



FY/Q4 REPORT 2018

Stockholm, February 7, 2019

Magnus Ahlqvist
President and CEO

Bart Adam
CFO



HIGHLIGHTS 2018

Strong growth throughout the year

- Good organic sales growth in all business segments, 6% (5) in FY and 5% (6) in Q4
- Wage cost increases on par with price increases
- Improved operating margin 5.2% (5.1) in FY, 5.5% (5.3) in Q4
- EPS (before IAC) 12% real change in FY
- Two major transformation programs initiated
- items affecting comparability of MSEK -187 in Q4
- FY cash flow generation unsatisfactory
- Proposed dividend SEK 4.40 (4.00)

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

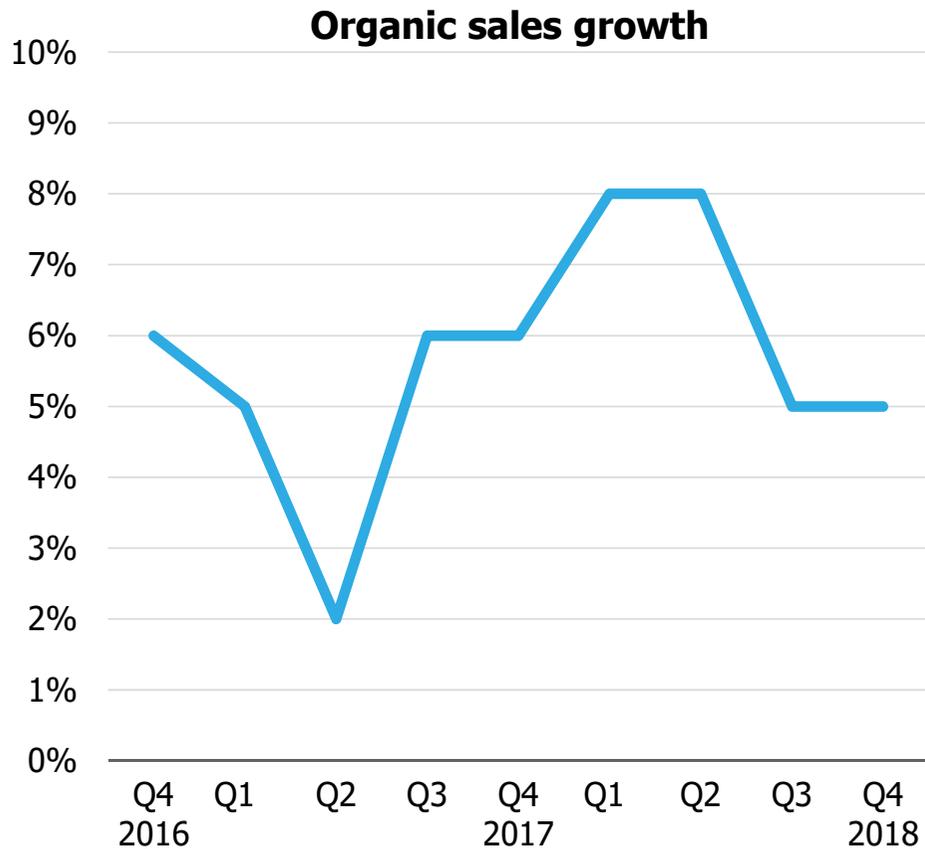
FY Security Solutions and Electronic Security Real sales growth 21% (19)

- Sales BSEK 20.4 (16.7)
- 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**



FY: Organic sales growth 6% (5)

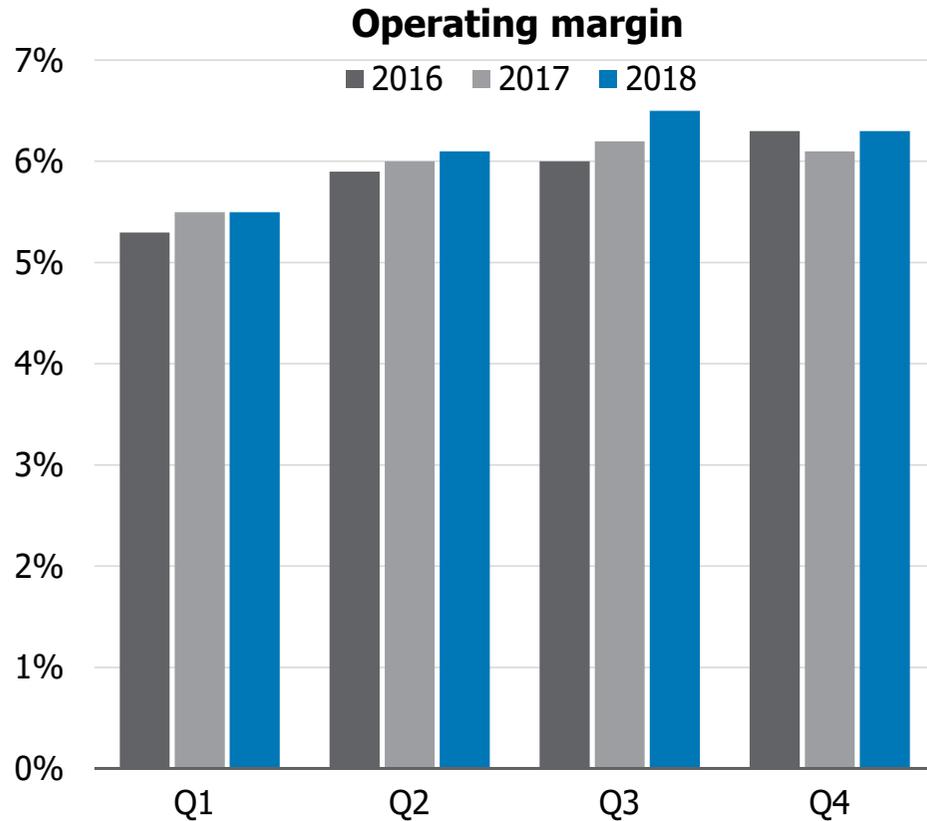
- Organic sales growth 5% (6) in Q4, again on a high comparative
- Good portfolio momentum and solid client retention 91% (91)
- Security solutions and electronic security represented 17% (15) of total sales





Security Services North America

Very good improvement of operating margin both in FY and Q4



FY: Operating margin 6.1% (5.9)

- Operating margin 6.3% (6.1) in Q4
- The operating margin was supported by topline leverage, solid performance in risk management and good momentum of security solutions sales



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

FY: Organic sales growth 4% (2)

- Organic sales growth 3% (4) in Q4
- Strong client retention 93% (91)
- Almost all countries supported the development, especially Belgium, Germany and the guarding business in Turkey
- Lower refugee sales, almost 1% negative impact
- Security solutions and electronic security represented 21% (20) of total sales



Organic sales growth





Security Services Europe Ending the year on a strong note

FY: Operating margin 5.6% (5.6)

- Operating margin 6.3% (6.1) in Q4, an improvement deriving from topline leverage and improved cost control
- As planned, the cost savings program initiated in Q3 had a small positive impact in Q4, but the majority of the savings will be realized throughout 2019



Security Services Ibero-America **Double-digit organic sales growth in Spain in Q4**

FY: Organic sales growth 12% (13)

- Organic sales growth 14% (11) in Q4, driven by double-digit organic sales growth in Spain
- Strong client retention 92% (91)
- Security solutions and electronic security represented 27% (24) of total sales



Organic sales growth

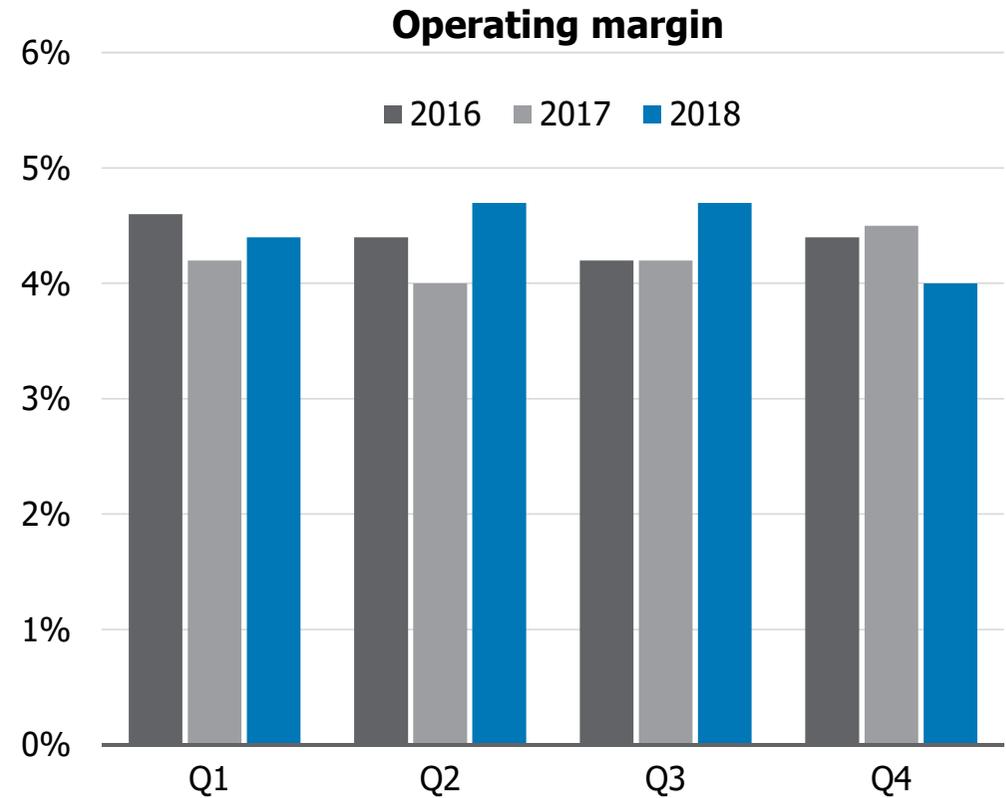


Security Services Ibero-America

Weak Q4, but solid margin development in the full year

FY: Operating margin 4.5% (4.2)

- Operating margin 4.0% (4.5) in Q4
- Decline is due to Argentina. We are not satisfied with the situation in Argentina and have made management changes. We expect continued challenging conditions in the coming quarters.
- Spain showed strong performance throughout the year

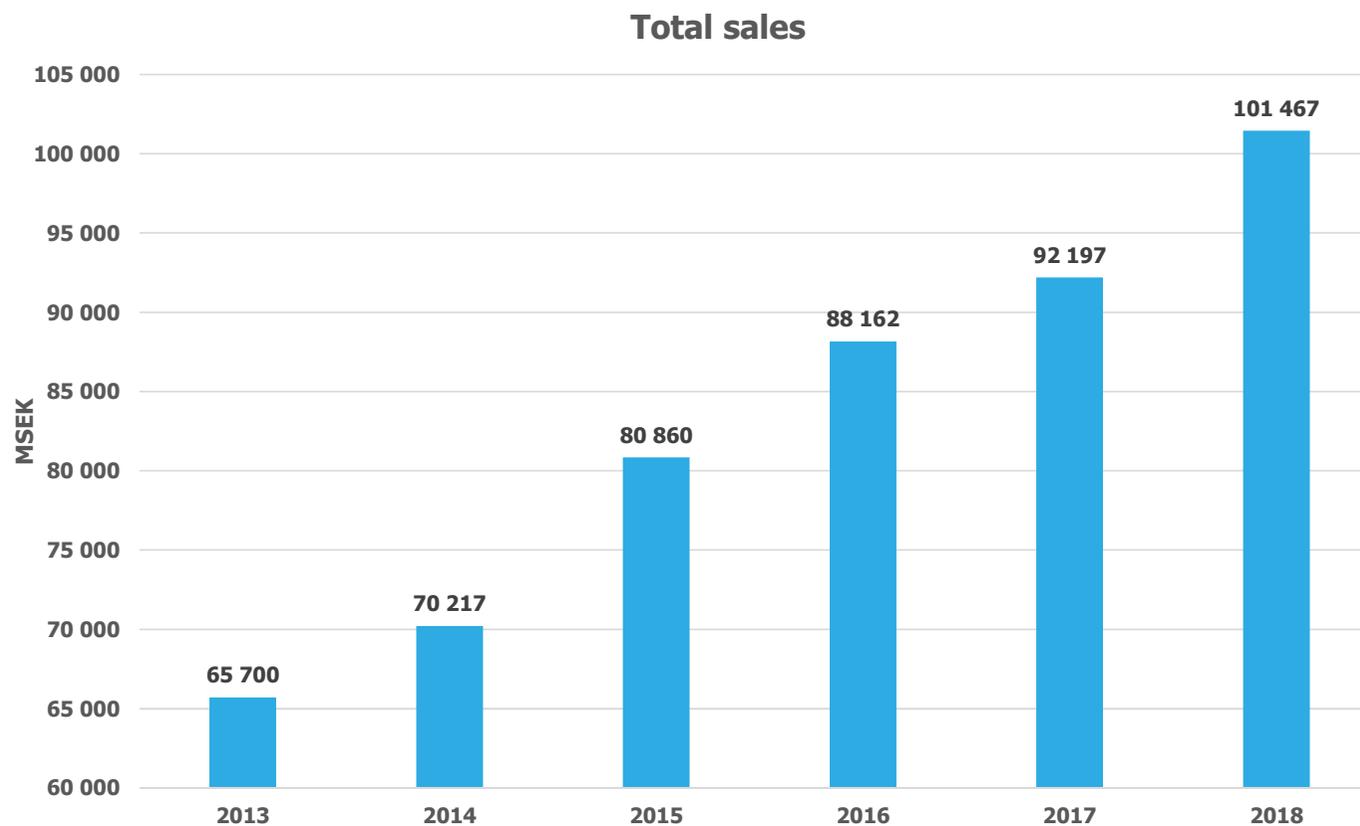


FINANCIALS

Bart Adam
CFO



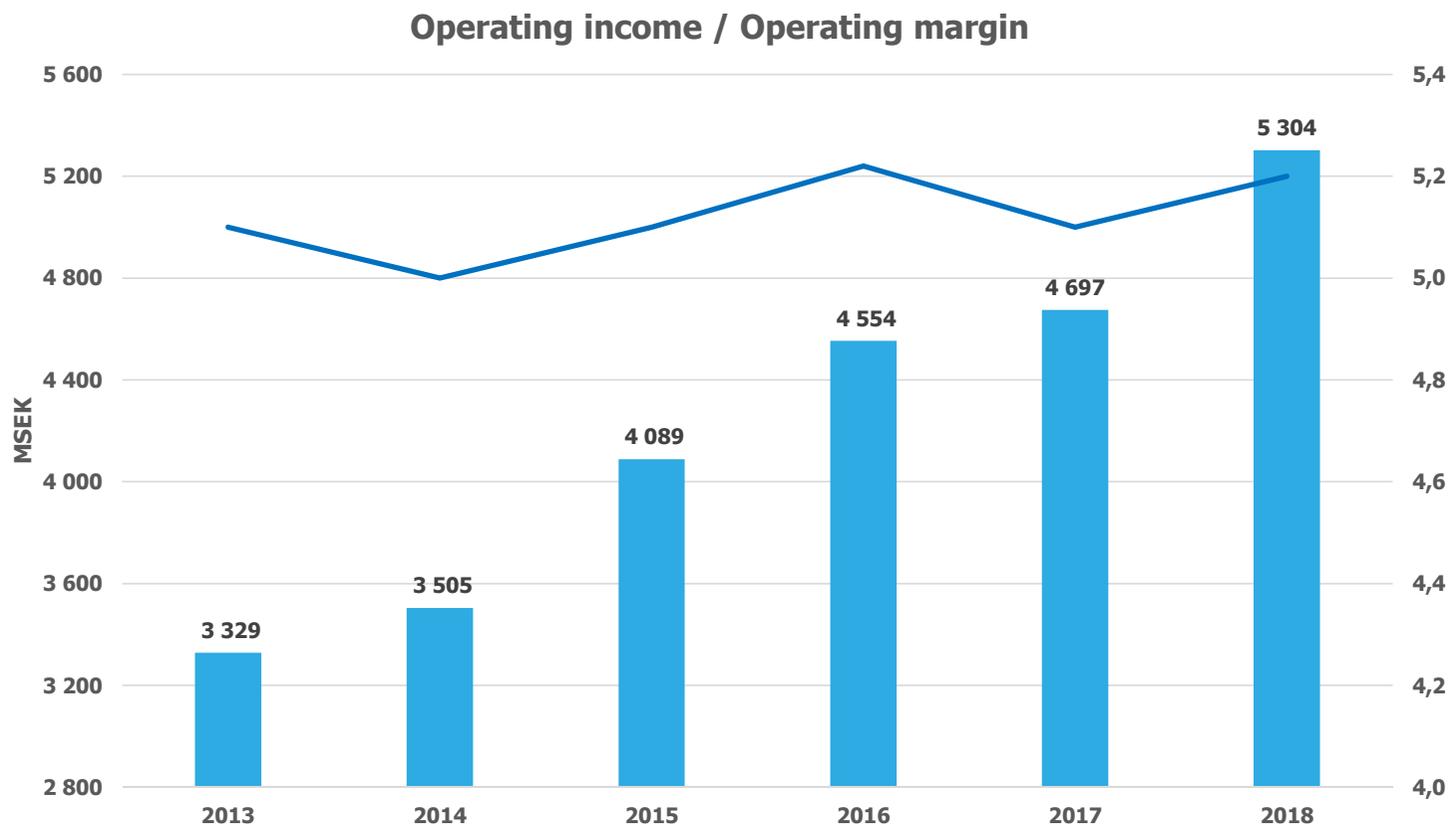
Total sales 2013-2018 Reaching **100 BSEK** in 2018





Operating income and margin 2013-2018

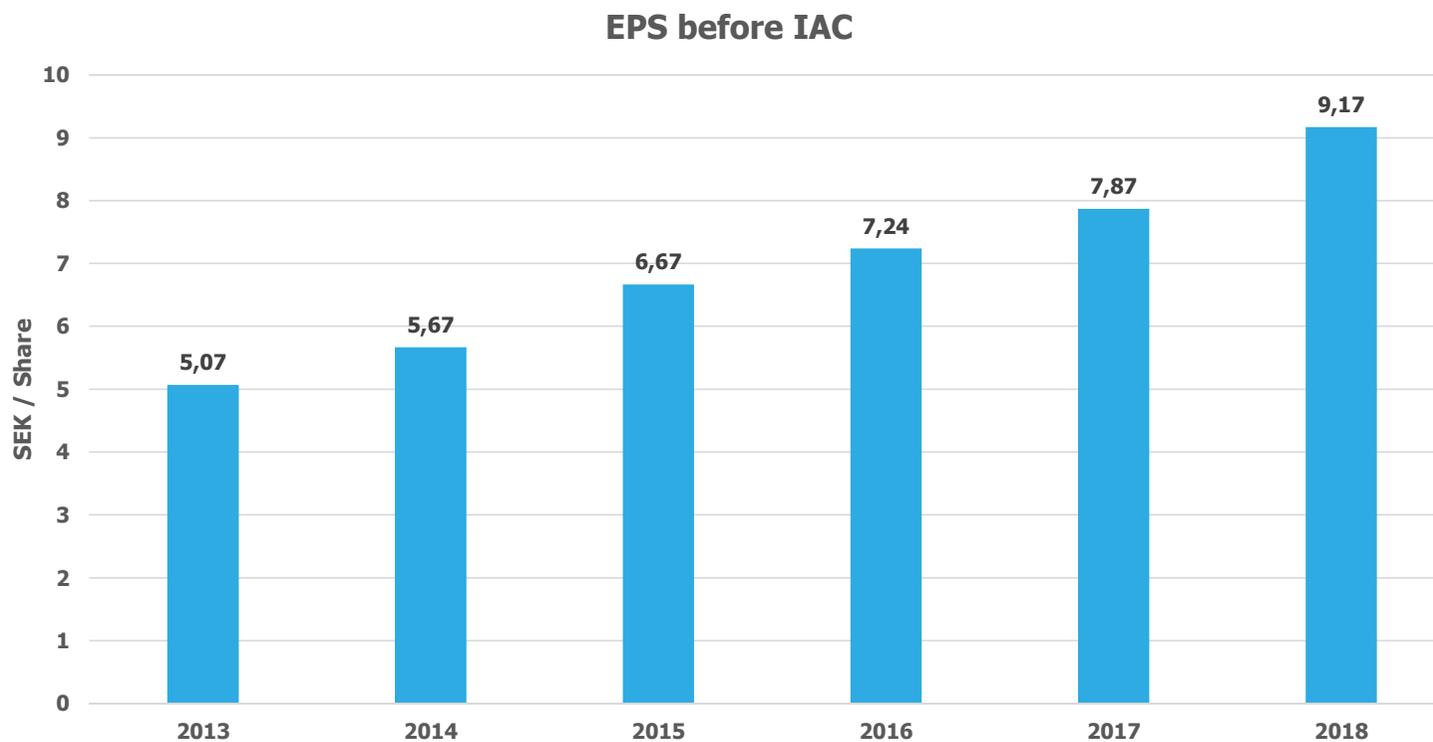
Strong increase





Earnings per share 2013-2018

A solid sustainable development





Financial Highlights

Strong EPS growth of 12% in FY*

MSEK	Q4 2018	Q4 2017	FY 2018	FY 2017
Sales	26 824	24 024	101 467	92 197
<i>Organic sales growth, %</i>	<i>5</i>	<i>6</i>	<i>6</i>	<i>5</i>
Operating income before amort	1 475	1 269	5 304	4 697
<i>Operating margin, %</i>	<i>5.5</i>	<i>5.3</i>	<i>5.2</i>	<i>5.1</i>
Amort of acq related intang assets	-65	-72	-260	-255
Acquisition related costs	-79	-28	-120	-48
Items affecting comparability	-187	-	-455	-
Operating income after amort	1 144	1 169	4 469	4 394
Financial income and expenses	-154	-94	-441	-376
Income before taxes	990	1 075	4 028	4 018
Taxes	-247	-427	-1 007	-1 267
<i>Tax, %</i>	<i>25.0</i>	<i>39.8</i>	<i>25.0</i>	<i>31.5</i>
Net income for the period	743	648	3 021	2 751
EPS, SEK	2.02	1.77	8.26	7.53
EPS, SEK before IAC	2.39	2.11	9.17	7.87

* EPS before items affecting comparability, real change

- As of July 1, 2018, adoption of IAS 29 Hyperinflation accounting
- Acquisition related costs for Kratos MSEK -80 in FY
- Items affecting comparability of MSEK -187 in Q4, relating to the transformation programs
- Financial income and expenses negatively impacted by one-off of MSEK -46 in Q4, related to Argentina
- Our estimate is that the full year Group tax rate in 2019 will increase to around 28.5 percent, mainly due to reversed effects from the US tax reform



Securitas Group Financial highlights 2018

SALES

MSEK 101 467 (92 197)

- Total change 10%
- Real change 8%
(incl. acq. and adj. F/X)

OPERATING INCOME

MSEK 5 304 (4 697)

- Total change 13%
- Real change 9%

EARNINGS PER SHARE

SEK 8.26 (7.53)

- Total change 10%, real 5%
- SEK 9.17 (7.87)** before IAC
- Total change 17%, real 12%

F/X SEK END RATES

	Q418	Q417	%
USD	8.94	8.25	+8.3
EUR	10.25	9.85	+4.0
ARS	0.23	0.45	-47.9



Cash Flow Highlights

Good Q4, but weak cash flow generation in the full year

MSEK	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating income before amortization	1 475	1 269	5 304	4 697
Net investments in non-current assets	-120	-163	-495	-363
Change in accounts receivable	-387	57	-1 575	-449
Change in other operating capital employed	914	650	-62	-48
Cash flow from operating activities	1 882	1 813	3 172	3 837
<i>Cash flow from operating activities, %</i>	<i>128</i>	<i>143</i>	<i>60</i>	<i>82</i>
Financial income and expenses paid	-99	-40	-432	-425
Current taxes paid	-216	-267	-856	-1 122
Free cash flow	1 567	1 506	1 884	2 290
<i>Free cash flow/net debt (annual target 0.20)</i>	<i>-</i>	<i>-</i>	<i>0.13</i>	<i>0.19</i>

- Net investments include capex in equipment for solution contracts
- Capital expenditure approximately 2% of Group sales on an annual basis
- AR - a few negative impacts: the increase of DSO in primarily SSNA, change of invoicing system in Netherlands, and payment delays in Argentina
- Unsatisfactory development – analysis ongoing
- Prepared for IFRS 16 implementation

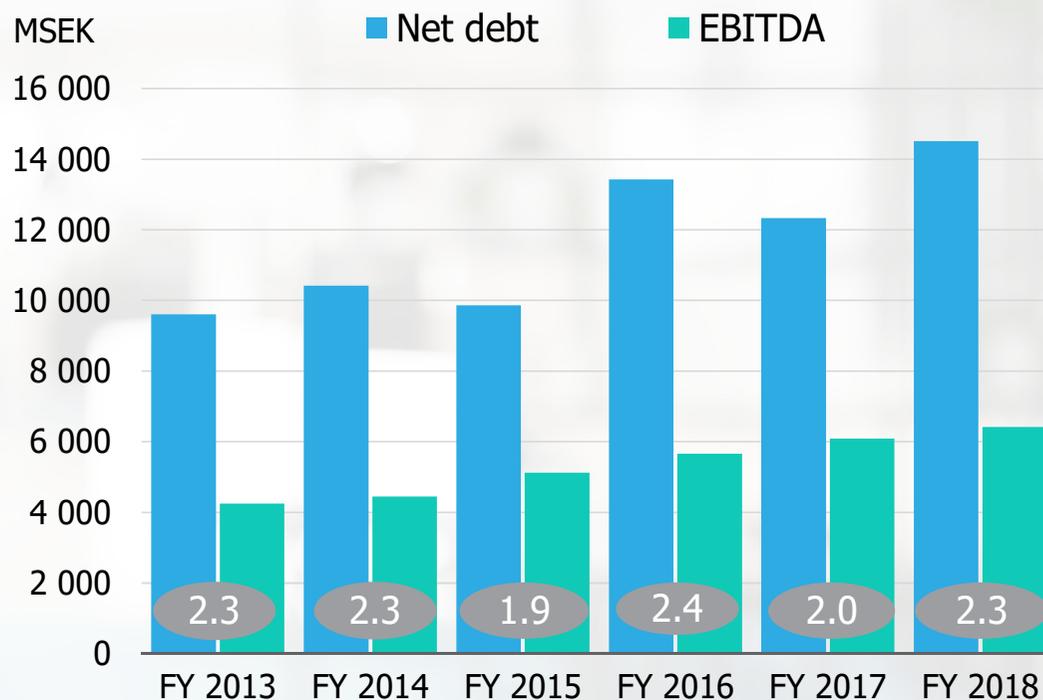
Net debt development

Increased net debt, mainly related to acquisitions

MSEK

Net debt Jan 1, 2018	-12 333
Free cash flow	1 884
Acquisitions	-1 755
IAC	-117
Dividend paid	-1 460
Change in net debt	-1 448
Revaluation	26
Translation	-758
Net debt Dec 31, 2018	-14 513

Net debt to EBITDA ratio well in line



TWO MAJOR TRANSFORMATION PROGRAMS INITIATED

- *Program one:* **Modernizing our global IS/IT foundation and organization**

IT costs in the Group expected to be reduced by MSEK 300 upon completion in 2022

- *Program two:* **Business transformation in Security Services North America**

The operating margin in Security Services North America is expected to be supported up to 0.5 percentage points by 2022

- Future items affecting comparability of app. MSEK -650 and capex of app. MSEK 550 to be recognized in 2019-2020



STRATEGY

Magnus Ahlqvist
President and CEO

On the journey of becoming the leader in Intelligent Security Services...

We will take the position as the global intelligent security company, leading the transformation of the security industry from low-tech to high-tech

**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

... we are launching two core programs to accelerate the transformation

Program one: A multi-year roadmap to consolidate, rationalize and modernize our IS/IT delivery

- Global IS/IT organization and collaboration platform
- Shared data centers and cloud platforms
- **IT costs in the Group is expected to be reduced by MSEK 300 upon completion in 2022**

Program two: A business transformation in Security Services North America

- A modern platform for people management, workforce management and finance
- Streamlined core operational processes and modernized ways of working
- **The operating margin in Security Services North America is expected to be supported up to 0.5 percentage points by 2022**



Why is intelligent security relevant?

By generating and capturing large data sets from multiple sources and transforming this information into intelligence we will **enhance existing operations and create new business opportunities**

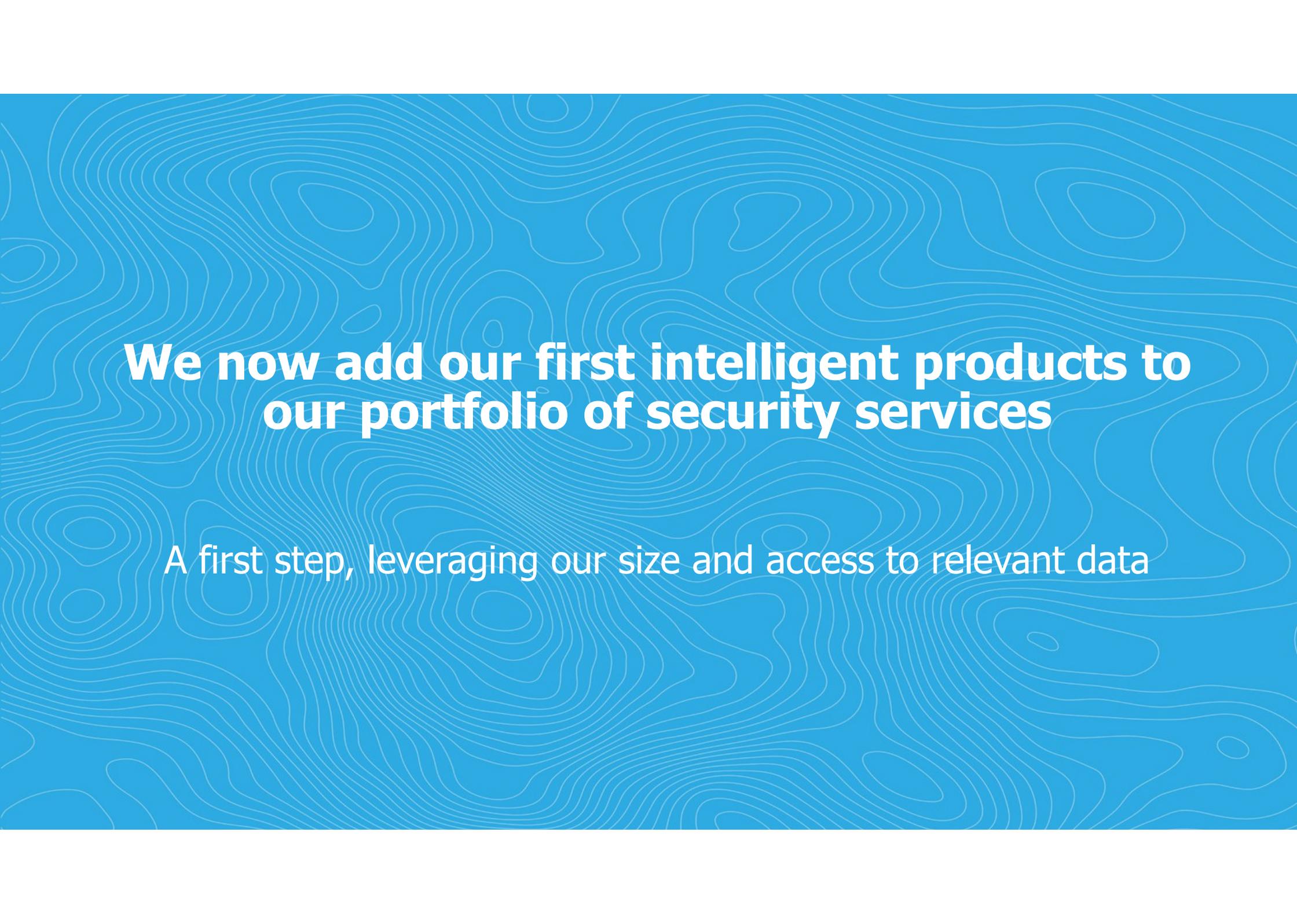
The officer of tomorrow
Technology enhances officers capabilities

The future of sensors
Built in intelligence to analyze complex situations

Crime prediction
Advanced analysis of real-time data from a multitude of sources

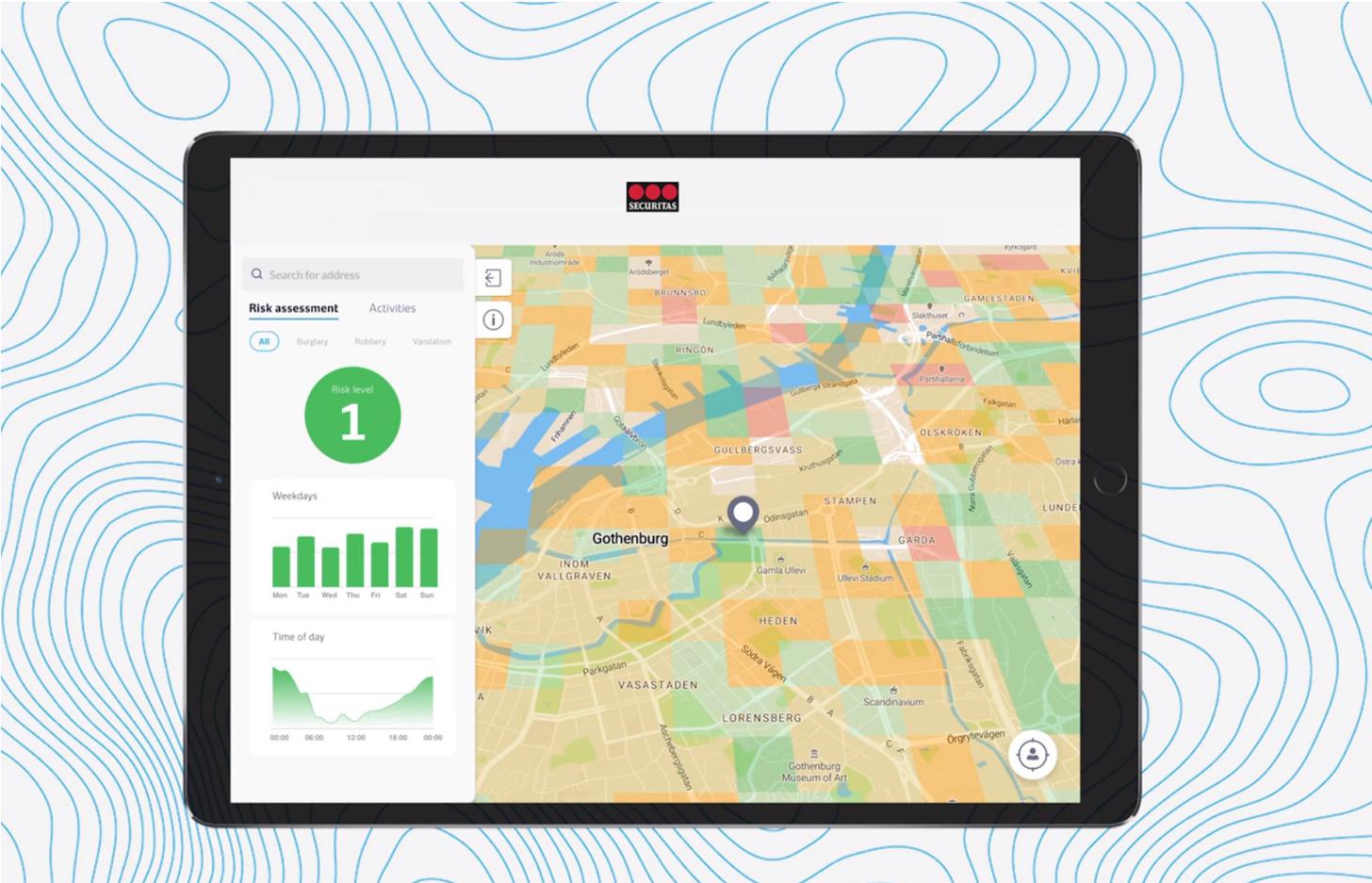
The intelligent Securitas Operations Center (SOC)
Machine learning to automate the best response to an incident





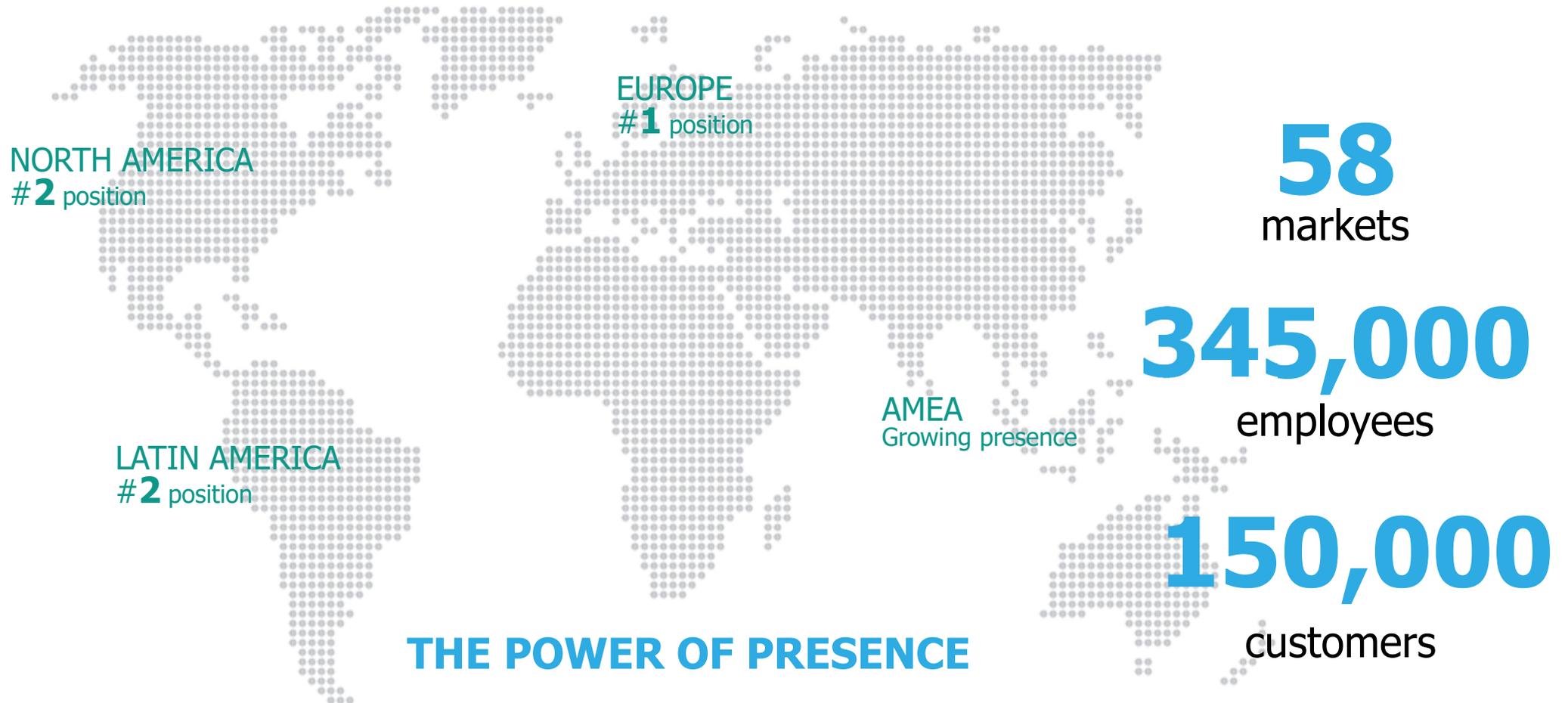
We now add our first intelligent products to our portfolio of security services

A first step, leveraging our size and access to relevant data





Leveraging our presence and scale - to data-driven intelligent products



Key focus areas right now

Customer
value
proposition

Protective
services
leadership

Modernization
and
efficiency



SUMMARY

FY 2018

- Strong organic sales growth: +6%
- EPS improvement: +12%
- Delivery of strategy – solutions and electronic security = 21% real sales growth, 20% of Group sales
- Important transformation programs initiated





**THANK
YOU**

