



# 9M/Q3 REPORT 2018

Stockholm, October 26, 2018

Magnus Ahlqvist  
President and CEO

Bart Adam  
CFO



# HIGHLIGHTS 9M 2018

## Strong growth in the first nine months

- Good organic sales growth in all business segments, 6% (4) in 9M and 6% (5) in Q3
- Wage cost increase on par with price increase
- Improved operating margin 5.1% (5.0) in 9M, 5.6% (5.5) in Q3
- Restructuring cost of MSEK -268 in Q3 due to cost savings program in SSEU
- EPS (before IAC) 14% real change and 13% in Q3
- Good cash flow generation in Q3 after a weak H1

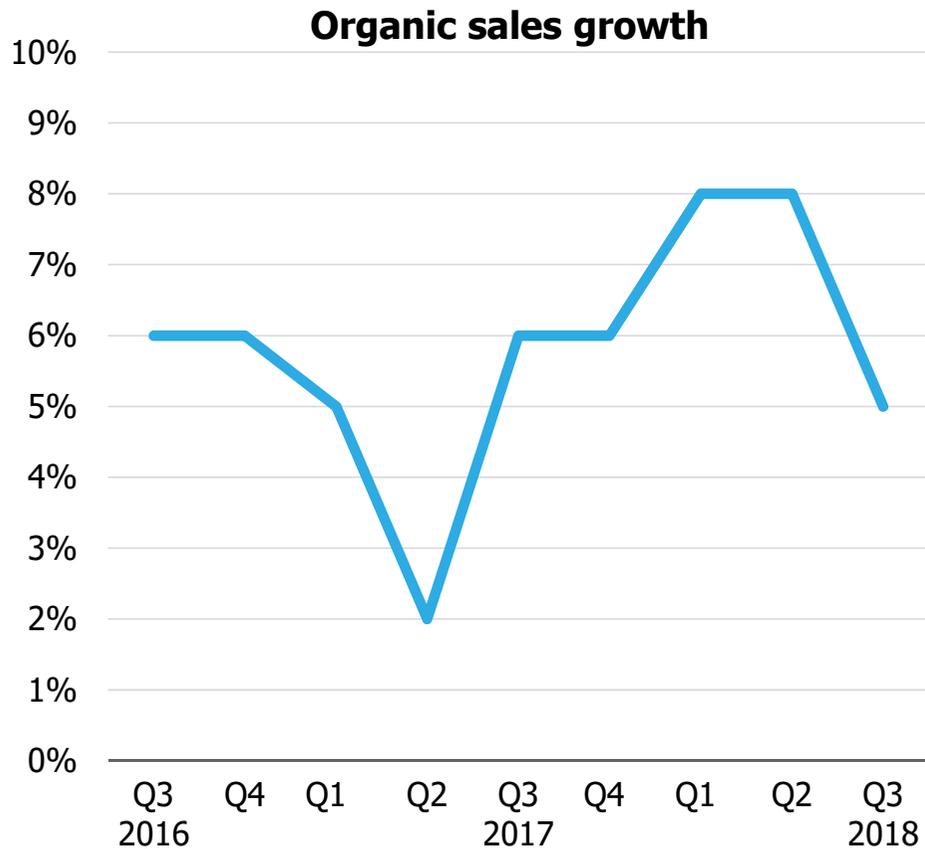
## Security Solutions and Electronic Security **Double digit growth in all business segments**

### **9M Security Solutions and Electronic Security** **Real sales growth 22% (20)**

- Sales BSEK 14.8 (12.0)
- 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 **Solid portfolio development across the business segment**



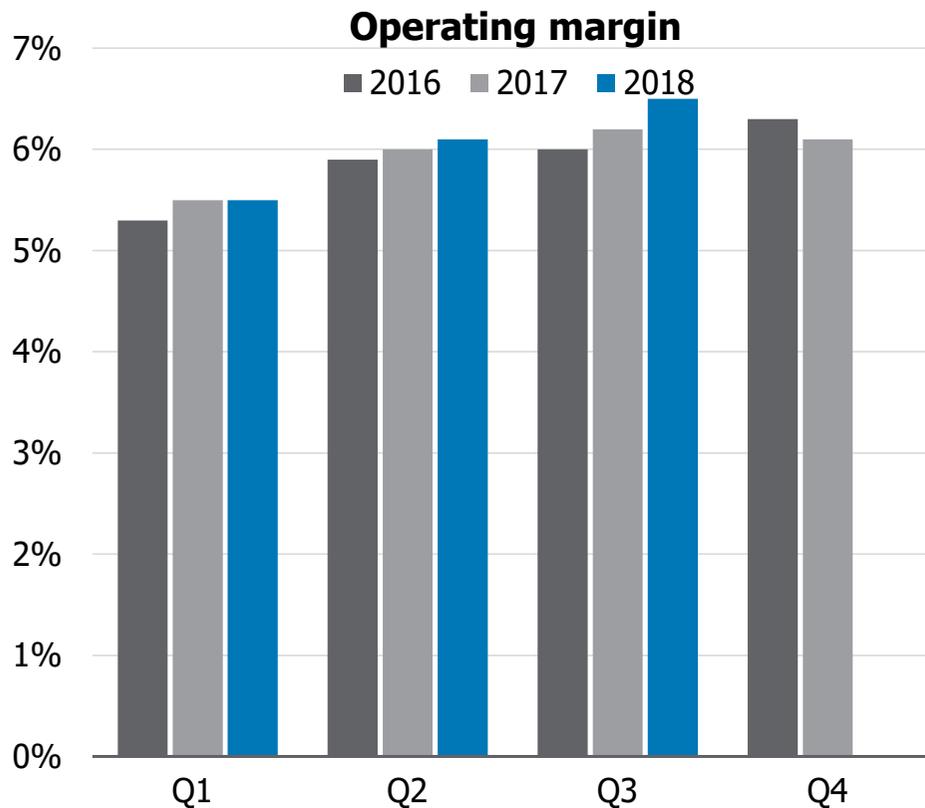
### **9M: Organic sales growth 7% (5)**

- Organic sales growth 5% (6) in Q3
- Good portfolio momentum and solid client retention 91% (91)
- Security solutions and electronic security represented 17% (15) of total sales





## Security Services North America **Strong improvement of operating margin in Q3**



### **9M: Operating margin 6.1% (5.9)**

- Operating margin 6.5% (6.2) in Q3
- The operating margin was supported by topline leverage, solid performance in on-site guarding and risk management and good momentum of security solutions sales
- The Q3 operating margin contained a positive one-off impact related to payroll taxes



## Security Services Europe **Strong portfolio development and new sales**

### **9M: Organic sales growth 4% (1)**

- Organic sales growth 5% (2) in Q3
- 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

# Cost savings program initiated to improve operating margin

### 9M: Operating margin 5.3% (5.4)

- Operating margin 6.0% (6.1) in Q3, mainly impacted by France
- In addition lower refugee-related sales impacted
- Restructuring costs of MSEK -268, due to the cost savings program, was recognized in Q3. Pay back time about 2 years



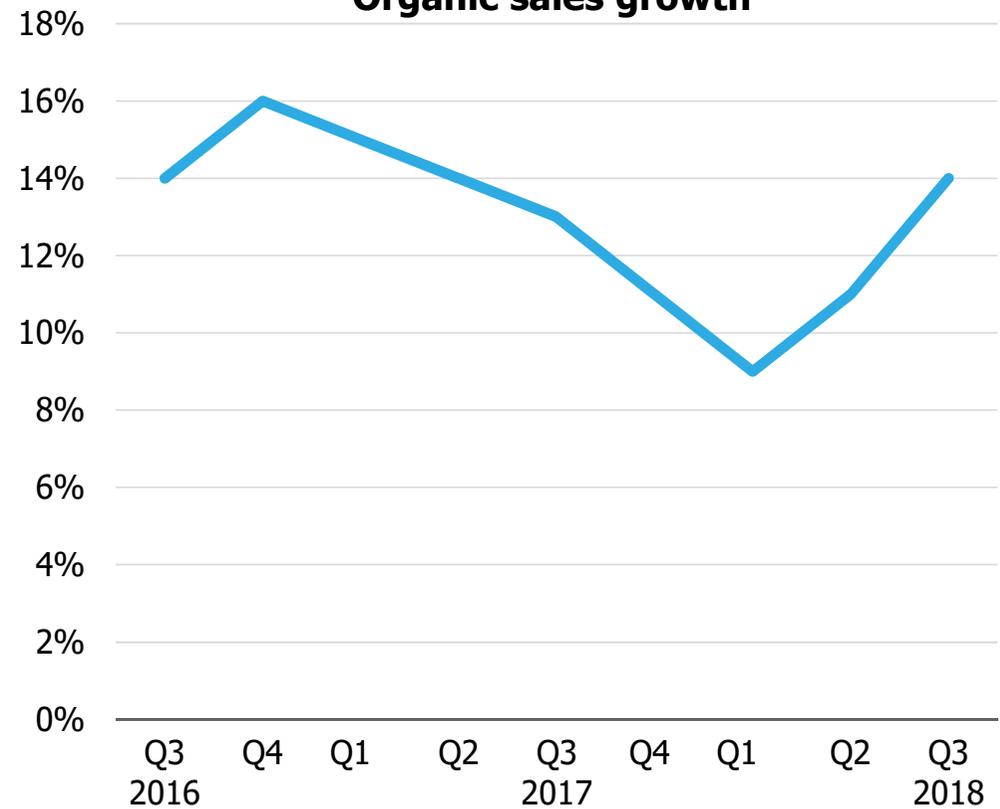
## Security Services Ibero-America **Strong organic sales growth in Spain**

### **9M: Organic sales growth 11% (14)**

- Organic sales growth 14% (13) in Q3, driven by strong performance in Spain
- Strong client retention 92% (91)
- Security solutions and electronic security represented 26% (23) of total sales



**Organic sales growth**



## Security Services Ibero-America **Strong improvement through changed business mix**

### **9M: Operating margin 4.6% (4.1)**

- Operating margin 4.7% (4.2) in Q3, with Spain as the main contributor
- Argentina burdened and we expect challenging conditions in the coming quarters



# FINANCIALS

Bart Adam  
CFO



## Financial Highlights

**Strong EPS growth of 14% in 9M and 13% in Q3\***

MSEK	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
<b>Sales</b>	<b>25 821</b>	<b>22 651</b>	<b>74 643</b>	<b>68 173</b>	<b>92 197</b>
<i>Organic sales growth, %</i>	6	5	6	4	5
<b>Operating income before amortization</b>	<b>1 452</b>	<b>1 235</b>	<b>3 829</b>	<b>3 428</b>	<b>4 697</b>
<i>Operating margin, %</i>	5.6	5.5	5.1	5.0	5.1
Amortization of acquisition related intangible assets	-67	-59	-195	-183	-255
Acquisition related costs	-16	-7	-41	-20	-48
Items affecting comparability	-268	-	-268	-	-
<b>Operating income after amortization</b>	<b>1 101</b>	<b>1 169</b>	<b>3 325</b>	<b>3 225</b>	<b>4 394</b>
Financial income and expenses	-91	-86	-287	-282	-376
<b>Income before taxes</b>	<b>1 010</b>	<b>1 083</b>	<b>3 038</b>	<b>2 943</b>	<b>4 018</b>
Taxes	-253	-300	-760	-839	-1 267
<i>Tax, %</i>	25.0	27.7	25.0	28.5	31.5
<b>Net income for the period</b>	<b>757</b>	<b>783</b>	<b>2 278</b>	<b>2 104</b>	<b>2 751</b>
<b>EPS, SEK</b>	<b>2.07</b>	<b>2.15</b>	<b>6.24</b>	<b>5.76</b>	<b>7.53</b>
<b>EPS, SEK before IAC</b>	<b>2.61</b>	<b>2.15</b>	<b>6.78</b>	<b>5.76</b>	<b>7.87</b>

\* EPS before items affecting comparability, real change

- As of July 1, 2018, adoption of IAS 29 Hyperinflation accounting
- Acquisition related costs for Kratos MSEK -21 in 9M. FY estimate MSEK -75
- Financial expenses positively impacted by MSEK 18 relating to IAS 29
- 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 9M 2018



## SALES

**MSEK 74 643 (68 173)**

- Total change 9%
- Real change 8% (incl. acq. and adj. F/X)
- Organic sales growth 6%

## OPERATING INCOME

**MSEK 3 829 (3 428)**

- Total change 12%
- Real change 10%

## EARNINGS PER SHARE

**SEK 6.24 (5.76)**

- Total change 8%, real 5%

**SEK 6.78 (5.76) before IAC**

- Total change 18%, real 14%

## F/X SEK END RATES

	Q318	Q317	%
<b>USD</b>	8.82	8.14	+8.4
<b>EUR</b>	10.33	9.58	+7.8
<b>ARS</b>	0.23	0.46	-50.4



## Cash Flow Highlights

### Good cash flow generation in Q3

MSEK	Q3 2018	Q3 2017	9M 2018	9M 2017	2017
<b>Operating income before amortization</b>	<b>1 452</b>	<b>1 235</b>	<b>3 829</b>	<b>3 428</b>	<b>4 697</b>
Net investments in non-current assets	-94	-47	-375	-199	-363
Change in accounts receivable	-451	-661	-1 187	-506	-449
Change in other operating capital employed	507	272	-977	-698	-48
<b>Cash flow from operating activities</b>	<b>1 414</b>	<b>799</b>	<b>1 290</b>	<b>2 025</b>	<b>3 837</b>
<i>Cash flow from operating activities, %</i>	<i>97</i>	<i>65</i>	<i>34</i>	<i>59</i>	<i>82</i>
Financial income and expenses paid	-50	-40	-332	-386	-425
Current taxes paid	-147	-140	-640	-856	-1 122
<b>Free cash flow</b>	<b>1 217</b>	<b>619</b>	<b>318</b>	<b>783</b>	<b>2 290</b>
<i>Free cash flow/net debt (annual target 0.20)</i>	<i>-</i>	<i>-</i>	<i>0.12</i>	<i>0.12</i>	<i>0.19</i>

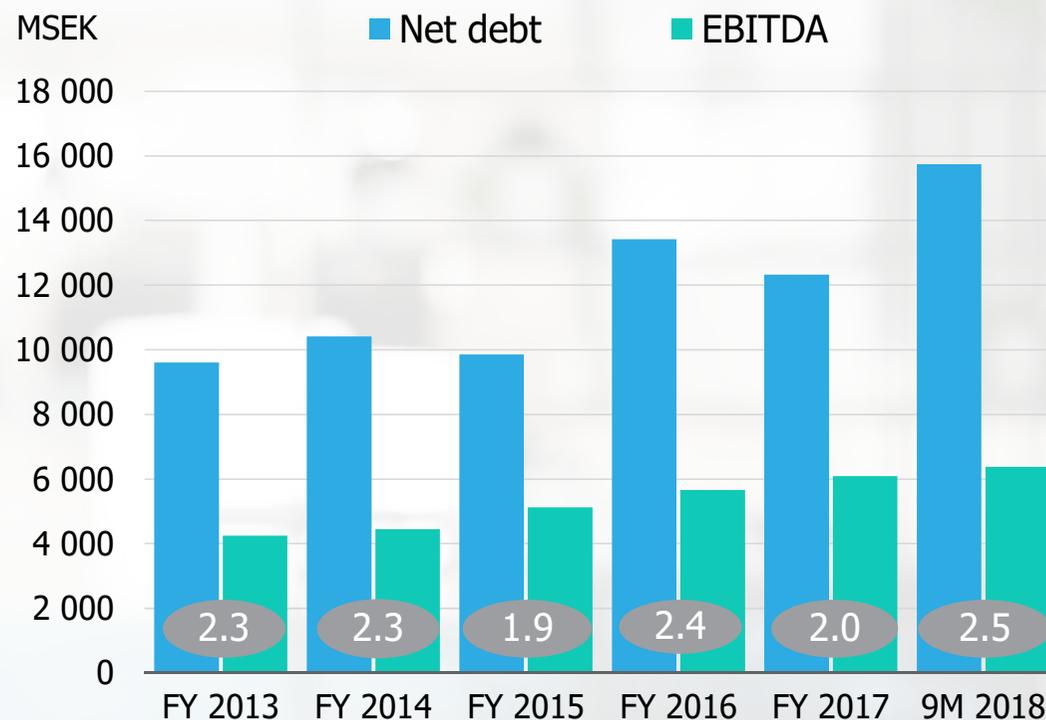
- Comparatives restated for IFRS 15
- Net investments include capex in equipment for solution contracts
- Capital expenditure to be approximately 2% of Group sales on an annual basis
- A few negative impacts in 9M: regulatory change in France, change of invoicing system in Netherlands and interest hike in Argentina causing payment delays
- Strong organic sales growth requires working capital

## Increased net debt, mainly related to acquisitions

MSEK

<b>Net debt Jan 1, 2018</b>	<b>-12 333</b>
Free cash flow	318
Acquisitions	-1 622
IAC	-24
Dividend paid	-1 460
<b>Change in net debt</b>	<b>-2 788</b>
Revaluation	95
Translation	-723
<b>Net debt Sep 30, 2018</b>	<b>-15 749</b>

## Net debt to EBITDA ratio well in line



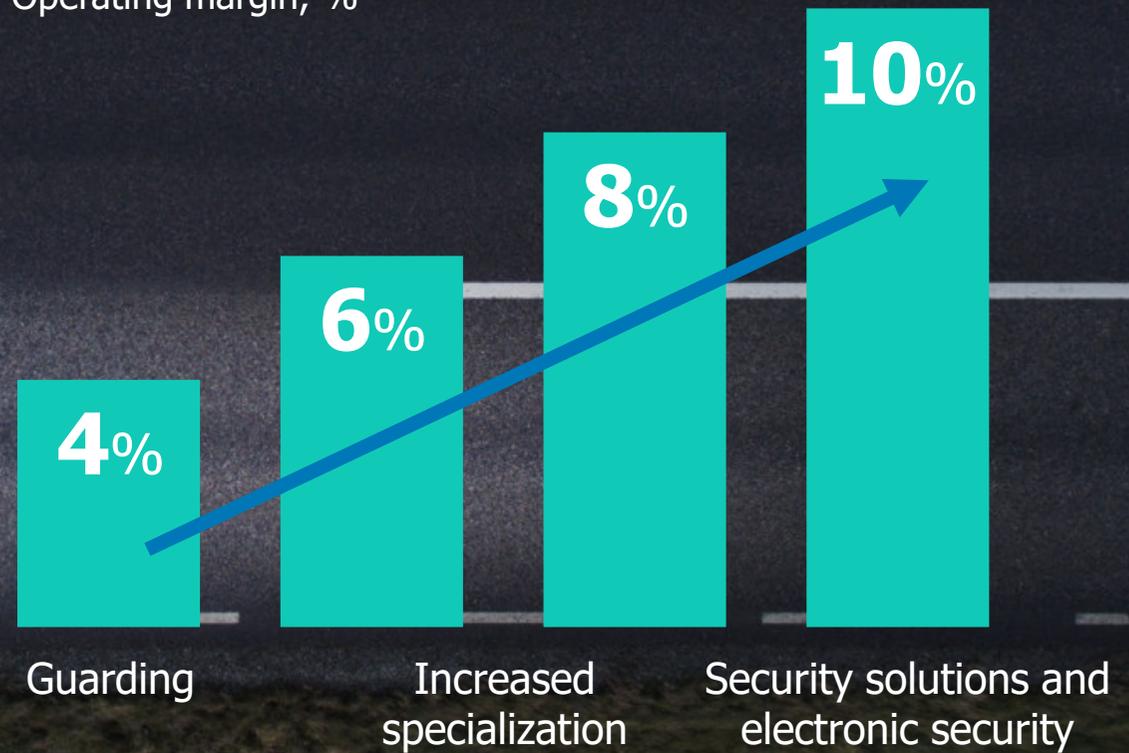
# STRATEGY

Magnus Ahlqvist  
President and CEO

# Security solutions and electronic security Strengthens our position and improves our profit



Operating margin, %



INTERIM REPORT JANUARY-SEPTEMBER 2018

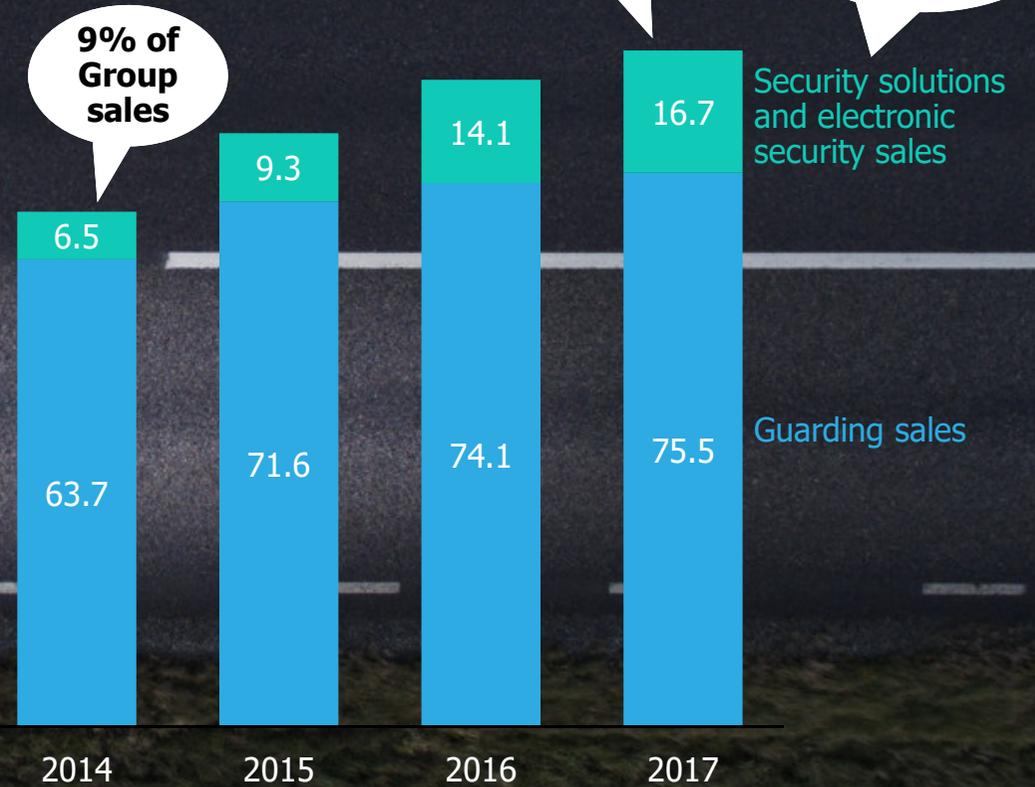
Case  
**Our Aviation business in France**



## Security solutions and electronic security **Executing on our strategy**



**SALES MSEK**



## 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

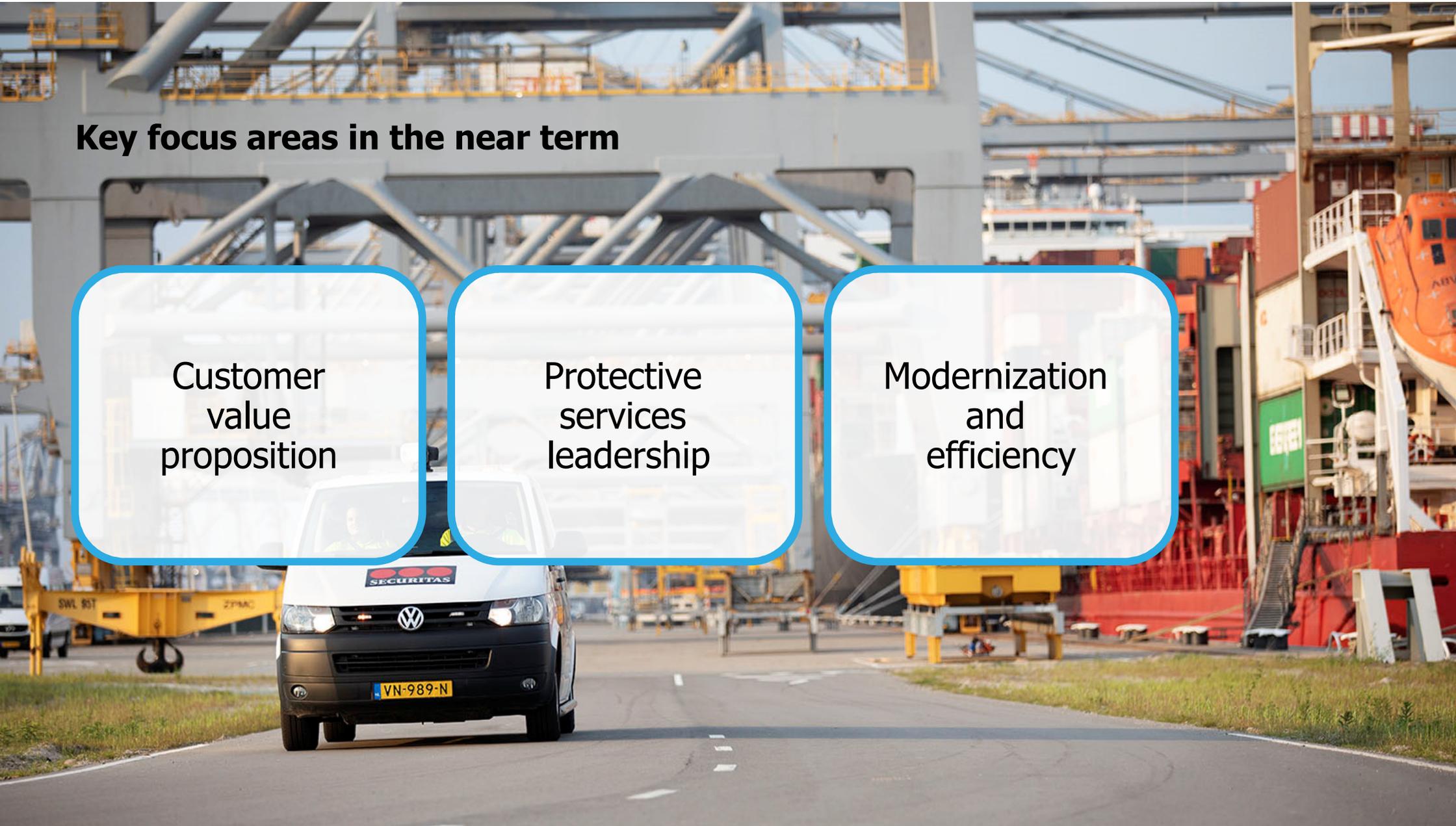


## Key focus areas in the near term

Customer  
value  
proposition

Protective  
services  
leadership

Modernization  
and  
efficiency



# We have a strong platform for future growth



**Leader in Intelligent Services  
Data-driven innovation**

**Leader in Protective services  
Integration of solutions**

**Leader in Security services  
Guarding and security capability**

1990 onwards

2015 onwards

2020 and beyond

# SUMMARY

## 9M and Q3 2018

- Strong organic sales growth: +6%
- EPS improvement: +14% in 9M, +13% in Q3
- Delivery of strategy – solutions and electronic security = 22% real sales growth, 20% of Group sales



Q&A





**THANK  
YOU**

