# Interim Report Q2/H1 2023

Magnus Ahlqvist, President and CEO
Andreas Lindback, CFO

Securitas

# Strong margin development in North America and Europe

- **Organic sales growth of 11 percent (6)**
  - Technology and solutions had 12 percent real sales growth, excluding STANLEY Security
  - Primary driver of organic sales growth was price increases, with volume growth in mainly technology and solutions and within the airport security business
- **Operating margin improved to 6.6 percent (5.8), driven by the technology and solutions business line including STANLEY Security**
- **Price and wage balance in the Group on par in the first half year**
- **Operating cash flow was 46 percent (53) in Q2**
- **Integration processes and cost synergies with STANLEY Security are progressing well, with strong commercial synergy pipeline**
- **Global security services contract with leading global technology company extended and expanded**
- **Securitas Argentina divested as of July 25, 2023**

# Strong growth and operating margin development in technology and solutions, representing 50 percent of Group's operating result in Q2

| Business line | Sales MSEK Q2 2023 | Real sales growth, % Q2 2023 | EBITA** MSEK Q22023 | EBITA margin, % Q2 2023 | % of Group sales Q2 2023 | % of Group EBITA** Q2 2023 |
|---|---|---|---|---|---|---|
| Security services | 26 380 | 12 | 1 356 | 5.1 | 66 | 52 |
| Technology and solutions | 12 764 | 73* | 1 309 | 10.3 | 32 | 50 |
| Risk management and costs for Group functions | 765 | - | -45 | - | 2 | -2 |
| **Group** | **39 909** | **25** | **2 620** | **6.6** | **100** | **100** |

*Real sales growth was 12 percent in the second quarter excluding STANLEY Security*

*EBITA = operating income before amortization* (**)

Securitas North America

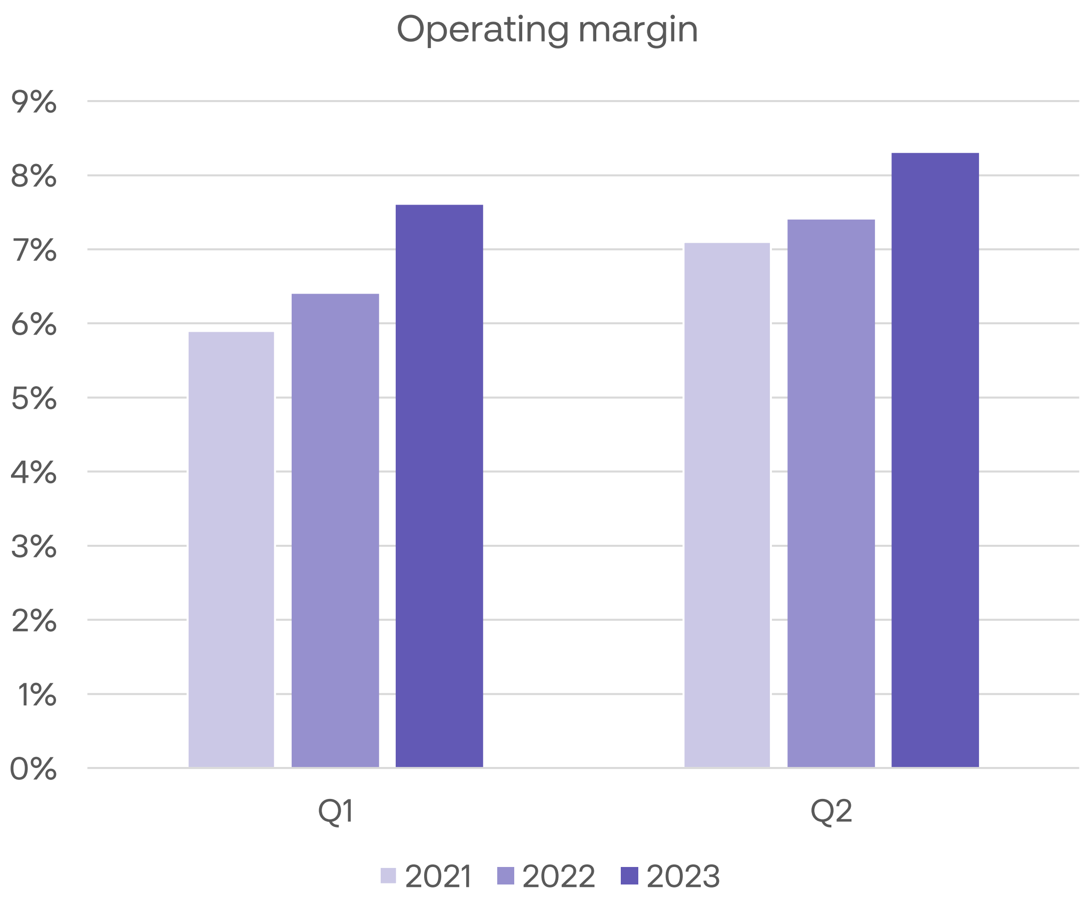
# Continued solid commercial activity and price increases spur organic sales growth improvement


**Organic sales growth 7% (-1) in Q2, 7% (-1) in H1**

- Price increase, good portfolio new sales and significant client contract renewed and extended, as previously communicated
- The Technology business unit also supported with improved installation sales and a continued healthy backlog
- Technology and solutions sales represented 31 percent (19) of total sales in Q2
- Client retention rate 88 percent (85)

Securitas North America

# Technology and STANLEY Security behind margin uplift




**Operating margin 8.3% (7.4) in Q2, 8.0% (6.9) in H1**

- The development was driven by the Technology business unit
- The Guarding business unit was stable, supported by active portfolio management and leverage from the strong topline growth, but hampered by cost of risk and medical expenses

Securitas Europe

# Organic sales growth driven by strong price increases and positive portfolio development


**Organic sales growth 13% (9) in Q2, 13% (9) in H1**

— Strong price increases supported organic sales growth including impacts from the hyperinflationary environment in Türkiye

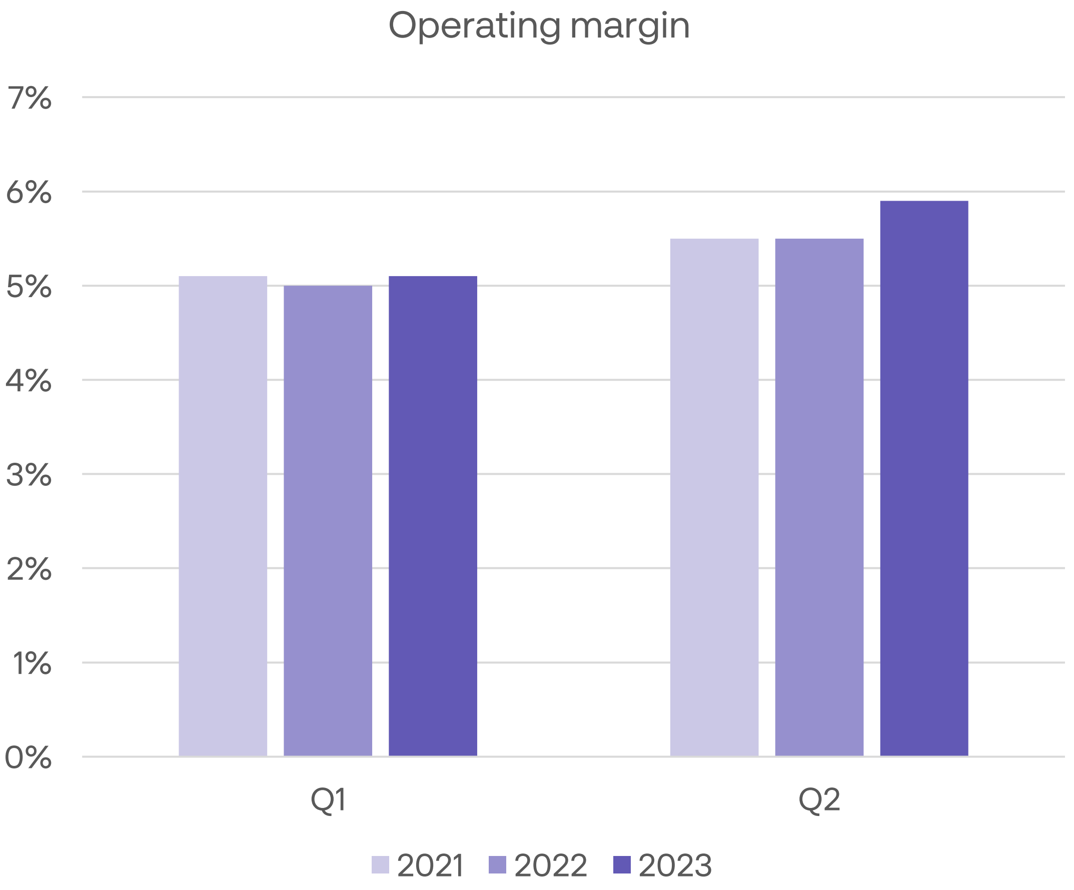
— A positive portfolio development within solutions and within the airport security business also contributed, as did increased installation sales

— Technology and solutions sales represented 33 percent (25) of total sales in Q2

— Client retention rate 90 percent (91)

Securitas Europe

# Strong uplift – highest operating margin in a second quarter since 2013

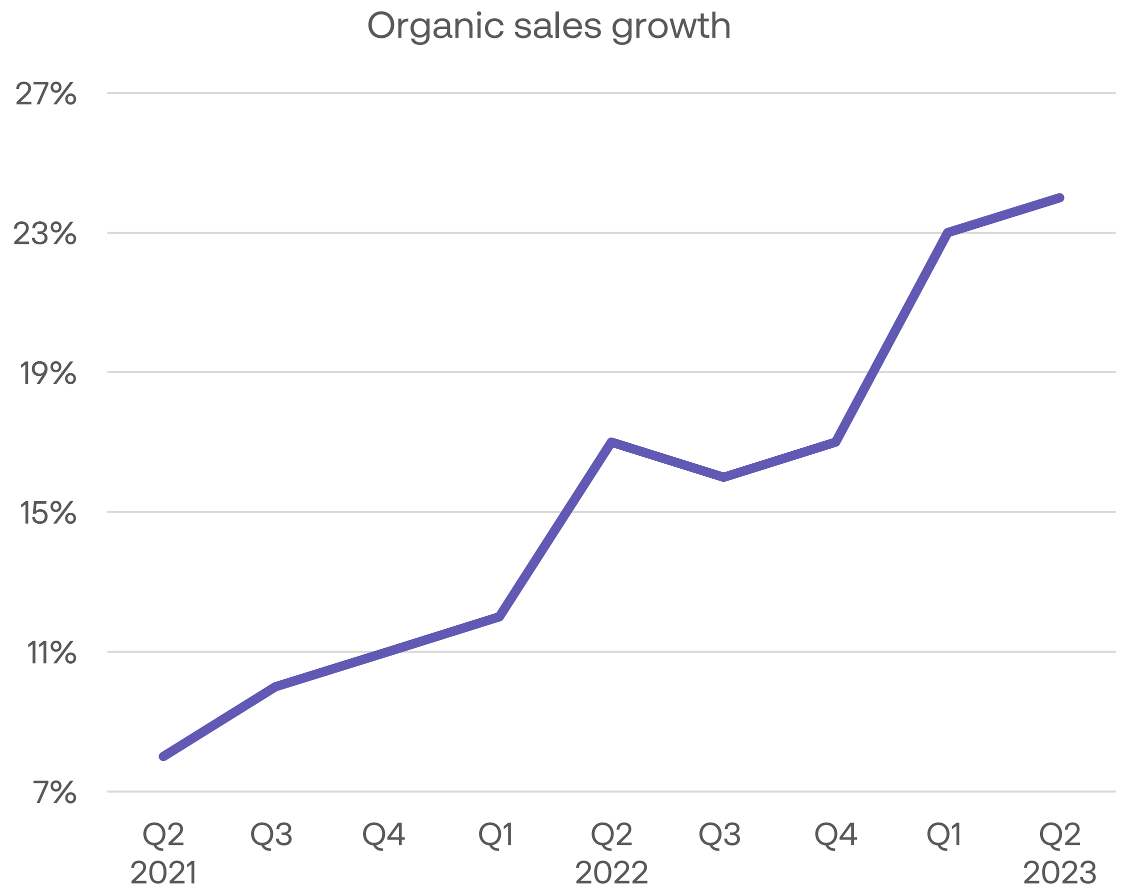



**Operating margin 5.9% (5.5) in Q2, 5.5% (5.2) in H1**

- The improvement was driven mainly from active portfolio management and STANLEY Security
- Hampered by increased costs related to labor shortage, such as sub-contracting

Securitas Ibero-America

# Organic sales growth fueled by price increases in Argentina

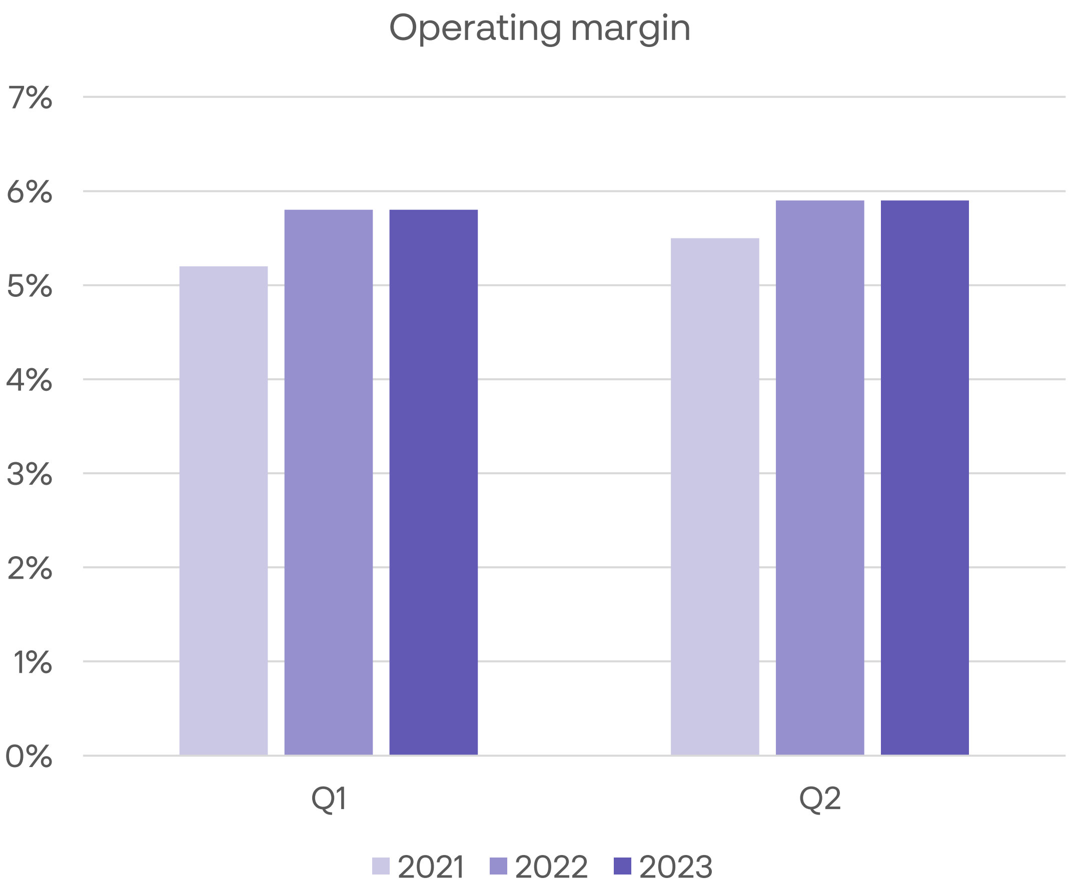



## Organic sales growth 24% (17) in Q2, 24% (15) in H1

- Organic sales growth was driven by price increases in Argentina
- Organic sales growth in Spain was 3 percent (10) in Q2 supported by price increases and improved installation sales
- Technology and solutions sales represented 31 percent (30) of total sales in Q2
- Client retention rate 92 percent (92)

Securitas Ibero-America

# High-margin technology and solutions sales supported the operating margin




**Operating margin 5.9% (5.9) in Q2, 5.8% (5.8) in H1**

- Good growth of technology and solutions sales supported, as did good portfolio management
- Continued wage pressure in Spain, but the situation improved compared to Q1 2023

# Financials


Andreas Lindback
CFO

# Financial highlights

| MSEK | Q2 2023 | Q2 2022 | H1 2023 | H1 2022 | FY 2022 |
|---|---|---|---|---|---|
| **Sales** | **39 909** | **30 535** | **77 660** | **59 133** | **133 237** |
| *Organic sales growth, %* | *11* | *6* | *11* | *5* | *7* |
| **Operating income before amortization** | **2 620** | **1 760** | **4 800** | **3 212** | **8 033** |
| *Operating margin, %* | *6.6* | *5.8* | *6.2* | *5.4* | *6.0* |
| Amort. of acquisition-related intangible assets | -157 | -61 | -311 | -122 | -414 |
| Acquisition-related costs | -2 | -15 | -3 | -25 | -49 |
| IAC | -311 | -226 | -592 | -360 | -1 086 |
| **Operating income after amortization** | **2 150** | **1 458** | **3 894** | **2 705** | **6 484** |
| Financial income and expenses | -541 | -61 | -969 | -156 | -758 |
| **Income before taxes** | **1 609** | **1 397** | **2 925** | **2 549** | **5 726** |
| *Tax, %* | *26.8* | *27.0* | *26.8* | *27.0* | *24.6* |
| **Net income for the period** | **1 178** | **1 020** | **2 141** | **1 861** | **4 316** |
| **EPS, SEK*** | **2.05** | **2.32** | **3.71** | **4.24** | **9.20** |
| **EPS, SEK before IAC*** | **2.46** | **2.77** | **4.49** | **4.91** | **10.77** |

** Before and after dilution. The number of shares has been adjusted for the rights issue completed on October 11, 2022*

- Amortization of acquisition-related intangible assets MSEK –157 (–61) in Q2
  - whereof MSEK –92 (0) related to STANLEY Security
- IAC of MSEK –311 (–226) in Q2
  - whereof MSEK -170 (-57) related to STANLEY Security
  - whereof MSEK -141 (-169) related to the transformation programs in Europe and Ibero-America
- Financial income and expenses were MSEK -541 (-61) in Q2
  - whereof MSEK -402 (0) related to the financing of the STANLEY Security acquisition
  - whereof impact from IAS 29 hyperinflation of MSEK 26 (30)
  - Interest income and expense excluding the financing related to STANLEY Security increased due to increased interest rates
- Tax 26.8 percent estimated for the full year 2023

# Items affecting comparability

## YTD June 2023

### IAC in operating income

| | | |
|---|---|---|
| Programs | MSEK | -307 |
| STANLEY | MSEK | -285 |
| **Total** | **MSEK** | **-592** |

### **Transformation programs – Europe and Ibero-America,** announced in Q4 2020

- Total program cost announced: MSEK -1 400 over the period 2021-2023 and CAPEX of MSEK -1 100
- Cloud computing: MSEK ~250 CAPEX to IAC transfer (non-cash) over 2022-2023
- Total program, adjusted for Cloud computing: MSEK -1 650 over 2021-2023 and CAPEX of MSEK -850

- IAC: H1 2023 MSEK -307 / 2021-2022: MSEK -1 012
- **FY 2023 IAC estimated to MSEK -650 to -700 / FY 2024 IAC estimated to MSEK -150**
- CAPEX: 2021-2022 MSEK –295 / FY 2023 CAPEX estimated to approx. MSEK -225 / FY 2024 est. MSEK -100

### **STANLEY Security acquisition,** announced in Q4 2021

- Total MUSD -135 (app. BSEK -1.5) acquisition-related cost, majority in 2022-2023
- IAC: H1 2023 MSEK -285 / FY 2022 MSEK -454 / FY 2021 MSEK -62
- **FY 2023 IAC estimated to approximately MSEK -600**

## Divestment of Securitas Argentina on July 25

- Estimated capital loss from transaction of approx. BSEK 3.5 as IAC in Q3 2023, with the vast majority related to accumulated non-cash FX translation losses
- Transaction has limited impact on cash flow
- R12M June sales BSEK 2.5, with below average operating margin in Securitas Ibero-America
- Argentina represented approx. 2% of Securitas Group's 11% organic sales growth in Q2 2023

# Strong tailwind from FX

| MSEK | Q2 2023 | Q2 2022 | Change Total, % | Change Real*, % |
|---|---|---|---|---|
| Sales | **39 909** | 30 535 | 31 | 25 |
| Operating income | **2 620** | 1 760 | 49 | 42 |
| EPS, SEK** | **2.05** | 2.32 | -12 | -15 |
| EPS, SEK, before IAC** | **2.46** | 2.77 | -11 | -14 |
| EPS, SEK, before IAC, constant shares*** | **2.46** | 2.12 | 16 | 12 |

| MSEK | H1 2023 | H1 2022 | Change Total, % | Change Real*, % |
|---|---|---|---|---|
| Sales | **77 660** | 59 133 | 31 | 26 |
| Operating income | **4 800** | 3 212 | 49 | 42 |
| EPS, SEK** | **3.71** | 4.24 | -12 | -17 |
| EPS, SEK, before IAC** | **4.49** | 4.91 | -9 | -14 |
| EPS, SEK, before IAC, constant shares*** | **4.49** | 3.76 | 19 | 13 |

FX SEK END-RATES

| | Q2 2023 | Q2 2022 | % |
|---|---|---|---|
| USD | **10.78** | 10.15 | 6 |
| EUR | **11.78** | 10.69 | 10 |

*Including acquisitions and adjusted FX*
*** Before and after dilution. The number of shares has been adjusted for the rights issue completed on October 11, 2022*
**** For illustrative purposes. Constant number of shares of 572 917 552*

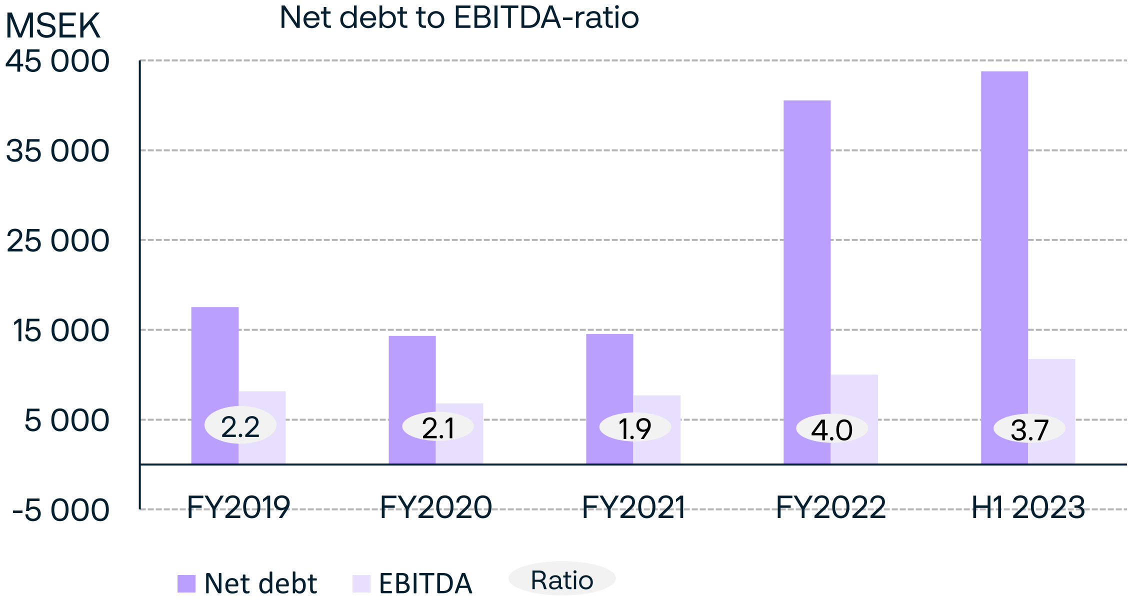
# Stable cash flow in H1

| MSEK | Q2 2023 | Q2 2022 | H1 2023 | H1 2022 | FY 2022 |
|---|---|---|---|---|---|
| **Operating income before amortization** | **2 620** | **1 760** | **4 800** | **3 212** | **8 033** |
| Net investments in non-current assets | -224 | -151 | -293 | -194 | -447 |
| Change in accounts receivable | -1 283 | -873 | -1 892 | -1 321 | -1 943 |
| Change in other operating capital employed | 86 | 191 | -1 229 | -899 | 77 |
| **Cash flow from operating activities** | **1 199** | **927** | **1 386** | **798** | **5 720** |
| *Cash flow from operating activities, %* | *46* | *53* | *29* | *25* | *71* |
| Financial income and expenses paid | -354 | -37 | -872 | -273 | -657 |
| Current taxes paid | -303 | -394 | -599 | -716 | -1 641 |
| **Free cash flow** | **542** | **496** | **-85** | **-191** | **3 422** |
| *Free cash flow, %* | *33* | *39* | *-3* | *-8* | *57* |

- Net investments of MSEK -224 (-151) in Q2
  - CAPEX of MSEK –1 119 and reversal of depreciation of MSEK 895
  - CAPEX <3% of Group sales annually
- Continued strong organic growth hampers accounts receivable
- No further payments related to corona government relief measures in North America in 2023. Will support improved cash generation in 2023

# Stable net debt to EBITDA ratio

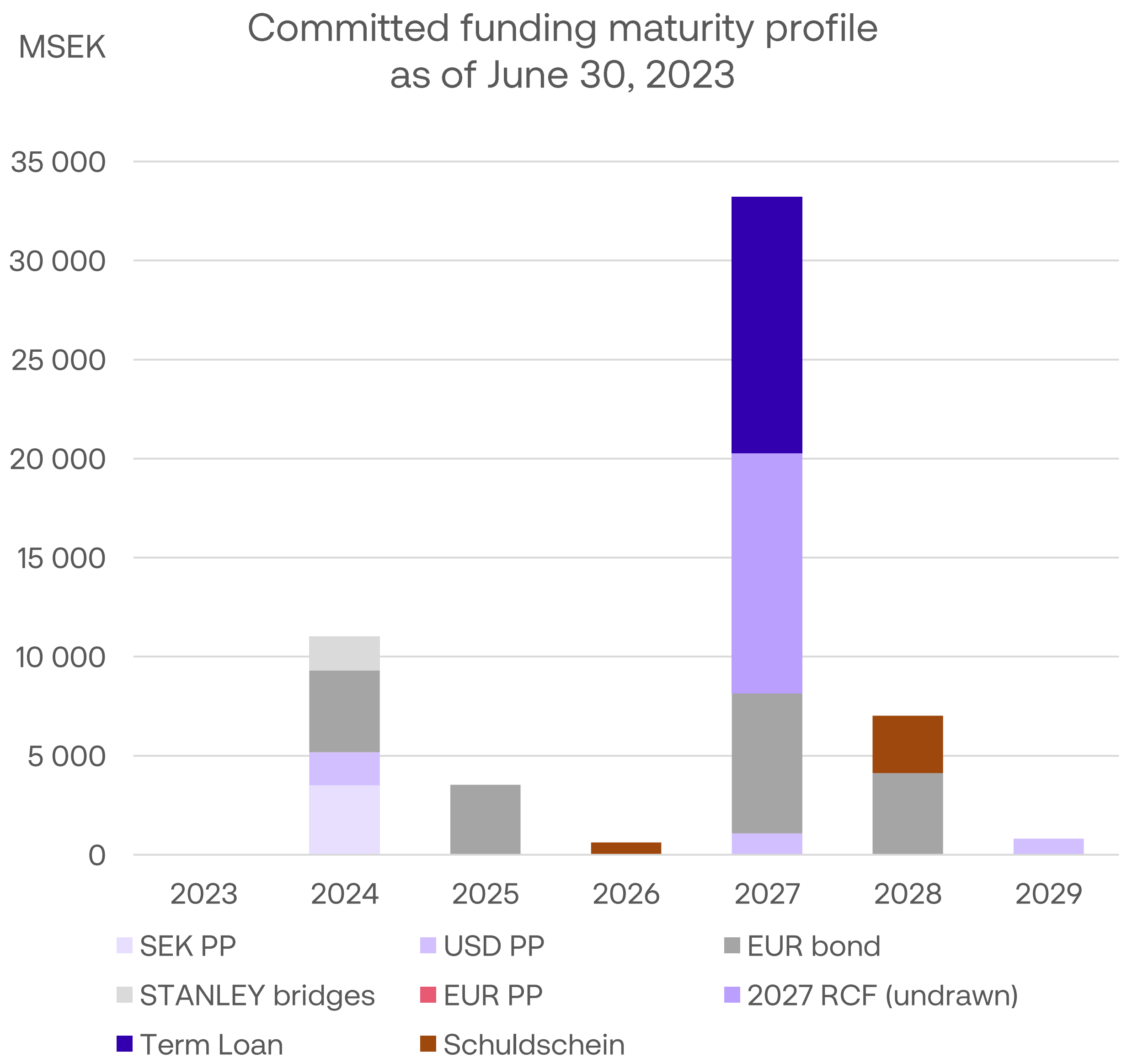
| MSEK | |
|---|---|
| **Net debt January 1, 2023** | **-40 534** |
| Free cash flow | -85 |
| Acquisitions/Divestitures | -28 |
| Items affecting comparability | -680 |
| Dividend paid | -1 003 |
| Lease liabilities | 27 |
| **Change in net debt** | **-1 769** |
| Revaluation | 4 |
| Translation | -1 480 |
| **Net debt June 30, 2023** | **-43 779** |




| Q2 2023 | Net debt to EBITDA-ratio |
|---|---|
| As reported | 3.7 |
| Adjusted net debt to EBITDA-ratio<br>including adjusted estimated STANLEY 12 months EBITDA | 3.7 |
| Adjusted net debt to EBITDA-ratio excluding IAC | 3.3 |

# Financing overview

- No financial covenants
- Strong liquidity at end of Q2: BSEK 5.5
- MEUR 1 029 RCF matures in 2027 and is fully undrawn
- BUSD 3.3 STANLEY Security acquisition bridge facility
  - The vast majority of the bridge was refinanced in Q1 and early April
  - Bridge facility remaining as per June 30, 2023: MUSD 159
  - Fully paid back in July
- S&P credit rating BBB- with stable outlook, unchanged from Q1
- Remain committed to investment grade rating



# Building the new Securitas

# Securitas’ financial targets

## Superior growth

**8-10%**

Technology & Solutions annual average real sales growth (1)

- A leading global Technology & Solutions provider with strong position in key geographical markets
- Compelling solutions and cross-selling opportunities
- Attractive M&A opportunities after deleveraging phase

## Higher margins

**8%**

Group EBITA margin by year-end 2025

**>10%**

Long-term EBITA margin ambition

- Increased exposure to high-margin Technology & Solutions market
- Strong cost synergies with STANLEY (MUSD 50)
- Margin enhancement through business transformation programs
- Active portfolio management and continuous review of non-performing contracts

### Operating cash flow

**70-80%**

of operating income before amortization

### Capital structure

**<3x**

Net debt to EBITDA-ratio

### Dividend policy

**50-60%**

of annual net income over time

### New additional disclosure from Q1 2023:

Sales and operating income for security services, technology & solutions and risk management services and costs for Group functions

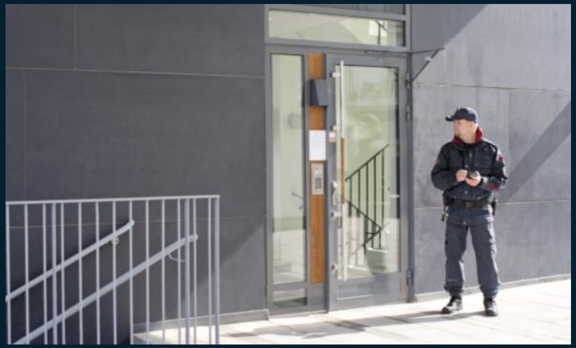
*(1) For the 2022-26 period. Sales growth adjusted for changes in exchange rates*

# Securitas is positioned to deliver superior growth and higher margins

## Taking the lead within Technology…

- Outstanding position in the technology market by teaming up with STANLEY Security to deliver superior growth
- High recurring revenue, with technology platform further driving shift to cloud and subscription-based business models and growing recurring revenue

## …with quality guarding services focused on profitability…



- Profitability focus in stable high recurring revenue guarding business
- Scale, transparency and efficiency gains with digital leadership and acceleration towards solutions

## …to become a global security solutions partner…

- A security solutions partner with leading technology and expertise
- Well positioned to serve the comprehensive and increasingly complex needs from global clients to SMEs, through client-specific combination of six protective services

## …leveraging our global platform to drive innovation

- A strong global technology platform future proofing the business for next-generation solutions
- Strengthened proposition and profitability upside by scaling Technology & Solutions (>10%)

# The capabilities required to win

# Clear results from executing our strategy

- Strong operating margin at 6.6 percent (5.8) in Q2
- Good momentum in technology and solutions sales across all segments
- Price increases and wage cost increases on par in an inflationary environment
- Operating cash flow 46 percent (53) in Q2
- Integration processes with STANLEY Security progressing well

Securitas