

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

Q4 interim report 2020

Experience a safer and more open world

ASSA ABLOY

Strong operational execution

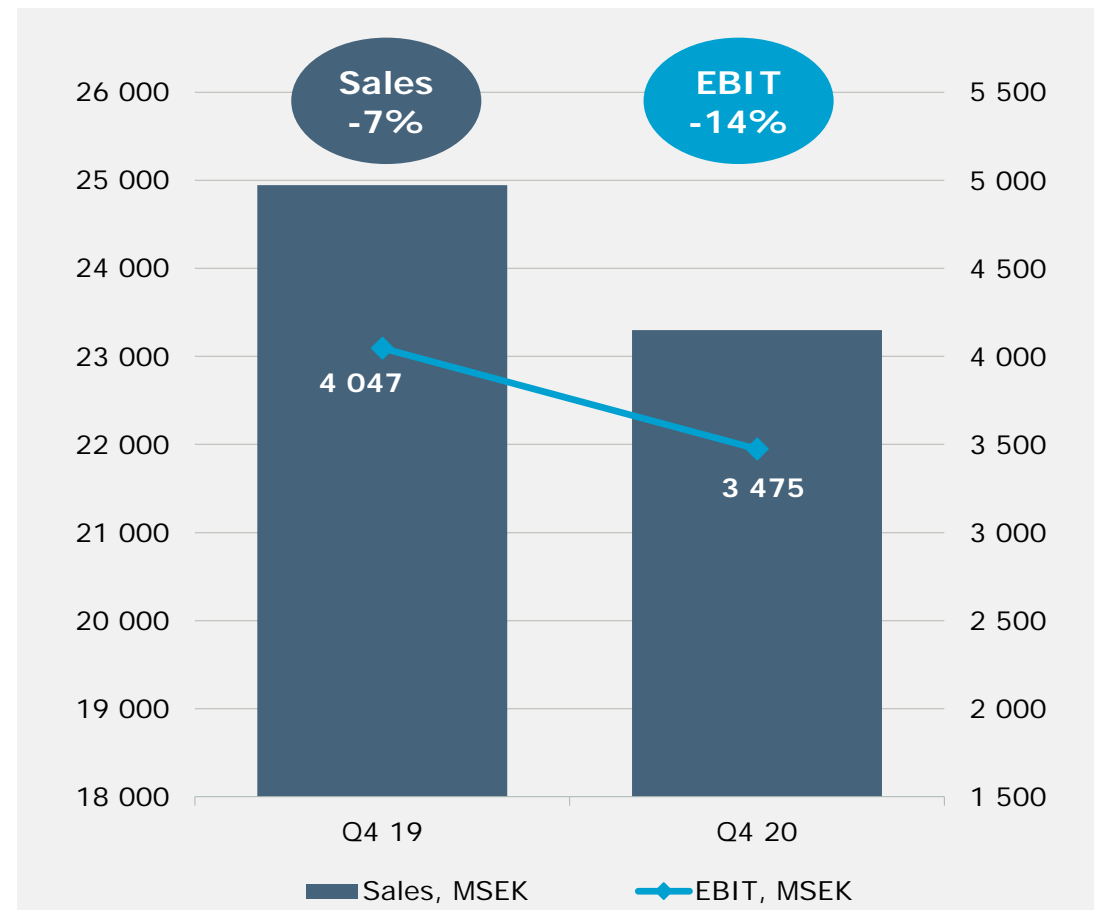
- **Organic sales development**
 - Stable sales in EMEA and Entrance Systems
 - Sales declined in Americas and APAC
 - Sales declined significantly in Global Technologies
- **Solid EBIT-margin**
 - Adjusted for acquisitions and divestments the operating margin reached 16%
 - Net costs reduced by SEK 0.5 bn
- **Restructuring program, MFP8 launched**
- **Very strong cash flow, up 6% vs last year**



Q4 2020 figures in summary

- **Sales MSEK 23,298** **-7%**
 - - 5% organic
 - +5% acquired and divested
 - - 7% currency
- **EBITA-margin 15.6%* (16.8%)**
- **EBIT-margin 14.9%* (16.2%)**
- **EBIT MSEK 3,475** **-14%**
- **EPS SEK 2.33** **-7%**

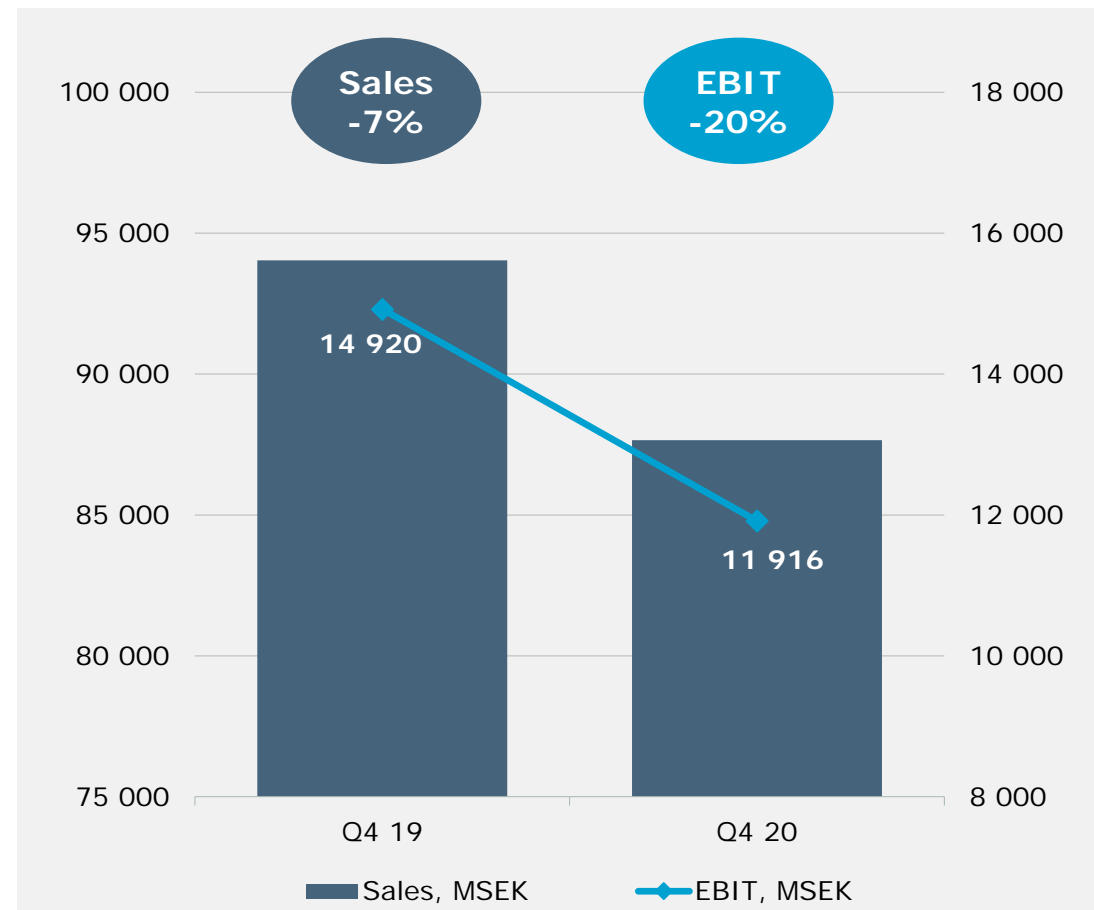
* Excluding restructuring items. Includes capital loss and other exit costs from divestment of Gardesa MSEK -185.



Full year 2020 figures in summary

- **Sales MSEK 87,649** **-7%**
 - - 8% organic
 - +4% acquired and divested
 - - 3% currency
- **EBITA-margin 14.3%* (16.4%)**
- **EBIT-margin 13.6%* (15.9%)**
- **EBIT MSEK 11,916** **-20%**
- **EPS SEK 7.54** **-18%**

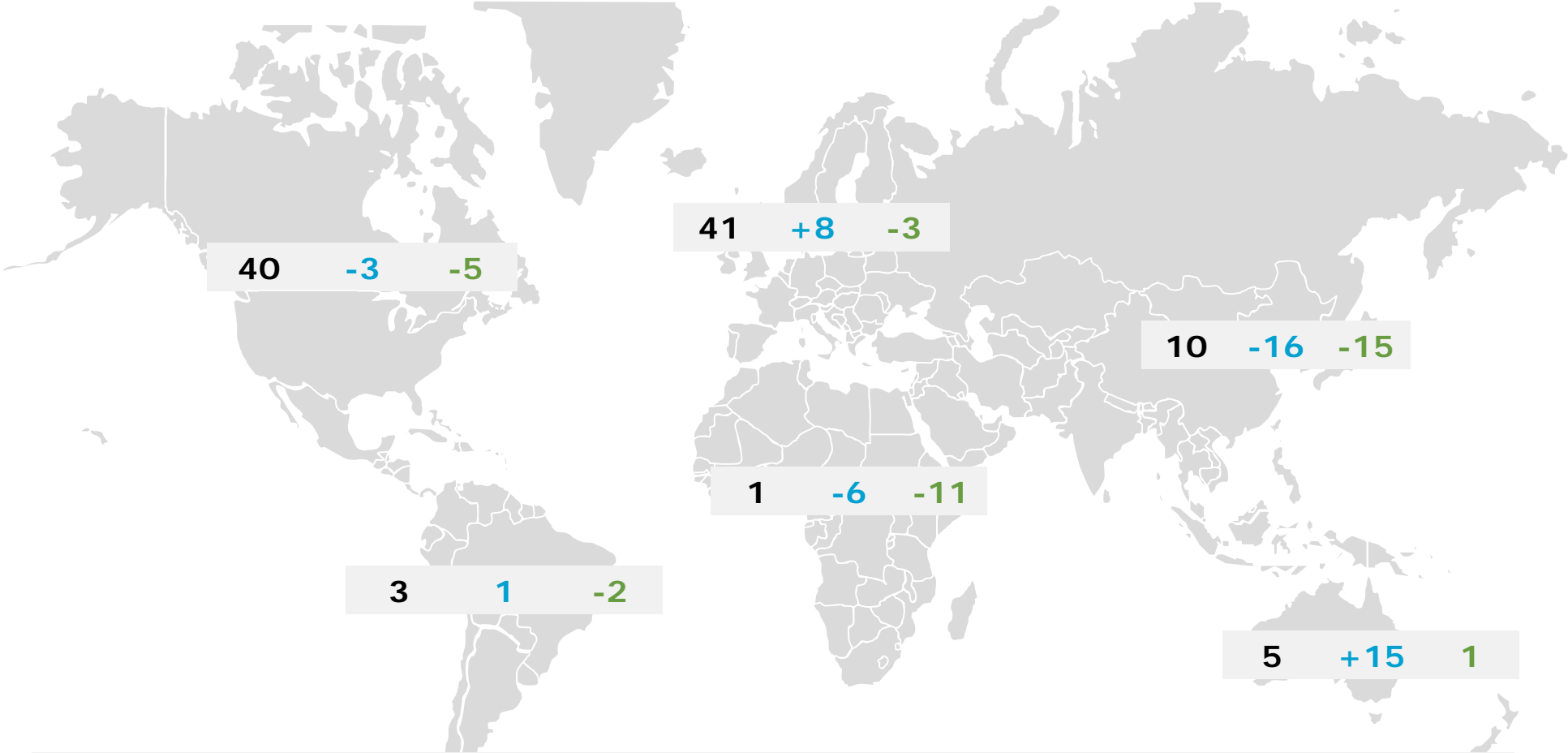
* Excludes a positive non-cash income from revaluation in associates of MSEK 1,910 and restructuring items.



Sales by region

Oct-Dec 2020

ASSA ABLOY	100	0	-5
Emerging markets	16	-9	-11



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

- Automatic door solutions for university hospital in South Korea
- Door hardware for airport in China

▪ Product launches

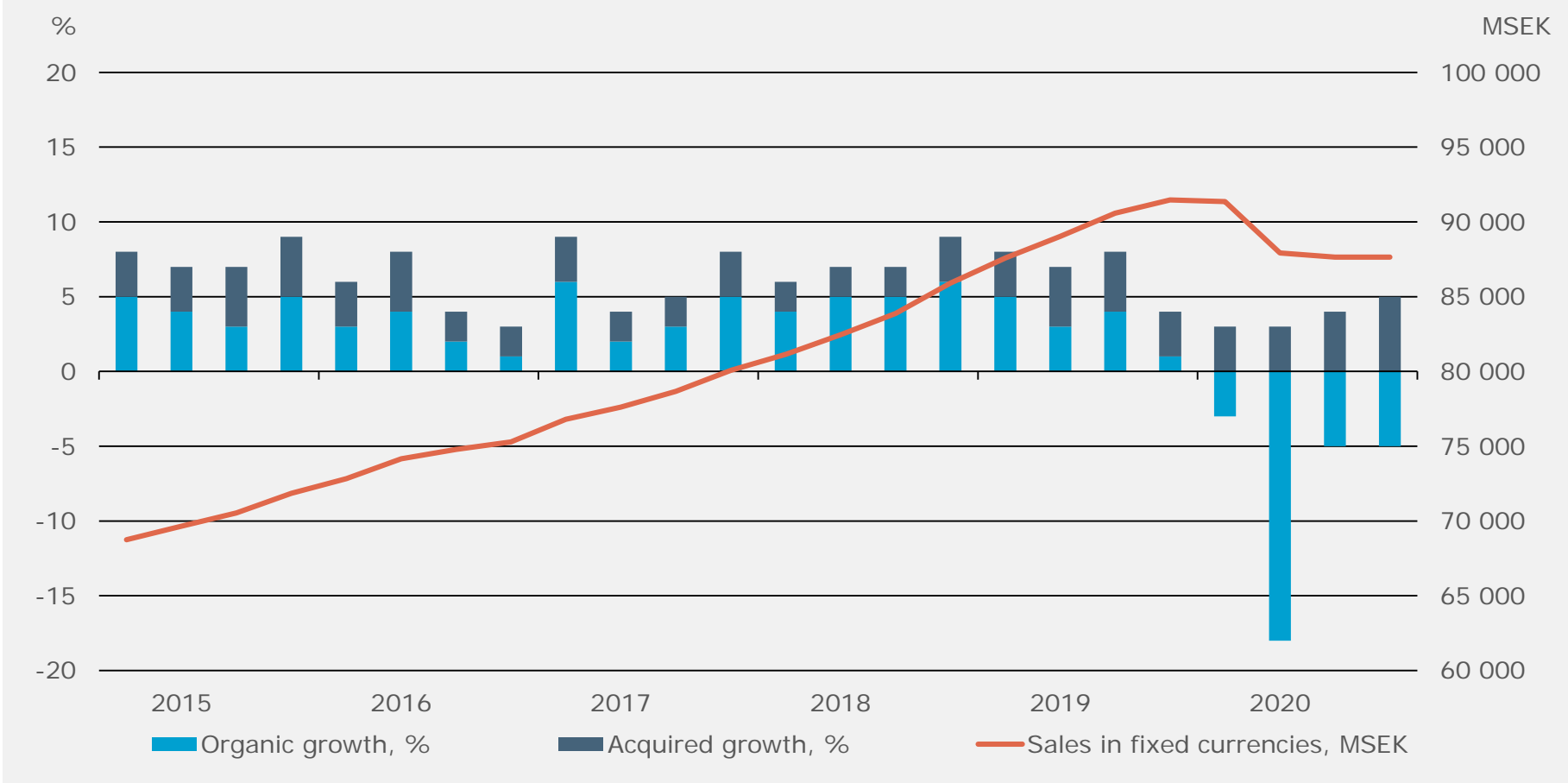
- Automatic sliding door with digital OLED signage incorporated into door
- New Yale Doorman smart lock launched in Scandinavia
- New HID EikonTouch fingerprint readers

▪ Awards

- Good Design Award for Lockwood brass core range
- Pandemic Tech Innovation Award for HID Digitized Social Distancing Solution
- Campus Safety BEST Award for HID Location Services for Workplace Safety
- 4 awards from Transform Awards North America for Yale brand

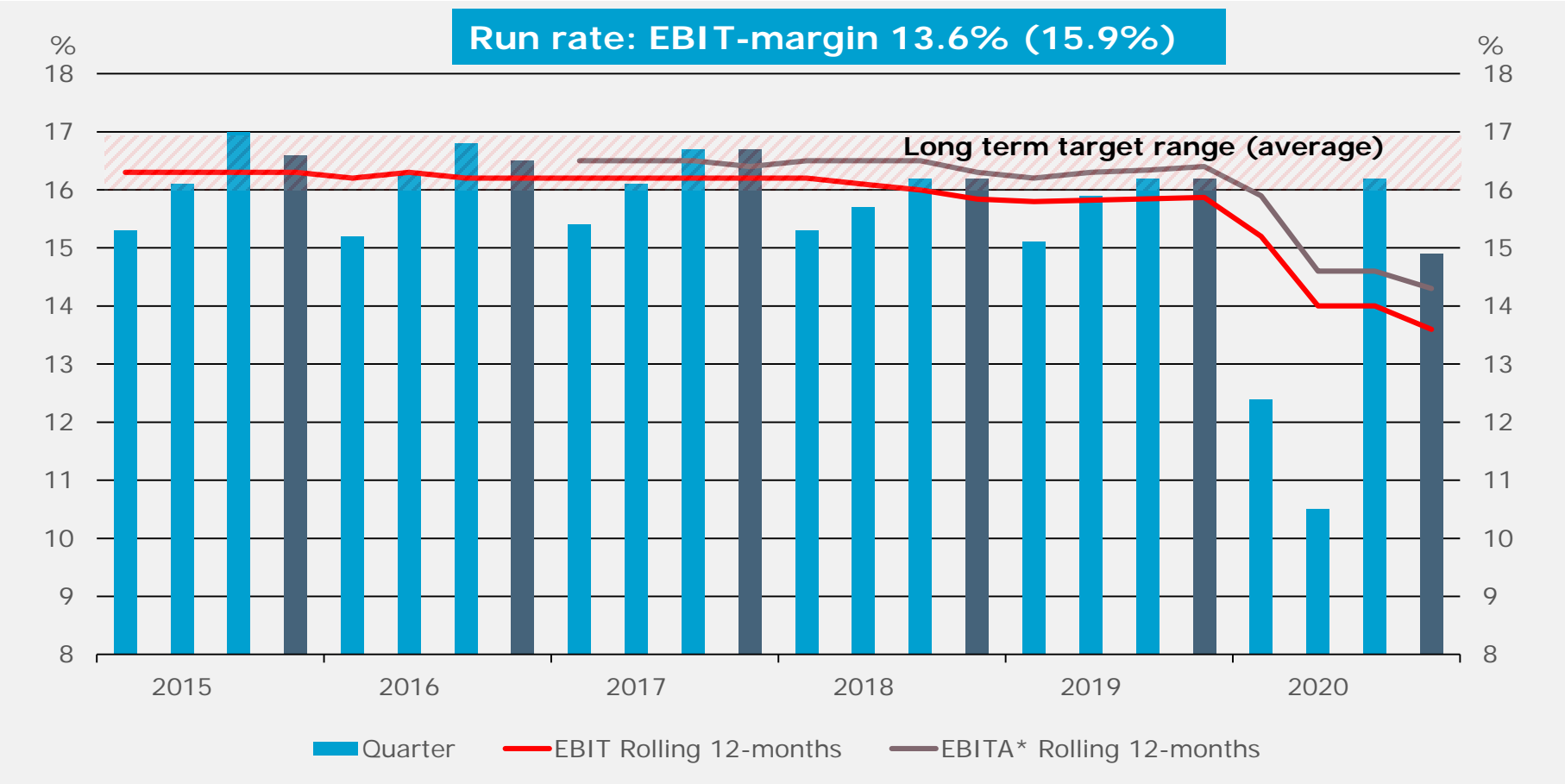


Sales growth



Operating margin

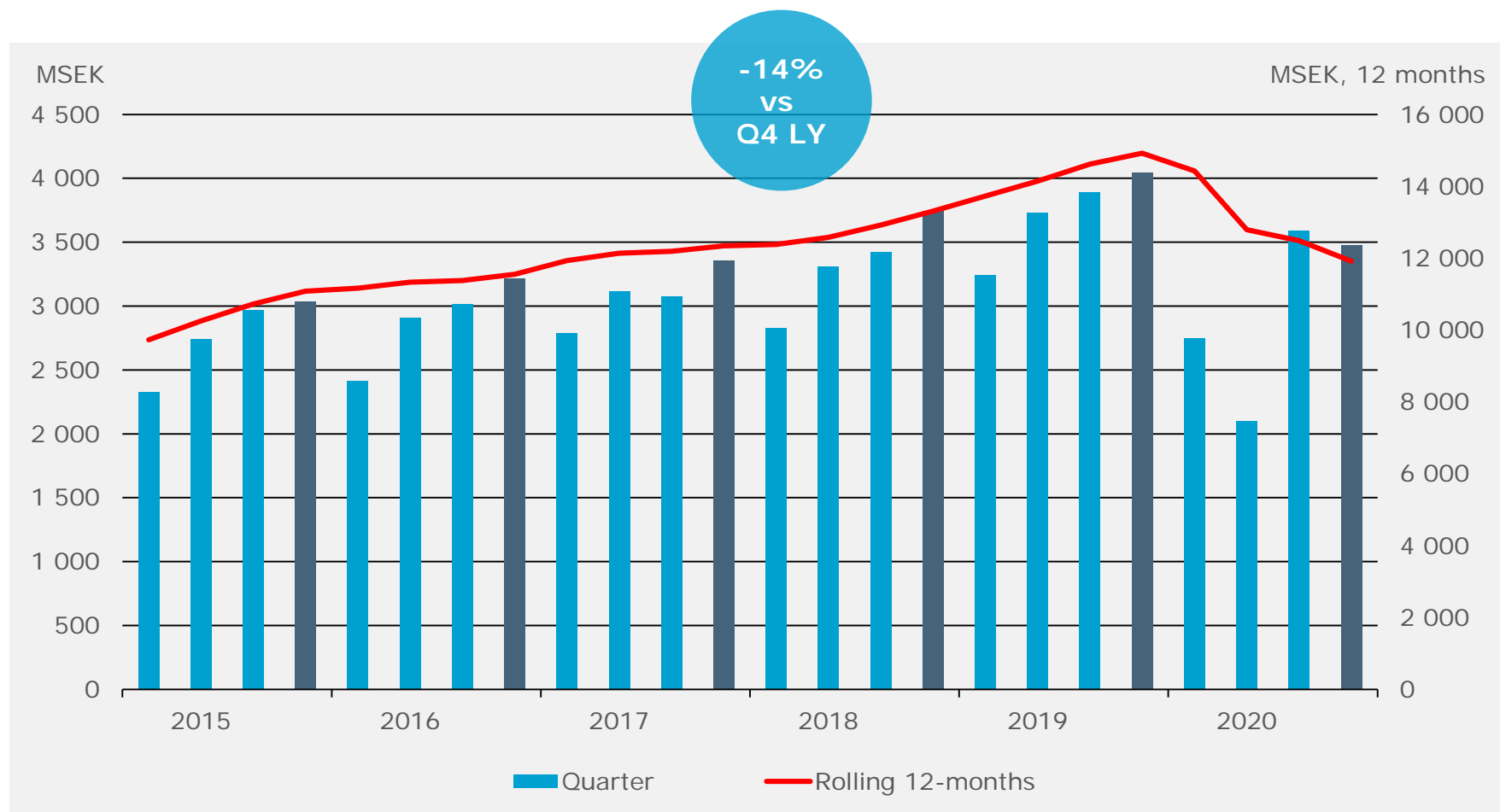
Adj. for acq & div:
16.1% in Q4



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 Q4
- 12 acquisitions completed in 2020
- Acquired annualized sales of MSEK 5,600

- **Divestments**

- agta record and ASSA ABLOY Entrance businesses
- CEDES
- Gardesa
- Divested annualized sales of MSEK 1,600

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Access IS

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SERVICES & SOLUTIONS, LLC



 **Averics**

Opening Solutions EMEA

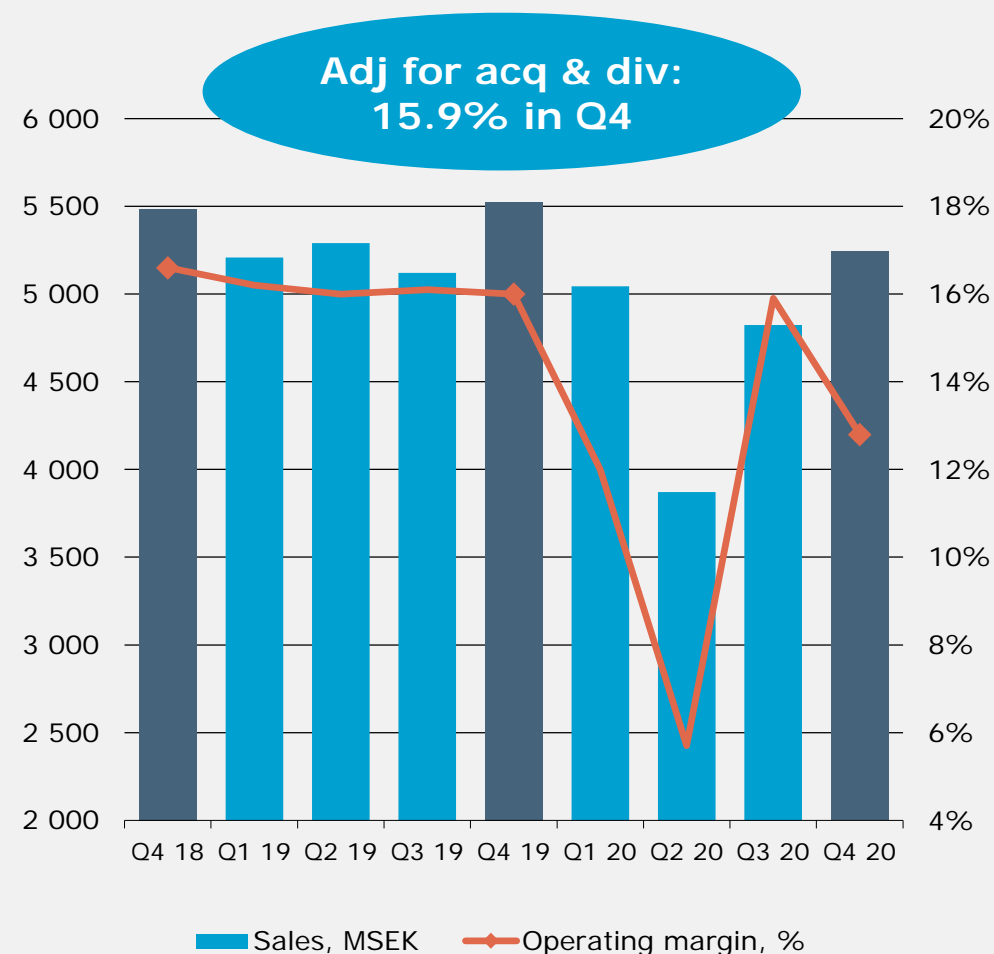
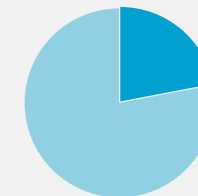
▪ Organic sales –1%

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

▪ Operating margin 12.8% (16.0%)

- Good volume leverage
 - Continued savings and efficiency improvements
- FX -10bps
- M&A -310bps
 - Capital loss and exit costs from divestment of Gardesa of MSEK 185

22%
of Group
sales



Excluding MFP restructuring items.

Opening Solutions Americas

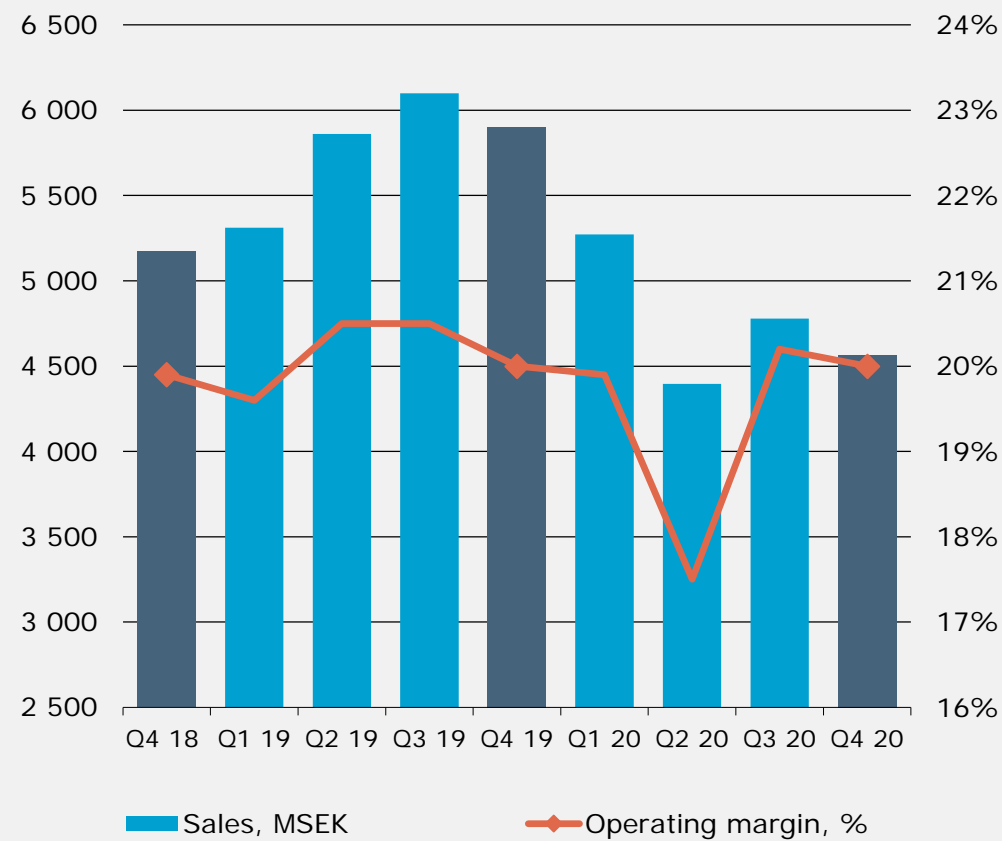
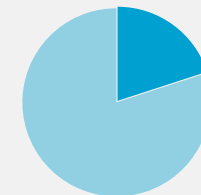
▪ Organic sales declined -4%

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

▪ Operating margin 20.0% (20.0%)

- Strong volume leverage (90 bps), due to good cost control and savings, despite negative mix
- FX -20 bps
- M&A -70bps
 - Move of Perimeter Security to Entrance Systems

20% of
Group
sales

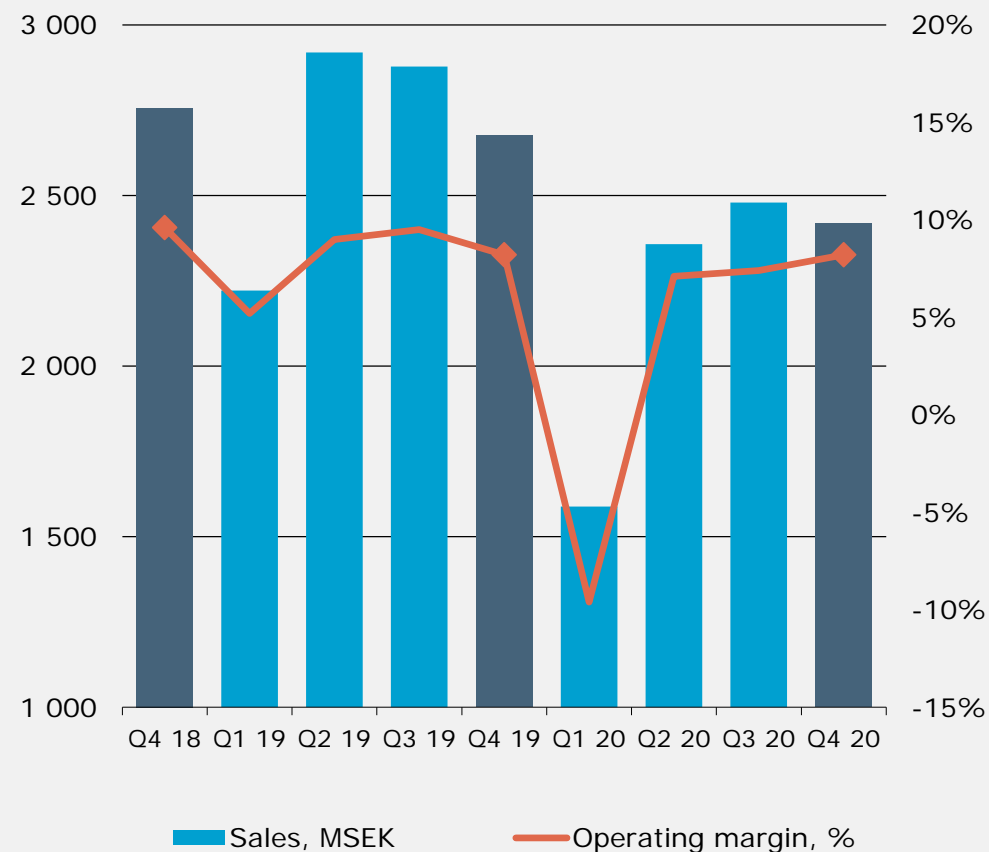


Excluding MFP restructuring items.

Opening Solutions Asia Pacific

- **Organic sales declined -5%**
 - Sales declined in Pacific, China and South Korea
 - Significant sales decline in other regions
- **New divisional organization from January**
- **Operating margin 8.2% (8.2%)**
 - Good leverage (40 bps)
 - Strong operational efficiency gains
 - Continued improvements in China
 - Weak performance in India
 - FX -30 bps
 - M&A -10bps

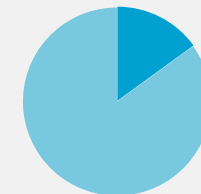
9%
of Group
sales



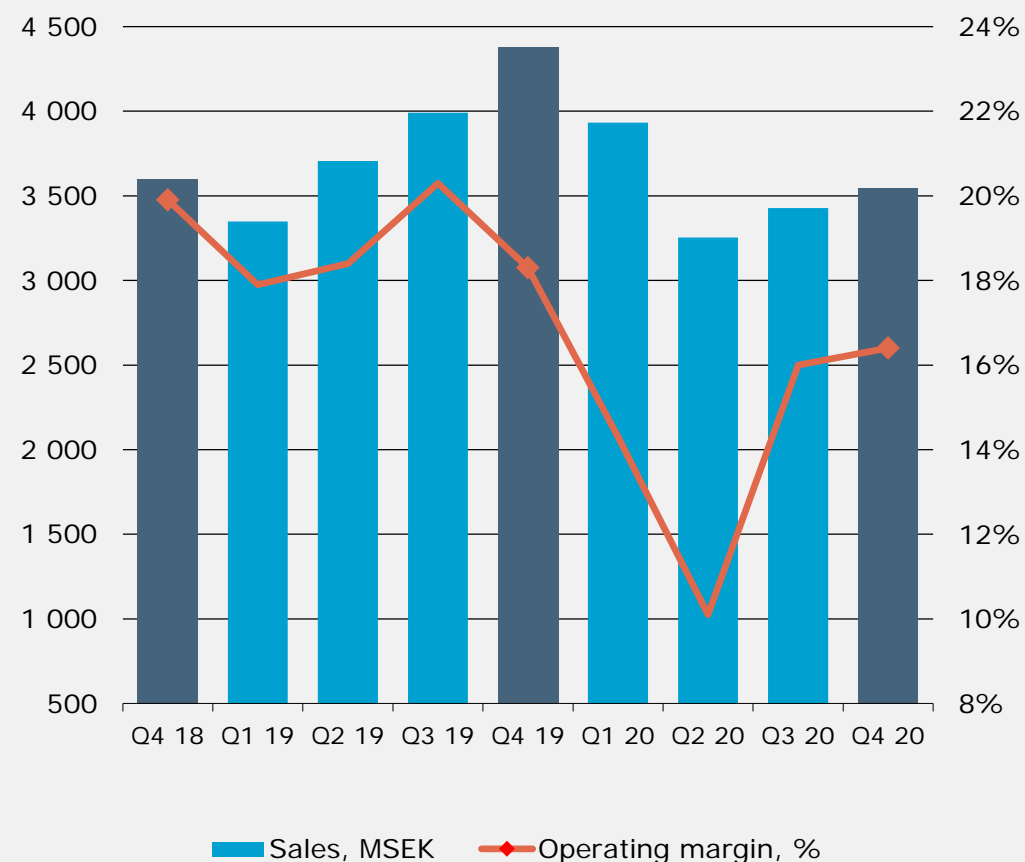
Excluding MFP restructuring items.

Global Technologies

15%
of Group
sales



- **Organic sales declined –17%**
 - Sales declined in Identity & Access Mgmt Solutions, Secure Issuance and Physical Access Control
 - Significant sales decline in all other business areas
 - Significant sales decline in Global Solutions
- **Operating margin 16.4% (18.3%)**
 - Negative volume leverage (-90bps)
 - Continued strong impact from Covid-19
 - Weak Citizen ID and Hospitality/ Marine
 - Stronger decline in aftermarket business
 - Continued R&D investments
 - FX -70 bps
 - M&A -30 bps



Excluding MFP restructuring items.

Entrance Systems

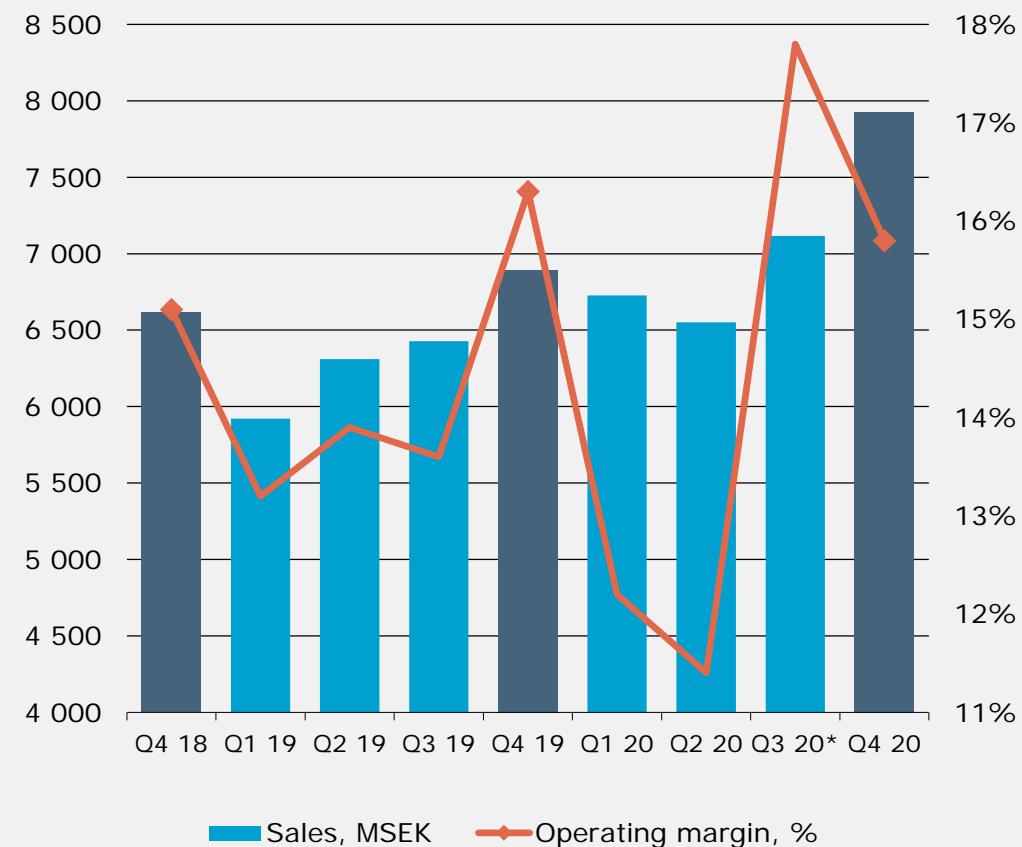
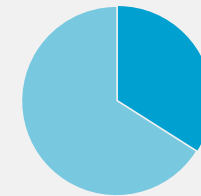
- **Organic sales -1%**

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

- **Operating margin 15.8% (16.3%)**

- Stable volume leverage (-10 bps)
 - Good cost control and savings
- FX +20 bps
- M&A -60 bps

34%
of Group
sales



Excluding MFP restructuring items.

Financial summary, Q4 2020

**FX & acquisition
'run-rate' effects in Q1 2021
(31 December 2020):**
SALES
 FX: -12%
 M&A: +4%

	October-December			January-December		
	2019	2020*			2020*	
Sales	24,946	23,298	-7%	94,029	87,649	-7%
- Organic growth	147	-1,150	- 5%	2,652	-7,150	-8%
- Acquired net growth	760	1,211	+5%	3,063	3,328	+4%
- FX-differences	872	-1,709	- 7%	4,265	-2,558	-3%
Operating income (EBIT)*	4,047	3,475	-14%	14,920	11,916	-20%
EBITA-margin*	16.8%	15.6%	-1.2 pts	16.4%	14.3%	-2.1 pts
EBIT-margin*	16.2%	14.9%	-1.3 pts	15.9%	13.6%	-2.3 pts
Income before tax*	3,779	3,306	-13%	13,883	11,133	-20%
Net income*	2,767	2,582	-7%	10,243	8,375	-18%
EPS, SEK*	2.49	2.33	-7%	9.22	7.54	-18%
Operating cash flow	5,235	5,529	6%	14,442	14,560	1%
ROCE	17%	15%	-2.0 pts	17%	13%	-4.0 pts

*) Excluding MFP restructuring items. Includes capital loss and other exit costs from divestment of Gardesa MSEK -185

Cost efficiency in everything we do

Progress in Q4

- Operational efficiency with more permanent savings
- Additional permanent headcount reduction of 650
- Travel costs reduced by 60%

MFP8 launched in Q4

- Restructuring costs of SEK 1.4 bn
- Total annual savings SEK 1.0 bn
- Headcount reduction ~2,100
 - 10 factories closures
 - >30 office/ warehouse closures
 - 15 conversion assembly projects



Reduced SG&A and conversion net costs by

~SEK 0.5 bn
in Q4

Bridge analysis – Q4 2020

Adj. for acq & div:
16.1% in Q4

MSEK	Q4 2019	Organic	Currency	Acq/Div	Q4 2020
Growth		-5%	-7%	5%	-7%
Sales	24,946	-1,150	-1,709	1,211	23,298
Operating profit*	4,047	-166	-321	-86	3,475
Operating margin, %*	16.2%	14.4%	18.8%	-7.1%	14.9%
Dilution/accretion		0.0 pts	-0.1 pts	-1.2 pts	

*) Excluding restructuring items. Includes capital loss and other exit costs from divestment of Gardesa MSEK -185.

Sales decreased MSEK -1,648

- Price +1% and volume -6%

Margin drivers

- Strong operational leverage driven by cost measures of SEK 0.5bn
- Negative Covid-19 effects for all divisions, especially Global Technologies
- M&A effected by operating income of MSEK -185 from divestment of Gardesa (-80bps)
- Dilution from agta record (-40bps)

Cost breakdown as % of sales

October - December

%	QTD 2019	QTD 2020 excl. acq/div	Δ	QTD 2020
Direct material	-36.1%	-35.7%	+0.4 pts	-35.6%
Conversion cost	-23.9%	-24.0%	-0.1 pts	-24.6%
Gross margin	40.0%	40.3%	+0.3 pts	39.8%
S, G & A	-23.8%	-24.2%	-0.4 pts	-24.9%
EBIT*	16.2%	16.1%	-0.1 pts	14.9%

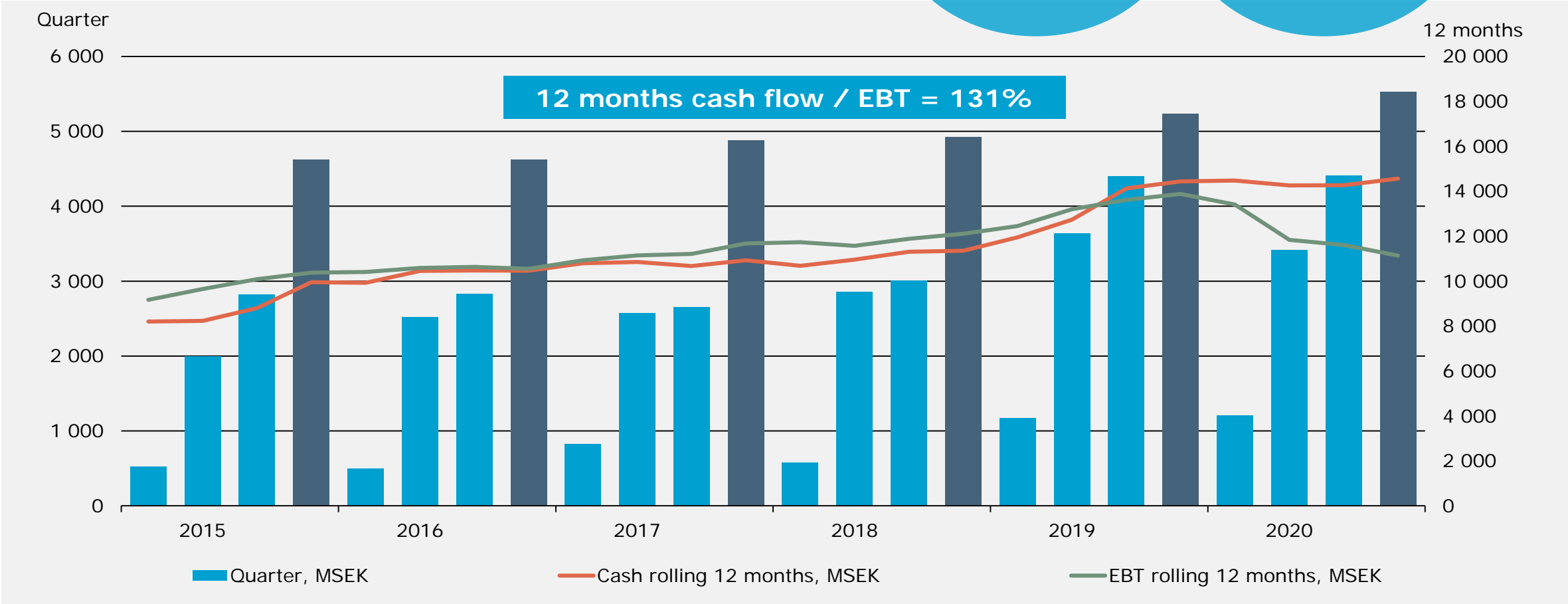
*) Excluding restructuring items. Includes capital loss and other exit costs from divestment of Gardesa MSEK -185.

- Operating margin excluding acquisitions and divestments above 16%
- Direct Material – still lower raw material costs and sourcing savings
- Conversion cost – continued savings offsetting negative sales and mix
- SG&A – continued investments in R&D with good savings in sales and admin

Operating cash flow, MSEK

Record cash flow

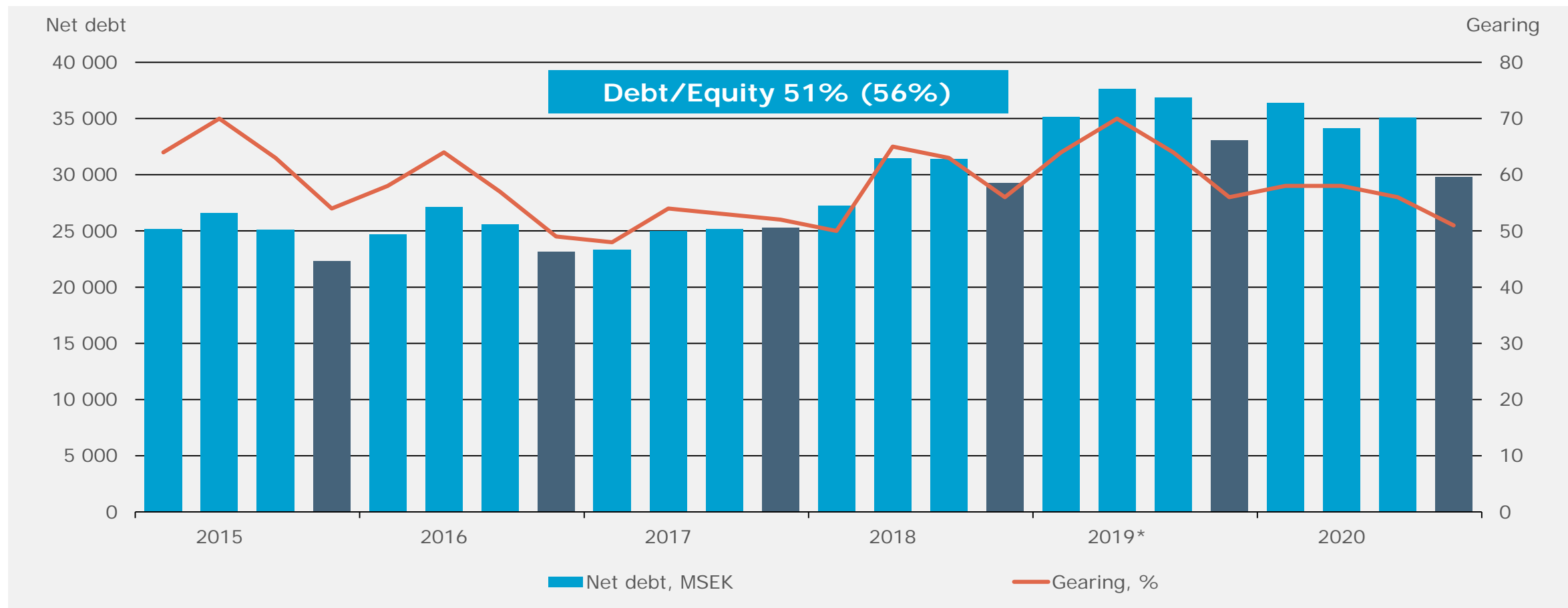
Working capital down
SEK 1.8 Bn



Excluding MFP restructuring items.

Gearing % and net debt, MSEK

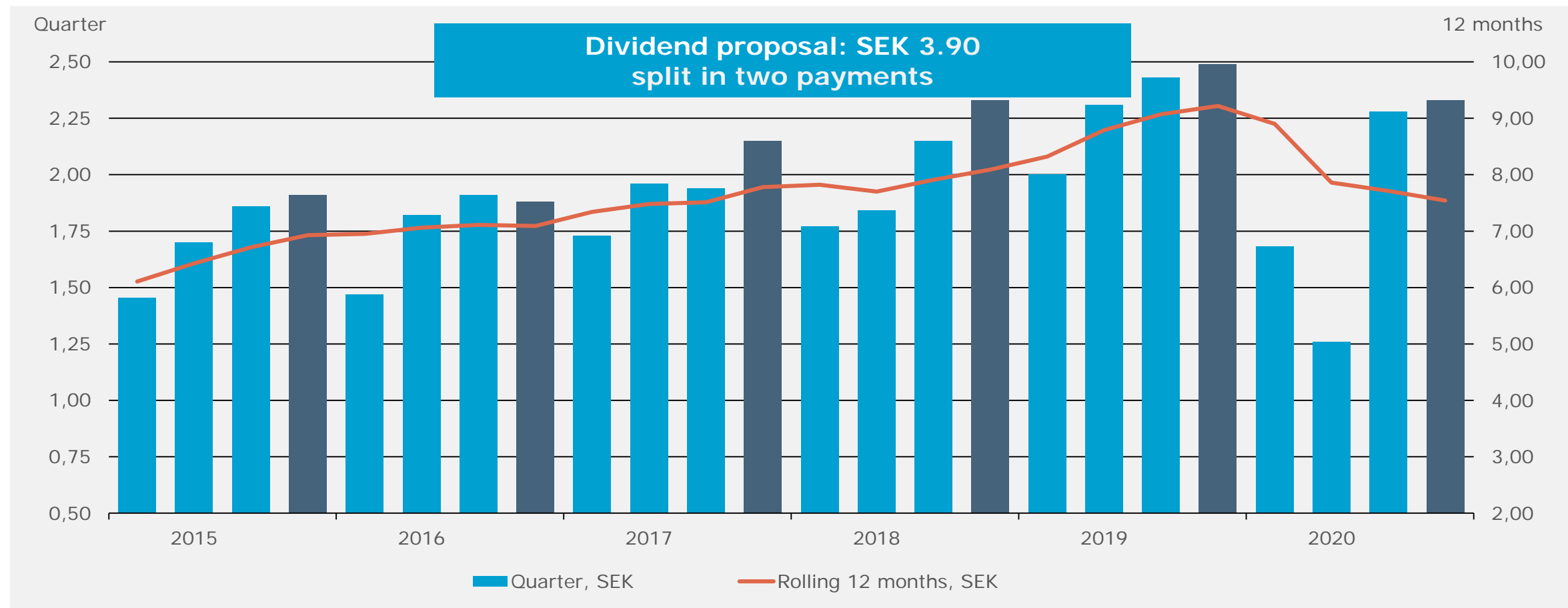
Net debt/EBITDA**
1.9 (1.8)



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

**) Excluding MFP restructuring items.

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.



Conclusions

- **Strong operational execution**
 - Organic sales declined by 5%
 - Operating margin at 16%, excl acq & div
 - Very strong cash flow up 6% vs. last year
- **Short term and long term views**
 - Covid-19 continues to have negative effects
 - Strong focus on cost and cash flow remains
 - Investments in growth initiatives
 - Strong long term growth drivers remain valid
 - Financial targets stay unchanged
- **Total dividend proposal of SEK 3.90**
 - Two equal installments in May and November
- **Virtual Capital Markets Day 26 May**



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	-36.1%	-35.7%	+0.4 pts	-35.6%	-36.0%	-35.1%	+0.9 pts	-35.2%
Conversion cost	-23.9%	-24.0%	-0.1 pts	-24.6%	-23.9%	-24.6%	-0.7 pts	-25.0%
Gross margin	40.0%	40.3%	+0.3 pts	39.8%	40.1%	40.3%	+0.2 pts	39.8%
S, G & A	-23.8%	-24.2%	-0.4 pts	-24.9%	-24.2%	-26.3%	-2.1 pts	-26.2%
EBIT	16.2%	16.1%	-0.1 pts	14.9%	15.9%	14.0%	-1.9 pts	13.6%

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

Opening Solutions EMEA's bridge

MSEK	Q4 2019	Organic	Currency	Acq/Div	Q4 2020
Growth		-1%	-4%	0%	-5%
Sales	5,525	-35	-244	-3	5,242
Operating income	884	-7	-43	-163	670
Operating margin, %	16.0%	20.2%	17.7%	5069%	12.8%
Dilution/accretion		0.0 pts	-0.1 pts	-3.1 pts	

12 months figures

Sales	21,144			18,982
EBIT	3,396			2,263
Operating cash flow before paid interest	3,515			2,939
Cash flow/EBIT	103%			130%

Opening Solutions Americas' bridge

MSEK	Q4 2020	Organic	Currency	Acq/Div	Q4 2020
Growth		-4%	-9%	-10%	-23%
Sales	5,900	-208	-612	-513	4,567
Operating income	1,182	1	-129	-139	915
Operating margin, %	20.0%	-0.5%	21.1%	27.1%	20.0%
Dilution/accretion		0.9 pts	-0.2 pts	-0.7 pts	

12 months figures

Sales	23,172			19,013
EBIT	4,673			3,698
Operating cash flow before paid interest	5,263			4,837
Cash flow/EBIT	113%			131%

Opening Solutions Asia Pacific's bridge

MSEK	Q4 2019	Organic	Currency	Acq/Div	Q4 2020
Growth		-5%	-6%	1%	-10%
Sales	2,676	-135	-141	18	2,418
Operating income	220	0	-18	-2	199
Operating margin, %	8.2%	0.1%	13.1%	-11.8%	8.2%
Dilution/accretion		0.4 pts	-0.3 pts	-0.1 pts	

12 months figures

Sales	10,689			8,841
EBIT	879			396
Operating cash flow before paid interest	622			762
Cash flow/EBIT	71%			192%

Global Technologies' bridge

MSEK	Q4 2019	Organic	Currency	Acq/Div	Q4 2020
Growth		-17%	-7%	5%	-19%
Sales	4,377	-710	-317	194	3,545
Operating income	800	-156	-83	20	582
Operating margin, %	18.3%	21.9%	26.1%	10.5%	16.4%
Dilution/accretion		-0.9 pts	-0.7 pts	-0.3 pts	

12 months figures

Sales	15,423			14,158
EBIT	2,890			2,023
Operating cash flow before paid interest	3,183			2,509
Cash flow/EBIT	110%			124%

Entrance Systems' bridge

MSEK	Q4 2019	Organic	Currency	Acq/Div	Q4 2020
Growth		-1%	-7%	23%	15%
Sales	6,893	-64	-417	1,515	7,927
Operating income	1,125	-21	-52	198	1,251
Operating margin, %	16.3%	32.3%	12.5%	13.1%	15.8%
Dilution/accretion		-0.1 pts	0.2 pts	-0.6 pts	

12 months figures

Sales	25,553			28,323
EBIT	3,652			4,093
Operating cash flow before paid interest	3,655			4,974
Cash flow/EBIT	100%			122%



Thank you
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