

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 interim report 2021

Experience a safer and more open world

ASSA ABLOY

Significant sales growth and margin recovery

- **Organic sales development**

- Very strong sales growth in EMEIA, Americas, Global Technologies and Entrance Systems
- Stable sales growth in APAC

- **Strong EBIT improvement**

- Strong operational leverage despite higher raw material and logistical costs

- **Four acquisitions signed**

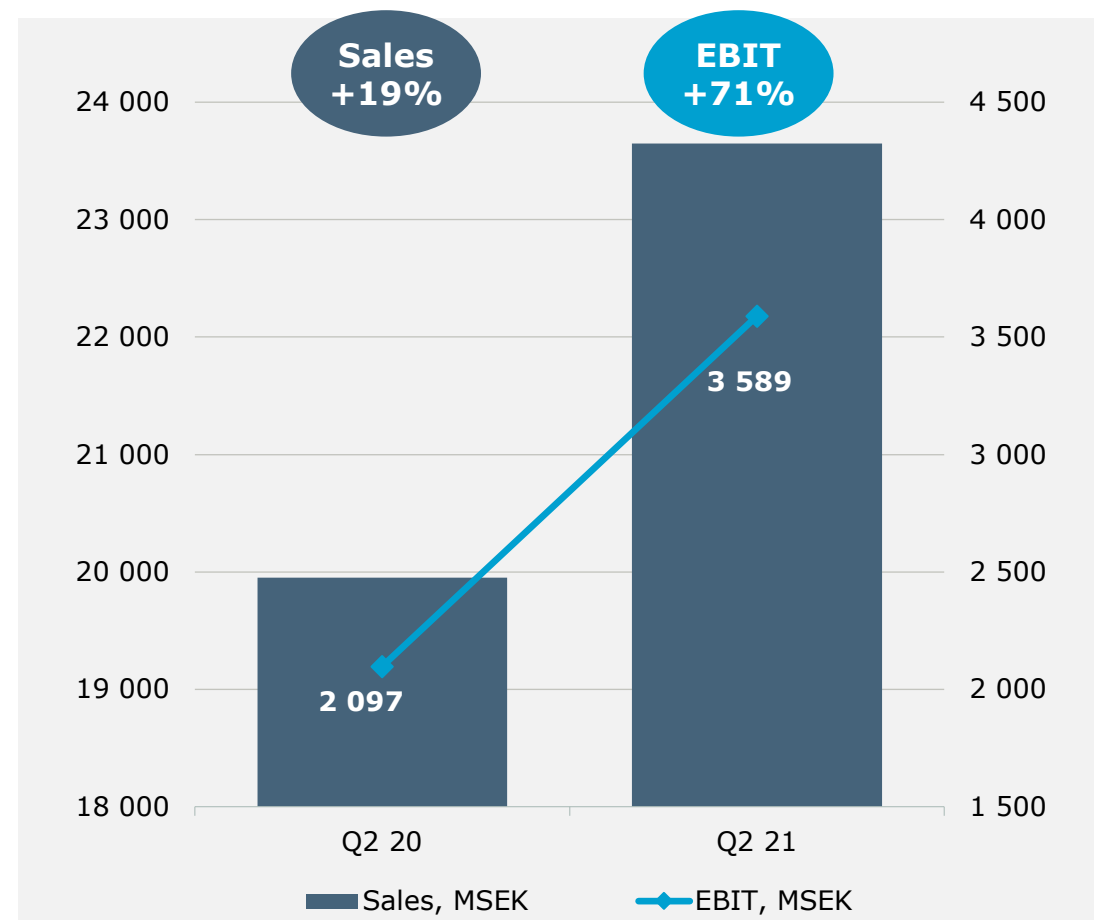
- **Operating cash flow up 6% vs last year**

- Cash conversion at 105%



Q2 2021 figures in summary

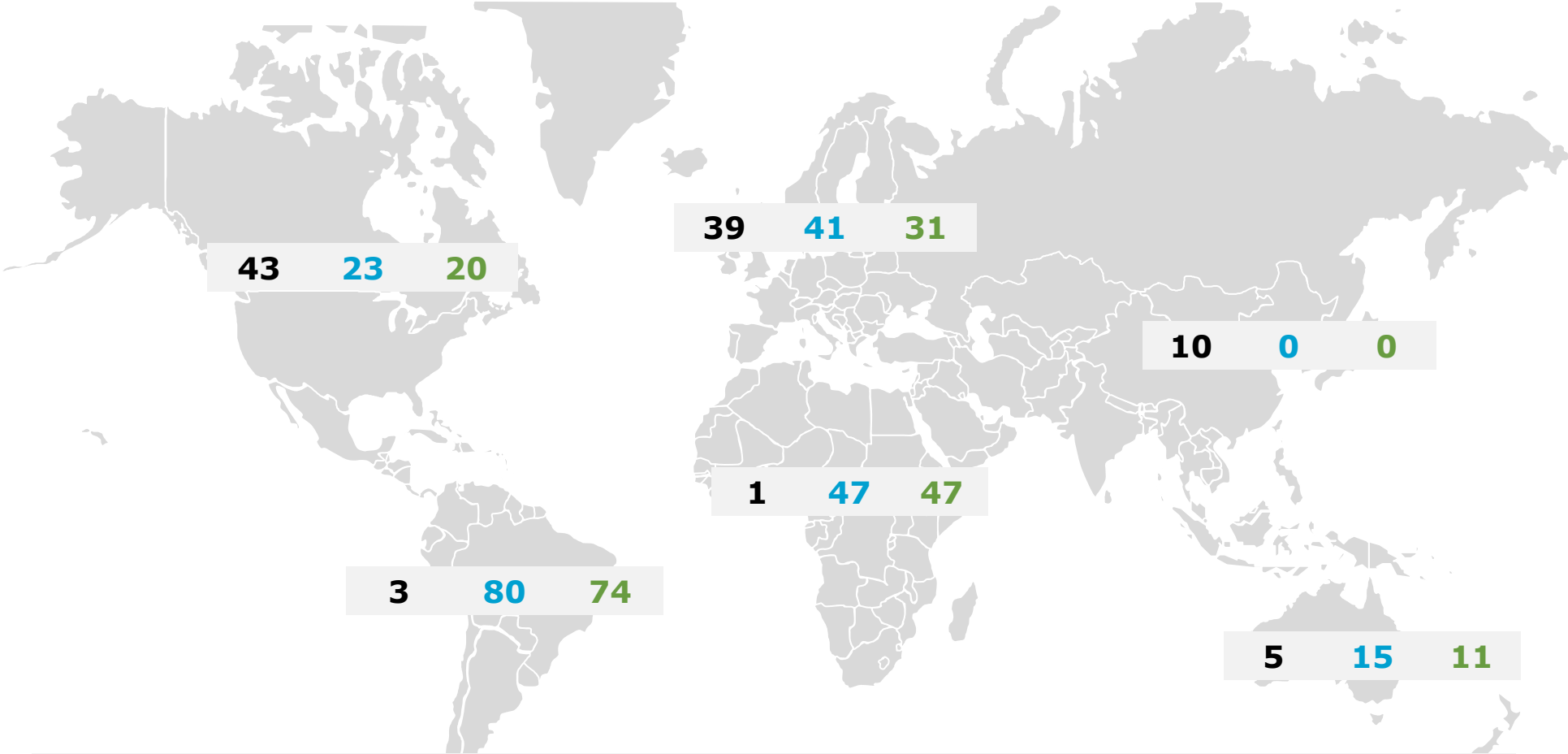
- **Sales MSEK 23,648** **+19%**
 - +23% organic
 - +5% acquired and divested
 - - 9% currency
- **EBITA-margin 15.8% (11.2%)**
- **EBIT-margin 15.2% (10.5%)**
- **EBIT MSEK 3,589** **+71%**
- **EPS SEK 2.89** **+130%**



Sales by region

Apr-Jun 2021

ASSA ABLOY	100	28	23
Emerging markets	15	21	21



Share of sales, %	Change in local currencies QTD 2021 vs. QTD 2020, %	Organic change QTD 2021 vs. QTD 2020, %
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Emerging markets comprise follows IMF’s definition as per 2018-12-31

Market highlights

■ Project wins

- ~130 docking stations for distribution & logistics center in Sweden
- Perimeter security solutions for large data center in the US
- Next-generation ePassport solution for Republic of Estonia
- Construction site security solution for large UK infrastructure project

■ Product/solutions announcements

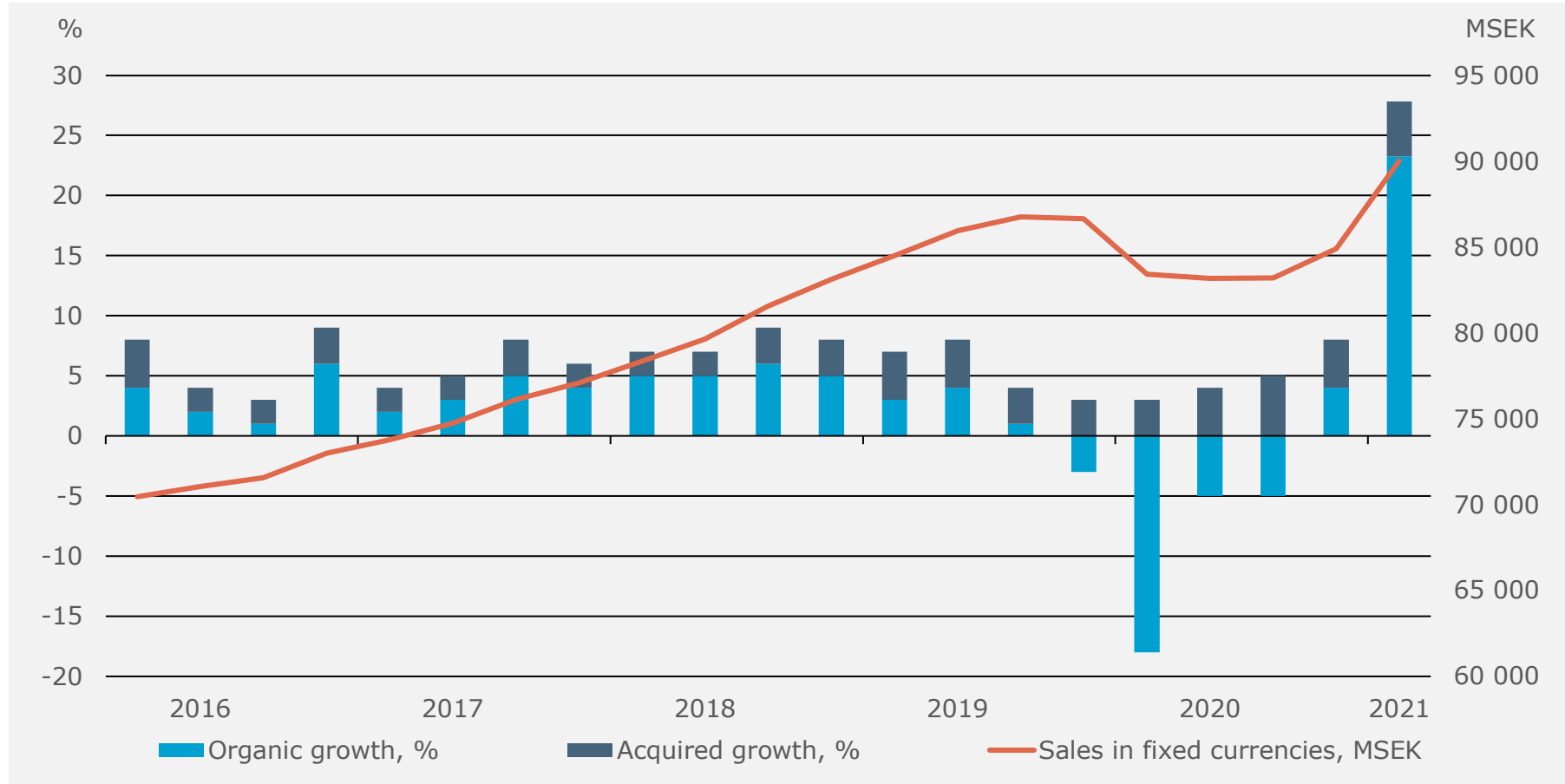
- New high-performance door with superior thermal performance and energy efficiency
- Collaboration with Apple to provide both employee badges and hotel keys in Apple Wallet on iPhone and Apple Watch

■ Awards

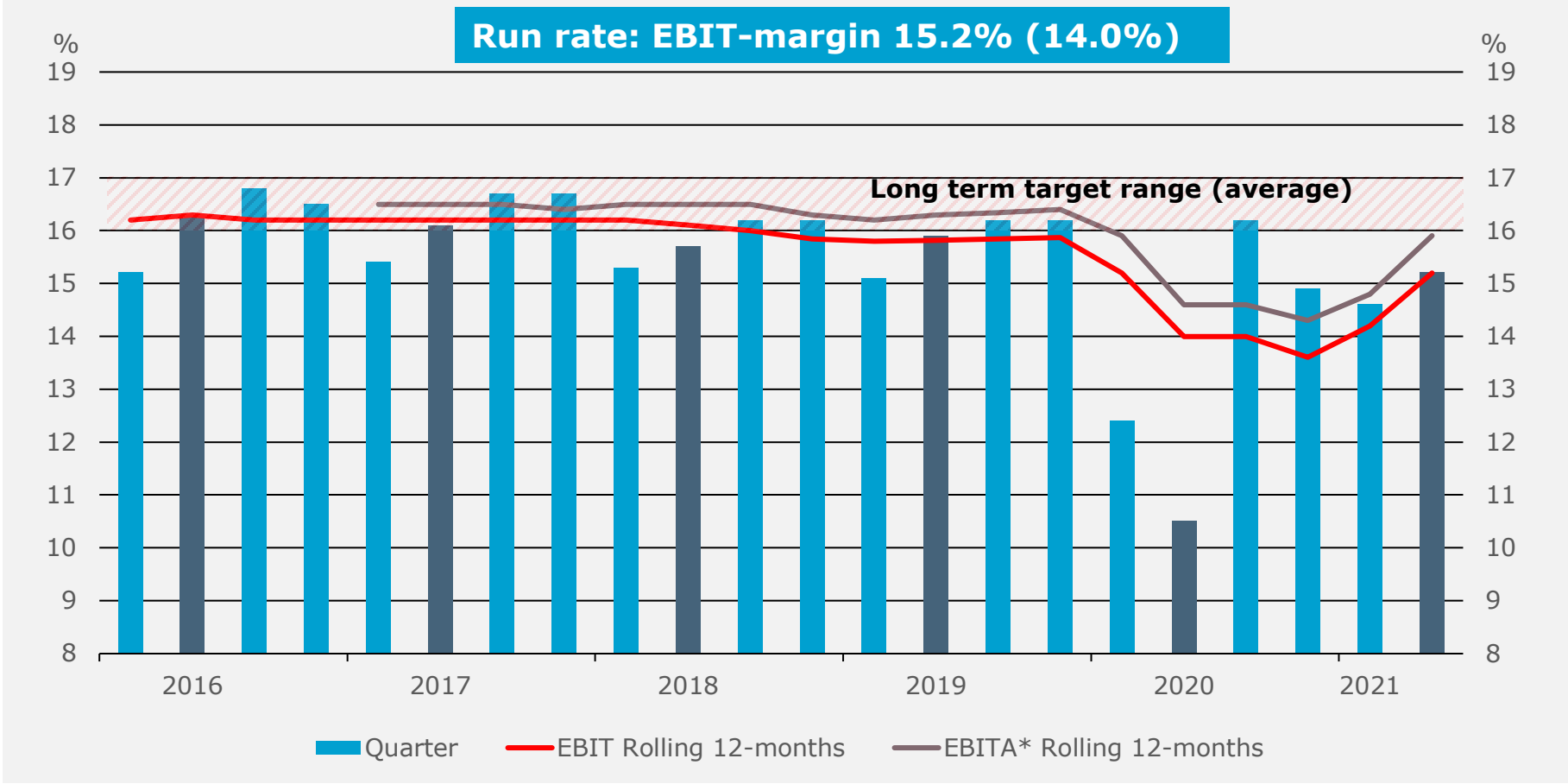
- 2020 Outstanding Strategic Supplier of the year by Greentown China
- Gateman wins several awards for digital door locks in South Korea
- Yale Linus smart lock wins iF Design Award & 2 PLUS X Awards



FX adjusted sales growth



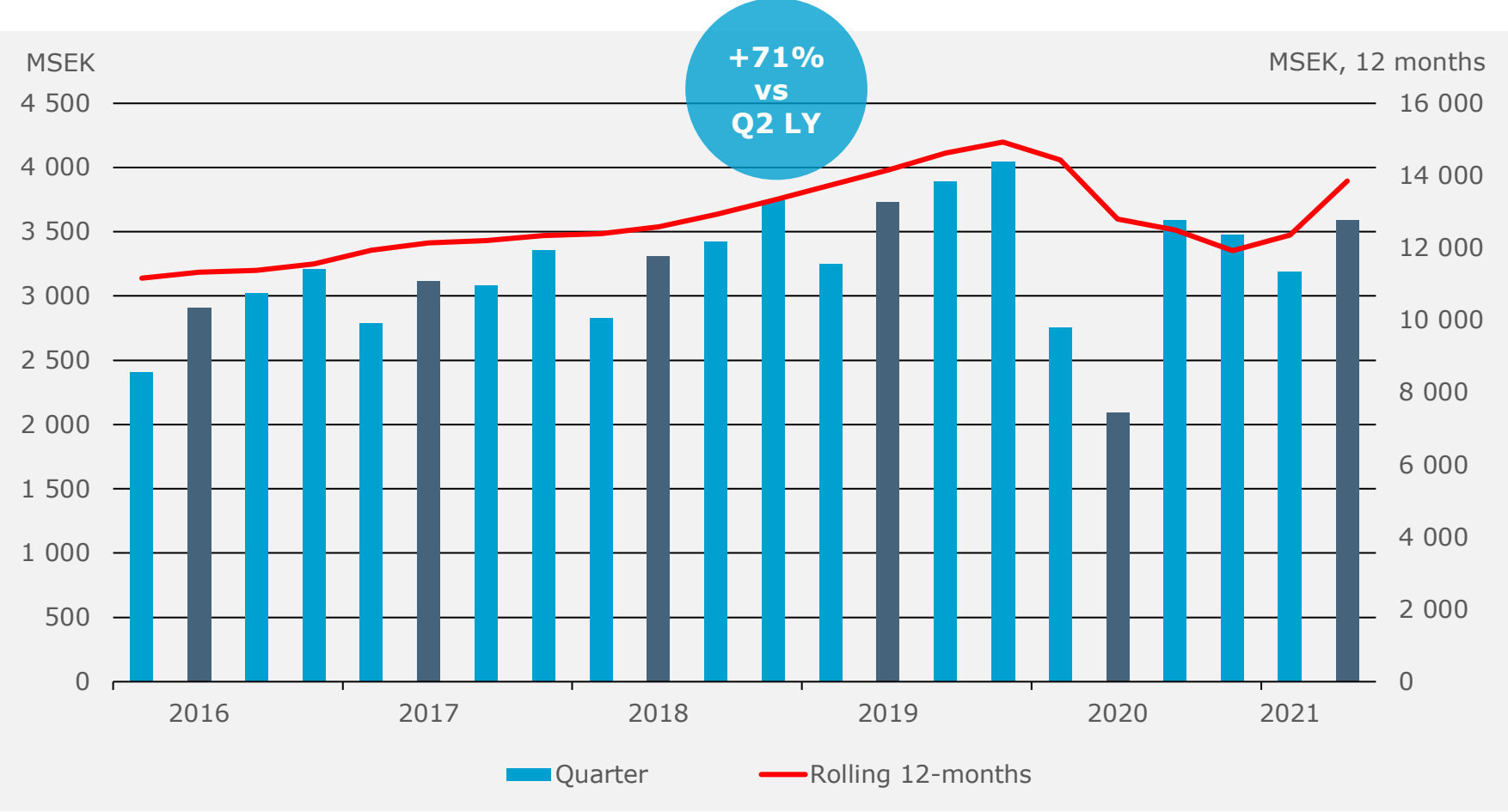
Operating margin



Excluding items affecting comparability.

*) 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

- **Active pipeline**

- 3 acquisitions completed in Q2
- 6 acquisitions completed in 2021
- Acquired annualized sales of MSEK 400

- **Additional acquisitions to be closed**

- MR Group
 - Sales of MSEK 230
 - Transaction expected to close in Q3

- **Divestments**

- CERTEGO, transaction expected to close in Q3
- Divested annualized sales of MSEK 1,500



Sure-Loc, USA



- Complements mechanical hardware portfolio
- Sales of MSEK 120 in 2020
- Supplier of residential locks and associated hardware
- Accretive to EPS from start

Opening Solutions EMEIA

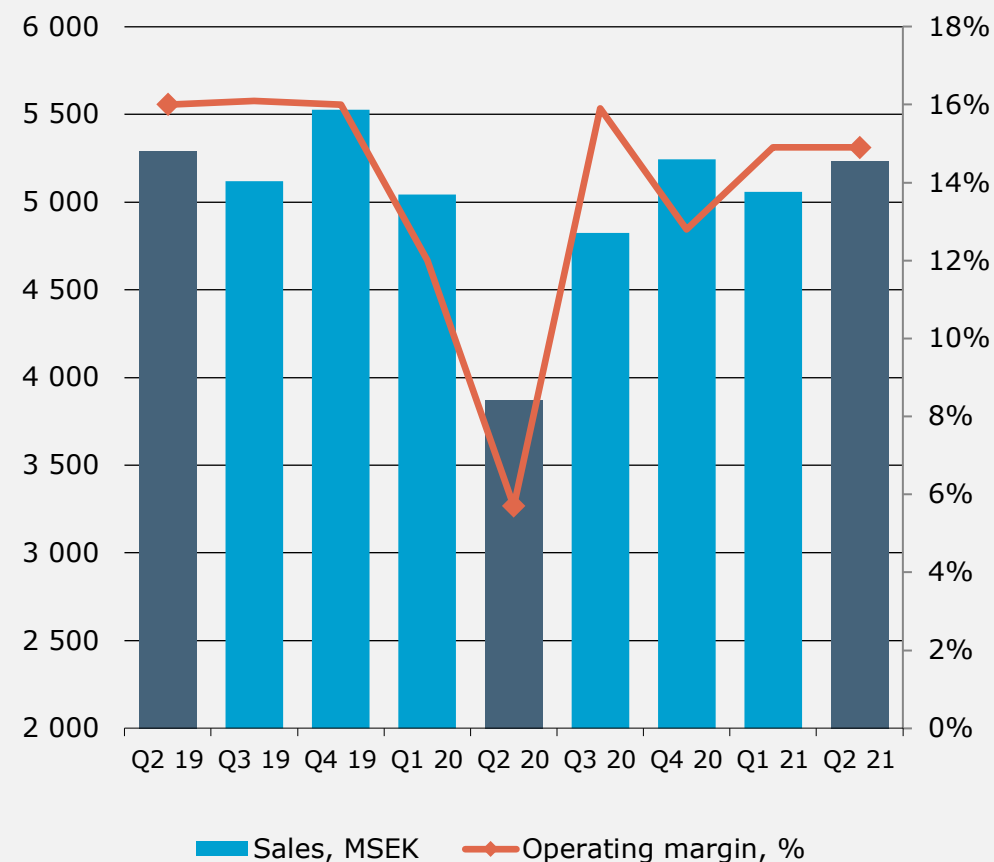
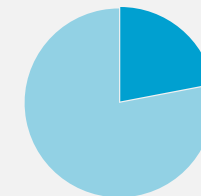
▪ Organic sales +39%

- Very strong sales growth in the UK, France, Eastern Europe, Middle East/Africa/India, South Europe, Germany, Finland and Benelux
- Strong sales growth in Scandinavia

▪ Operating margin 14.9% (5.7%)

- Very strong volume leverage (910 bps) despite negative mix and higher raw material costs
- FX +40 bps
 - Stronger SEK
- M&A -30 bps
 - Transfer of India to EMEIA

22%
of Group
sales



Excluding MFP restructuring items.

Opening Solutions Americas

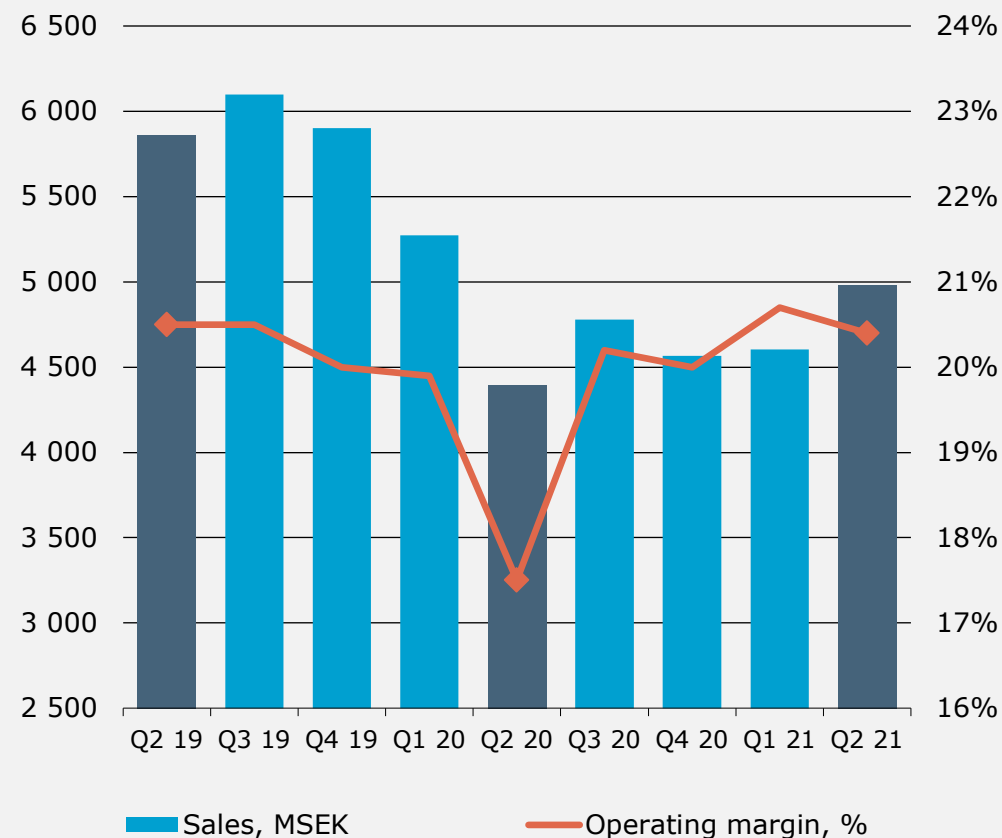
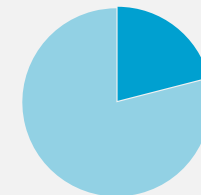
- **Organic sales +26%**

- Very strong sales growth in all product areas and regions

- **Operating margin 20.4% (17.5%)**

- Very strong volume leverage (300 bps) driven by strong operational execution and price management, despite raw material headwind and negative mix
- FX +10 bps
- M&A -20 bps

21% of
Group
sales



Excluding MFP restructuring items.

Opening Solutions Asia Pacific

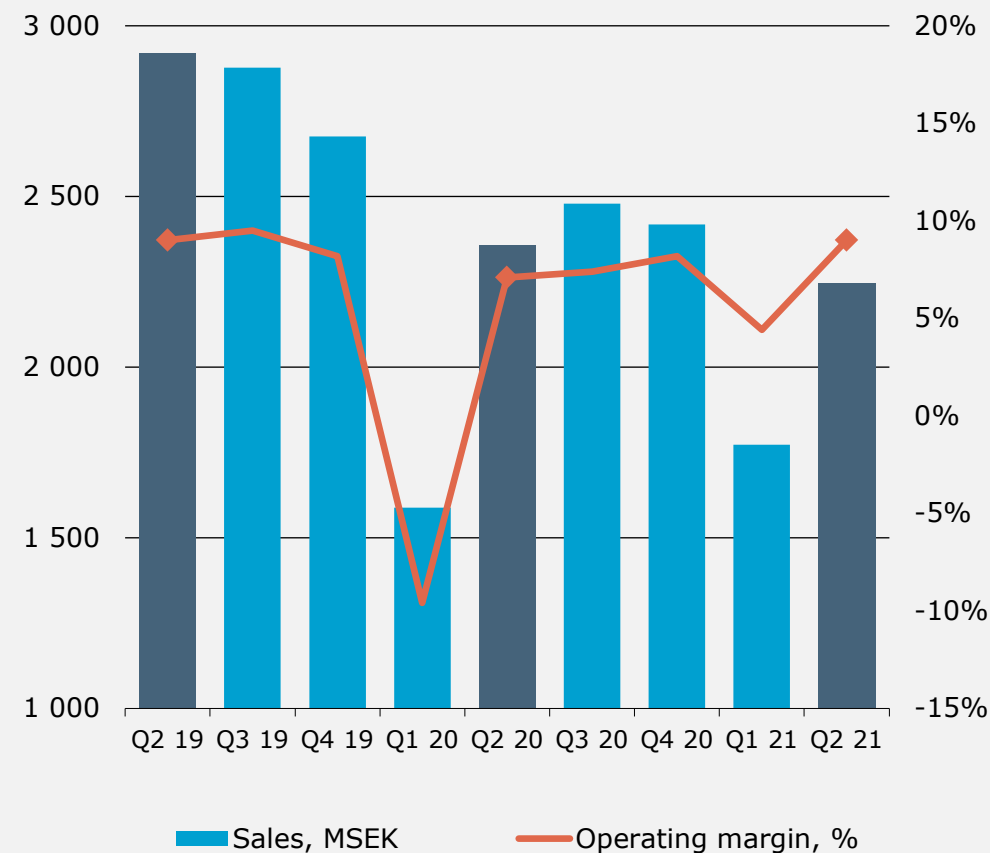
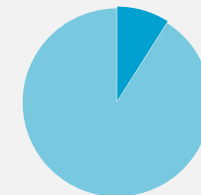
- **Organic sales +0%**

- Good sales growth in Pacific
- Stable sales growth in South Korea
- Sales declined in South East Asia and China

- **Operating margin 9.0% (7.1%)**

- Very strong leverage (130 bps) driven by positive mix and good cost control, despite raw material headwind
- FX -30 bps
- M&A +90 bps
 - Transfer of India to EMEIA

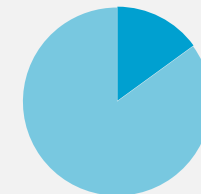
8%
of Group
sales



Excluding MFP restructuring items.

Global Technologies

15%
of Group
sales

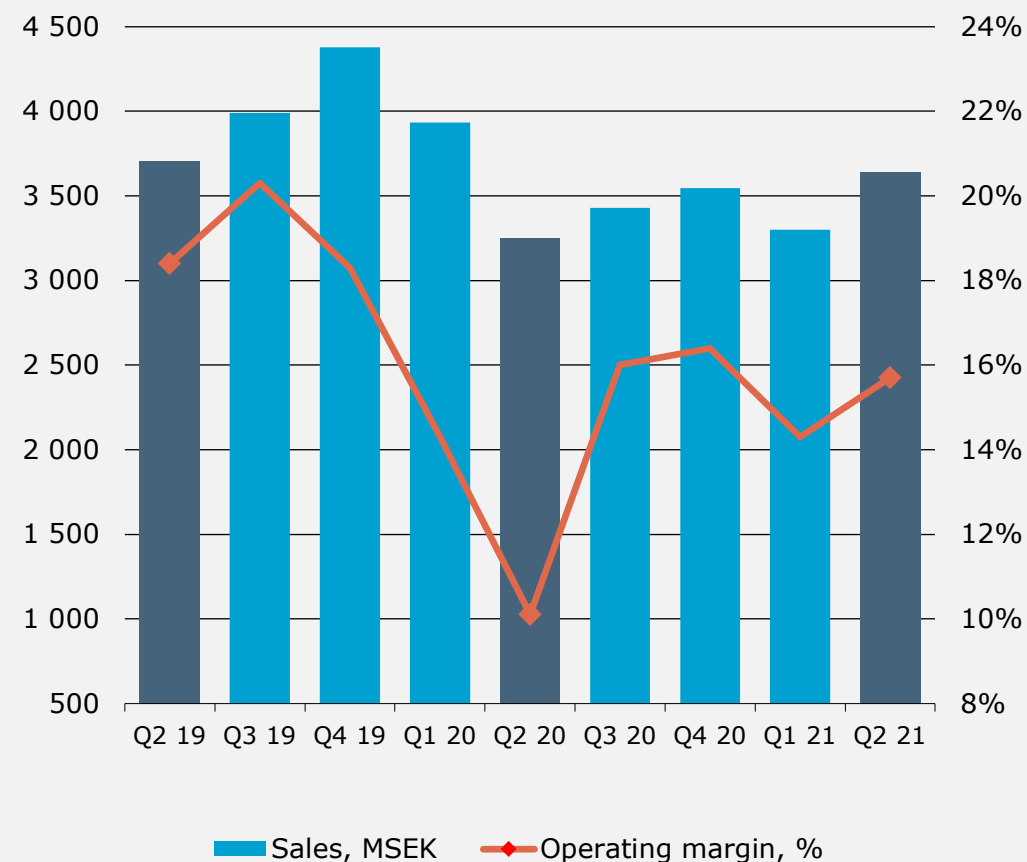


▪ **Organic sales +17%**

- Very strong sales growth in PACS, Secure Issuance and Identification Technology
- Stable sales in Extended Access
- Sales declined in Identity & Access Solutions
- Significant sales decline in Citizen ID
- Very strong sales growth in Global Solutions
 - Driven by non-travel related businesses

▪ **Operating margin 15.7% (10.1%)**

- Very strong volume leverage (770 bps) driven by good cost control and product mix
 - Travel related businesses still significantly affected by the pandemic
- FX -100 bps
- M&A -110 bps



Excluding MFP restructuring items.

Entrance Systems

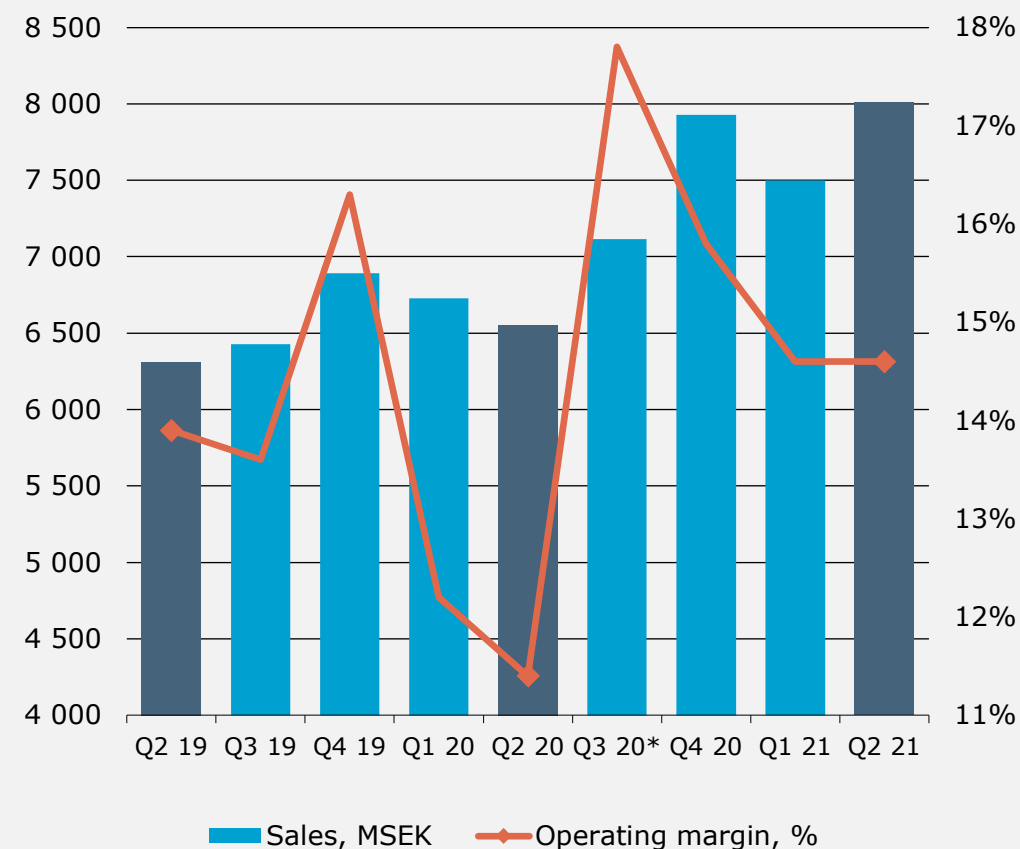
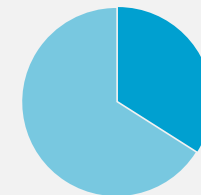
- **Organic sales +21%**

- Very strong sales growth in all business segments
- Very strong sales growth in service

- **Operating margin 14.9% (11.4%)**

- Very strong volume leverage (450 bps) driven by good cost control and price management, despite higher raw material costs
- FX +/-0 bps
- M&A -100 bps

34%
of Group
sales



Excluding MFP restructuring items.

Financial summary, Q2 2021

**FX & acquisition
'run-rate' effects in Q3 2021
(30 June 2021):**
SALES
 FX: -3%
 M&A: +3%

	April-June			January-June		
	2020	2021		2020	2021	
Sales	19,953	23,648	19%	42,126	45,454	8%
- Organic growth	-4,198	4,258	23%	-4,957	5,085	13%
- Acquired net growth	654	856	5%	1,302	1,721	4%
- FX-differences	-48	-1,418	-9%	733	-3,478	-9%
Operating income (EBIT)	2,097	3,589	71%	4,848	6,776	40%
EBITA-margin	11.2%	15.8%	4.6 pts	12.2%	15.6%	3.4 pts
EBIT-margin	10.5%	15.2%	4.7 pts	11.5%	14.9%	3.4 pts
Income before tax	1,892	3,441	82%	4,411	6,486	47%
Net income	1,400	3,212	129%	3,264	5,465	67%
EPS, SEK	1.26	2.89	130%	2.94	4.92	68%
Operating cash flow	3,418	3,627	6%	4,624	6,262	35%
ROCE (12 months)				13%	15%	2 pts

Bridge analysis – Q2 2021

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2021
Growth		23%	-9%	5%	19%
Sales	19,953	4,258	-1,418	856	23,648
Operating profit*	2,097	1,687	-213	19	3,589
Operating margin, %*	10.5%	39.6%	15.0%	2.2%	15.2%
Dilution/accretion		5.4 pts	-0.2 pts	-0.5 pts	

Sales increase driven by volume

- Price +3% and volume +20%

Margin drivers

- Significant organic sales growth
- Strong operational execution
- Temporary cost reductions in 2020
- Higher raw material and logistical costs
- Dilution from agta record (-50bps)

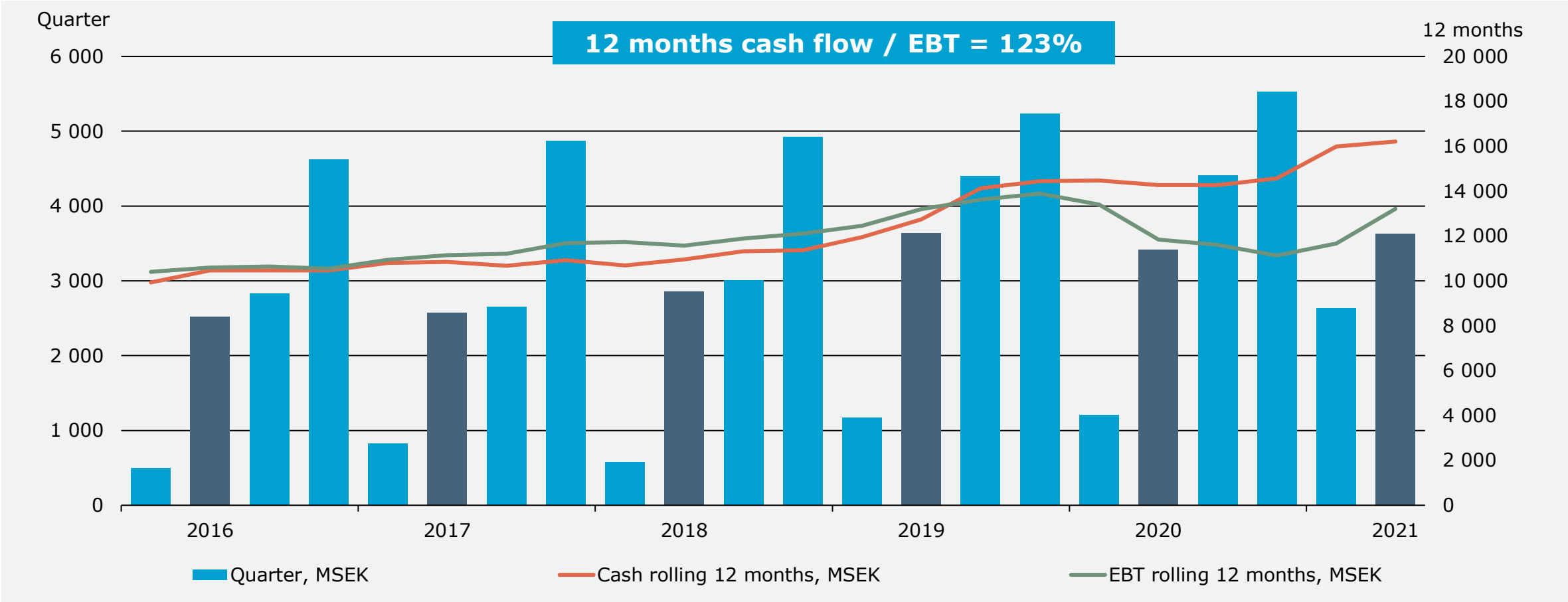
Cost breakdown as % of sales

Apr-Jun

%	QTD 2020	QTD 2021 excl. acq/div	Δ	QTD 2021
Direct material	-35.7%	-35.5%	+0.2 pts	-35.3%
Conversion cost	-26.0%	-24.3%	+1.7 pts	-24.8%
Gross margin	38.3%	40.2%	+1.9 pts	39.9%
S, G & A	-27.8%	-24.5%	+3.3 pts	-24.7%
EBIT*	10.5%	15.7%	+5.2 pts	15.2%

- Operating margin excluding acquisitions and divestments 15.7%
- Direct Material
 - Positive divisional mix
 - Price increases implemented to offset the higher raw material costs
- Conversion cost – strong operating leverage and good cost control
- SG&A – continued investments in R&D and efficiency in sales & administration

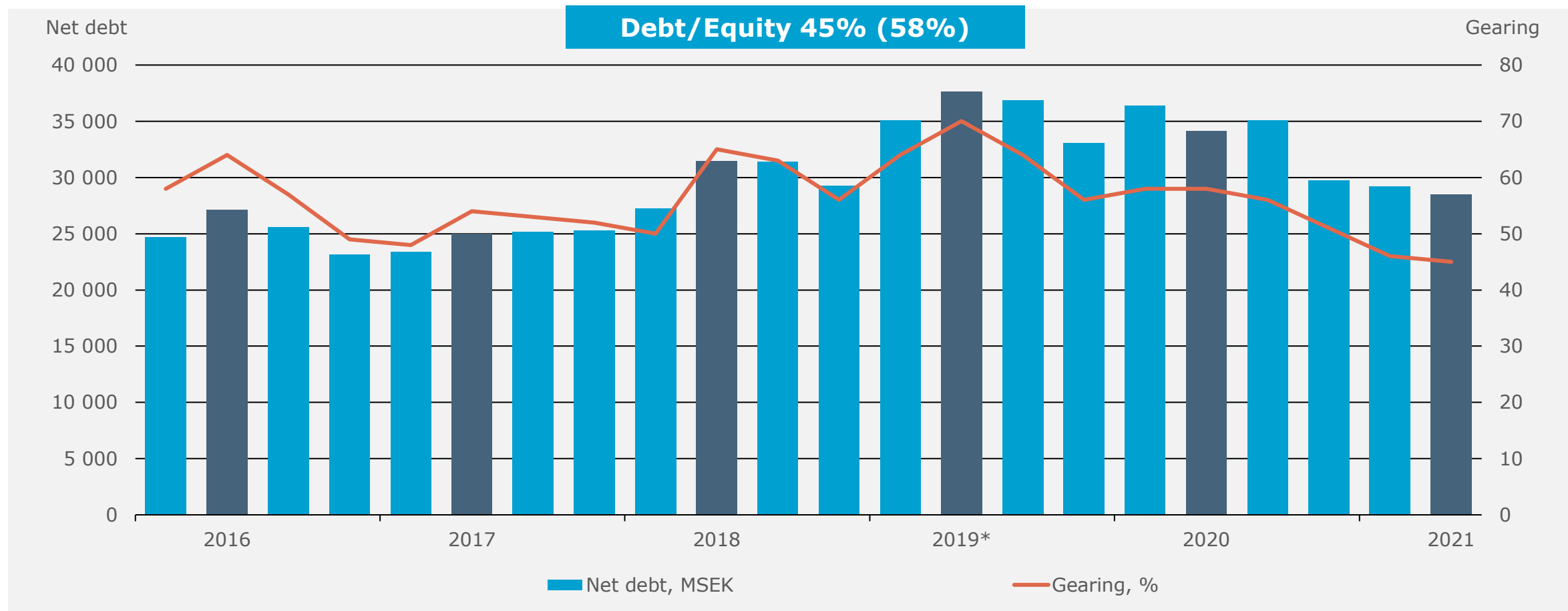
Operating cash flow, MSEK



Excluding MFP restructuring items.

Gearing % and net debt, MSEK

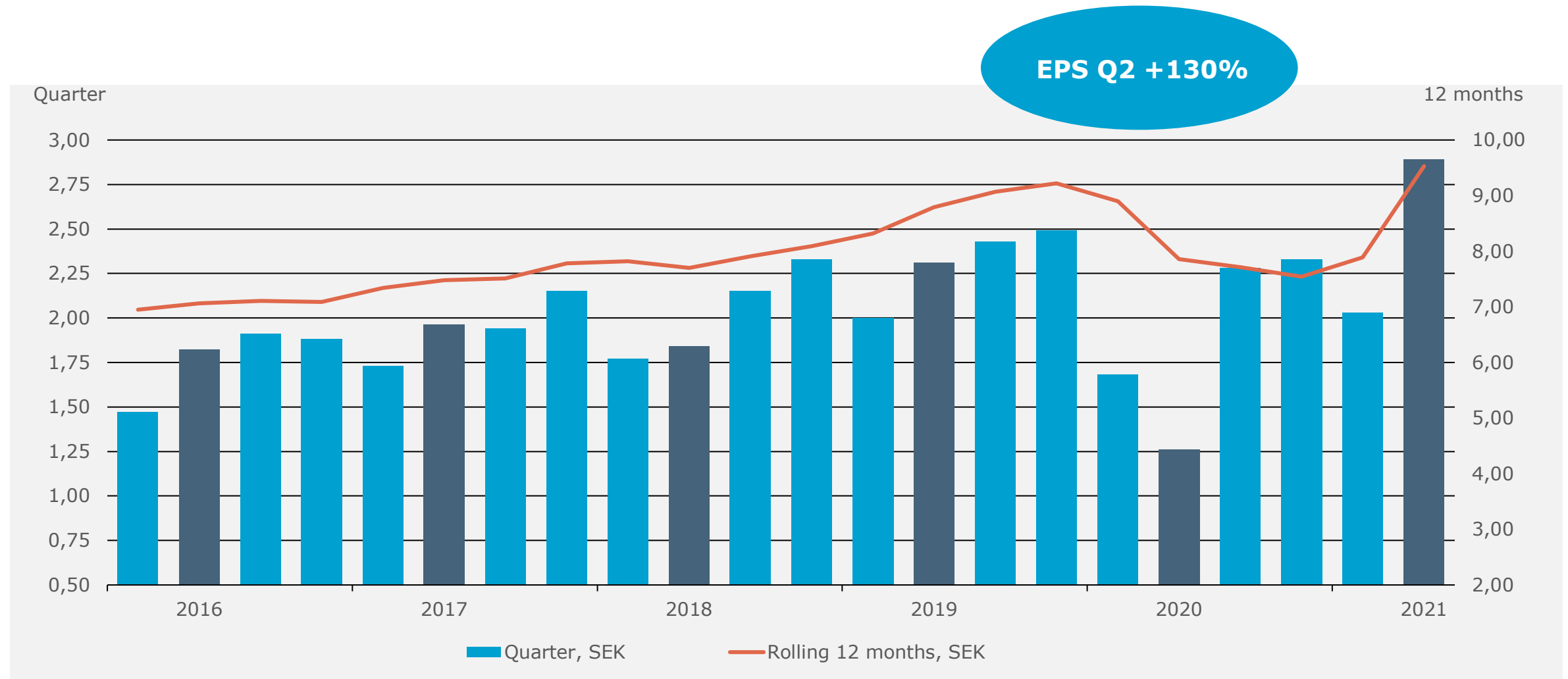
Net debt/EBITDA**
1.6 (2.1)



*) 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.



Conclusions

- **Significant sales growth and margin recovery**
 - Organic sales up 23%
 - Operating margin of 15.2%
- **Strong cash flow**
- **Focus on profitable growth**
- **Focus on operational execution**
 - Higher raw material costs
 - Component shortages



Q&A

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Appendix

The image is a composite of two photographs of modern architecture. The left half features a building with a blue-tinted glass facade, partially obscured by a solid blue overlay. The right half shows a building with a grey, angular, geometric facade, also partially obscured by the same blue overlay. The word 'Appendix' is written in white on the blue overlay.

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Cost breakdown as % of sales

%	QTD 2020	QTD 2021 excl. acquisitions	Δ	QTD 2021	YTD 2020	YTD 2021 excl. acquisitions	Δ	YTD 2021*
Direct material	-35.7%	-35.5%	+0.2 pts	-35.3%	-34.8%	-35.0%	-0.2 pts	-34.7%
Conversion cost	-26.0%	-24.3%	+1.7 pts	-24.8%	-25.7%	-24.7%	+1.0 pts	-25.3%
Gross margin	38.3%	40.2%	+1.9 pts	39.9%	39.5%	40.3%	+0.8 pts	40.0%
S, G & A	-27.8%	-24.5%	+3.3 pts	-24.7%	-28.0%	-24.9%	+3.1 pts	-25.1%
EBIT	10.5%	15.7%	+5.2 pts	15.2%	11.5%	15.4%	+3.9 pts	14.9%

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

Opening Solutions EMEIA's bridge

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2021
Growth		39%	-4%	0%	35%
Sales	3,871	1,462	-105	6	5,235
Operating income	220	563	15	-16	782
Operating margin, %	5.7%	38.5%	-14.4%	245.0%	14.9%
Dilution/accretion		9.1 pts	0.4 pts	-0.3 pts	

12 months figures

Sales	19,560			20,358
EBIT	2,534			2,973
Operating cash flow before paid interest	3,284			3,082
Cash flow/EBIT	130%			104%

Opening Solutions Americas' bridge

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2021
Growth		26%	-14%	1%	13%
Sales	4,396	1,025	-480	40	4,981
Operating income	769	328	-80	0	1,017
Operating margin, %	17.5%	32.0%	16.6%	1.0%	20.4%
Dilution/accretion		3.0 pts	0.1 pts	-0.2 pts	

12 months figures

Sales	21,667			18,930
EBIT	4,284			3,852
Operating cash flow before paid interest	5,291			5,152
Cash flow/EBIT	125%			134%

Opening Solutions Asia Pacific's bridge

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2021
Growth		0%	-4%	-1%	-5%
Sales	2,357	1	-94	-20	2,244
Operating income	167	30	-14	19	202
Operating margin, %	7.1%	2190%	-15.2%	-94.5%	9.0%
Dilution/accretion		1.3 pts	-0.3 pts	0.9 pts	

12 months figures

Sales	9,495			8,913
EBIT	508			661
Operating cash flow before paid interest	497			805
Cash flow/EBIT	98%			122%

Global Technologies' bridge

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2021
Growth		17%	-9%	4%	12%
Sales	3,253	517	-252	124	3,641
Operating income	328	323	-60	-18	573
Operating margin, %	10.1%	62.5%	23.8%	-14.9%	15.7%
Dilution/accretion		7.7 pts	-1.0 pts	-1.1 pts	

12 months figures

Sales	15,554			13,915
EBIT	2,500			3,849
Operating cash flow before paid interest	2,784			3,017
Cash flow/EBIT	111%			78%

Entrance Systems' bridge

MSEK	Q2 2020	Organic	Currency	Acq/Div	Q2 2021
Growth		21%	-11%	12%	22%
Sales	6,552	1,255	-506	706	8,007
Operating income	745	492	-75	34	1,196
Operating margin, %	11.4%	39,2%	14.8%	4.8%	14.9%
Dilution/accretion		4.5 pts	0.0 pts	-1.0 pts	

12 months figures

Sales	26,599			30,550
EBIT	3,565			4,808
Operating cash flow before paid interest	4,049			4,941
Cash flow/EBIT	136%			103%



Thank you
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