

# First Quarter Report 2018

24 April 2018

## CEO's Comments

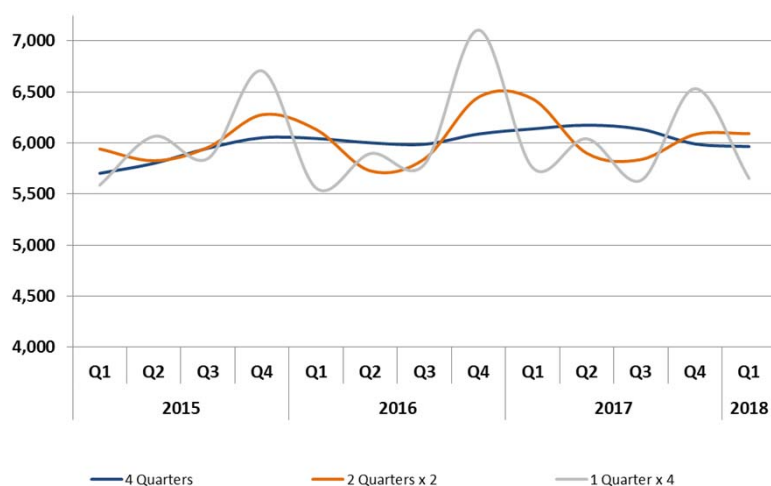
- Slightly lower sales and continued challenges with profitability in France led to a lower operating profit of MSEK 49 and an operating margin of 3.5%
  - Sales in Region EMEA decreased organically by 1% during the first quarter
  - Excluding France, EMEA showed a growth of 2% and the Group was flat
- Free cash flow for the quarter was good, MSEK 39



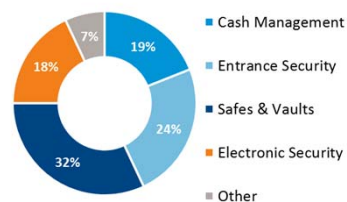
## First Quarter 2018 in Brief

Q1 IN BRIEF	2018 Q1	2017 Q1	2017 Full year
Net sales, MSEK	1,413	1,440	5,991
EBITDA excl. items affecting comparability (IAC), MSEK	78	95	486
<i>EBITDA margin excl. items affecting comparability (IAC), %</i>	<i>5.5</i>	<i>6.6</i>	<i>8.1</i>
EBITDA, MSEK	55	89	421
<i>EBITDA margin, %</i>	<i>3.9</i>	<i>6.2</i>	<i>7.0</i>
Operating profit (EBIT) excl. items affecting comparability (IAC), MSEK	49	65	369
<i>Operating margin (EBIT) excl. items affecting comparability (IAC), %</i>	<i>3.5</i>	<i>4.5</i>	<i>6.2</i>
Operating profit (EBIT), MSEK	26	59	304
<i>Operating margin (EBIT), %</i>	<i>1.8</i>	<i>4.1</i>	<i>5.1</i>
Net profit for the period, MSEK	-2	29	160
Basic earnings per share, SEK	-0.01	0.37	2.00
Free cash flow, MSEK	39	-6	-74

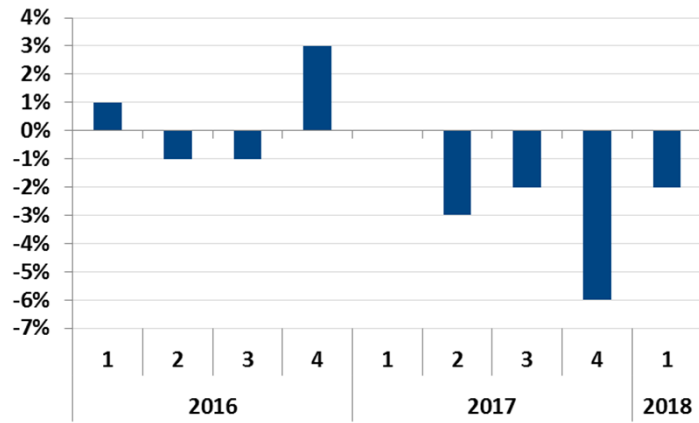
## Net Sales, MSEK



### Sales by Product Area, YTD



## Organic Sales Growth by Quarter, %



## Sales Growth QTD by Region, %

### SALES VS LAST YEAR (QTD)

	Organic	Structure	Currency	Total
EMEA	-1%	0%	4%	3%
APAC	2%	0%	-5%	-3%
AMERICAS	-9%	0%	-8%	-17%
<b>TOTAL</b>	<b>-2%</b>	<b>0%</b>	<b>0%</b>	<b>-2%</b>

## Organic Sales Growth Development by Region Q1 2018 vs Q1 2017, %

### EMEA

Sales: -1%



### Asia-Pacific

Sales: 2%



### Americas

Sales: -9%



### Group

Sales: -2%

## Gunnebo's Product Areas and % of Sales YTD 2018

 **19%**

### Cash Management

- Deposit & recycling
- Closed cash management
- Envelope & coin-roll systems
- Application & monitoring software
- Services

 **24%**

### Entrance Security

- Entrance control
- Security doors & partitions
- Electronic article surveillance
- Services

 **32%**

### Safes & Vaults

- Safes
- Vaults & vault doors
- Safe deposit lockers
- ATM safes
- Services

 **18%**

### Electronic Security

- Access control
- Intrusion detection
- Electronic locking
- Remote monitoring
- Services

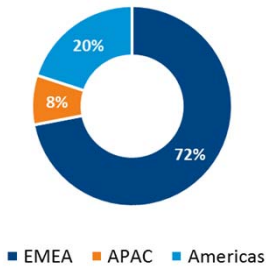
 **7%**

### Other

- Fire safety products and services
- Other traded products and services

## Product Area Cash Management

Sales by Region  
Q1 2018



- Sales stable on a high level in the quarter
- Major CIT-company provides solutions from Gunnebo to improve efficiency in cash management at its end retail customers
- Successful installation of SafePay to global Swedish retail chain in Region Asia-Pacific gives good outlook for growth in region

19%  
of Group Sales

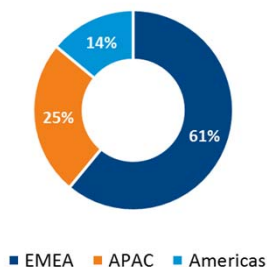


### Cash Management

- Deposit & recycling
- Closed cash management
- Envelope & coin-roll systems
- Application & monitoring software
- Services

## Product Area Entrance Security

Sales by Region  
Q1 2018



- Continued strong sales development in the quarter
- Gunnebo provides the metro gates for Line 3 in Nanjing City, Guangxi Province which is the 100th metro line project that Gunnebo has won in China
- Gunnebo continues to win orders for metro gate solutions for upcoming metro projects in India
- Luton Airport (UK) installs anti-return gates from Gunnebo at its new international arrivals area
- A French gas company upgrades its security at sites across the country to meet SEVESO regulations
- Nice Airport improves efficiency at boarding control by installing Gunnebo ABC-gates

24%  
of Group Sales

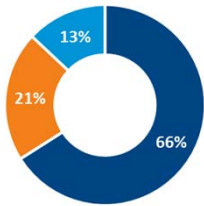


### Entrance Security

- Entrance control
- Security doors & partitions
- Electronic article surveillance
- Services

## Product Area Safes & Vaults

### Sales by Region Q1 2018



■ EMEA ■ APAC ■ Americas

- Sales continued to show weak development for the quarter:
  - Sales of graded safes and vaults decreased in the quarter mainly due to continued slow business with banks in several major markets
  - Sales of safes to global manufacturers of ATMs down from a high level mainly due to lower volumes in India
- France's national post office, La Poste, signs a framework agreement for customised safes and electronic locks
- A major bank in Malaysia upgrades the level of security and orders Gunnebo's modular vault and safe deposit lockers for its branches

**32%**  
of Group Sales

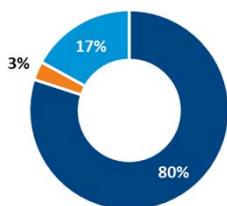


### Safes & Vaults

- Safes
- Vaults & vault doors
- Safe deposit lockers
- ATM safes
- Services

## Product Area Electronic Security

### Sales by Region Q1 2018



■ EMEA ■ APAC ■ Americas

- Sales in the quarter were weak in total but developed well in Belgium and Mexico
- Major Mexican banks Santander and Banorte extend contracts for electronic security supply and service
- Mexican retailer Cosco signs contract for electronic security supply and service

**18%**  
of Group Sales



### Electronic Security

- Access control
- Intrusion detection
- Electronic locking
- Remote monitoring
- Services

## Other - Fire Projects



- The OKI fire project contributed strongly to sales and profitability in the first half of 2017. Since this project has now been finalised, sales within Fire Projects is significantly lower.

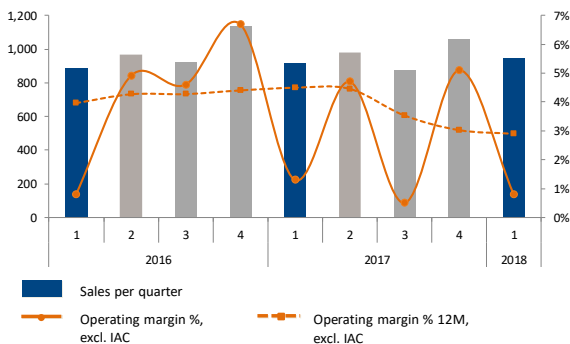
7%  
of Group Sales



### Other

- Fire safety products and services
- Other traded products and services

## Region Europe, Middle East & Africa (EMEA) Q1 2018

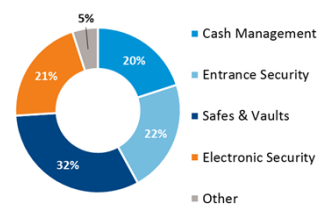


- Sales decreased organically by 1%. Excluding France, sales increased by 2%.
- Positive development of sales in UK, Italy and Middle East.
- Strategic review in France continues.
- Entrance Security and Cash Management had good sales development.
- Safes & Vaults and Electronic Security had a weaker development.
- Stefan Syrén appointed SVP Region EMEA as of May 1.

### REGION EMEA

	2018 Q1	2017 Q1	2017 Full year
Net sales, MSEK	947	919	3,831
Organic growth, %	-1	2	-3
Operating profit excl. IAC, MSEK	8	12	116
Operating margin excl. IAC, %	0.8	1.3	3.0
Items affecting comparability (IAC), MSEK	-16	-6	-47
Operating profit, MSEK	-8	6	69

### EMEA Sales by Product Area, YTD 2018



## Restructuring of the Business in France

- Focus areas for restructuring:
  - Reposition the French business into growth segments outside bank, such as high-risk sites and public and commercial buildings
  - Improve productivity and efficiency in service execution – changes being implemented in both management structure and operations



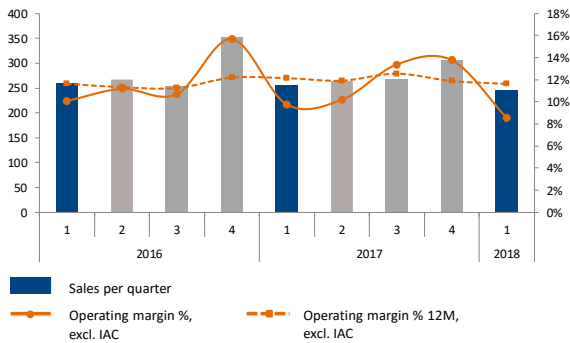
## Stefan Syrén Appointed SVP EMEA as of May 1, 2018

- Stefan Syrén has been appointed SVP region EMEA as of 1 May, 2018
- Succeeds Heinz Jacqui, who leaves the position for personal reasons
- Stefan has held senior executive positions in multinational companies for the past 25 years, predominantly within the healthcare, consumer goods and paper industry, most recently as Chief Executive Officer at German Alliance Healthcare
- Will be a member of Gunnebo's Group Executive Team





## Region Asia-Pacific Q1 2018

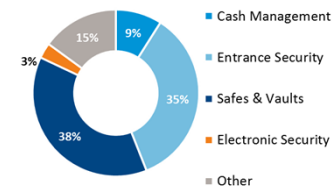


- Sales increased organically by 2%.
- Growth driven by Entrance Security in China, Australia and South Korea.
- Good sales development of Cash Management, albeit coming from low levels.
- OKI project contributed strongly to sales in the first half of 2017. The project is now finalized, giving lower sales of Fire Projects (Other).
- Safes & Vaults sales were lower, mainly impacted by lower spending from banks in India and lower volumes of sales of ATM safes.

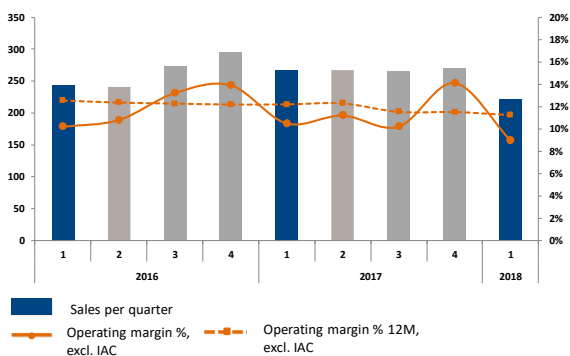
### REGION ASIA-PACIFIC

	2018 Q1	2017 Q1	2017 Full year
Net sales, MSEK	245	254	1,091
Organic growth, %	2	-8	-4
Operating profit excl. IAC, MSEK	21	25	130
Operating margin excl. IAC, %	8.6	9.8	11.9
Items affecting comparability (IAC), MSEK	-5	-	-12
Operating profit, MSEK	16	25	118

### APAC Sales by Product Area, YTD 2018



## Region Americas Q1 2018

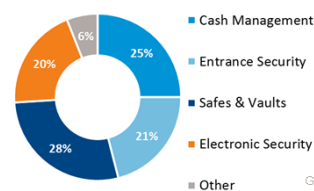


- Sales decreased organically by 9%.
- Strong development of sales in Mexico.
- Weaker development of sales in other markets. Brazil down from a strong Q1 in 2017, US down due to low activity in national accounts.
- Strong sales within Electronic Security – big project delivery in Mexico and good sales in Canada.
- Entrance Security sales was stable.
- Weak sales in Cash Management.
- Weak sales of Safes & Vaults – good sales in the US in Q1 2017 giving a strong comparison.

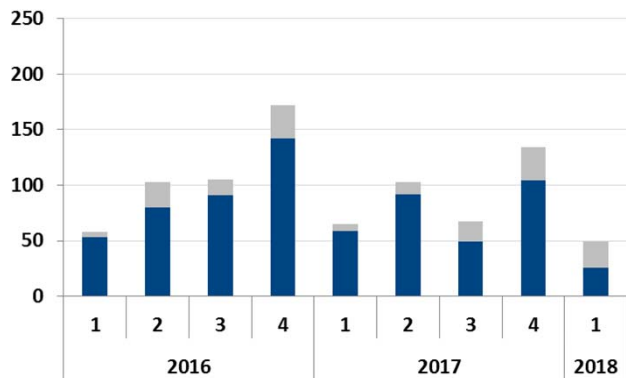
### REGION AMERICAS

	2018 Q1	2017 Q1	2017 Full year
Net sales, MSEK	221	267	1,069
Organic growth, %	-9	3	1
Operating profit excl. IAC, MSEK	20	28	123
Operating margin excl. IAC, %	9.0	10.5	11.5
Items affecting comparability (IAC), MSEK	-2	-	-6
Operating profit, MSEK	18	28	117

### Americas Sales by Product Area, YTD 2018



## Operating Profit by Quarter, MSEK



### Full year Operating profit excl. IAC

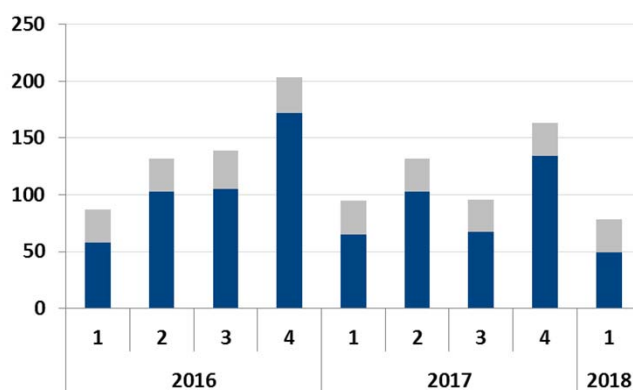
2017:	369
2016:	438
2015:	397

### Operating profit

2017:	304
2016:	366
2015:	320

■ Operating profit    ■ Operating profit, excl. IAC

## Operating Profit and EBITDA by Quarter, excl. Items Affecting Comparability, MSEK

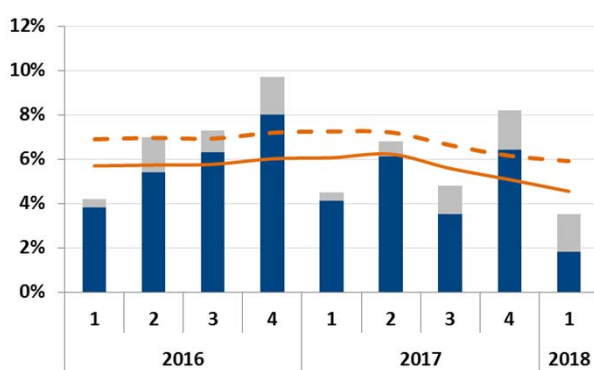


■ Operating Profit    ■ EBITDA

## Operating Profit Bridge by QTD, MSEK

OPERATING PROFIT BRIDGE		Q1
<b>Operating profit 2017</b>		<b>59</b>
Organic		-6
Structure		-6
Currency		-2
Other		-19
<b>Operating profit 2018</b>		<b>26</b>

## Operating Margin by Quarter, %



### Full year Operating margin, excl. IAC

2017:	6.2
2016:	7.2

### Operating margin

2017:	5.1
2016:	6.0



## Group Income Statement, MSEK

### CONDENSED CONSOLIDATED INCOME STATEMENTS

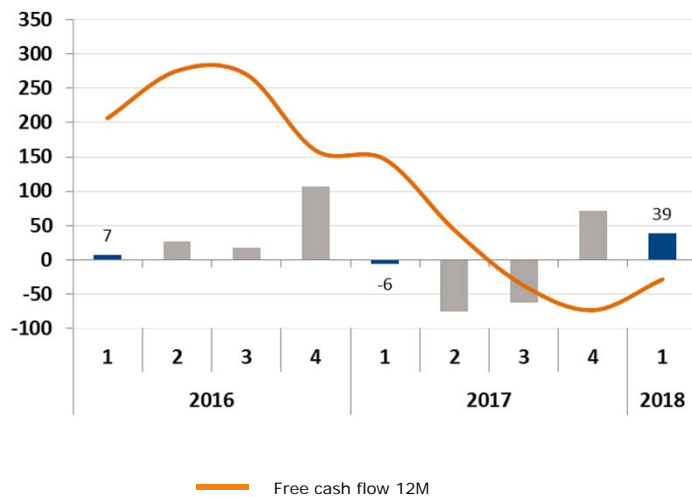
MSEK	2018 Q1	2017 Q1	2017 Full year
Net sales	1,413	1,440	5,991
Cost of goods sold	-1,043	-1,035	-4,306
<b>Gross profit</b>	<b>370</b>	<b>405</b>	<b>1,685</b>
Selling and administrative expenses	-361	-348	-1,395
Other operating income and expenses, net	17	2	14
<b>Operating profit</b>	<b>26</b>	<b>59</b>	<b>304</b>
Financial income and expenses, net	-14	-13	-57
<b>Profit before taxes</b>	<b>12</b>	<b>46</b>	<b>247</b>
Income taxes	-14	-17	-87
<b>Net profit for the period</b>	<b>-2</b>	<b>29</b>	<b>160</b>
<b>Net profit attributable to:</b>			
Shareholders of the Parent Company	-1	28	153
Non-controlling interests	-1	1	7
<b>Net profit for the period</b>	<b>-2</b>	<b>29</b>	<b>160</b>
Basic earnings per share, SEK	-0.01	0.37	2.00
Diluted earnings per share, SEK	-0.01	0.36	2.00

## Free Cash Flow, MSEK

### FREE CASH FLOW

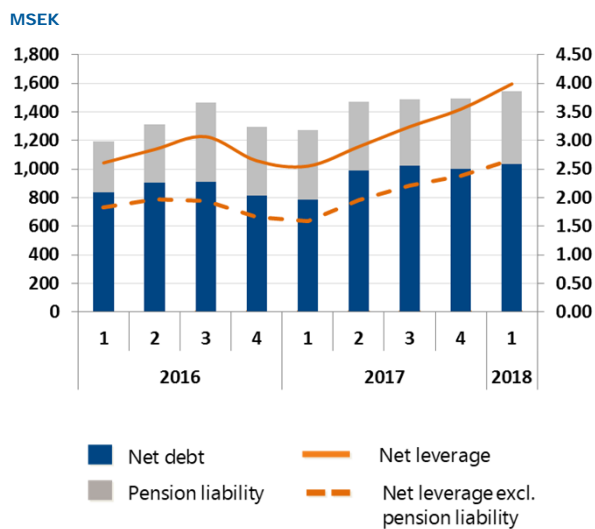
MSEK	2018 Q1	2017 Q1	2017 Full year
Operating profit	26	59	304
Depreciation	15	18	66
Amortisation- acquisition-related intangibles	6	6	22
Amortisation - other intangibles	8	6	29
Other	-28	-28	-150
Change in working capital	33	-39	-200
Operating cash flow	60	22	71
Investing cash flow excluding acquisitions	-21	-28	-145
Free cash flow	39	-6	-74

## Free Cash Flow by Quarter and Last Twelve Months, MSEK



## Net Debt

### NET DEBT INCL. & EXCL. PENSION + NET LEVERAGE



## Group Financial Targets & Outcome

**5%**  
Organic growth

**7%**  
Operating margin

**15%**  
Return on capital employed

**30%**  
Equity ratio

### FINANCIAL TARGETS & OUTCOME

	2018	2017	2017	2018	Target
	Q1	Q1	Full year	12M	
Organic growth	-2%	0%	-3%	-3%	5%
Operating margin <sup>1)</sup>	3.5%	4.5%	6.2%	5.9%	7.0%
Return on capital employed <sup>1) 2)</sup>	9.8%	12.7%	10.3%	9.8%	15.0%
Equity ratio	33%	36%	33%	33%	30%

<sup>1)</sup> Excluding items affecting comparability (IAC)

<sup>2)</sup> During the last twelve-month period

## Final Remarks



- Slightly lower sales and continued challenges with profitability in France
- Good cash flow

## Financial Calendar

### Financial Calendar 2018/2019

