

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

Q1 interim report 2023

Experience a safer and more open world

# A very strong start to 2023

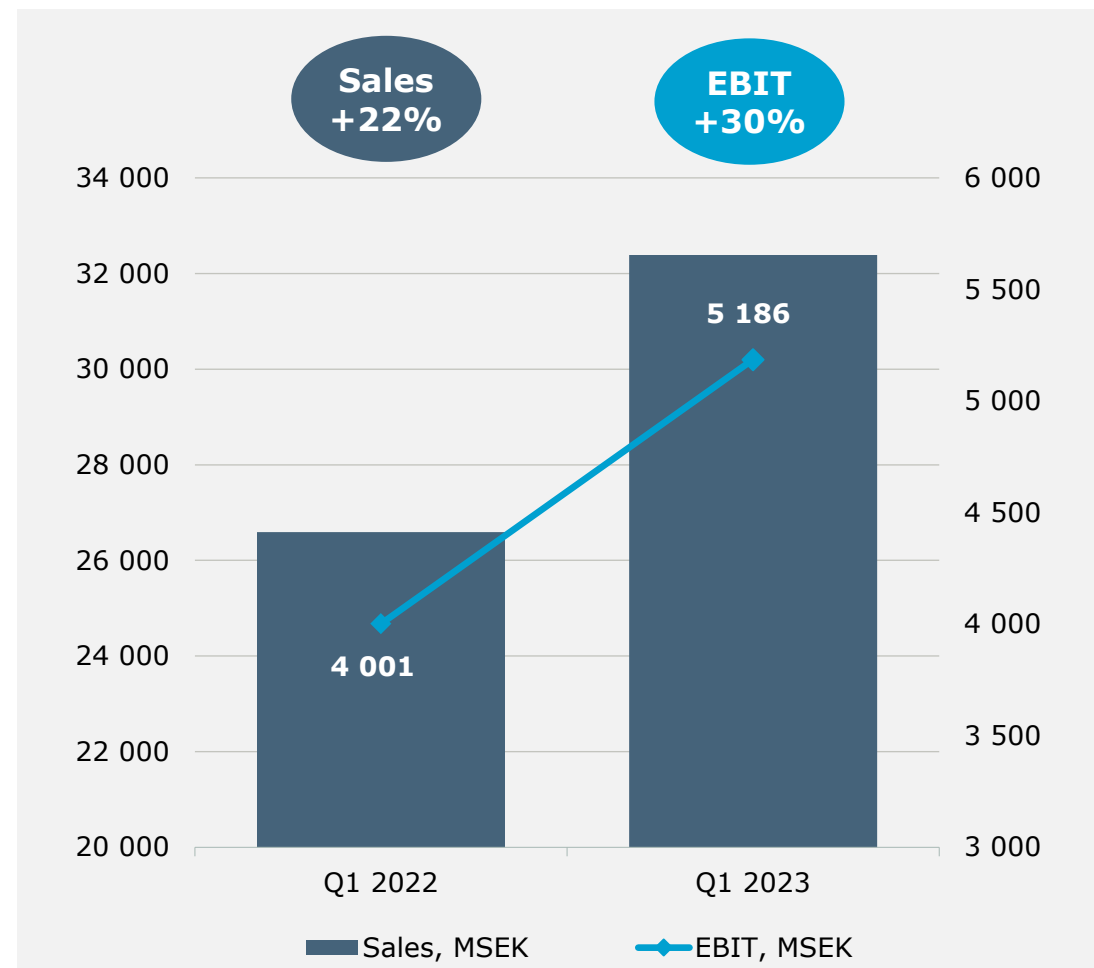
- **Organic sales development**
  - Very strong sales growth in Americas and Global Technologies
  - Strong sales in APAC
  - Good sales growth in EMEIA and Entrance Systems
- **Record high EBIT-margin for the quarter**
  - 100bps improvement vs. last year
- **Four acquisitions signed in the quarter**
- **9<sup>th</sup> Manufacturing footprint program launched**
- **Significantly improved operating cash flow**



# Q1 2023 figures in summary

- **Sales MSEK 32,391** **+22%**
  - +8% organic
  - +5% acquired and divested
  - +9% currency
- **EBITA-margin\* 16.6% (15.6)**
- **EBIT-margin\* 16.0% (15.0)**
- **EBIT\* MSEK 5,186** **+30%**
- **EPS\* SEK 3.32** **+29%**

\*Excluding costs for restructuring programs in the first quarter of 2023, MSEK 1,225.

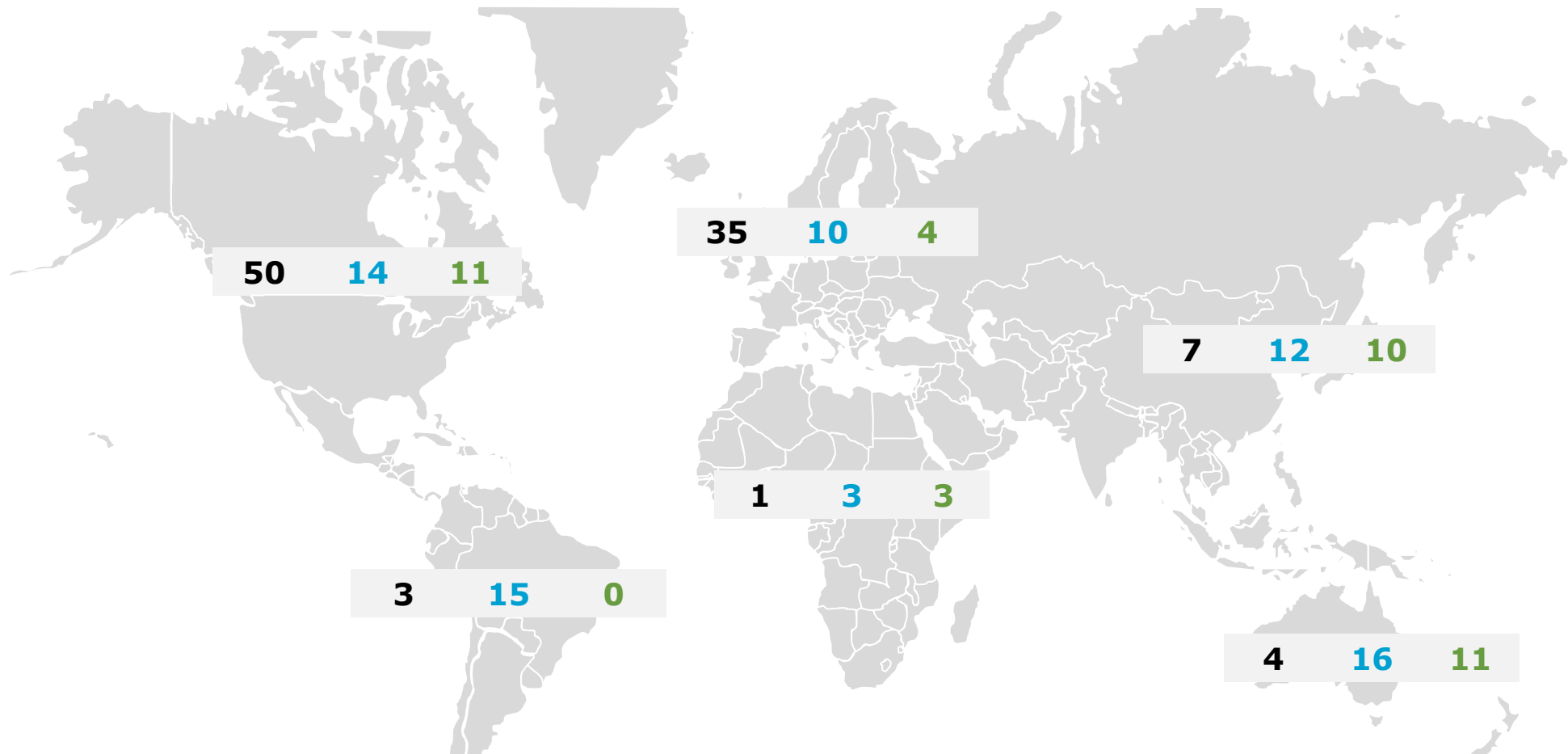




# Sales by region

## Jan-March 2023

ASSA ABLOY	100	12	8
Emerging markets	13	13	7



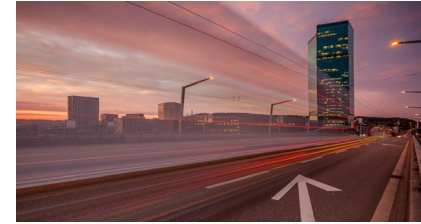
Share of sales, %	Change in local currencies QTD 2023 vs. QTD 2022, %	Organic change QTD 2023 vs. QTD 2022, %
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Emerging markets follows IMF’s definition as per 2018-12-31

# Q1 2023 Market highlights

## ■ Project wins

- HID delivers thousands of mobile access credentials via Employee Badge in Apple Wallet to Bishopsgate 22, a next generation office building in London
- ~10,000 cylinders to be delivered to EWZ Zürich, an energy utility company
- Several strong residential and commercial Korean projects, delivering smart door locks, door closers, locker locks, and other mechanical hardware

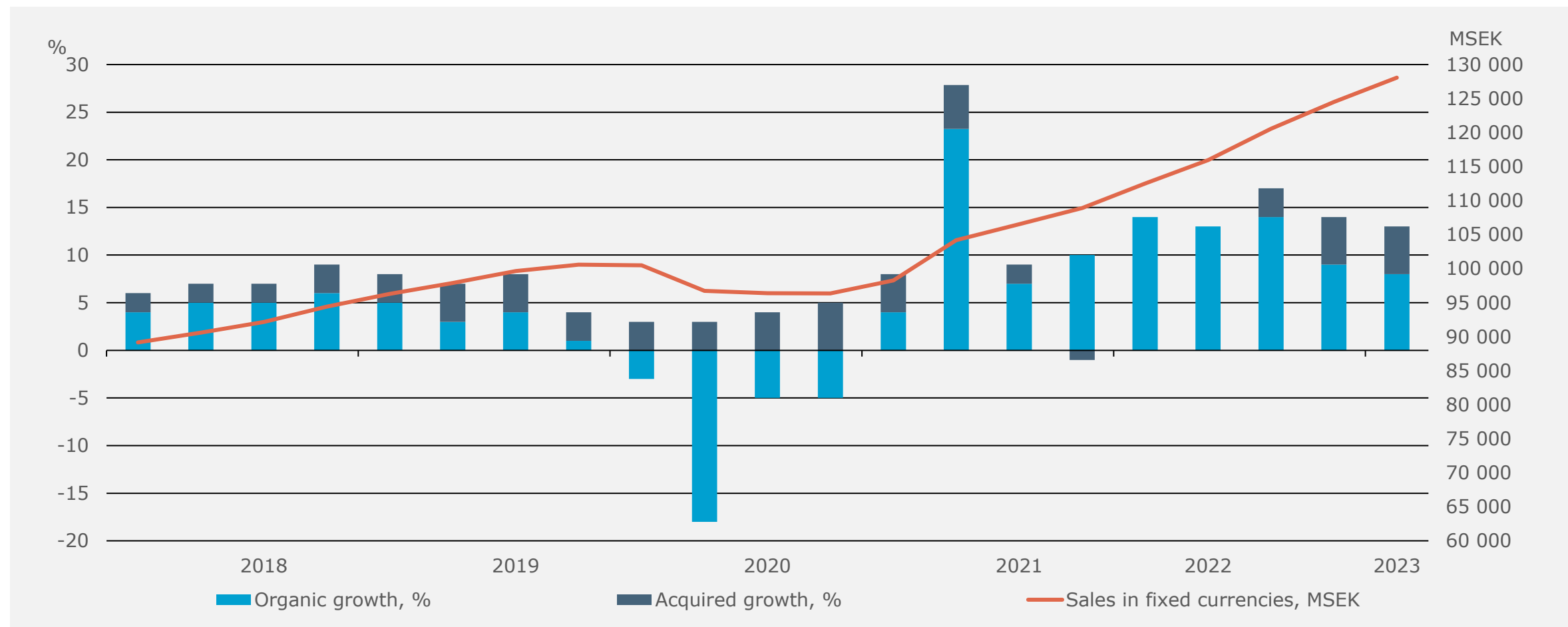


## ■ Awards, product launches and partnerships

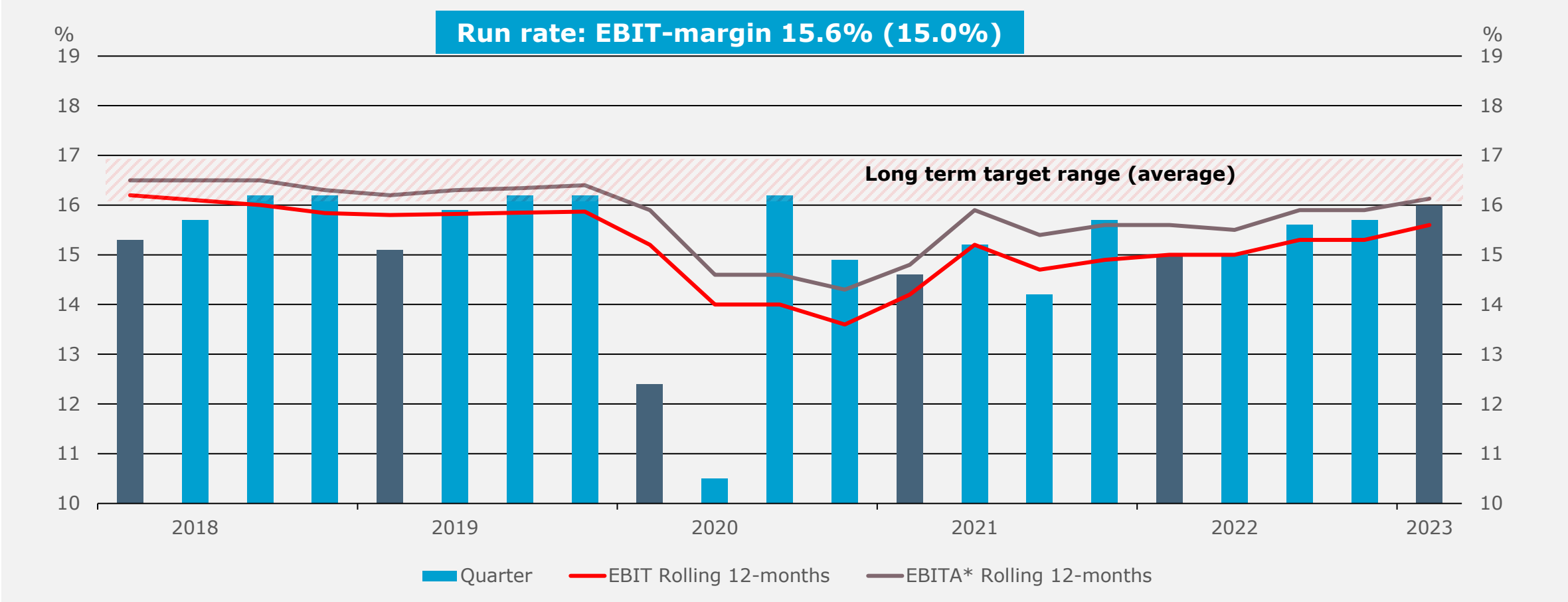
- Security Door Closer received the 'Product of the year 2023' award in Germany
- Launch of Yale Smart Cabinet Lock and Smart Safe in EMEIA
- Launch of ABLOY® BEAT: unbeatable keyless protection for critical infrastructure
- Partnership with Locker One Ventures to provide seed funding to locker-focused start-ups



# FX adjusted sales growth



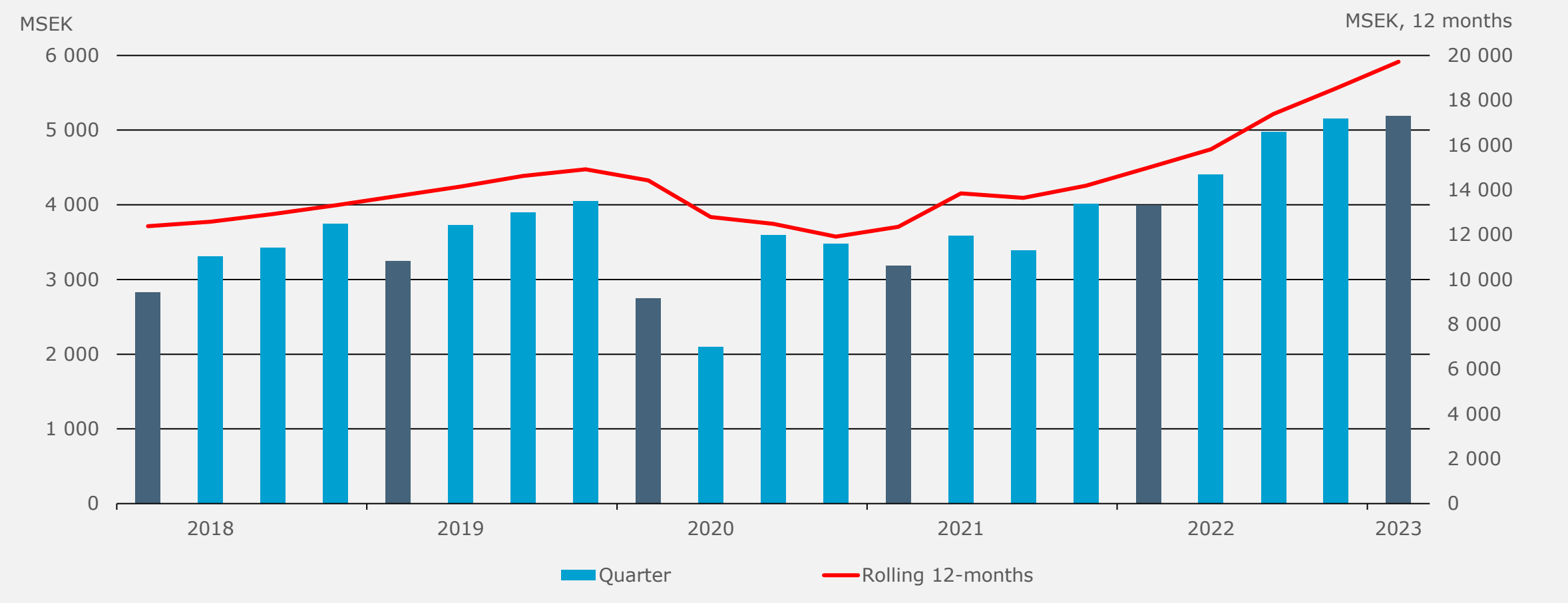
# Operating margin



Excluding items affecting comparability.

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

# Operating profit

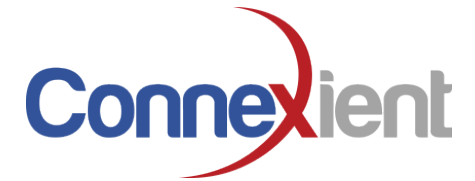


Excluding China write-downs, restructuring items, a positive revaluation of agta record

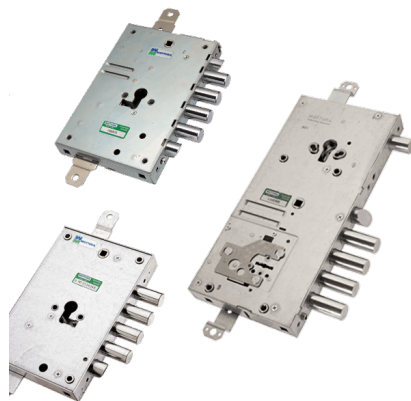


# Acquisitions

- **Active pipeline**
  - 4 acquisitions signed in Q1
  - Representing annualized sales of MSEK 440
- **HHI update**
  - Court decision expected in Q2



# Mottura, Italy



- Manufacturer of high security residential locks and cylinders
- Strengthening our position in the residential space
- Sales of MSEK 300 in 2022
- Accretive to EPS from the start



# Opening Solutions EMEIA

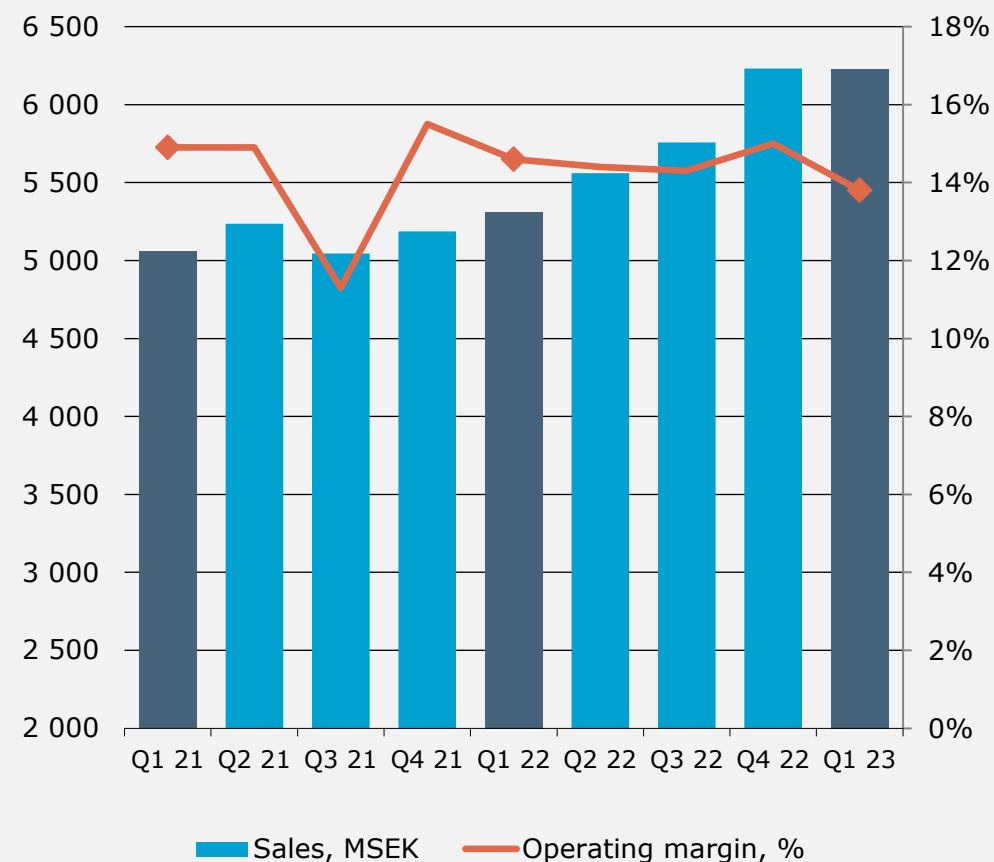
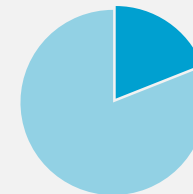
- **Organic sales +3%**

- Strong growth in Middle East/India/Africa
- Good growth in the Nordics and Central Europe
- Stable growth in the UK/Ireland and South Europe

- **Operating margin 13.8% (14.6%)**

- Good operating leverage with high inflation and high energy costs, offset by lower material costs
- FX -60bps
  - Weak SEK
- M&A -20bps

**19%**  
of Group  
sales



Excluding MFP restructuring items.

# Opening Solutions Americas

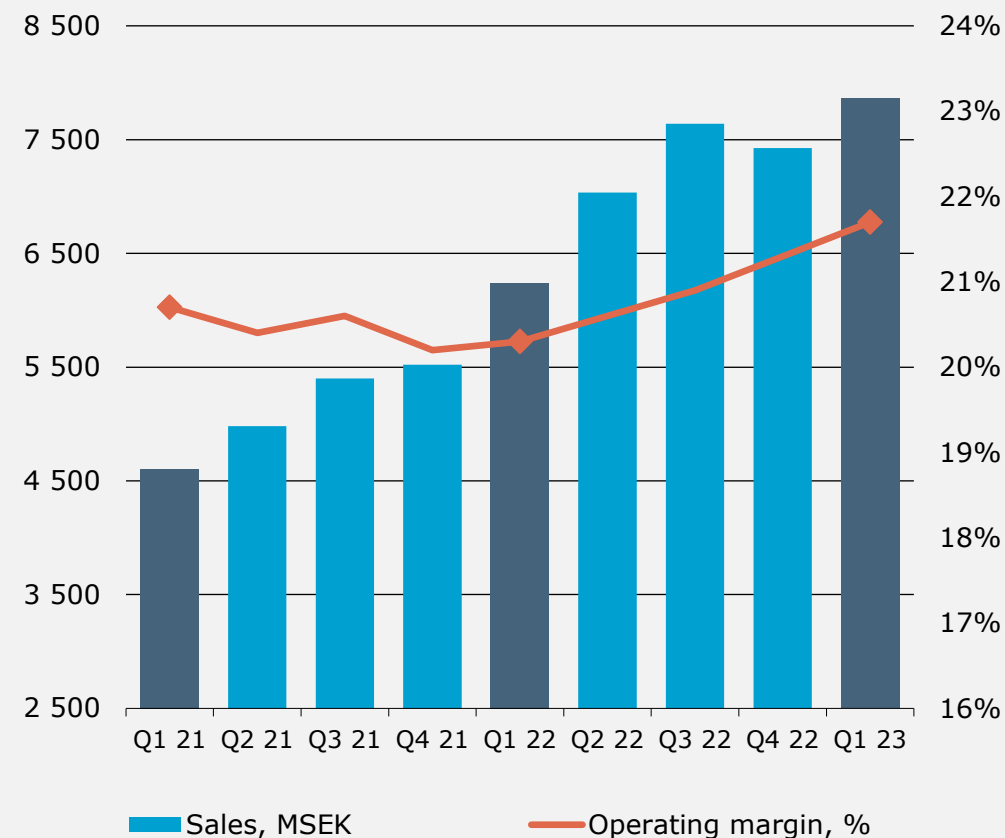
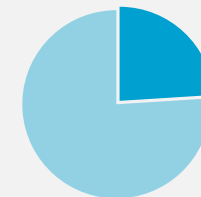
## ■ Organic sales +11%

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

## ■ Operating margin 21.7% (20.3%)

- Very strong operating leverage driven by lower material costs, excellent operational execution and strong price realization
- FX -10 bps
- M&A -80bps
  - Acquisition costs for HHI

24% of  
Group  
sales



Excluding MFP restructuring items.

# Opening Solutions Asia Pacific

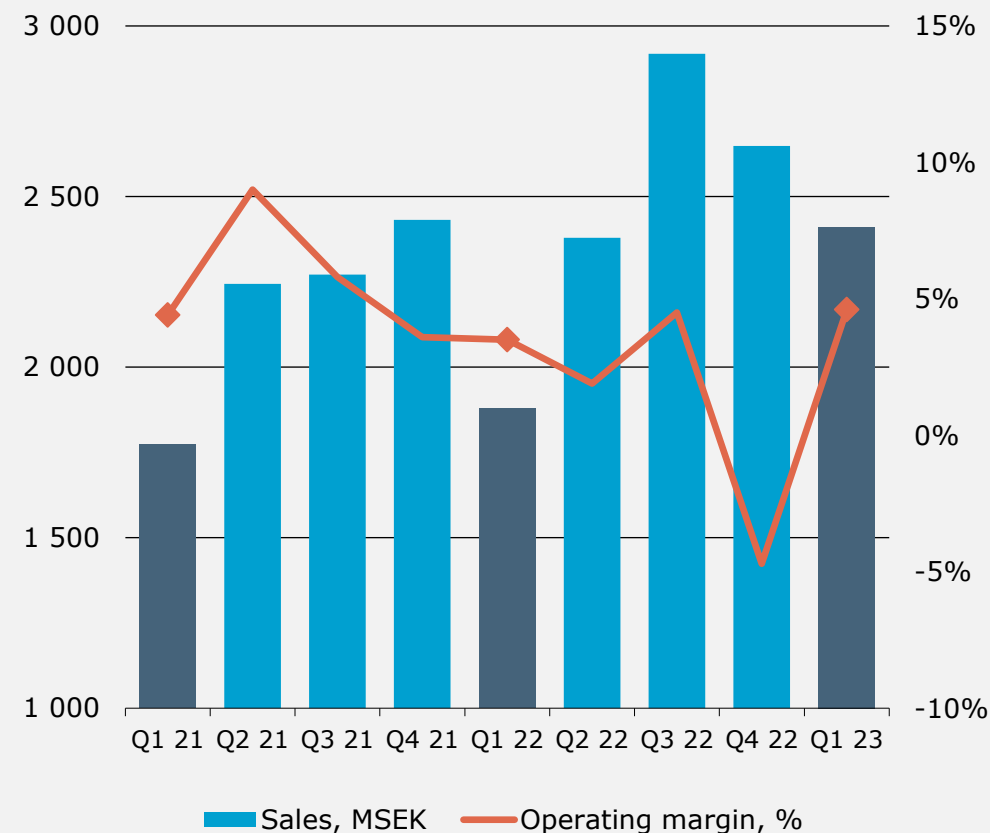
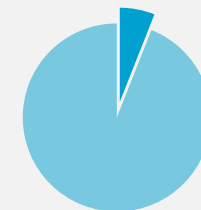
## ▪ Organic sales 6%

- Very strong sales growth in South Korea
- Strong sales growth in South-East Asia
- Sales decline in Pacific and China

## ▪ Operating margin 4.6% (3.5%)

- Strong operating leverage due to volume and no significant Covid-19 related inefficiencies
- FX +80bps
  - Strong AUD
- M&A -20bps

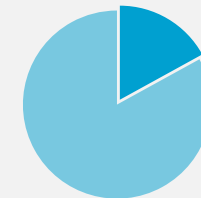
6%  
of Group  
sales



Excluding MFP restructuring items.

# Global Technologies

17%  
of Group  
sales

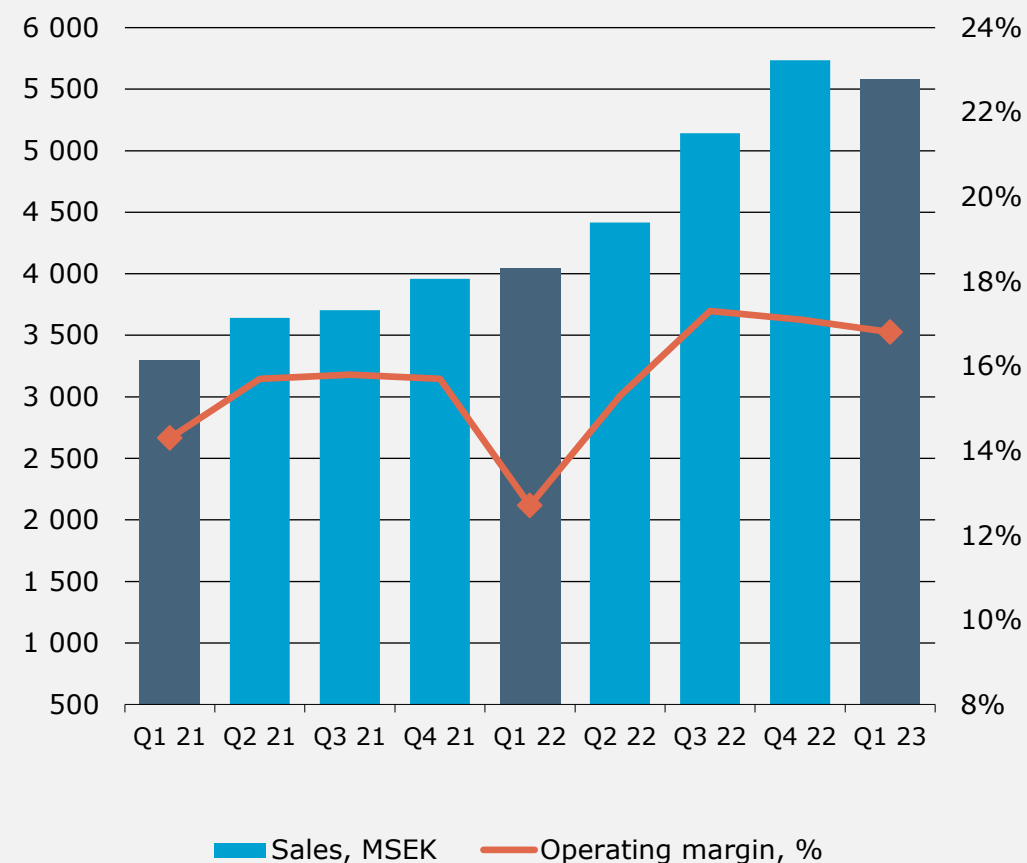


## ▪ Organic sales +24%

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

## ▪ Operating margin 16.8% (12.7%)

- Very strong operating leverage driven by volume, price, lower material costs and positive product mix
- Physical Access Control and Hospitality vs. Citizen ID
- FX +90bps
  - Stronger USD
- M&A -40bps



Excluding MFP restructuring items.



# Entrance Systems

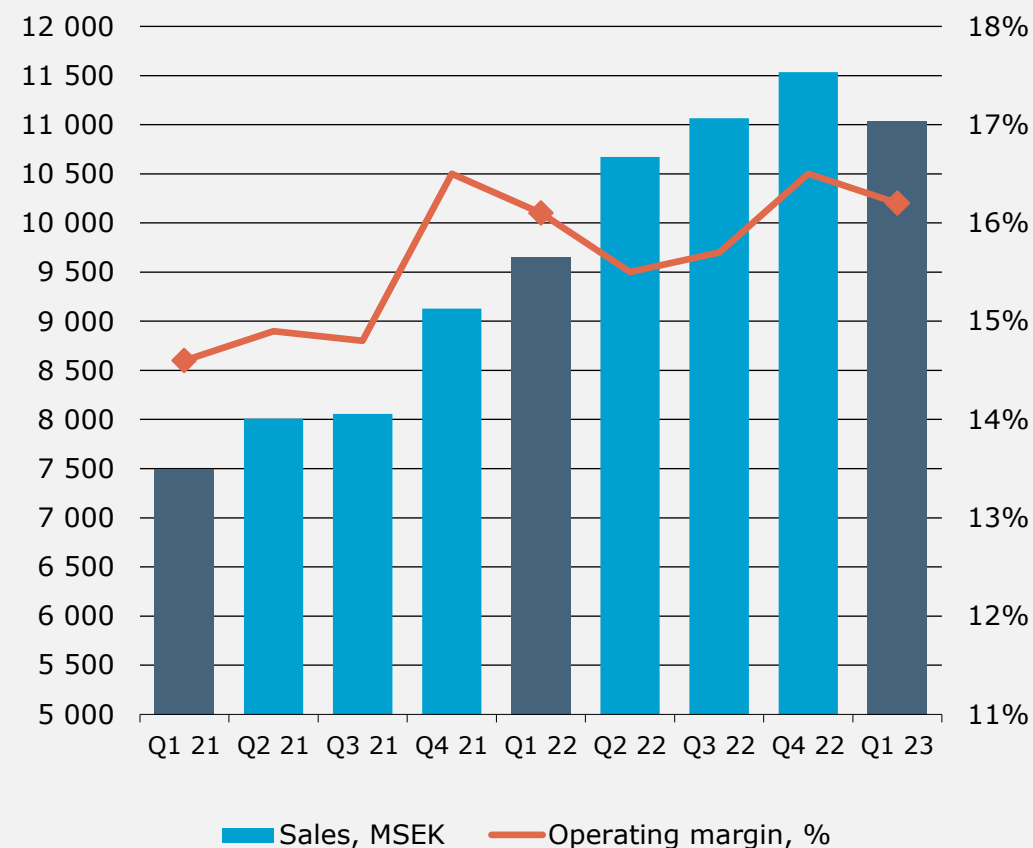
## ■ Organic sales +3%

- Very strong sales growth in Pedestrian
- Strong sales growth in Industrial
- Sales decline in Residential and significant sales decline in Perimeter Security
- Very strong growth in service

## ■ Operating margin 16.2% (16.1%)

- Good operating leverage driven by high volumes, lower material costs and good price realization
- FX neutral
- M&A -10bps

34%  
of Group  
sales



Excluding MFP restructuring items.

# Financial summary

**FX & acquisition  
'run-rate' effects in Q1 2023  
(31 March 2023):**  
**SALES**  
FX: 5%  
M&A: 4-5%

		January - March	
	2022	2023*	
<b>Sales</b>	<b>26,591</b>	<b>32,391</b>	<b>22%</b>
- Organic growth	3,287	2,218	8%
- Acquired net growth	-52	1,344	5%
- FX-differences	1,551	2,237	9%
<b>Operating income (EBIT)*</b>	<b>4,001</b>	<b>5,186</b>	<b>30%</b>
EBITA-margin*	15.6%	16.6%	1.0 pts
EBIT-margin*	15.0%	16.0%	1.0 pts
Income before tax*	3,811	4,843	27%
Net income*	2,859	3,692	29%
<b>EPS, SEK*</b>	<b>2.57</b>	<b>3.32</b>	<b>29%</b>
<b>Operating cash flow</b>	<b>912</b>	<b>4,069</b>	<b>346%</b>
<b>ROCE (12 months)</b>	<b>15.7%</b>	<b>17.4%</b>	<b>1.7 pts</b>

\*) Excluding MFP restructuring items.

# Bridge analysis – Q1 2023

MSEK	Q1 2022	Organic	Currency	Acq/Div	Q1 2023
Growth	22%	8%	9%	5%	22%
Sales	26,591	2,218	2,237	1,344	32,391
Operating profit*	4,001	739	387	58	5,186
Operating margin, %*	15%	33.3%	17.3%	4.3%	16.0%

## Dilution/accretion

\*) Excluding MFP restructuring items.

**1.3 pts**

**0.2 pts**

**-0.5 pts**

## Sales drivers

- Price +4% and volume +4%

## Margin drivers

- Operating leverage – very strong organic leverage driven by lower material costs, price realization, higher volumes and efficiency measures
- Currency – positive margin effect from stronger USD
- M&A – negative effect from acquisition costs for HHI as well as integration costs for several acquisitions

# Cost breakdown as % of sales – Q1 2023

%	QTD 2022	QTD 2023 excl. acq/div	Δ	QTD 2023
Direct material	-36.7%	-34.8%	+1.9 pts	-35.2%
Conversion cost	-23.9%	-23.6%	+0.3 pts	-23.5%
Gross margin	39.4%	41.6%	+2.2 pts	41.3%
S, G & A	-24.4%	-25.1%	-0.7 pts	-25.3%
EBIT*	15.0%	16.5%	+1.5 pts	16.0%

\*) Excluding MFP restructuring items.

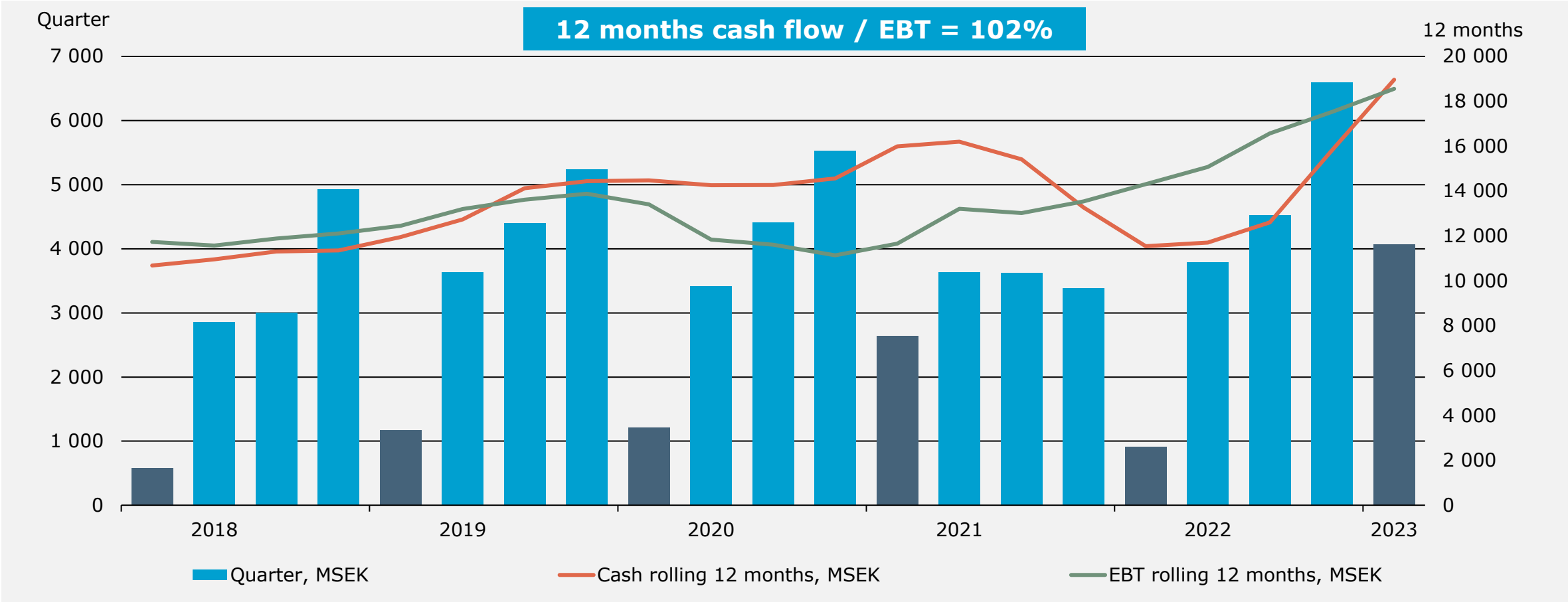
- Direct material – significant positive mix effect (~120 bps) and lower material costs
- Conversion cost – higher volumes and operating efficiencies (MFP and other cost measures)
- S, G & A – inflation and R&D-investments partly offset by volume leverage and efficiencies

# Launch of the 9<sup>th</sup> Manufacturing Footprint Program (MFP)

- **Restructuring projects from all divisions**
  - 13 factory closures
  - 5 office/warehouse closures
  - 23 “conversion to assembly” projects
- **Financial effects**
  - Restructuring cost MSEK 1,225
  - Total annualized savings of MSEK >700 by 2025
  - Pay-back time of ~2 years
- **Manning reductions of ~1,300 people**



# Operating cash flow, MSEK

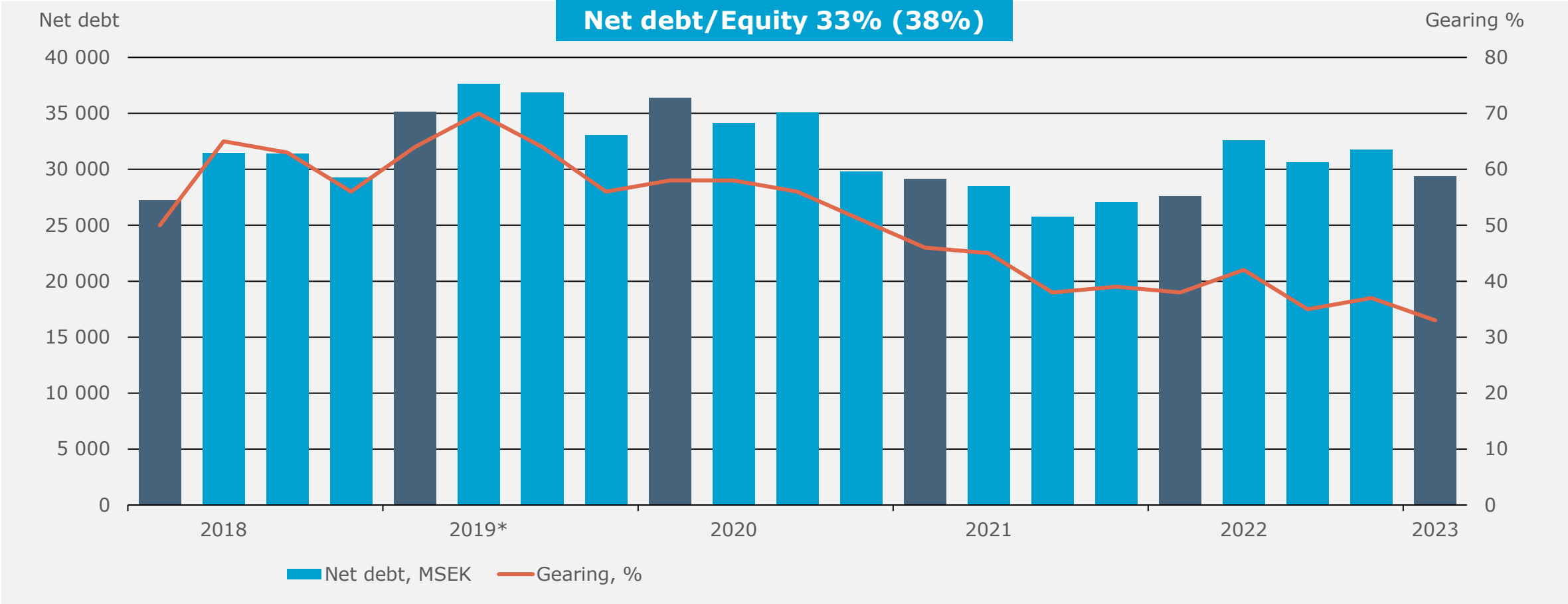


Excluding MFP restructuring items.



# Gearing % and net debt, MSEK

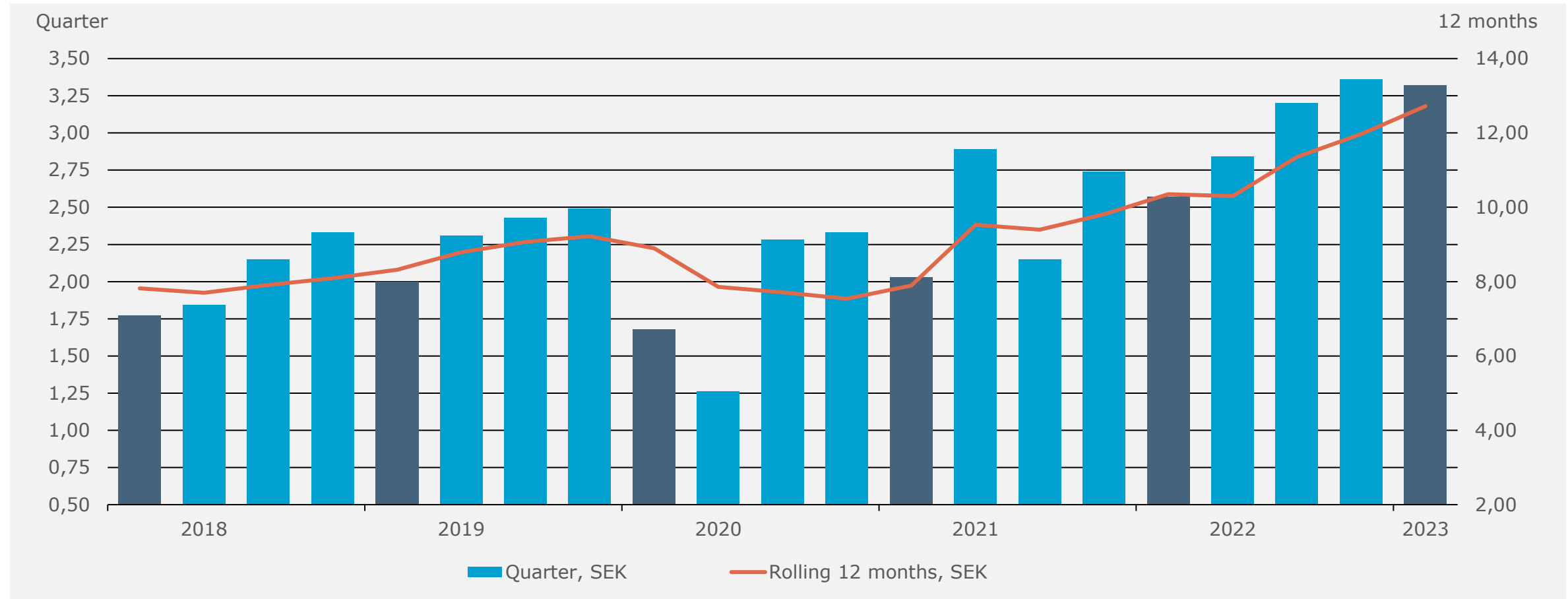
Net debt/EBITDA\*\*  
1.2 (1.5)



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

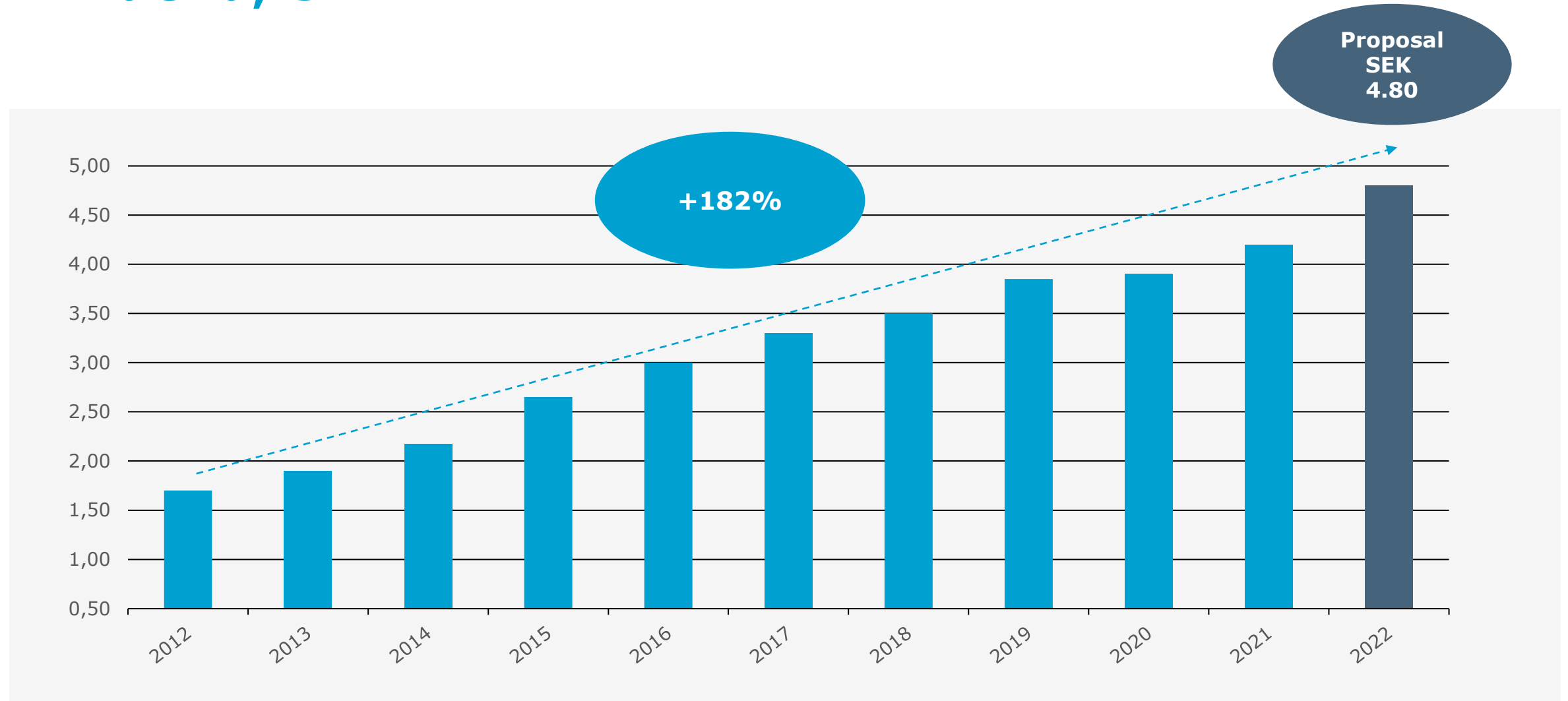
\*\*) Excluding MFP restructuring items.

# Earnings per share, SEK



Excluding restructuring items, impairment of intangible assets in China and a positive revaluation of fair assets in agta record associates.

# Dividend, SEK





## Conclusions

- **Strong sales growth**
  - Organic sales up 8%
- **Strong EBIT-margin**
  - Operating profit up 30%
- **Very strong cash flow**
- **Uncertain economic climate**
- **MFP9 launched**
  - SEK 0.7bn in annual savings to be realized
- **Dividend of SEK 4.8 in two installments**





# Q&A

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# Appendix



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**ASSA ABLOY**



# Cost breakdown as % of sales

%	QTD 2022	QTD 2023 excl. acq/div	Δ	QTD 2023
Direct material	-36.7%	-34.8%	+1.9 pts	-35.2%
Conversion cost	-23.9%	-23.6%	+0.3 pts	-23.5%
Gross margin	39.4%	41.6%	+2.2 pts	41.3%
S, G & A	-24.4%	-25.1%	-0.7 pts	-25.3%
EBIT*	15.0%	16.5%	+1.5 pts	16.0%

\*) Excluding MFP restructuring items.

# Opening Solutions EMEIA's bridge

MSEK	Q1 2022	Organic	Currency	Acq/Div	Q1 2023
Growth	5%	3%	5%	9%	17%
Sales	5,309	162	249	510	6,229
Operating income*	776	24	2	56	858
Operating margin, %*	14.6%	14.8%	0.8%	11.0%	13.8%
Dilution/accretion		0.0 pts	-0.6 pts	-0.2 pts	

## 12 months figures

Sales	20,774			23,778
EBIT*	2,936			3,417
Operating cash flow before paid interest	2,526			3,179
Cash flow/EBIT*	86%			93%

\*) Excluding MFP restructuring items.

# Opening Solutions Americas' bridge

<b>MSEK</b>	<b>Q1 2022</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q1 2023</b>
Growth	36%	11%	13%	2%	26%
Sales	6,241	778	738	105	7,861
Operating income*	1,265	329	151	-38	1,707
Operating margin, %*	20.3%	42.4%	20.4%	-36.0%	21.7%
Dilution/accretion		2.3 pts	-0.1 pts	-0.8 pts	

## 12 months figures

Sales	22,144			29,964
EBIT*	4,510			6,341
Operating cash flow before paid interest	3,547			5,992
Cash flow/EBIT*	79%			94%

\*) Excluding MFP restructuring items.

# Opening Solutions Asia Pacific's bridge

<b>MSEK</b>	<b>Q1 2022</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q1 2023</b>
Growth	6%	6%	6%	16%	28%
Sales	1,879	120	103	309	2,411
Operating income*	67	17	18	9	111
Operating margin, %*	3.5%	14.0%	17.5%	3.0%	4.6%
Dilution/accretion		0.5 pts	0.8 pts	-0.2 pts	

## 12 months figures

Sales	8,826			10,356
EBIT*	488			163
Operating cash flow before paid interest	153			428
Cash flow/EBIT*	31%			263%

\*) Excluding MFP restructuring items.

# Global Technologies' bridge

<b>MSEK</b>	<b>Q1 2022</b>	<b>Organic</b>	<b>Currency</b>	<b>Acq/Div</b>	<b>Q1 2023</b>
Growth	23%	24%	10%	4%	38%
Sales	4,051	1,030	325	175	5,582
Operating income*	516	336	81	6	939
Operating margin, %*	12.7%	32.7%	24.9%	3.2%	16.8%
Dilution/accretion		3.6 pts	0.9 pts	-0.4 pts	

## 12 months figures

Sales	15,354			20,875
EBIT*	2,297			3,488
Operating cash flow before paid interest	2,903			3,249
Cash flow/EBIT*	126%			93%

\*) Excluding MFP restructuring items.

# Entrance Systems' bridge

MSEK	Q1 2022	Organic	Currency	Acq/Div	Q1 2023
Growth	29%	3%	9%	2%	14%
Sales	9,653	283	855	246	11,037
Operating income*	1,555	71	135	25	1,786
Operating margin, %*	16.1%	25.2%	15.7%	10.4%	16.2%
Dilution/accretion		0.2 pts	0.0 pts	-0.1 pts	

## 12 months figures

Sales	34,844			44,312
EBIT*	5,447			7,078
Operating cash flow before paid interest	3,534			7,339
Cash flow/EBIT*	65%			104%

\*) Excluding MFP restructuring items.





**Thank you**  
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