

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 2021

Experience a safer and more open world

ASSA ABLOY

Strong profitable sales growth

- **Organic sales development**

- Very strong sales growth in Americas and Entrance Systems
- Strong sales growth in EMEIA and Global Technologies
- Declining sales in APAC

- **Strong underlying EBIT improvement**

- Despite higher material and logistic costs

- **Five acquisitions signed**

- Announcement of the acquisition of Home and Hardware Improvement by Spectrum Brands

- **Strong operating cash flow**

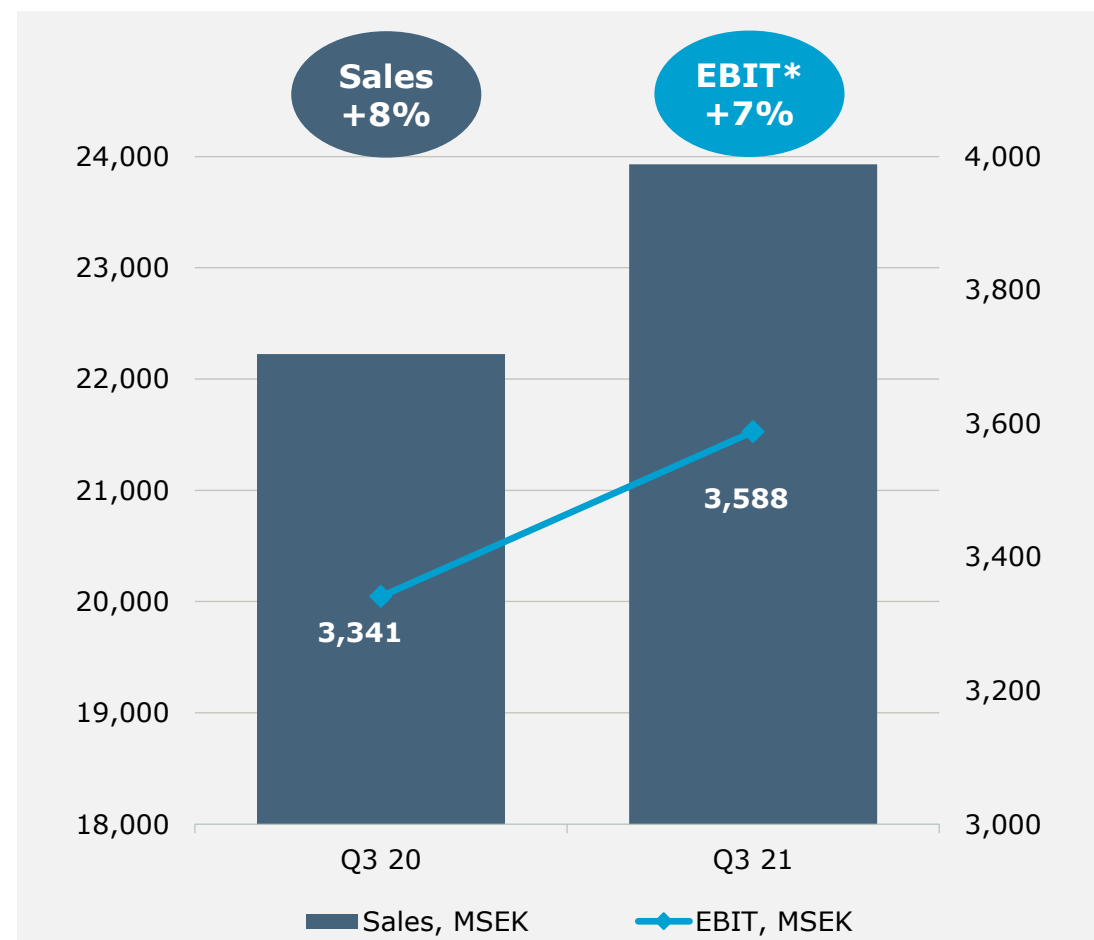
- Cash conversion at 112%



Q3 2021 figures in summary

- **Sales MSEK 23,930 +8%**
 - +7% organic
 - +2% acquired and divested
 - - 1% currency
- **Adj. EBITA-margin* 15.6% (15.7%)**
- **Adj. EBIT-margin* 15.0% (15.0%)**
- **Adj. EBIT* MSEK 3,588 +7%**
- **EPS SEK 2.15 -5%**

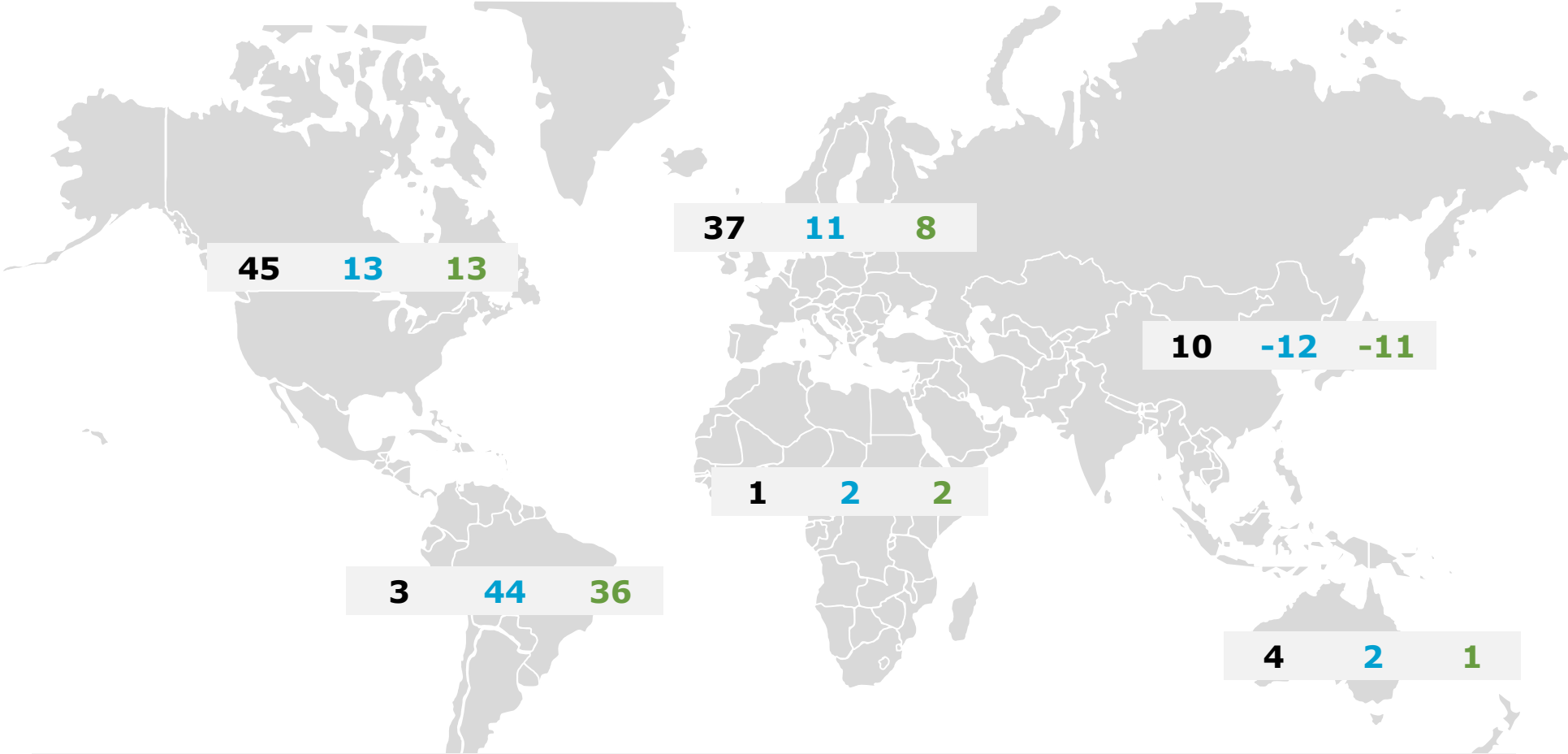
* Excludes a capital loss of MSEK 196 due to the divestment of CERTEGO in Q3 2021 and a one-time gain of MSEK 252 in Q3 2020



Sales by region

Jul-Sep 2021

ASSA ABLOY	100	9	7
Emerging markets	16	3	1



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

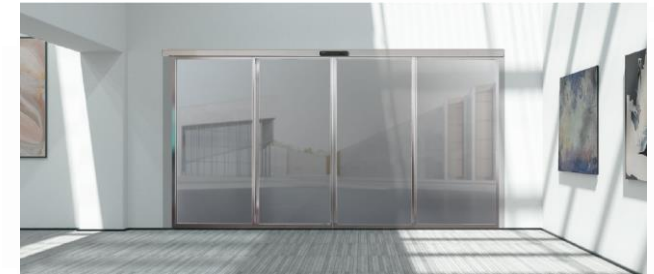
- Several critical infrastructure project wins to secure water and transport infrastructure sites in the UK and Australia
- eCLIQ frame contract signed with E.ON. in Germany including 30,000 locking points
- Energy saving door solution for a main US distribution customer

■ Product/solutions announcements

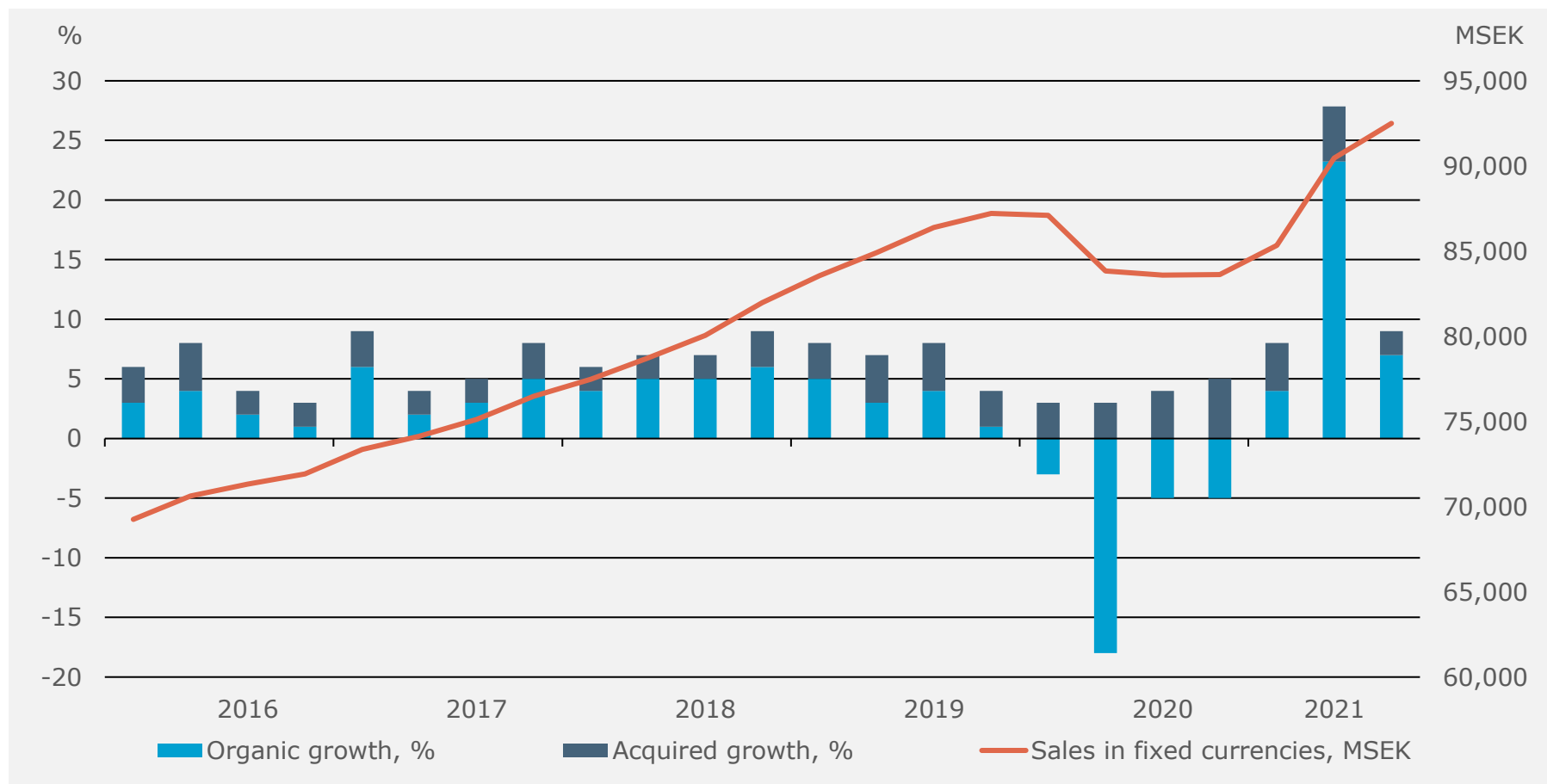
- HID to provide a certified Software solution for more secure and convenient mobile ticketing solutions for NFC-Enabled Devices
- New sliding door operator range launched for emerging markets
- Yale launched new strategic partnerships with Bosch and Home Connect Plus

■ Awards

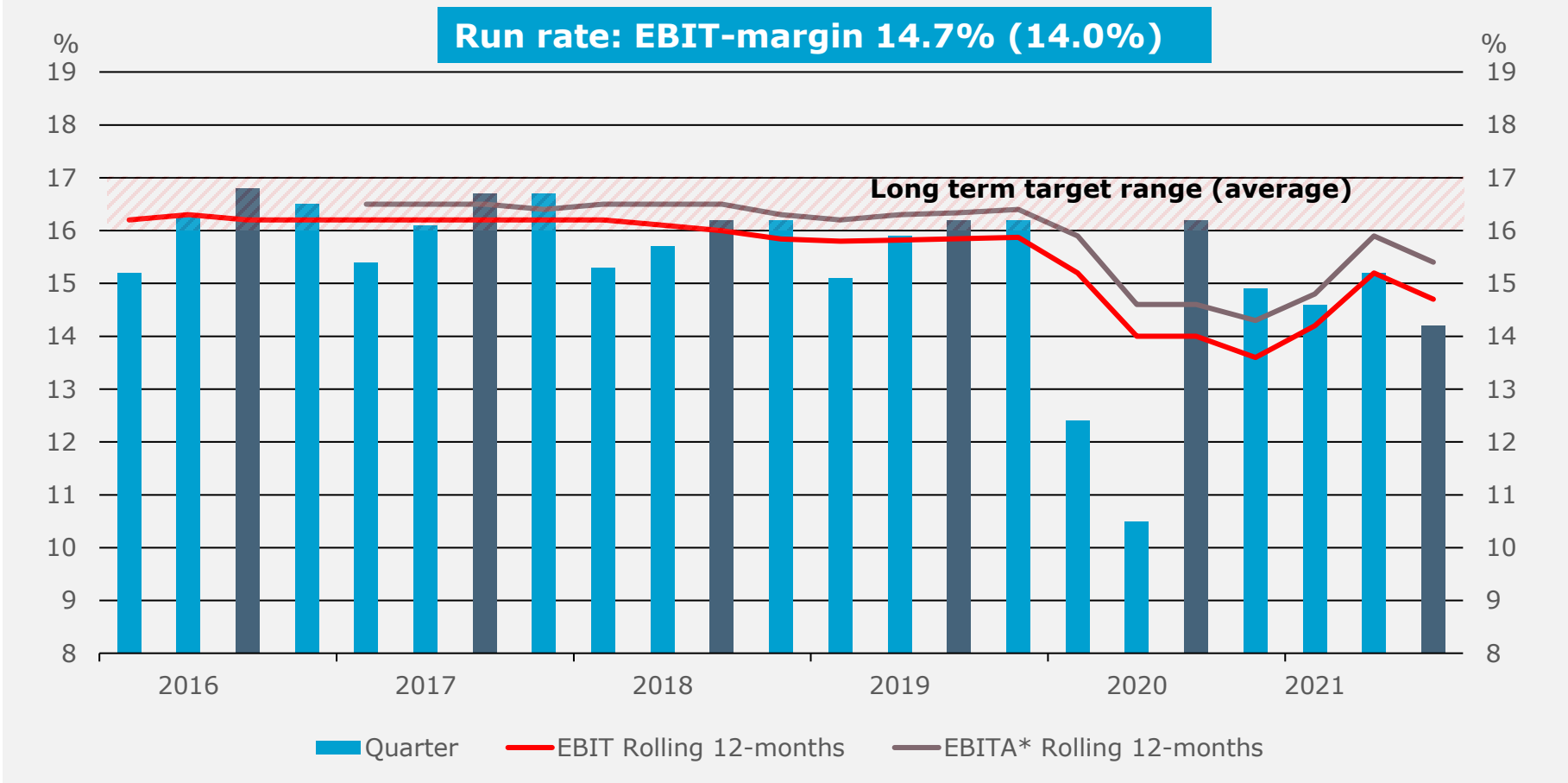
- Yale wins awards at the China International Building Decoration Fair
- SARGENT's EcoFlex Mortise Lock receives leading energy saving certification



FX adjusted sales growth



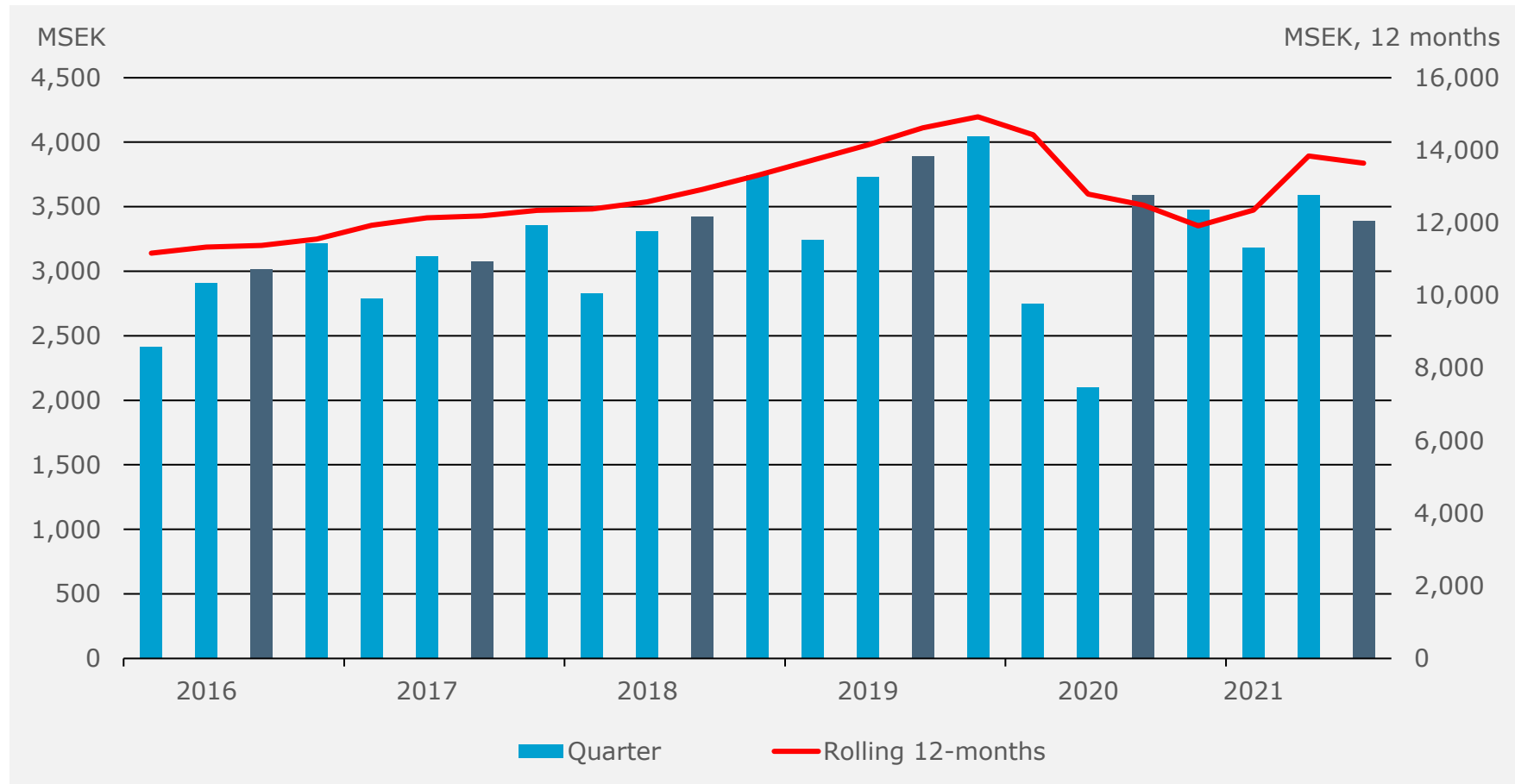
Operating margin



Excluding items affecting comparability.

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

Operating profit



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

Acquisitions

- **Active pipeline**

- 3 acquisitions completed in Q3
- 9 acquisitions completed in 2021
- Acquired annualized sales of MSEK 800

- **Additional acquisitions to be closed**

- MR Group and Arran Isle
 - Sales of MSEK 1,400
 - Transactions expected to close in Q4
- HHI

- **Divestments**

- CERTEGO, transaction closed in Q3
- Divested annualized sales of MSEK 1,500



** Invengo Textile Services



* Traka distributor in Iberia

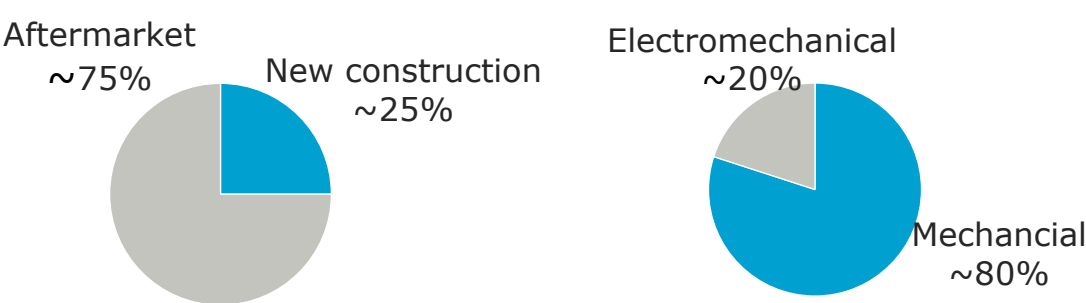


Acquisition of the Hardware and Home Improvement division of Spectrum Brands

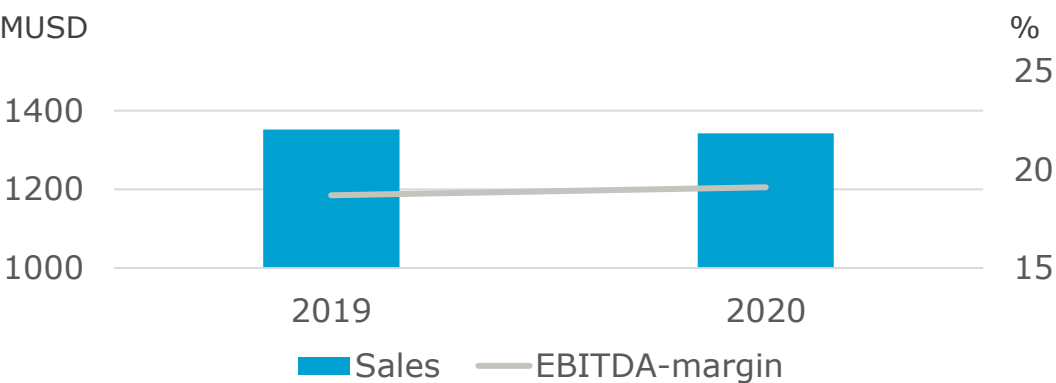
Key highlights

- 7,500 employees with headquarters in Lake Forest, California, with an attractive manufacturing footprint
- Strong platform in the North American residential segment with large mechanical base
- Portfolio of innovative products, including patented SmartKey technology and electronic, smart and biometric locks
- Well established customer relationships:
 - Large home improvement centers
 - Wholesale distributors
 - Homebuilders
 - Online retail providers

Revenue Breakdown (locksets)



Sales and EBITDA-margin*



* Fiscal year is October-September

Strong strategic rationale for the acquisition

- Strategic step in developing ASSA ABLOY's residential business in North America with complementary products and technology
- Opportunity to transition large existing mechanical customer base to digital solutions
- Strong position in residential DIY retail and homebuilders channels
- International growth opportunities
- Strong financial performance
- Skilled and passionate employees and management



**Accelerate
profitable growth**

Opening Solutions EMEIA

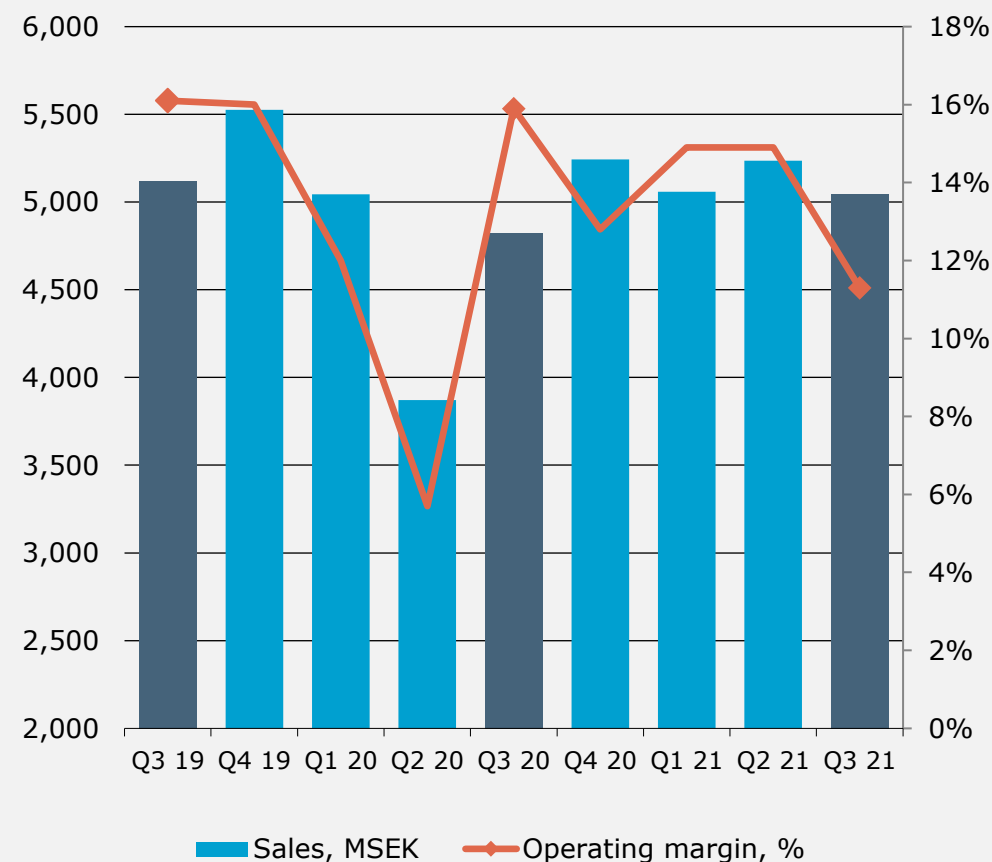
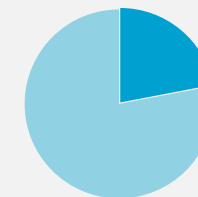
▪ Organic sales +7%

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

▪ Operating margin 11.3% (15.9%)

- Good operating leverage of 20 bps despite negative mix, higher material and logistic costs and operational challenges linked to material shortages
- FX -70 bps
 - Stronger SEK and mix
- M&A -410 bps
 - Capital loss of MSEK 196 due to CERTEGO divestment
 - Transfer of India to EMEIA

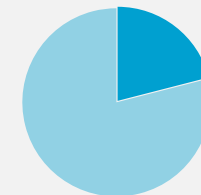
21%
of Group
sales



Excluding MFP restructuring items.

Opening Solutions Americas

22% of
Group
sales

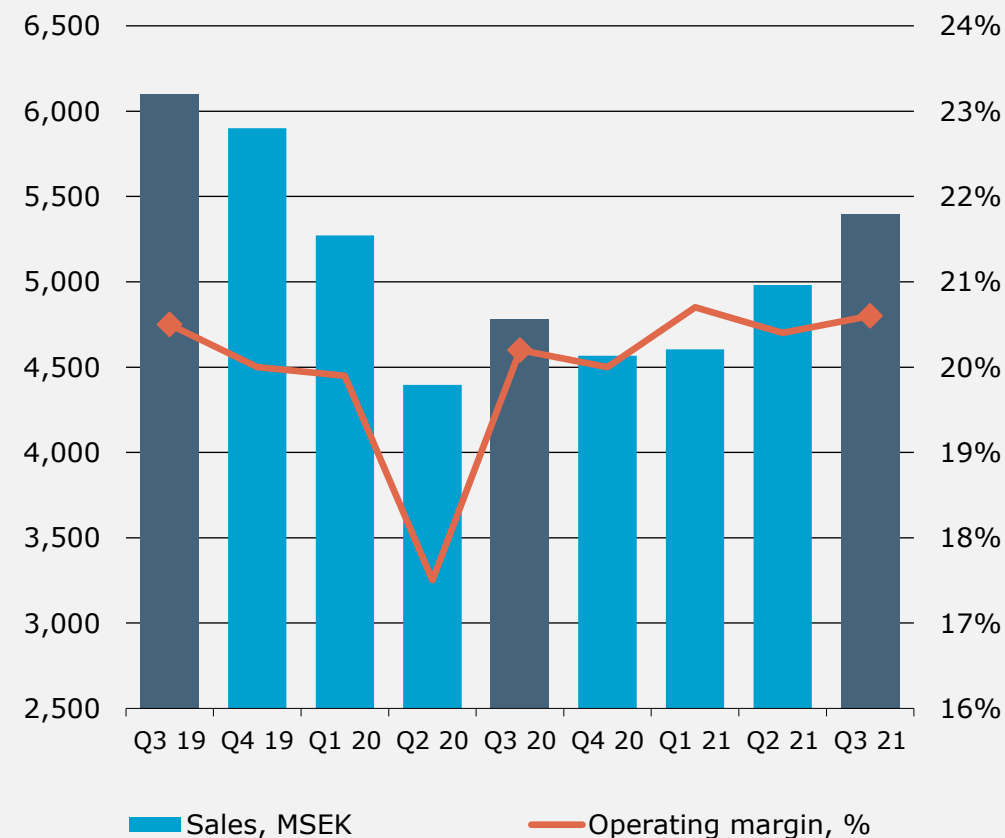


- **Organic sales +14%**

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

- **Operating margin 20.6% (20.2%)**

- Good operating leverage (40 bps) driven by strong operational execution and price management offsetting significantly higher raw material and logistic costs
- FX +10 bps
- M&A -10 bps



Excluding MFP restructuring items.

Opening Solutions Asia Pacific

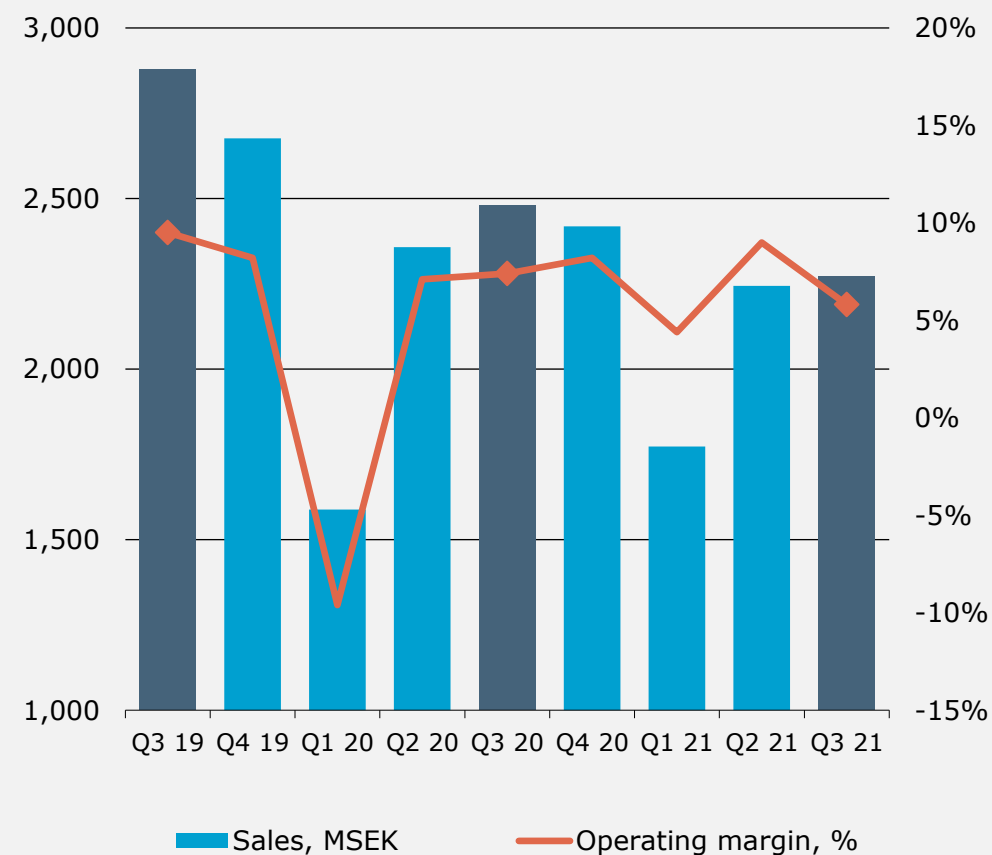
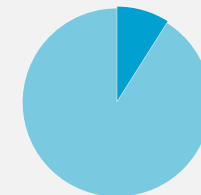
▪ Organic sales -7%

- Stable sales in South Korea
- Sales declined in Pacific
- Significantly sales decline in South East Asia and China

▪ Operating margin 5.8% (7.4%)

- Negative operating leverage (-150 bps) due to lower volumes, raw material headwind and lockdown effects
- FX -60 bps
 - Weaker CNY and mix
- M&A +50 bps
 - Transfer of India to EMEIA

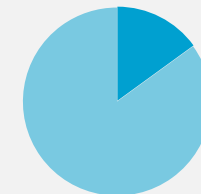
8%
of Group
sales



Excluding MFP restructuring items.

Global Technologies

15%
of Group
sales

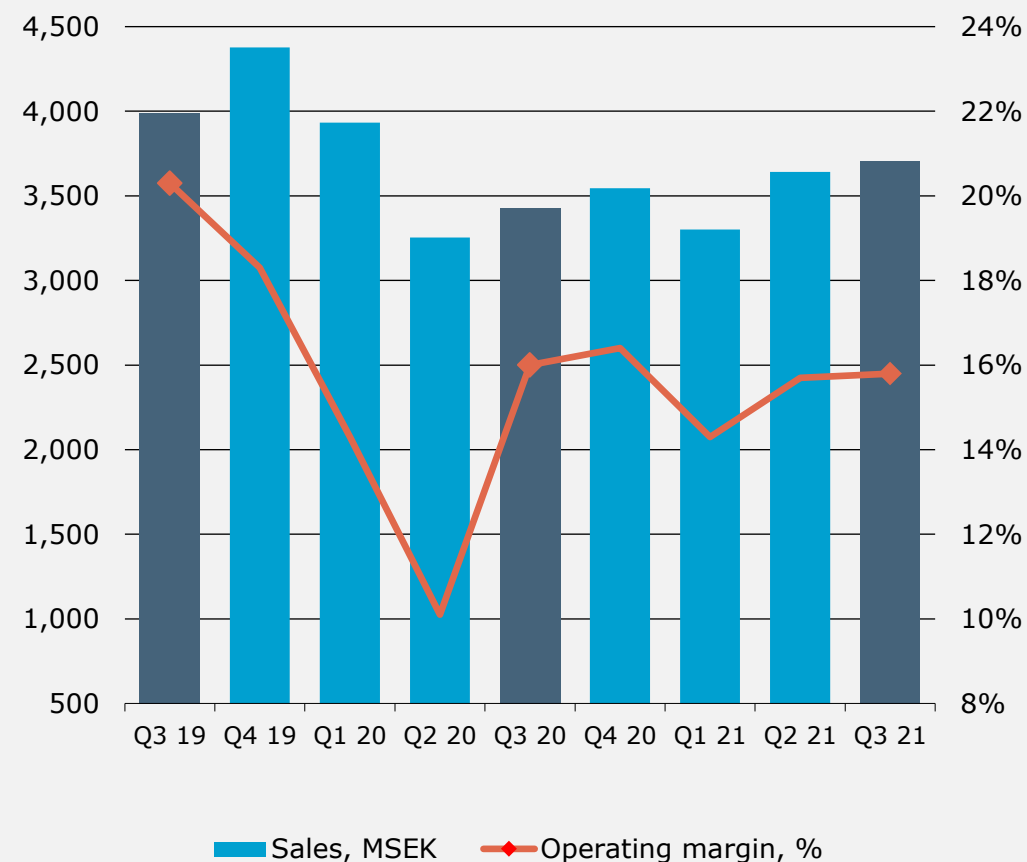


■ Organic sales +7%

- Very strong sales growth in Identification Technology and Extended Access
- Strong sales growth in Physical Access Control and Secure Issuance
- Sales declined in Identity & Access Solutions
- Significant sales decline in Citizen ID
- Strong sales growth in Global Solutions

■ Operating margin 15.8% (16.0%)

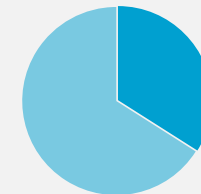
- Strong operating leverage (90 bps) driven by good cost control despite higher material and logistic costs and component shortages
- FX -60 bps
- M&A -50 bps



Excluding MFP restructuring items.

Entrance Systems

34%
of Group
sales

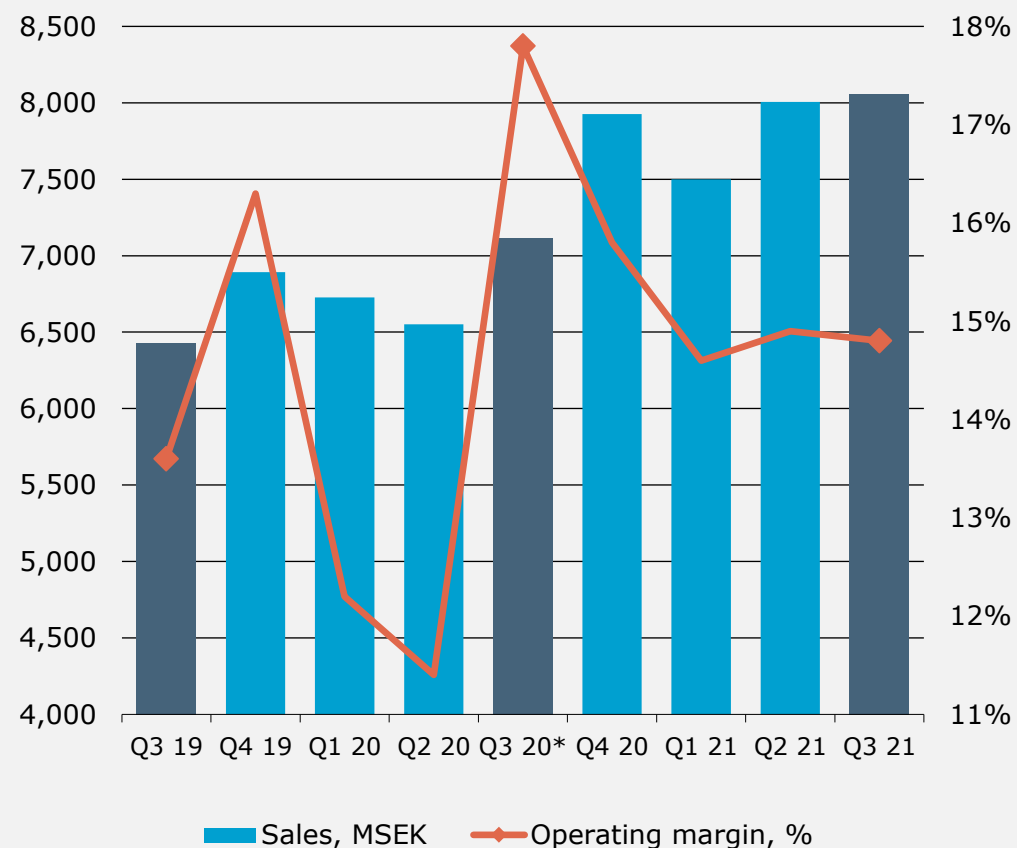


- **Organic sales +10%**

- Very strong sales growth in Residential and Perimeter Security
- Strong sales growth in Pedestrian and Industrial
- Good sales growth in service

- **Operating margin 14.8% (17.8%)**

- Very strong operating leverage (120 bps) driven by good cost control and price management, offsetting significantly higher material and logistic costs
- FX -50 bps
- M&A -370 bps
 - One-time gain of MSEK 252 in Q3 2020
 - Dilution from agta record



Financial summary, Q3 2021

**FX & acquisition
'run-rate' effects in Q3 2021
(30 September 2021):**
SALES
FX: +1%
M&A: -1%

	July-September			January-September		
	2020	2021	Δ	2020	2021	Δ
Sales	22,225	23,930	8%	64,351	69,384	8%
- Organic growth	-1,043	1,576	+7%	-6,001	6,661	11%
- Acquired net growth	816	490	+2%	2,118	2,221	4%
- FX-differences	-1,581	-361	-1%	-849	-3,839	-7%
Operating income (EBIT)*	3,593	3,392	-6%	8,441	10,168	20%
EBITA-margin*	16.8%	14.8%	-2.0 pts	13.8%	15.3%	+1.5 pts
EBIT-margin*	16.2%	14.2%	-2.0 pts	13.1%	14.7%	+1.6 pts
Income before tax*	3,417	3,233	-5%	7,828	9,719	24%
Net income*	2,528	2,392	-5%	5,792	7,858	36%
EPS, SEK*	2.28	2.15	-5%	5.21	7.07	36%
Operating cash flow	4,407	3,619	-18%	9,031	9,881	9%
ROCE (12 months)				13%	15%	+2 pts

*Includes a capital loss of MSEK 196 in Q3 2021 associated with CERTEGO divestment and one-time gain of MSEK 252 in Q3 2020. Excludes non-cash operating income in Q3 2020 from revaluation in associates of MSEK 1,910 and restructuring items.

Bridge analysis – Q3 2021

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2021
Growth		7%	-1%	2%	8%
Sales	22,225	1,576	-361	490	23,930
Operating profit*	3,593	341	-120	-421	3,392
Operating margin, %*	16.2%	21.6%	33.2%	-86%	14.2%
Dilution/accretion		0.5 pts	-0.4 pts	-2.1 pts	

Sales increase driven by volume

- Price +4% and volume +3%

Margin drivers

- Operating leverage - strong growth and efficiency measures partly offset by higher material and logistic costs
- Currency – stronger SEK
- M&A - capital loss of MSEK 196 of CERTEGO in Q3 2021 and one-time gain in Q3 2020 of MSEK 252

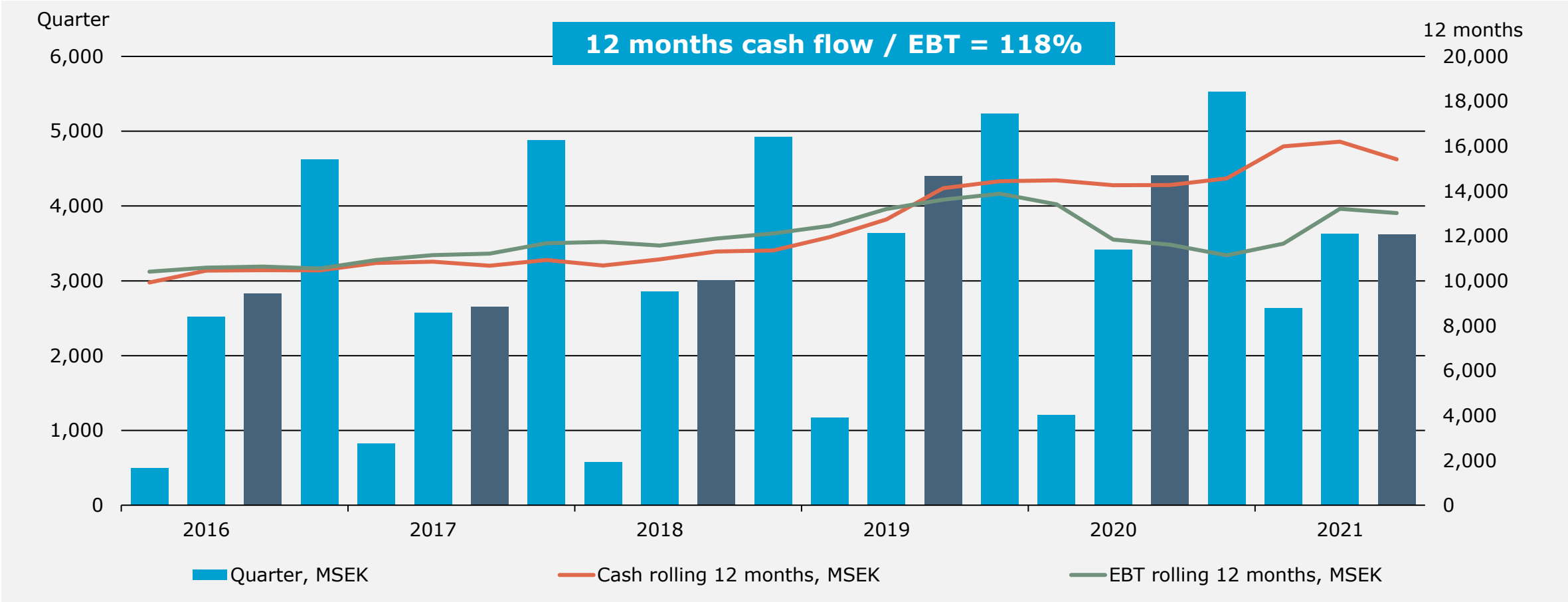
Cost breakdown as % of sales

Jul-Sep

%	QTD 2020	QTD 2021 excl. acq/div	Δ	QTD 2021
Direct material	-35.5%	-36.1%	-0.6 pts	-35.9%
Conversion cost	-23.9%	-23.9%	+0.0 pts	-24.3%
Gross margin	40.6%	40.0%	-0.6 pts	39.8%
S, G & A	-24.4%	-23.7%	+0.7 pts	-25.6%
EBIT	16.2%	16.3%	+0.1 pts	14.2%

- Operating margin excluding acquisitions and divestments 16.3%
- Direct Material - higher raw material and component costs and negative mix
- Conversion cost – higher logistic costs offset by operating efficiencies
- SG&A – continued investments in R&D offset by efficiencies in sales & administration

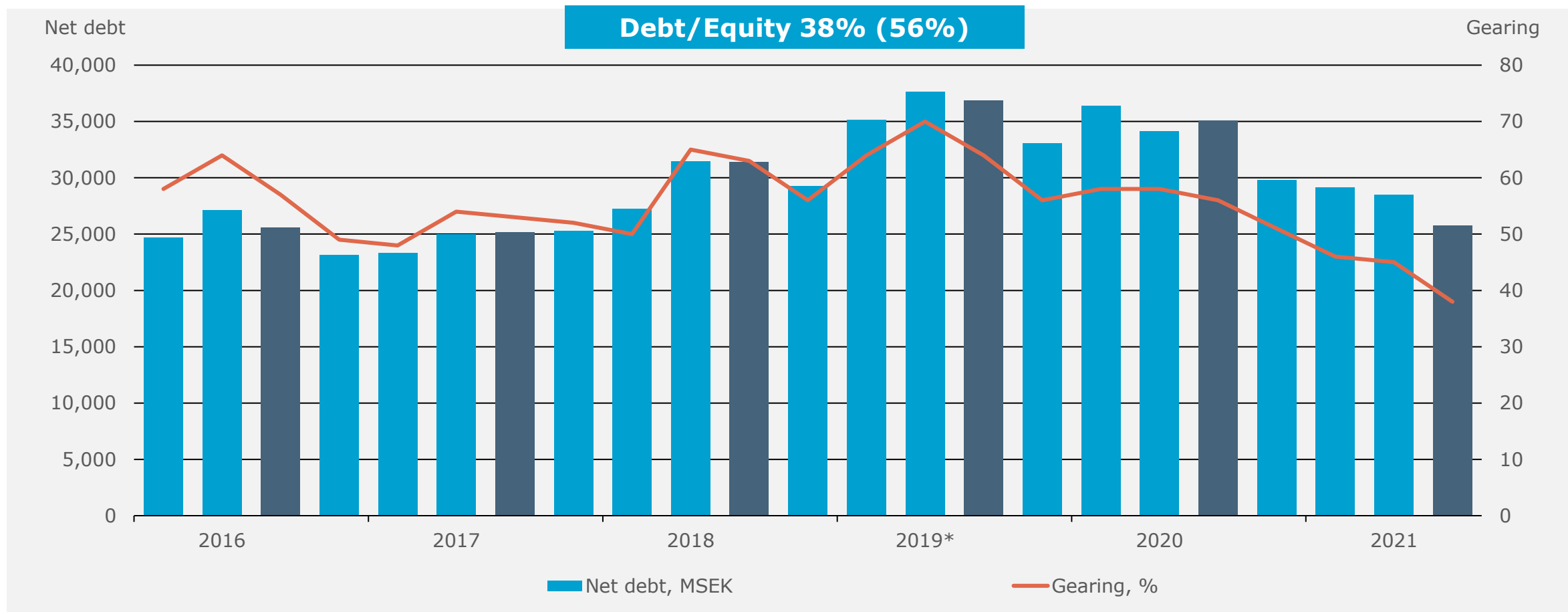
Operating cash flow, MSEK



Excluding MFP restructuring items.

Gearing % and net debt, MSEK

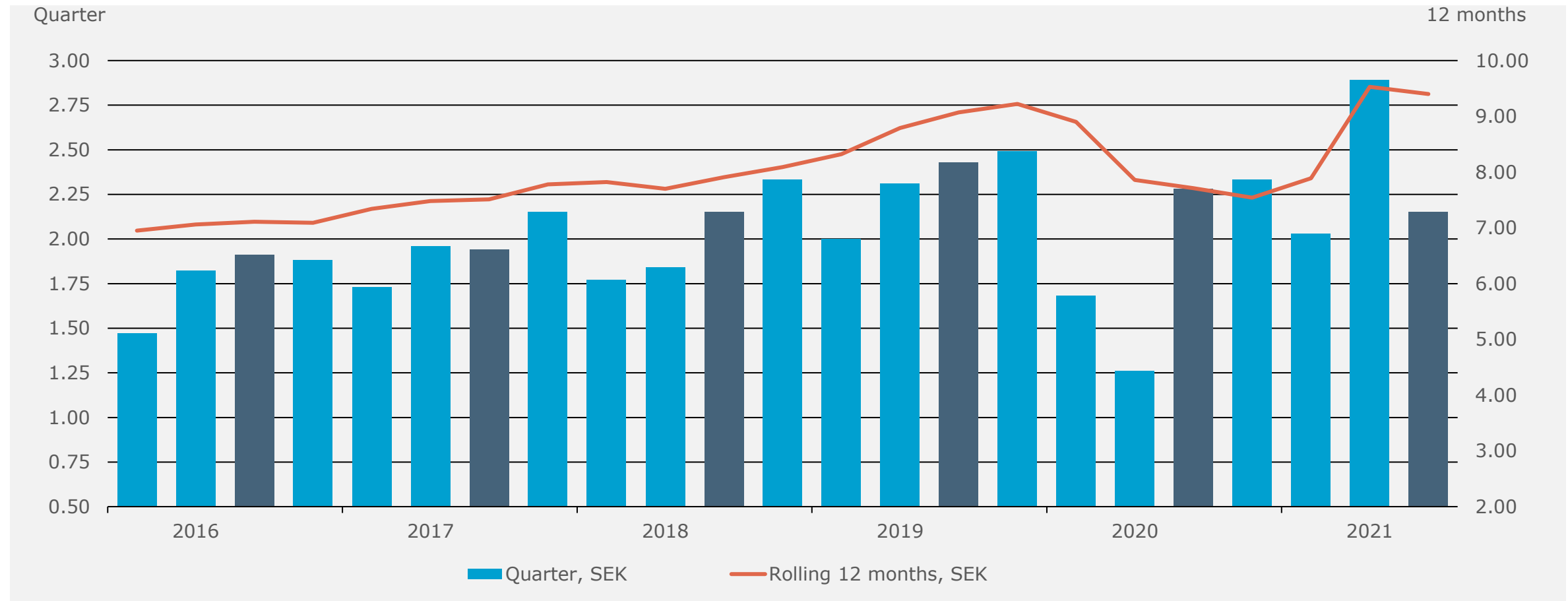
Net debt/EBITDA**
1.5 (2.2)



*) 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

- **Strong profitable sales growth**
 - Organic sales up 7%
 - Adjusted operating margin of 15.0%
- **Strong operating cash flow**
- **Focus on profitable growth**
- **Focus on offsetting challenging operating environment**
 - Higher material costs
 - Higher logistic costs
 - Component shortages



Q&A

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Appendix

The image shows a modern architectural structure. The left portion of the image is overlaid with a semi-transparent blue filter, while the right portion shows the building in its natural colors. The building features sharp, angular concrete forms and large glass panels. The sky is a clear, pale blue.

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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	-35.5%	-36.1%	-0.6 pts	-35.9%	-35.0%	-35.3%	-0.3 pts	-35.1%
Conversion cost	-23.9%	-23.9%	+0.0 pts	-24.3%	-25.1%	-24.5%	+0.6 pts	-25.0%
Gross margin	40.6%	40.0%	-0.6 pts	39.8%	39.9%	40.2%	+0.3 pts	39.9%
S, G & A	-24.4%	-23.7%	+0.7 pts	-25.6%	-26.8%	-24.5%	+2.3 pts	-25.2%
EBIT	16.2%	16.3%	+0.1 pts	14.2%	13.1%	15.7%	+2.6 pts	14.7%

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

Opening Solutions EMEIA's bridge

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2021
Growth		7%	-1%	-1%	5%
Sales	4,824	330	-55	-55	5,044
Operating income	765	46	-24	-215	572
Operating margin, %	15.9%	13.9%	44.0%	388.6%	11.3%
Dilution/accretion		0.2 pts	-0.7 pts	-4.1 pts	

12 months figures

Sales	19,264			20,579
EBIT	2,476			2,779
Operating cash flow before paid interest	3,300			3,316
Cash flow/EBIT	133%			119%

Opening Solutions Americas' bridge

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2021
Growth		14%	-3%	2%	13%
Sales	4,779	664	-115	73	5,400
Operating income	966	155	-18	10	1,112
Operating margin, %	20.2%	23.3%	15.8%	13.5%	20.6%
Dilution/accretion		0.4 pts	0.1 pts	-0.1 pts	

12 months figures

Sales	20,347			19,552
EBIT	3,965			3,999
Operating cash flow before paid interest	4,870			4,714
Cash flow/EBIT	123%			118%

Opening Solutions Asia Pacific's bridge

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2021
Growth		-7%	1%	-2%	-8%
Sales	2,479	-167	11	-52	2,271
Operating income	183	-46	-12	8	132
Operating margin, %	7.4%	27.9%	-106.9%	-14.6%	5.8%
Dilution/accretion		-1.5 pts	-0.6 pts	0.5 pts	

12 months figures

Sales	9,100			8,706
EBIT	417			611
Operating cash flow before paid interest	602			486
Cash flow/EBIT	144%			80%

Global Technologies' bridge

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2021
Growth		7%	-2%	3%	8%
Sales	3,428	233	-48	92	3,705
Operating income	550	67	-26	-5	585
Operating margin, %	16.0%	28.8%	55.7%	-5.9%	15.8%
Dilution/accretion		0.9 pts	-0.6 pts	-0.5 pts	

12 months figures

Sales	14,991			14,192
EBIT	2,241			2,212
Operating cash flow before paid interest	2,524			3,367
Cash flow/EBIT	113%			152%

Entrance Systems' bridge

MSEK	Q3 2020	Organic	Currency	Acq/Div	Q3 2021
Growth		10%	-3%	6%	13%
Sales	7,116	661	-152	433	8,058
Operating income	1,266	184	-39	-219	1,191
Operating margin, %	17.8%	27.8%	25.8%	-50.5%	14.8%
Dilution/accretion		1.2 pts	-0.5 pts	-3.7 pts	

12 months figures

Sales	27,288			31,491
EBIT	3,957			4,734
Operating cash flow before paid interest	4,710			4,354
Cash flow/EBIT	119%			92%



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