

FINANCIAL UPDATE

Bart Adam
CFO



It's all about achieving our goals

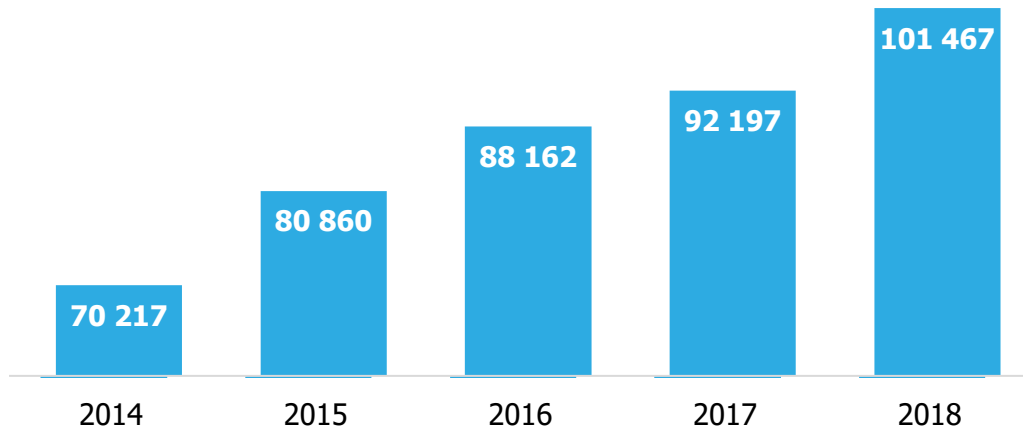
Income statement	1. Financial performance target	Annual average increase in EPS of 10% over a cycle
Balance sheet	2. Financial stability target	Net debt to EBITDA on average 2.5 Operating cash flow of 70 to 80% of operating income
Return to shareholders	3. Dividend policy	Dividend of 50 to 60% of net income
	Strategic transformation ambition	Double our security solutions & electronic security business by 2023 compared to 2018

We have a strong track record of driving long term shareholder value

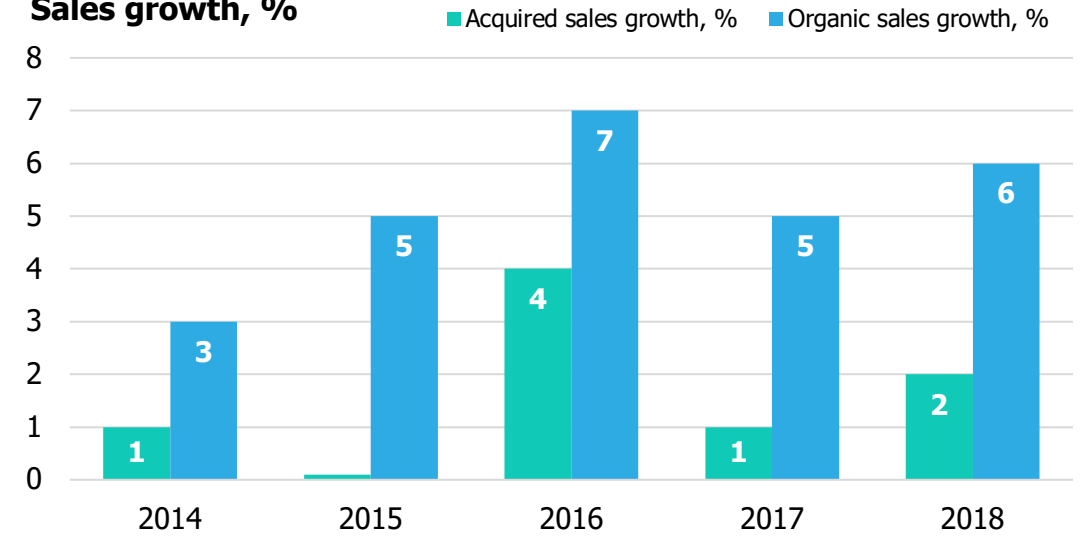
		2014	2015	2016	2017	2018	
Income statement	1. Financial performance target Annual average increase in EPS of 10%	EPS real change	8%	8%	9%	9%	12%
Balance sheet	2. Financial stability target Free cash flow to net debt at least 0.20	Free cash flow to net debt	0.18	0.22	0.13	0.19	0.13
		Net debt to EBITDA	2.3	1.9	2.4	2.0	2.3
Return to shareholders	3. Dividend policy 50 to 60% of net income	Dividend in SEK As % of net income	3.00 53%	3.50 52%	3.75 52%	4.00 53%	4.40 53%
Transformation	4. Strategic development Accelerate growth in security solutions and electronic security	Growth of SS&ES (organic + acquired)	28%	38%	56%	19%	21%

We have strong organic sales growth and acquired growth...

Total sales (MSEK)



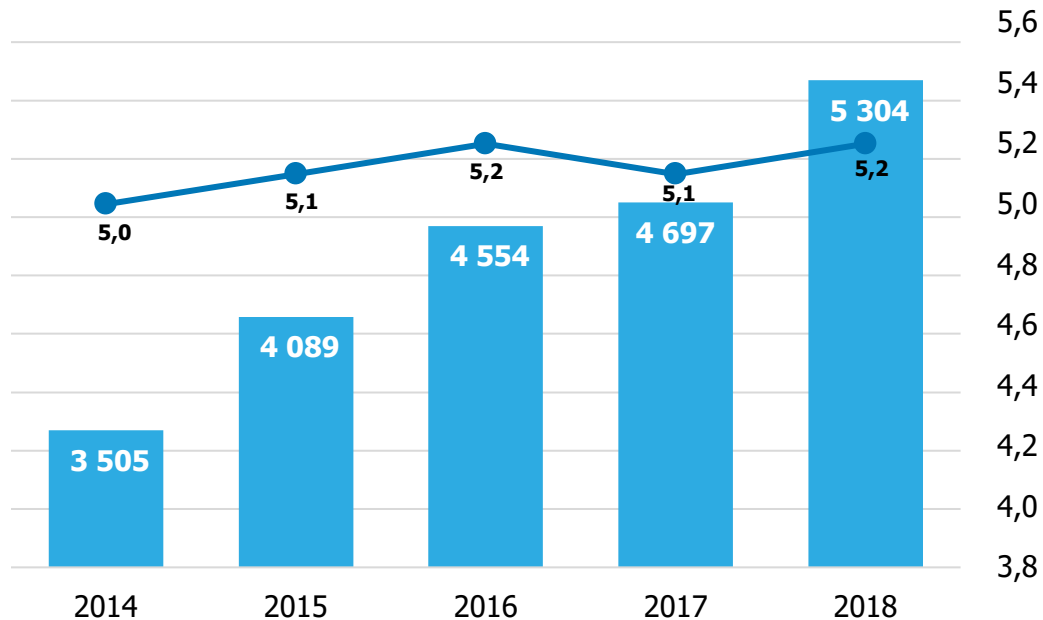
Sales growth, %



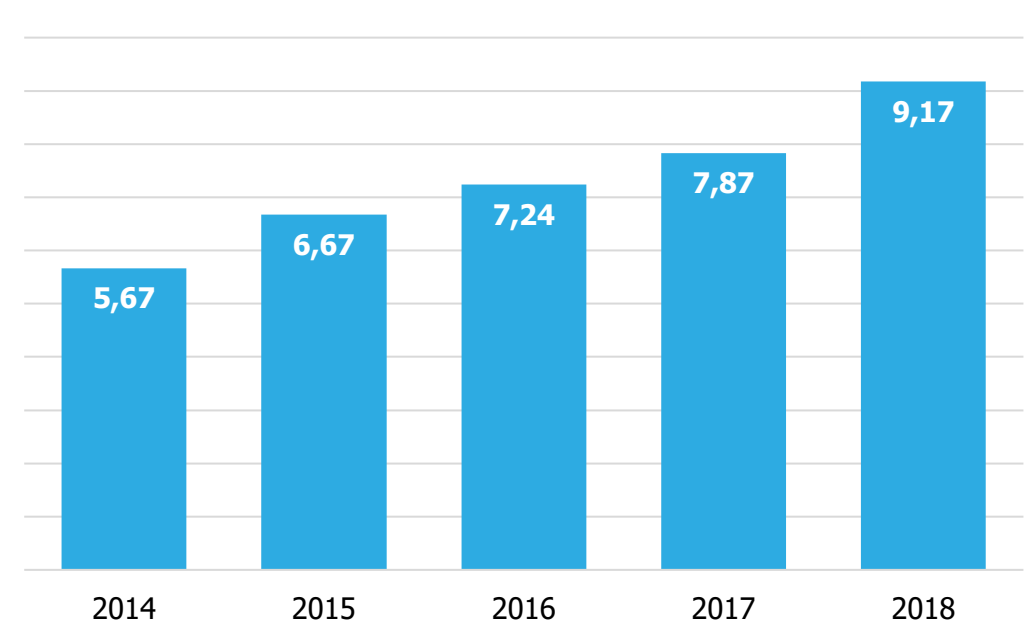
	Average 2014-2018	
Organic sales growth	5.2	Growing ahead of the market based on strategic implementation
Acquired growth	1.6	Mostly technology acquisitions enhancing our capabilities
Real sales growth	6.8	Growing from BSEK 70 BSEK to BSEK 101

... and we delivered sustainable EPS growth based on increased operating income and stable margins

Operating income (MSEK) / Operating margin, %



EPS before IAC (SEK/Share)



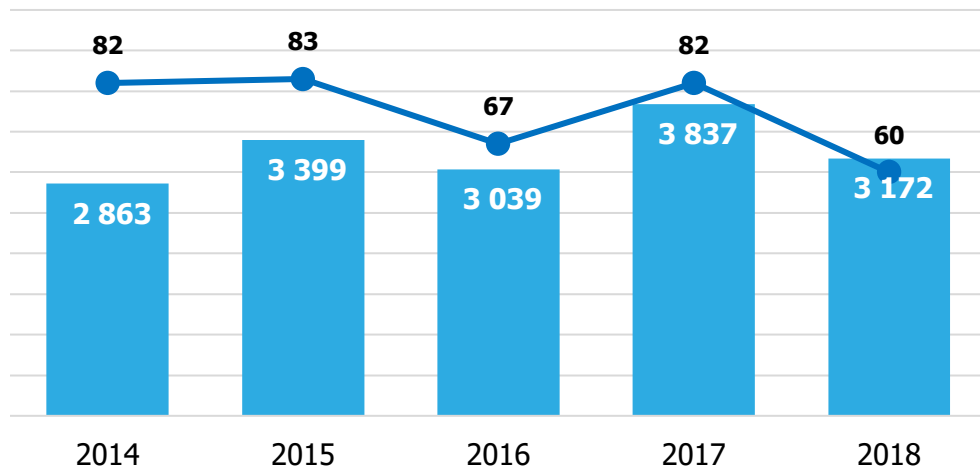
Different dynamics in different divisions
Impacted also by Group investments

EPS real change (before IAC)

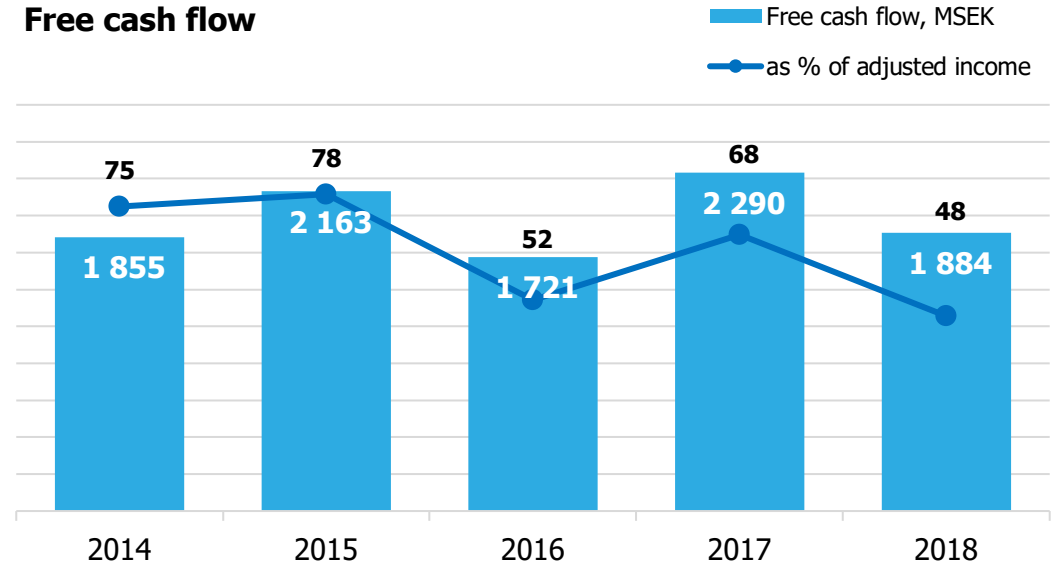
2014	2015	2016	2017	2018
8%	8%	9%	9%	12%

Our solid cash flow supports organic sales growth and investments into the strategy

Operating cash flow* — as % of operating income before amortization



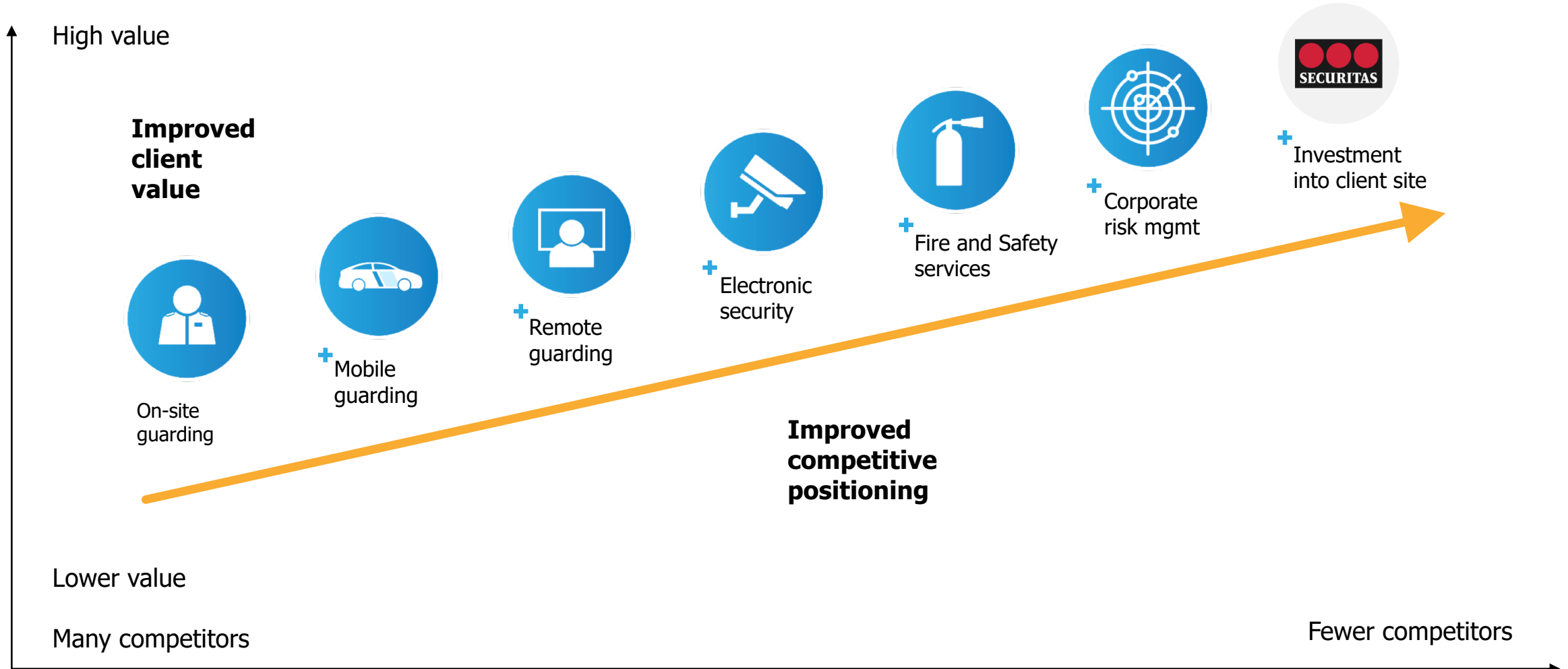
Free cash flow



	Average 2014-2018	
Operating cash flow as of operating income	75%	<ul style="list-style-type: none"> • Throughout solid cash flow and a good 9M 2019 • Supported 11% real sales growth in 2016 and 8% in 2018
Free cash flow as of adjusted income	64%	

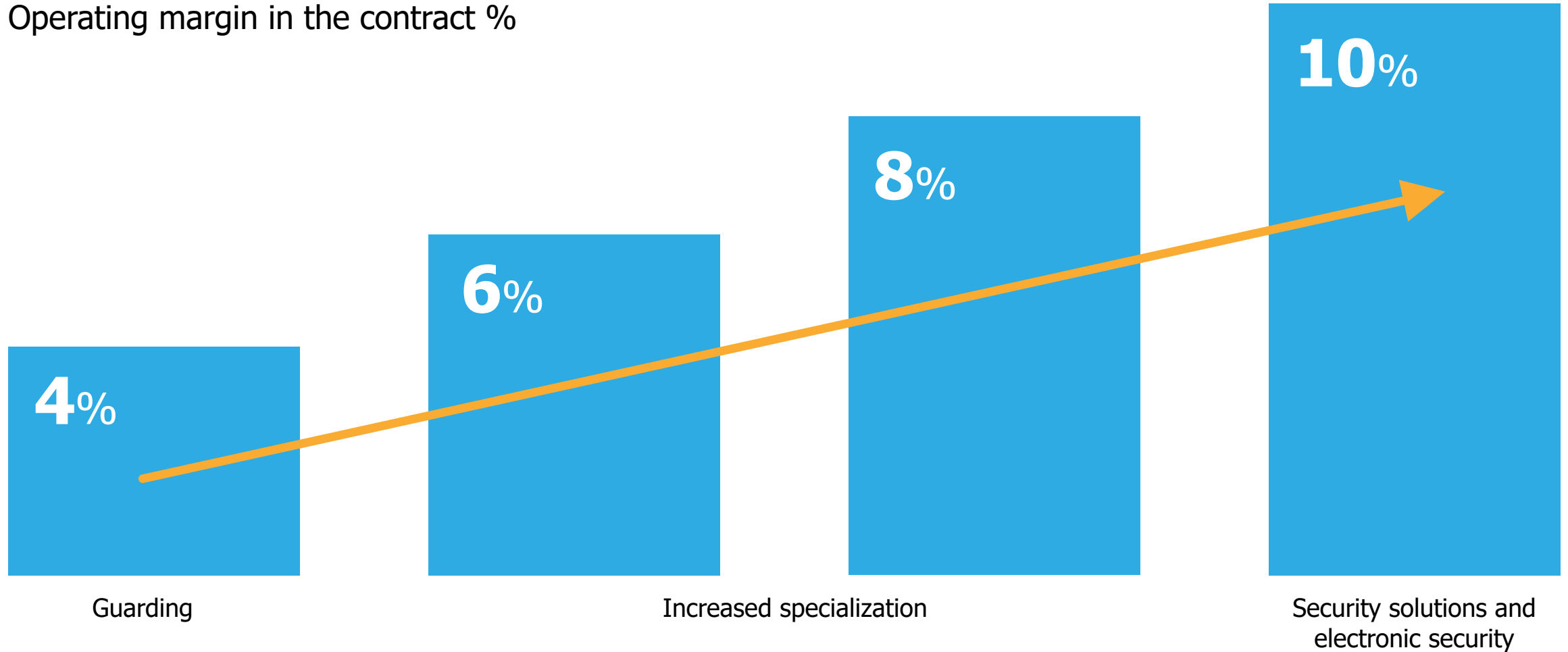
* Measured according to Securitas' financial model, see page 69 AR 2018

Our strategy creates client value and differentiates us from competition



Security solutions and electronic security drive operating margin...

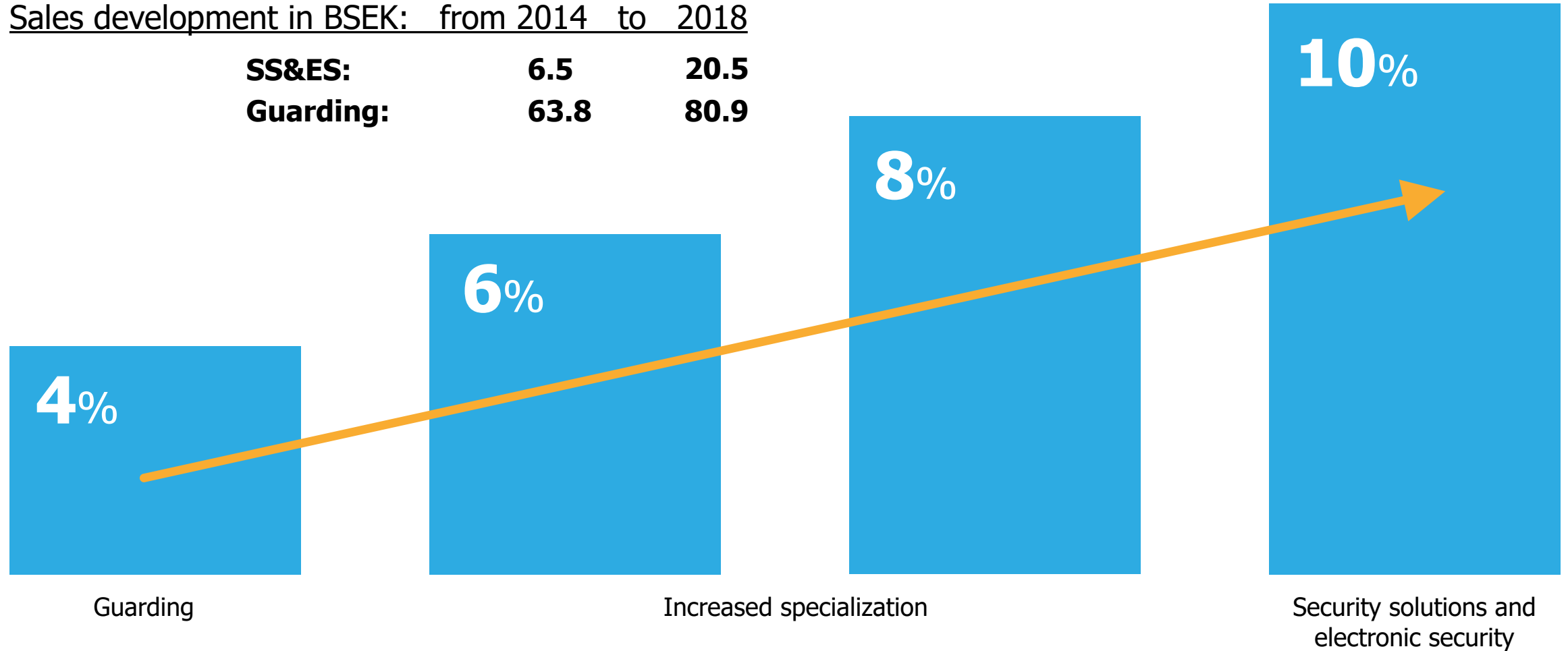
Operating margin in the contract %



... and sales have grown in line with strategy...

Sales development in BSEK: from 2014 to 2018

SS&ES:	6.5	20.5
Guarding:	63.8	80.9



...with a strong evolution across many of our countries

SS & ES as % of total sales*	2013	2018	Evolution
40-60%	-	5	+5
30-40%	4	7	+3
20-30%	5	12	+7
10-20%	6	15	+9
0-10%	37	13	

* Measured for 52 relevant countries/regions

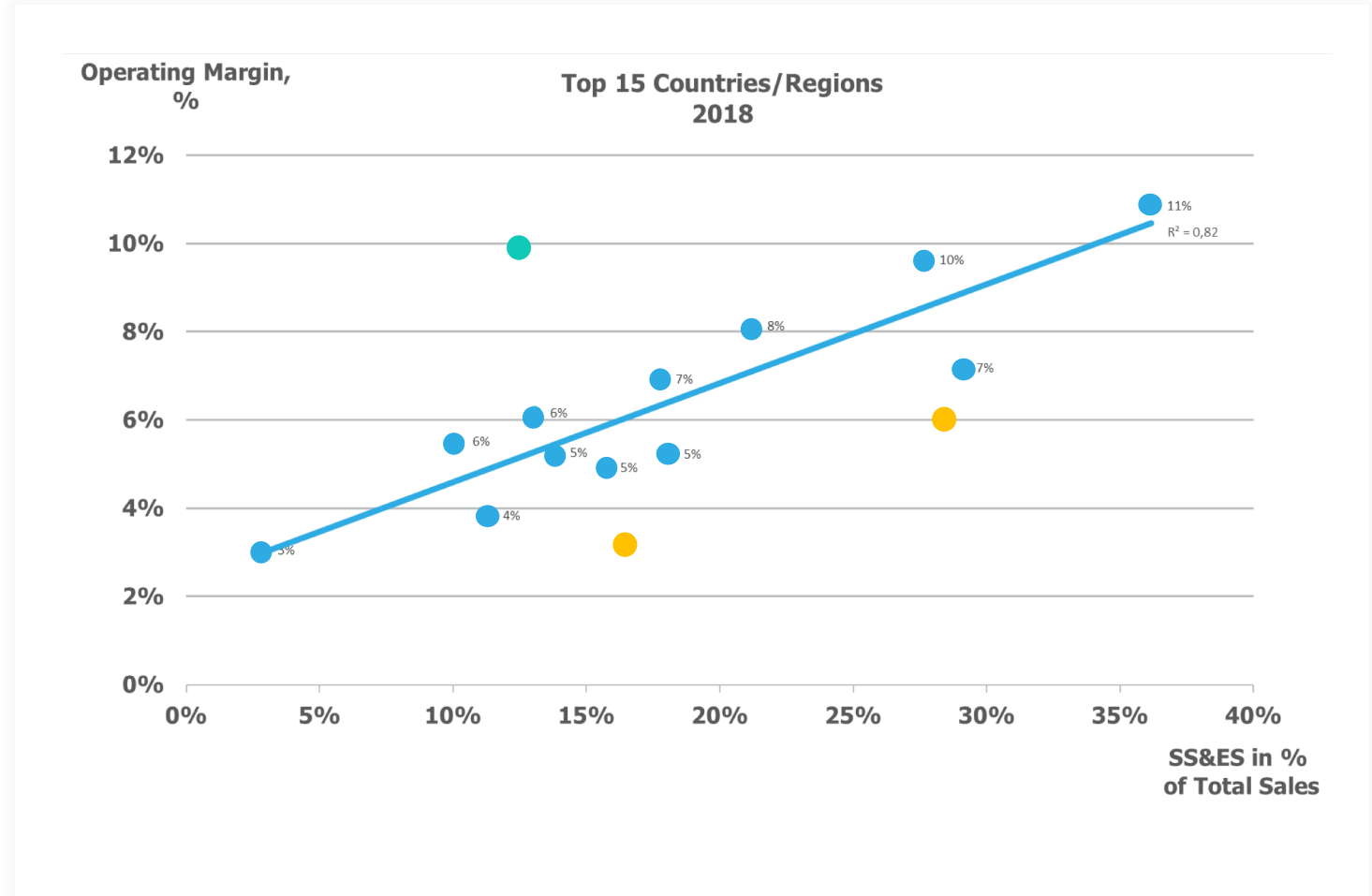


Security solutions and electronic security is a clear margin driver

TOP 15 entities

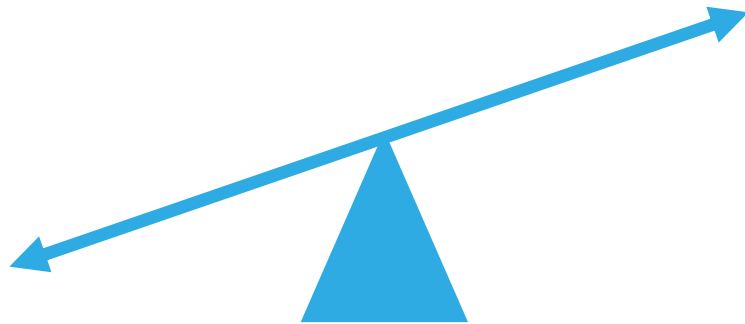
- **Approx. 70% of Group sales**
- **>70% of Group operating result**
- **3 well known “guarding” outliers disregarded**
 - Our best run guarding operation
 - Two low guarding margin countries
- **Correlation between operating margin and SS&ES in % of total sales**

$R^2 = 0.82$



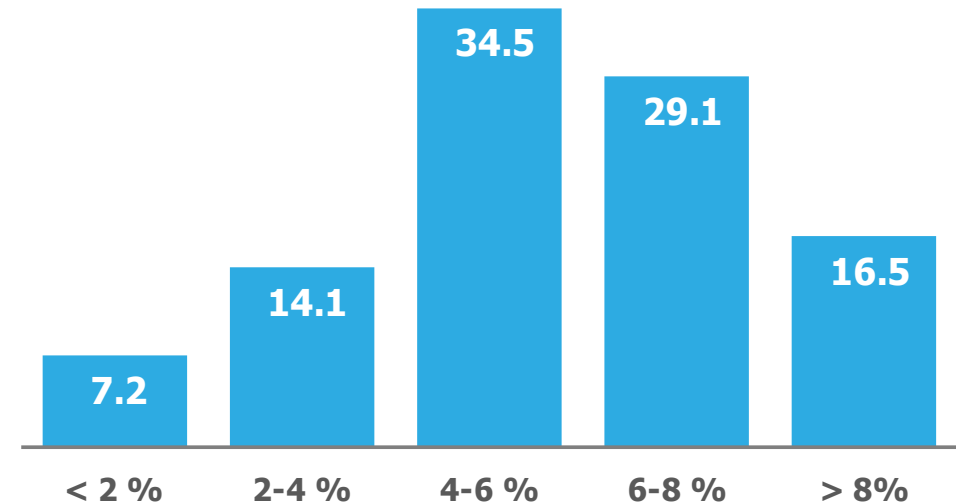
There are 6 key performance drivers which affect different levels of margin and development

Operating margin in a country/region

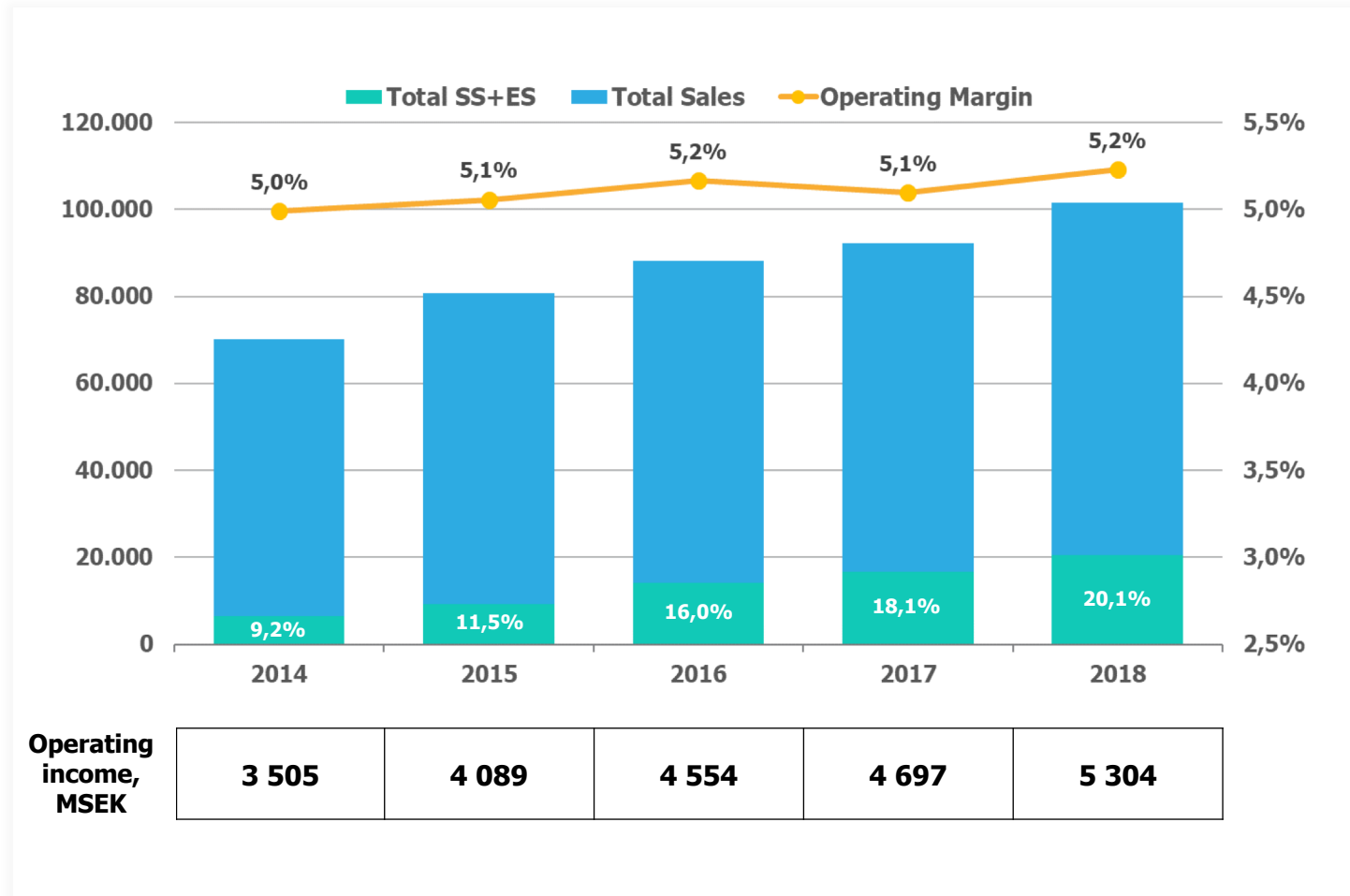


Our leadership and competitive positioning	Price/production cost equation	Development of security solutions & electronic security
Maturity of services in the market	Direct and indirect cost efficiency	Development of protective services

Distribution of sales in BSEK in operating countries/regions according to operating margin performance FY2018



Group: We will continue and can accelerate our transformation strategy

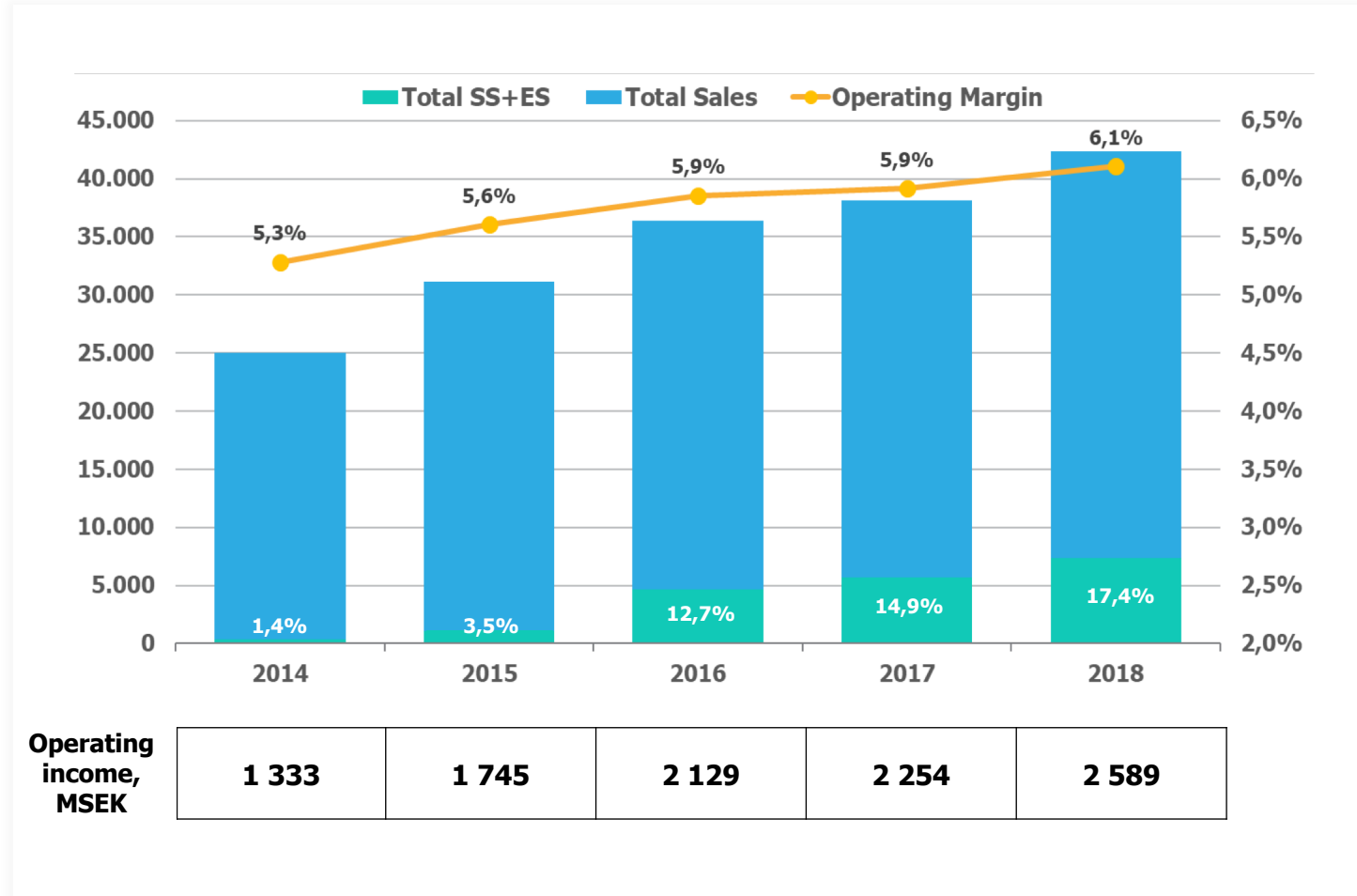


From 2014 to 2018:

- Strong position
- Overall OK economy
- Strong brand
- Price/wage on par
- Strong protective services offering
- SS&ES from 9% to 20%

Value creation combined with slightly improved operating margin

SSNA: Strategy execution at scale - we are ready for the next move

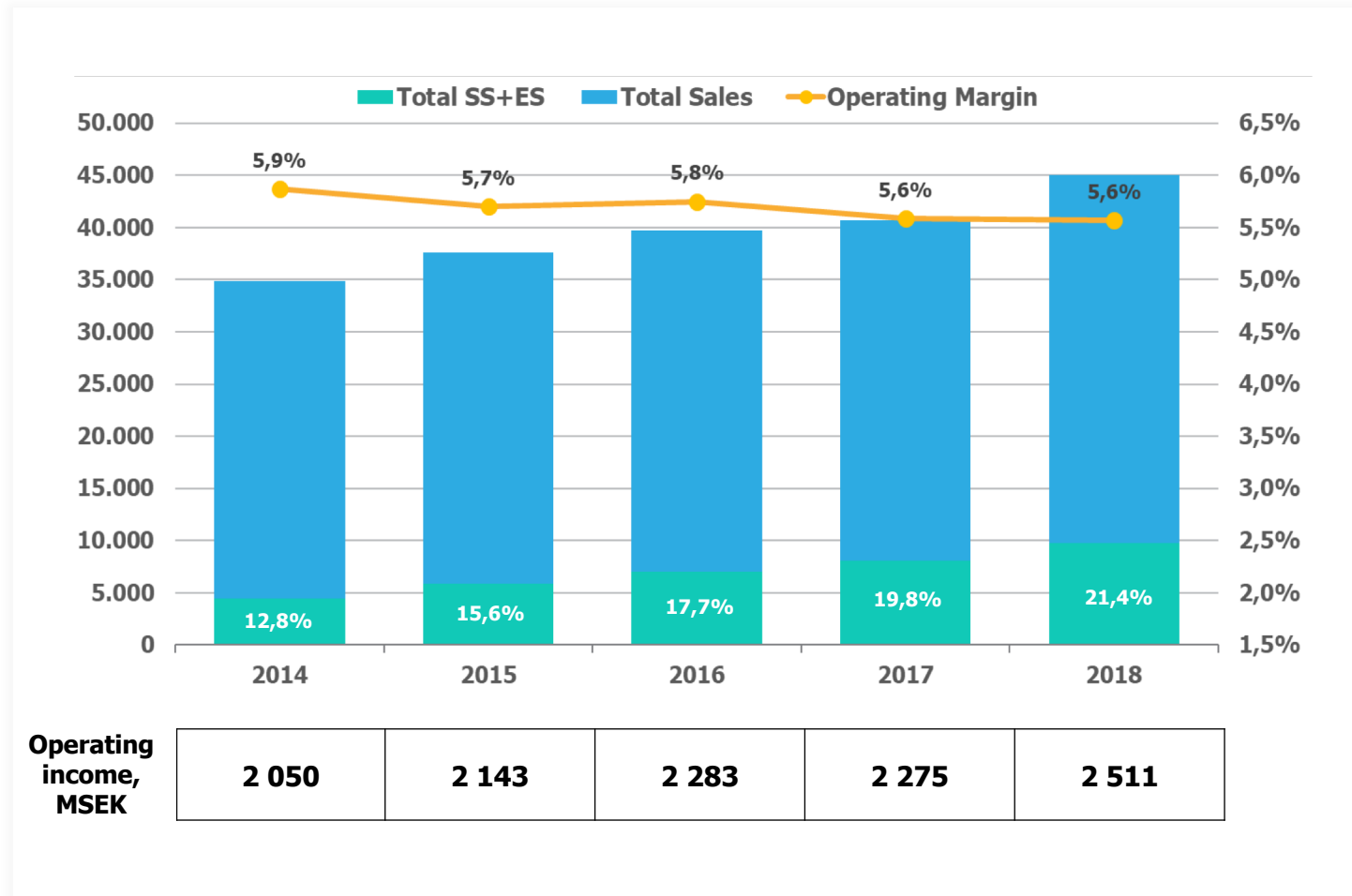


From 2014 to 2018:

- Strong position
- Good economy
- Market consolidation
- Pricing discipline (related to higher capital requirements)
- Price/wage on par
- Indirect cost efficiency
- Specialization
- SS&ES from 1.4% to 17.4%
- Transformation benefits from scale
- Acquisitions at scale

SSEU:

**We have followed the Group strategy with more diversified execution
Going forward: further drive sales mix – optimize scale and specialization**



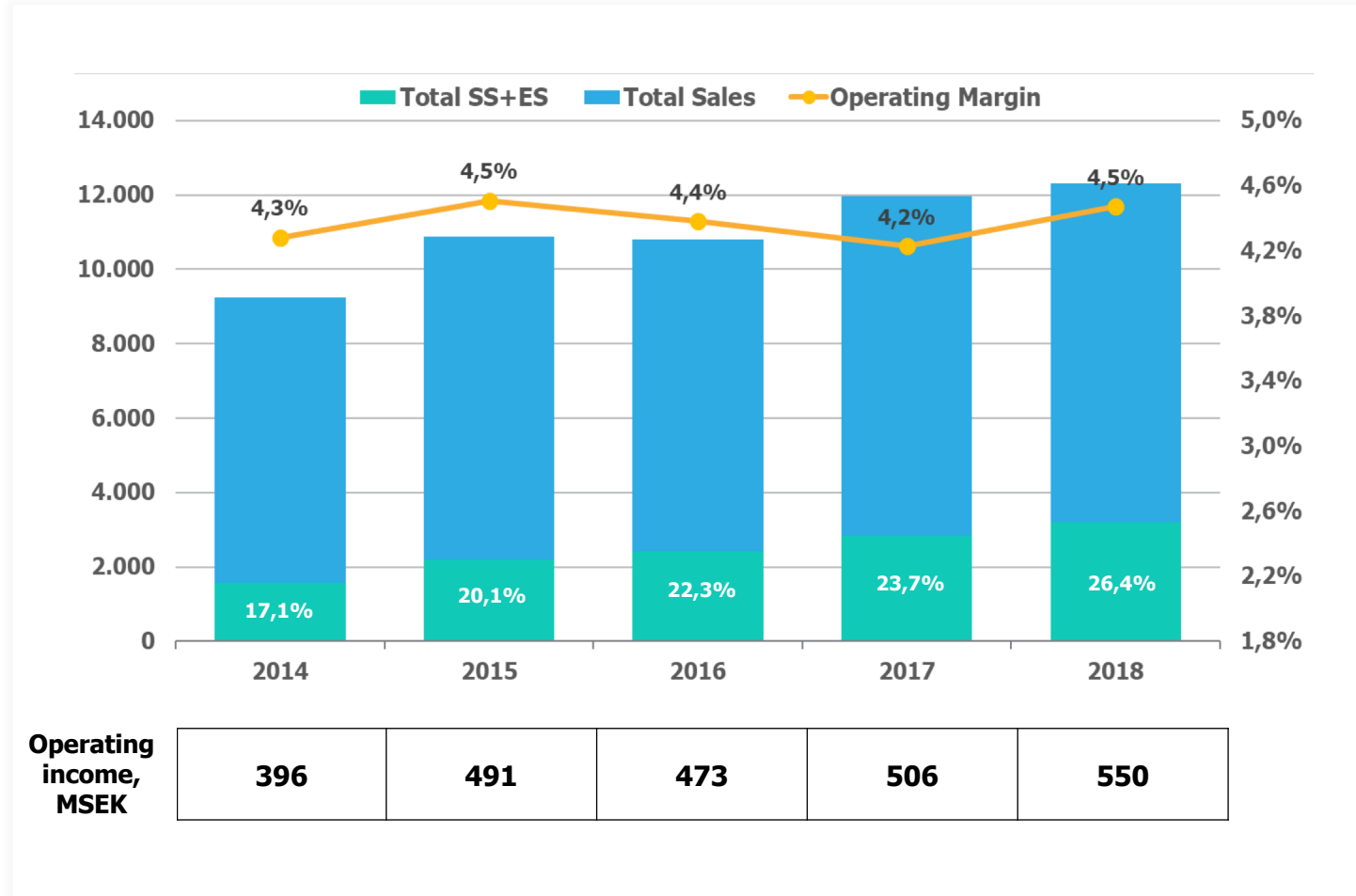
From 2014 to 2018:

- Strong position but not in all markets
- Decent economy
- Less market pricing discipline
- Price/wage on par
- Margin effect from refugee work
- Higher indirect investments (especially 2015-2016)
- SS&ES from 12.8% to 21.4%
- Less benefits from scale
- More acquisitions, less scale

SSIA:

Latam: we have a strong potential

Spain and Portugal: we continue strong execution








From 2014 to 2018:

Two different realities that reversed

- 2010-2014: strong Latin America but weaker Spain
- Reversed situation started around 2015
- SS&ES from 17.1% to 26.4%

Spain: very good case to understand the strategy and market dynamics

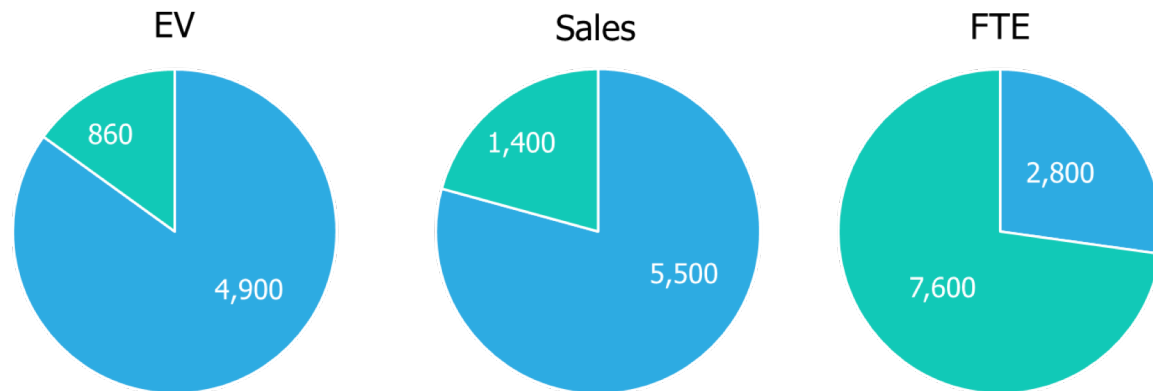
We specialize and drive the sales mix

	% sales	Operating margin	Contribution to operating income
 On-site guarding On-site/Aviation	72%	4% - 5%	64%
 Mobile guarding	5%	7% - 8%	8%
 Security solutions On-site solutions/Mobile solutions	11%	10% - 12%	26%
 Electronic security	10%	7% - 10%	16%
 Corporate Risk Management	2%	8% - 10%	3%
Other and Eliminations			- 17%
TOTAL (9M 2019):	100%	5.1%	100%

M&A will continue to be part of our growth strategy

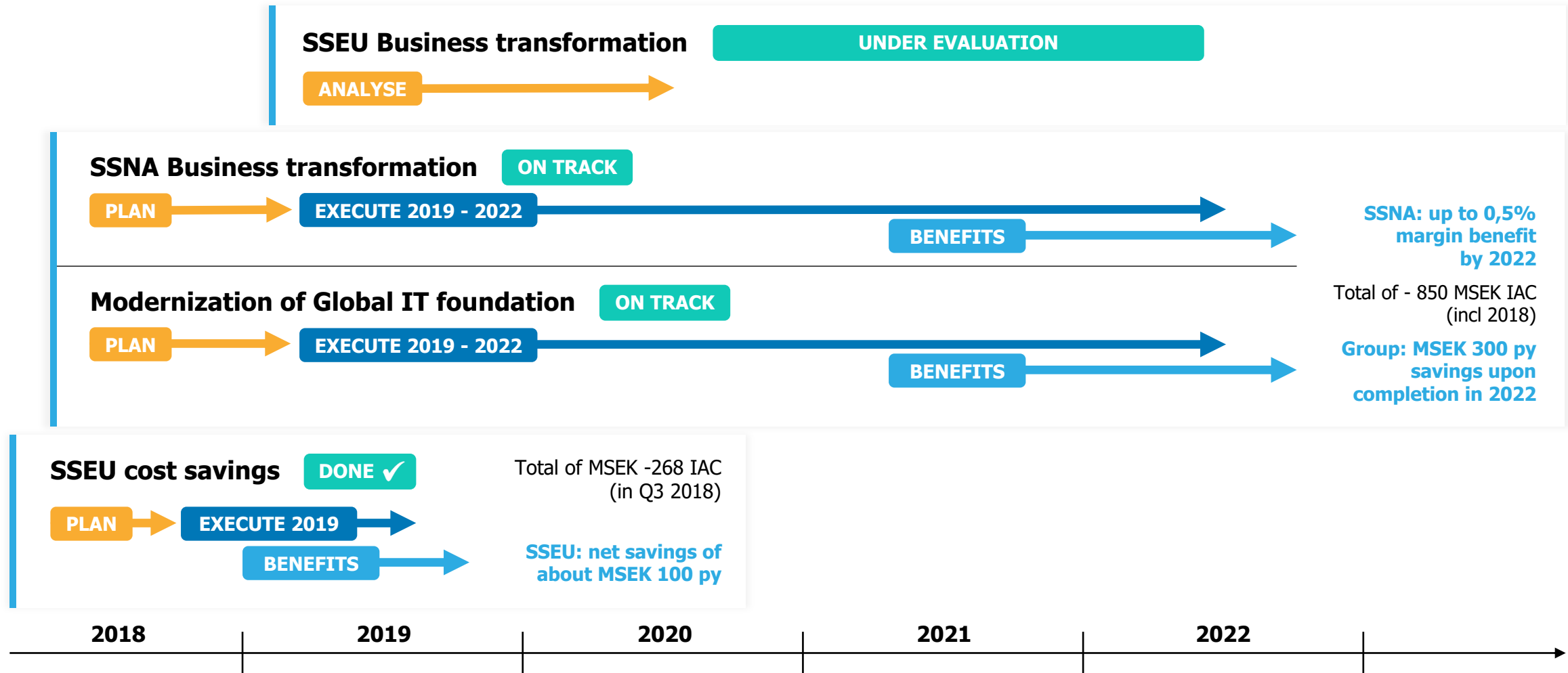
Acquisitions 2013-2019 Q3, MSEK (rounded)

- Electronic security companies
- Guarding companies



- Clear acquisition strategy
- Added 1.6% acquired growth/year in the period 2014 to 2018
- **Focus: Adding depth and skills in existing markets**

We plan and execute on transformations



We drive the development of the global platform and intelligent services at Group level

We have built a strong, central team of 70 FTE

- Started 2017 and gradually built out
- Central R&D included
- 2019: impact on Group margin compared with 2016 = 0,18% of Group sales *

2019	18 bps in opex compared to 2016
2020 (plan)	+ 5 bps in opex

* Opex reported in the segment "Other"



We have a strong focus on cash flow

**“The job is
only done
when it
gets paid”**

Clients pushing for longer payment terms

- No concerns on bad debt
- Payments terms of 30 days means 2 years before first positive cash-flow
- 60 days = 4 years
- 90 days = 6 years
- No factoring/no supply chain financing

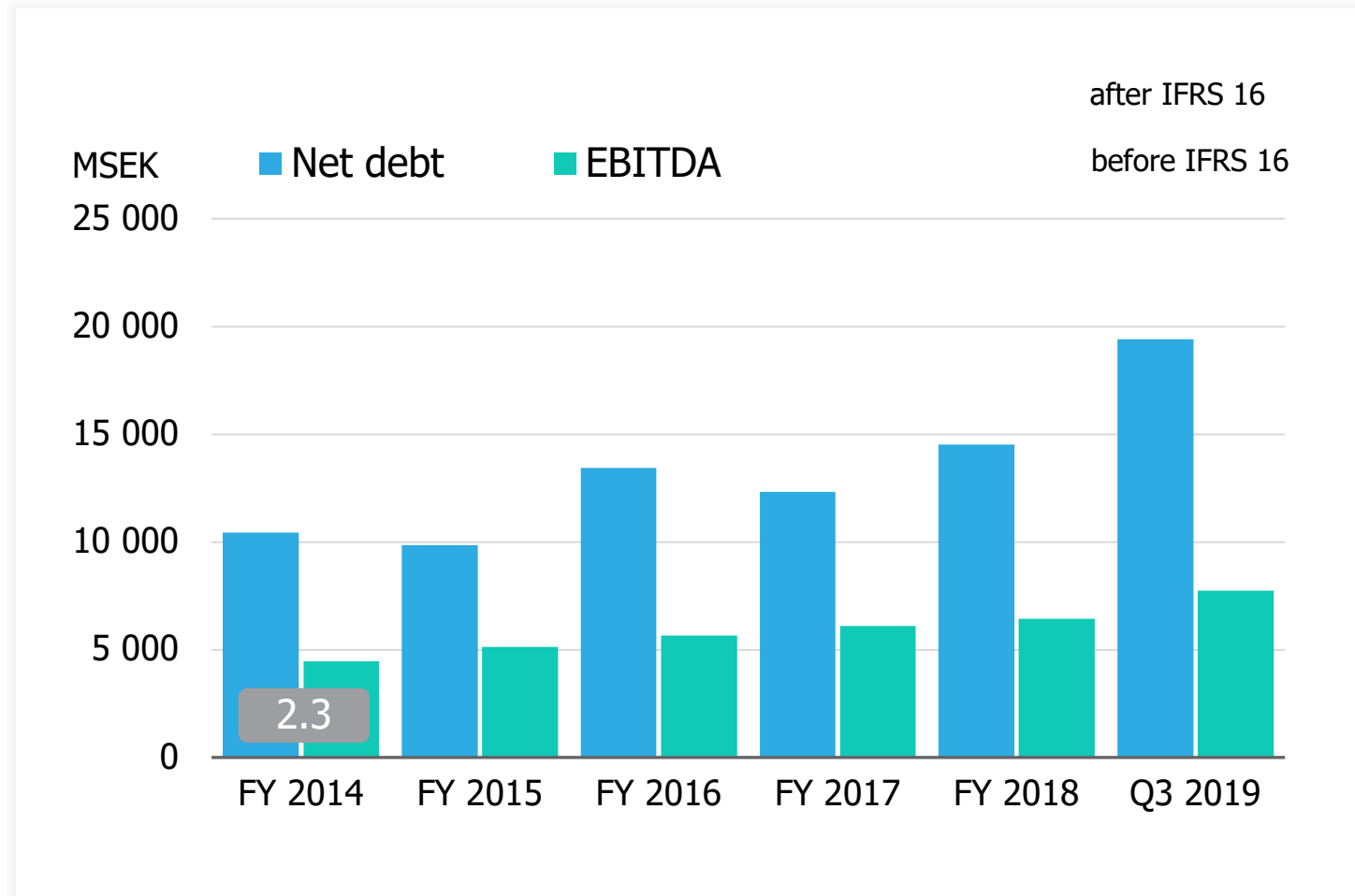
**In line with
the strategy,
we make
investments into
customer site
equipment and
transformation**

Part of building for the long term

We make ROI based decisions

**Operating
cash flow of
70-80%
of operating
income**

We are supported by a strong balance sheet



Well managed net debt to EBITDA ratio

- Net debt increased with BSEK 3.5 due to IFRS 16 in 2019
- No off-balance sheet financing

Target:

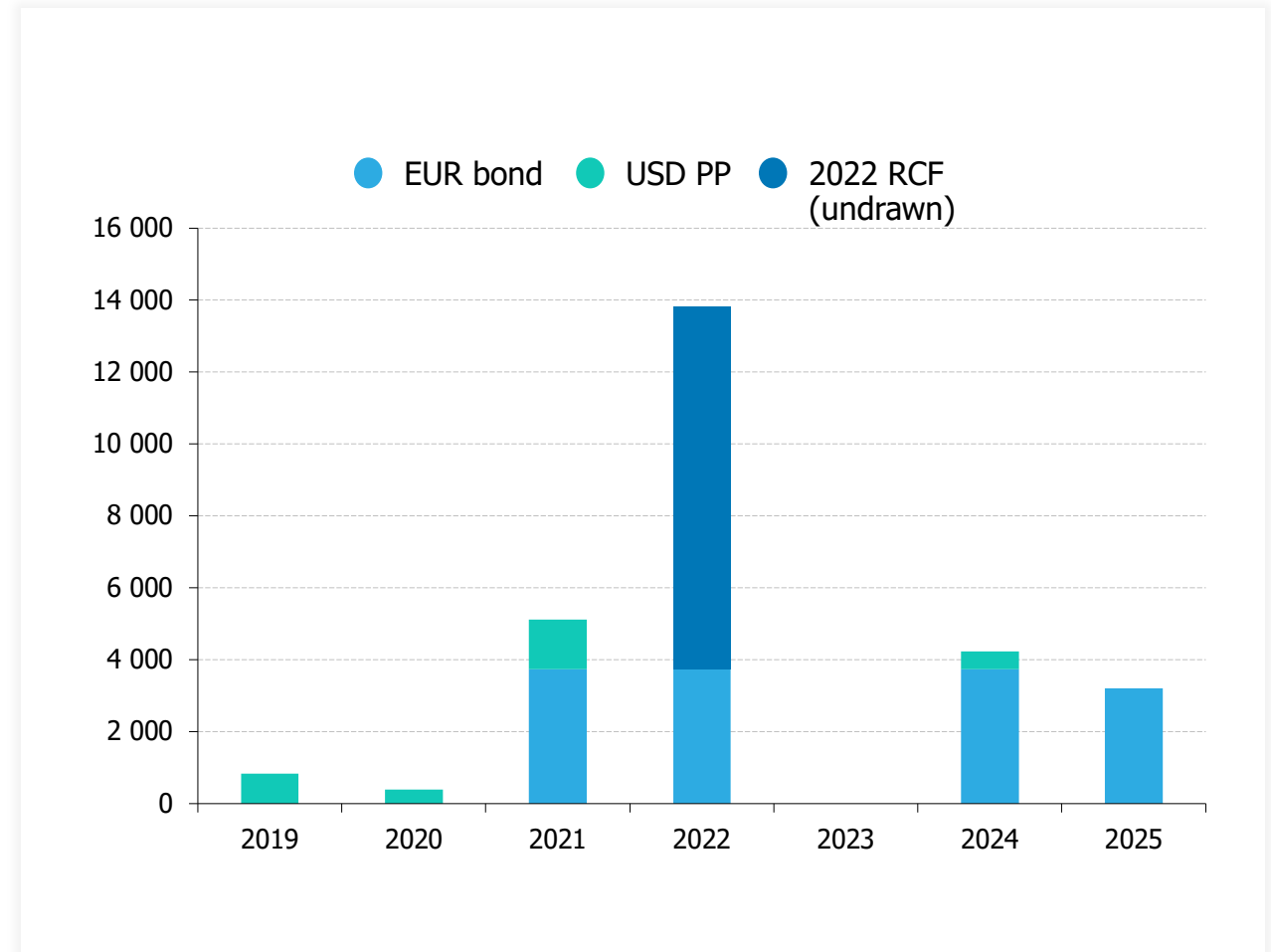
- **Net debt to EBITDA on average 2.5, in a bandwidth of 2.0-3.0**
- Allowing for peaks up to 3.5 in case of any major transaction opportunities

We are backed up by solid financing

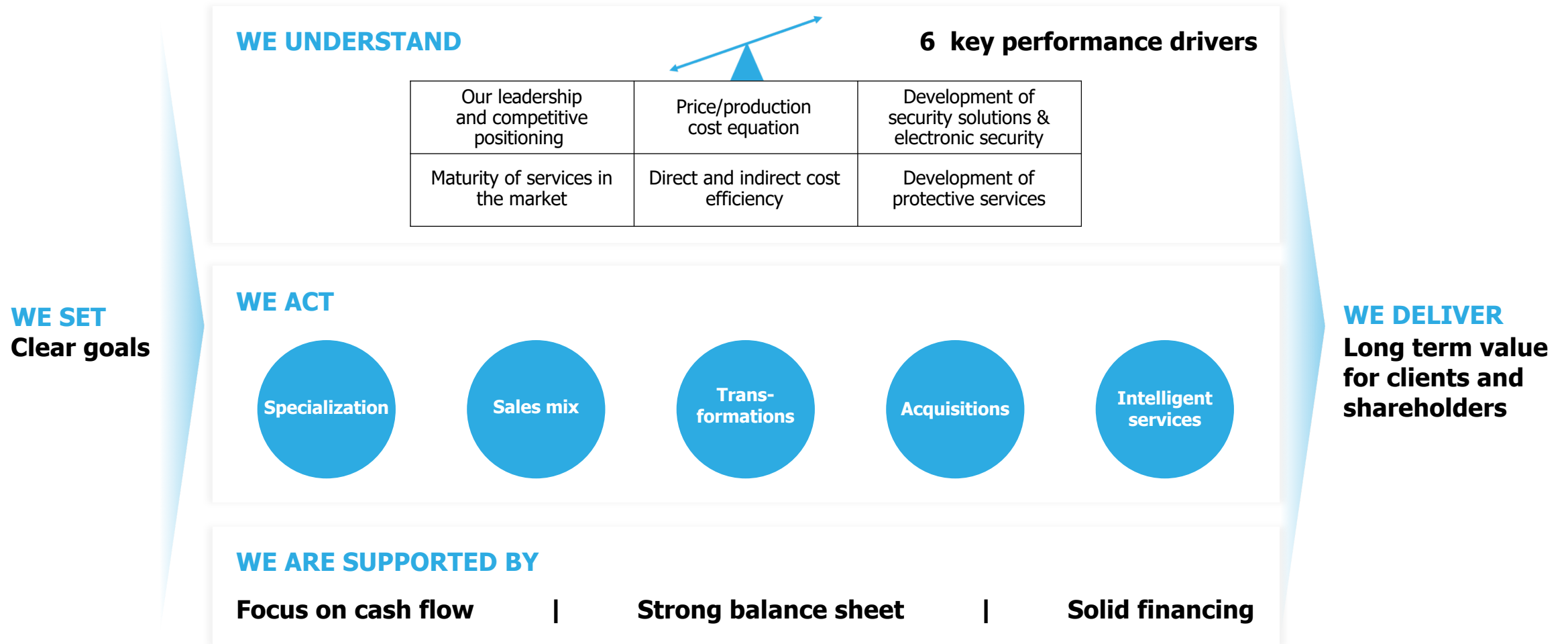
- ✓ BBB, positive outlook
- ✓ Ample rating headroom
- ✓ Significant undrawn committed funding BSEK 10
- ✓ No financial covenants

Committed to solid investment grade rating First renewal in 2021

Strong group of banks			
BBVA	Danske	ING	SEB
Citibank	DnB	KBC	SocGen
Commerzbank	HSBC	HSBC	Unicredit



Our financial lens on the strategy



A close-up photograph of a woman's face, split vertically. The left side shows her natural features, including her green eyes and dark hair. The right side is overlaid with a white fingerprint pattern on a blue background. The text is centered across the middle of the image.

POSITIONING SECURITAS AS THE INTELLIGENT PROTECTIVE SERVICES PARTNER

Investor Day, 5 December 2019

