

# FULL YEAR REPORT

## January – December 2017

Alf Göransson  
President and CEO



BLDU  
35273  
2261

## Highlights January - December

- Organic sales growth 5% (7) in FY, 6 percent (5) in Q4, with strong market momentum throughout the Group, led by North America
- Gradual recovery of organic sales growth in Europe during the year. Within Ibero-America, Spain and Portugal had a good year. Mixed picture in Latin America
- Operating margin 5.1% (5.2), mainly due to negative leverage in a few countries in Europe during the first nine months. In Q4 5,3% (5,2) with improvement in Europe
- EPS real change 4%. Adjusted for IAC real change was 9 %
- Proposed dividend SEK 4.00 (3.75)
- Free cash flow to net debt ratio 0.19 (0.13)
- Net debt to EBITDA ratio 2.1 (2.4)
- Sales of security solutions and electronic security grew 19% and now represents 18% (16) of total sales





## Financial Highlights

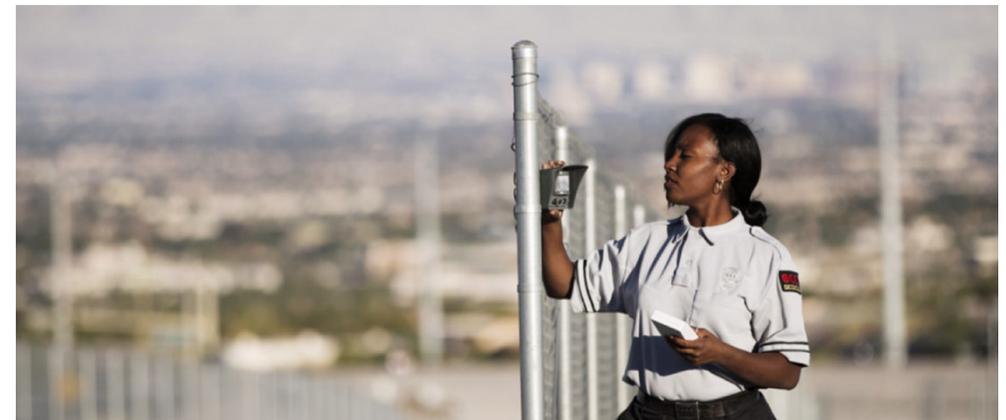
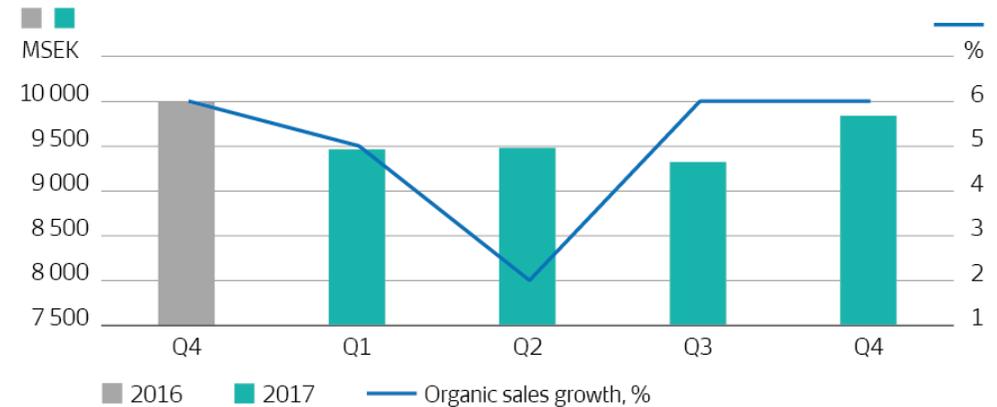
| MSEK  | Q4<br>2017    | Q4<br>2016    | Total<br>change | Real<br>change % | 2017          | 2016          | Total<br>change | Real<br>change % |
|---|---------------|---------------|-----------------|------------------|---------------|---------------|-----------------|------------------|
| <b>Sales</b>  | <b>24 024</b> | <b>23 715</b> | <b>1</b>        | <b>6</b>         | <b>92 197</b> | <b>88 162</b> | <b>5</b>        | <b>5</b>         |
| <i>Organic sales growth, %</i>                            | <i>6</i>      | <i>5</i>      |                 |                  | <i>5</i>      | <i>7</i>      |                 |                  |
| <b>Operating income before amortization</b>               | <b>1 264</b>  | <b>1 241</b>  | <b>2</b>        | <b>8</b>         | <b>4 677</b>  | <b>4 554</b>  | <b>3</b>        | <b>4</b>         |
| <i>Operating margin, %</i>                                | <i>5.3</i>    | <i>5.2</i>    |                 |                  | <i>5.1</i>    | <i>5.2</i>    |                 |                  |
| Amortization and impairment of acquisition-related assets | -72           | -87           |                 |                  | -255          | -288          |                 |                  |
| Acquisition-related costs                                 | -28           | -47           |                 |                  | -48           | -113          |                 |                  |
| <b>Operating income after amortization</b>                | <b>1 164</b>  | <b>1 107</b>  | <b>5</b>        | <b>12</b>        | <b>4 374</b>  | <b>4 153</b>  | <b>5</b>        | <b>6</b>         |
| Financial income and expenses                             | -94           | -105          |                 |                  | -376          | -389          |                 |                  |
| <b>Income before taxes</b>                                | <b>1 070</b>  | <b>1 002</b>  | <b>7</b>        | <b>13</b>        | <b>3 998</b>  | <b>3 764</b>  | <b>6</b>        | <b>7</b>         |
| <b>Net income for the period</b>                          | <b>644</b>    | <b>704</b>    | <b>-9</b>       | <b>-2</b>        | <b>2 737</b>  | <b>2 646</b>  | <b>3</b>        | <b>4</b>         |
| Earnings per share (SEK)                                  | 1.76          | 1.92          | -8              | -2               | 7.49          | 7.24          | 3               | 4                |
| EPS before IAC (SEK)*                                     | 2.10          | 1.92          | 9               | 16               | 7.83          | 7.24          | 8               | 9                |

\* EPS before items affecting comparability, consisting in its entirety of one-off tax effects amounting to MSEK -123.4 from the revaluation of US net deferred tax assets due to the US tax reform enacted in December 2017.



## Security Services North America FY 2017 Sales Development

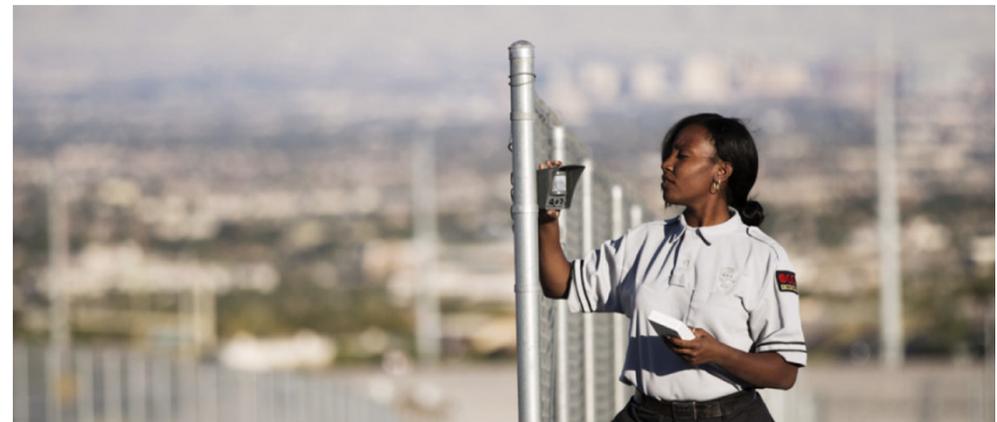
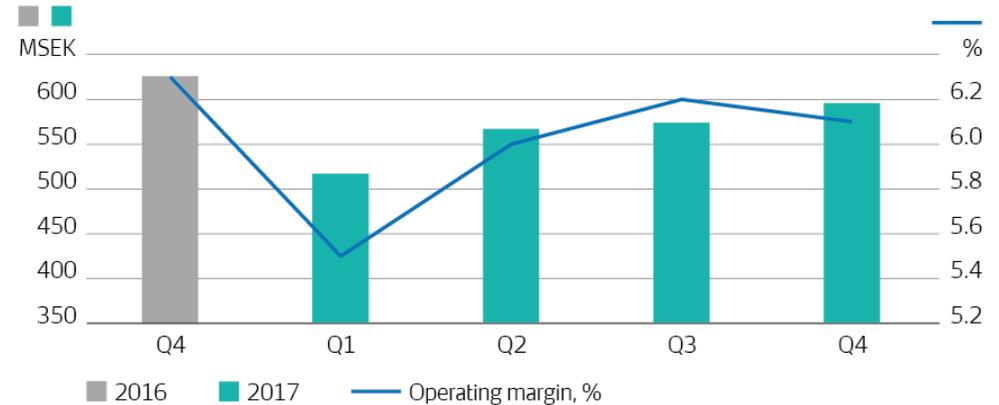
- Sales MSEK 38 108 (36 354)
- Organic sales growth 5 percent (6), supported by strong new sales and positive organic sales growth in almost all units
- Organic sales growth 6 percent (6) in Q4 with a few larger contracts started
- Sales of security solutions and electronic security continued to grow with good speed
- Strong performance in Pinkerton Corporate Risk Management





## Security Services North America FY 2017 Operating Income Development

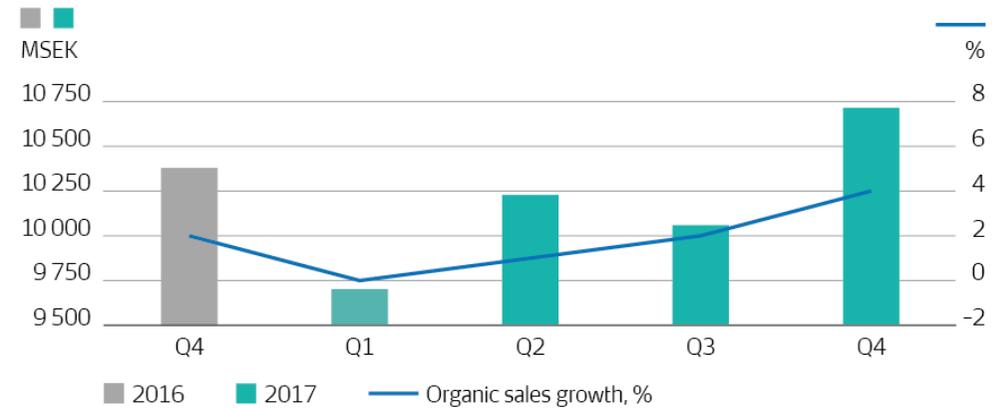
- Operating income before amortization MSEK 2 254 (2 129)
- Operating margin 5.9 percent (5.9)
- Good growth of security solutions and electronic security sales supported operating margin, as well as a strong performance in Pinkerton, but was offset by start-up costs in a few larger contracts towards the end of the year





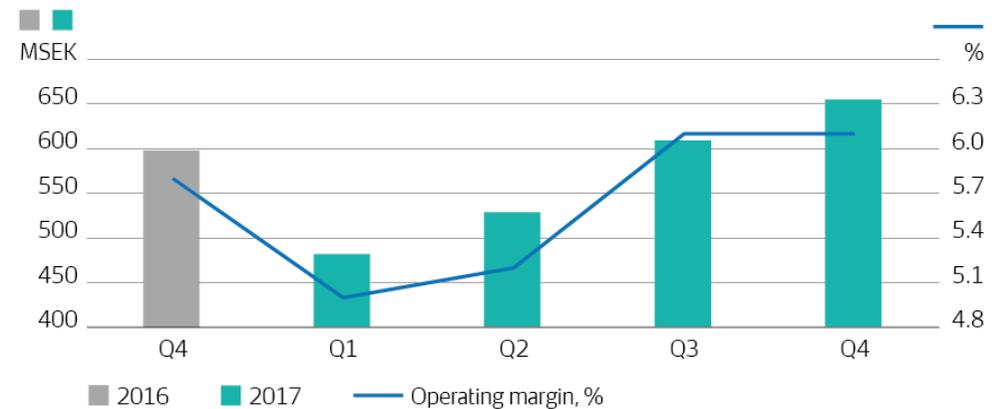
## Security Services Europe FY 2017 Sales Development

- Sales MSEK 40 703 (39 694)
- Organic sales growth 2 percent (6) in 2017, and 4 percent (2) in Q4
- Germany and Turkey were main contributors to organic sales growth, however the growth was offset by lower refugee-related extra sales and the loss of two large, previously communicated, customer contracts
- Sales of security solutions and electronic security continued to grow at a good pace



## Security Services Europe FY 2017 Operating Income Development

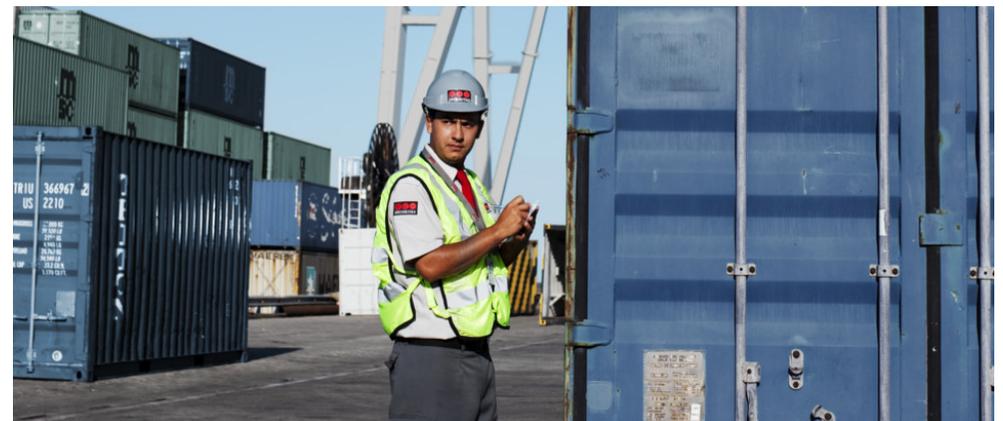
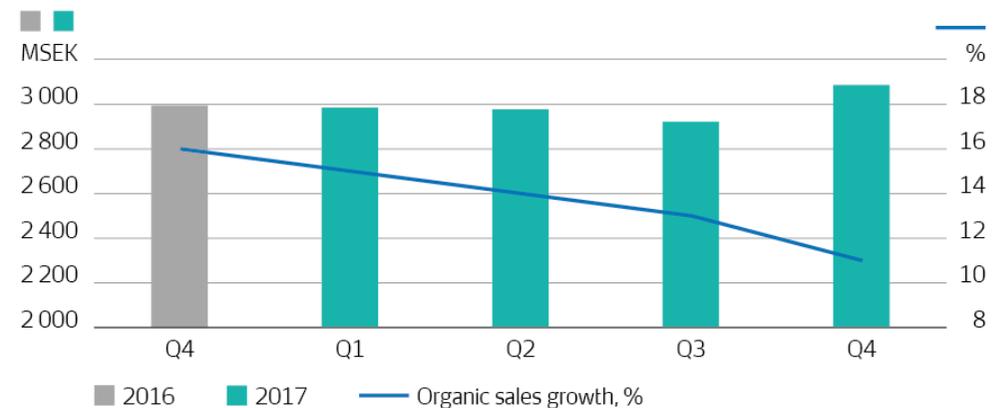
- Operating income before amortization MSEK 2 275 (2 283)
- Operating margin 5.6 percent (5.8), a decline mainly explained by higher costs and operational overcapacity in a few countries during the first nine months
- Operating margin 6.1 percent (5.8) in Q4, an improvement relating to a number of countries but primarily France, Norway and Turkey





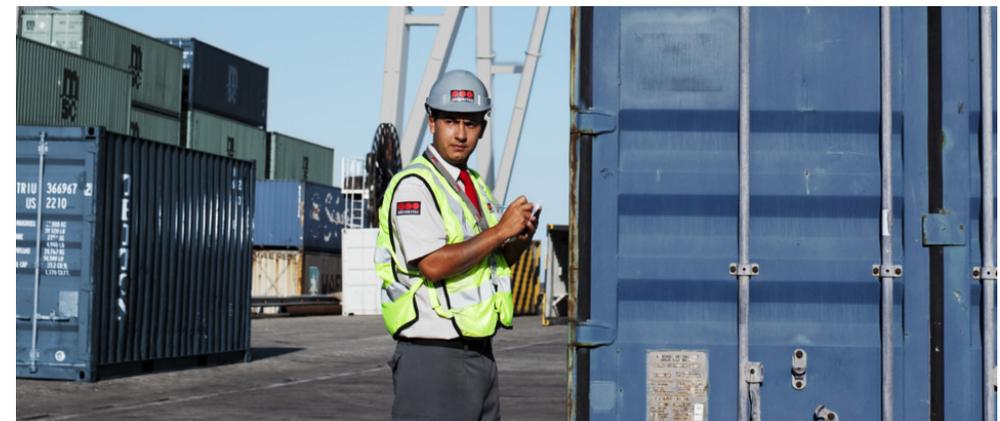
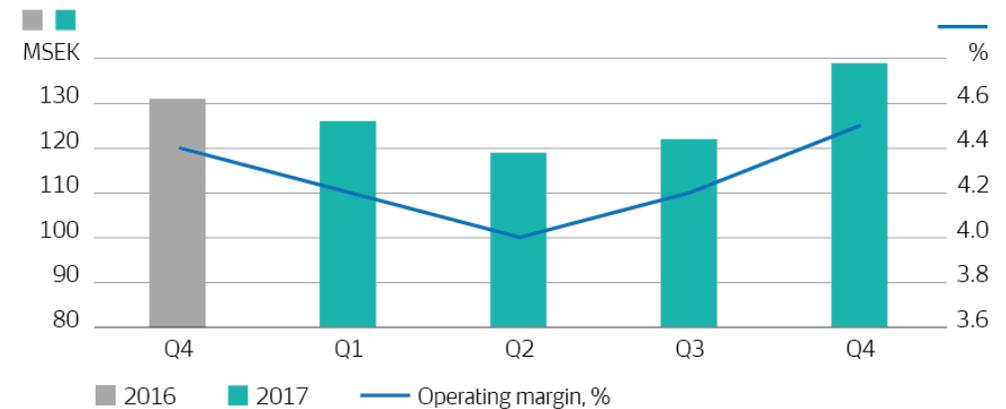
## Security Services Ibero-America FY 2017 Sales Development

- Sales MSEK 11 971 (10 805)
- Organic sales growth 13 percent (14), driven by Argentina, Chile, Colombia and Spain
- Organic sales growth was 11 percent (16) in Q4, a decline due to Argentina with instability in the security market
- A declining inflationary trend will reduce organic sales growth in Argentina in the coming quarters
- Sales of security solutions and electronic security continued to grow at good speed



## Security Services Ibero-America FY 2017 Operating Income Development

- Operating income before amortization MSEK 506 (473)
- Operating margin 4.2 percent (4.4), a decline mainly due to loss-making performance in Peru in H1
- Furthermore, restructuring costs in Argentina in H2 burdened the operating margin
- Operating margin in Q4 was 4.5 percent (4.4), an improvement driven by Colombia and Spain



## Cash Flow

| MSEK  | Q4<br>2017   | Q4<br>2016   | 2017         | 2016         |
|---|--------------|--------------|--------------|--------------|
| <b>Operating income before amortization</b>               | <b>1 264</b> | <b>1 241</b> | <b>4 677</b> | <b>4 554</b> |
| Investments in non-current tangible and intangible assets | -514         | -409         | -1 704       | -1 658       |
| Reversal of depreciation                                  | 356          | 337          | 1 361        | 1 229        |
| Net investments in non-current assets                     | -158         | -72          | -343         | -429         |
| Change in accounts receivable                             | 57           | -297         | -449         | -1 039       |
| Change in other operating capital employed                | 650          | 285          | -48          | -47          |
| <b>Cash flow from operating activities</b>                | <b>1 813</b> | <b>1 157</b> | <b>3 837</b> | <b>3 039</b> |
| <i>Cash flow from operating activities, %</i>             | <i>143</i>   | <i>93</i>    | <i>82</i>    | <i>67</i>    |
| Financial income and expenses paid                        | -40          | -33          | -425         | -301         |
| Current taxes paid  | -267         | -260         | -1 122       | -1 017       |
| <b>Free cash flow</b>                                     | <b>1 506</b> | <b>864</b>   | <b>2 290</b> | <b>1 721</b> |
| <i>As % of adjusted income</i>                            | <i>157</i>   | <i>94</i>    | <i>68</i>    | <i>52</i>    |
| Free cash flow to net debt                                | -            | -            | 0.19         | 0.13         |

The net investments include capex in security solutions contracts

# Net Debt Development

MSEK

|                              |                |
|------------------------------|----------------|
| <b>Net debt Jan 1, 2017</b>  | <b>-13 431</b> |
| Free cash flow               | 2 290          |
| Acquisitions                 | -304           |
| Dividend                     | -1 369         |
| <b>Change in net debt</b>    | <b>617</b>     |
| Revaluation                  | -29            |
| Translation                  | 510            |
| <b>Net debt Dec 31, 2017</b> | <b>-12 333</b> |





## Executing on our Strategy

### Security solutions and electronic security – sales, BSEK

2014 : 6.5 (9% of total, +28%)  
2015 : 9.3 (11.5% of total, +38%)  
2016 : 14.1 (16% of total, +56%)  
2017 : 16.7 (18% of total, +19%)

### Guarding – sales, BSEK

2014: 63.7  
2015: 71.6  
2016: 74.1  
2017: 75.5



## New CEO in March

- I will hand over to Magnus Ahlqvist, Divisional President Security Services Europe, in March



A professional setting where a man in a light blue shirt, patterned tie, and grey vest is seated at a conference table. He is looking intently at a tablet computer he is holding. In the background, other people are seated at the table, some blurred, suggesting a meeting or seminar. A blue square with white text is overlaid on the left side of the image.

Q&A



**THANK  
YOU**

