

A close-up portrait of a woman with dark hair, smiling slightly, occupies the left half of the image. The background is a dark blue gradient.

# FY/Q4 REPORT 2019

Stockholm, February 6, 2020

Magnus Ahlqvist  
President and CEO

Bart Adam  
CFO



# HIGHLIGHTS FY/Q4 2019

## A year of transformation

- 4% (6) organic sales growth in FY, 2% (5) in Q4
- Operating income improvement +3% real change in 2019
- Operating margin unchanged in FY at 5.2% (5.2), and declined in Q4 to 5.3% (5.5)
- Price and wage slightly unbalanced in 2019
- Strong operating and free cash flow in 2019, but remains a focus area in all business segments
- Proposed dividend SEK 4.80 (4.40)



## Security Solutions and Electronic Security Important acquisitions recently finalized



### Security Solutions and Electronic Security

#### Real sales growth 10% (21)

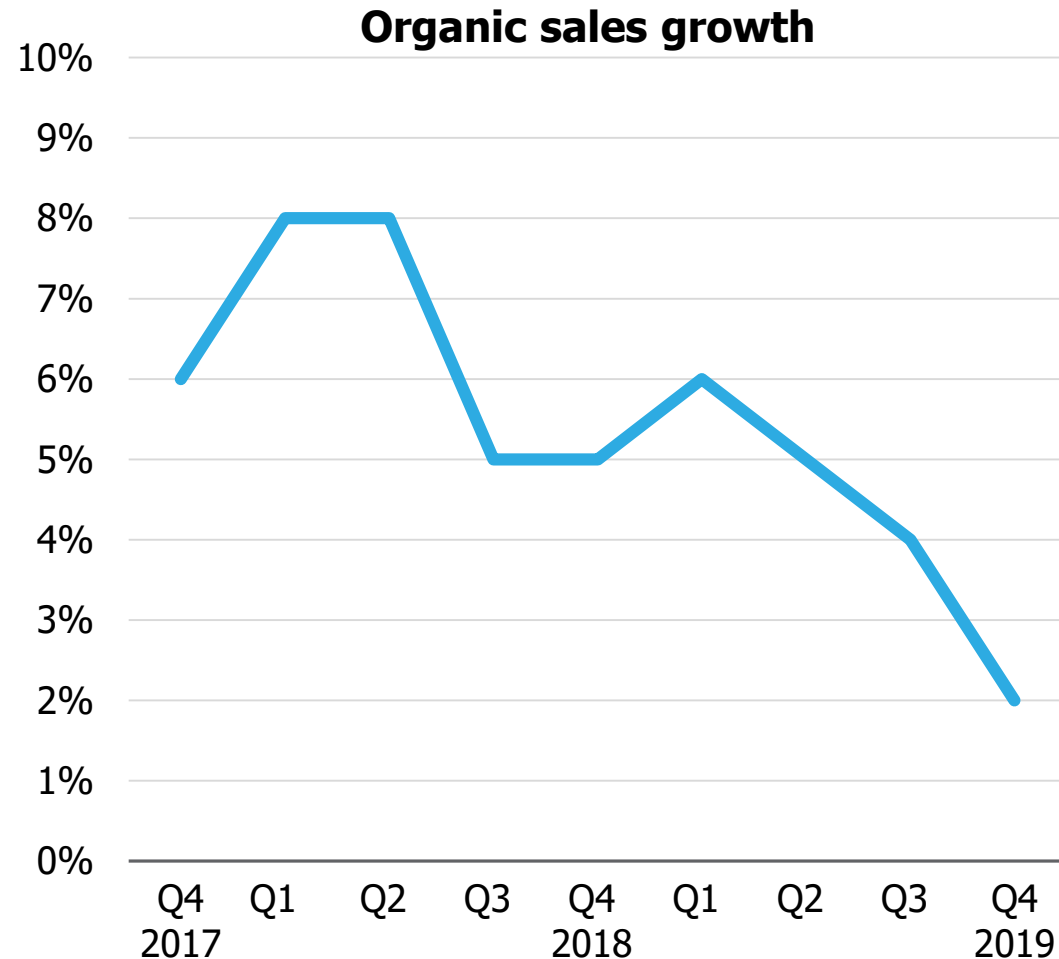
- Sales MSEK 23 290 (20 440)
- Two important acquisitions of electronic security companies finalized, Fredon Security in Australia and Techco Security in Spain
- We continue to look for electronic security opportunities
- Our ambition is the double the security solutions and electronic security business to BSEK 40 by 2023

# Security Solutions and Electronic Security case **A security solution for the National Gallery in London**



# Security Services North America

## Temporary decline in the fourth quarter



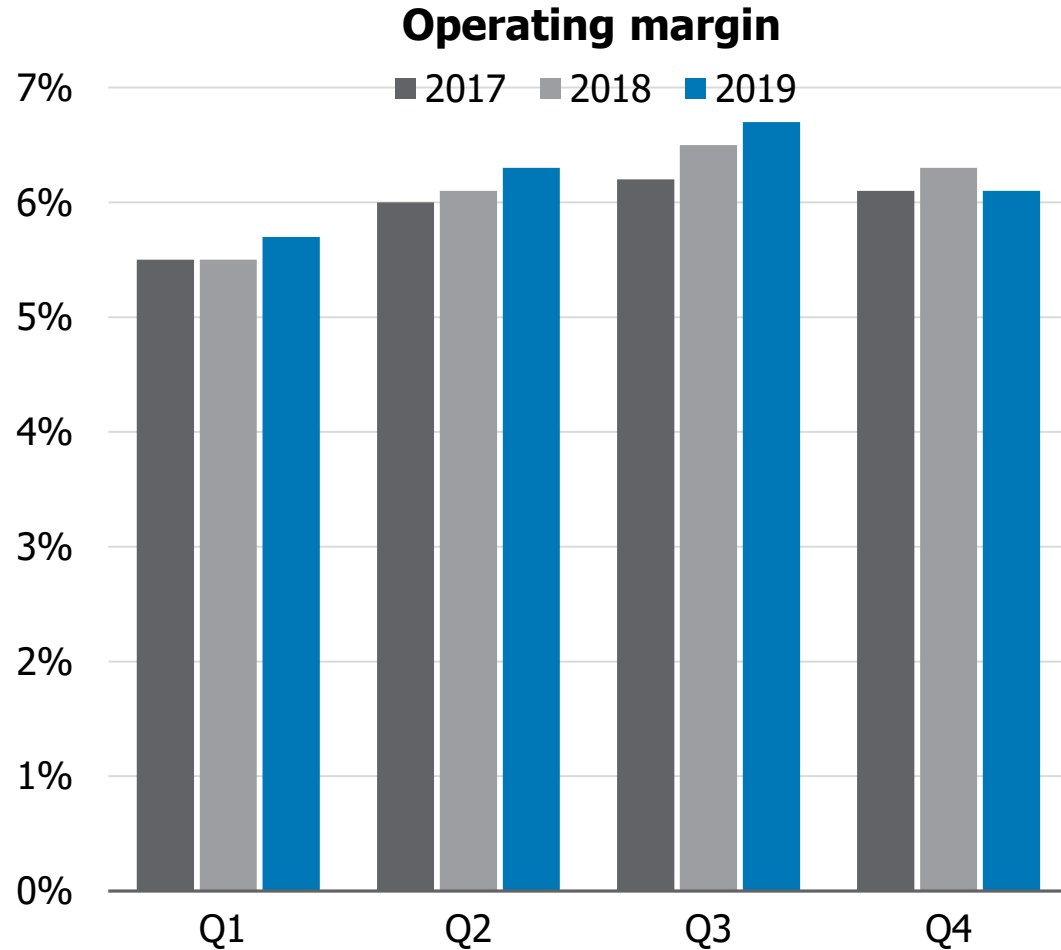
### FY: Organic sales growth 4% (6)

- 2% (5) organic sales growth in Q4. A temporary decline in critical infrastructure services impacted by -1 percentage point
- Client retention 90% (91)
- Main contribution from the five geographical regions and Pinkerton Corporate Risk Management
- Security solutions and electronic security represented 18% (17) of total sales in 2019



## Security Services North America

# Improved operating margin in the FY, decline in Q4



### FY: Operating margin 6.2% (6.1)

- The operating margin was supported primarily by the five geographical regions and Pinkerton Corporate Risk Management
- Operating margin in Q4 declined to 6.1% (6.3), due to a temporary decline in critical infrastructure services, and supported by the five geographical regions and Securitas Electronic Security



# Security Services Europe

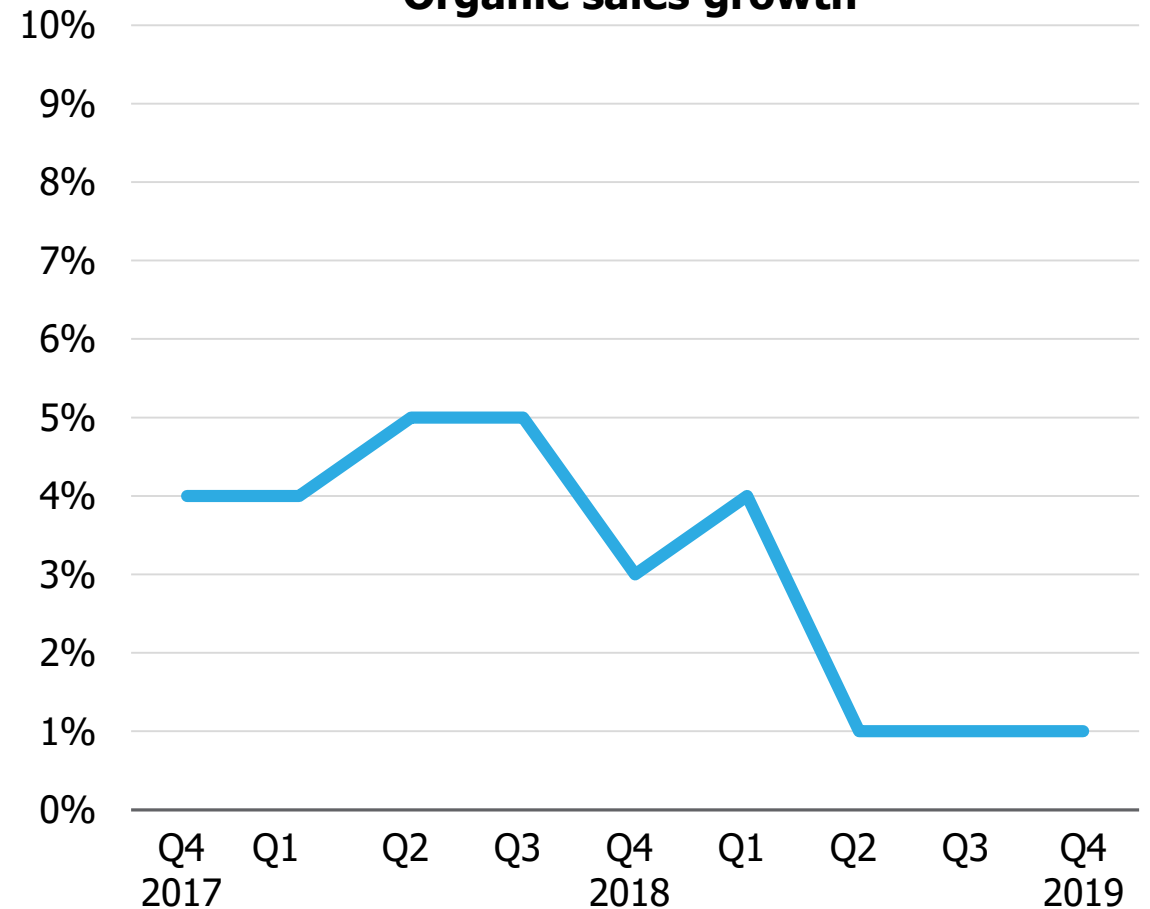
## Continued impact on organic sales growth

### FY: Organic sales growth 2% (4)

- Q4 organic sales growth 1% (3), mainly due to previously communicated contract losses in France and the UK
- Main contribution from Belgium, Germany, the Nordic countries and Turkey
- Client retention declined to 90% (93)
- Security solutions and electronic security represented 22% (21) of total sales



### Organic sales growth

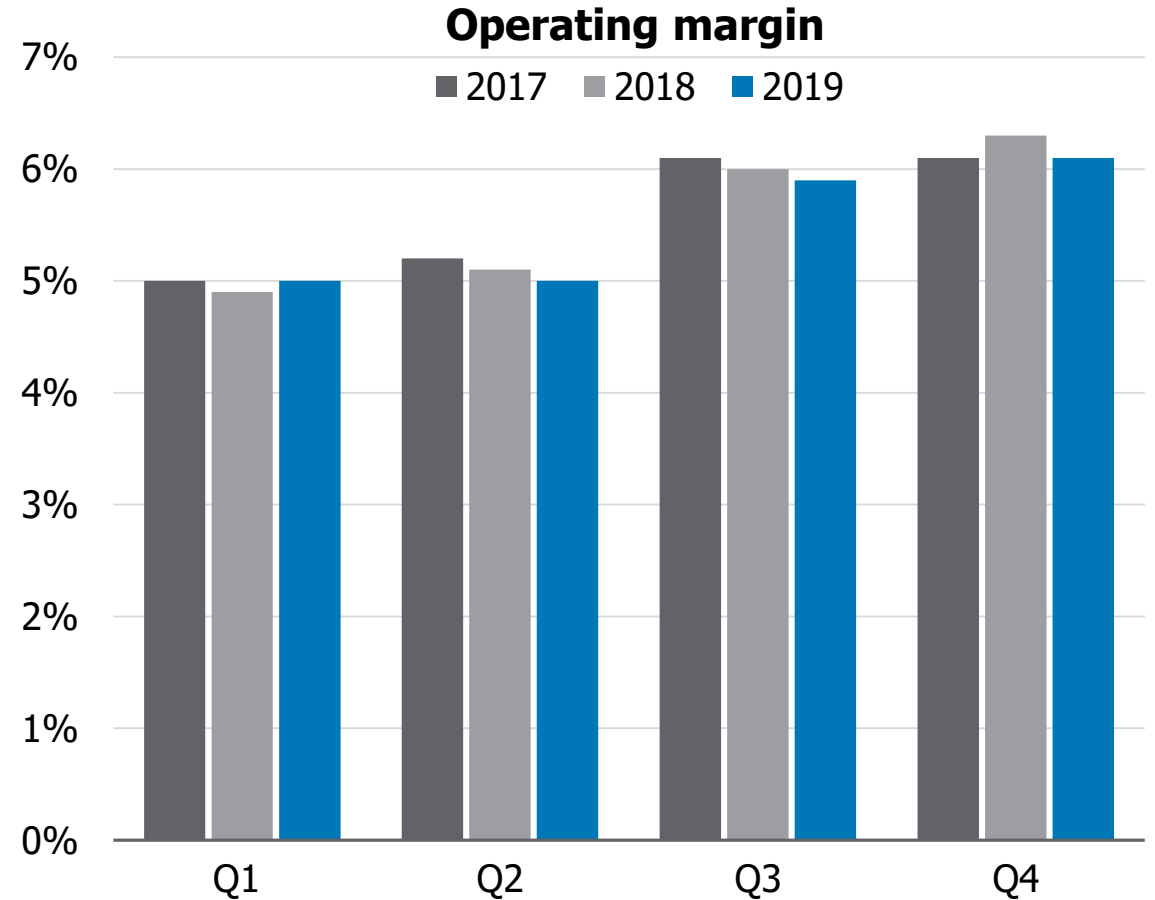


## Security Services Europe

# Operating margin decline in Q4 as well as in the full year

### FY: Operating margin 5.5% (5.6)

- Operating margin 6.1% (6.3) in Q4
- Hampering effects primarily from Sweden, Belgium and the Netherlands
- The operating margin was supported by final gains related to the settlement of existing defined benefit pension plans in Norway, and by the cost savings program initiated during 2018



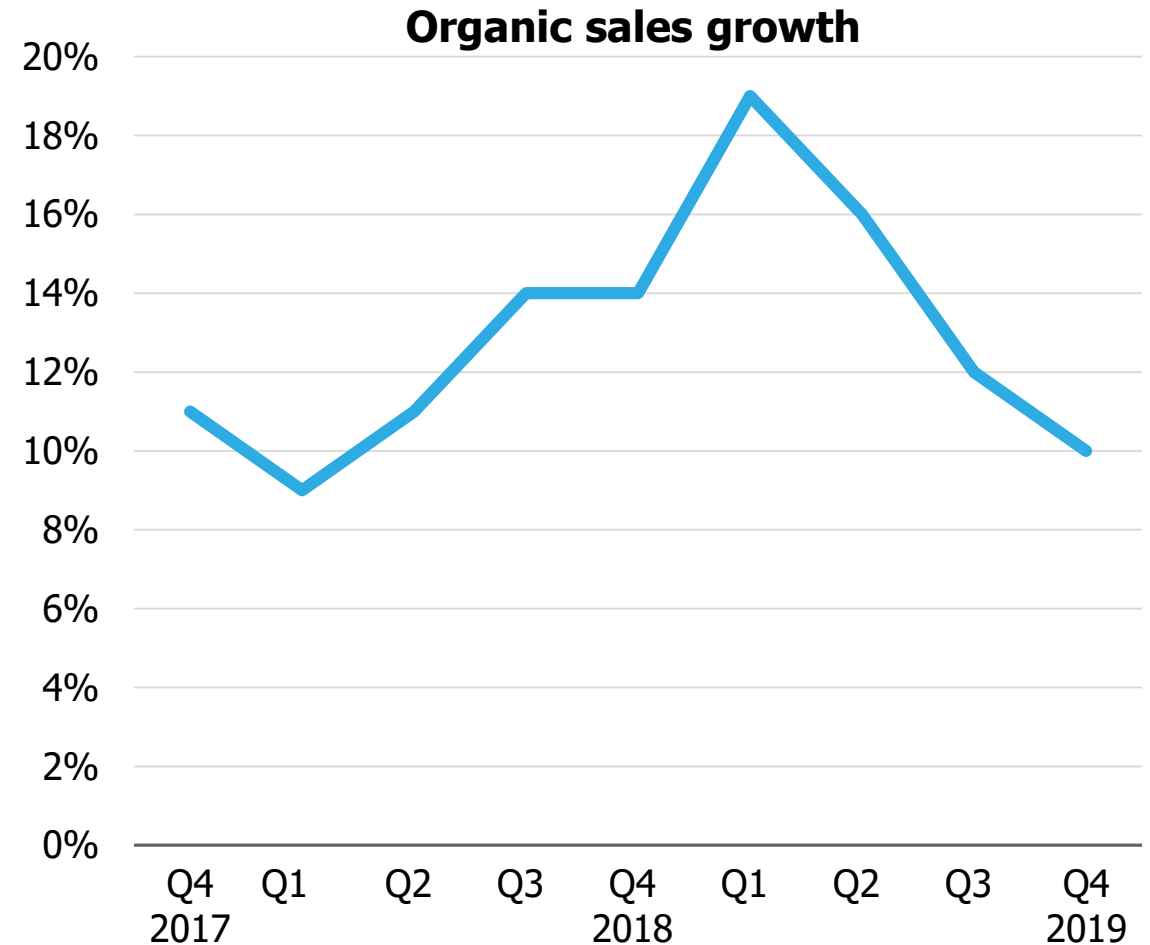


## Security Services Ibero-America

# Good organic sales growth in 2019, with Spain as key driver

### FY: Organic sales growth 14% (12)

- Organic sales growth declined to 10% (14) in Q4, a development primarily related to Spain where reductions of short-term security solutions contracts had a hampering effect
- Client retention was 92% (92)
- Security solutions and electronic security represented 27% (27) of total sales



## Security Services Ibero-America

# Improved operating margin in the FY as well as in Q4

### FY: Operating margin 4.7% (4.5)

- Operating margin in Q4 improved to 4.8% (4.0). The weak comparative related to Argentina
- The improvement related primarily to Spain
- The operating margin was burdened by Peru
- Argentina investigation concluded



# FINANCIALS

Bart Adam

CFO

## Financial Highlights

**Higher finance net and tax rate impacting bottom line**

MSEK	Q4 2019	Q4 2018	2019	2018
<b>Sales</b>	<b>28 257</b>	<b>26 824</b>	<b>110 899</b>	<b>101 467</b>
<i>Organic sales growth, %</i>	2	5	4	6
<b>Operating income before amort</b>	<b>1 497</b>	<b>1 475</b>	<b>5 738</b>	<b>5 304</b>
<i>Operating margin, %</i>	5.3	5.5	5.2	5.2
Amort of acq related intang assets	-68	-65	-271	-260
Acquisition related costs	-28	-79	-62	-120
Items affecting comparability	-83	-187	-209	-455
<b>Operating income after amortization</b>	<b>1 318</b>	<b>1 144</b>	<b>5 196</b>	<b>4 469</b>
Financial income and expenses	-140	-154	-578	-441
<b>Income before taxes</b>	<b>1 178</b>	<b>990</b>	<b>4 618</b>	<b>4 028</b>
<i>Tax, %</i>	26.0	25.0	27.2	25.0
<b>Net income for the period</b>	<b>872</b>	<b>743</b>	<b>3 362</b>	<b>3 021</b>
<b>EPS, SEK</b>	<b>2.38</b>	<b>2.02</b>	<b>9.20</b>	<b>8.26</b>
<b>EPS, SEK before IAC</b>	<b>2.54</b>	<b>2.39</b>	<b>9.61</b>	<b>9.17</b>

- As of Jan 1, 2019, adoption of IFRS 16 Leases accounting, impacting income before taxes by MSEK -68 in 2019

MSEK	Oct-Dec 2019	Jan-Dec 2019
Operating income before amortization*	20	80
Financial expenses	-37	-148
<b>Income before taxes</b>	<b>-17</b>	<b>-68</b>
Deferred taxes	6	19
<b>Net income for the period</b>	<b>-11</b>	<b>-49</b>

- Items affecting comparability of MSEK -209 in 2019, relating to the transformation programs
- Financial income and expenses negatively impacted through adoption of IFRS 16 Leases and increased net debt

# Securitas Group Financial highlights 2019

## SALES

**MSEK 110 899 (101 467)**

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

## OPERATING INCOME

**MSEK 5 738 (5 304)**

- Total change 8%
- Real change 3%

## EARNINGS PER SHARE

**SEK 9.20 (8.26)**

- Total change 11%, real 6%

**SEK 9.61 (9.17)** before IAC

- Total change 5%, real -1%
- IFRS 16 and increased tax rate affected negatively -4.5 pp, adjusted real change 4%

## F/X SEK END RATES

	Q419	Q418	%
<b>USD</b>	9.32	8.94	+4.3
<b>EUR</b>	10.43	10.25	+1.8
<b>ARS</b>	0.16	0.23	-30.0

## Cash Flow Highlights

**Strong cash flow, continued focus on DSO**

<b>MSEK</b>	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
<b>Operating income before amortization</b>	<b>1 497</b>	<b>1 475</b>	<b>5 738</b>	<b>5 304</b>
Net investments in non-current assets	-34	-121	-320	-495
Change in accounts receivable	-145	-387	-239	-1 575
Change in other operating capital employed	535	915	-277	-62
<b>Cash flow from operating activities</b>	<b>1 853</b>	<b>1 882</b>	<b>4 902</b>	<b>3 172</b>
<i>Cash flow from operating activities, %</i>	<i>124</i>	<i>128</i>	<i>85</i>	<i>60</i>
Financial income and expenses paid	-58	-100	-443	-432
Current taxes paid	-367	-216	-1 191	-856
<b>Free cash flow</b>	<b>1 428</b>	<b>1 566</b>	<b>3 268</b>	<b>1 884</b>
<i>Free cash flow/net debt (annual target 0.20)</i>	<i>-</i>	<i>-</i>	<i>0.19</i>	<i>0.13</i>

- Net cash flow not impacted from IFRS 16 Leases
- Net investments of MSEK –320 in FY 2019 results from
  - investments of MSEK –3 010 and
  - reversal of depreciation of MSEK 2 690.
- IFRS 16 Leases impacted the investments with MSEK –970 and the reversal of depreciation with MSEK 890
- Capital expenditure (excluding IFRS 16 Leases) approximately 2% of Group sales on an annual basis

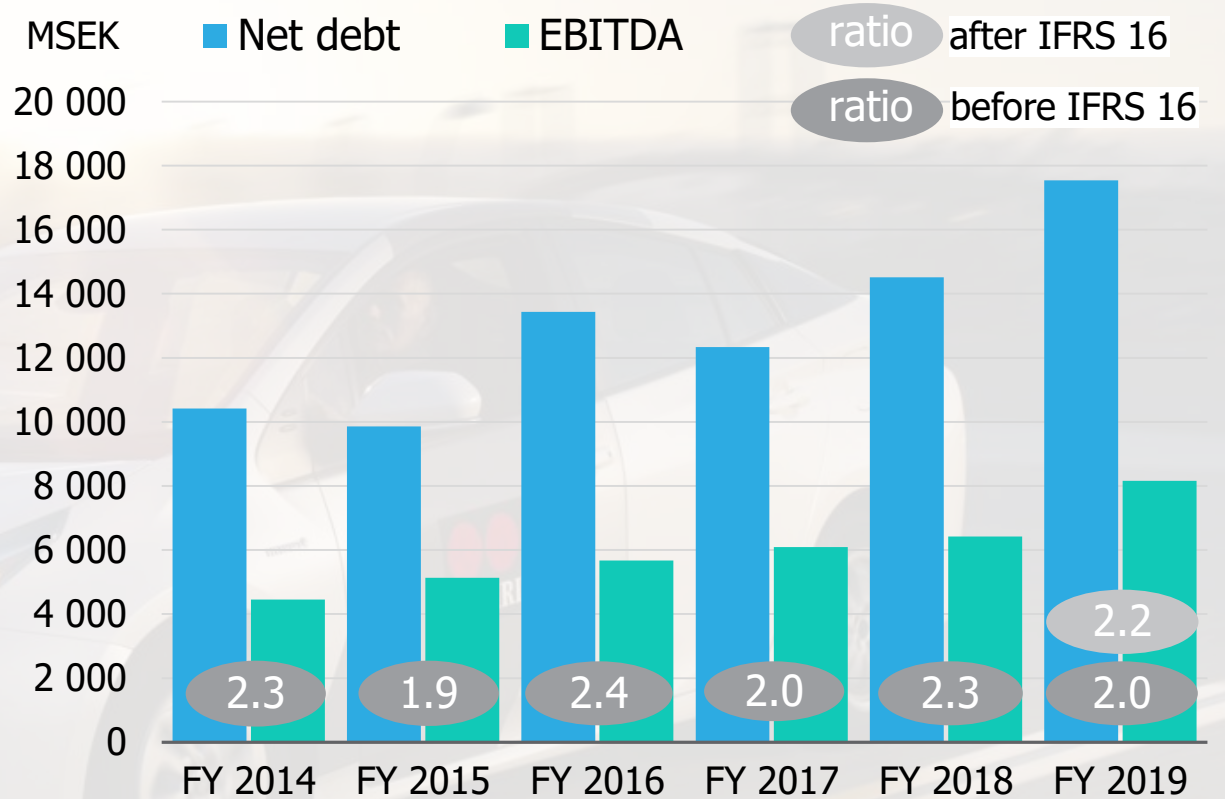
Net debt development

**Increased net debt impacted from IFRS 16 Leases**

MSEK

<b>Net debt Jan 1, 2019</b>	<b>-14 513</b>
Free cash flow	3 268
Acquisitions	-574
IAC	-303
Dividend paid	-1 606
Lease liabilities	-3 332
<b>Change in net debt</b>	<b>-2 547</b>
Revaluation	60
Translation	-541
<b>Net debt Dec 31, 2019</b>	<b>-17 541</b>

**Net debt to EBITDA ratio well in line**



## IFRS 16 Leases impact

**Net negative impact to the income statement**  
**Important impact to the balance sheet – and EBITDA**  
**No impact to net cash flow – increased investments and reversal of depreciation**

	Dec 31, 2019	Less: Impact from IFRS 16	Dec 31, 2019 adjusted for IFRS 16	Dec 31, 2018
Net debt to EBITDA	2.2	-0.2	2.0	2.3
Free cash flow to net debt	0.19	0.04	0.23	0.13
Interest coverage ratio	9.4	2.8	12.2	10.7
Operating capital employed as % of sales	12	-3	9	9
Return on operating capital employed, %	50	7	57	58
Return on capital employed, %	15	1	16	15
Net debt to equity ratio	0.89	-0.17	0.72	0.82
Equity ratio, %	32	1	33	32

## Financial rating

**Standard and Poor's rating for Securitas is BBB.**  
**The outlook was upgraded from "stable" to "positive" on April 16, 2019.**



# STRATEGY

Magnus Ahlqvist  
President and CEO

# Our transformation firmly positions us to reinforce our leadership position

## LEADER IN INTELLIGENT SERVICES

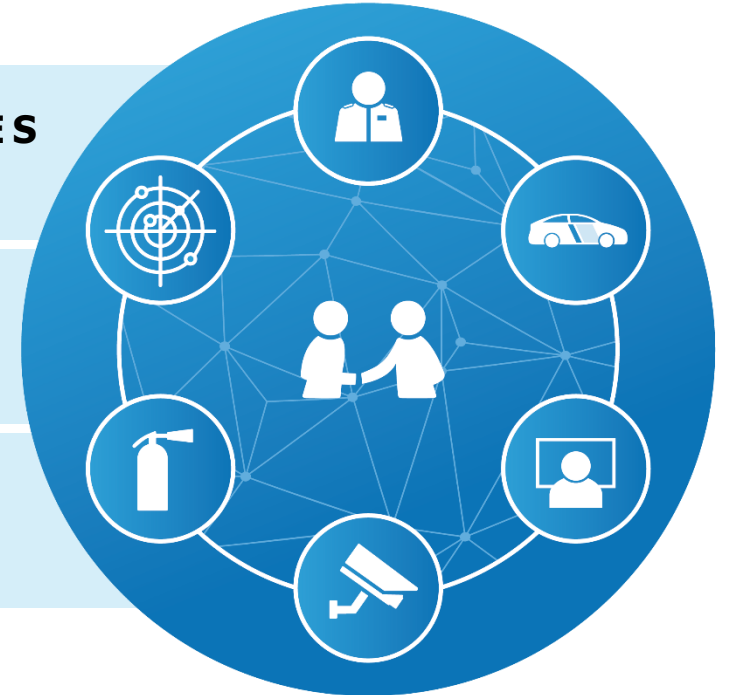
Adding data-driven innovation

## LEADER IN PROTECTIVE SERVICES

Enhancing our offering | Combining into solutions

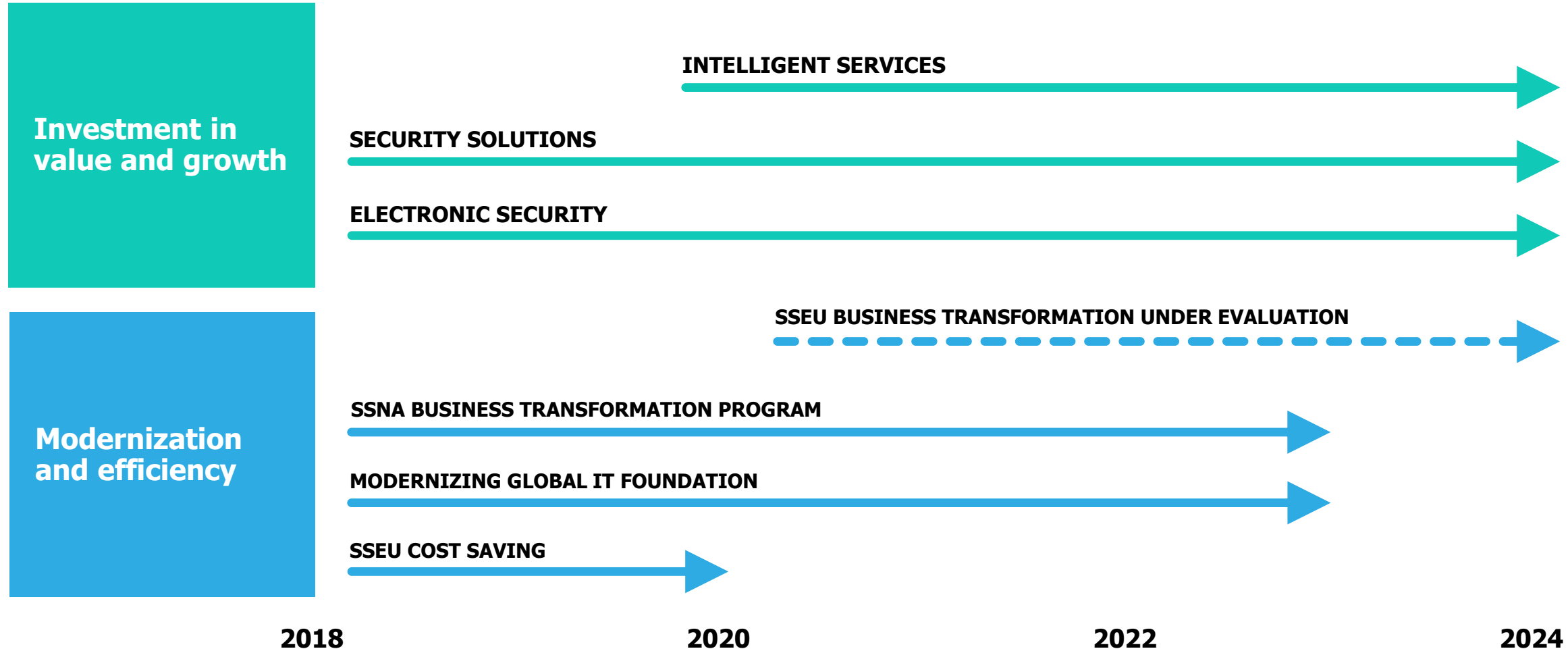
## LEADER IN GUARDING

Growing and expanding our presence | Strengthening guarding



Winning with the best offering, people and client engagement

# We are in a period of accelerated transformation



## Our wanted position

# The Intelligent Protective Services Partner



**To reach this wanted position  
we are focusing on three areas...**



- ▶ **Client engagement**
- ▶ **Protective services leadership and innovation**
- ▶ **Efficiency**

## ...which will reinforce our leadership position in the security industry

- Building on a position of strength
- Seizing new opportunities within a large, growing and changing market
- Focusing on three areas to reach our wanted position
  
- Clear targets to drive long term value creation
- Organization, leaders and people ready to execute



**Winning with the best offering, people and client engagement**

## SUMMARY 2019

- Good organic sales growth: +4%
- Operating income real change: +3%
- Delivery of strategy – solutions and electronic security = 10% real sales growth, 21% of Group sales
- Ambition to double sales of security solutions and electronic security to BSEK 40 by 2023





**THANK  
YOU**

