



# H1/Q2 REPORT 2018

Stockholm, July 27, 2018

Magnus Ahlqvist  
President and CEO

Bart Adam  
CFO



Strategic focus

**Offering superior customer value through people,  
knowledge and technology**

A blue circle containing the word "People".

People

A blue circle containing the word "Knowledge".

Knowledge

A blue circle containing the word "Technology".

Technology

The background image is a composite. On the left, there is a close-up of a white dome security camera. On the right, there is a photograph of a gated entrance to a facility, with a white car stopped at the barrier. The scene is outdoors with trees and a building in the background.

# HIGHLIGHTS H1 2018

## A first half year with strong growth

- Strong market momentum throughout the Group
- Good organic sales growth in all business segments, 7% in the Group
- Successful commercial activities and excellent client retention
- Wage cost increase on par with price increase
- Operating margin 4.9% (4.8)
- Cost savings program in SSEU initiated
- EPS 15% real change

## Security Solutions and Electronic Security **Double digit growth in all business segments**



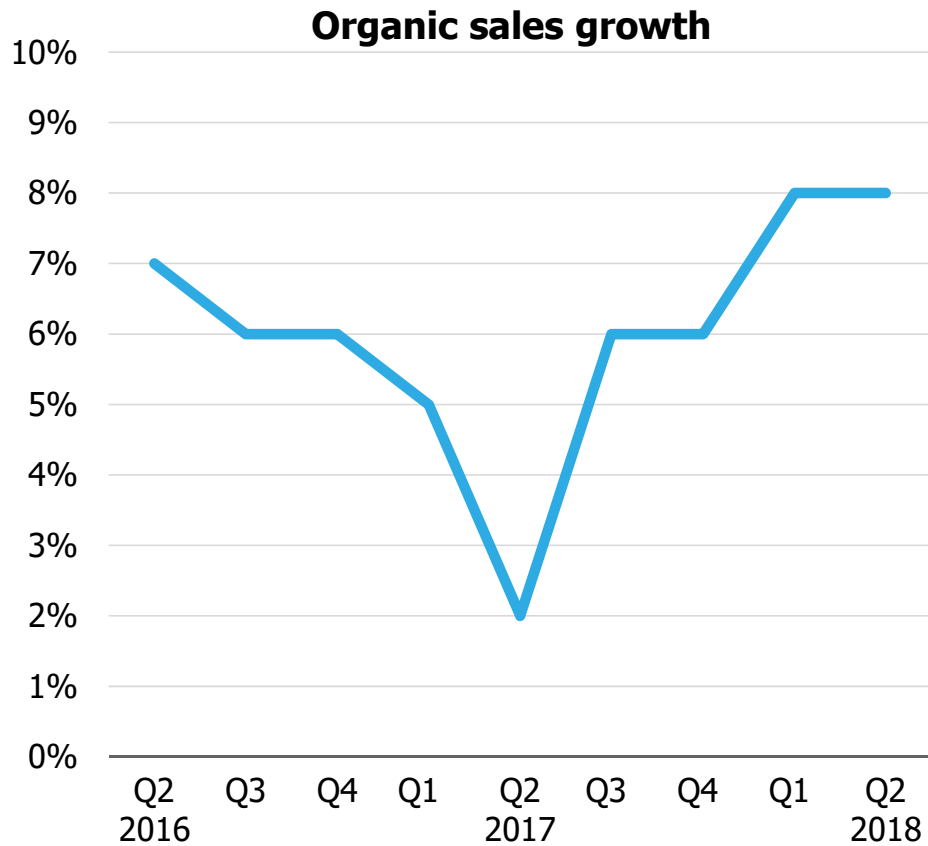
### **H1 Security Solutions and Electronic Security**

#### **Real sales growth 21% (22)**

- Sales BSEK 9.6 (8.0)
- A good number of mid-sized and strategically important solution contracts started, delivering a range of protective services
- Several electronic security companies acquired to enhance national platforms, e.g. in France and in the Netherlands
- The acquisition of the division Kratos Public Safety and Security in the US was completed in June



## Security Services North America **Strong organic sales growth and new sales**

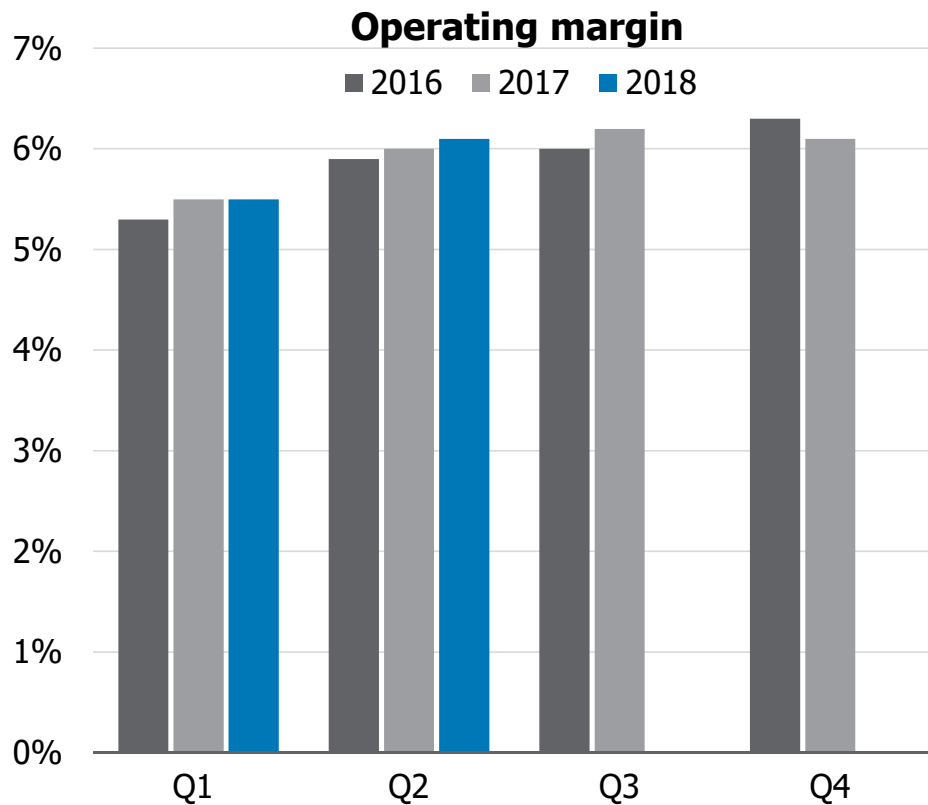


### **H1: Organic sales growth 8% (4)**

- Sales MSEK 19 843 (18 946)
- Good new sales and solid client retention 91% (91)
- Security solutions and electronic security represented 17% (15) of total sales



## Security Services North America **Improved operating margin**



### **H1: Operating margin 5.8% (5.7)**

- Operating income MSEK 1 151 (1 084)
- The operating margin was supported by leverage through strong organic sales growth
- Hampered by the lower margin on some large newer guarding contracts
- The Q2 operating margin contained a positive one-off impact, as did Q2 last year



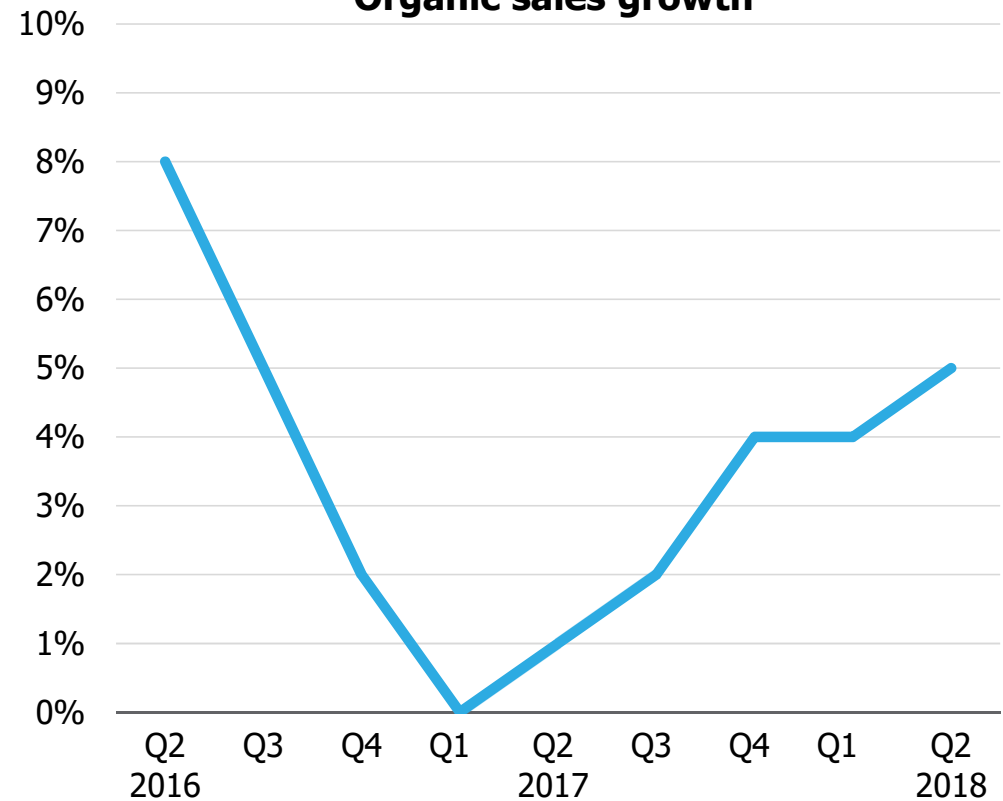
## Security Services Europe Continued good portfolio development and new sales

### H1: Organic sales growth 4% (0)

- Sales MSEK 21 982 (19 930)
- Strong client retention 93% (89)
- Almost all countries supported the development, especially Belgium, Germany and the guarding business in Turkey
- Lower refugee sales, 1% negative impact
- Security solutions and electronic security represented 21% (19) of total sales



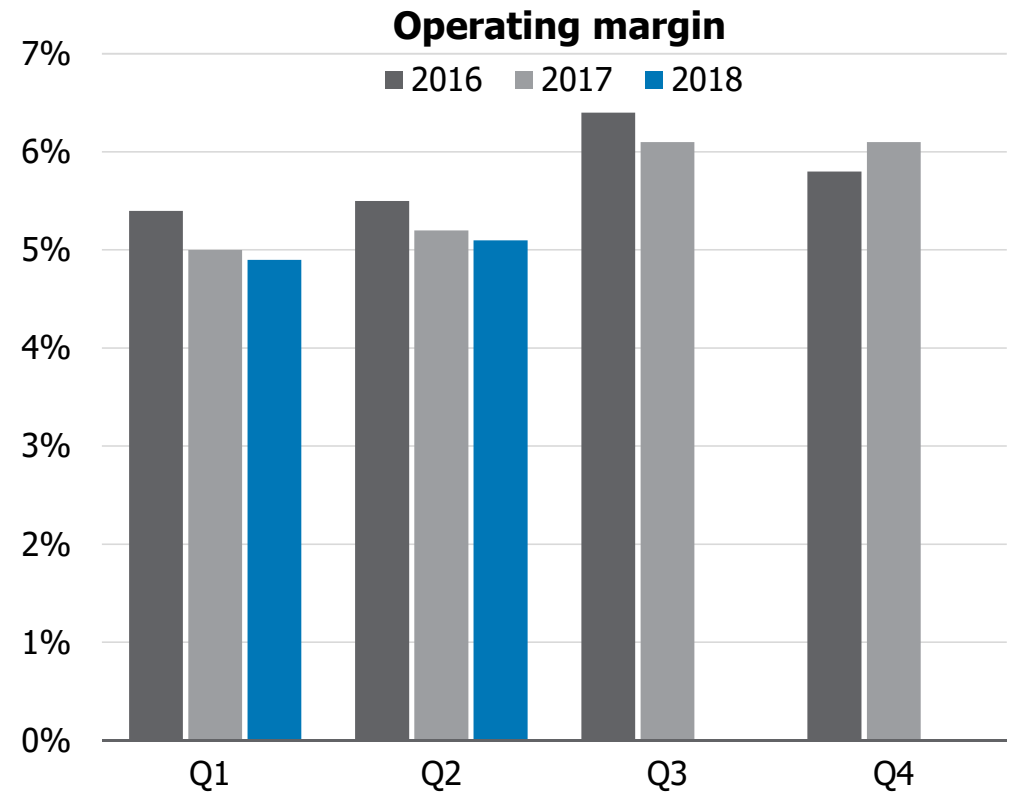
Organic sales growth



## Security Services Europe **Unsatisfactory margin development**

### H1: Operating margin 5.0% (5.1)

- Operating income MSEK 1 097 (1 011)
- A decline mainly explained by operational inefficiencies and continued investments in the Vision 2020 strategy
- In addition lower refugee-related sales impacted
- A cost savings program has been initiated to be executed in H2 2018. Restructuring costs of MSEK 200-250 to be recognized in Q3. Pay back time about 2 years

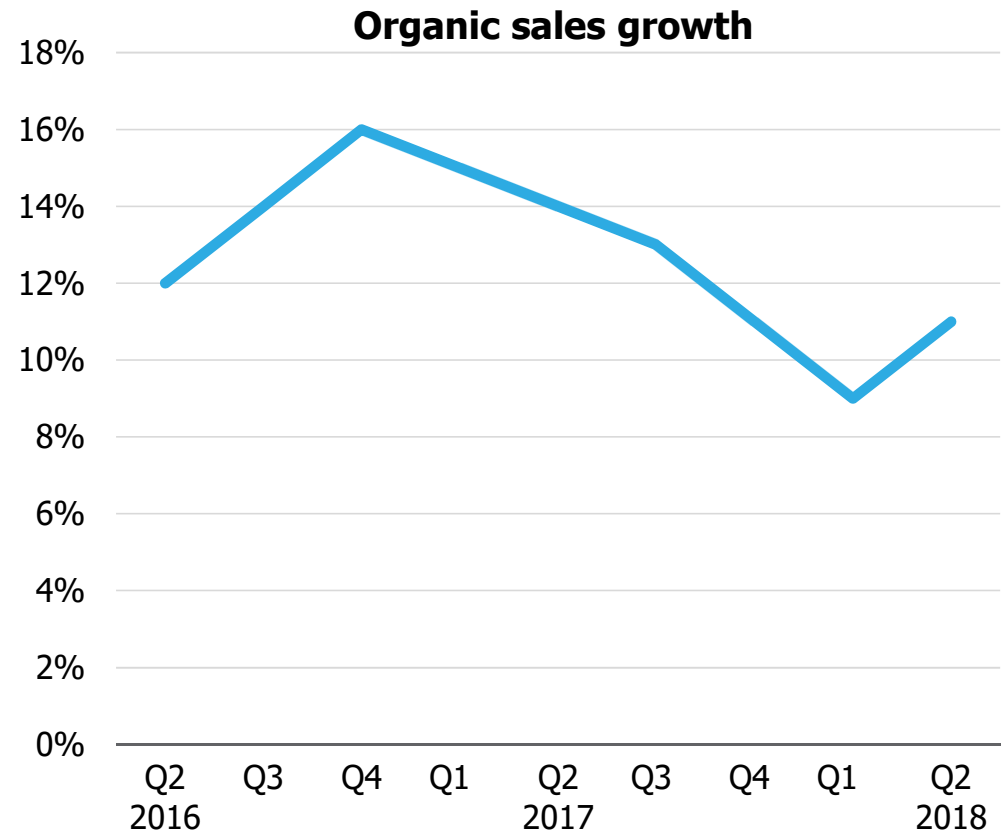




## Security Services Ibero-America **Strong organic sales growth in Spain**

### **H1: Organic sales growth 10% (14)**

- Sales MSEK 6 159 (5 962)
- Strong client retention 93% (91)
- The decline in organic sales growth was primarily due to Argentina
- Continued strong organic sales growth in Spain
- Security solutions and electronic security represented 26% (23) of total sales



# Security Services Ibero-America

## Strong improvement through changed business mix

### H1: Operating margin 4.6% (4.1)

- Operating income MSEK 282 (245)
- Strong performance in Spain drives the improvement, both in security solutions sales and guarding
- Argentina burdened with negative leverage and turnover in the contract portfolio



# FINANCIALS

Bart Adam  
CFO



## Financial Highlights

# Strong EPS improvement

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
<b>Sales</b>	<b>25 466</b>	<b>23 031</b>	<b>48 822</b>	<b>45 522</b>	<b>92 197</b>
<i>Organic sales growth, %</i>	7	3	7	3	5
<b>Operating income before amortization</b>	<b>1 286</b>	<b>1 137</b>	<b>2 377</b>	<b>2 193</b>	<b>4 697</b>
<i>Operating margin, %</i>	5.0	4.9	4.9	4.8	5.1
Amortization of acquisition related intangible assets	-65	-61	-128	-124	-255
Acquisition related costs	-16	-9	-25	-13	-48
<b>Operating income after amortization</b>	<b>1 205</b>	<b>1 067</b>	<b>2 224</b>	<b>2 056</b>	<b>4 394</b>
Financial income and expenses	-103	-94	-196	-196	-376
<b>Income before taxes</b>	<b>1 102</b>	<b>973</b>	<b>2 028</b>	<b>1 860</b>	<b>4 018</b>
Taxes	-271	-279	-507	-539	-1 267
<i>Tax, %</i>	24.6	28.7	25.0	29.0	31.5
<b>Net income for the period</b>	<b>831</b>	<b>694</b>	<b>1 521</b>	<b>1 321</b>	<b>2 751</b>
<b>EPS, SEK</b>	<b>2.28</b>	<b>1.89</b>	<b>4.17</b>	<b>3.62</b>	<b>7.53</b>
<b>EPS, SEK before IAC</b>	<b>2.28</b>	<b>1.89</b>	<b>4.17</b>	<b>3.62</b>	<b>7.87</b>

- Comparatives restated due to IFRS 15
- Acquisition related costs for Kratos MSEK -13. FY estimate MSEK -75
- Financial expenses increased in Q2 due to USD interest rates, weaker SEK and increased net debt
- Tax rate 25.0%
- The Group continue to assess the US tax reform, especially related to the BEAT
- 2017 full year tax rate was 28.4%, excluding a one-off tax expense of 3.1%



Securitas Group

# Financial highlights H1 2018 – exchange tailwind in Q2, while Q1 was hampered

## SALES

**MSEK 48 822 (45 522)**

- Total change 7%
- Real change 8% (incl. acq. and adj. F/X)
- Organic sales growth 7%

## OPERATING INCOME

**MSEK 2 377 (2 193)**

- Total change 8%
- Real change 9%

## EARNINGS PER SHARE

**SEK 4.17 (3.62)**

- Total change 15%
- Real change 15%

## F/X SEK END RATES

	Q218	Q217	%
<b>USD</b>	8.99	8.52	+5.5
<b>EUR</b>	10.42	9.72	+7.2
<b>ARS</b>	0.33	0.52	-36.5



## Cash Flow Highlights

**Strong organic sales growth demands working capital**

MSEK	Q2 2018	Q2 2017	H1 2018	H1 2017	2017
<b>Operating income before amortization</b>	<b>1 286</b>	<b>1 137</b>	<b>2 377</b>	<b>2 193</b>	<b>4 697</b>
Net investments in non-current assets	-141	-87	-280	-152	-363
Change in accounts receivable	-463	-169	-737	155	-449
Change in other operating capital employed	119	-27	-1 484	-970	-48
<b>Cash flow from operating activities</b>	<b>801</b>	<b>854</b>	<b>-124</b>	<b>1 226</b>	<b>3 837</b>
<i>Cash flow from operating activities, %</i>	<i>-62</i>	<i>75</i>	<i>-5</i>	<i>56</i>	<i>82</i>
Financial income and expenses paid	-38	-39	-282	-346	-425
Current taxes paid	-233	-404	-494	-715	-1 122
<b>Free cash flow</b>	<b>528</b>	<b>411</b>	<b>-900</b>	<b>165</b>	<b>2 290</b>
<i>Free cash flow/net debt (annual target 0.20)</i>	<i>-</i>	<i>-</i>	<i>0.07</i>	<i>0.13</i>	<i>0.19</i>

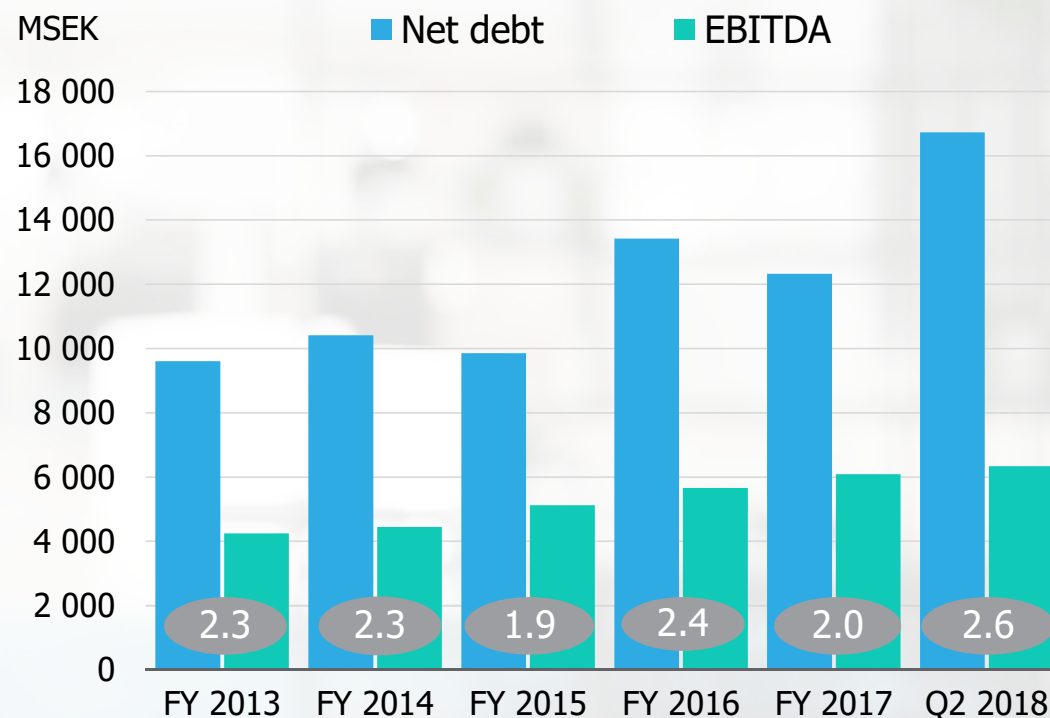
- Balance sheet restated for IFRS 15
- Net investments include capex for customer solutions contracts
- Capital expenditure to be approximately 2% of Group sales on an annual basis
- A few negative impacts in Q2: regulatory change in France, change of invoicing system in Netherlands and interest hike in Argentina causing payment delays
- Strong organic sales growth requires working capital

## Increased net debt further affected by FX

MSEK

<b>Net debt Jan 1, 2018</b>	<b>-12 333</b>
Free cash flow	-900
Acquisitions	-1 236
Dividend paid	-1 460
<b>Change in net debt</b>	<b>-3 596</b>
Revaluation	34
Translation	-837
<b>Net debt Jun 30, 2018</b>	<b>-16 732</b>

## Net debt to EBITDA ratio well in line



# STRATEGY

Magnus Ahlqvist  
President and CEO



# Case

## **Solutions contract for customer in business park in Finland**



## Security Solutions and Electronic Security **Building tech competence and capabilities through acquisitions**

### **KRATOS, USA**

- Acquisition of Kratos Public Safety and Security division completed – a top 10 system integrator in the United States
- Enhancing our footprint and our proximity to our customer

### **AUTOMATIC ALARM, FRANCE**

- Top 5 nation-wide system integrator

### **ALPHATRON, THE NETHERLANDS**

- Nation-wide electronic security provider – Securitas becomes a market leader

### **SÜDDEUTSCHE BEWACHUNG, GERMANY**

- Adds capabilities in the south-west of Germany

### **JOHNSON & THOMSON, HONG KONG**

- We continue to strengthen our electronic security capabilities also in the AMEA region

### **PRONET SECURITY AND SERNET SERVICES, TURKEY**

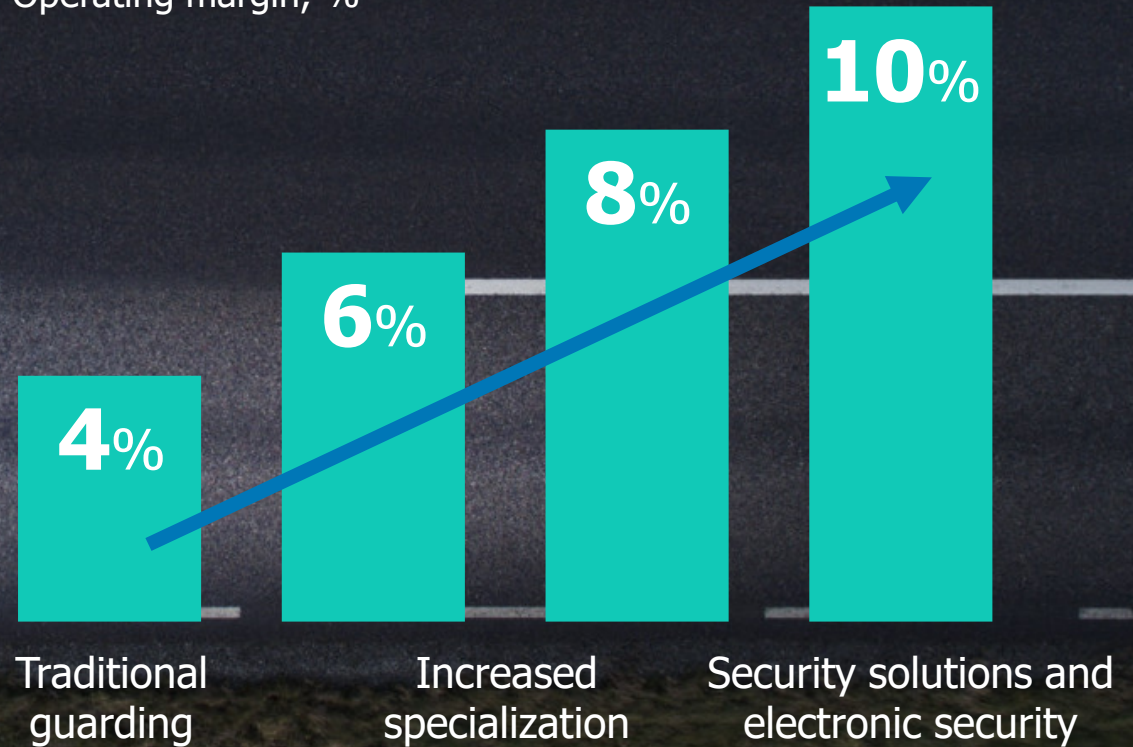
- Top 5 security company in Turkey



# Security Solutions Strengthens our position and improves our profit



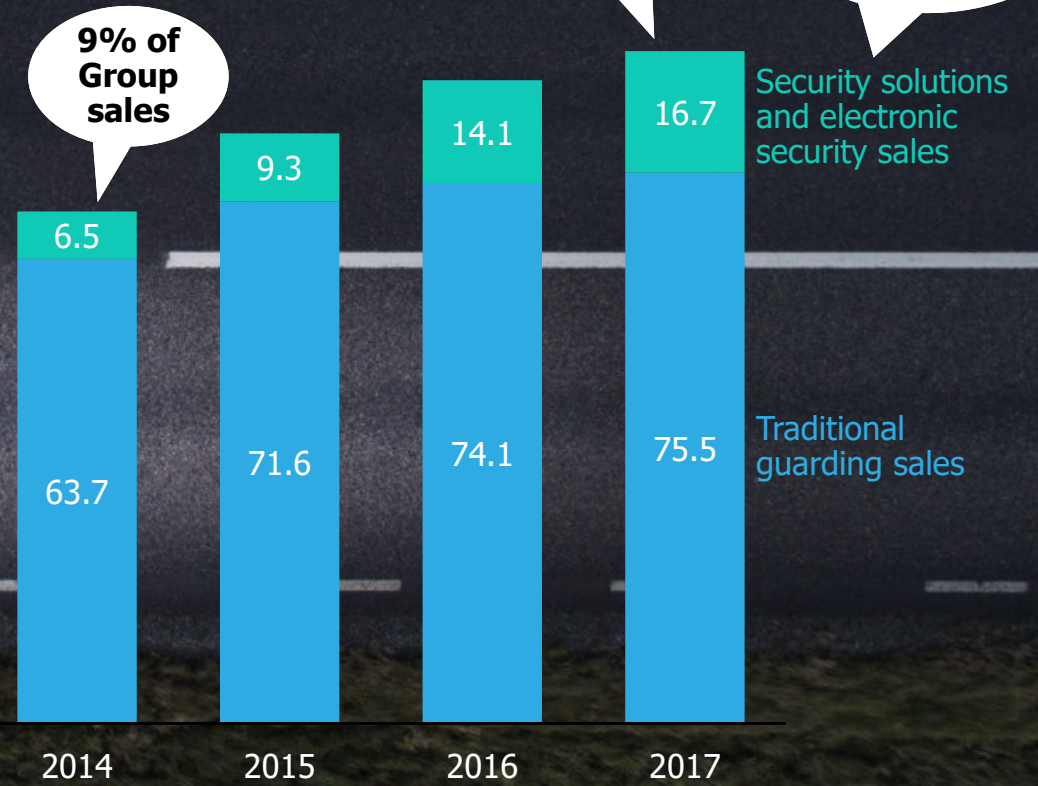
Operating margin, %



# Security Solutions and Electronic Security Executing on our strategy

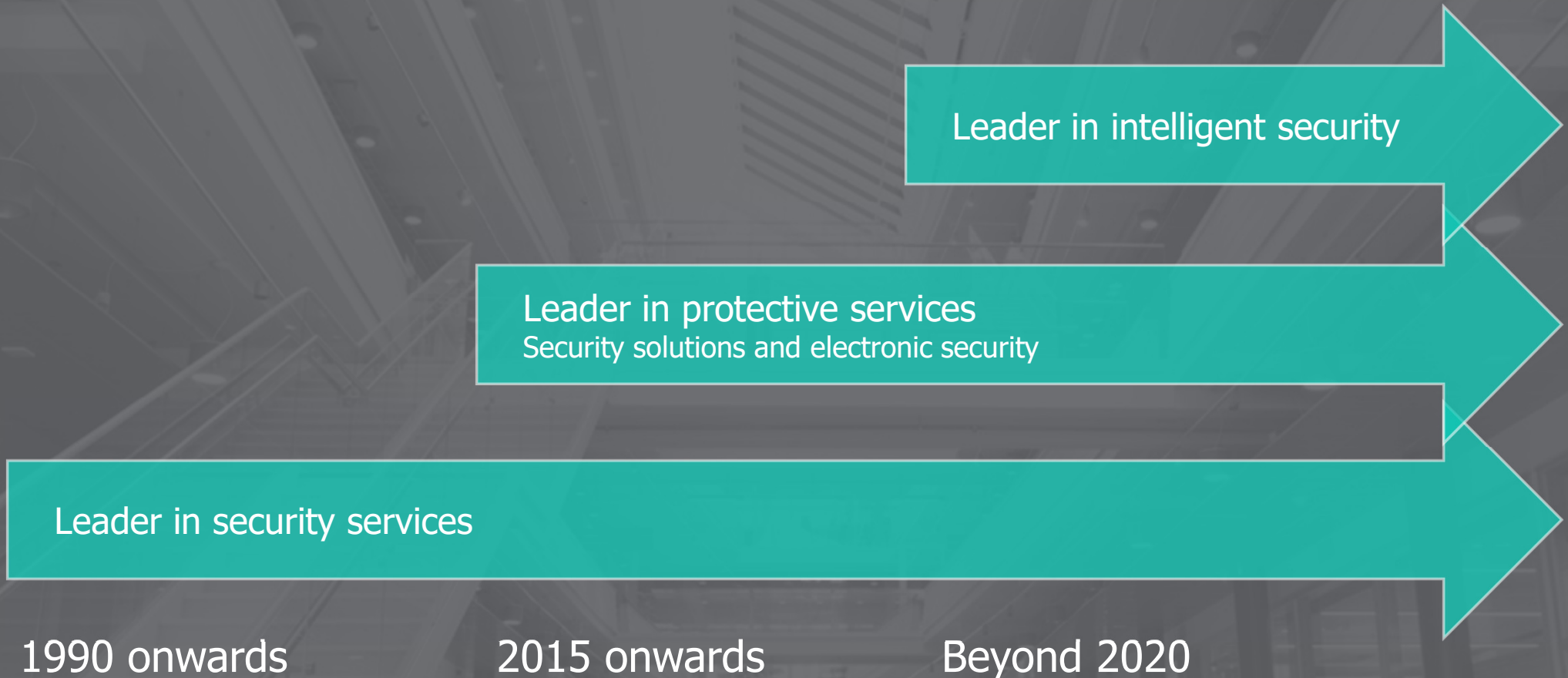


SALES MSEK



# The Security Solution of the Future

## **Digitization gives intelligent security**



# SUMMARY

## H1 2018

- Strong organic sales growth: +7%
- EPS improvement: +15%
- Delivery of strategy – solutions and electronic security = 20% of Group sales

***SAVE THE DATE!*** Investor update in Stockholm  
on September 20, 2018



# Q&A





**THANK  
YOU**

