

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

Q2 Report 2020

Experience a safer and more open world

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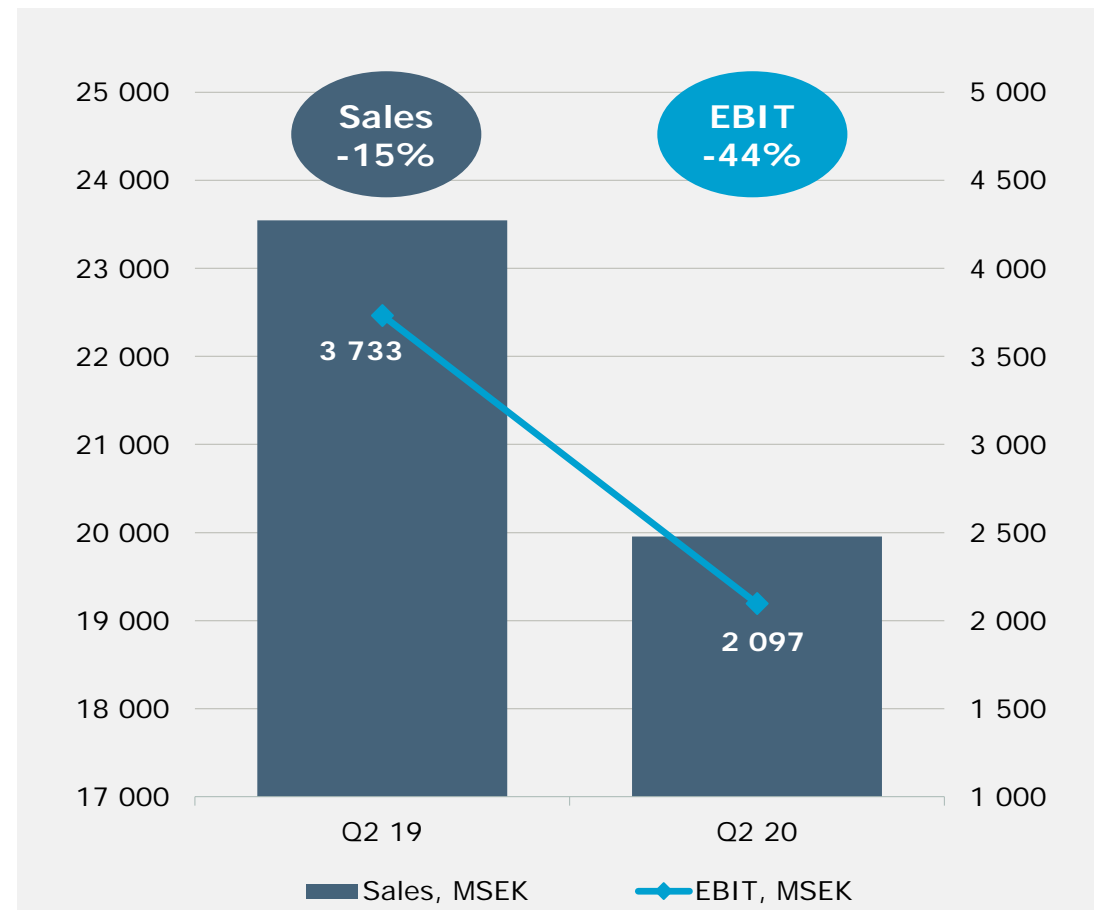
An extraordinary quarter

- **Organic sales development**
 - Sales declined strongly in all divisions
- **EBIT development driven by Covid-19**
 - Effects from cost measures and eased restrictions led to gradual improvements during the quarter
- **Strong cash flow of SEK 3.4 bn**
- **Covid-19 effects and actions**
 - ~30 factories closed during parts of Q2
 - Significant cost measures implemented
 - Net costs reduced by more than SEK 1.0 bn



Q2 2020 figures in summary

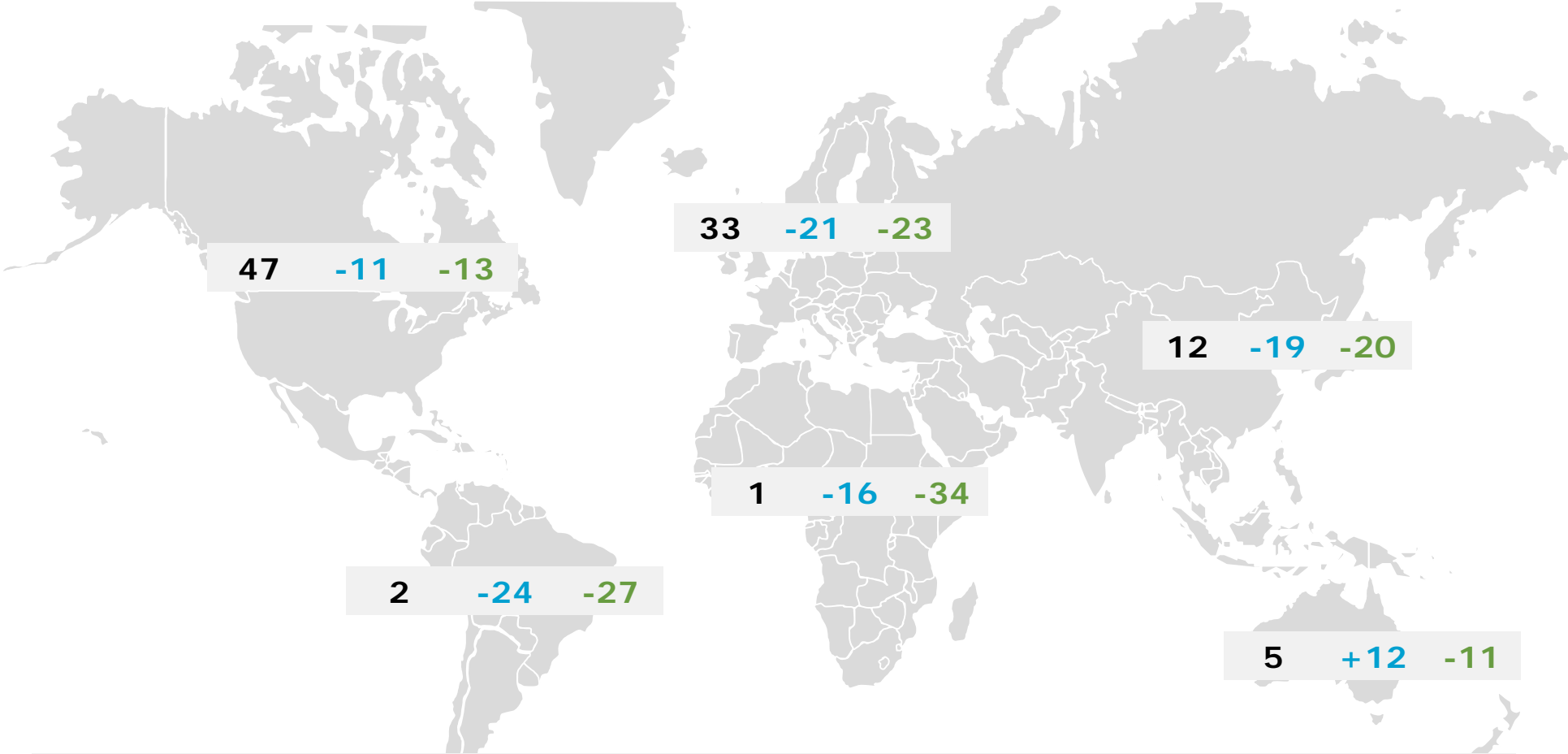
- **Sales MSEK 19,953** **-15%**
 - - 18% organic
 - + 3% acquired
 - 0% currency
- **EBITA-margin 11.2% (16.4%)**
- **EBIT-margin 10.5% (15.9%)**
- **EBIT MSEK 2,097** **-44%**
- **EPS SEK 1.26** **-45%**



Sales by region

Apr – Jun 2020

ASSA ABLOY	100	-15	-18
Emerging markets	16	-19	-22

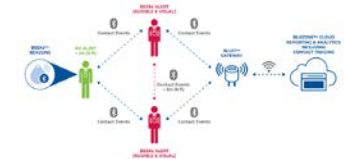
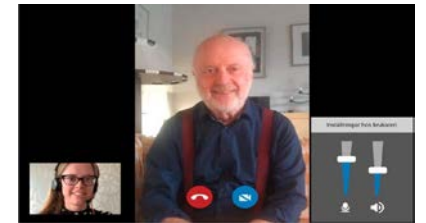


Share of sales, %	Change in local currencies QTD 2020 vs. QTD 2019, %	Organic change QTD 2020 vs. QTD 2019, %
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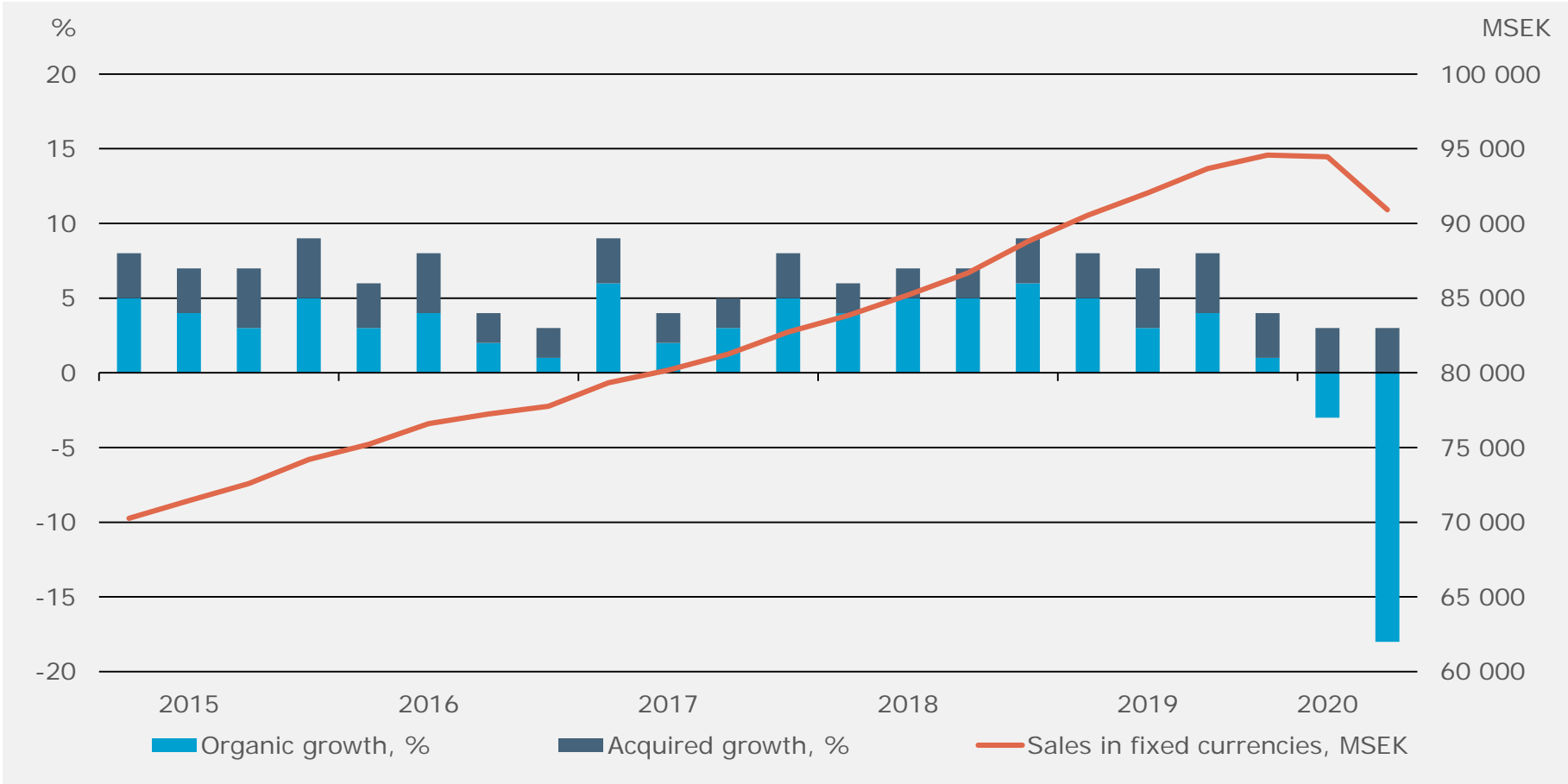
Emerging markets comprise follows IMF's definition as per 2018-12-31

Market highlights

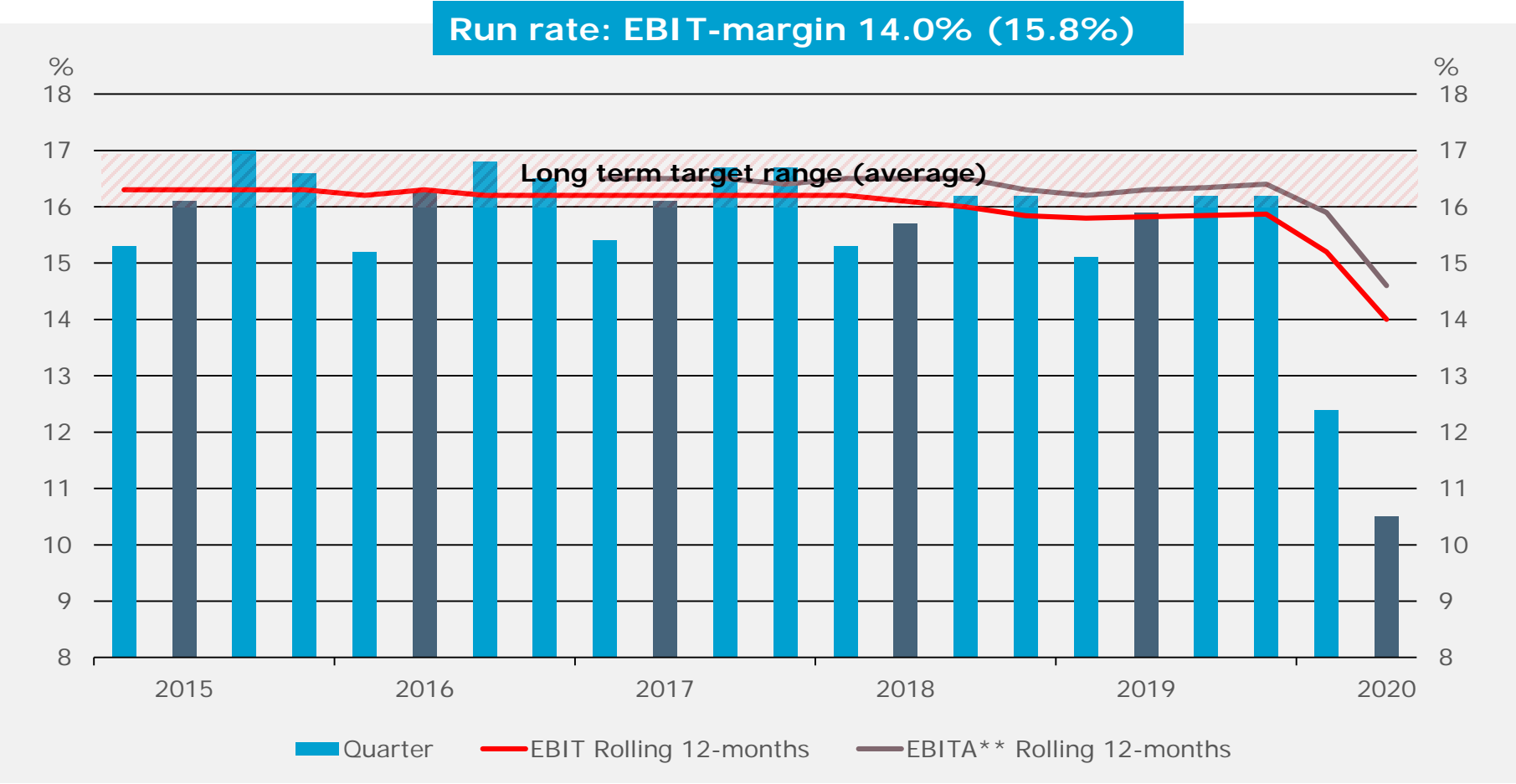
- **Strong project wins**
 - Identification and access control at mining site in Mexico
 - Docking Solutions for logistics center in Sweden
- **Product launches in response to Covid-19**
 - Video visit solution for Senior Care in the Nordics
 - HID location services for contact tracing
 - AntiBacterial keys and touchless door hardware
- **Other product launches**
 - Incedo access control eco system
 - Remote Service through augmented reality



Sales growth



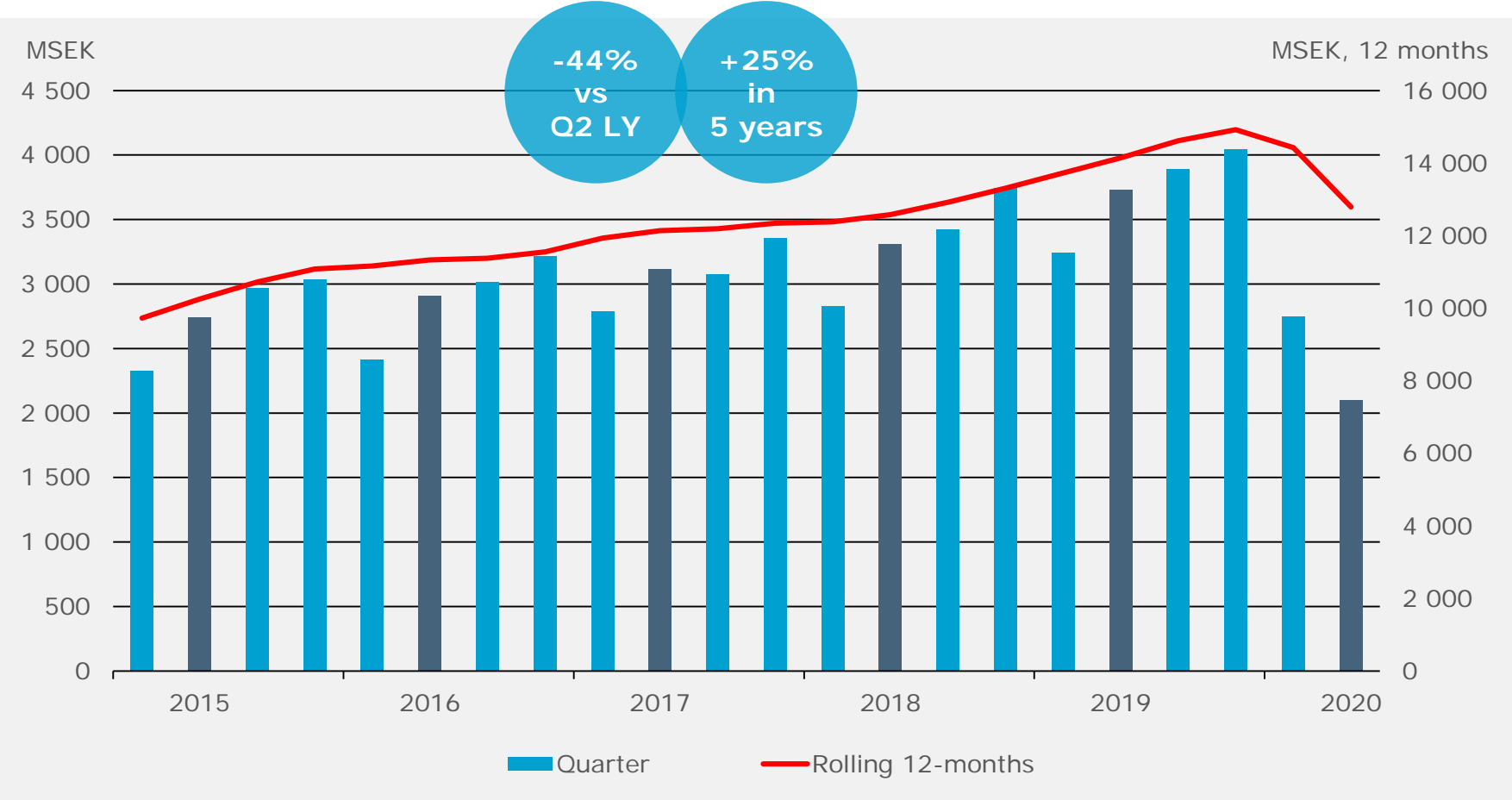
Operating margin



*) Excluding 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**

- 1 acquisition completed in Q2
- 6 acquisitions completed in 2020
 - Including Donimet and FocusCura in July
- Acquired annualized sales of MSEK 1,200

- **Additional acquisitions to be closed**

- agta record
 - Sales of MEUR 378 and EBITA-margin of 12%* in 2018
 - Transaction expected to close in Q3

BIOSITE[®]



AMgroup

DONIMET
Producent drzwi specjalistycznych

 **Jansen**



* Adjusted for extraordinary personnel expenses of MEUR 8.9

FocusCura, Netherlands

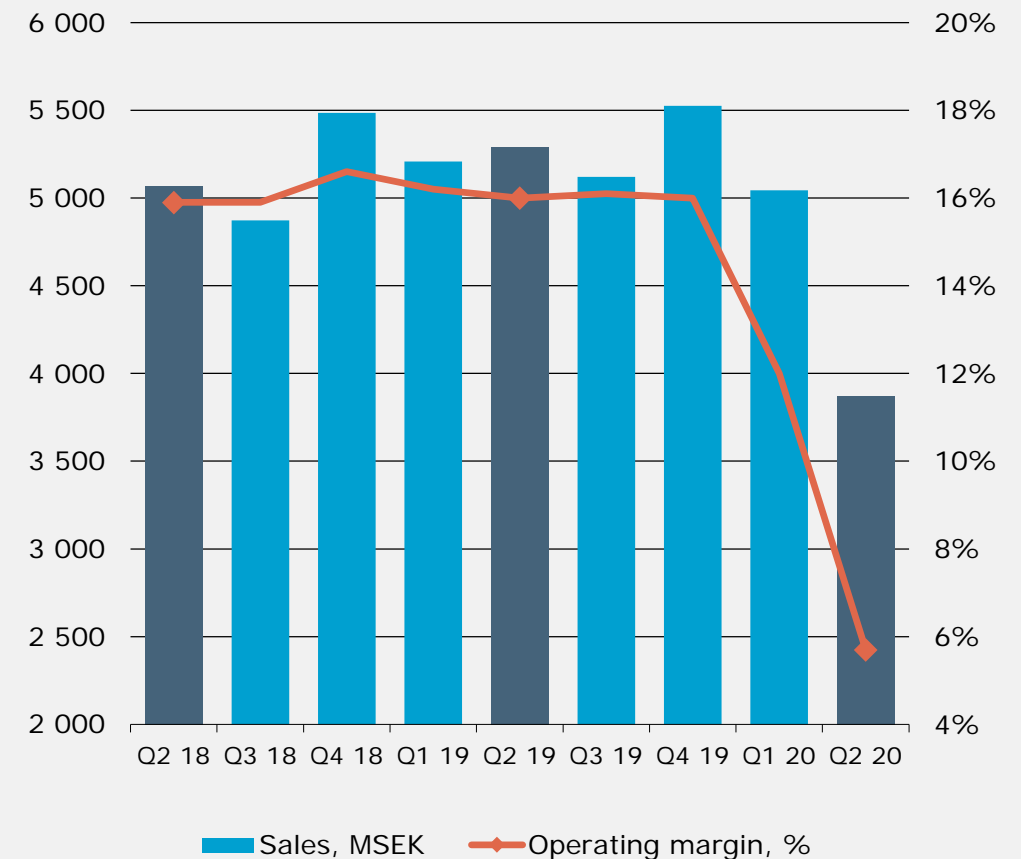
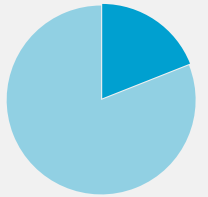


- Complementary to Phoniro in Global Solutions
- Sales of MSEK 130 in 2019 with 100 employees
- A leading provider of technology solutions for senior care in the Dutch market
- Dilutive to EPS from start

Opening Solutions EMEA

- **Organic sales declined -25%**
 - Sales declined in Scandinavia
 - Significant sales decline in all other markets
- **Operating margin 5.7% (16.0%)**
 - Negative volume leverage (-1050bps)
 - Significant Covid-19 impact
 - Temporary closed factories and lower operational efficiency
 - FX 20bps and M&A flat

19%
of Group
sales

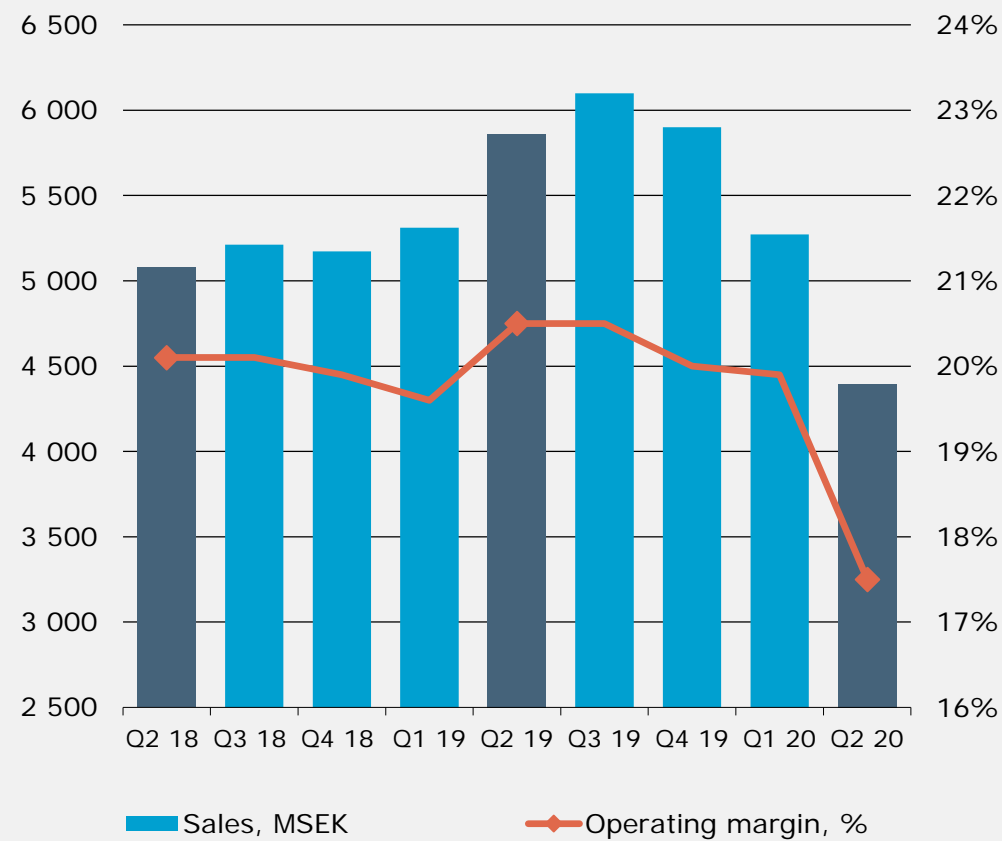
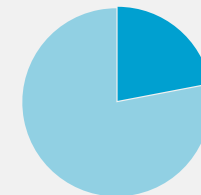


Excluding restructuring items.

Opening Solutions Americas

- **Organic sales declined -18%**
 - Significant sales decline in all business areas and regions
- **Operating margin 17.5% (20.5%)**
 - Negative volume leverage (-270 bps) due to Covid-19
 - FX +30bps
 - M&A -60bps
 - Move of Perimeter Security to Entrance Systems

22% of
Group
sales

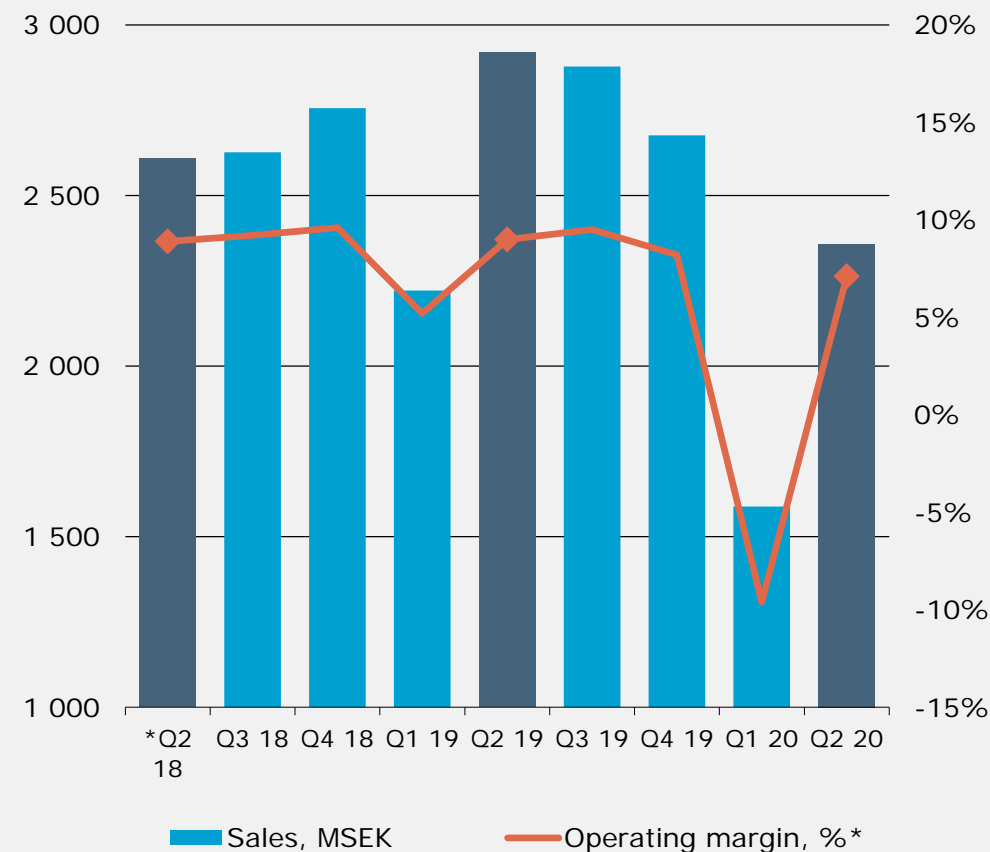
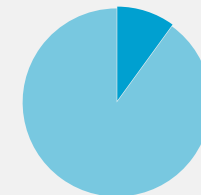


Excluding restructuring items.

Opening Solutions Asia Pacific

- **Organic sales declined -17%**
 - Sales declined in Pacific
 - Significant sales decline in all other business areas
- **Operating margin 7.1% (9.3%)**
 - Negative leverage (-160 bps) due to Covid-19
 - Strongest effect from Covid-19 in India
 - Improved margin in China versus last year
 - FX 0bps and M&A -60bps

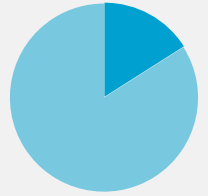
10%
of Group
sales



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

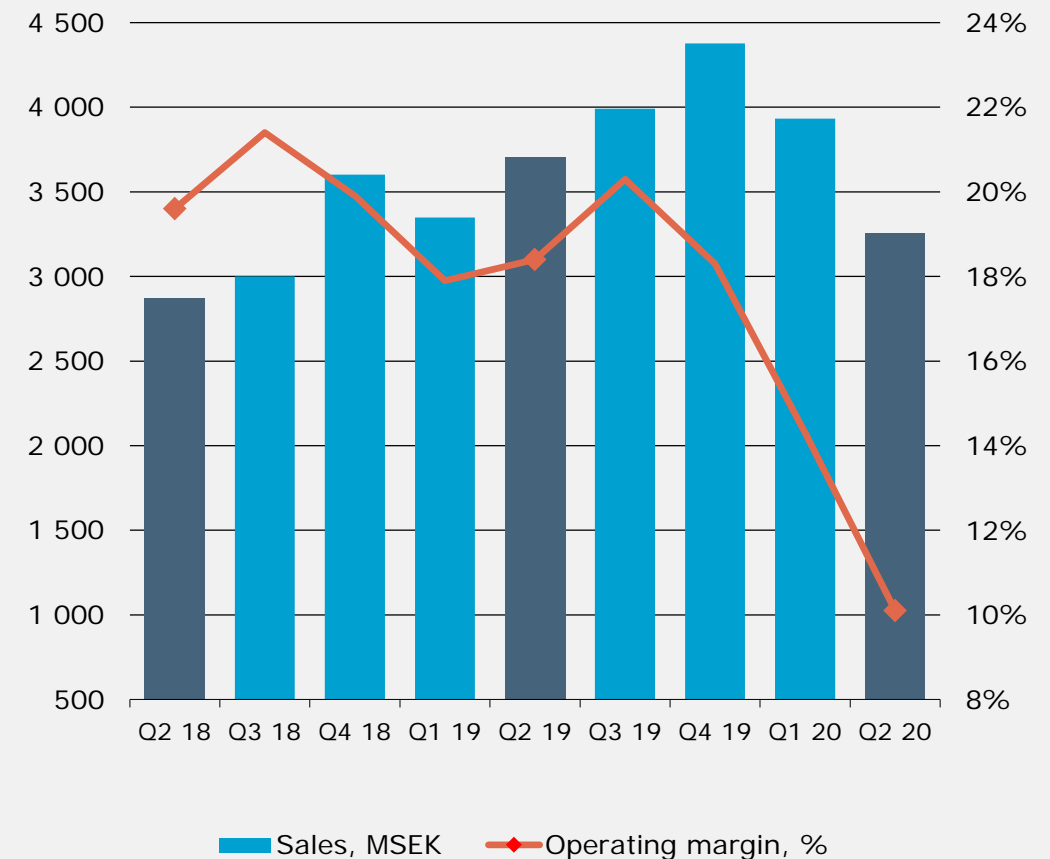
Global Technologies

16%
of Group
sales



- **Organic sales declined -25%**
 - Stable growth in Identity & Access Solutions
 - Declining sales in Identification Technology
 - Significant sales decline in all other business areas
 - Significant sales decline in Global Solutions

- **Operating margin 10.1% (18.4%)**
 - Negative volume leverage (-740bps)
 - Strong impact from Covid-19 and mix
 - Important factories impacted by lockdowns
 - Weak Citizen ID
 - Continued R&D investments
 - FX -50 bps and M&A -40 bps



Excluding restructuring items.

Entrance Systems

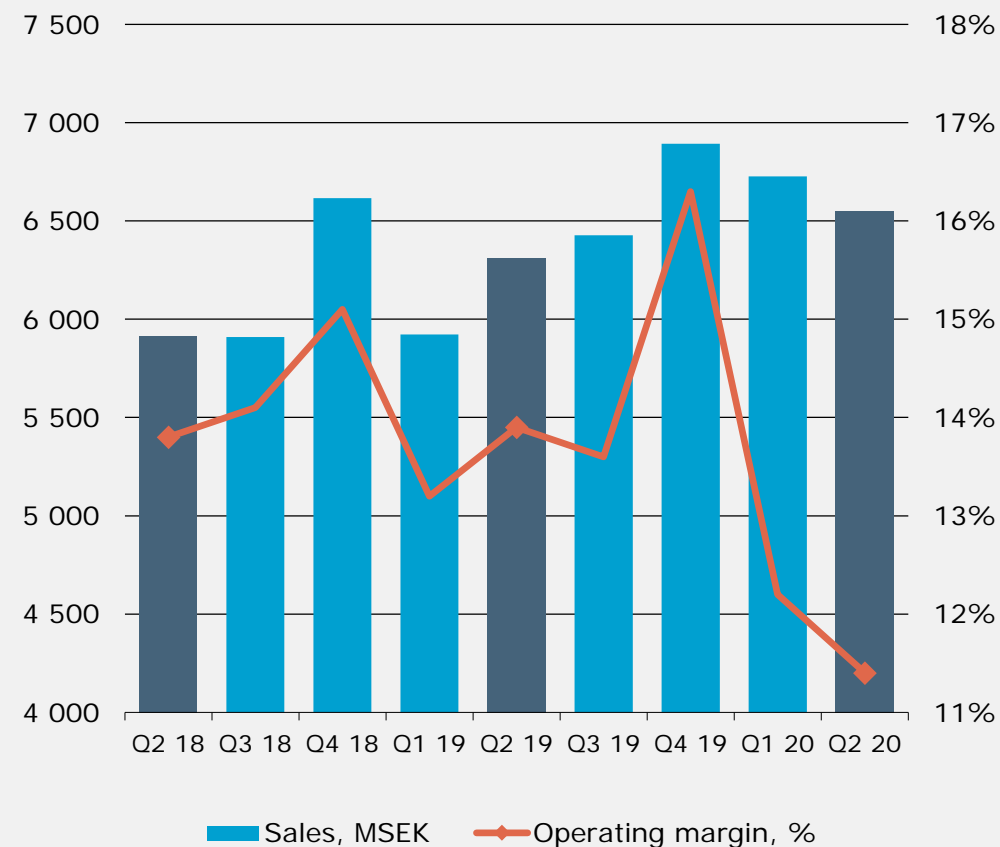
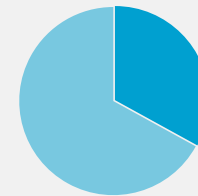
- **Organic sales declined -8%**

- Declining sales in Perimeter Security, Residential and Industrial
- Significant sales decline in Pedestrian
- Significant sales decline in service

- **Operating margin 11.4% (13.9%)**

- Negative volume leverage (-190 bps) due to Covid-19 and mix
- FX -20 bps
- M&A -30 bps

33%
of Group
sales



Excluding restructuring items.

Financial summary, Q2 2020

FX & acquisition
'run-rate' effects in Q3 2020
(30 June 2020):

SALES

FX: -3%

Acq: +3%

	April-June			January-June		
	2019	2020			2020	
Sales	23,544	19,953	-15%	45,048	42,126	-6%
- Organic growth	692	-4,198	-18%	1,698	-4,957	-11%
- Acquired net growth	790	654	3%	1,478	1,302	3%
- FX-differences	922	-48	0%	2,182	733	2%
Operating income (EBIT)	3,733	2,097	-44%	6,978	4,848	-31%
EBITA-margin	16.4%	11.2%	-5.2 pts	16.0%	12.2%	-3.8 pts
EBIT-margin	15.9%	10.5%	-5.4 pts	15.5%	11.5%	-4.0 pts
Income before tax	3,462	1,892	-45%	6,459	4,411	-32%
Net income	2,562	1,400	-45%	4,780	3,264	-32%
EPS, SEK	2.31	1.26	-45%	4.30	2.94	-32%
Operating cash flow	3,636	3,418	-6%	4,807	4,624	-4%
ROCE	16%	9%	-7.0 pts	16%	10%	-6.0 pts

Actions taken

- **Employees**

- Reduced working hours
- 20% of workforce impacted by temporary layoffs in Q2
- 2,521 permanent headcount layoffs H1

- **Overhead costs**

- Marketing including trade shows
- Travel restrictions
- Renegotiation of external services
- Rental costs



Reduced SG&A and conversion net costs by

> SEK 1.0 bn
in Q2

Bridge analysis – Q2 2020

MSEK	Q2 2019	Organic	Currency	Acq/Div	Q2 2020
Growth		-18%	0%	3%	-15%
Sales	23,544	-4,198	-48	654	19,953
Operating profit	3,733	-1,599	3	-40	2,097
Operating margin, %	15.9%	38.1%	-6.6%	-6.1%	10.5%
Dilution/accretion		-4.8 pts	0.0 pts	-0.6 pts	

Sales decreased MSEK -3,591

- Price +1% and volume -19%
- Sales declined in all divisions

Margin

- Operating leverage affected by factory closures and continued investments in R&D
- Significant negative effect in EMEA and Global Technologies
- Dilutive effect from acquisition and integration costs

Cost breakdown as % of sales

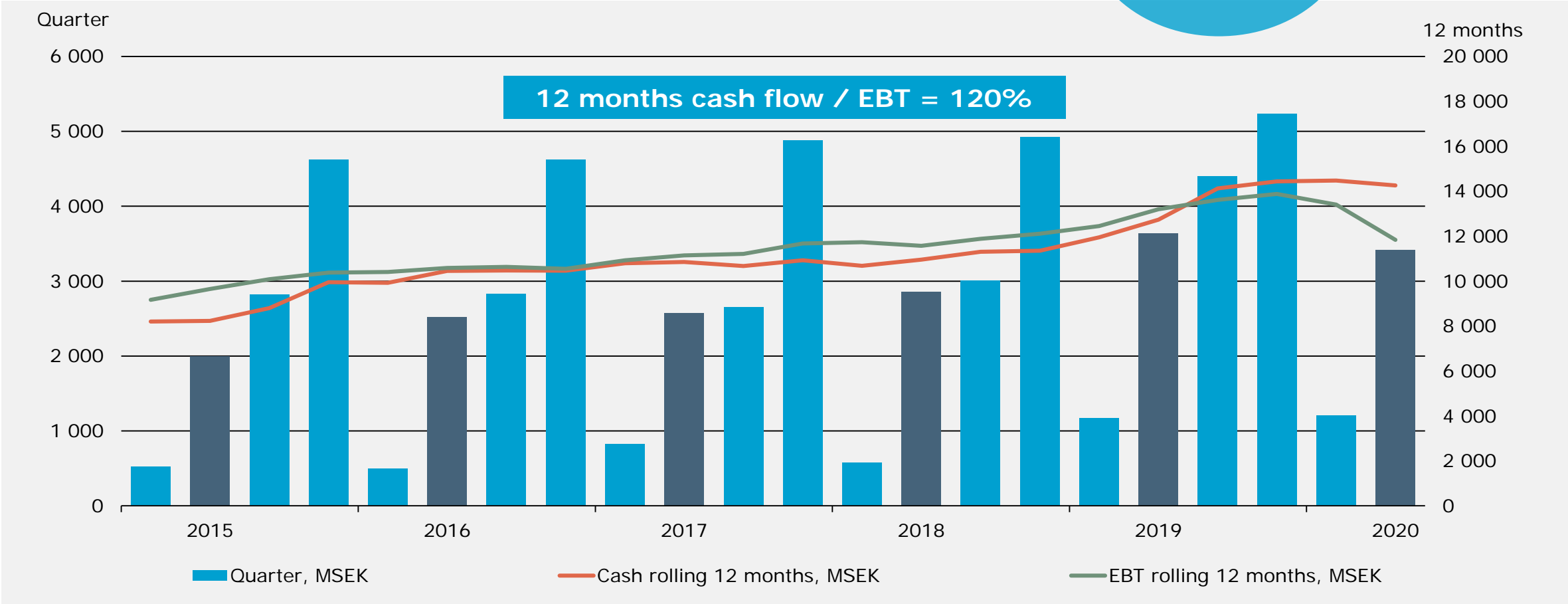
Apr-Jun

%	QTD 2019	QTD 2020 excl. acquisitions	Δ	QTD 2020
Direct material	-35.9%	-35.6%	+0.3 pts	-35.7%
Conversion cost	-23.7%	-25.7%	-2.0 pts	-26.0%
Gross margin	40.4%	38.7%	-1.7 pts	38.3%
S, G & A	-24.5%	-27.6%	-3.1 pts	-27.8%
EBIT	15.9%	11.1%	-4.8 pts	10.5%

- Direct Material – lower raw material costs and sourcing savings
- Conversion cost – down double digit vs. last year
- SG&A – affected by strong negative organic growth
 - Continued investments in R&D
 - Sales and admin cost down double digit vs. last year

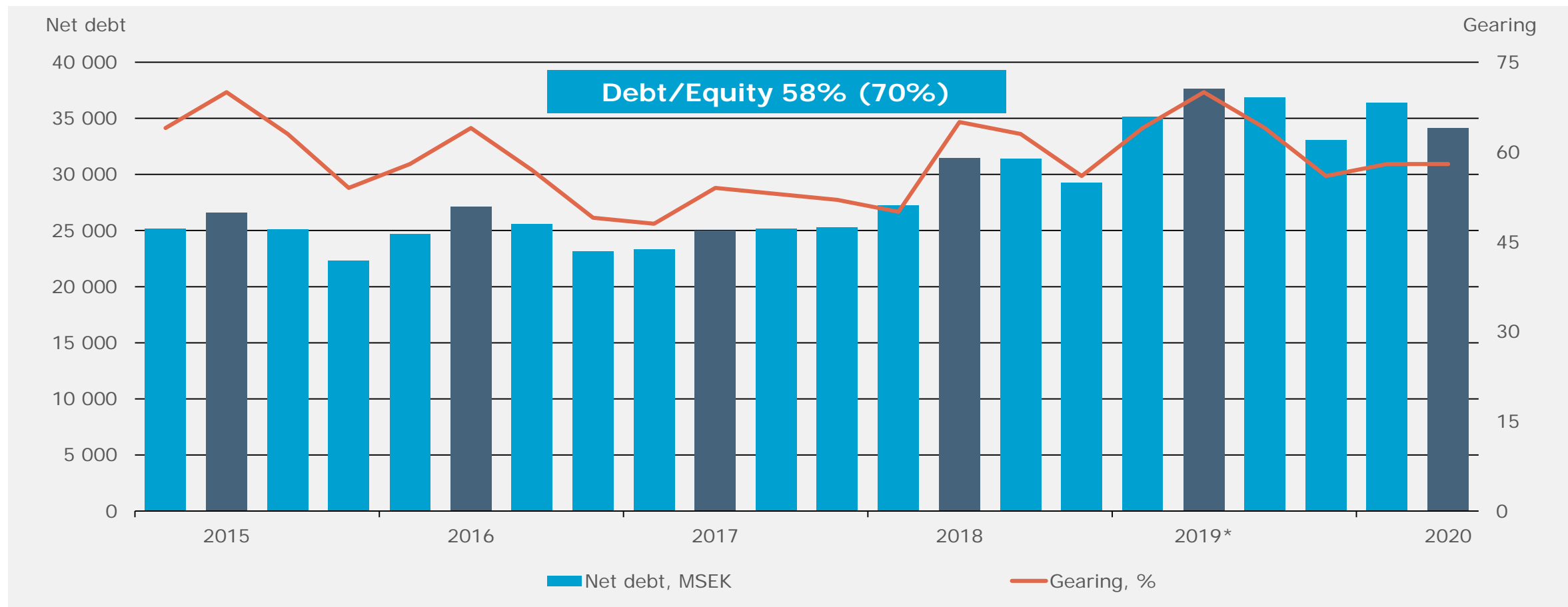
Operating cash flow, MSEK

Working capital
SEK -1.5 Bn



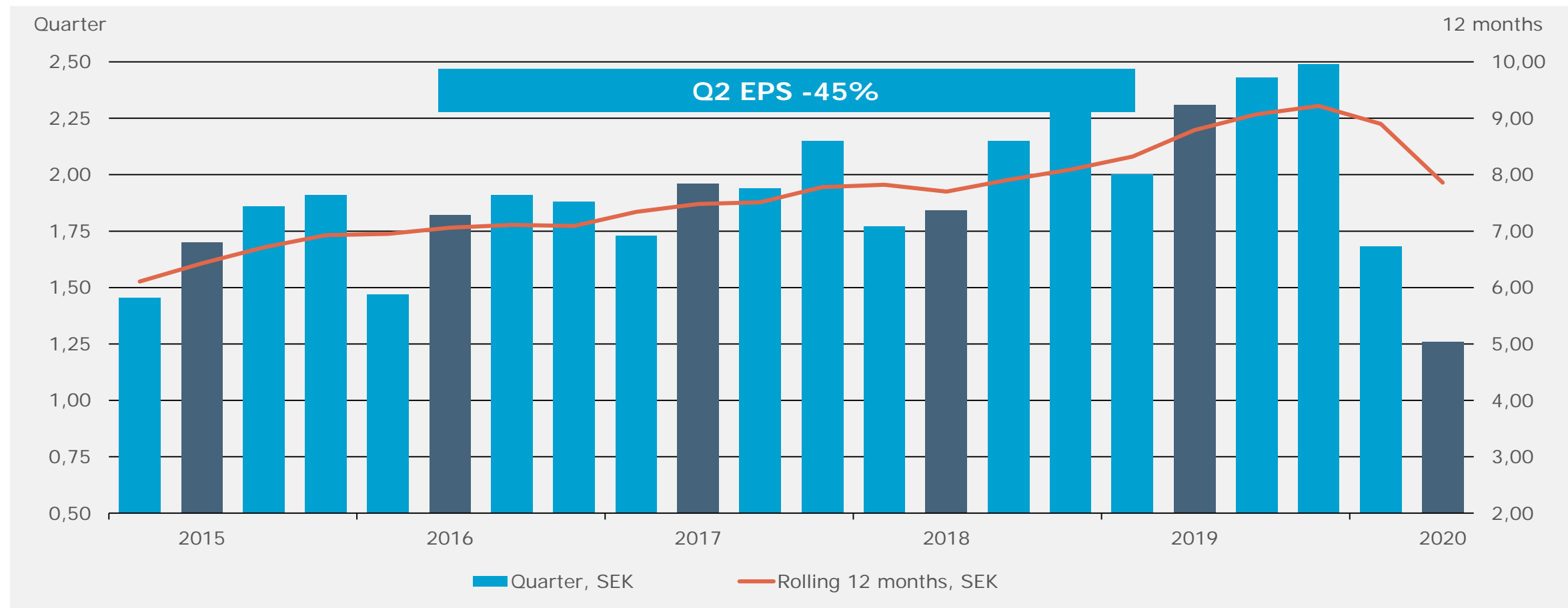
Gearing % and net debt, MSEK

Net debt/EBITDA
2.1 (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

- **An extraordinary quarter**
 - Sales declined strongly in all divisions
 - Solid cash flow of SEK 3.4 bn
- **Short term view**
 - High uncertainty expected to continue in core markets
 - Focus on cash flow and margin
 - Financial performance to further gradually improve, subject to no new negative events
- **Long term view**
 - Attractive fundamentals of our industry are intact
 - Strong long term growth drivers remain valid
 - Financial targets stay unchanged



Q&A

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Appendix

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Cost breakdown as % of sales

%	QTD 2019	QTD 2020 excl. acquisitions	Δ	QTD 2020	YTD 2019	YTD 2020 excl. acquisitions	Δ	YTD 2020
Direct material	-35.9%	-35.6%	+0.3 pts	-35.7%	-35.7%	-34.6%	+1.1 pts	-34.8%
Conversion cost	-23.7%	-25.7%	-2.0 pts	-26.0%	-24.1%	-25.6%	-1.5 pts	-25.7%
Gross margin	40.4%	38.7%	-1.7 pts	38.3%	40.2%	39.8%	-0.4 pts	39.5%
S, G & A	-24.5%	-27.6%	-3.1 pts	-27.8%	-24.7%	-27.9%	-3.2 pts	-28.0%
EBIT	15.9%	11.1%	-4.8 pts	10.5%	15.5%	11.9%	-3.6 pts	11.5%

Opening Solutions EMEA's bridge

MSEK	Q2 2019	Organic	Currency	Acq/Div	Q2 2020
Growth		-25%	-1%	-1%	-27%
Sales	5,291	-1,293	-58	-69	3,871
Operating income	849	-614	-11	-3	220
Operating margin, %	16.0%	47.5%	19.1%	5.0%	5.7%
Dilution/accretion		-10.5 pts	0.2 pts	0.0 pts	

12 months figures

Sales	20,856			19,560
EBIT	3,375			2,534
Operating cash flow before paid interest	2,898			3,284
Cash flow/EBIT	86%			130%

Opening Solutions Americas' bridge

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2020
Growth		-18%	2%	-9%	-25%
Sales	5,861	-941	10	-533	4,396
Operating income	1,203	-309	-2	-123	769
Operating margin, %	20.5%	32.8%	-23.4%	23.1%	17.5%
Dilution/accretion		-2.7 pts	0.3 pts	-0.6 pts	

12 months figures

Sales	21,557			21,667
EBIT	4,316			4,248
Operating cash flow before paid interest	4,213			5,291
Cash flow/EBIT	98%			125%

Opening Solutions Asia Pacific's bridge

MSEK	Q2 2019	Organic	Currency	Acq/Div	Q2 2020
Growth		-17%	-1%	-1%	-19%
Sales	2,919	-490	-45	-26	2,357
Operating income*	270	-81	-5	-16	167
Operating margin, %*	9.3%	16.6%	12.2%	61.5%	7.1%
Dilution/accretion		-1.6 pts	0.0 pts	-0.6 pts	

12 months figures

Sales	10,521			9,495
EBIT*	892			508
Operating cash flow before paid interest	864			497
Cash flow/EBIT	97%			98%

Global Technologies' bridge

MSEK	Q2 2019	Organic	Currency	Acq/Div	Q2 2020
Growth		-25%	0%	14%	-12%
Sales	3,706	-972	19	499	3,253
Operating income	682	-412	18	40	328
Operating margin, %	18.4%	42.4%	94.0%	8.0%	10.1%
Dilution/accretion		-7.4 pts	-0.5 pts	-0.4 pts	

12 months figures

Sales	13,657			15,554
EBIT	2,638			2,500
Operating cash flow before paid interest	2,945			2,784
Cash flow/EBIT	112%			111%

Entrance Systems' bridge

MSEK	Q2 2019	Organic	Currency	Acq/Div	Q2 2020
Growth		-8%	0%	12%	4%
Sales	6,310	-561	19	784	6,552
Operating income	875	-197	4	64	745
Operating margin, %	13.9%	35.2%	22.3%	8.2%	11.4%
Dilution/accretion		-1.9 pts	-0.2 pts	-0.3 pts	

12 months figures

Sales	24,758			26,599
EBIT	3,483			3,565
Operating cash flow before paid interest	3,436			4,049
Cash flow/EBIT	99%			136%



Thank you
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