

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

Q3 interim report 2020

Experience a safer and more open world

ASSA ABLOY

Strong recovery in the quarter

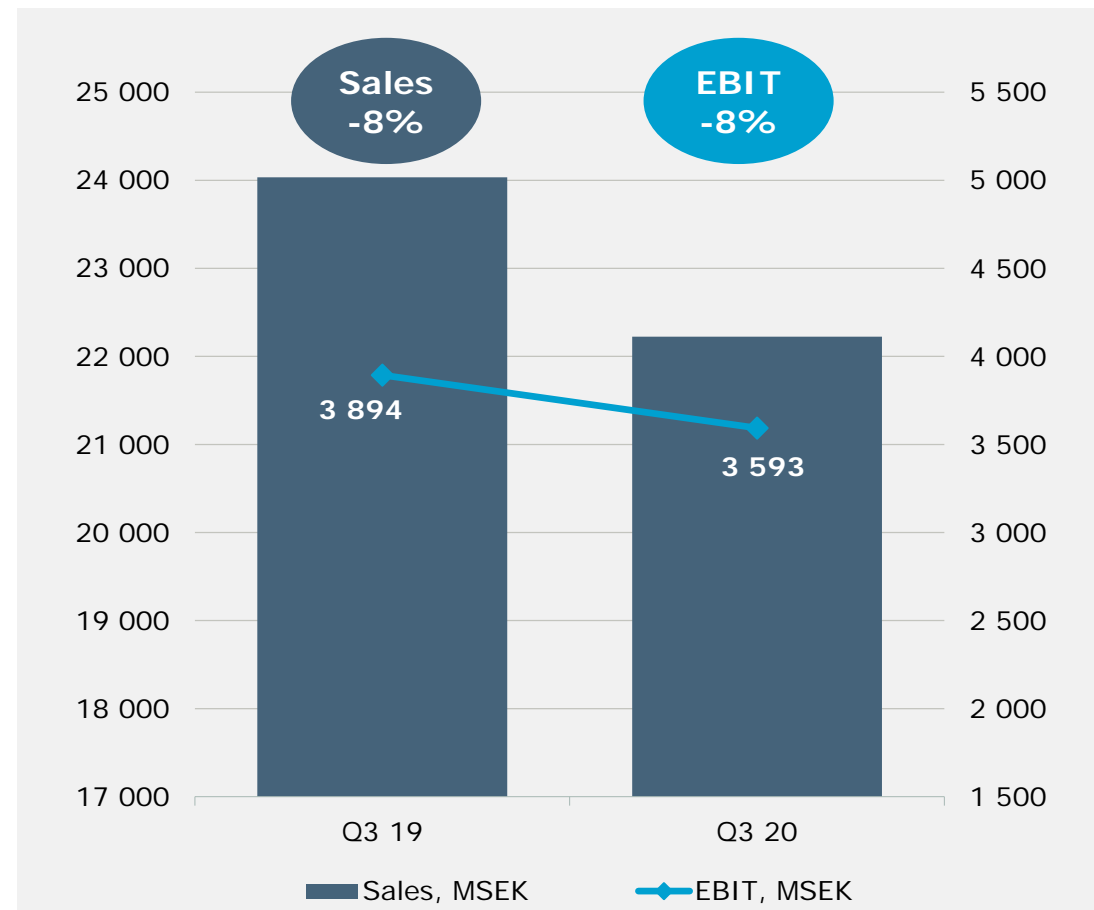
- **Organic sales development**
 - Sales growth in Entrance Systems
 - Stable sales in EMEA
 - Sales declined in Americas and APAC
 - Sales declined significantly in Global Technologies
- **Strong EBIT-margin recovery**
 - Significant savings and cost measures implemented
 - Operating income of MSEK 252 from divestments
- **Very strong cash flow**
- **Covid-19 effects and actions**
 - Net costs reduced by around SEK 0.6 bn
 - Net headcount reduction of 5%



Q3 2020 figures in summary

- **Sales MSEK 22,225** **-8%**
 - - 5% organic
 - +4% acquired
 - - 7% currency
- **EBITA-margin 16.8%* (16.7%)**
- **EBIT-margin 16.2%* (16.2%)**
- **EBIT MSEK 3,593** **-8%**
- **EPS SEK 2.28** **-6%**

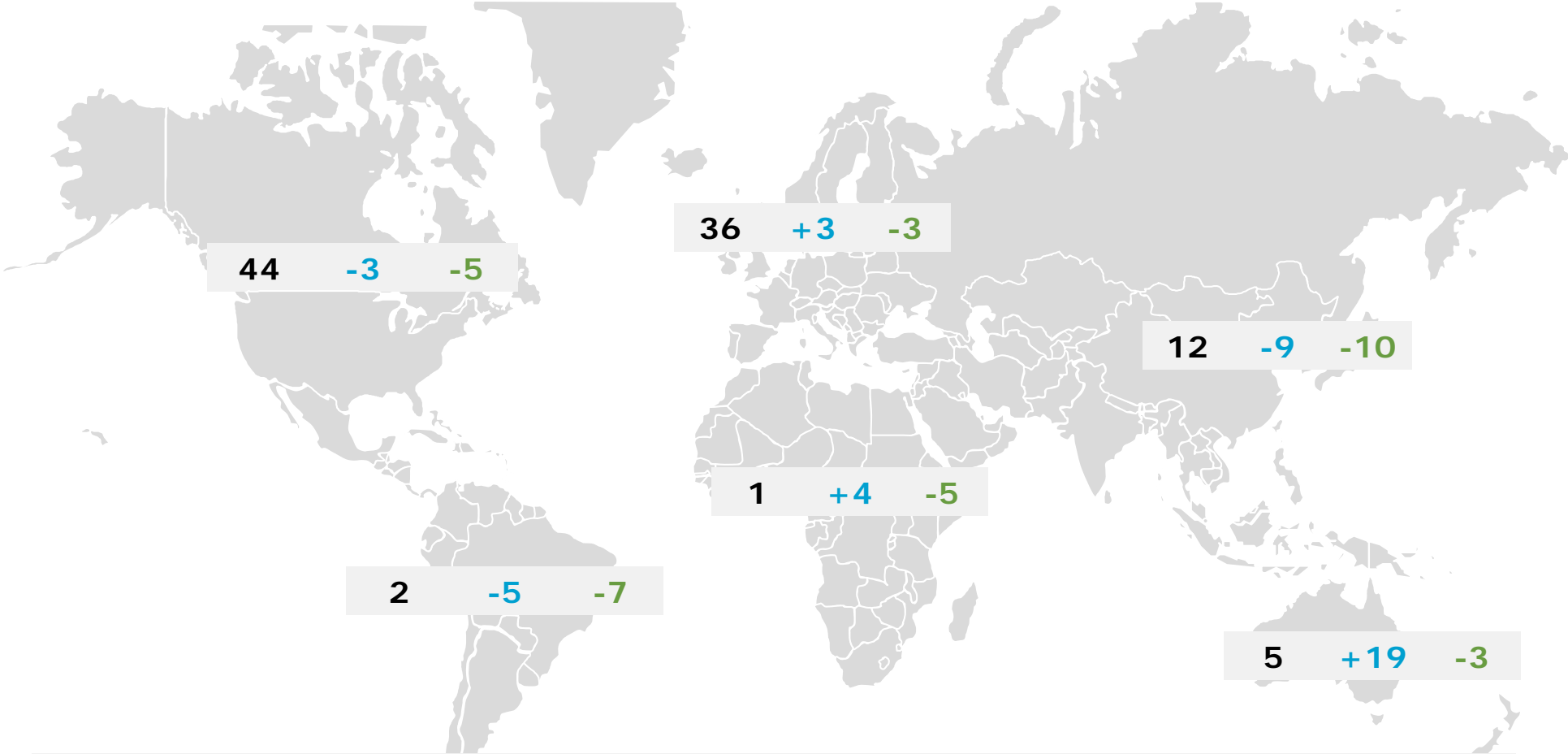
* Excludes a positive non-cash income from revaluation in associates of MSEK 1,910. Includes operating income from divestments of MSEK 252



Sales by region

Jul-Sep 2020

ASSA ABLOY	100	-1	-5
Emerging markets	16	-5	-8



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

▪ Project wins

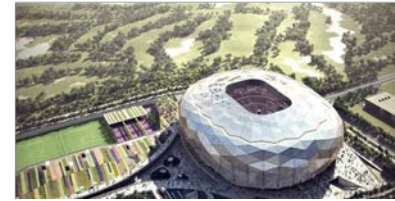
- Key Management and doors for Qatar World Cup stadiums
- Docking solution for big box retail in the US
- Selected to supply smart locks to a Chinese real estate association

▪ Product launches

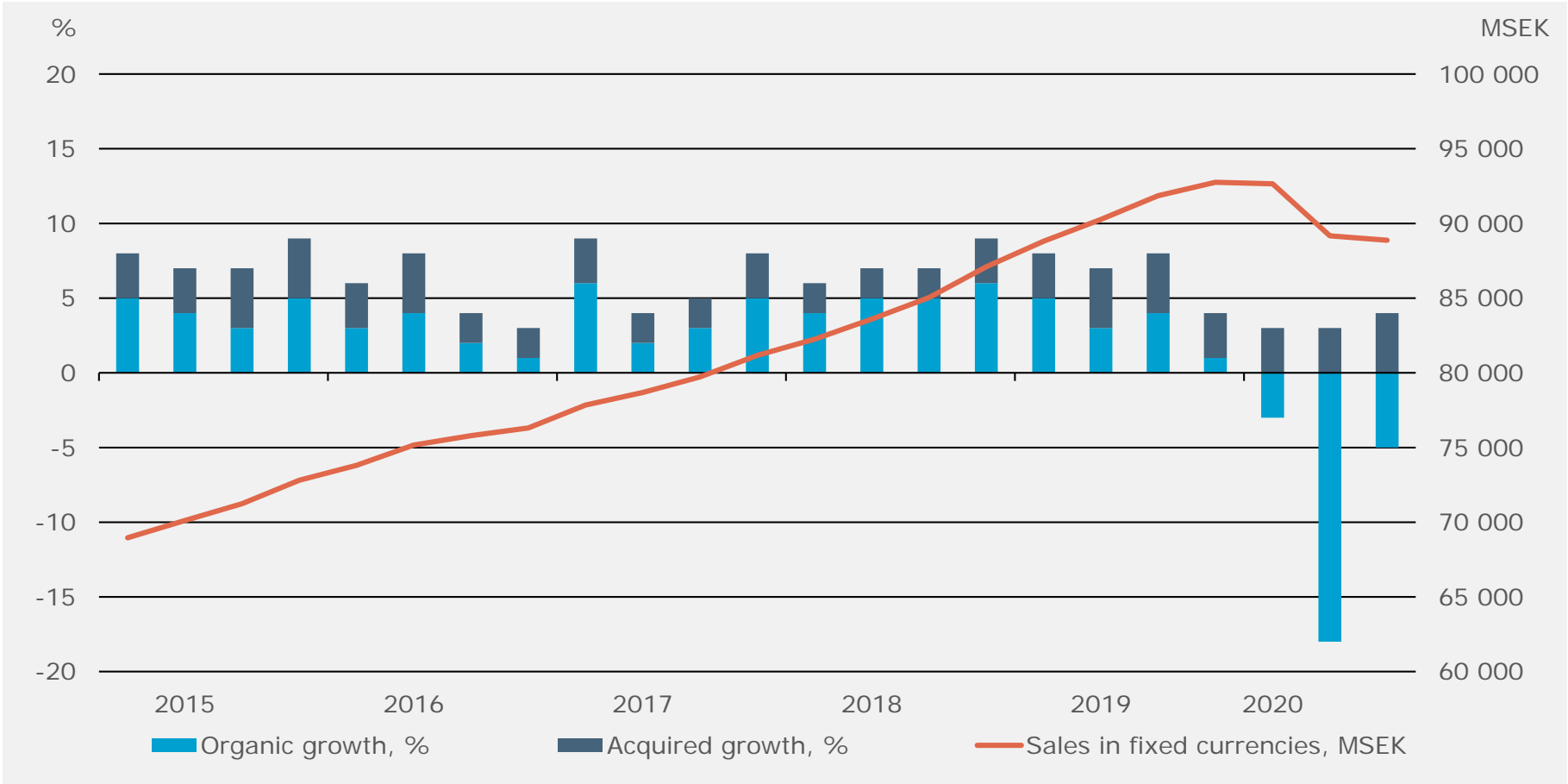
- HID OMNIKEY launch (smallest embedded reader module)
- IOT solutions for connected doors in Entrance Systems:
ASSA ABLOY Insight & 4SIGHT CONNECT
- Yale Expressions Series: Collection of architectural door hardware

▪ Awards

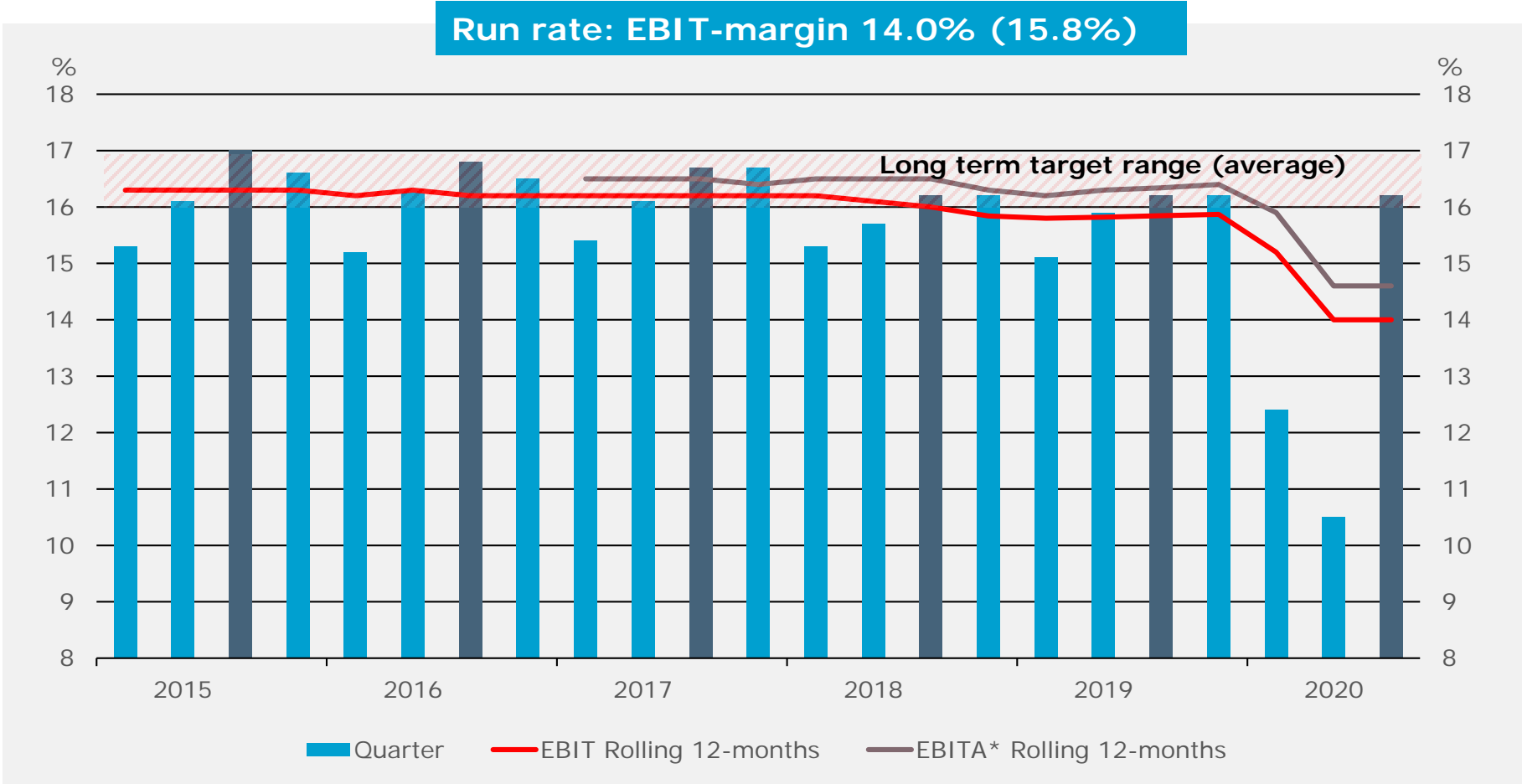
- Linus Smart Lock won European Product Design Award for home interior products/ windows & doors
- 4 awards from Security Today New Products of the Year 2020
 - HID Signo readers: New product of the year by Security today
 - Medeco padlock, blast & wind resistant door, biometrics



Sales growth



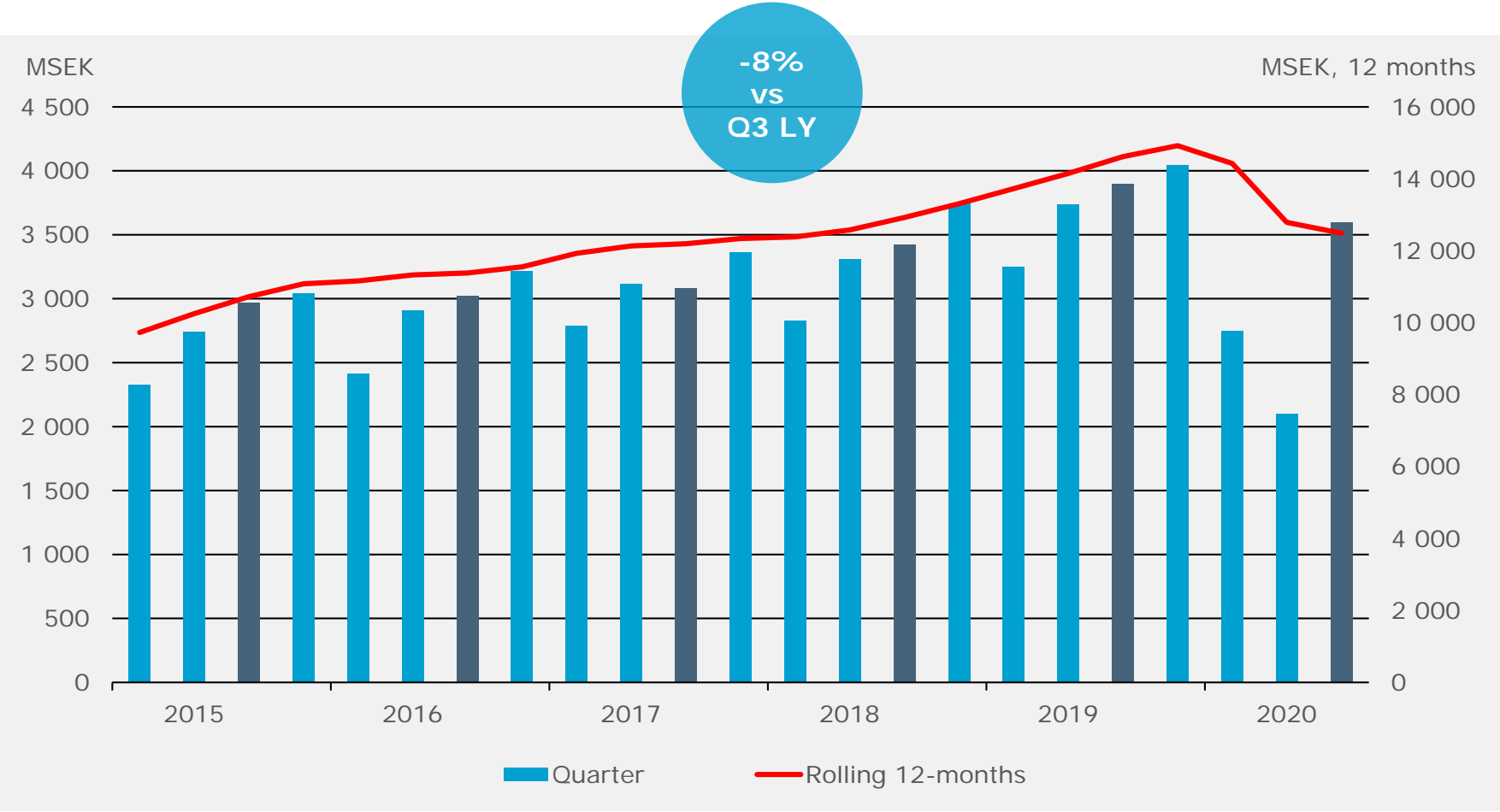
Operating margin



Excluding China write-downs, restructuring items and a positive revaluation of agta record.

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

Operating profit



*) Excluding China write-downs, restructuring items and a positive revaluation of agta record

Acquisitions

- **Fully active pipeline**

- 4 acquisitions completed in Q3
 - agta record consolidated from August 31
- 9 acquisitions completed in 2020
 - Including Olimpia in October
- Acquired annualized sales of MSEK 5,700

- **Divestments**

- agta record and ASSA ABLOY Entrance businesses
- CEDES, transaction expected to close in Q4
- Divested annualized sales of MSEK 1,500

BIOSITE®



AMgroup

DONIMET
Producent drzwi specjalistycznych

 **Jansen**



Access 



Glass Hardware



Aluminum Hardware



Olimpia, Latin America

- Complementary to Latin America business
- Sales of MSEK 125 in 2019
- A leading glass hardware and accessories brand in Latin America and the Caribbean
- Accretive to EPS from start

Opening Solutions EMEA

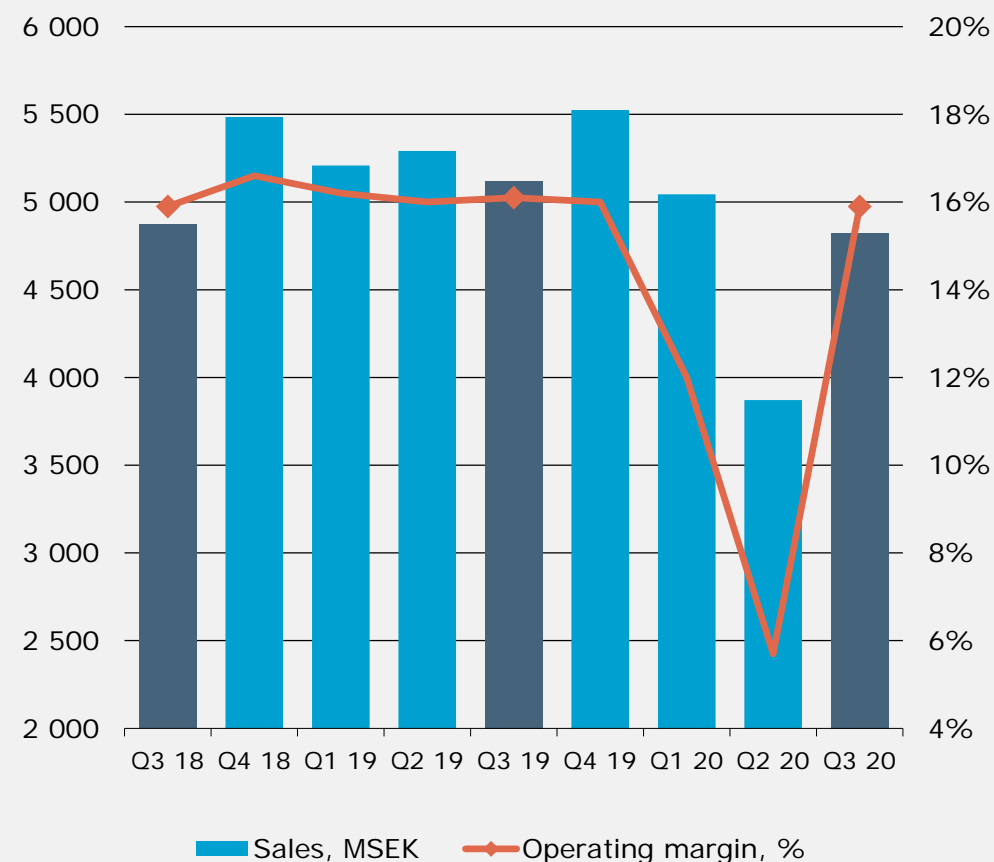
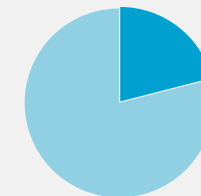
▪ Organic sales declined –2%

- Good sales growth in the UK
- Stable sales in Germany and Scandinavia
- Sales declined in Benelux, Eastern Europe, France, Middle East/Africa and South Europe
- Strong growth for Elmech products

▪ Operating margin 15.9% (16.1%)

- Negative volume leverage (-20bps)
 - Strong improvement since last quarter due to higher volumes and savings
- FX Obps and M&A Obps

21%
of Group
sales



Excluding MFP restructuring items.

Opening Solutions Americas

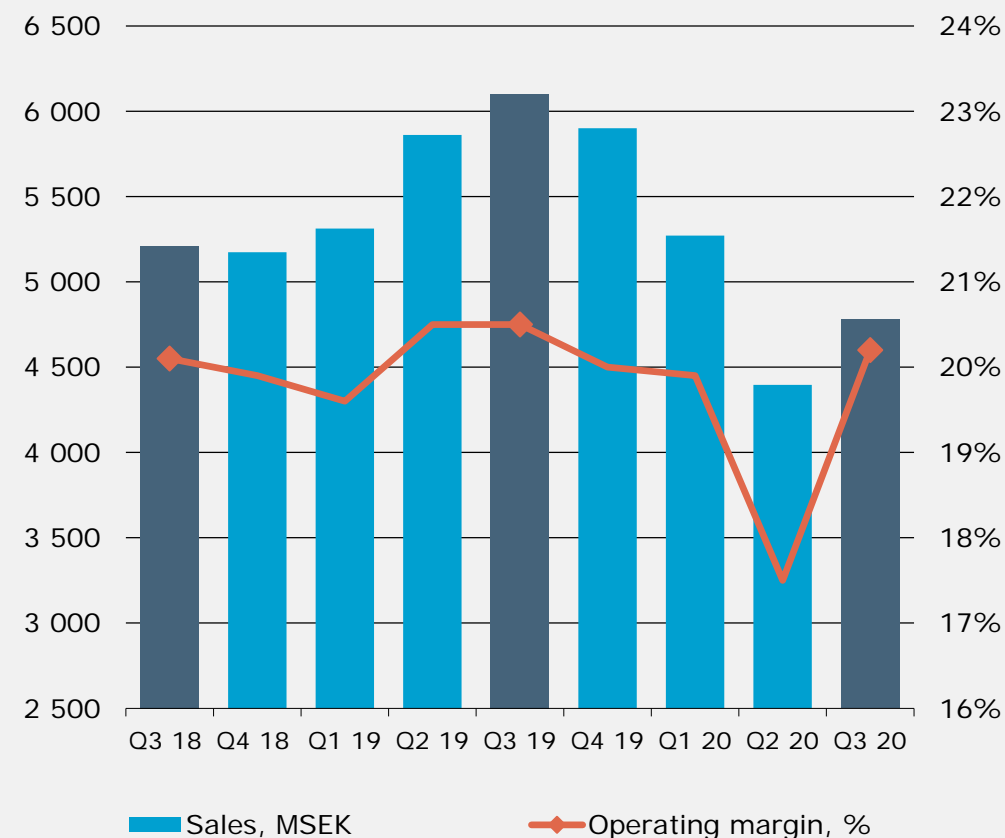
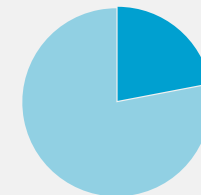
▪ Organic sales declined -5%

- Very strong sales growth in US Smart Residential and Latin America
- Strong sales growth in US Residential
- Sales declined in Architectural Hardware, Electromechanical Solutions and Security Doors
- Sales declined significantly in Access & High Security

▪ Operating margin 20.2% (20.5%)

- Stable volume leverage (10 bps), due to good cost control and savings, despite negative mix
- FX 0 bps
- M&A -40bps
 - Move of Perimeter Security to Entrance Systems

22% of
Group
sales



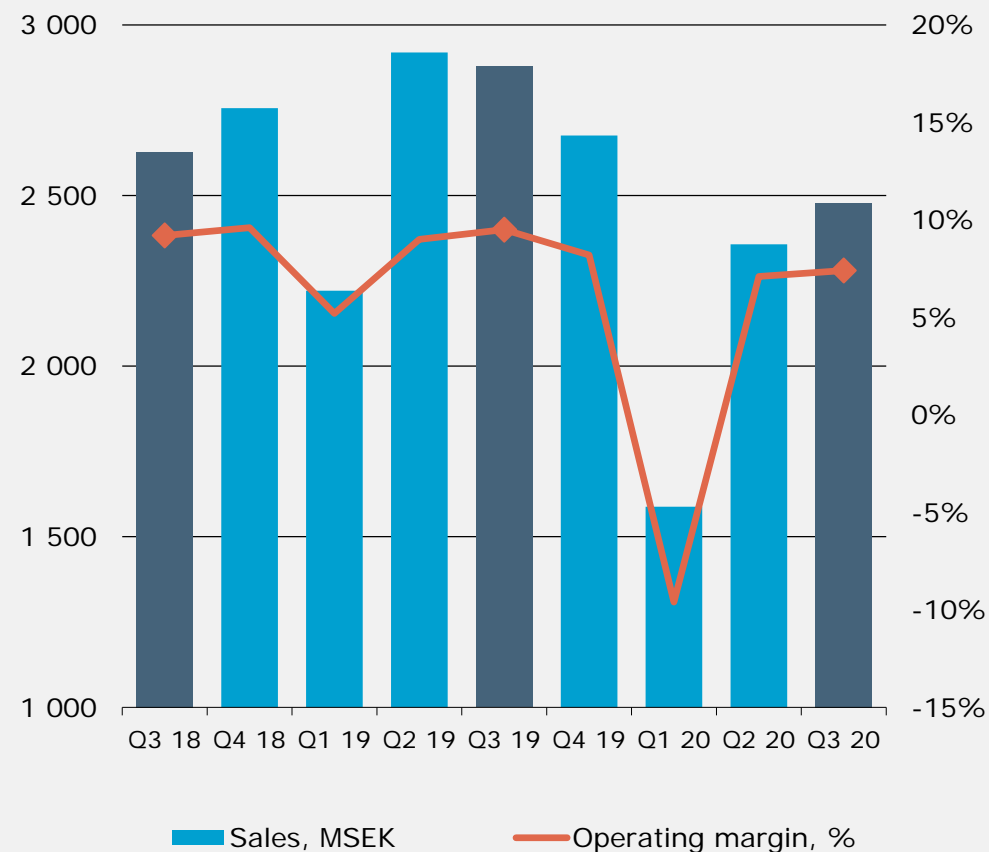
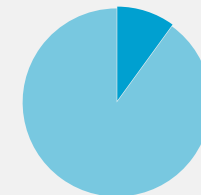
Excluding MFP restructuring items.

Opening Solutions Asia Pacific

- **Organic sales declined -8%**
 - Sales declined in Pacific and China
 - Significant sales decline in all other regions

- **Operating margin 7.4% (9.5%)**
 - Negative leverage (-190 bps) due to Covid-19
 - Negative mix
 - Weak India, South Korea and South Asia
 - Continued improvements in China versus last year
 - FX +10 bps and M&A -30bps

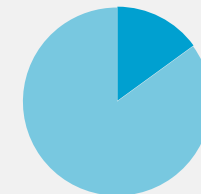
10%
of Group
sales



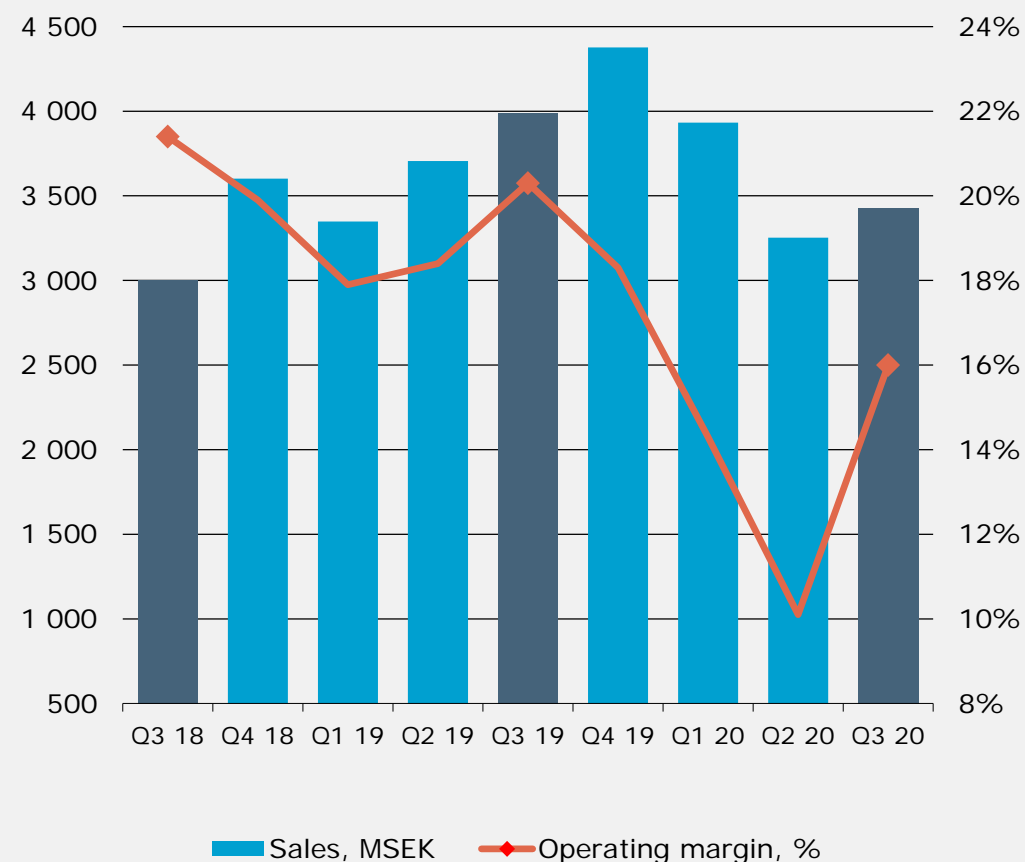
Excluding MFP restructuring items.

Global Technologies

15%
of Group
sales



- **Organic sales declined –17%**
 - Sales growth in Secure Issuance
 - Sales declined in Identity & Access Mgmt Solutions and Physical Access Control
 - Significant sales decline in all other business areas
 - Significant sales decline in Global Solutions
- **Operating margin 16.0% (20.3%)**
 - Negative volume leverage (-210bps)
 - Strong impact from Covid-19
 - Weak Citizen ID and Hospitality/ Marine
 - Strong decline in aftermarket business
 - Continued R&D investments
 - FX flat
 - M&A -220 bps
 - Negative Covid-19 effects in De La Rue and Placard
 - Acquisitions costs for recent transactions



Excluding MFP restructuring items.

Entrance Systems

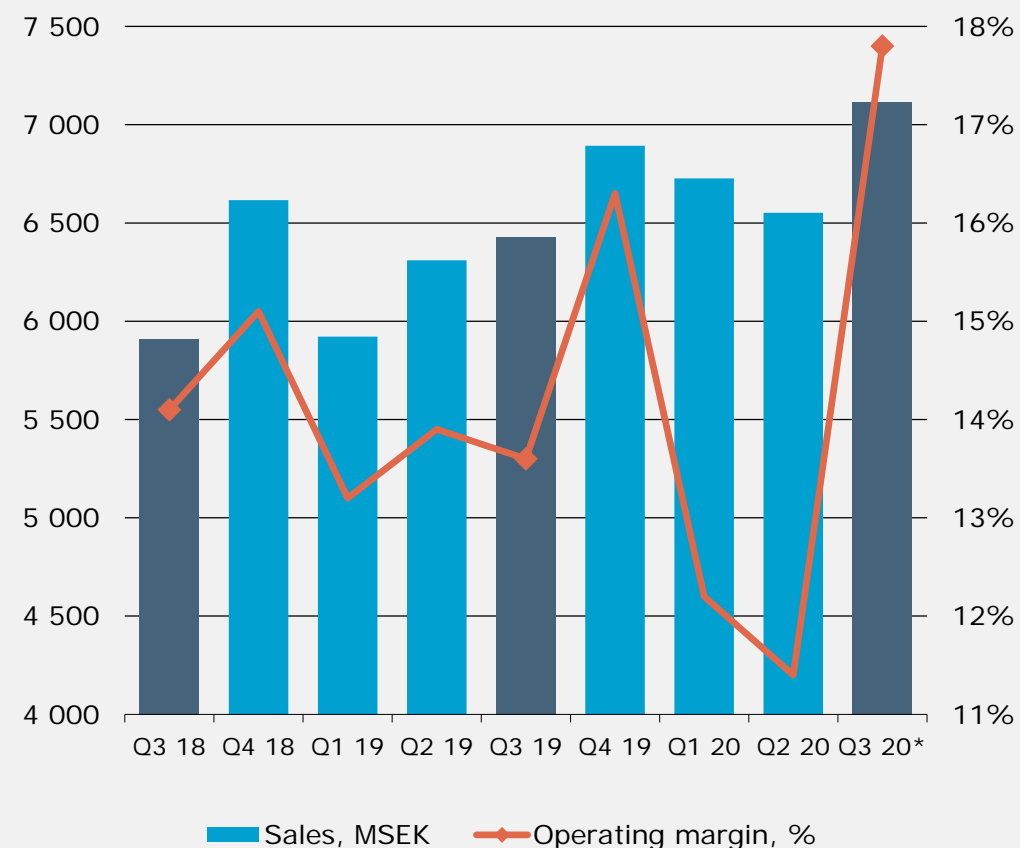
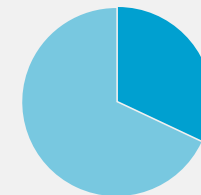
- **Organic sales growth of 1%**

- Good sales growth in Perimeter Security
- Sales growth in Residential and Industrial
- Sales declined in Pedestrian
- Sales growth in service

- **Operating margin 17.8% (13.6%)**

- Strong volume leverage (50 bps), due to good cost control and savings
- FX +40 bps
- M&A 330 bps
 - Operating income of MSEK 252 from divestment

32%
of Group
sales



Excluding MFP restructuring items.

Financial summary, Q3 2020

FX & acquisition
'run-rate' effects in Q4 2020
(30 September 2020):

SALES

FX: -4%

Acq: +5%

	July-September			January-September		
	2019	2020*			2020*	
Sales	24,034	22,225	-8%	69,082	64,351	-7%
- Organic growth	807	-1,043	- 5%	2,505	-6,001	-9%
- Acquired net growth	825	816	+4%	2,303	2,118	+3%
- FX-differences	1,211	-1,581	- 7%	3,393	-849	-1%
Operating income (EBIT)	3,894	3,593	-8%	10,873	8,441	-22%
EBITA-margin	16.7%	16.8%	+0.1 pts	16.2%	13.8%	-2.4 pts
EBIT-margin	16.2%	16.2%	0.0 pts	15.7%	13.1%	-2.6 pts
Income before tax	3,645	3,417	-6%	10,104	7,828	-23%
Net income	2,697	2,528	-6%	7,477	5,792	-23%
EPS, SEK	2.43	2.28	-6%	6.73	5.21	-23%
Operating cash flow	4,401	4,407	0%	9,208	9,031	-2%
ROCE	17%	15%	-2.0 pts	16%	12%	-4.0 pts

* Excludes a non-cash income from revaluation in associates of MSEK 1,910. Includes from divestments of MSEK 252

Cost efficiency in everything we do

Progress in Q3

- Close to 10% of workforce impacted by temporary short time schedule in Q3
 - Headcount reduction 5% Jan-Sep
 - Operational efficiency
 - Travel costs reduced by 85%
-
- **MFP8 being launched in Q4**
 - Restructuring costs of SEK 1.3 bn
 - Total annual savings SEK 0.9 bn
 - Pay-back time 2 years
 - Headcount reduction ~1,950



Reduced SG&A and conversion net costs by

~SEK 0.6 bn
in Q3



Bridge analysis – Q3 2020

MSEK	Q3 2019	Organic	Currency	Acq/Div	Q3 2020
Growth		-5%	-7%	4%	-8%
Sales	24,034	-1,043	-1,581	816	22,225
Operating profit	3,894	-271	-264	233	3,593
Operating margin, %	16.2%	26.0%	16.7%	28.6%	16.2%
Dilution/accretion		-0.4 pts	-0.1 pts	0.5 pts	

Sales decreased MSEK -1,809

- Price +1% and volume -6%

Margin was stable

- Strong operational execution
- Negative Covid-19 effects for all divisions, especially Global Technologies and APAC
- M&A effected by operating income of MSEK 252 from divestment

Cost breakdown as % of sales

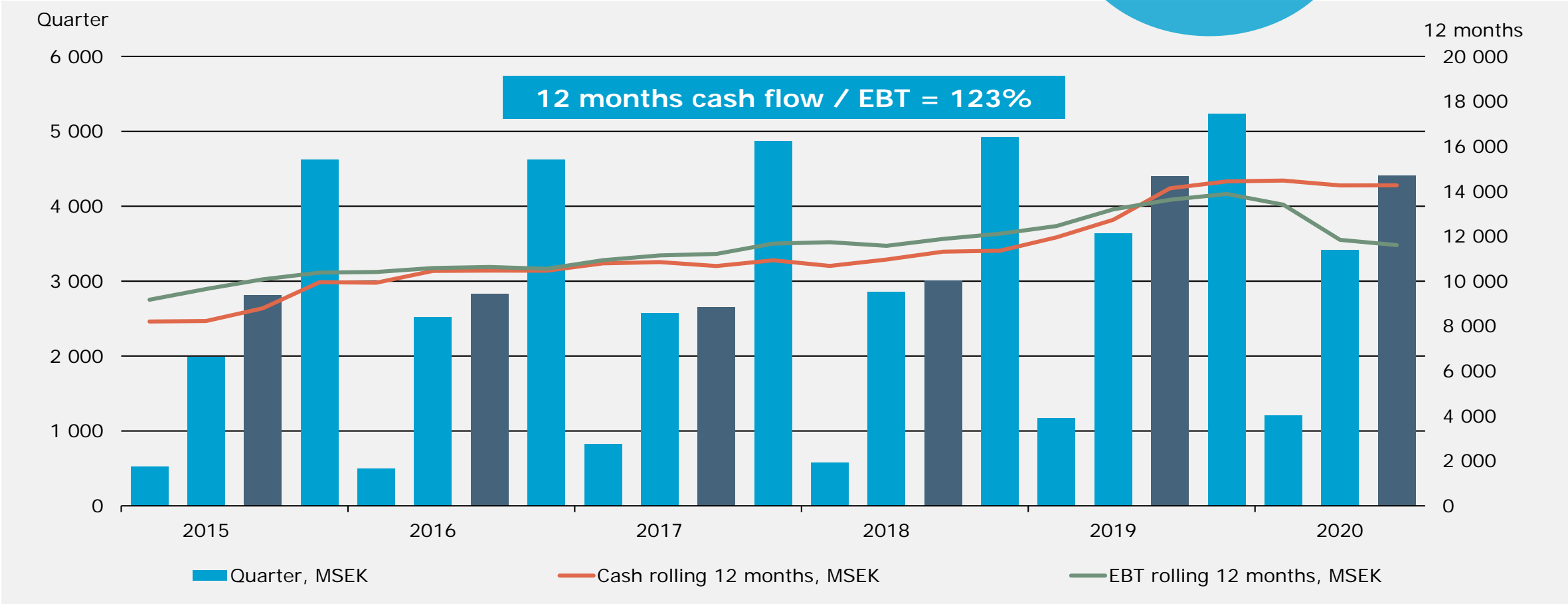
July-September

%	QTD 2019	QTD 2020 excl. acquisitions	Δ	QTD 2020
Direct material	-36.5%	-35.6%	+0.9 pts	-35.5%
Conversion cost	-23.5%	-23.3%	+0.2 pts	-23.9%
Gross margin	40.0%	41.1%	+1.1 pts	40.6%
S, G & A	-23.8%	-25.4%	-1.6 pts	-24.4%
EBIT	16.2%	15.7%	-0.5 pts	16.2%

- Direct Material – lower raw material costs and sourcing savings
- Conversion cost – efficiencies and savings within operations
- SG&A – Continued investments in R&D

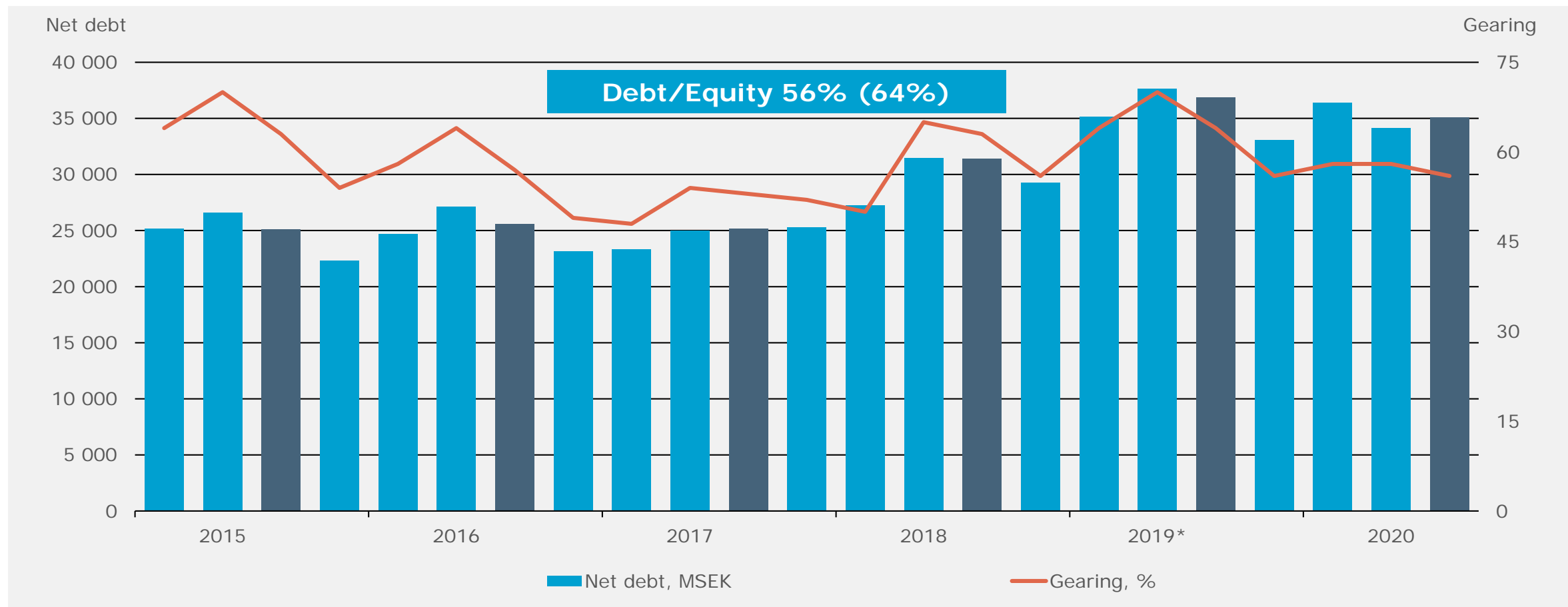
Operating cash flow, MSEK

Working capital
down
SEK 0.8 Bn



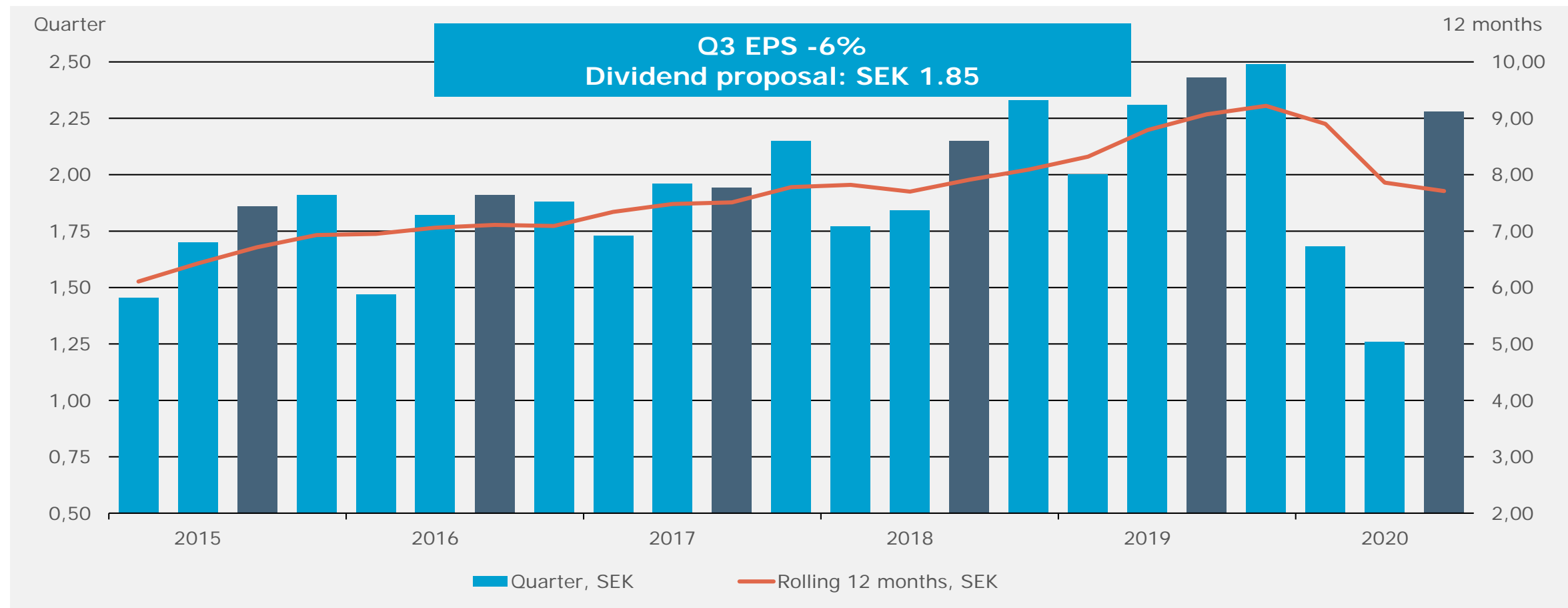
Gearing % and net debt, MSEK

Net debt/EBITDA
2.2 (2.1)



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

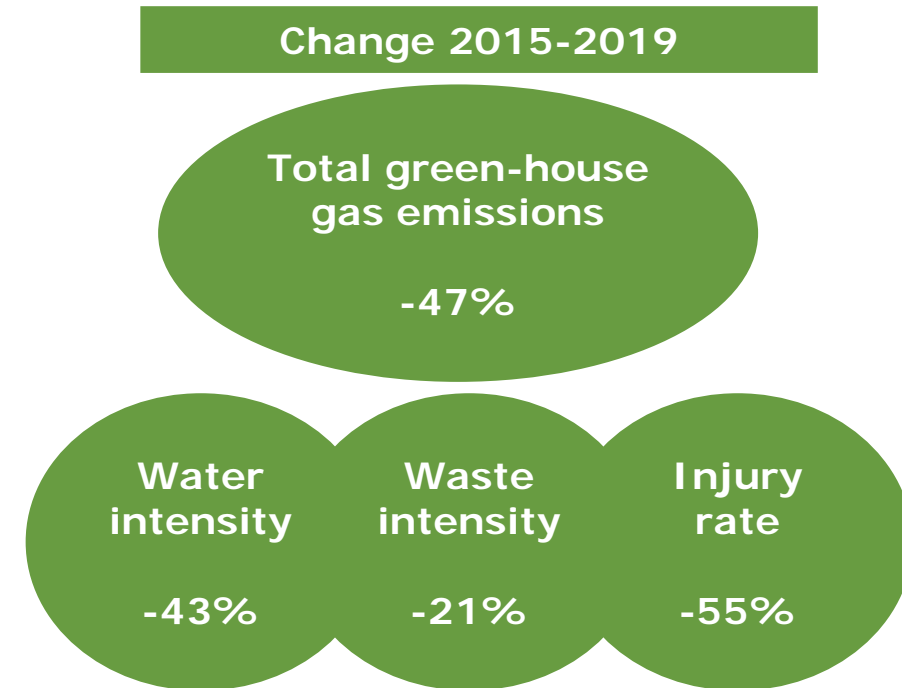
Earnings per share, SEK



Excluding restructuring items, impairment of intangible assets in China and a positive revaluation of fair assets in agta record associates. Chart is restated for Stock split 3:1 2015.

Committing to science-based targets

- **ASSA ABLOY commits to science-based targets**
 - Halving greenhouse gas emissions by 2030
 - Limiting global temperature rise to 1.5°C
 - Reaching net-zero by 2050.
- **Increased sustainability focus provides incentives for sound economic and industrial development**
 - Operational efficiency
 - Innovation focus
 - Performance of our products and solutions
- **New sustainability program**
 - New ambitious targets for 2025
 - Builds on momentum from successive 5-year sustainability programs



Conclusions

- **Strong recovery in a difficult quarter**
 - Sales declined by 8%
 - Strong margin recovery
 - Very strong cash flow of SEK 4.4 bn
- **Short term view**
 - Covid-19 continues to have negative effects
 - Strong cost focus
 - Investments in growth initiatives
- **Long term view**
 - Attractive fundamentals of our industry are intact
 - Strong long term growth drivers remain valid
 - Financial targets stay unchanged
- **Second dividend proposed SEK 1.85**



Q&A

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Appendix

The image is a full-page background featuring a modern architectural structure. The left half of the image is overlaid with a semi-transparent blue filter, while the right half shows the building in its natural colors. The building has a complex, angular design with large, slanted concrete or metal panels and a grid-like facade of windows. The sky is a clear, pale blue.

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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	-36.5%	-35.6%	+0.9 pts	-35.5%	-36.0%	-34.9%	+1.1 pts	-35.0%
Conversion cost	-23.5%	-23.3%	+0.2 pts	-23.9%	-23.9%	-24.9%	-1.0 pts	-25.1%
Gross margin	40.0%	41.1%	+1.1 pts	40.6%	40.1%	40.2%	+0.1 pts	39.9%
S, G & A	-23.8%	-25.4%	-1.6 pts	-24.4%	-24.4%	-26.9%	-2.5 pts	-26.8%
EBIT	16.2%	15.7%	-0.5 pts	16.2%	15.7	13.3%	-2.4 pts	13.1%

* Excludes a non-cash income from revaluation in associates of MSEK 1,910. Includes from divestments of MSEK 252

Opening Solutions EMEA's bridge

MSEK	Q3 2019	Organic	Currency	Acq/Div	Q3 2020
Growth		-2%	-4%	0%	-6%
Sales	5,120	-78	-206	-13	4,824
Operating income	822	-22	-32	-3	765
Operating margin, %	16.1%	27.7%	15.5%	28.0%	15.9%
Dilution/accretion		-0.2 pts	0.0 pts	0.0 pts	

12 months figures

Sales	21,105			19,264
EBIT	3,423			2,476
Operating cash flow before paid interest	3,109			3,300
Cash flow/EBIT	91%			133%

Opening Solutions Americas' bridge

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2020
Growth		-5%	-8%	-9%	-22%
Sales	6,099	-230	-578	-513	4,779
Operating income	1,249	-39	-121	-122	966
Operating margin, %	20.5%	17.1%	21.0%	23.9%	20.2%
Dilution/accretion		0.1 pts	0.0 pts	-0.4 pts	

12 months figures

Sales	22,445			20,347
EBIT	4,519			3,965
Operating cash flow before paid interest	4,865			4,870
Cash flow/EBIT	108%			123%

Opening Solutions Asia Pacific's bridge

MSEK	Q3 2019	Organic	Currency	Acq/Div	Q3 2020
Growth		-8%	-6%	0%	-14%
Sales	2,874	-219	-186	10	2,479
Operating income	274	-68	-16	-7	183
Operating margin, %	9.5%	31.2%	8.5%	-69.9%	7.4%
Dilution/accretion		-1.9 pts	0.1 pts	-0.3 pts	

12 months figures

Sales	10,768			9,100
EBIT	924			417
Operating cash flow before paid interest	1,081			602
Cash flow/EBIT	117%			144%

Global Technologies' bridge

MSEK	Q3 2019	Organic	Currency	Acq/Div	Q3 2020
Growth		-17%	-6%	9%	-14%
Sales	3,991	-629	-265	331	3,428
Operating income	810	-184	-60	-15	550
Operating margin, %	20.3%	29.3%	22.6%	-4.6%	16.0%
Dilution/accretion		-2.1 pts	0.0 pts	-2.2 pts	

12 months figures

Sales	14,648			14,991
EBIT	2,806			2,241
Operating cash flow before paid interest	3,046			2,524
Cash flow/EBIT	109%			113%

Entrance Systems' bridge

MSEK	Q3 2019	Organic	Currency	Acq/Div	Q3 2020
Growth		1%	-7%	17%	11%
Sales	6,427	67	-377	999	7,116
Operating income	873	50	-38	381	1,266
Operating margin, %	13.6%	74.4%	10.1%	38.1%	17.8%
Dilution/accretion		0.5 pts	0.4 pts	3.3 pts	

12 months figures

Sales	25,276			27,288
EBIT	3,525			3,957
Operating cash flow before paid interest	3,792			4,710
Cash flow/EBIT	108%			119%



Thank you
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