



9M/Q3 REPORT 2020

Stockholm, November 3, 2020

Magnus Ahlqvist
President and CEO

Bart Adam
CFO



HIGHLIGHTS 9M/Q3 2020

- 0% (4) organic sales growth in Q3, 0% (5) in 9M
- Operating income MSEK 1 327 (1 574) in Q3, positively impacted by government grants and support of MSEK 200 but hampered by increased provisioning of MSEK 150. Short-term cost saving actions also supported.
- Operating margin 5.0% (5.6) in Q3, 4.3% (5.1) in 9M, with impact from all business segments but mainly from Europe
- Price and wage balance on par in 9M
- Strong operating cash flow
- Reinitiation of acquisition activities
- Reinstated dividend proposal SEK 4.80 (4.40) - EGM in December
- Significant uncertainty due to the corona pandemic. Continuously assessing and implementing proactive measures.
- Group cost savings program announced in Q2, estimated restructuring of MSEK 350-500, has been initiated. Final amount will depend on changes of government grants and development of airport security business.

COVID -19: Response and impact during 9M

Showing resilience in a turbulent time

RESPONSE

Crisis response team

- Activated end of January
- Group, divisions and country level

Main priorities

1. Employee health and safety
2. Business continuity – deliver services to clients
3. Cash flow control
4. Cost control

IMPACT

Security demand

- Negative impact: Aviation, Electronic security (installation business), Event security
- Demand increase: Temporary services – healthcare, retail, protection of idle assets, corporate risk management

Commercial

- Reduced sales activity and solutions conversions
- Risk of bad debt – monitoring exposures

People

- App. 3 000 employees on temporary unemployment mid-Oct (app. 7 000 mid-July and 10 000 mid-April)

Tremendous response from the Securitas team during a challenging time.
Increased provisions in light of continued uncertainty.

Security Solutions and Electronic Security

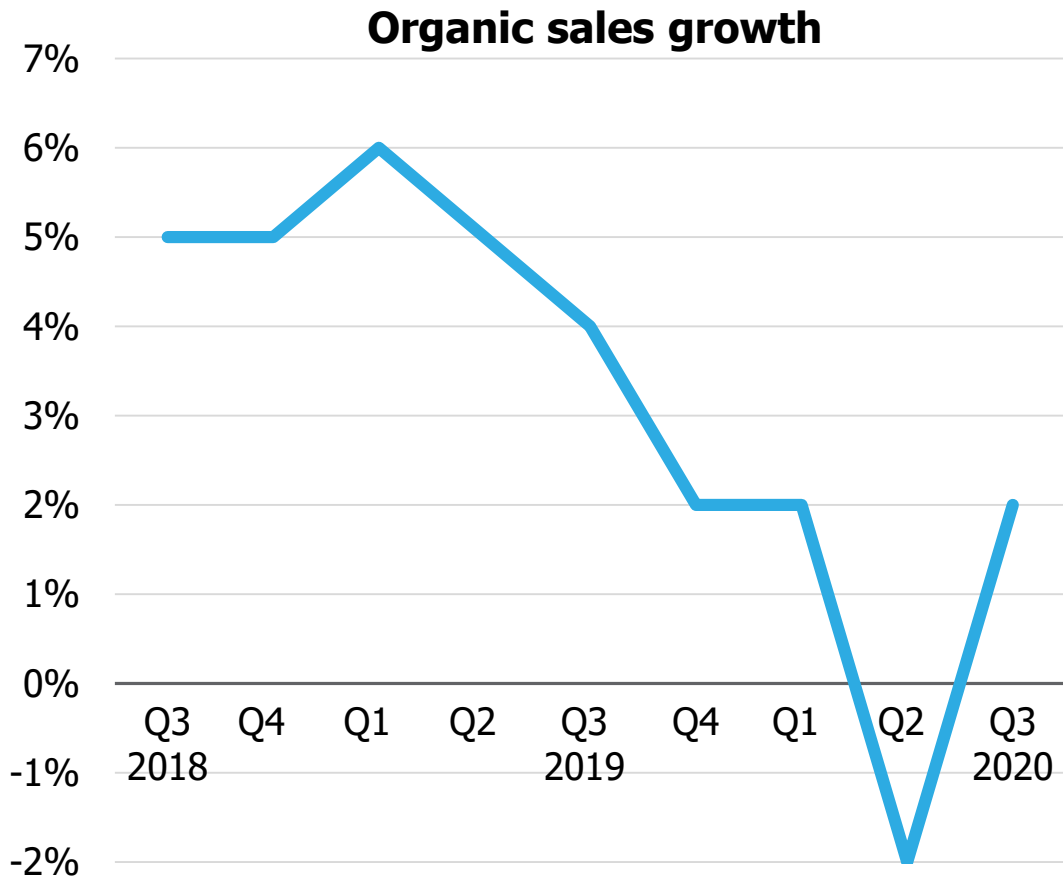
Important acquisition of **STANLEY Security's** entities in five countries

Security Solutions and Electronic Security

Real sales growth 5% (6)

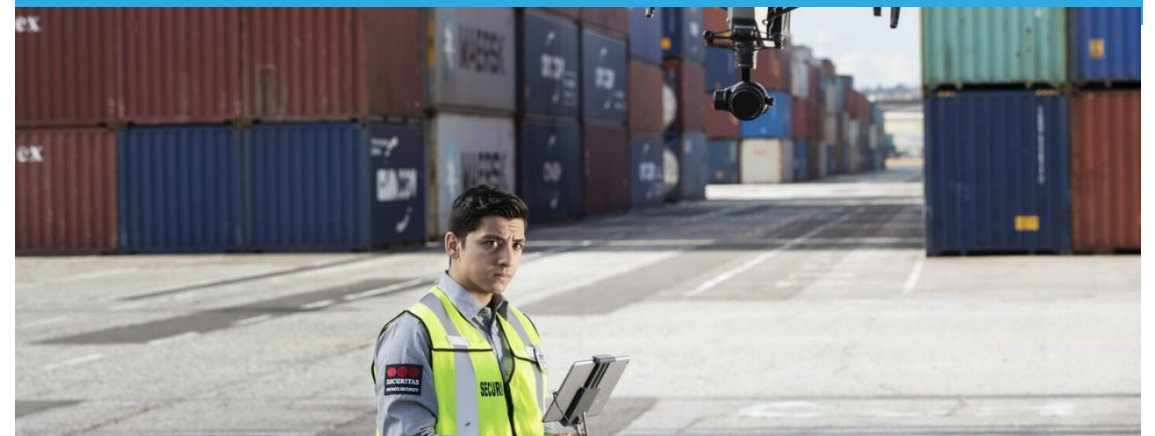
- Sales MSEK 5 763 (5 849)
- Reinitiation of acquisition activities during the third quarter
- The acquired STANLEY entities had total sales of MSEK 748 (2019) in Germany, Portugal, Switzerland, Singapore and India. The acquisition was closed on November 2.
- Our ambition is to double the security solutions and electronic security business to BSEK 40 by 2023

Security Services North America Back in positive territory



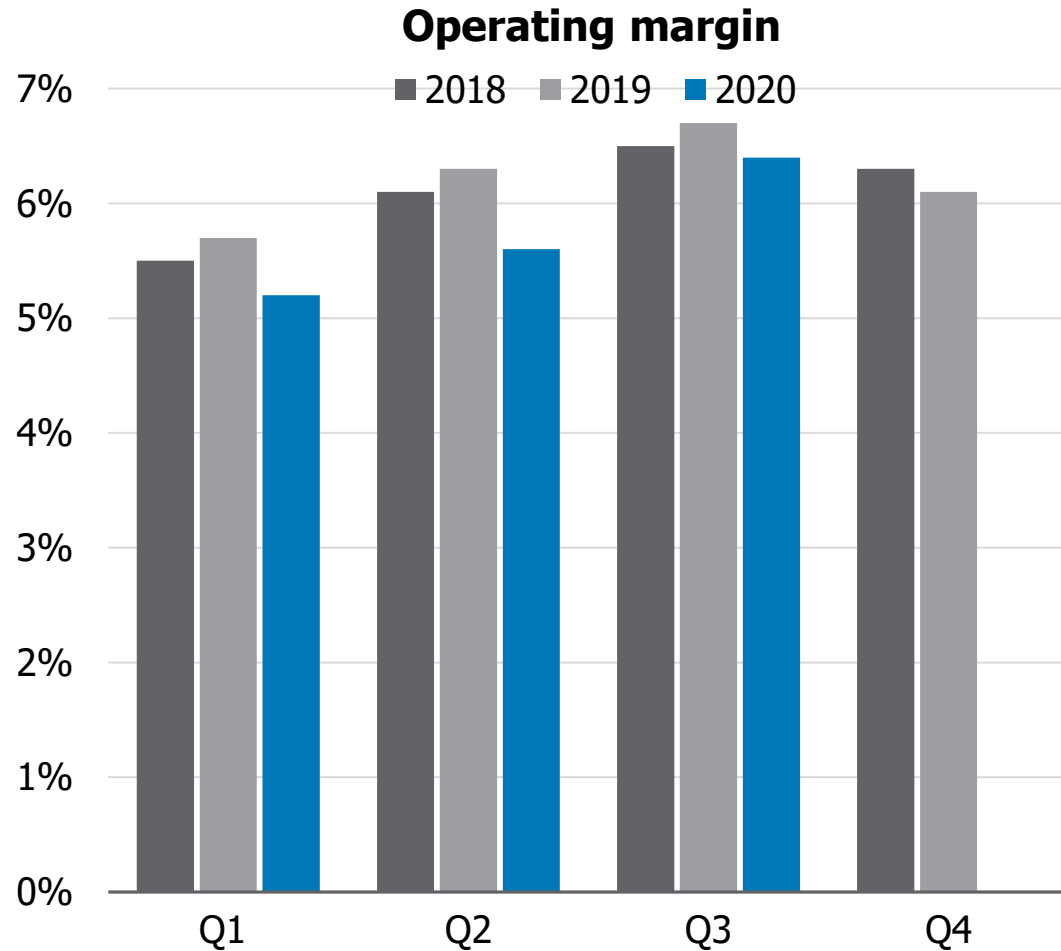
Q3: Organic sales growth 2% (4)

- Decline related to Electronic Security and Critical Infrastructure Services, mainly due to the corona pandemic, but improved compared to Q2
- Good growth in Guarding, temporary reduced portfolio sales were compensated by increased extra sales of 19% (14) of total sales, both corona related
- Client retention was 91% (90)
- Security solutions and electronic security represented 18% (18) of total sales in 9M



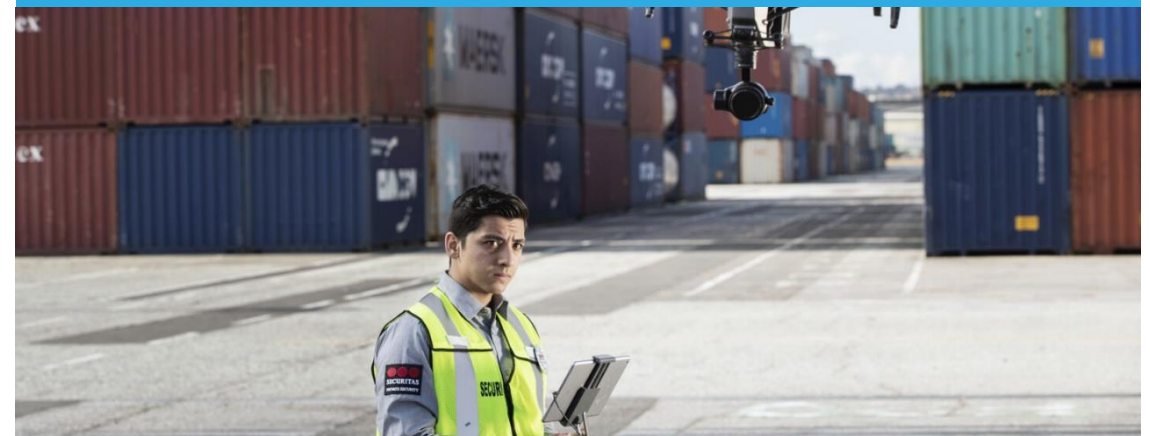
Security Services North America

Recovery of the operating margin compared to Q2



Q3: Operating margin 6.4% (6.7)

- Negative impact from increased levels of provisioning to reflect increased risks in the business environment related to collection of accounts receivable
- The operating margin in Guarding supported by the corona-related change in business mix with increased share of extra sales
- Cost saving actions taken to limit negative leverage from reduced sales

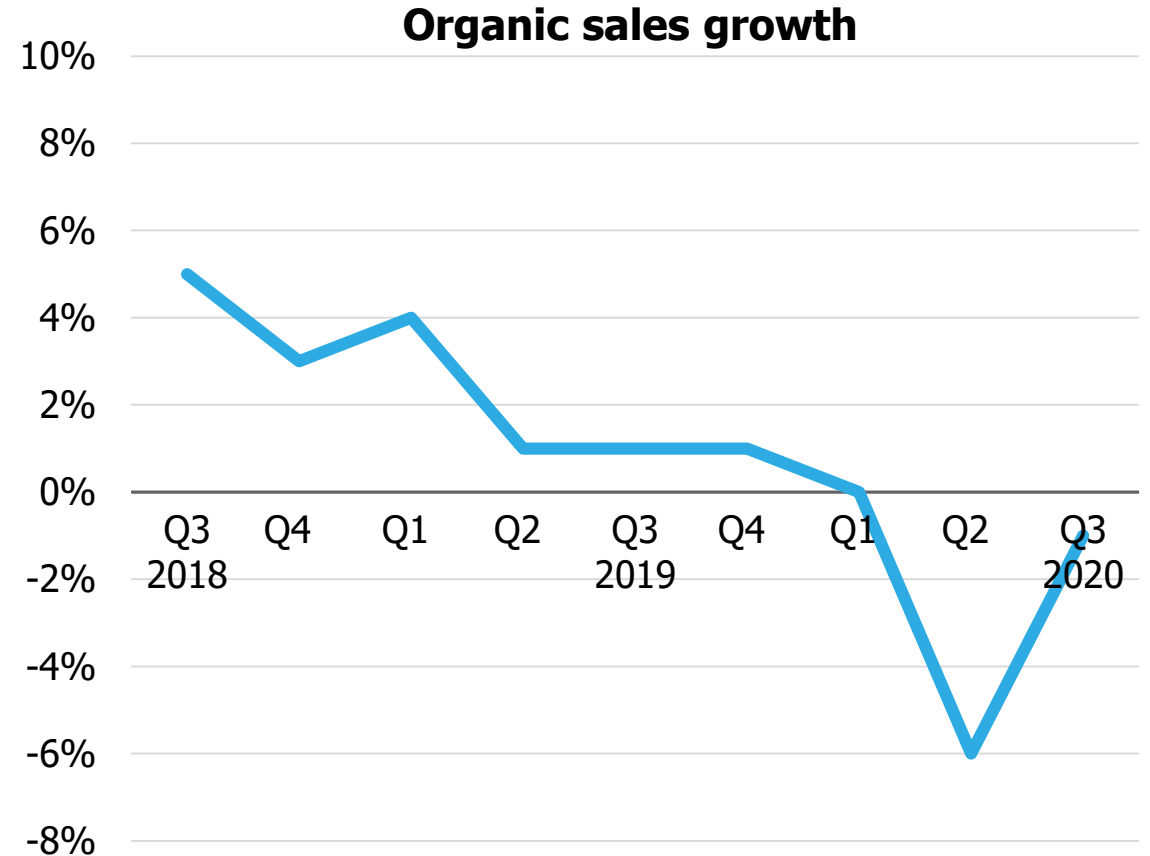
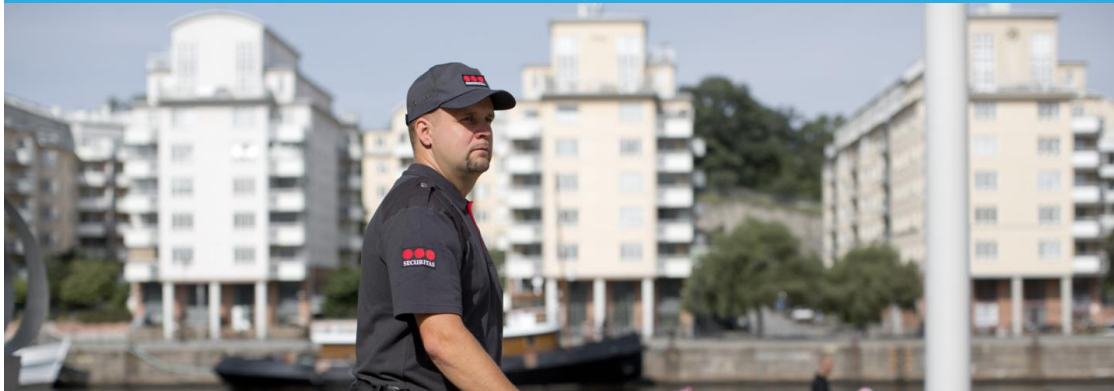


Security Services Europe

Organic sales growth showing good recovery from Q2

Q3: Organic sales growth -1% (1)

- Decline mainly explained by negative impact from airport security due to the corona pandemic
- Several countries had positive organic sales growth, and extra sales were 19% (17) of total sales
- Previously communicated Aviation contract loss in Norway hampered
- Client retention was 91% (90)
- Security solutions and electronic security represented 23% (22) of total sales in 9M

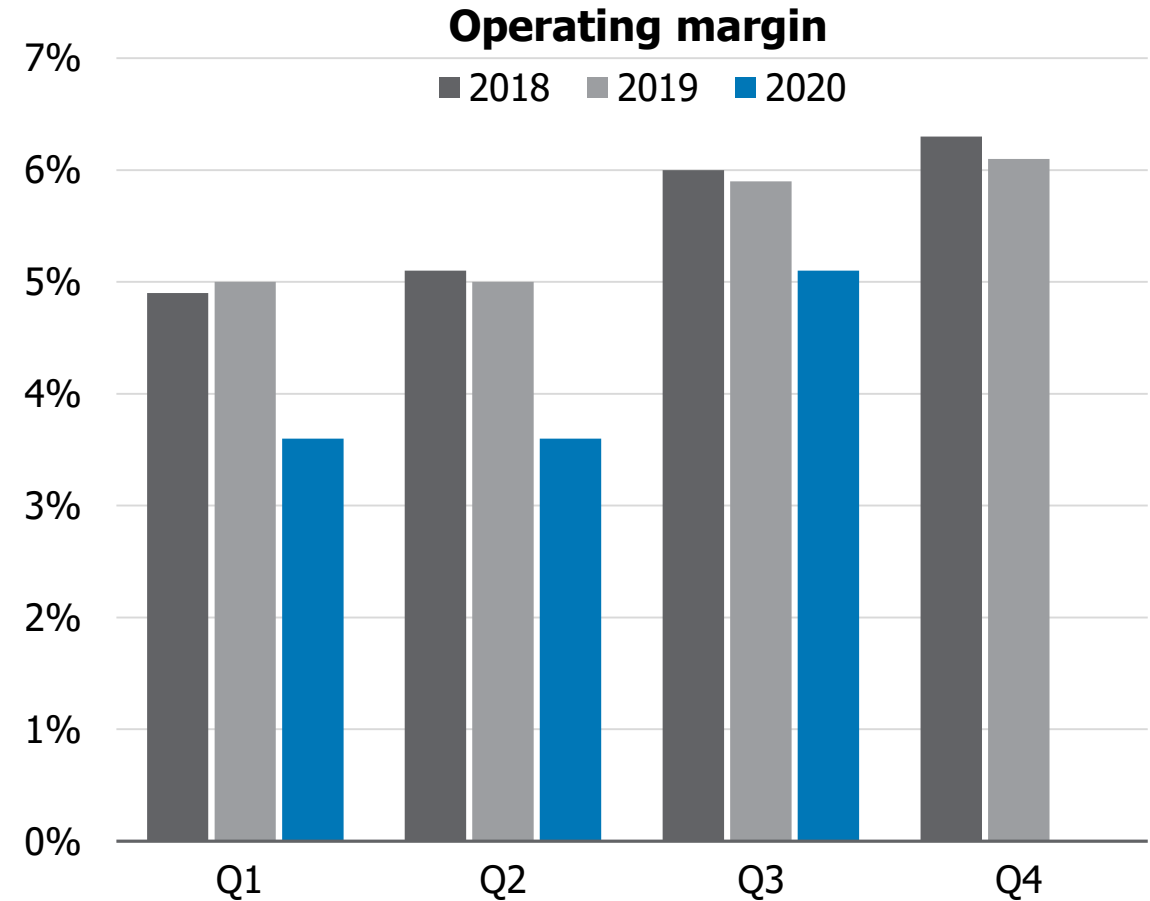
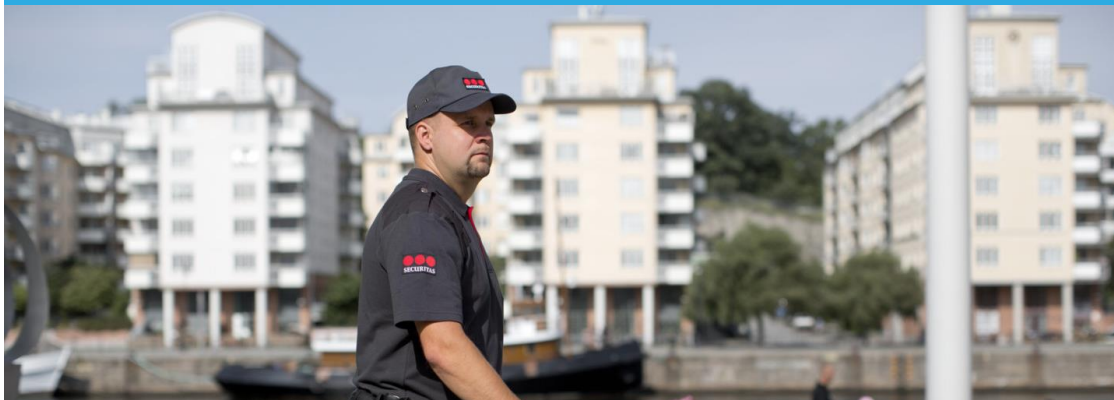


Security Services Europe

Effects from the corona pandemic behind the decline

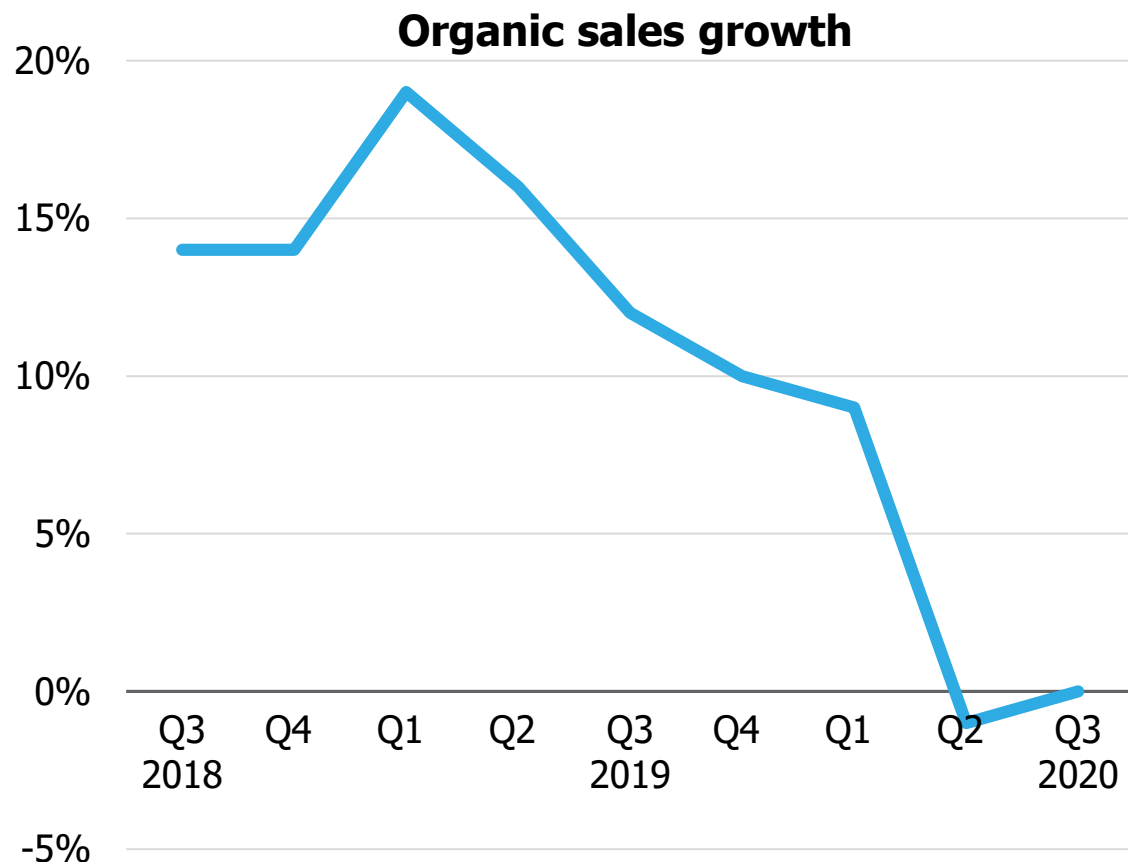
Q3: Operating margin 5.1% (5.9)

- Decline primarily due to effects from corona pandemic with reduced airport security
- Negative impact on cost levels due to idle time was to some extent offset by corona-related government grants in several countries
- Increased levels of provisioning to reflect increased risks in the business environment impacted
- Operating margin supported by several Nordic countries and the electronic security business in Turkey



Security Services Ibero-America

The corona pandemic affecting also Latin America



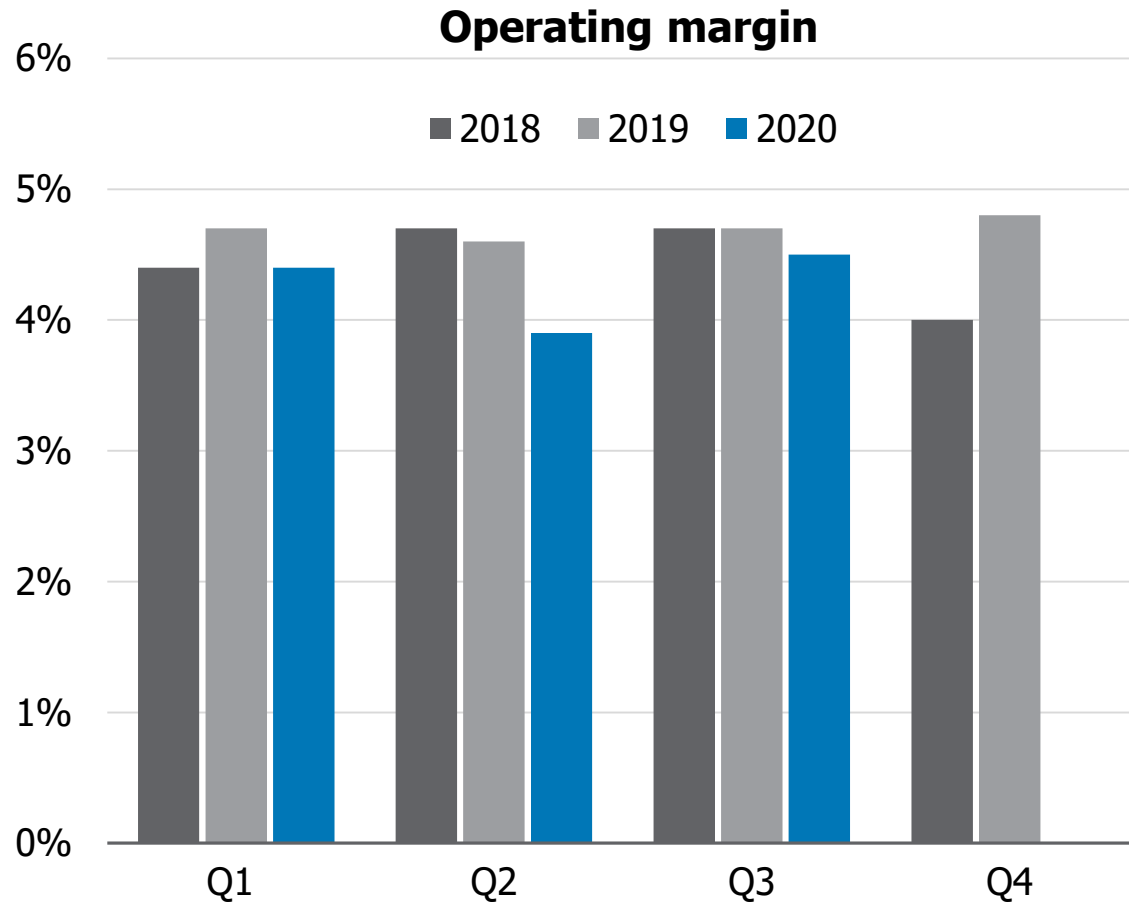
Q3: Organic sales growth 0% (12)

- Organic sales growth in Latin America declined due to effects from corona pandemic, primarily on airport security, weak performance in Peru and timing of price increases in Argentina
- Positive organic sales growth in Spain, although still hampered by reductions of short-term security solutions as previously communicated
- Client retention was 94% (91)
- Security solutions and electronic security represented 29% (27) of total sales in 9M



Security Services Ibero-America

Recovery of the operating margin compared to Q2



Q3: Operating margin 4.5% (4.7)

- The decline was primarily due to the effects from the corona pandemic
- Increased levels of provisioning to reflect increased risks in the business environment also impacted
- The operating margin was to some extent supported by corona-related government grants and support in certain countries offsetting costs for idle time



FINANCIALS

Bart Adam

CFO

Financial Highlights

Significant impact remains from Corona, but on a lower level compared to Q2, demonstrating good resilience

MSEK	Q3 2020	Q3 2019	9M 2020	9M 2019	FY 2019
Sales	26 501	28 214	81 477	82 642	110 899
<i>Organic sales growth, %</i>	<i>0</i>	<i>4</i>	<i>0</i>	<i>5</i>	<i>4</i>
Operating income before amort.	1 327	1 574	3 488	4 241	5 738
<i>Operating margin, %</i>	<i>5.0</i>	<i>5.6</i>	<i>4.3</i>	<i>5.1</i>	<i>5.2</i>
Amort. of acq. related intang. assets.	-66	-67	-207	-203	-271
Acquisition related costs	-10	-5	-90	-34	-62
Items affecting comparability	-112	-60	-218	-126	-209
Operating income after amortization	1 139	1 442	2 973	3 878	5 196
Financial income and expenses	-101	-149	-382	-438	-578
Income before taxes	1 038	1 293	2 591	3 440	4 618
<i>Tax, %</i>	<i>26.9</i>	<i>27.6</i>	<i>27.0</i>	<i>27.6</i>	<i>27.2</i>
Net income for the period	759	936	1 892	2 490	3 362
EPS, SEK	2.08	2.56	5.18	6.82	9.20
EPS, SEK before IAC	2.31	2.68	5.63	7.07	9.61

- Operating income in Q3 positively affected by MSEK 200 from corona-related government grants and support, offsetting increased cost levels to some extent
- But negatively impacted by increased provisioning of MSEK 150 to reflect increased risks relating to account receivable
- Items affecting comparability of MSEK -112 in Q3, relating to the transformation programs and cost savings program
- The financial income and expenses positively impacted by favourable net debt development and FX rates but also by a non-recurring foreign currency gain



Securitas Group

Negative impact from FX development



SALES

MSEK 26 501 (28 214)

- Total change -6%
- Real change 1% (incl. acq. and adj. F/X)

OPERATING INCOME

MSEK 1 327 (1 574)

- Total change -16%
- Real change -8%

EARNINGS PER SHARE

SEK 2.08 (2.56)

- Total change -19%, real change -9%

SEK 2.31 (2.68)

before IAC

- Total change -14%, real change -3%

F/X SEK END RATES

	Q320	Q319	%
USD	9.02	9.78	-8
EUR	10.55	10.69	-1
ARS	0.12	0.17	-29

Cash Flow Highlights

Strong cash flow, also when excluding corona-related effects

MSEK	Q3 2020	Q3 2019	9M 2020	9M 2019	FY 2019
Operating income before amortization	1 327	1 574	3 488	4 241	5 738
Net investments in non-current assets	-16	-99	-77	-286	-320
Change in accounts receivable	86	305	289	-94	-239
Change in other operating capital employed	1 242	390	1 980	-812	-277
Cash flow from operating activities	2 639	2 170	5 680	3 049	4 902
<i>Cash flow from operating activities, %</i>	<i>199</i>	<i>138</i>	<i>163</i>	<i>72</i>	<i>85</i>
Financial income and expenses paid	-24	-41	-355	-385	-443
Current taxes paid	-206	-299	-801	-824	-1 191
Free cash flow	2 409	1 830	4 524	1 840	3 268

- Net investments of MSEK –77 in 9M results from
 - investments of MSEK –2 114
 - depreciation of MSEK 2 037
- Capital expenditure <3% of Group sales annually, including IFRS 16
- Cash flow positively impacted by collections and by lower organic sales growth
- Corona-related government support measures of app. MSEK 1 300 in Europe and the US
 - Neutral European effect on FY basis
 - Positive US effect on FY basis as payments are due 2021/2022

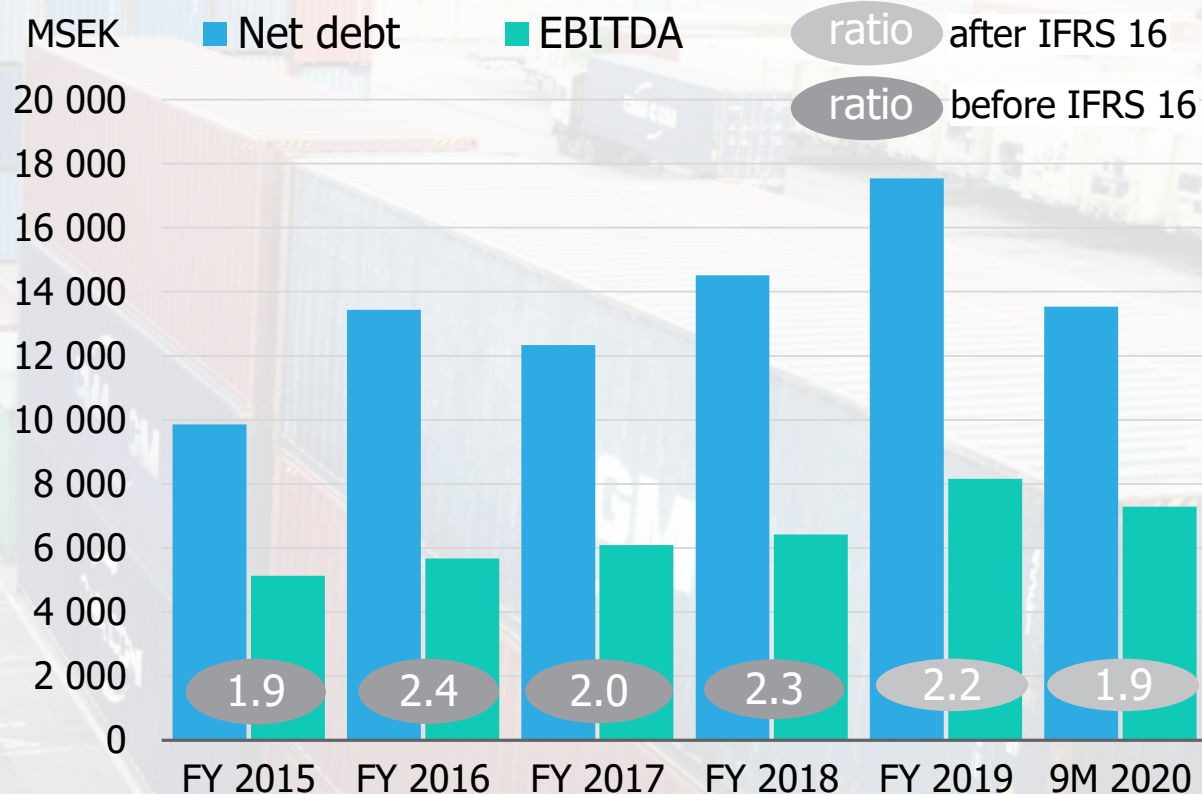
Net debt development

The strong free cash flow lowered net debt

MSEK

Net debt Jan 1, 2020	-17 541
Free cash flow	4 524
Acquisitions	-510
IAC	-217
Lease liabilities	-77
Change in net debt	3 720
Revaluation	-12
Translation	298
Net debt Sep 30, 2020	-13 535

Net debt to EBITDA-ratio well in line

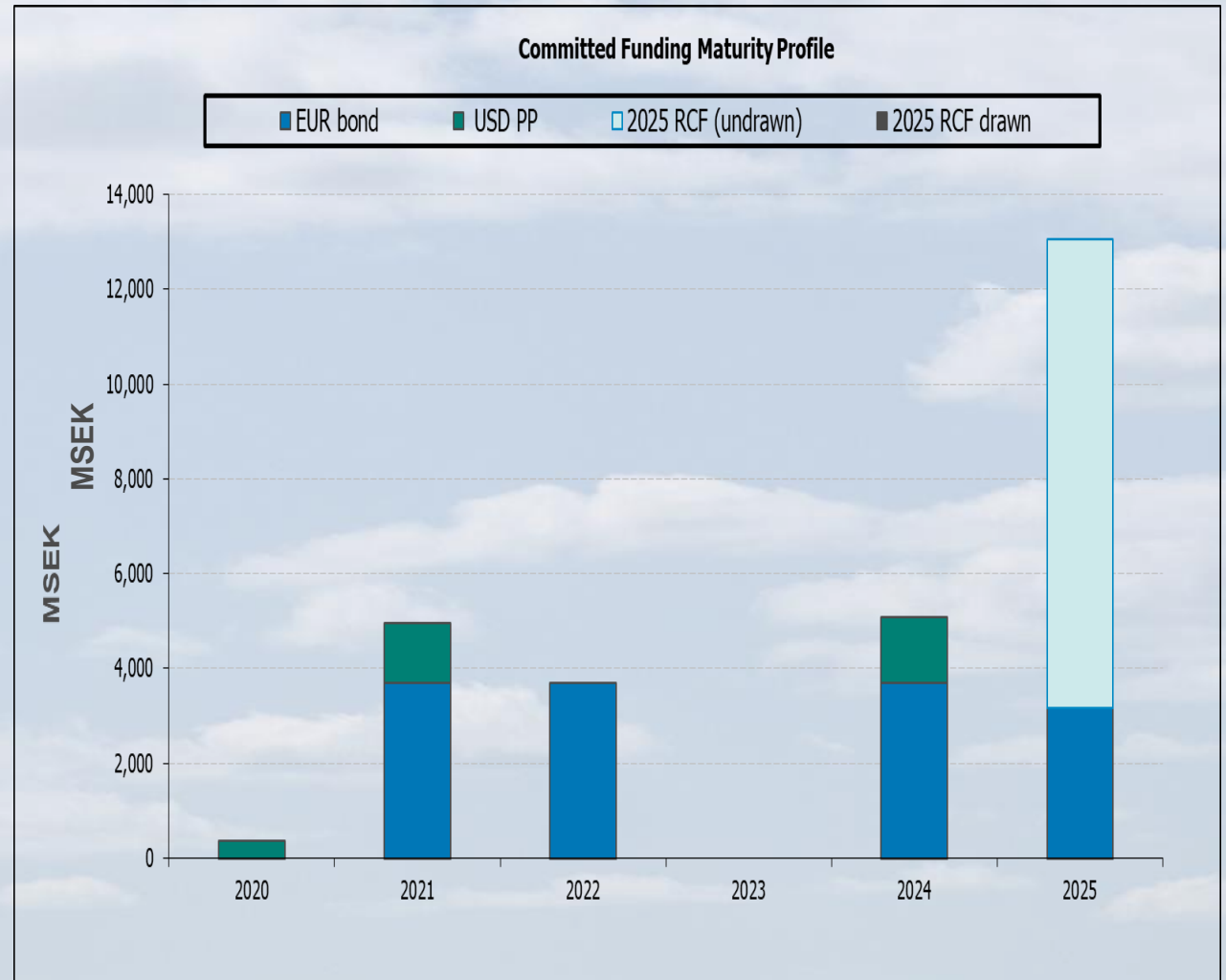


We are backed up by solid financing

- ✓ BBB, stable outlook (S+P, April 30)
- ✓ 7.2 BSEK in Liquid Funds
- ✓ RCF renewed April 6 for 5 years, maturing 2025
- ✓ Significant undrawn committed funding BSEK 10
- ✓ No financial covenants

- **Committed to solid investment grade rating**
- **No significant maturities in 2020**
- **In good shape for renewing the 2021 maturity if required**

Strong group of banks in new RCF		
BBVA	CIC	Citibank
Commerzbank	Danske	DNB
ING	KBC	SEB
	Unicredit	



Looking ahead COVID-19 & TRANSFORMATION

Magnus Ahlqvist
President and CEO

COVID -19: Priorities and actions 9M and onwards **Continued focus on four areas...**

- **Health and safety of employees**
- **Business continuity - delivery to clients**
- **Cash flow control**
- **Cost control**

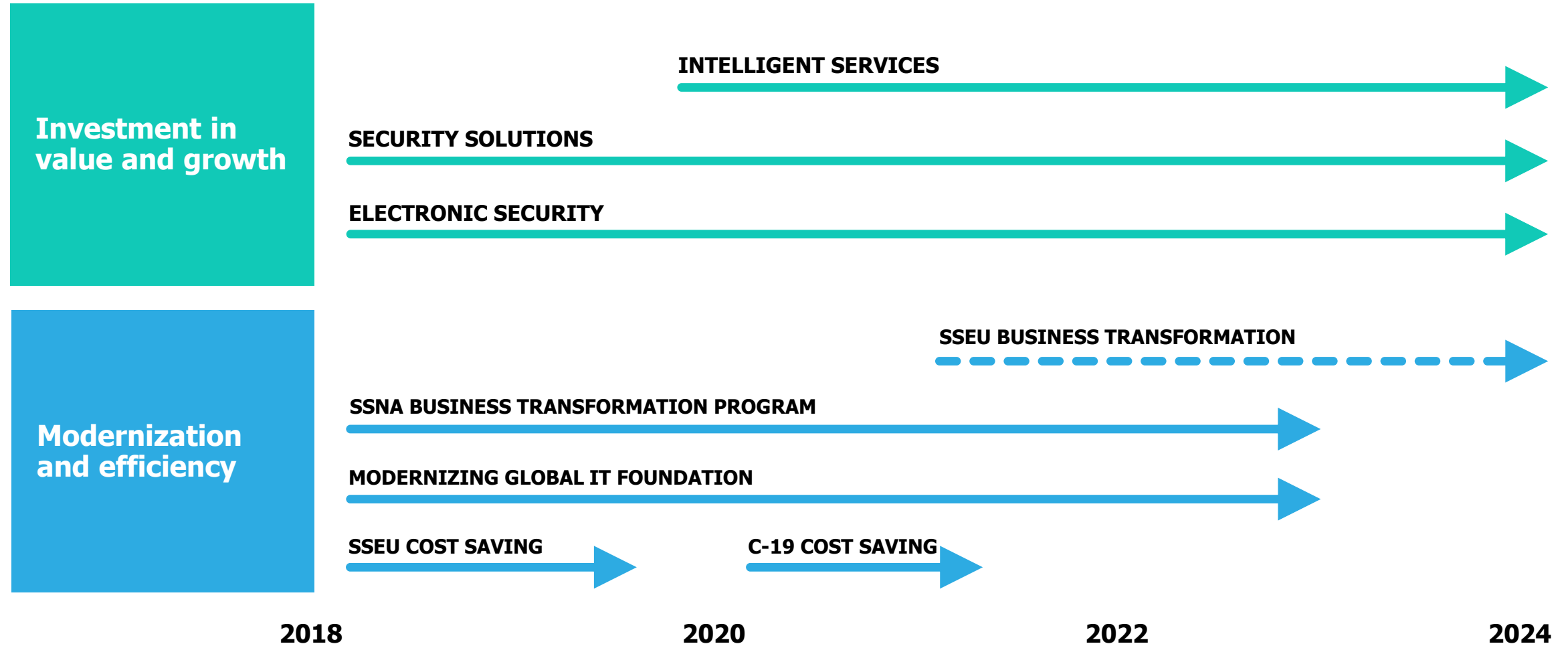
...while maintaining strong focus on driving the modernization and strategic transformation programs



Securitas provides essential services



A period of accelerated transformation



COVID -19: Priorities and actions during 9M and onwards

Preparing for a strong future

GROUP COST SAVINGS PROGRAM TO MANAGE COVID-19 IMPACT AND UNCERTAINTY

- Main part in Security Services Europe
- Address direct and structural costs where needed
- Restructuring costs estimated to MSEK 350-500, of which MSEK 59 were recognized as items affecting comparability in Q3
- Final restructuring amount will largely depend on changes related to government grants and the development of the airport security business
- The program is expected to be finalized end of Q2 2021
- Payback time app. 2 years
- Gradually increasing positive impact starting in Q4 2020



Securitas provides essential services

Ensuring readiness and resilience for the coming 12-24 months

SUMMARY Q3/9M 2020

- Organic sales growth: 0% in Q3, 0% in 9M
- Operating income real change: -8% in Q3
- Challenging conditions and significant uncertainty due to the corona pandemic
- Clear priorities to ensure resilience and accelerate the transformation





**THANK
YOU**

