

The ASSA ABLOY Group is the global leader in access solutions. Every day we help people feel safe, secure and experience a more open world.

ASSA ABLOY

Q1 Report 2020

Experience a safer and more open world

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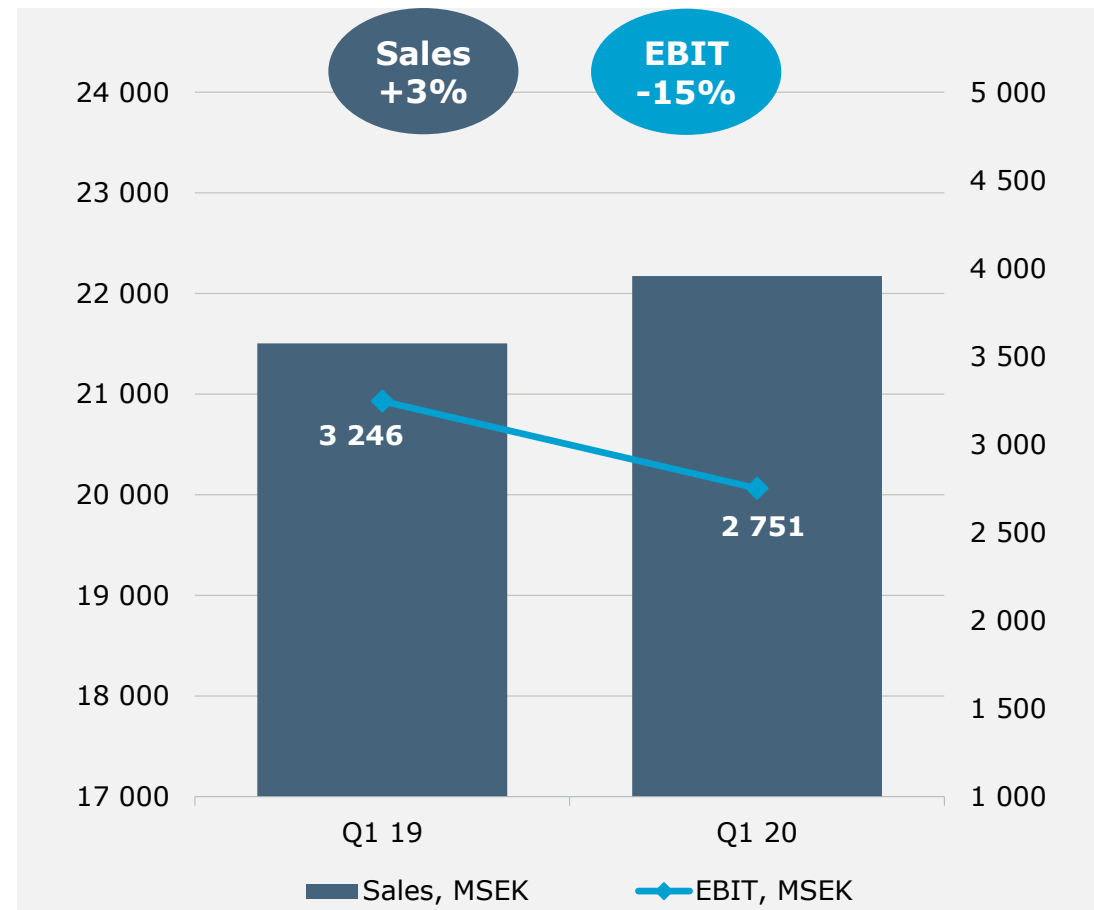
Result impacted by Covid-19 in Q1 2020

- **Organic sales development**
 - Growth in Americas
 - Stable in Global Technologies and Entrance Systems
 - Decline in EMEA and APAC
- **EBIT development**
 - Negative development driven by Covid-19
 - Dilutive effect from FX and M&A
- **Solid cash flow of SEK 1.2 bn**
- **Covid-19**
 - Operating challenges for China supply chain
 - Demand challenges globally



Q1 2020 figures in summary

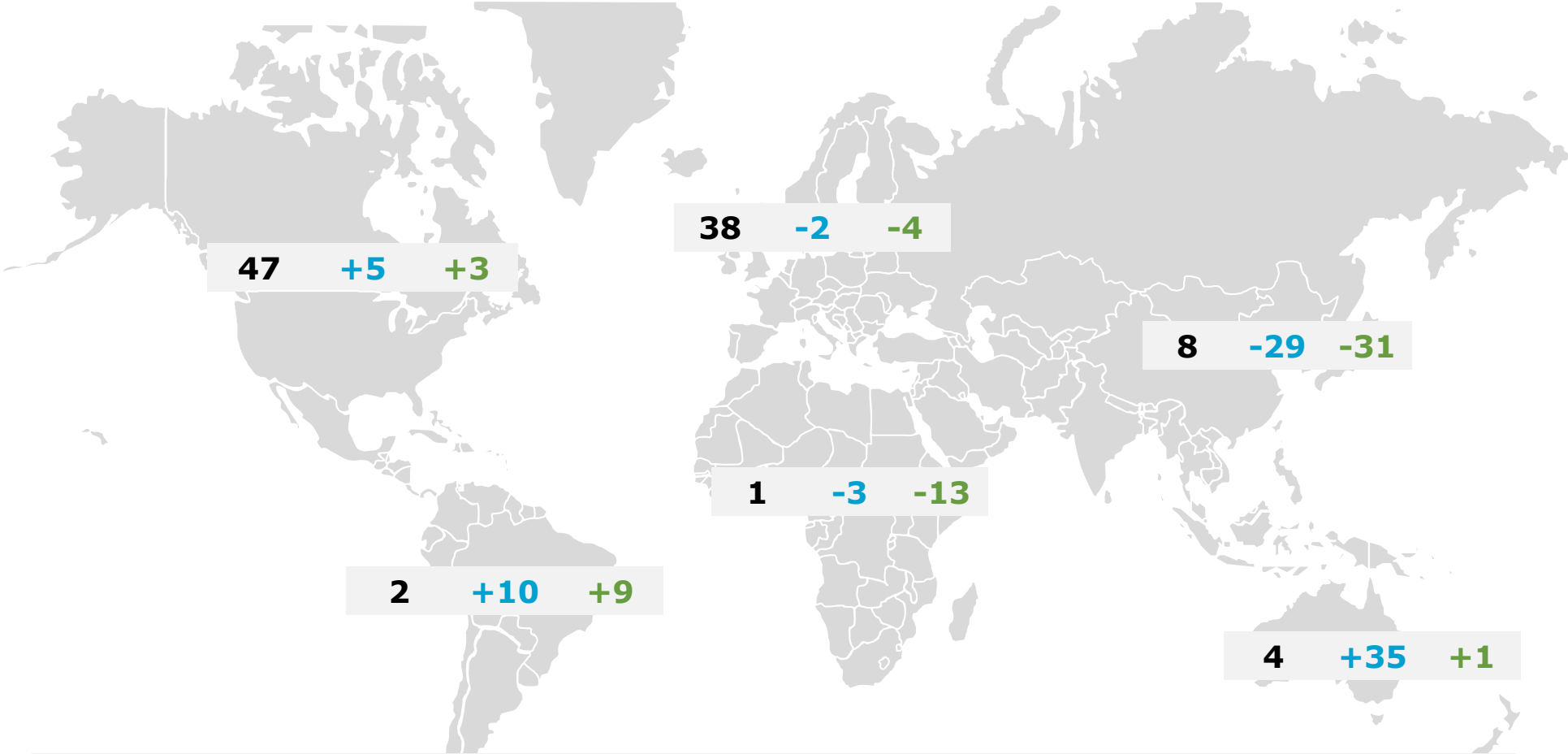
- **Sales MSEK 22,173** **+3%**
 - - 3% organic
 - +3% acquired
 - +3% currency
- **EBITA-margin 13.0% (15.6%)**
- **EBIT-margin 12.4% (15.1%)**
- **EBIT MSEK 2,751** **-15%**
- **EPS SEK 1.68** **-16%**



Sales by region

Jan – Mar 2020

ASSA ABLOY	100	-1	-3
Emerging markets	13	-15	-17



Share of sales, %	Change in local currencies QTD 2020 vs. QTD 2019, %	Organic change QTD 2020 vs. QTD 2019, %
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Emerging markets comprise follows IMF’s definition as per 2018-12-31

Market highlights

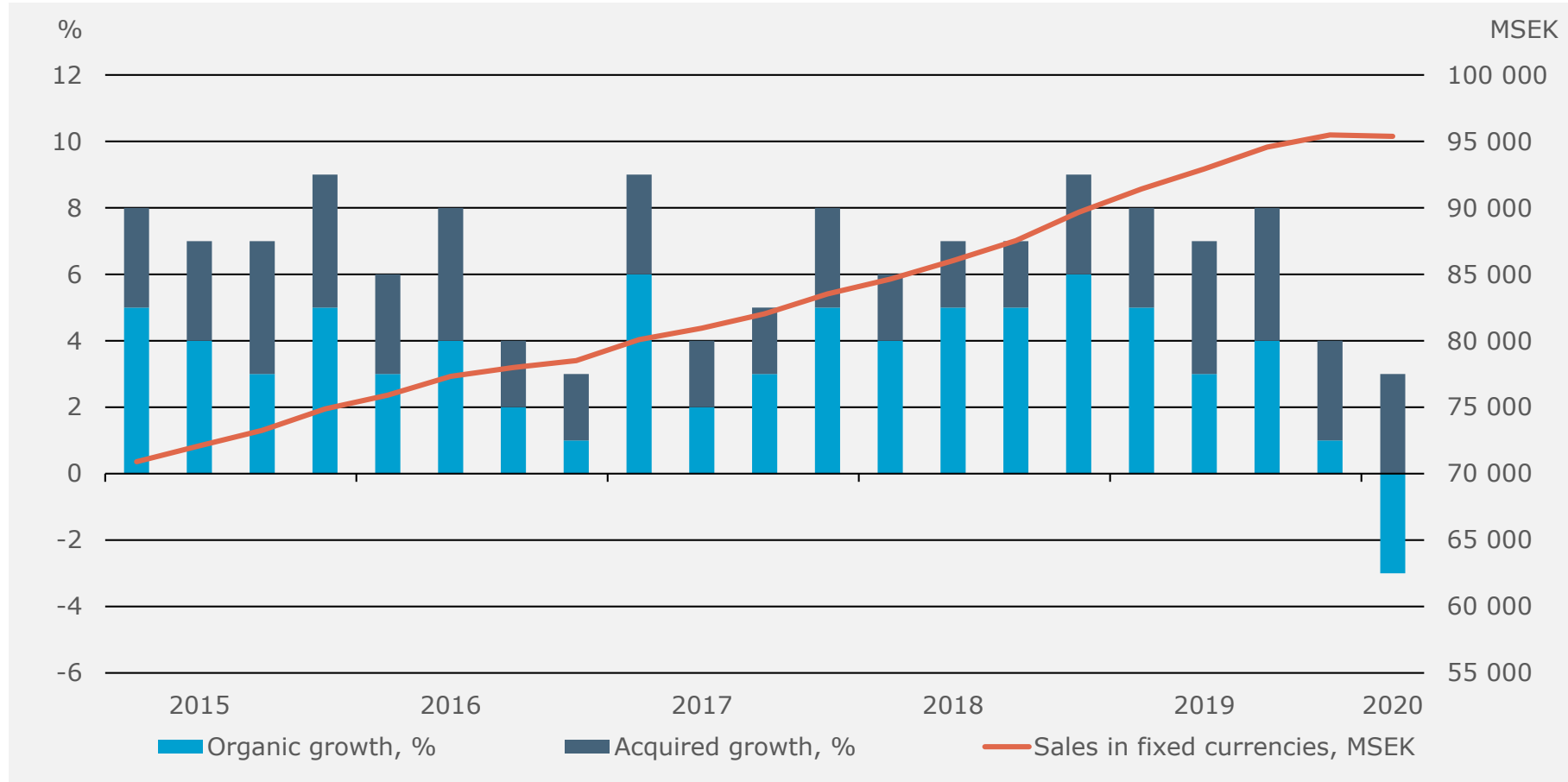
- **Strong project wins**
 - Mercor products for prestigious mixed use development in London
 - Loading docks for large retailer distribution centers in US
 - Fire doors and hardware for metro project in China
- **Electromechanical product launches**
 - ABLOY - Bluetooth padlock with mobile app and digital key
 - Pando - Bluetooth reader for mobile key
 - LifeSafety Power customizable power supply solutions for access control systems
- **Recognition for innovation**
 - New generation smart lock Linus® won Red Dot: Product design award
 - Gateman brand selected as the No. 1 brand power in Korea by Korean government agencies (KMAC)
 - Secure campus award in North America (HID)



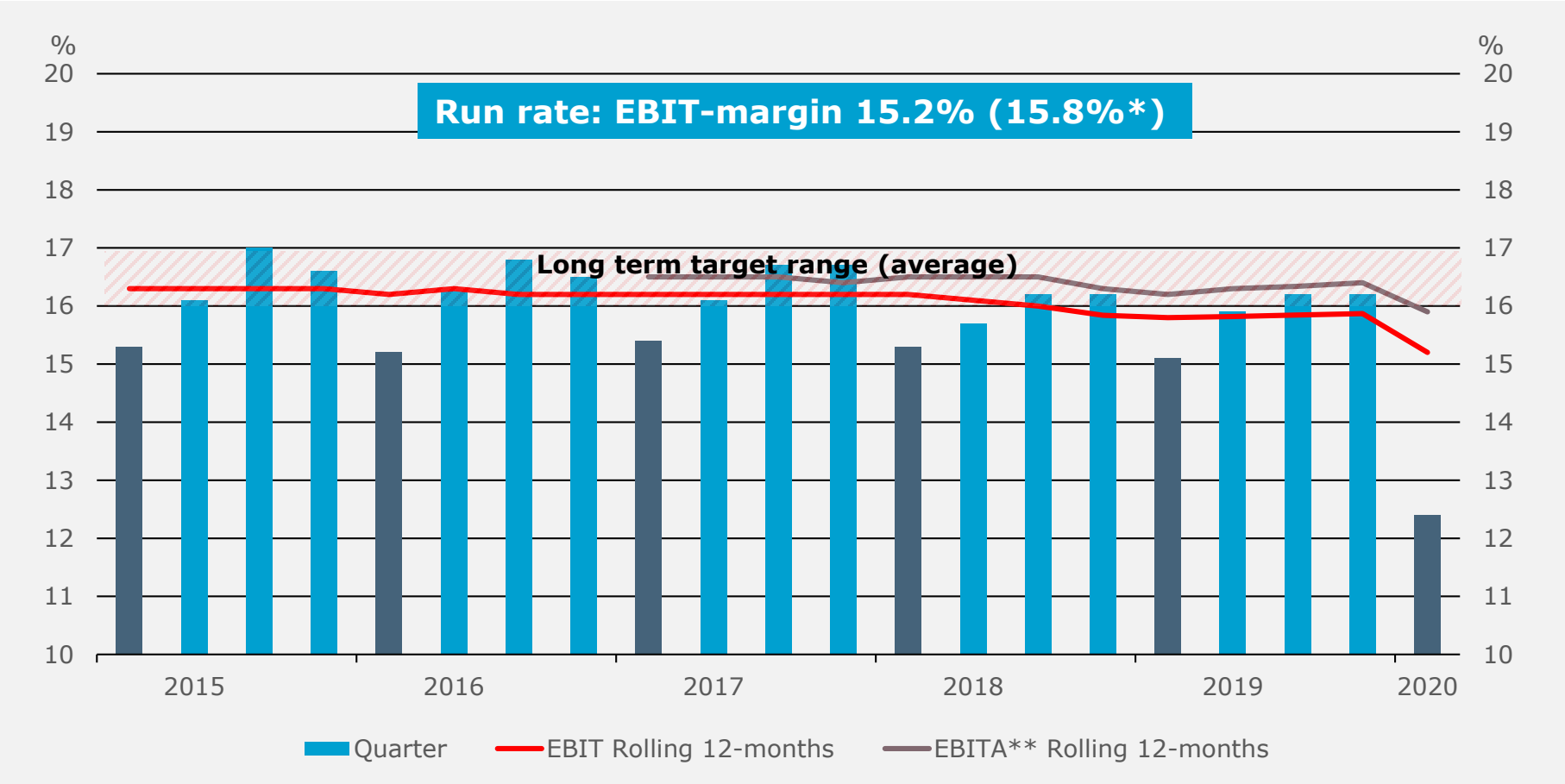
GATEMAN
ASSA ABLOY



Sales growth

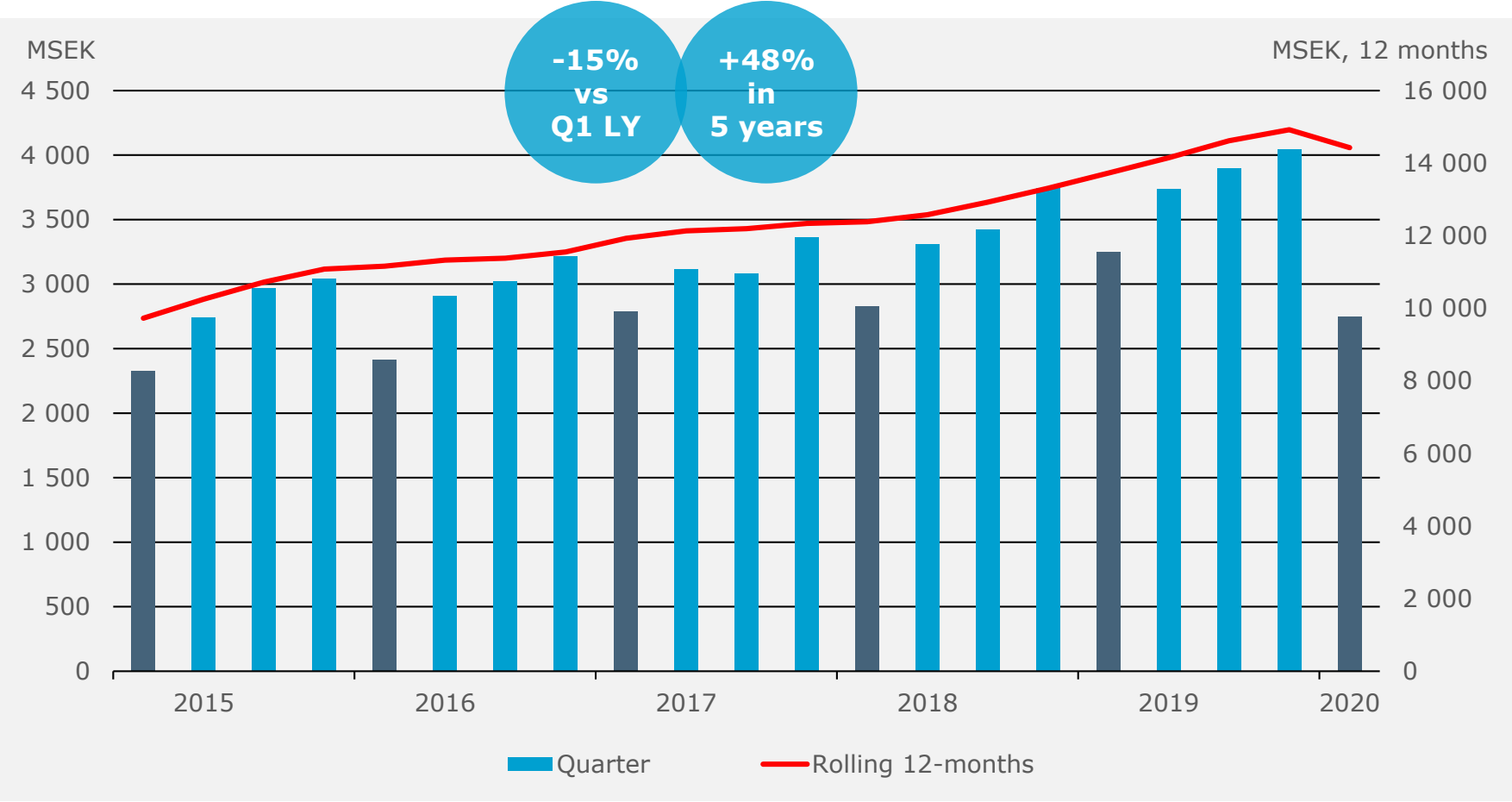


Operating margin



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

Operating profit



*) Excluding China write-downs and restructuring items.

Acquisitions

- **Fully active pipeline**
 - 3 acquisitions completed in Q1
 - 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
 - Expected to close in H2 2020

BIOSITE[®]

AMgroup



* Adjusted for extraordinary personnel expenses of MEUR 8.9



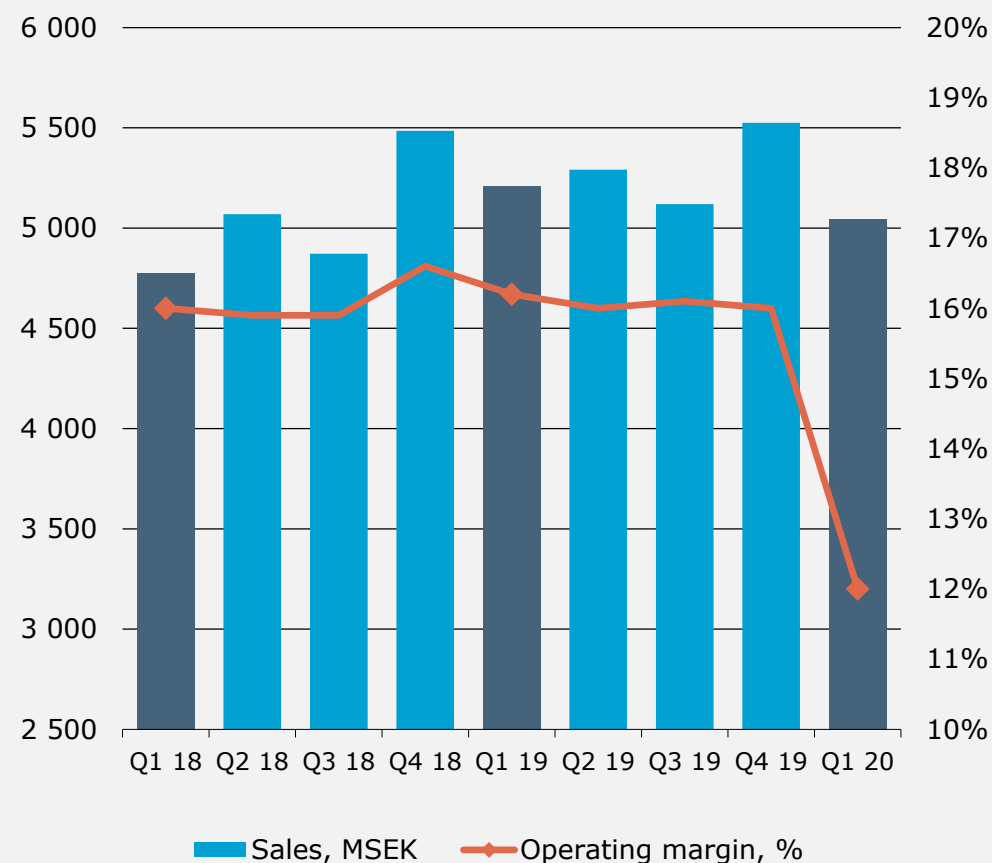
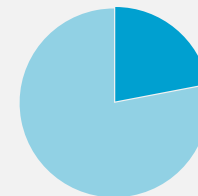
Biosite, UK

- New vertical in Global Solutions
- Sales of MSEK 175 with 140 employees
- A leading solutions provider of biometric access control to the UK construction industry
- Dilutive to EPS from start

Opening Solutions EMEA

- **Organic sales was negative -4%**
 - Good growth in Scandinavia
 - Stable growth in Middle East & Africa and Germany
 - Sales decline in Finland, UK and Benelux
 - Significant sales decline in East Europe, South Europe and France
- **Operating margin 12.0% (16.2%)**
 - Negative volume leverage (-360bps), significant Covid-19 impact with higher operational cost and division positioned for accelerated growth
 - FX -60bps and M&A flat

22%
of Group
sales



Excluding restructuring items.

Opening Solutions Americas

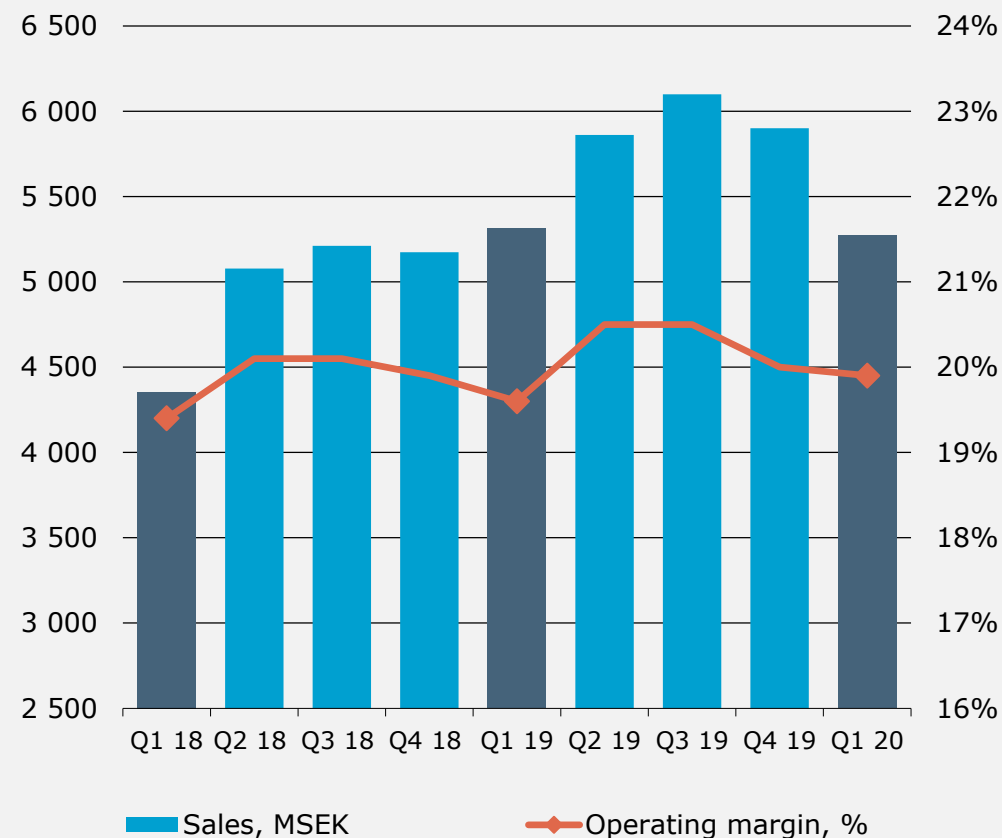
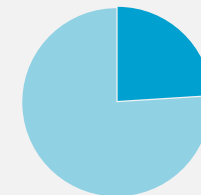
■ Organic sales growth of 1%

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

■ Operating margin 19.9% (19.6%)

- Negative volume leverage (-40 bps) due to impact from Covid-19 including higher freight cost from China import and higher operational cost
- FX flat and M&A +70bps, effect from movement of Perimeter Security to Entrance Systems

24% of
Group
sales

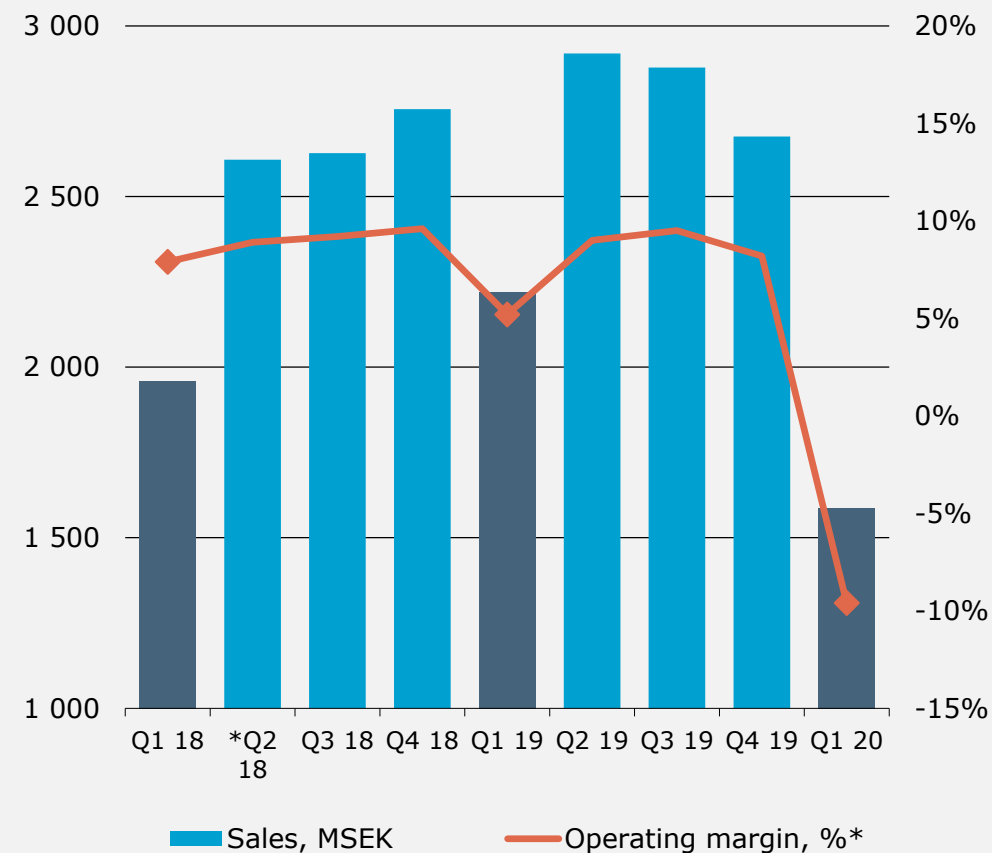
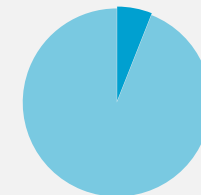


Excluding restructuring items.

Opening Solutions Asia Pacific

- **Organic sales was negative -34%**
 - Sales was negative in Pacific
 - Significant sales decline in South Asia, India, South Korea and China
 - Negative intra group sales
- **Operating margin -9.6% (5.2%)**
 - Negative leverage (-1440 bps), due to very strong negative impact from Covid-19
 - FX -120bps and M&A +80bps

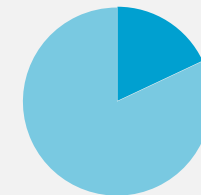
6%
of Group
sales



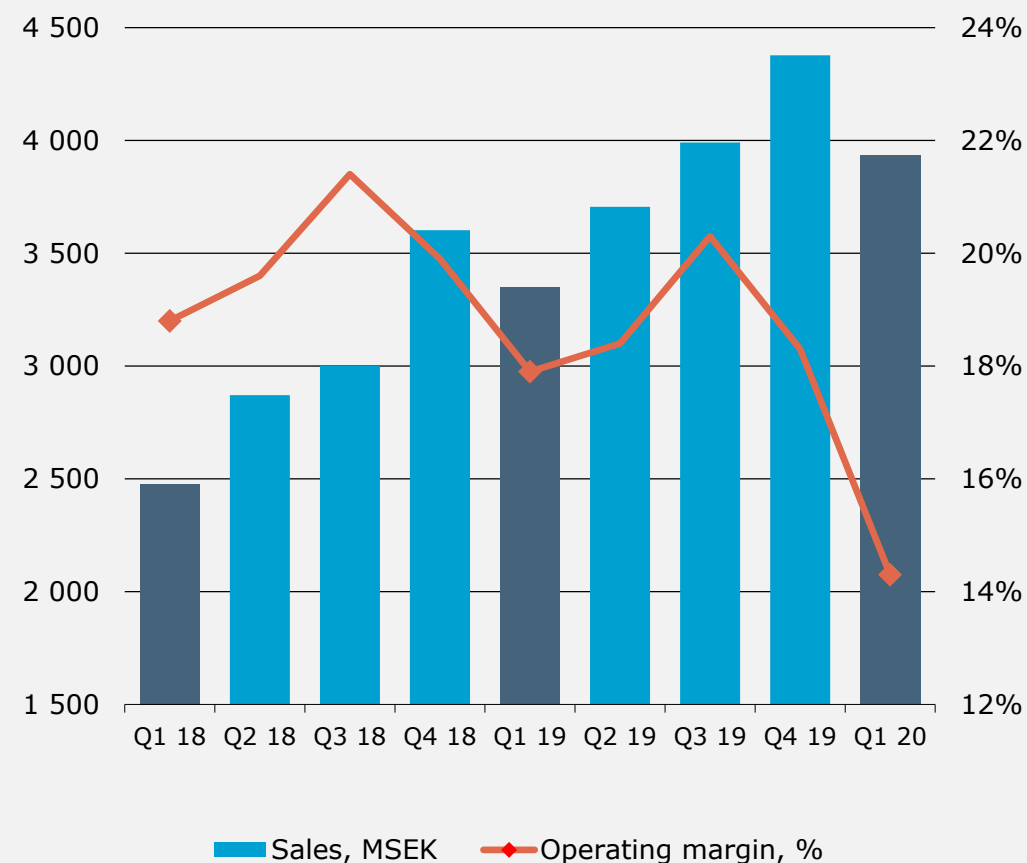
*) Excluding restructuring items and China write downs MSEK 400 in Q2 2018.

Global Technologies

18%
of Group
sales



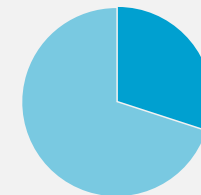
- **Organic sales was flat 0%**
 - Strong growth in Physical Access Control
 - Good growth in Secure Issuance
 - Stable growth in Global Solutions
 - Negative growth in Identification Technology, Identity & Access Solutions and Extended Access
 - Significant sales decline in Citizen ID
- **Operating margin 14.3% (17.9%)**
 - Negative volume leverage (-210bps)
 - Geared up for growth
 - Weak Citizen ID
 - Covid-19: higher operational costs with important factories in China and Malaysia impacted by lockdowns
 - FX -20 bps and M&A -120 bps



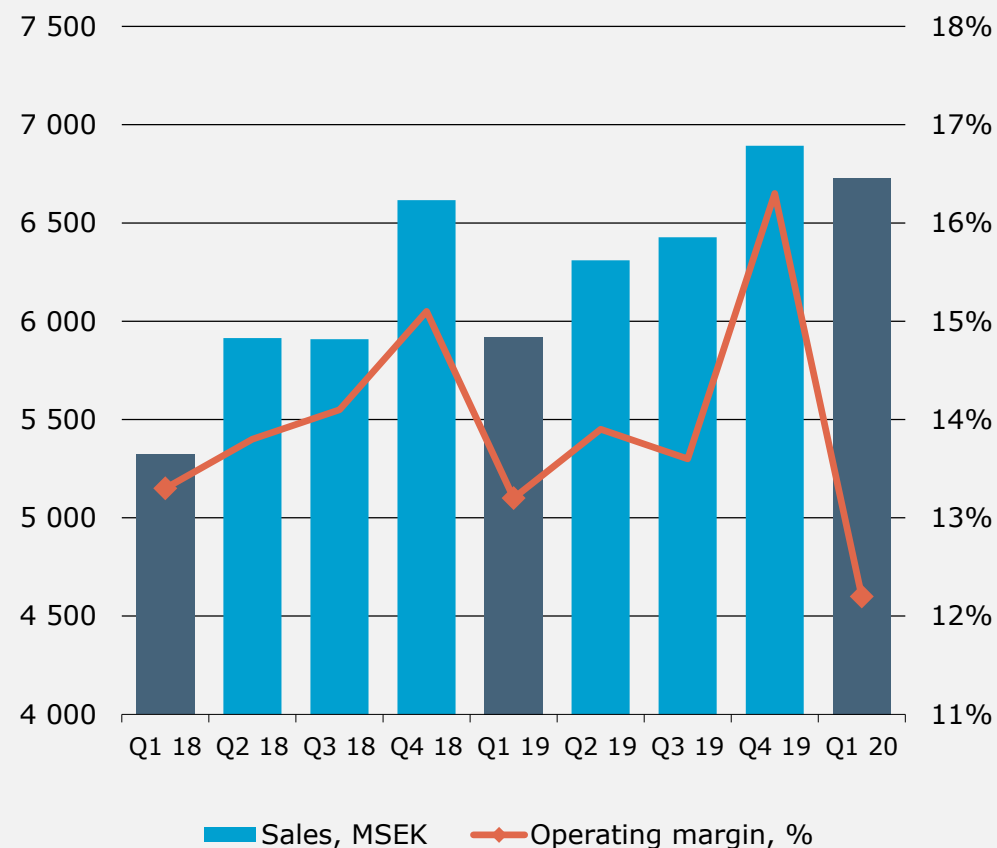
Excluding restructuring items.

Entrance Systems

30%
of Group
sales



- **Organic sales was flat 0%**
 - Very strong growth in Perimeter Security
 - Stable growth in Pedestrian and Residential
 - Negative growth in Industrial
 - Stable growth in service
- **Operating margin 12.2% (13.2%)**
 - Negative volume leverage (-10 bps) due to impacts from Covid-19 with lower operational efficiency from closed factories in China and mix
 - FX -30 bps and M&A -50 bps



Excluding restructuring items.

Implemented cost saving measures



Personnel costs

- Temporary and permanent layoffs
- Hiring freeze
- Headcount -1,045 in Q1



Consultants and external services

- Delayed and stopped projects
- Reduced service costs



Marketing and travel

- Reduced marketing activities
- Travel ban globally

Cost savings to protect profitability

Financial summary, Q1 2020

**FX & acquisition
'run-rate' effects in Q2 2020
(31 Mar 2020):**
SALES
 FX: +3%
 Acq: +2%

	2019	January-March 2020	Change
Sales, MSEK	21,505	22,173	3%
- Organic growth	1,006	-759	-3%
- Acquired net growth	689	648	3%
- FX-differences	1,260	780	3%
Operating income (EBIT)*	3,246	2,751	-15%
EBITA-margin*	15.6%	13.0%	-2.6 pts
EBIT-margin*	15.1%	12.4%	-2.7 pts
Income before tax**	2,997	2,519	-16%
Net income**	2,218	1,864	-16%
EPS**, SEK	2.00	1.68	-16%
Operating cash flow	1,171	1,206	3%
ROCE	15%	11%	-4.0 pts

Bridge analysis – Q1 2020

MSEK	Q1 2019	Organic	Currency	Acq/Div	Q1 2020
Growth		-3%	3%	3%	3%
Sales	21,505	-759	780	648	22,173
Operating profit	3,246	-580	76	10	2,751
Operating margin, %	15.1%	76.4%	9.7%	1.5%	12.4%
Dilution/accretion		-2.1 pts	-0.3 pts	-0.3 pts	

Sales up MSEK 668

- Price +1% and volume -4%
- Sales decline driven by APAC and EMEA

Margin

- Significant negative effect from APAC, EMEA and Global Technologies
- Acquisitions and integration costs of above MSEK 30

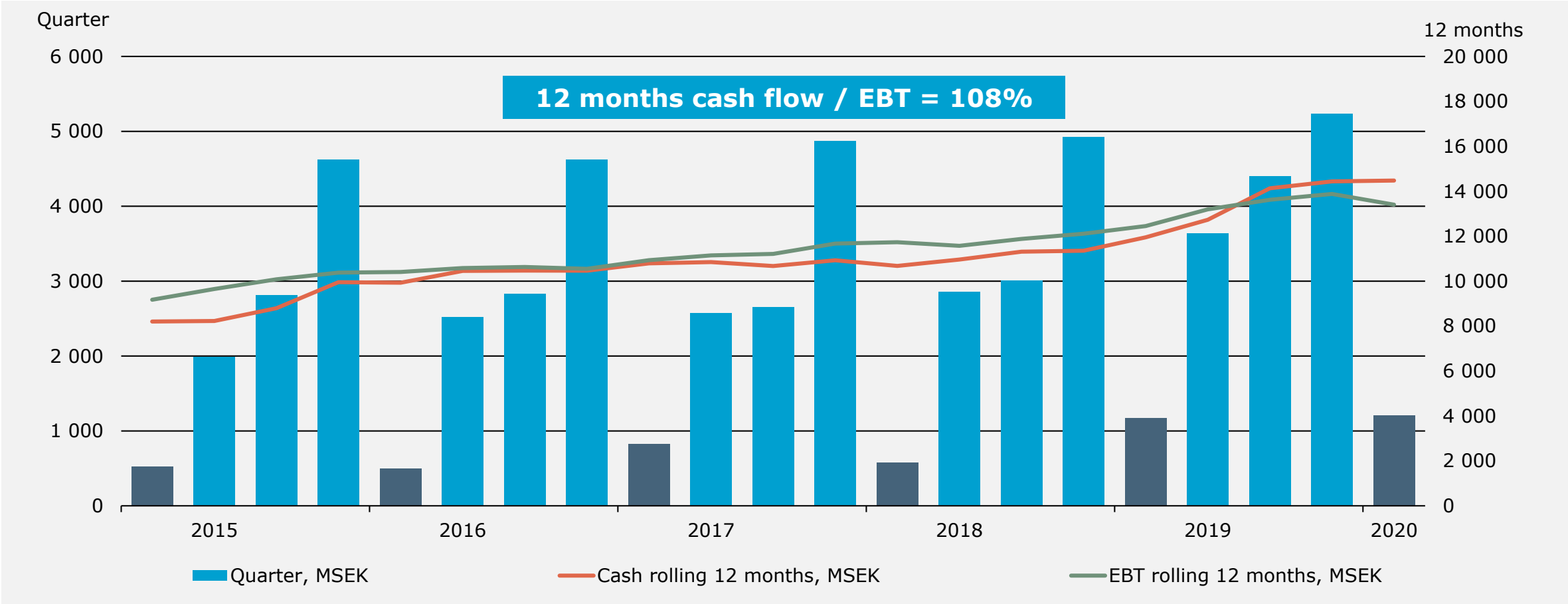
Cost breakdown as % of sales

Jan-Mar

%	QTD 2019	QTD 2020 excl. acquisitions	Δ	QTD 2020
Direct material	-35.6%	-33.6%	+2.0 pts	-33.9%
Conversion cost	-24.4%	-25.6%	-1.2 pts	-25.6%
Gross margin	40.0%	40.8%	+0.8 pts	40.5%
S, G & A	-24.9%	-28.1%	-3.2 pts	-28.1%
EBIT	15.1%	12.7%	-2.4 pts	12.4%

- Direct Material – lower raw material costs and strong mix impact in APAC
- Conversion cost – negative growth with lower cost absorption and higher operational costs
- SG&A – negative organic growth while investments continued in R&D
 - Cost reductions in sales and admin yet to materialize

Operating cash flow, MSEK



Focus on protecting the operating cash flow



Accounts receivables

- Strict collection procedures
- Credit terms



Inventory

- Reducing inventory levels
- Optimizing logistics



Accounts payable

- Renegotiating payment terms



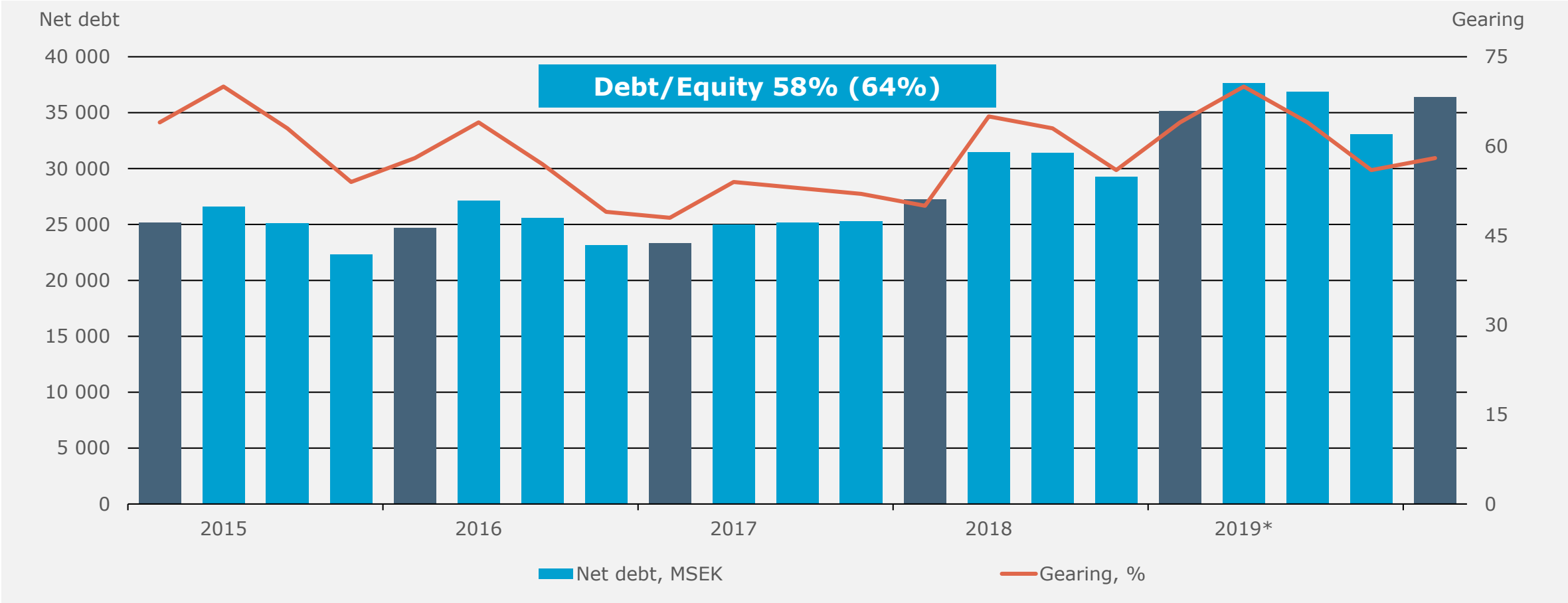
Capex

- Postponing discretionary projects

Strong cash conversion

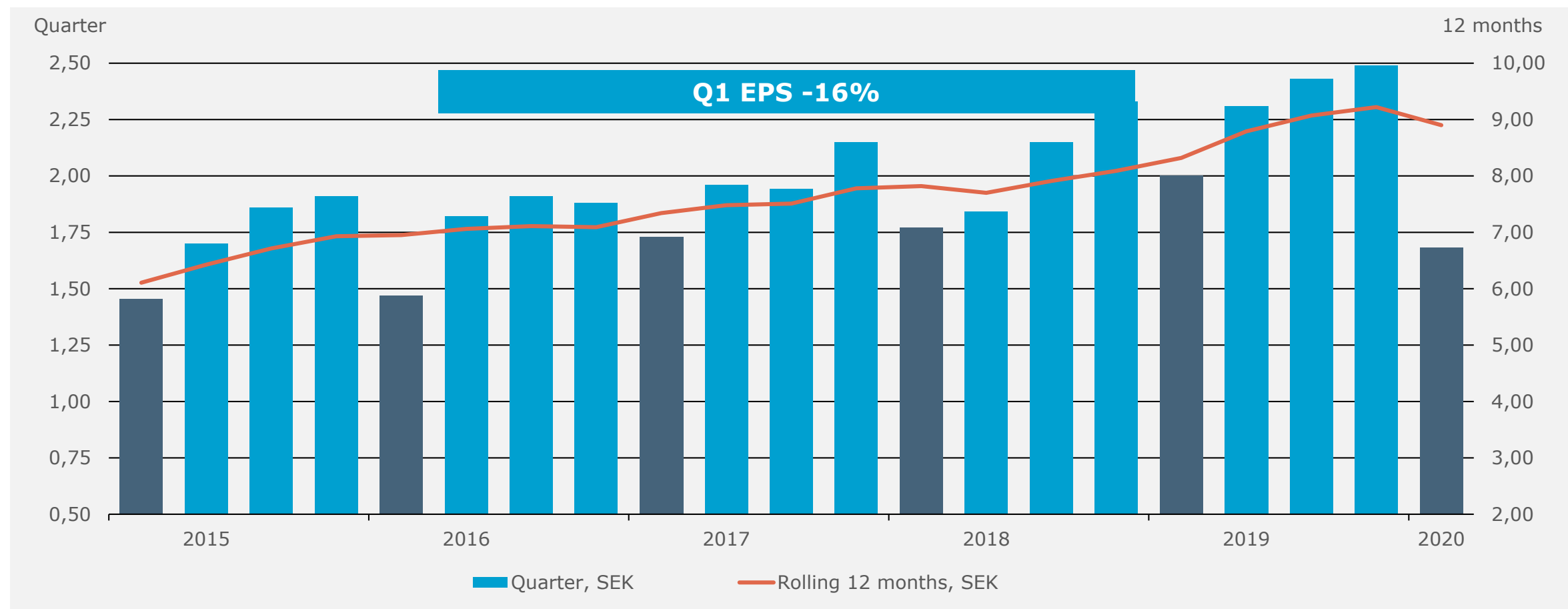
Gearing % and net debt, MSEK

Net debt/EBITDA
2.0 (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

- **Organic sales development**
 - Growth in Americas
 - Stable in Global Technologies and Entrance Systems
 - Decline in EMEA and APAC
- **EBIT development**
 - Negative development driven by Covid-19
 - Dilutive effect from FX and M&A
- **Solid cash flow of SEK 1.2 bn**
- **Challenging market environment**
 - Strong organic sales declines in core markets
 - Cost measures implemented, but investments continue in product innovation and specialized sales
 - EBIT-margin significantly lower in coming months than in Q1



Q&A

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Appendix

The image is a composite. The left half is a solid blue rectangle with the word 'Appendix' in white. The right half is a photograph of a modern building with a complex, angular design. The building features large, dark, triangular concrete structures that frame a glass-enclosed interior. The sky is a clear, pale blue.

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Cost breakdown as % of sales

%	QTD 2018*	QTD 2020 excl. acquisitions*	Δ	QTD 2019*	YTD 2018**	YTD 2019 excl. acquisitions	Δ	YTD 2019*
Direct material	-35.6%	-33.6%	+2.0 pts	-33.9%	-36.2%	-36.1%	0.1 pts	-36.0%
Conversion cost	-24.4%	-25.6%	-1.2 pts	-25.6%	-24.2%	-24.0%	0.2 pts	-23.9%
Gross margin	40.0%	40.8%	+0.8 pts	40.5%	39.6%	39.9%	0.3 pts	40.1%
S, G & A	-24.9%	-28.1%	-3.2 pts	-28.1%	-23.8%	-23.8%	0.0 pts	-24.2%
EBIT	15.1%	12.7%	-2.4 pts	12.4%	15.8%	16.1%	0.3 pts	15.9%

*) Excluding restructuring items. **) Excluding restructuring items and China write down in Q2 2018.

Opening Solutions EMEA's bridge

MSEK	Q1 2019	Organic	Currency	Acq/Div	Q1 2020
Growth		-4%	2%	-1%	-3%
Sales	5,208	-217	127	-75	5,044
Operating income	841	-215	-11	-9	607
Operating margin, %	16.2%	99.1%	-8.3%	12.2%	12.0%
Dilution/accretion		-3.6 pts	-0.6 pts	0.0 pts	

12 months figures

Sales	20,634			20,980
EBIT	3,334			3,162
Operating cash flow before paid interest	2,846			3,358
Cash flow/EBIT	85%			106%

Opening Solutions Americas' bridge

MSEK	Q1 2020	Organic	Currency	Acq/Div	Q1 2020
Growth		1%	5%	-7%	-1%
Sales	5,312	75	262	-377	5,271
Operating income	1,040	-6	50	-36	1,048
Operating margin, %	19.6%	-7.5%	19.0%	9.5%	19.9%
Dilution/accretion		-0.4 pts	0.0 pts	0.7 pts	

12 months figures

Sales	20,775			23,131
EBIT	4,135			4,682
Operating cash flow before paid interest	3,922			5,583
Cash flow/EBIT	95%			119%

Opening Solutions Asia Pacific's bridge

MSEK	Q1 2019	Organic	Currency	Acq/Div	Q1 2020
Growth		-34%	2%	4%	-28%
Sales	2,221	-751	27	92	1,588
Operating income*	115	-264	-7	4	-152
Operating margin, %*	5.2%	35.2%	-25.6%	4.3%	-9.6%
Dilution/accretion		-14.4 pts	-1.2 pts	0.8 pts	

12 months figures

Sales	10,210			10,057
EBIT*	454			612
Operating cash flow before paid interest	847			451
Cash flow/EBIT	99%			74%

*) Excluding China write downs in Q2 2018.

Global Technologies' bridge

MSEK	Q1 2019	Organic	Currency	Acq/Div	Q1 2020
Growth		0%	4%	12%	17%
Sales	3,348	-6	152	438	3,933
Operating income	598	-84	32	17	563
Operating margin, %	17.9%	1380.3%	20.7%	3.9%	14.3%
Dilution/accretion		-2.1 pts	-0.2 pts	-1.2 pts	

12 months figures

Sales	12,822			16,007
EBIT	2,519			2,854
Operating cash flow before paid interest	2,607			3,200
Cash flow/EBIT	103%			112%

Entrance Systems' bridge

MSEK	Q1 2019	Organic	Currency	Acq/Div	Q1 2020
Growth		0%	5%	9%	14%
Sales	5,922	12	223	569	6,727
Operating income	779	-8	17	34	821
Operating margin, %	13.2%	-61.9%	7.5%	6.0	12.2%
Dilution/accretion		-0.1 pts	-0.3 pts	-0.5 pts	

12 months figures

Sales	24,362			26,357
EBIT	3,427			3,694
Operating cash flow before paid interest	3,288			3,615
Cash flow/EBIT	96%			98%



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