

Interim Report Q3/9M 2021

Magnus Ahlqvist, President and CEO

Andreas Lindback, CFO

A strong performance

- **We continue to execute on our strategy**
 - Sharpened the business
 - Business transformation progressing according to plan
 - Managing the remaining effects of covid
- **Organic sales growth 4 percent (0) and 7 percent real sales growth in solutions and electronic security**
 - Positive new sales development across the Group and gradual recovery of C-19 portfolio reductions
- **Operating margin 5.9 percent (5.0), with improvements in all business segments**
 - Continued support from the cost-savings program initiated during 2020
 - Continued government grants and support relating mostly to temporary unemployment, but on a lower level
 - Normalized provisioning levels
 - Price and wage balance on par
 - Profitability improvement through reviewing the entire contract portfolio to ensure satisfactory margins
- **Good operating cash flow**

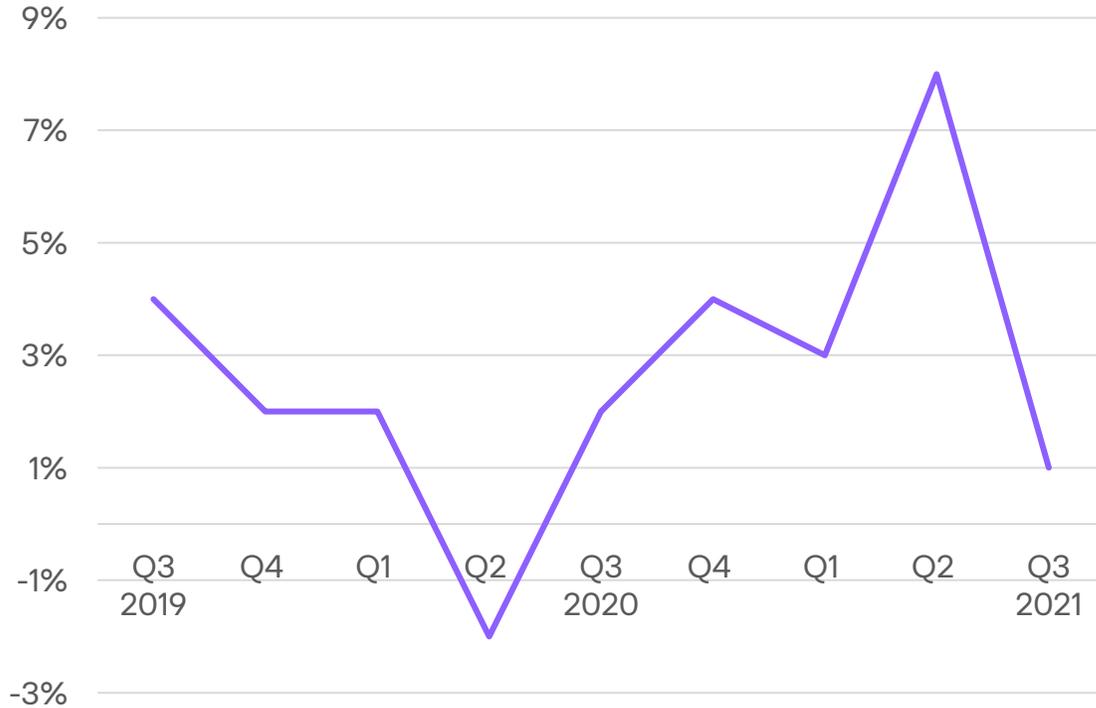




Security Services North America

Organic sales growth declining due to loss of contracts and reduced corona-related extra sales

Organic sales growth



Organic sales growth 1% (2) in Q3, 4% (1) in 9M

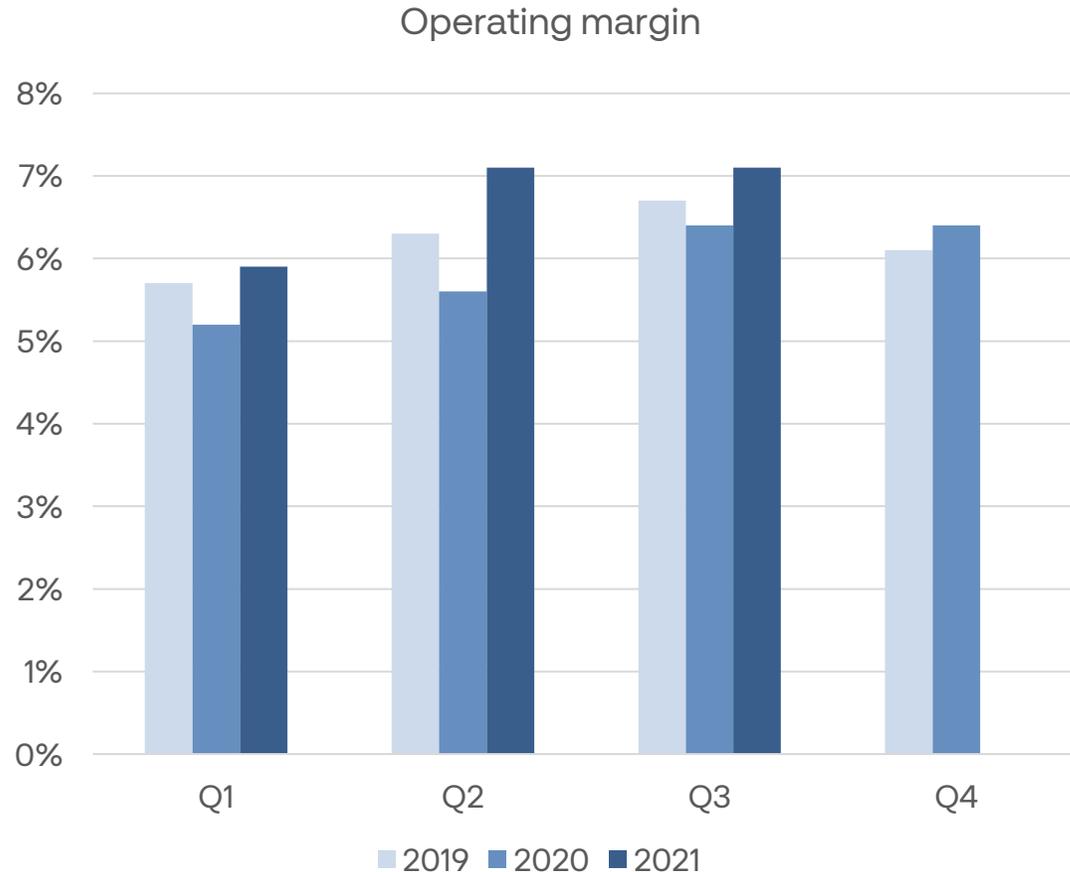
- Significant negative impact due to lower corona-related extra sales in Guarding
- Good underlying growth in the portfolio
- Gradual improvement in mainly Electronic Security and Critical Infrastructure Services
- Client retention was 89% (91)
- Loss of a MUSD 150 contract as of December 2 (below average margin)
- Security Solutions and Electronic Security represented 18% (18) of total sales in 9M





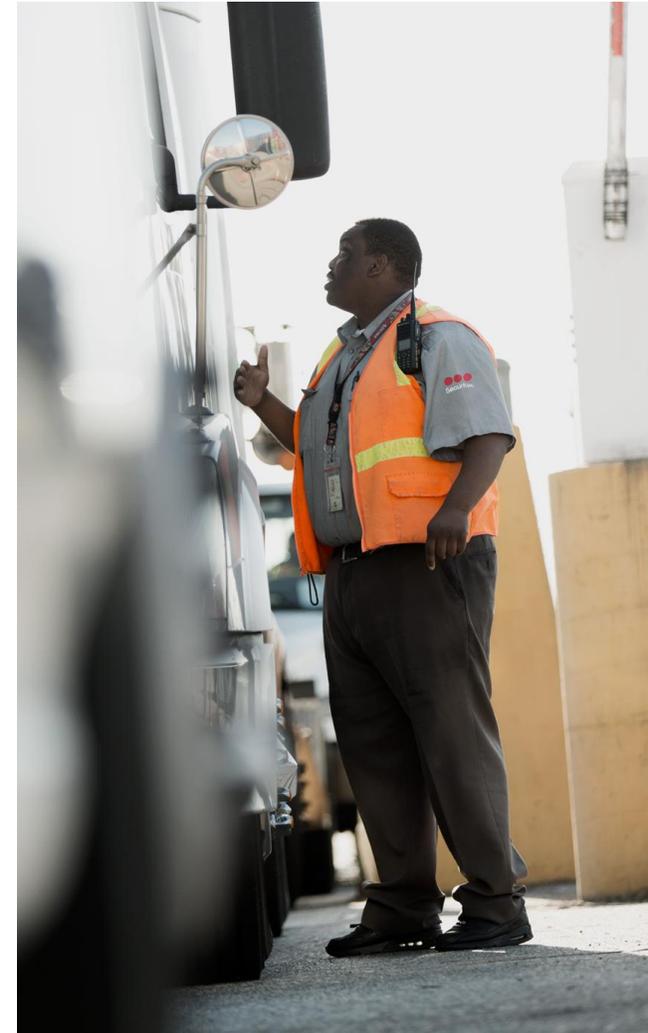
Security Services North America

Strong performance combined with normal levels of provisioning compared to last year



Operating margin 7.1% (6.4) in Q3, 6.7% (5.7) in 9M

- Stable operating margin in Guarding despite lower corona-related extra sales
- Electronic Security improved, supported by the acquisition of FE Moran Security Solutions
- Strong performance also in Pinkerton

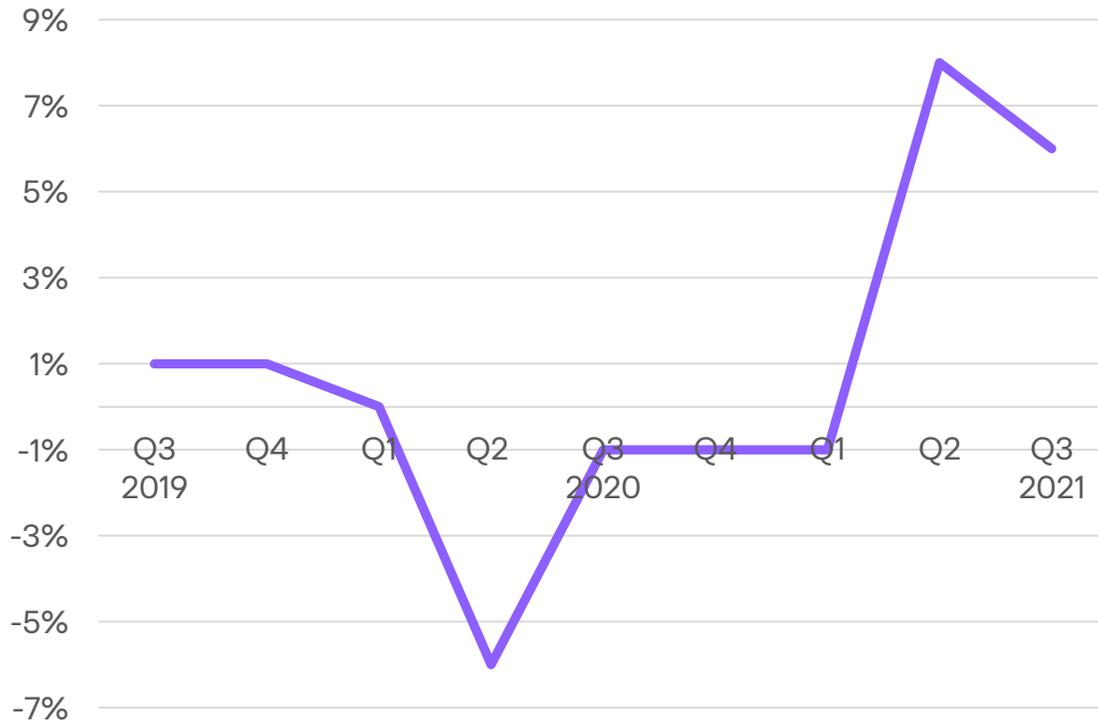




Security Services Europe

Good momentum in many countries

Organic sales growth



Organic sales growth 6% (-1) in Q3, 4% (-2) in 9M

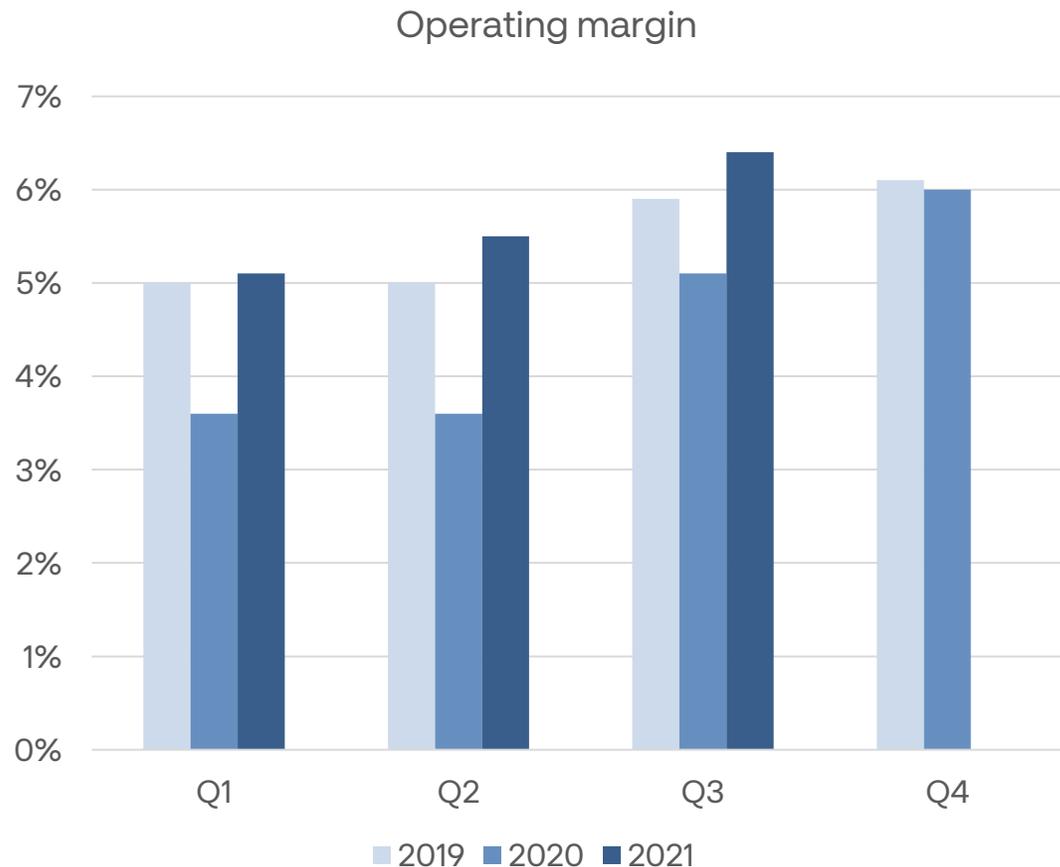
- Almost all countries had positive organic sales growth, reflecting the gradual recovery as restrictions and lock-downs are easing
- Airport security business sales improved substantially
- Security Solutions and Electronic Security sales was 24% (23) of total sales in 9M
- Client retention was 91% (91)





Security Services Europe

Broad-based improvement along with recovery in the airport security business



Operating margin 6.4% (5.1) in Q3, 5.7% (4.1) in 9M

- Most countries contributed to the development
- The improvement was supported by the cost-savings program and normalized levels of provisioning
- Continued government grants relating mostly to temporary unemployment
- Improved profitability in the airport security contract portfolio and high-margin extra sales important factors

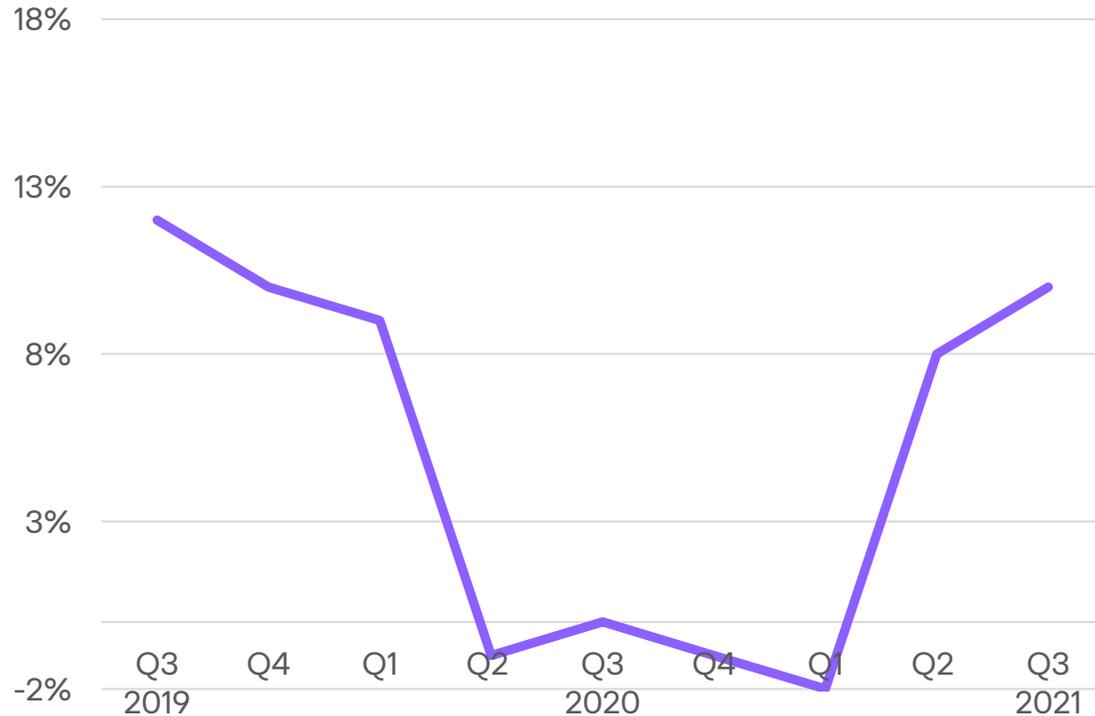




Security Services Ibero-America

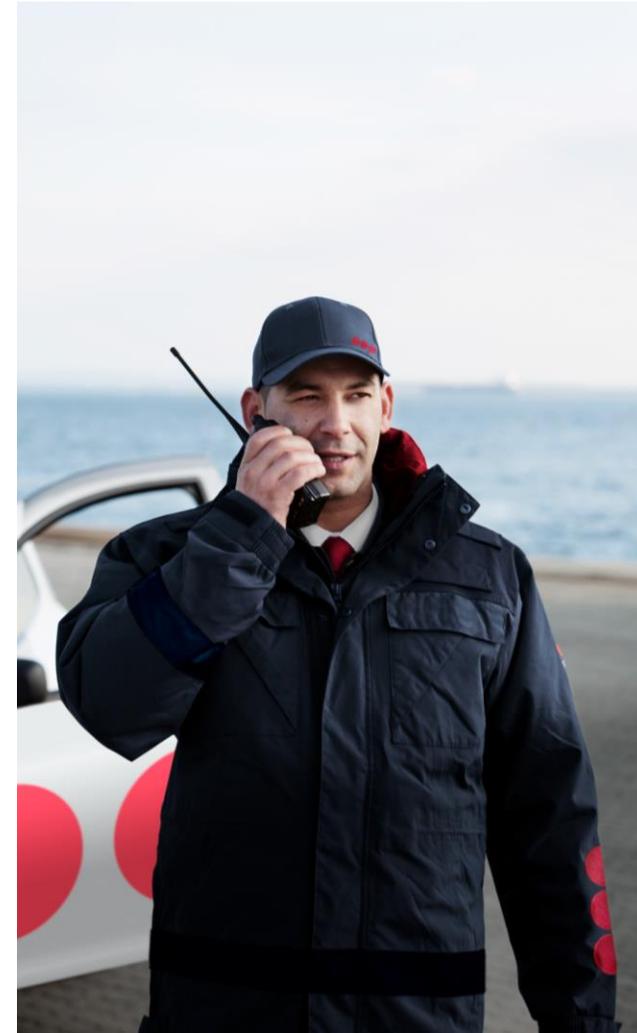
Solid development in Spain and improvements in Latin America

Organic sales growth



Organic sales growth 10% (0) in Q3, 5% (3) in 9M

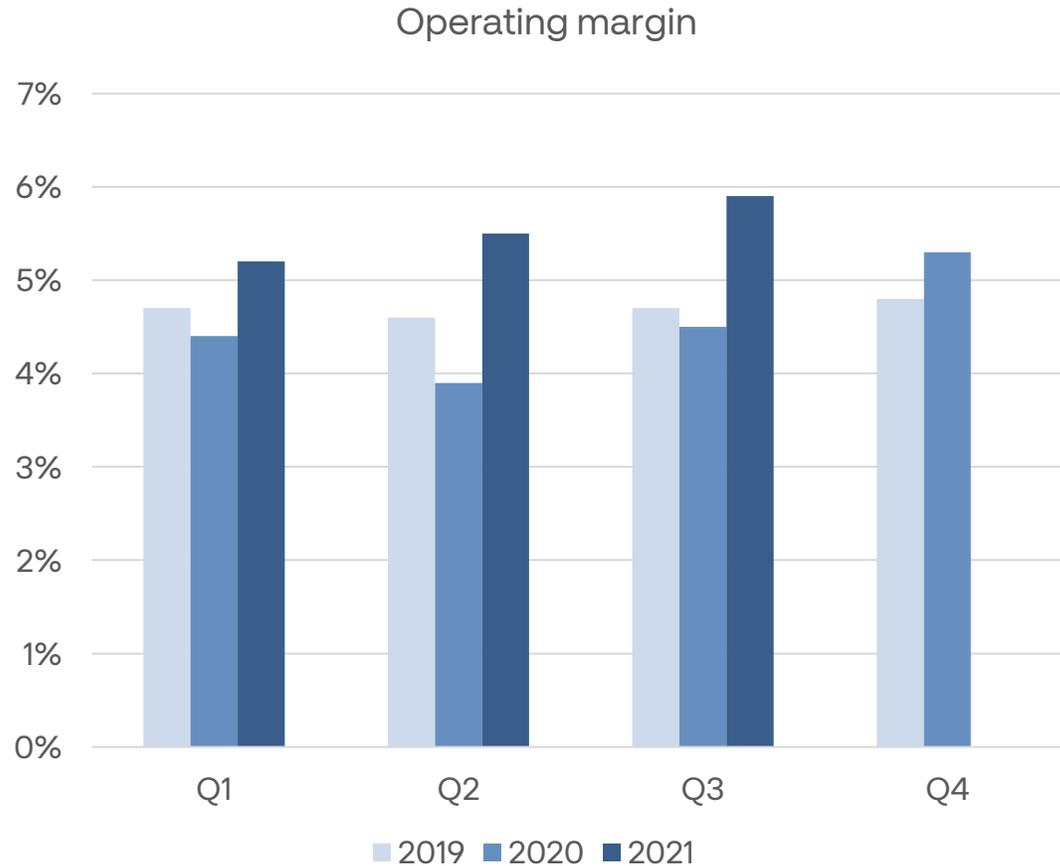
- Organic sales growth in Spain was 5% (4) in Q3, with a solid development
- Improvements in Latin America, with price increases in Argentina as the main driver
- Security Solutions and Electronic Security sales was 30% (29) of total sales in 9M
- Client retention was 93% (94)





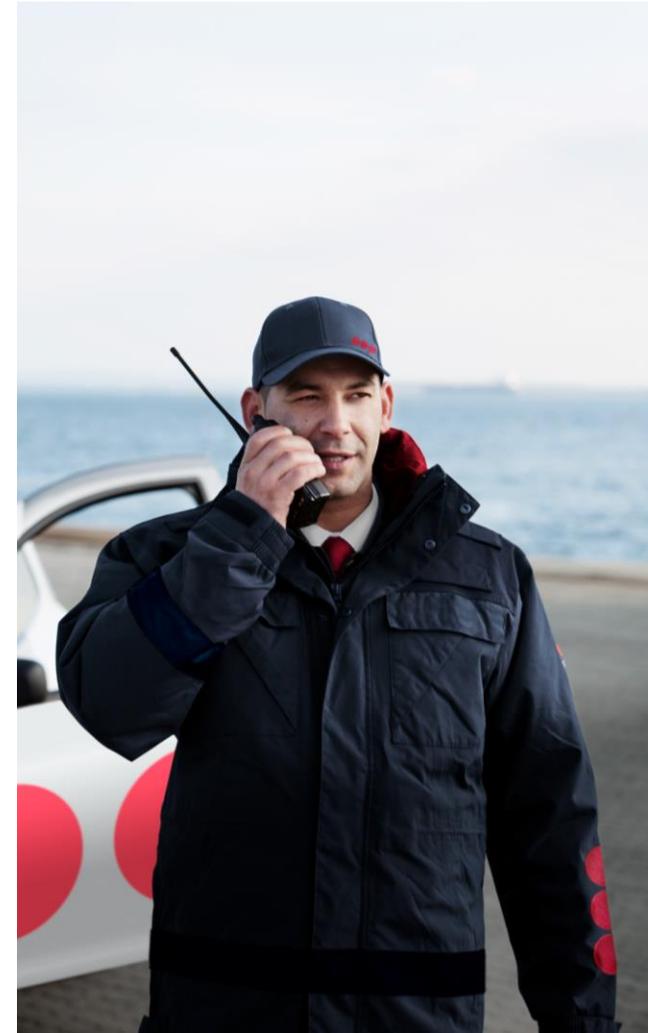
Security Services Ibero-America

Improvements in Spain and Peru combined with normal levels of provisioning



Operating margin 5.9% (4.5) in Q3, 5.5% (4.3) in 9M

- The improvement was primarily driven by Spain, supported by efficiency gains from the integration of Techco Security
- In Latin America, the operating margin was supported by portfolio refinement program in Peru
- The cost-savings program initiated in 2020 also had a positive impact



Financials

Andreas Lindback
CFO





A strong third quarter and first nine months

MSEK	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Sales	27 338	26 501	79 651	81 477	107 954
<i>Organic sales growth, %</i>	4	0	4	0	0
Operating income before amort.	1 605	1 327	4 332	3 488	4 892
<i>Operating margin, %</i>	5.9	5.0	5.4	4.3	4.5
Amort. of acquisition-related intangible assets	-63	-66	-191	-207	-286
Acquisition-related costs	-31	-10	-73	-90	-137
Items affecting comparability	-120	-112	-515	-218	-640
Operating income after amortization	1 391	1 139	3 553	2 973	3 829
Financial income and expenses	-96	-101	-281	-382	-500
Income before taxes	1 295	1 038	3 272	2 591	3 329
<i>Tax, %</i>	26.9	26.9	27.0	27.0	27.4
Net income for the period	946	759	2 389	1 892	2 416
EPS, SEK	2.59	2.08	6.54	5.18	6.63
EPS, SEK before IAC	2.82	2.31	7.57	5.63	8.02

- Corona-related government grants and support of MSEK 100 (200) in Q3 and MSEK 500 (550) in 9M
 - mostly related to temporary unemployment
 - as partial compensation for increased idle-time cost
- Acquisition-related costs from the earlier disclosed acquisitions
- Net items affecting comparability of MSEK -120 (-112) in Q3
 - MSEK -234: cost-savings program related to C-19 and transformation programs
 - MSEK +114: lump-sum from AFA insurance
- Financial income and expenses positively impacted by lower interest rates and exchange rates
- Tax: 27.0% for the full year



Items Affecting Comparability (including AFA), programs on track

2021 YTD

IAC Programs MSEK -629

AFA MSEK +114

Net IAC MSEK -515

FY 2021 expect:

Net IAC of MSEK -750 to -850

Transformation programs

Announced Q4 2018

- Global IS/IT
- North America

Total announced MSEK -850

Expected to close end of 2021 within announced total

C19 and 11 Exits

Announced Q2 2020 and Q4 2020

Total range of MSEK -350-500 (C19) and MSEK -100 (11 Exits)

Expected to close end of 2021 at the higher end of the range

Transformation programs

Announced Q4 2020

- Europe and Ibero-America

Total MSEK -1 400, period 2021-2023

Approximately MSEK -450 per year



Reduced but still negative impact from FX development

MSEK	Q3 2021	Q3 2020	Change	
			Total, %	Real*, %
Sales	27 338	26 501	3	5
Operating income	1 605	1 327	21	24
EPS, SEK	2.59	2.08	25	28
EPS, SEK, before IAC	2.82	2.31	22	26

* Including acquisitions and adjusted FX

MSEK	9M 2021	9M 2020	Change	
			Total, %	Real*, %
Sales	79 651	81 477	-2	5
Operating income	4 332	3 488	24	34
EPS, SEK	6.54	5.18	26	35
EPS, SEK, before IAC	7.57	5.63	34	43

* Including acquisitions and adjusted FX

FX SEK END-RATES			
	Q3 2021	Q3 2020	%
USD	8.74	9.02	-3.1
EUR	10.19	10.55	-3.4
ARS	0.09	0.12	-25.0



Good cash flow performance

MSEK	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Operating income before amortization	1 605	1 327	4 332	3 488	4 892
Net investments in non-current assets	3	-16	-30	-77	-97
Change in accounts receivable	-105	86	-345	289	123
Change in other operating capital employed	-300	1 242	-541	1 980	2 289
Cash flow from operating activities	1 203	2 639	3 416	5 680	7 207
<i>Cash flow from operating activities, %</i>	<i>75</i>	<i>199</i>	<i>79</i>	<i>163</i>	<i>147</i>
Financial income and expenses paid	-19	-24	-277	-355	-401
Current taxes paid	-114	-206	-896	-801	-862
Free cash flow	1 070	2 409	2 243	4 524	5 944

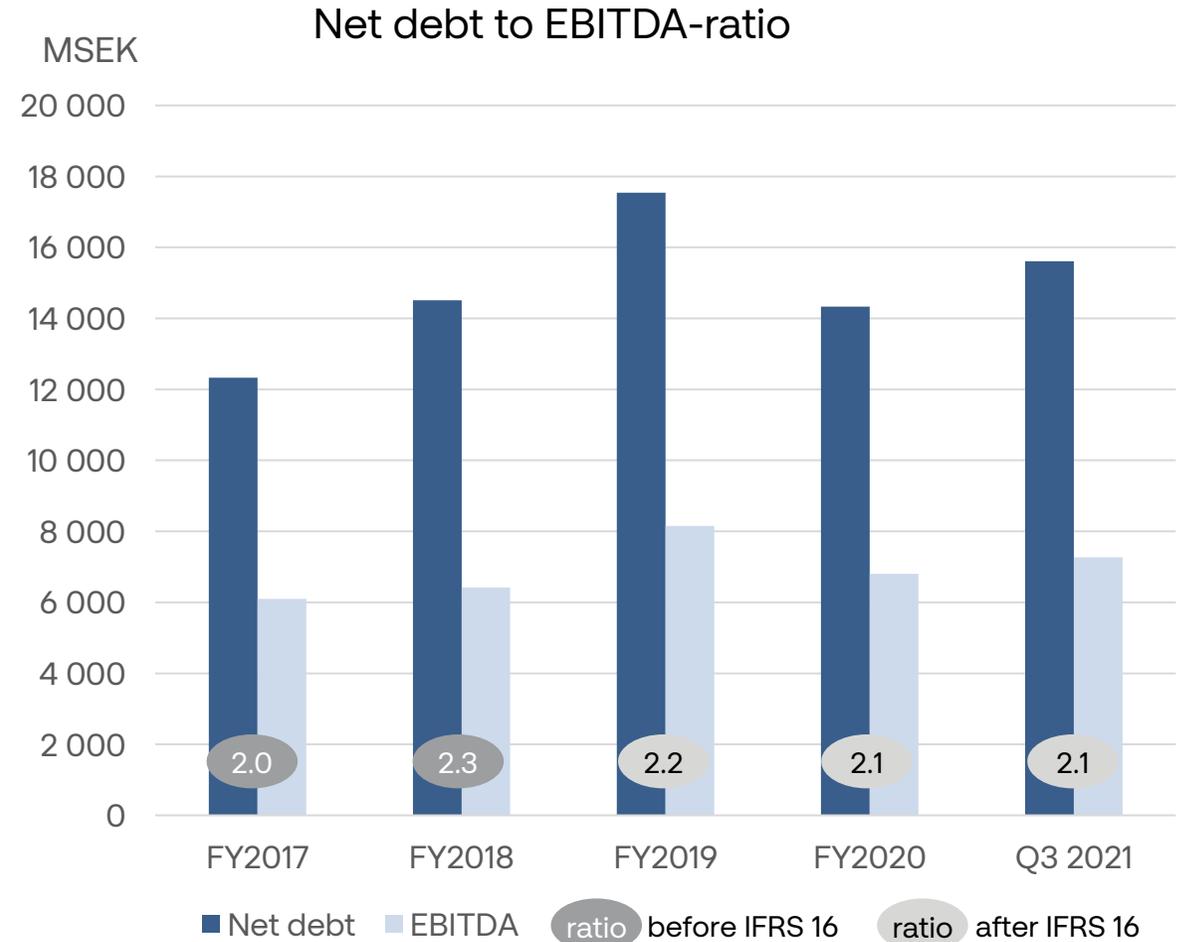
- Approximately MSEK 600 of the corona-related government payment relief measures in North America were paid in Q3. The remaining app. MSEK 600 will be repaid in 2022.
- Good collections, though cash flow negatively impacted from higher organic sales growth
- Change in other operating capital employed in Q3 2020 was positively affected by approximately MSEK 400 relating to the timing of payments of payroll taxes and value added tax in Europe and North America
- Q3 2021 was furthermore negatively impacted by payroll timing in the North American operations
- Net investments of MSEK -30 in 9M results from
 - Investments of MSEK -1 966
 - Reversal of depreciation of MSEK 1 936
- Capital expenditure <3% of Group sales annually



Stable net debt to EBITDA-ratio, well ahead of Group target

MSEK

Net debt Jan 1, 2021	-14 335
Free cash flow	2 243
Acquisitions/Divestitures	-1 133
IAC	-568
Dividend paid	-1 460
Lease liabilities	162
Change in net debt	-756
Revaluation	-6
Translation	-515
Net debt Sept 30, 2021	-15 612

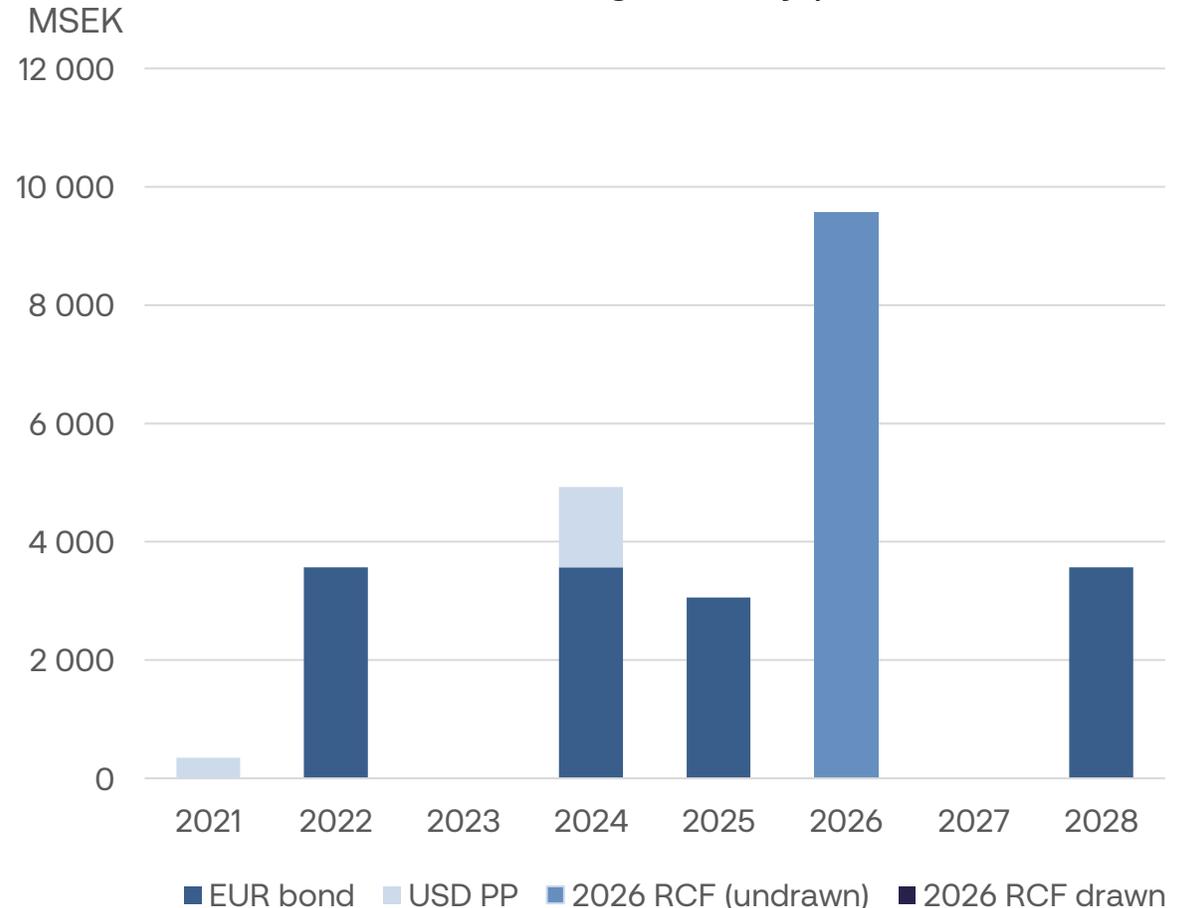




We are backed up with solid financing

- BBB/A-2 rating, stable outlook (S&P, May 25, 2021)
- Committed to solid investment grade rating
- BSEK 4.0 in liquid funds
- RCF extended to 2026
 - With the possibility to extend another year to 2027
 - All 10 relationship banks participated in the extension
 - Significant undrawn committed funding BSEK 9.6
- No financial covenants
- We are very well positioned for the future and in a strong position to accelerate the transformation

Committed funding maturity profile



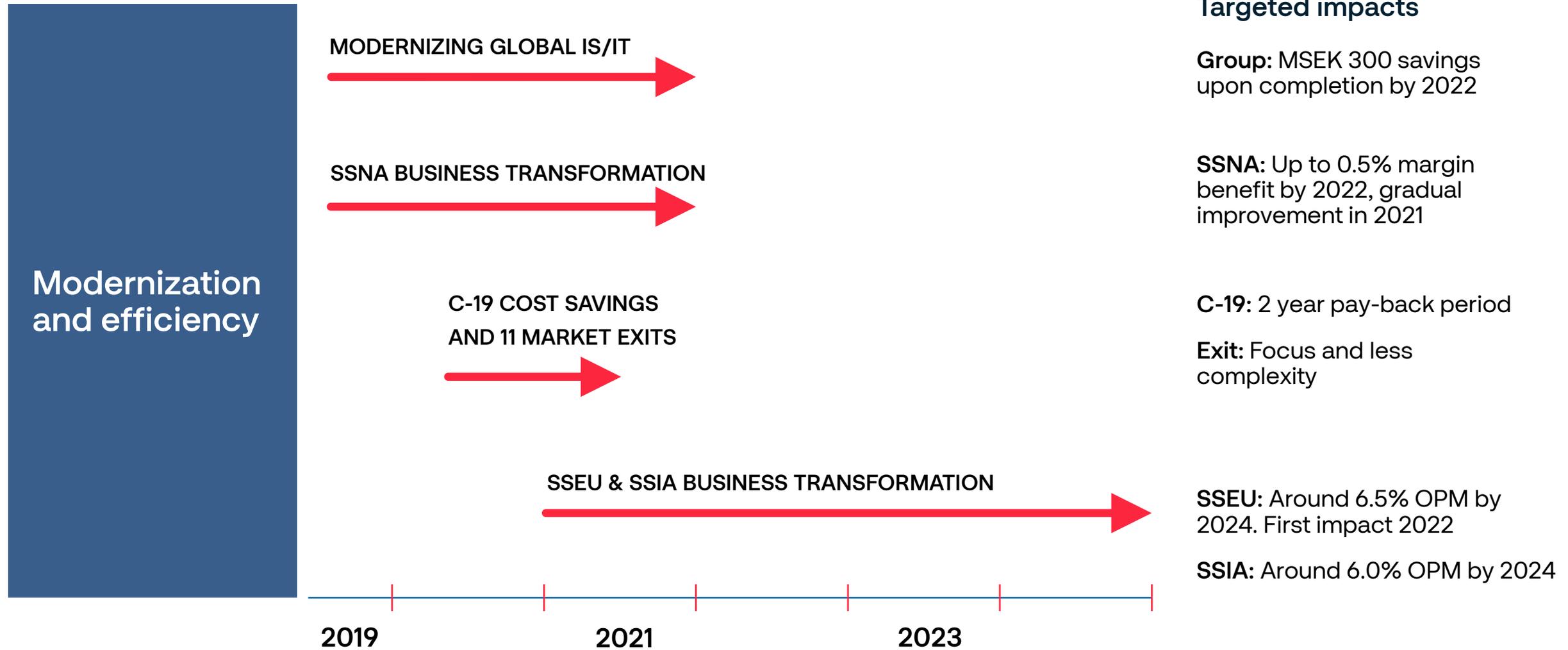


Committed to the transformation targets





Solid progress with the transformation programs. The first three programs close end of 2021



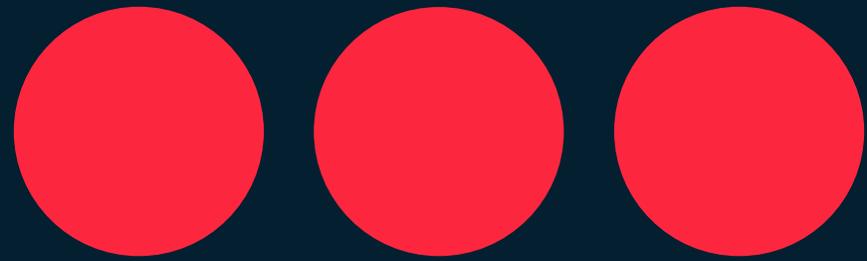


Q3 summary: 4% (0) organic sales growth and solid 5.9% (5.0) operating margin

We continue to execute on our strategy and have delivered a strong performance:

- Sharpened the business
- We are managing the remaining effects of covid
- We are seeing positive development in our solutions and electronic security business
- Commercial activity and sales are improving
- We have clear priorities and a strong position going into 2022





Securitas