

Interview with Alf Göransson published in the Swedish financial newspaper Dagens Industri on October 4, 2014.

TRANSLATION TO ENGLISH

WITH AN AIR OF CERTAINTY. Securitas' CEO Alf Göransson is convinced that the company can increase its share of security solutions and technology to 18 percent by the end of 2015. "In principle, this will be organic growth," he says.

"We are now remodeling Securitas"

Technological development is about to change the foundations of the security industry and Alf Göransson, CEO of Securitas, has a clear vision of what will happen to those without the strength to make investments:

"They won't survive," he says.

You claim that the security industry is undergoing a paradigm shift – what do you mean by that?

"Labor has become more expensive, while technology is becoming better and less expensive, and with 4G networks, new possibilities for transmitting images and films are opening up. This enables us to change the service content and offer better security at lower cost, which is an enormous shift in those countries where salary costs are relatively high. Added to this is the new technology of video analysis and intelligent cameras, which, in simple terms, means that we can discover many burglaries before they occur.

"This combination creates a paradigm shift and a brilliant opportunity for those who are alert and bold and have the strength to make investments in the technology. Those who do nothing will not survive – when it will happen is just a matter of time, but it won't be possible to simply sell man hours."

You sound more convinced now than when you described your plans at last year's capital markets day.

"I was already quite convinced three years ago when we submitted a bid for Niscayah. We then had to proceed with plan B and we now have more than 2,000 people working with technology and related services. The more we work on this, the more convinced we are that we are doing the right thing. It is an enormous transformation that is moving faster than most people think and I am more certain than ever that it is important to be at the forefront."

It also sounds like a good opportunity for technology companies to break into the industry and add an element of security as a supplementary service. Are you seeing any tendencies of this sort?

"Not really. Of course, it may happen, but to date it is only small companies with a strong technology focus that are adding guard services as an extra. They don't have the same level of credibility if they are unable to take overall responsibility because guards are crucial to the value of the service. If a guard doesn't arrive quickly, it is not of much use that the alarm goes off, and we have a unique advantage in our high density of guards."

Your goal is to increase the proportion of security solutions and technology to 18 percent by the end of 2015 and at mid-year you had achieved 9 percent. Can you manage it without acquisitions?

“We believe that we can manage 18 percent. Small acquisitions may be made, but in principle, the growth will be organic. However, much depends on what happens in the US at the end of the year when the health reform comes into force. About 60 percent of our portfolio is in line with the new rules or, in other cases, we have reached an agreement with the customer to raise the price or deploy a new technical solution. Now 40 percent remains to be completed before mid-year – it’ll be tough, but we need to make our target.”

What does the technology shift mean for you in terms of tying up capital and investments?

“It means that we must have a balance sheet that can withstand the investments in technology. We own the technology and the customer pays it off over the duration of the contract. Our assessment is that we need to make additional investments of about MSEK 400 per year to achieve our goal. We will finance this through our free cash flow and by reducing the pace of acquisitions.”

Regarding the acquisitions you want to make nonetheless, where are you looking for those?

“Purchasing security companies in mature markets is not on the cards, but we are seeking small and medium-size companies that fit with our technology strategy. In certain new markets, we can even envisage buying security companies to be able to serve our large, global clients. About 10-15 countries are on our wish list.”

Such as?

“We don’t have a presence in Italy and we would like to be in Russia, but that is not permitted today. South Korea, Malaysia, the Philippines, Australia and Brazil are other examples.”

You have had a long and difficult time in Spain and for the most recent quarter, growth was negative at 8 percent. When will you see light at the end of the Spanish tunnel?

“The Spanish economy has turned around, they are on their way out of the crisis. But the turnaround is being led by the export industry and not by the domestic economy, and our largest segments are the retail sector and banking, which are still having a difficult time. The situation will improve, but it will take time before we can benefit from it and I don’t want to put any figure on when we will present growth.”

You have been CEO of Securitas since 2007. Assuming you achieve the 18 percent target at the end of next year, will you then set a new target or will you change jobs?

“Our entire focus is now on the 18 percent, but the potential is infinitely greater. When we have reached this target, we will need to set a new one.”

Which you will achieve?

“Definitely, it is more exciting and fascinating to be in the security industry than it has been for a long time. We are turning Securitas into something completely different to what it was before. It takes money to do it in the short term, but if you believe what you are doing is right, you can take a few punches. And we won’t even consider the alternative.”

Facts

Alf Göransson

Born: 1957.

CEO of Securitas since 2007.

Former president of NCC and Svedala and business area manager for Cardo Rail.

Chairman of Loomis, Board member of Hexpol and Axel Johnson.

Securitas

Securitas is an international security giant, with operations in 52 countries and more than 300,000 employees.

The company focuses mainly on guarding after hiving off such subsidiaries as Loomis, Niscayah and Securitas Direct, but an adjustment to greater technology content is in progress.

Largest owner is Gustaf Douglas and family, followed by Melker Schörling and family.