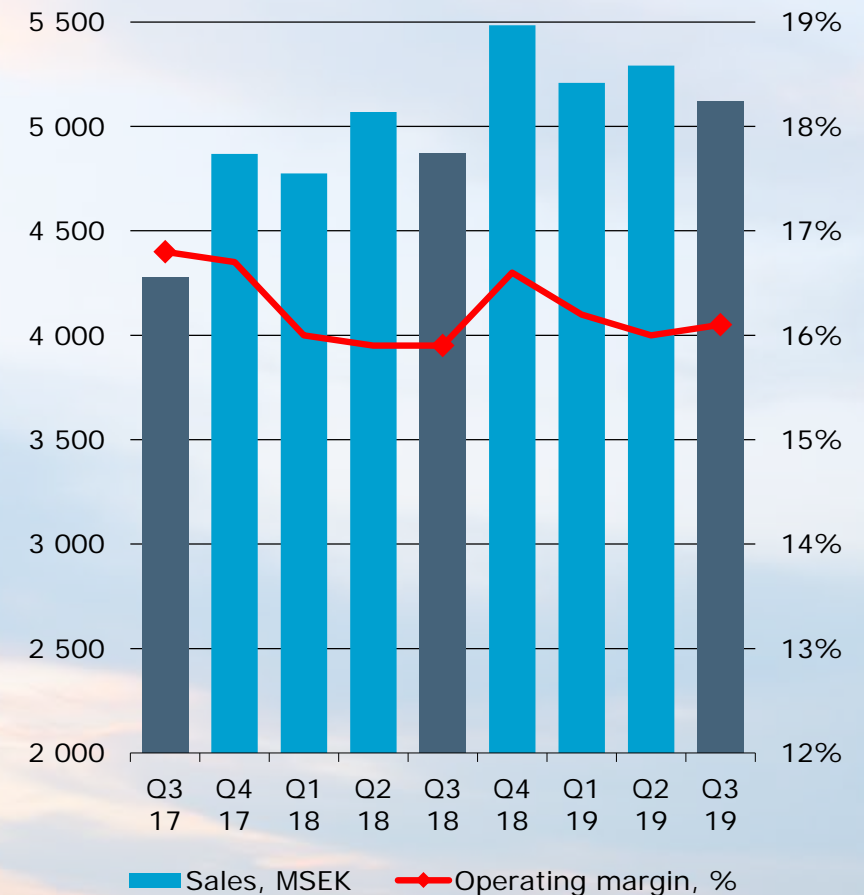


- **Organic sales growth of 3%**

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

- **Operating margin 16.1% (15.9%)**

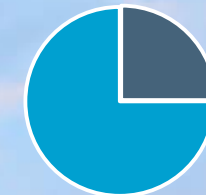
- Good volume leverage (40bps) driven by operational efficiencies
- FX –40bps and acquisitions +20bps



Excluding restructuring items.

Opening Solutions Americas

25%
of Group
sales

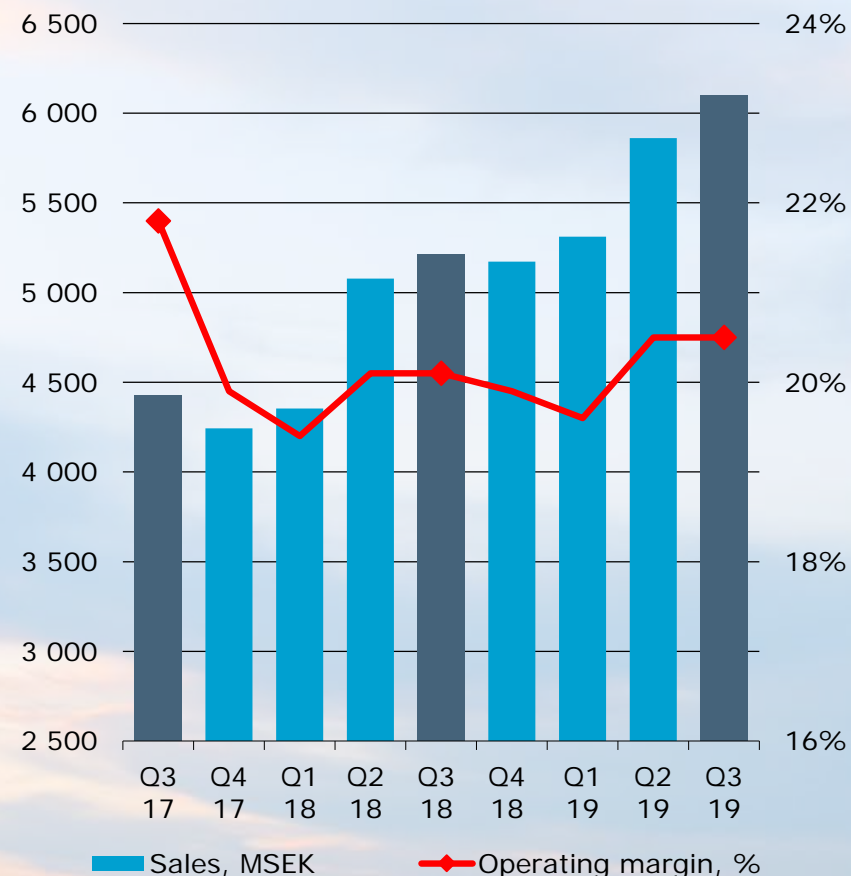


- **Organic sales growth of 6%**

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

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

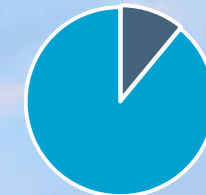
- Strong volume leverage (50 bps) driven by growth, raw material tailwind and operational efficiencies
- FX flat and M&A -10bps



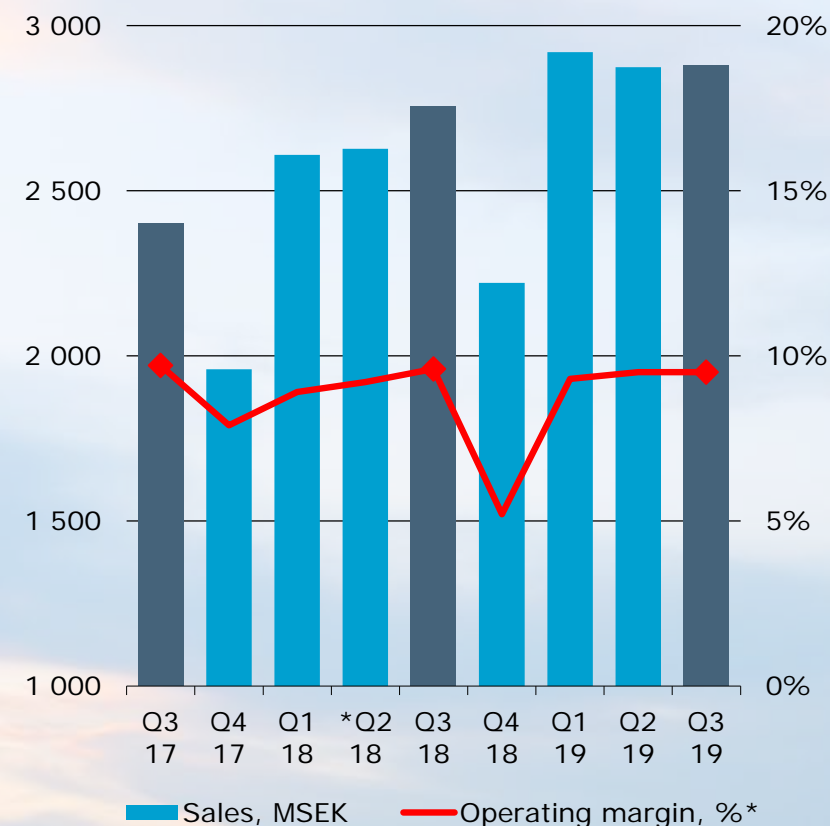
Excluding restructuring items.

Opening Solutions Asia Pacific

11%
of Group
sales



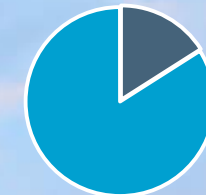
- **Organic sales growth of -1%**
 - Strong growth in South Asia
 - Stable growth in Pacific
 - Negative growth in China, India, South Korea and Japan
- **Operating margin 9.5% (9.2%)**
 - Leverage of 10bps despite negative organic growth
 - FX +10bps and M&A 10bps
 - China business plan being implemented



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

Global Technologies

15%
of Group
sales

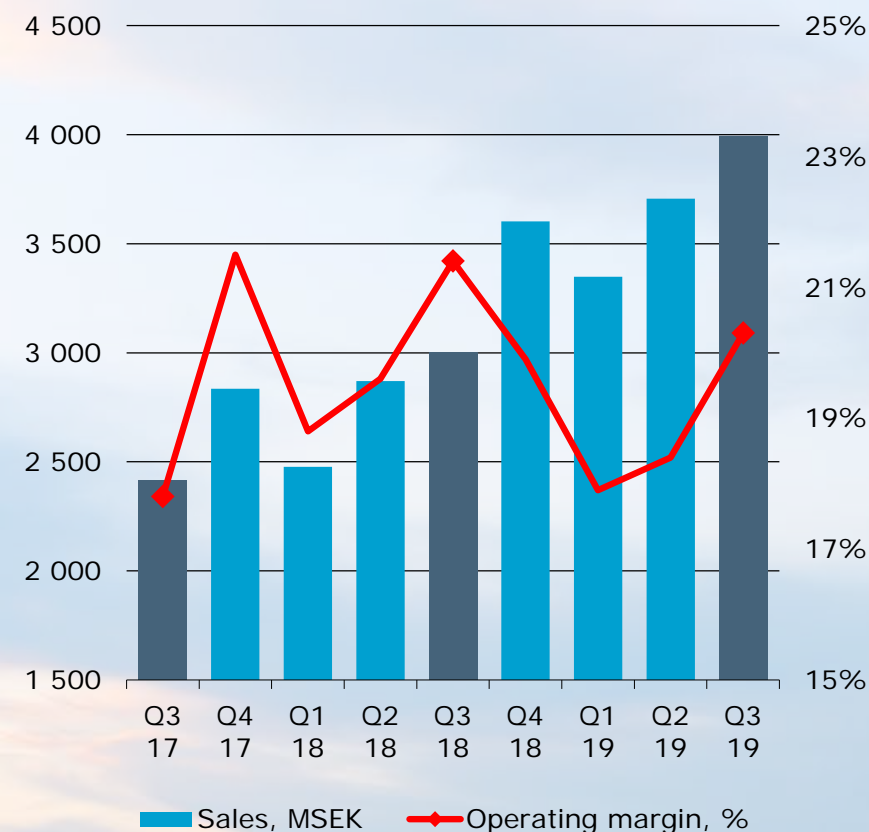


- **Organic sales growth of 6%**

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

- **Operating margin 20.3% (21.4%)**

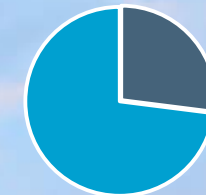
- Negative volume leverage (-20bps) due to investments in R&D and new verticals in Global Solutions
- FX +30bps and M&A -120bps



Excluding restructuring items.

Entrance Systems

27%
of Group
sales

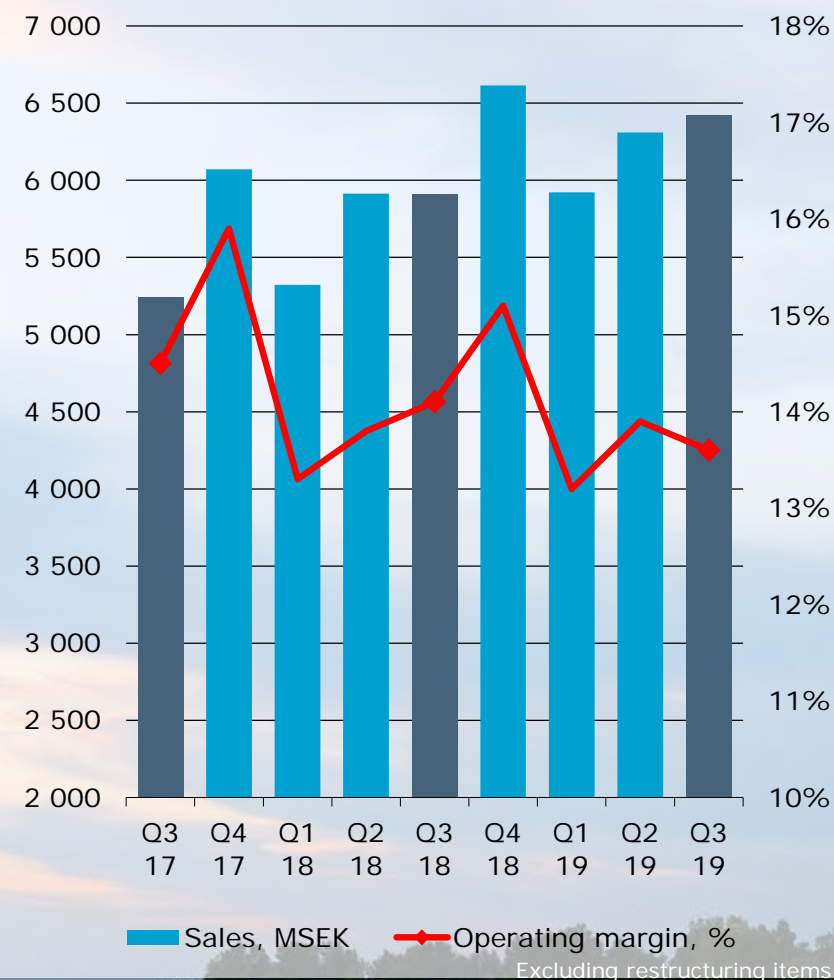


- **Organic sales growth of 3%**

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

- **Operating margin 13.6% (14.1%)**

- Strong volume leverage (60 bps) due to strong growth in service and operational efficiencies
- FX -30 bps and M&A -80 bps due to acquisition cost of MSEK 55 for agta record



Financial summary, Q3 2019

**FX & acquisition
'run-rate' effects in Q4 2019
(30 Sep 2019):**
SALES
FX: +5%
Acq: +3%

SEK M	July-September			January-September		
	2018	2019	Change	2018	2019	Change
Sales	21,191	24,034	13%	60,881	69,082	13%
- Organic growth	960	807	4%	2,620	2,505	4%
- Acquired net growth	466	825	4%	1,079	2,303	4%
- FX-differences	1,286	1,211	5%	1,154	3,393	5%
Operating income (EBIT)*	3,424	3894	14%	9,564	10,873	14%
EBITA-margin*	16.6%	16.7%	0.1pts	16.2%	16.2%	0.0 pts
EBIT-margin*	16.2%	16.2%	0.0 pts	15.7%	16.2%	0.5 pts
Income before tax**	3,221	3,645	13%	8,595	10,104	18%
Net income**	2,384	2,696	13%	6,396	7,477	17%
EPS**, SEK	2.15	2.43	13%	5.76	6.73	17%
Operating cash flow	3,004	4,401	47%	6,435	9,208	43%
ROCE	17%	17%	0.0 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 – Q3 2019

SEK M	Q3 2018	Organic	Currency	Acq/Div	Q3 2019
Growth		4%	5%	4%	13%
Sales	21,191	807	1,211	825	24,034
Operating profit	3,424	197	192	82	3,894
Operating margin, %	16.2%	24.4%	15.8%	9.9%	16.2%
Dilution/accretion		0.3 pts	-0.1 pts	-0.2 pts	

Sales up MSEK 2,843

- Price +1% and volume +3%
- Growth driven by Americas and Global Technologies

EBIT up MSEK 470

- Strong contribution from Americas and Global Technologies
- Acquisition cost of MSEK 55 in Entrance Systems for agta record

Margin

- Accretion from Americas and EMEA

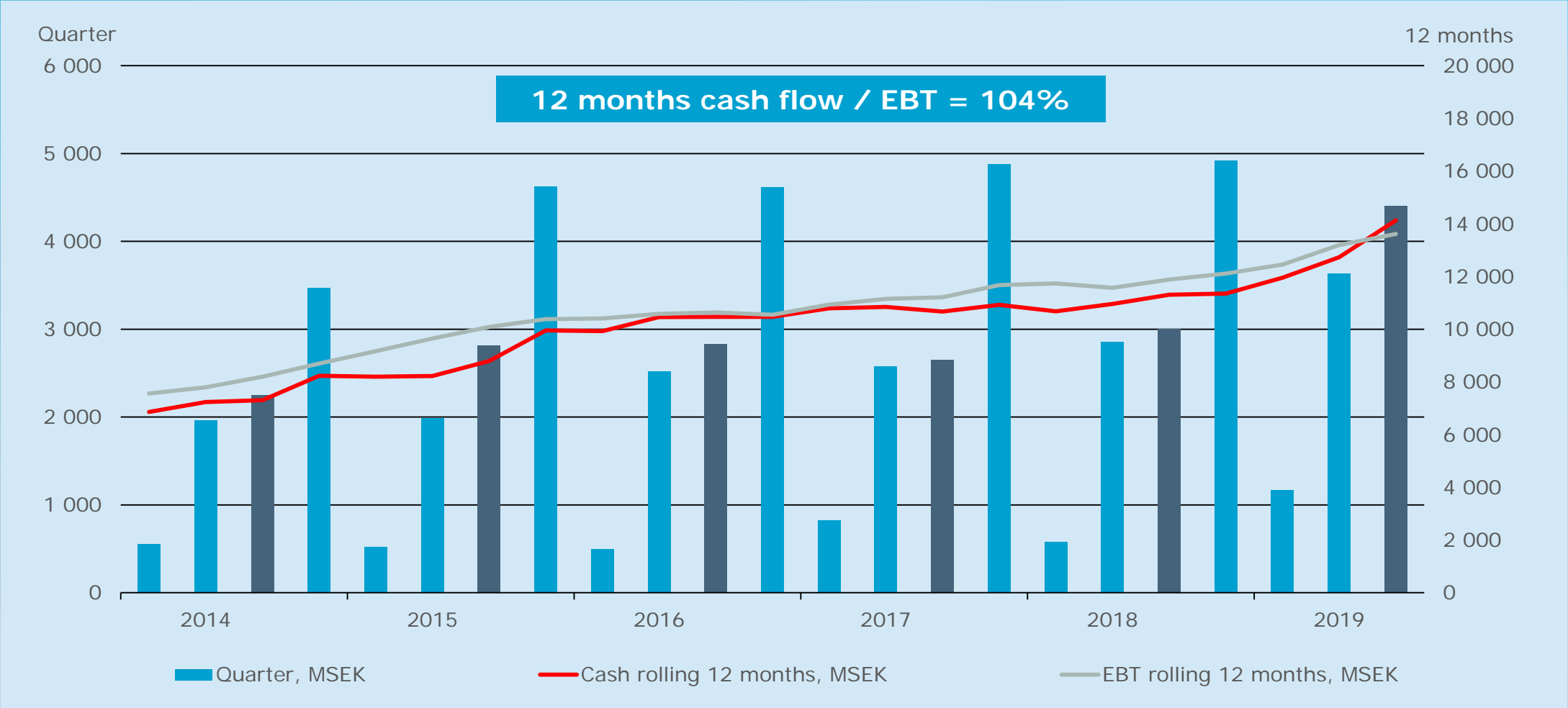
Cost breakdown as % of sales

Jul-Sep

%	QTD 2018	QTD 2019 excl. acquisitions	Δ	QTD 2019
Direct material	-36.7%	-36.6%	+0.1 pts	-36.5%
Conversion cost	-23.7%	-23.6%	+0.1 pts	-23.5%
Gross margin	39.6%	39.8%	+0.2 pts	40.0%
S, G & A	-23.4%	-23.4%	+0.0 pts	-23.8%
EBIT*	16.2%	16.4%	+0.2 pts	16.2%

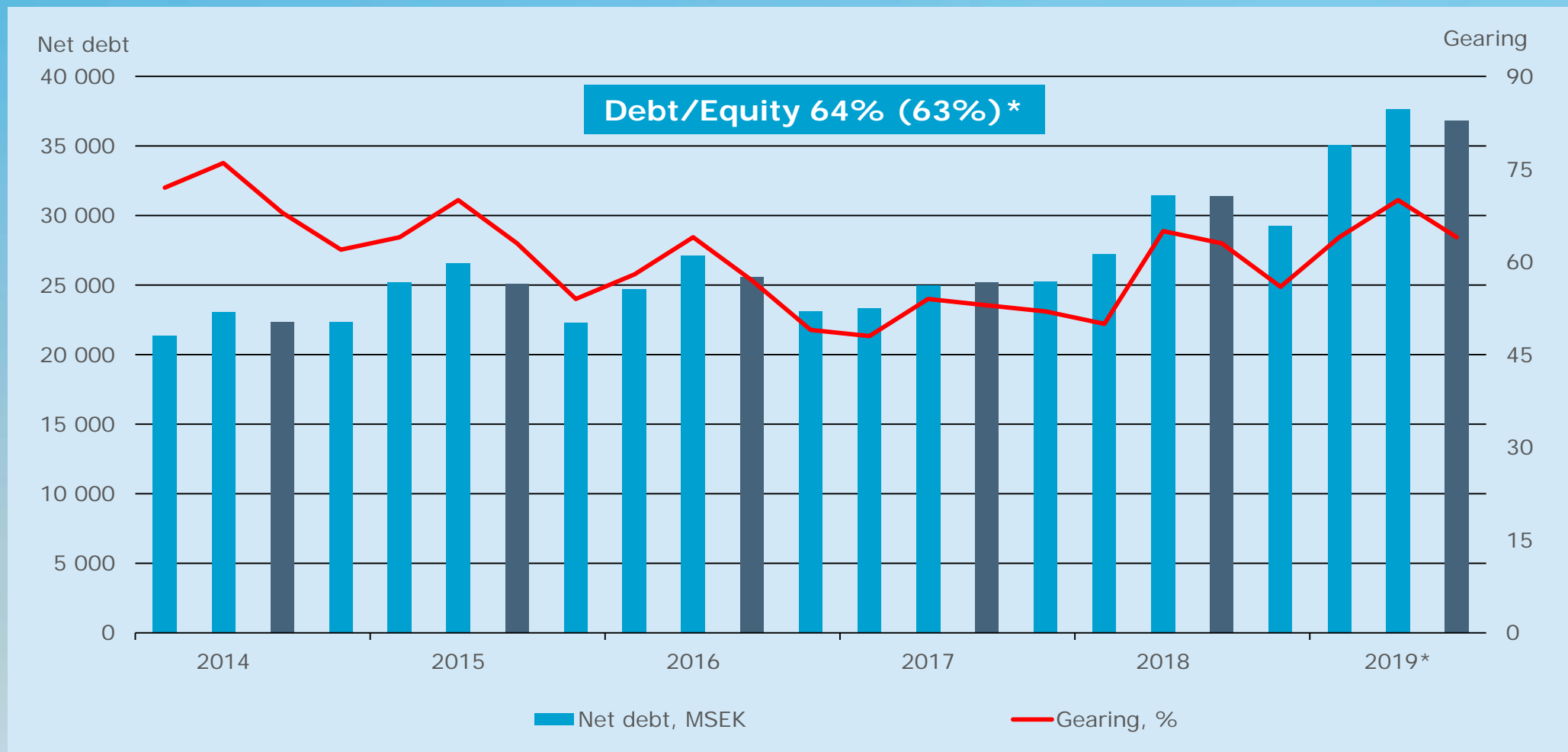
- Direct Material – raw material costs overcompensated
- Conversion cost – improvement from operational efficiencies
 - MFP efficiencies of MSEK 200 in Q3
- SG&A – flat despite higher investments in R&D

Operating cash flow, MSEK



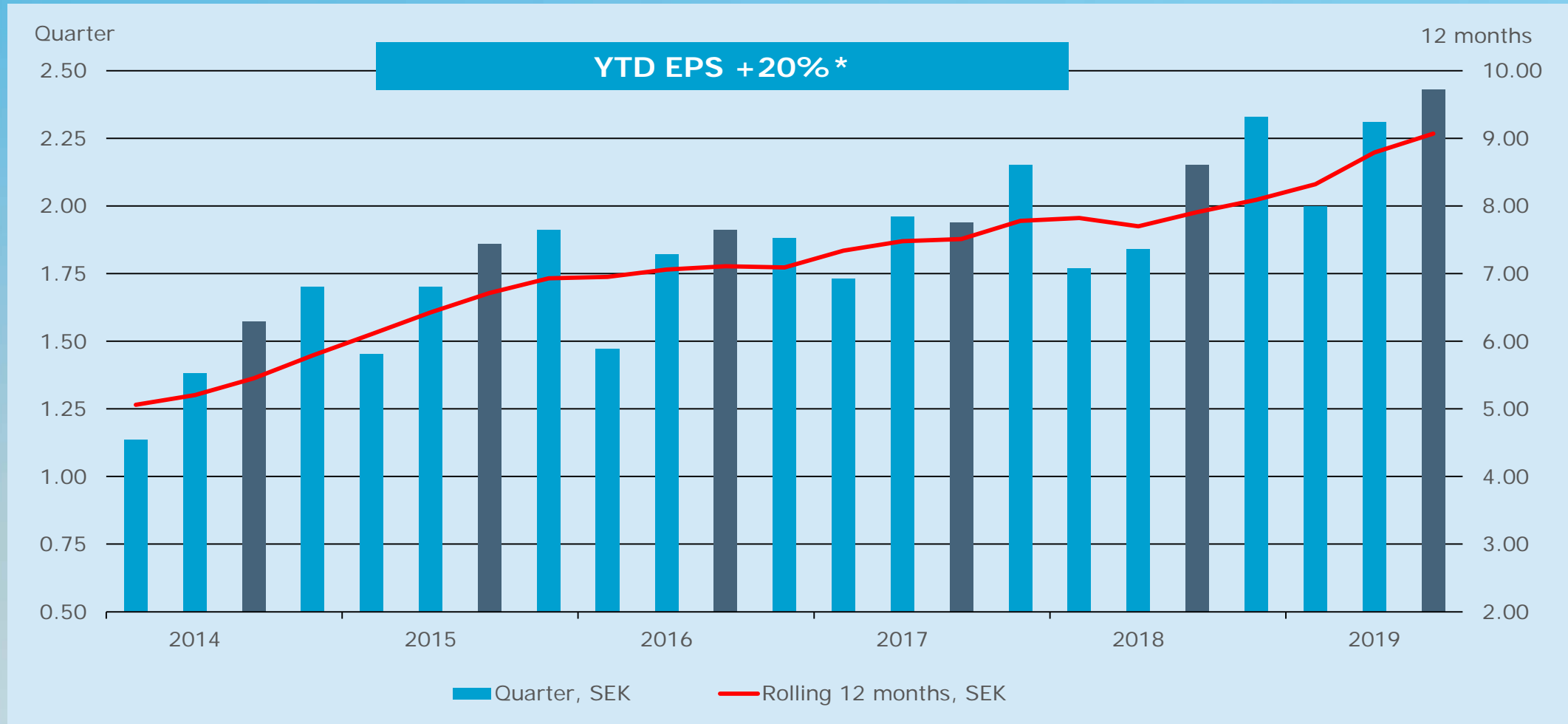
Gearing % and net debt, MSEK

Net debt/EBITDA
2.1 (2.1)



*) 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**
 - Strong growth in Americas and Global Technologies
 - Good growth in EMEA and Entrance Systems
 - Negative growth in APAC
- **Electromechanical products up 16%**
- **Strong EBIT growth of 14%**
- **Very strong operating cash flow, up 47%**
- **Capital Markets Day on 13 May 2020 in London**





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	-36.7%	-36.6%	0.1 pts	-36.5%	-35.9%	-36.1%	-0.2 pts	-36.0%
Conversion cost	-23.7%	-23.6%	0.1 pts	-23.5%	-24.5%	-24.0%	0.5 pts	-23.9%
Gross margin	39.6%	39.8%	0.2 pts	40.0%	39.6%	39.9%	0.3 pts	40.1%
S, G & A	-23.4%	-23.4%	0.0 pts	-23.8%	-23.9%	-24.0%	-0.1 pts	-24.4%
EBIT*	16.2%	16.4%	0.2 pts	16.2%	15.7%	15.9%	0.2 pts	15.7%

*) Excluding China write downs in Q2 2018.

Opening Solutions EMEA's bridge

MSEK	Q3 2018	Organic	Currency	Acq/Div	Q3 2019
Growth		3%	3%	-1%	5%
Sales	4,872	169	132	-52	5,120
Operating income	774	44	2	2	822
Operating margin, %	15.9%	26.3%	1.3%	-3.5%	16.1%
Dilution/accretion		0.4 pts	-0.4 pts	0.2 pts	

12 months figures

Sales	19,585		21,105
EBIT	3,187		3,423
Operating cash flow before paid interest	2,985		3,109
Cash flow/EBIT	94%		91%

Opening Solutions Americas' bridge

MSEK	Q3 2018	Organic	Currency	Acq/Div	Q3 2019
Growth		6%	9%	2%	17%
Sales	5,211	324	442	122	6,099
Operating income	1,046	95	90	17	1,249
Operating margin, %	20.1%	29.3%	20.4%	14.0%	20.5%
Dilution/accretion		0.5 pts	0.0 pts	-0.1 pts	

12 months figures

Sales	18,887		22,445
EBIT	3,760		4,519
Operating cash flow before paid interest	3,774		4,865
Cash flow/EBIT	100%		108%

Opening Solutions Asia Pacific's bridge

MSEK	Q3 2018	Organic	Currency	Acq/Div	Q3 2019
Growth		-1%	4%	6%	9%
Sales	2,627	-34	125	156	2,874
Operating income*	242	0	13	19	274
Operating margin, %*	9.2%	0.6%	10.5%	12.0%	9.5%
Dilution/accretion		0.1 pts	0.1 pts	0.1 pts	

12 months figures

Sales	9,594			10,768
EBIT*	860			924
Operating cash flow before paid interest	948			1,081
Cash flow/EBIT	110%			117%

*) Excluding China write downs in Q2 2018.

Global Technologies' bridge

MSEK	Q3 2018	Organic	Currency	Acq/Div	Q3 2019
Growth		6%	9%	18%	33%
Sales	3,001	197	202	591	3,991
Operating income	641	32	56	81	810
Operating margin, %	21.4%	16.1%	27.7%	13.6%	20.3%
Dilution/accretion		-0.2 pts	0.3 pts	-1.2 pts	

12 months figures

Sales	11,183		14,648
EBIT	2,279		2,806
Operating cash flow before paid interest	2,308		3,046
Cash flow/EBIT	101%		109%

Entrance Systems' bridge

MSEK	Q3 2018	Organic	Currency	Acq/Div	Q3 2019
Growth		3%	6%	0%	9%
Sales	5,909	188	329	0	6,427
Operating income	831	60	34	-52	873
Operating margin, %	14.1%	32.1%	10.4%	N/A	13.6%
Dilution/accretion		0.6 pts	-0.3 pts	-0.8 pts	

12 months figures

Sales	23,217		25,276
EBIT	3,326		3,525
Operating cash flow before paid interest	2,723		3,792
Cash flow/EBIT	82%		108%



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