

The ASSA ABLOY Group is the global leader in access solutions. Every day we help people feel safe, secure and experience a more open world.

Capital Markets Day 2024

Strategy update



Stay safe and secure

Every day, we help billions of people experience a more open world with innovative solutions that enable safe, secure, and convenient access to physical and digital places.



Evacuation / Shelter

Alarm, evacuation route and assembly point



Emergency

First-aid kit, heart defibrillator, emergency number



Precautions

Personal Protective Equipment or other precautions



Digital threat prevention

Share information through secured, company-approved platforms



Data protection

Protect your data, accounts and devices from unauthorized access



Physical security

Act secure – avoid tailgating, eavesdropping, etc.

ASSA ABLOY 30 years

● Pre ASSA ABLOY

1645-1993



● Phase 1: The world's leading lock company

1994-2005



● Phase 2: The global leader in door opening solutions

2006-2018



● Phase 3: The global leader in access solutions

2018-



ASSA ABLOY

1994

ASSA and ABLOY merged

ASSA ABLOY

Prospekt för börsnotering 1994

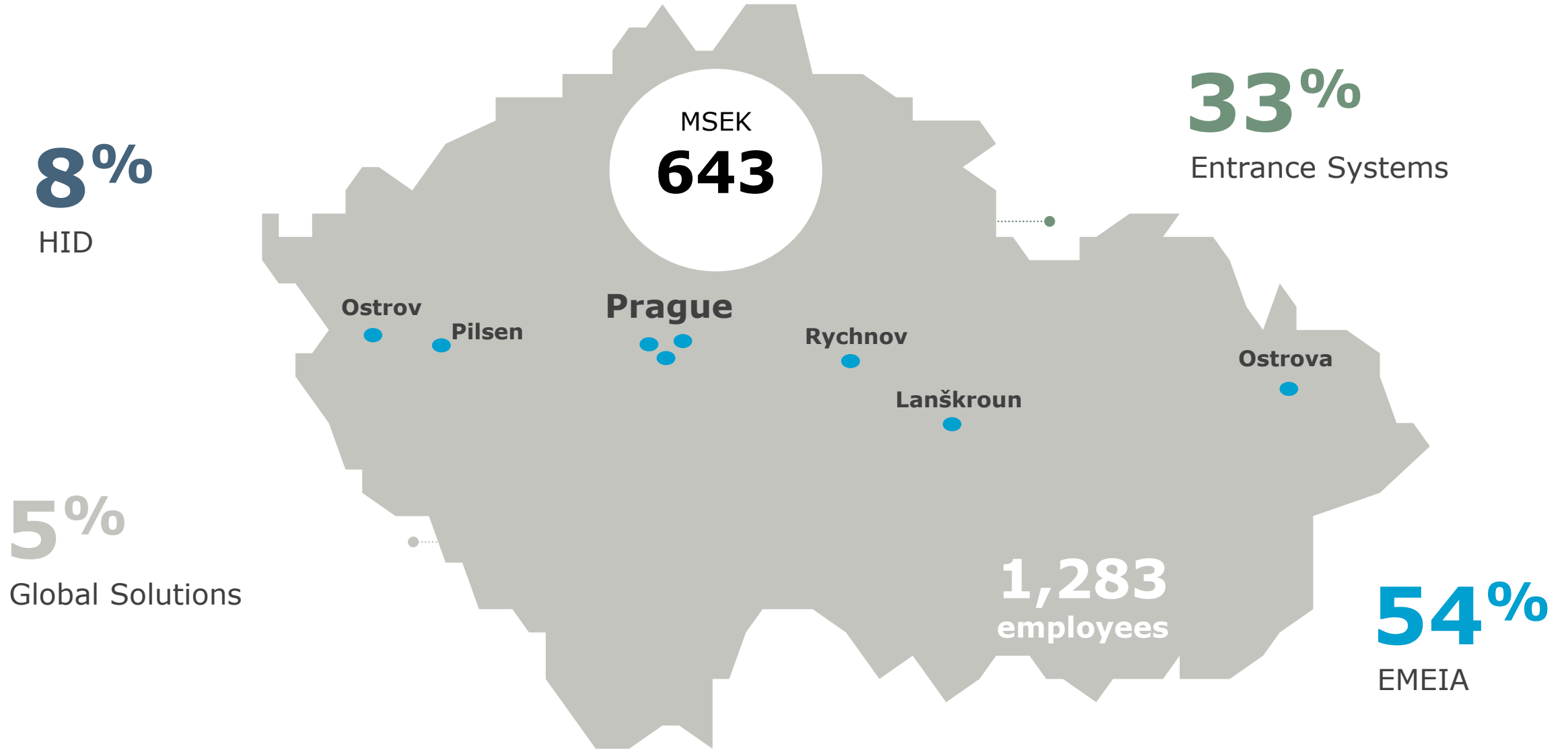


"Experience shows that a lock company generally delivers more than half of its total volume to the aftermarket... thus the business is only partly dependent on the construction cycle"

"...electronics and electromechanics offer highly attractive possibilities of making a lock more intelligent"

ASSA ABLOY Initial Public Offering prospectus in 1994, CEO statement

Czech Republic 2023



A photograph of a man with a beard and a woman with a child in front of a window. The man is smiling and looking at the child, who is pointing towards the window. The woman is standing next to the man, looking at the child. The window shows a view of trees and a building.

Agenda

1

**Business
update**

2

**Good
industry**

3

**Accelerating
growth**

4

**Cost
efficiency**

5

**Key
takeaways**

A photograph of a man with a beard and a woman with a child in front of a white door. The man is smiling and looking at the child, who is pointing towards the door. The woman is standing next to the man, looking at the child. The scene is brightly lit, suggesting an indoor setting.

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growth**

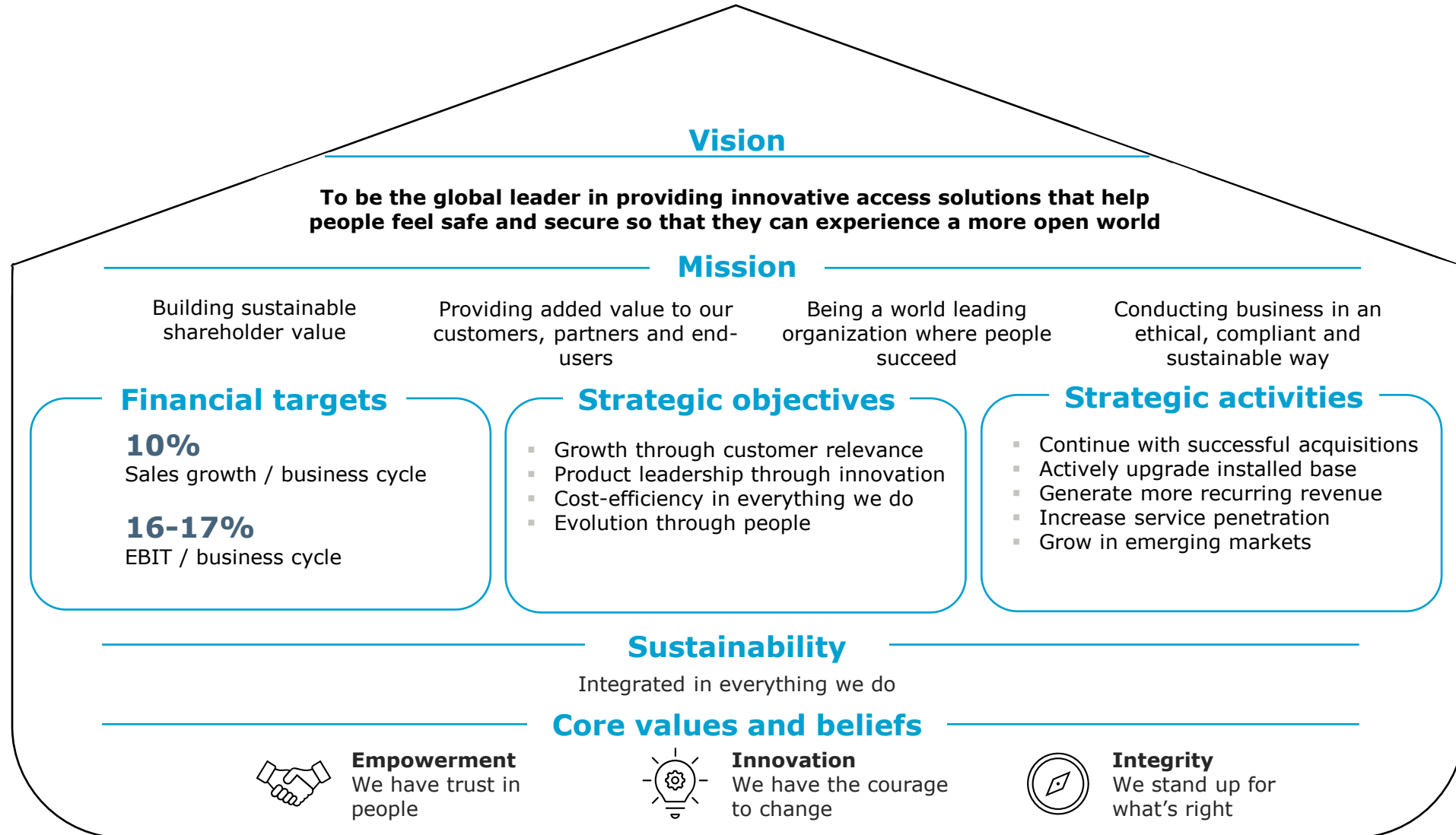
4

**Cost
efficiency**

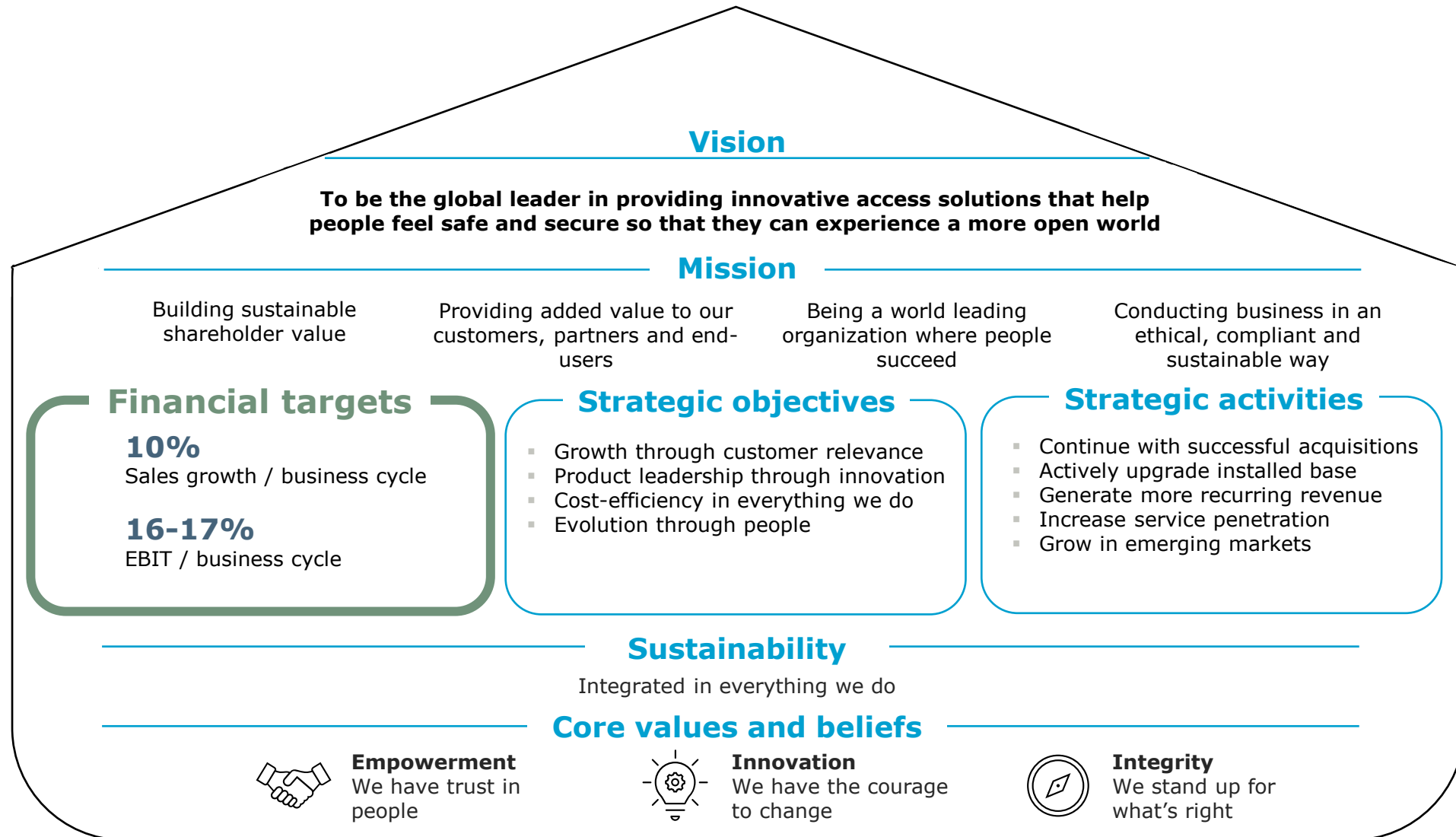
5

**Key
takeaways**

Our strategic framework



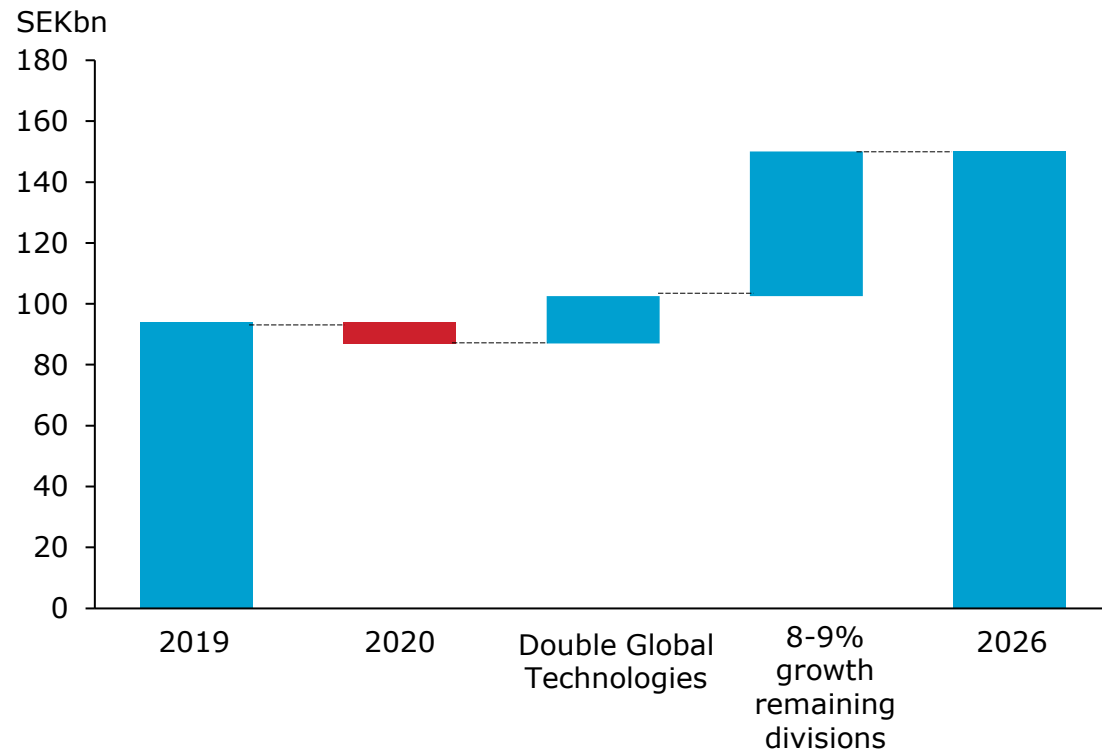
Our strategic framework



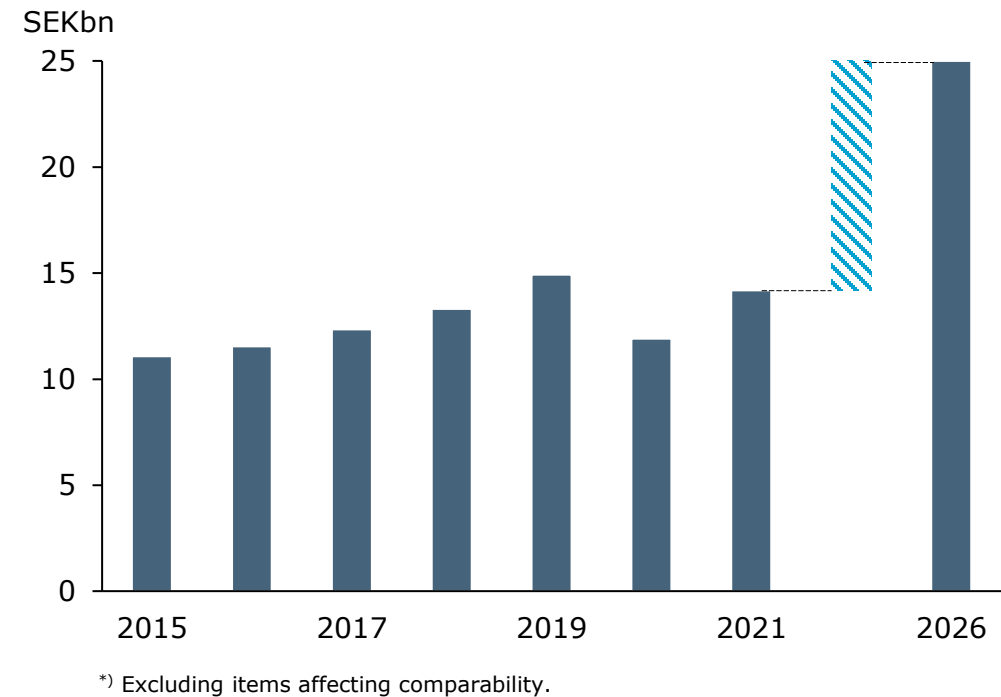
Recap of CMD 2021 – accelerate profitable growth

- assuming financial targets achieved

We can reach sales of SEK 150 bn...

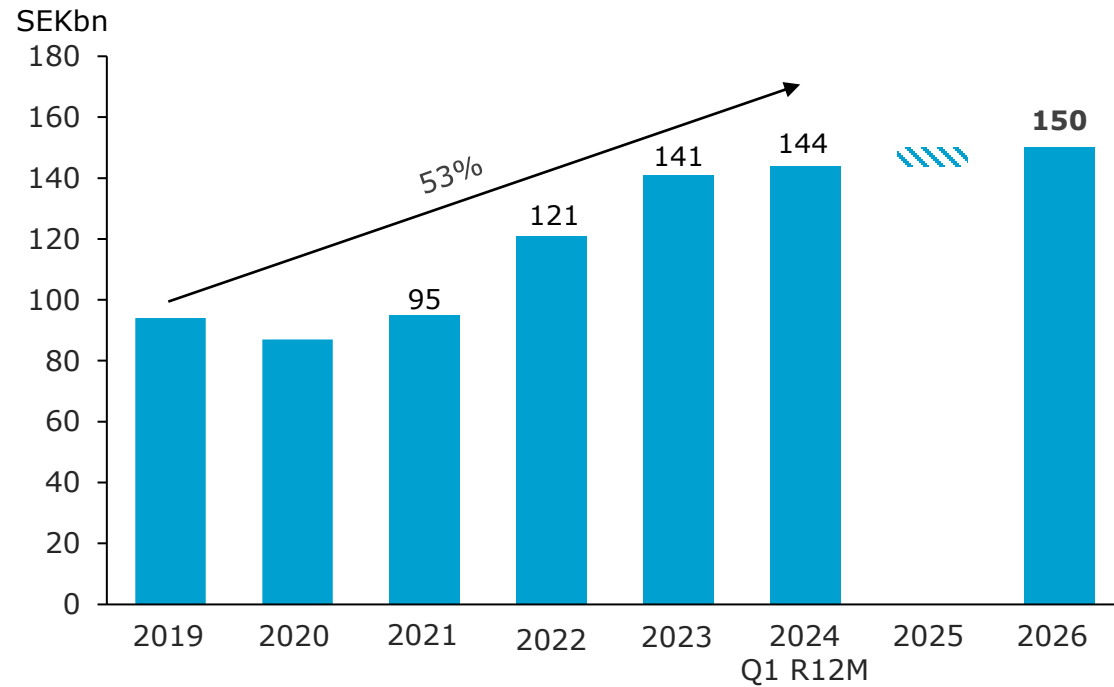


...and an operating profit of SEK 25bn in 2026

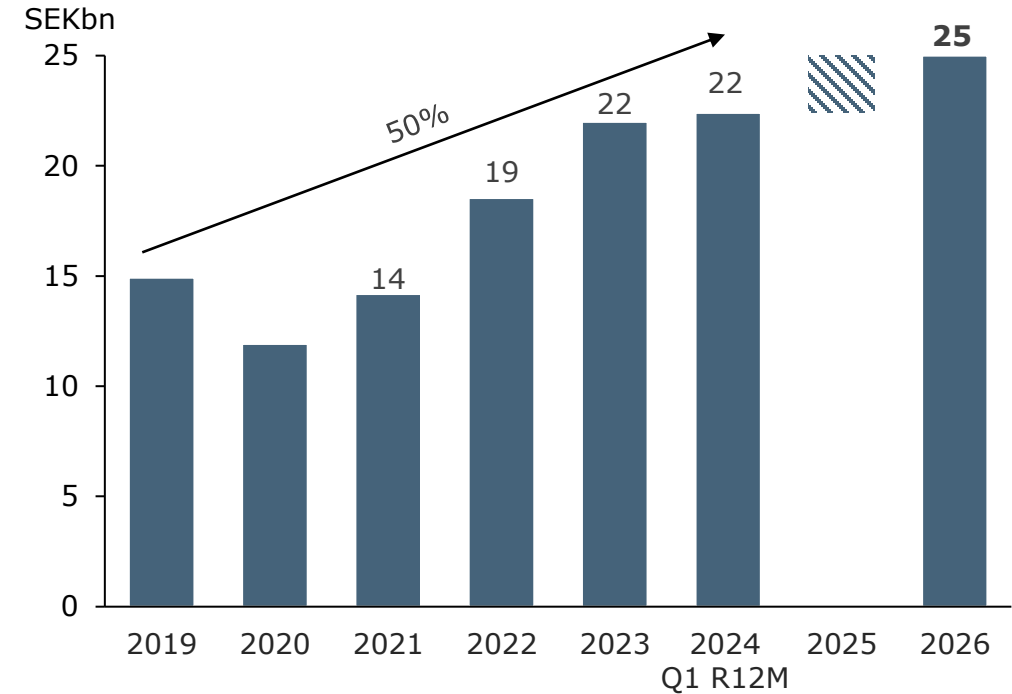


Despite turbulent times, we are well on track

Sales have increased by 53% since base year 2019



...and operating profit is up 50%

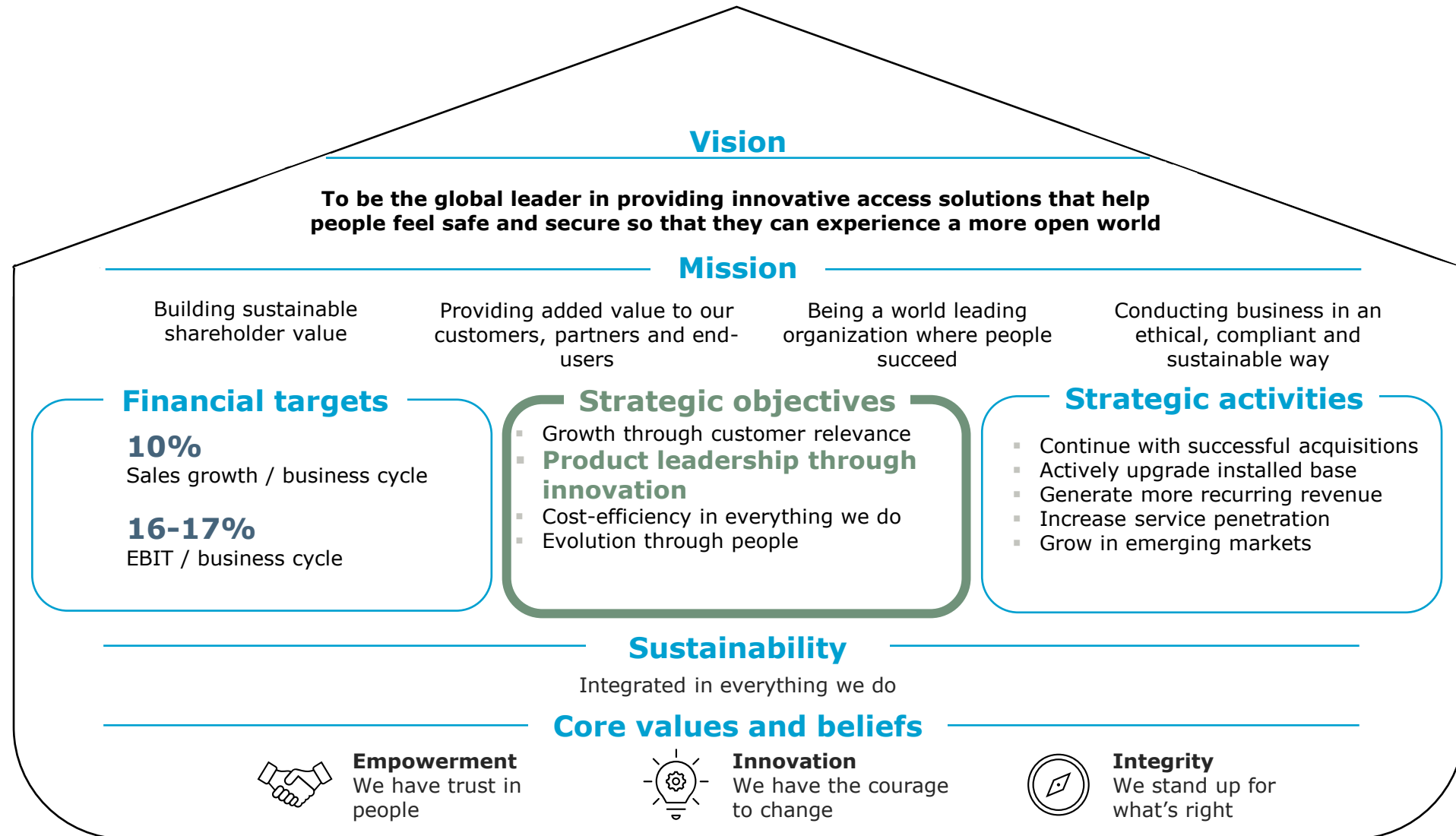


Business update since our last CMD

		Sales L12M vs 2019	EBIT margin L12M ¹
EMEIA	<ul style="list-style-type: none"> ▪ Slowdown in demand – particularly in residential ▪ Implementation of cost measures to improve margin ▪ Acquisitions of Arran Isle, DoorBird and Kinetron 	+17%	13.6%
Americas	<ul style="list-style-type: none"> ▪ Strong non-residential demand ▪ Record-strong underlying margin ▪ Integration of HHI underway 	+76%	18.2%
APAC	<ul style="list-style-type: none"> ▪ Strong commercial, slow residential ▪ Positive margin trend ▪ Acquisitions of D&D Technologies and Caldwell 	-7%	6.6%
Global Technologies	<ul style="list-style-type: none"> ▪ Solid underlying demand ▪ Negative mix impacting margin in the short-term ▪ Several small and mid-sized acquisitions 	+49%	17.0%
Entrance Systems	<ul style="list-style-type: none"> ▪ Strong demand in the US, but residential is still soft ▪ Record high margin – service and execution ▪ Successful integration of agta record 	+84%	16.9%

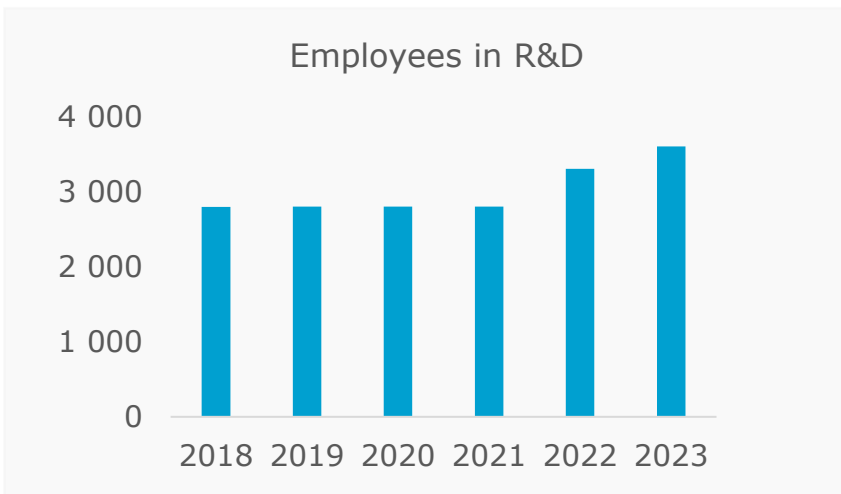
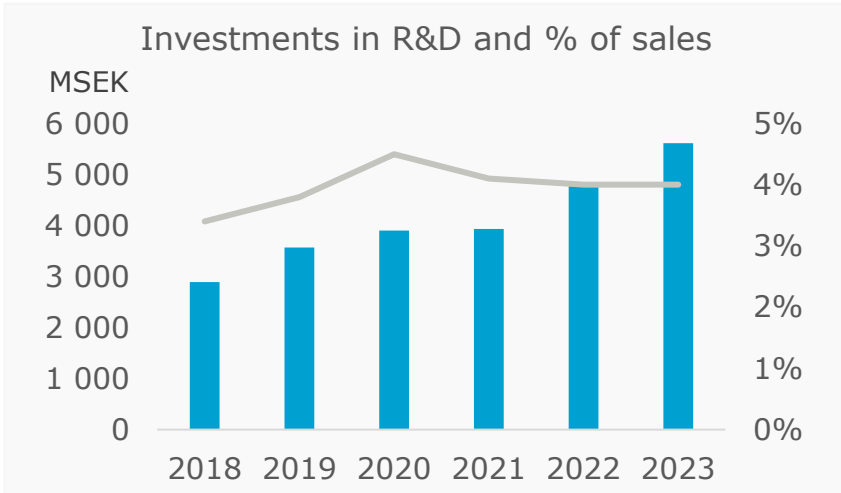
¹Excluding items affecting comparability

Our strategic framework



R&D | An enabler for profitable growth

Securing long-term competitiveness and growth



22% sales from new products in 2023

>230 Patents registered in 2023

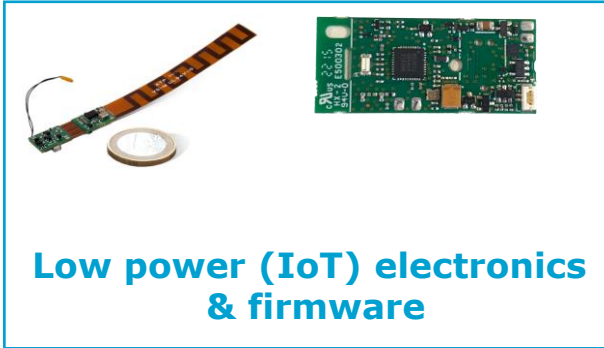
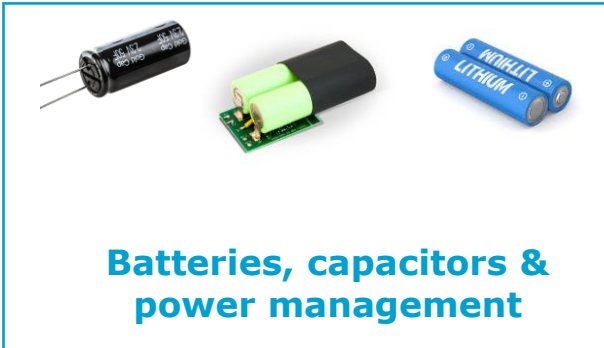
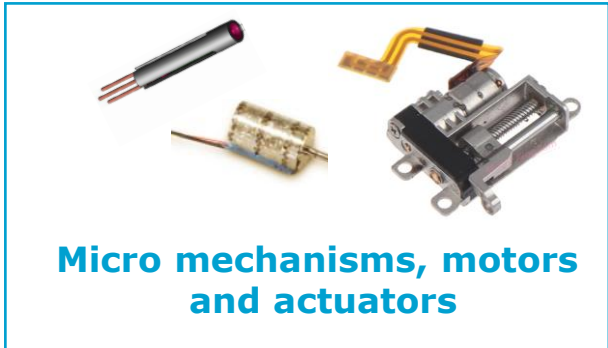
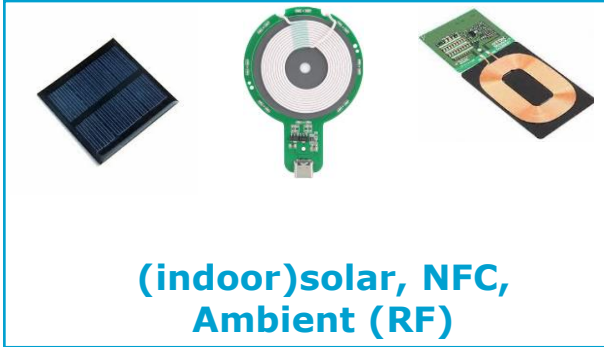
>450 new products in 2023

R&D | An enabler for profitable growth

Kinetron – energy harvesting and low power systems



- Dutch company acquired in 2023
- Kinetron and ASSA ABLOY have almost a decade of partnership
 - Pulse, Spark, Aperio etc.
- Kinetron to be used as an energy harvesting innovation hub across the Group



A photograph of a man with a beard and a woman with a child in front of a window. The man is smiling and looking at the child, who is pointing towards the window. The woman is standing next to him, looking at the child. The scene is brightly lit, suggesting a sunny day.

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**Key
takeaways**

We are part of a good industry

Increased demand for safety and security



Digitalization and new technologies



Local regulations



Movement of people and demographic change



Sustainability



We are part of a good industry

Increased demand for safety and security



Rising security threats and public safety concerns



Theft, vandalism, cyber-attacks, terrorist attacks, riots, mass shootings



Regulatory requirements



Requirements related to access control, surveillance and emergency response protocol



Changing work environments

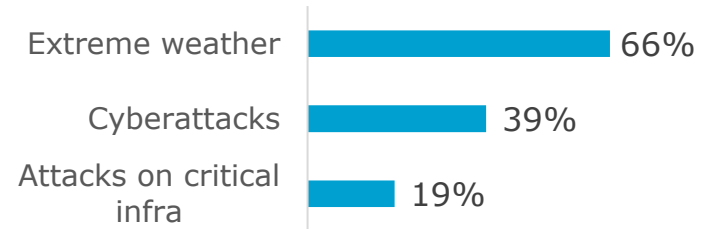


The shift to remote work has increased the need for adaptable security solutions



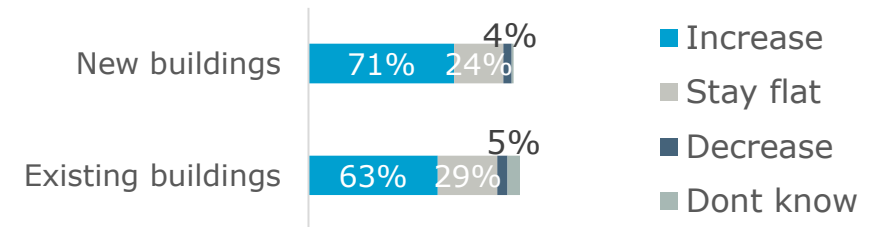
Current risk landscape 2024¹

Share of respondents perceiving different risks



Building investments survey²

Expected pace of security investments in the next 5 years



¹ Source: World Economic Forum Global Risks, Perception Survey 2023-24

² Source: McKinsey survey

Electromechanical solutions offer a high level of security



Advanced authentication methods



State-of-the-art encryption technology



Remote monitoring and control

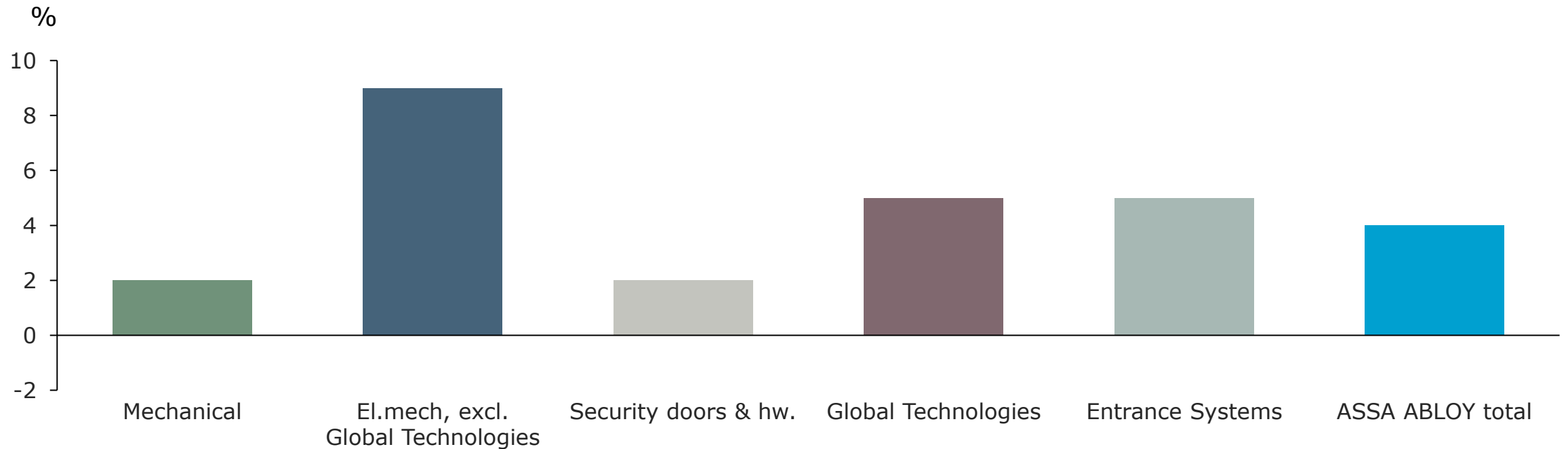


Audit trails and access logs



Electromechanical solutions is our fastest growing product group

Average annual organic growth 2015-2023¹



¹ Organic growth estimated for Mechanical, Elmech, excl. GT and Security doors.

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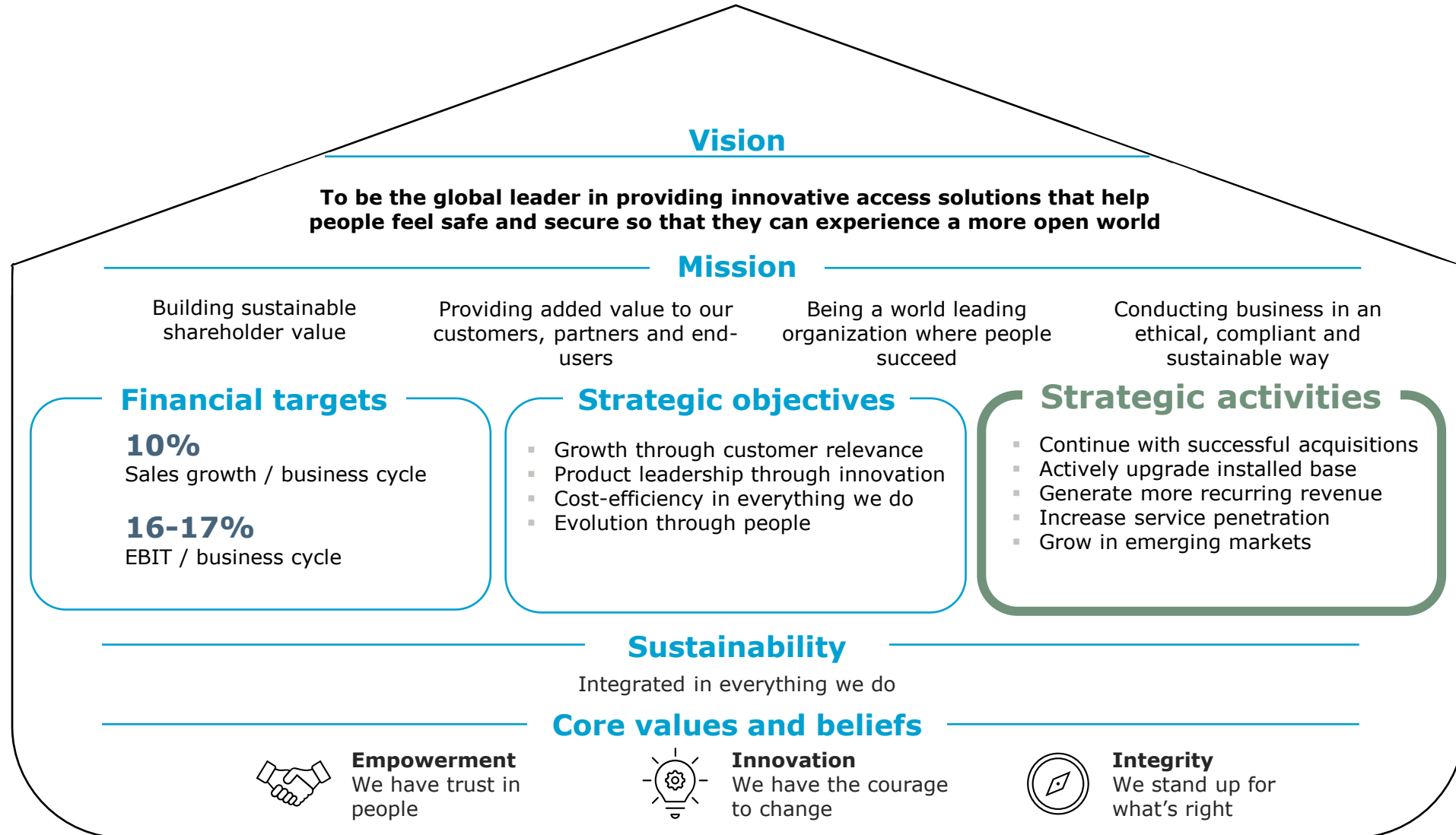
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Our strategic framework




Strategic activities





Strategic activities

ASSA ABLOY has acquired more than 350 companies

 Continue with successful acquisitions

 Actively upgrade installed base

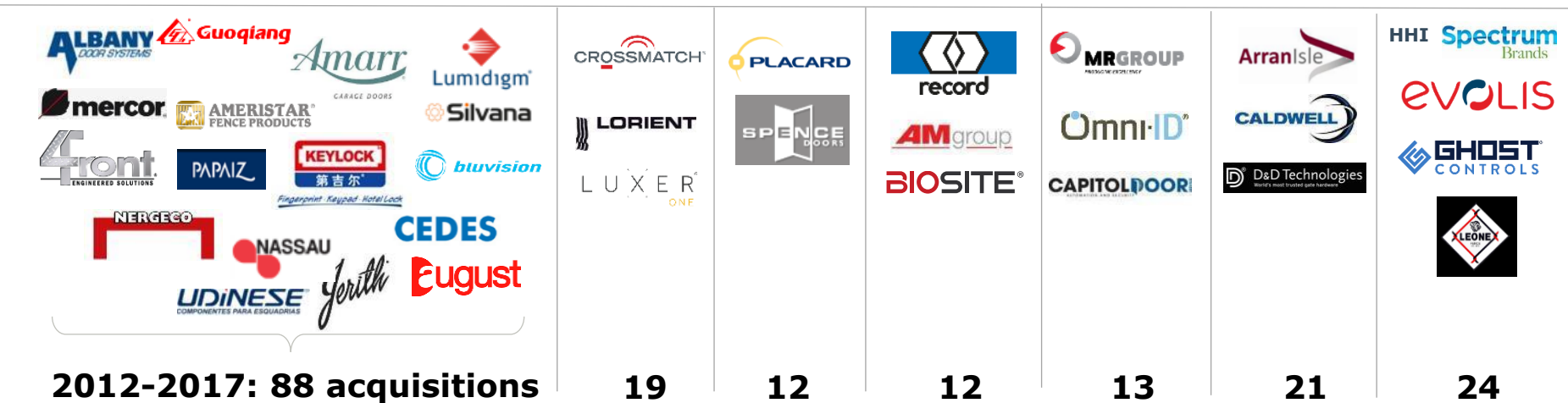
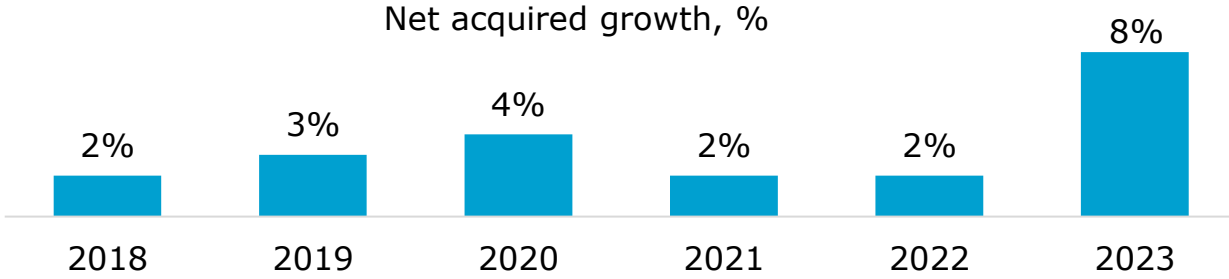
 Generate more recurring revenue

 Increase service penetration

 Grow in emerging markets

>100 acquisitions since 2018

SEK 23bn in net acquired sales since 2018



Strategic activities

The significant strategic importance of M&A...

-  Continue with successful acquisitions
-  Actively upgrade installed base
-  Generate more recurring revenue
-  Increase service penetration
-  Grow in emerging markets

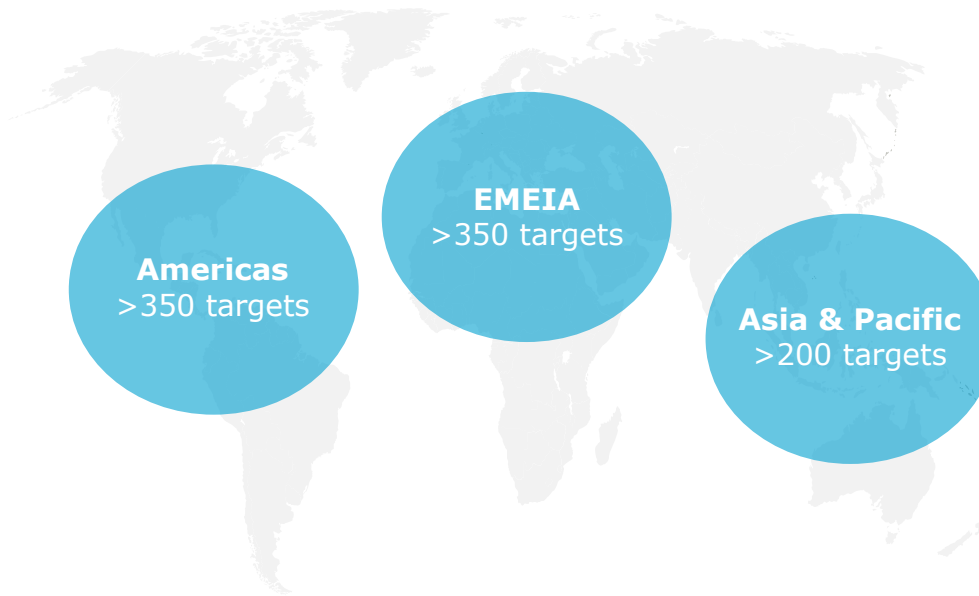
Type of business	Strategic rationale	Recent examples
 Core business	Acquire new customers through <ul style="list-style-type: none"> Accessing an installed base in existing markets Expanding geographically 	
 Extend the core	Expand our offering - strengthening our position <ul style="list-style-type: none"> Become a full-service provider in more markets and maximize customer relevance Opportunities to grow into new adjacencies 	
 Access new technologies	New technologies adds to our competitive position <ul style="list-style-type: none"> Complements our offering Opens doors to new end-market verticals and segments 	
 Service & distribution	Increase service capacity <ul style="list-style-type: none"> Obtain direct channel and aftermarket presence The service market is regional/fragmented and provides many interesting M&A-opportunities 	

Strategic activities

...and the M&A journey will continue

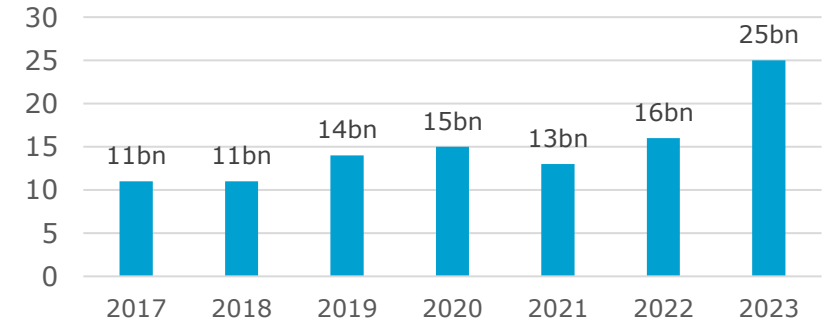
Enough targets to continue for many years

- We have identified >900 potential acquisition targets globally
- As we grow our core, opportunities to acquire new companies increase

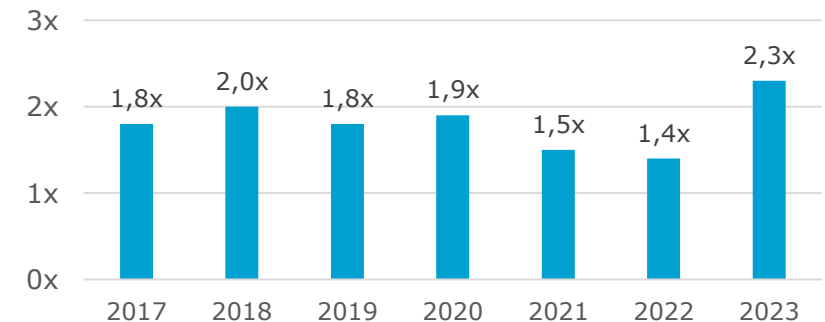


We have the financial position for it

Operating cash flow: cash conversion has averaged 99% in the last ten years



Net debt/EBITDA: A- by S&P maintained for more than 20 years. Current outlook is stable.



Continue with successful acquisitions

Actively upgrade installed base

Generate more recurring revenue

Increase service penetration

Grow in emerging markets



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Sascha Keller

Managing Director, DoorBird




 **DoorBird**
Technology meets Design.



Strategic activities


Non-residential

Still low electromechanical penetration, but surging demand in all verticals

 Continue with successful acquisitions





















 Actively upgrade installed base

 Generate more recurring revenue

 Increase service penetration

 Grow in emerging markets

Examples of our verticals

									
Healthcare	Finance & banking	Critical infra	Government & public sector	Travel & transportation	Enterprise	Retail	Education	Entertainment & media	Hospitality
									

Drivers for electromechanical transition


Safety and security

Efficiency

Strategic activities


Non-residential

Still low electromechanical penetration, but surging demand in all verticals

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Examples of our verticals


									
Healthcare	Finance & banking	Critical infra	Government & public sector	Travel & transportation	Enterprise	Retail	Education	Entertainment & media	Hospitality
									

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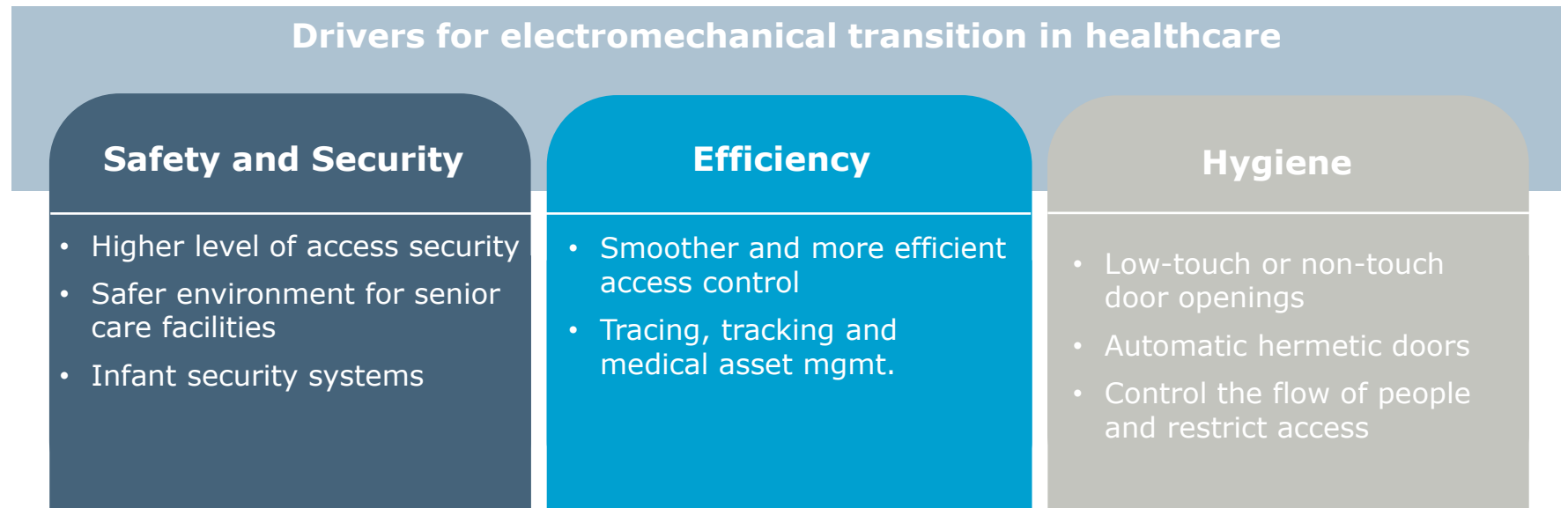
Non-residential

Healthcare – Our wide range of products enables the electromechanical transition



~15,000 hospitals in Europe

~6,000 hospitals in the US

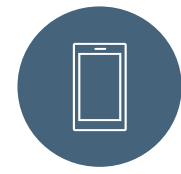
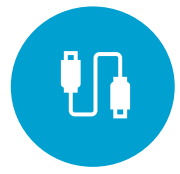


Strategic activities

Non-residential Education – shift to elmech and mobile

- Continue with successful acquisitions
- Actively upgrade installed base
- Generate more recurring revenue
- Increase service penetration
- Grow in emerging markets

Shift to elmech
Penetration rate in the US <25% for interior applications



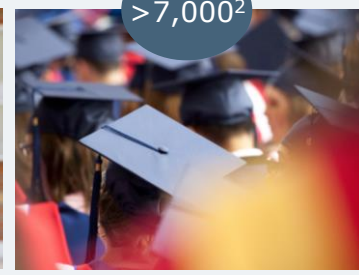
Shift to mobile
Penetration rate in the US <2%

Drivers for electromechanical transition in healthcare

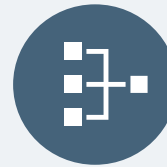
Enhanced security
Ensure classroom security through local, remote or centralized lockdowns



Lower education



Higher education



Efficiency & convenience
Enrolment, package delivery, IT-services, student experience

General renovation need
Increased investments on both federal and state level to upgrade school security levels



Sustainability
Increasingly more important with sustainable solutions for university boards

1) K-12 school districts in the US
2) Higher education institutions in the US

Strategic activities

Non-residential

Enterprise – many drivers for elmech transition

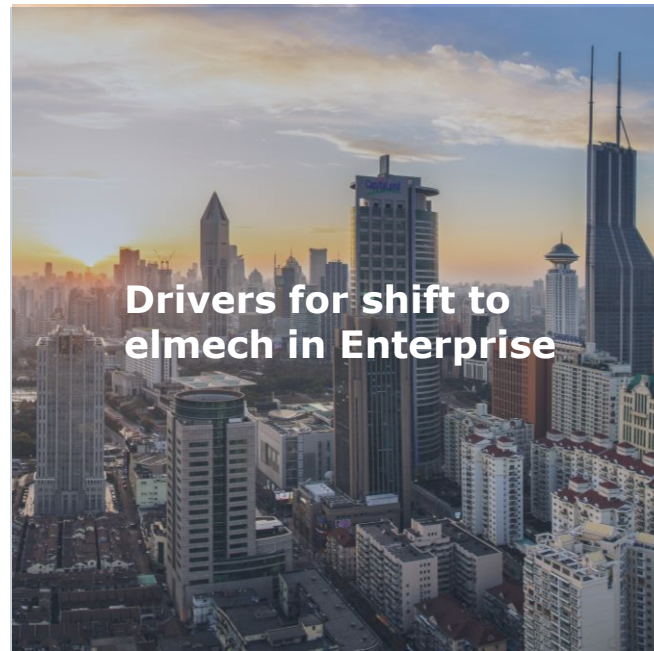
Continue with successful acquisitions

Actively upgrade installed base

Generate more recurring revenue

Increase service penetration

Grow in emerging markets



Safety and security

- Higher level of access security
- Auditability and traceability

Increased efficiency

- Simplify key management and release resources
- Operational enhancements

Sustainability

- Increase energy efficiency
- Reaching sustainable building certification

Strategic activities

Non-residential

The elmech transition brings higher value per project and a larger aftermarket



Continue with successful acquisitions

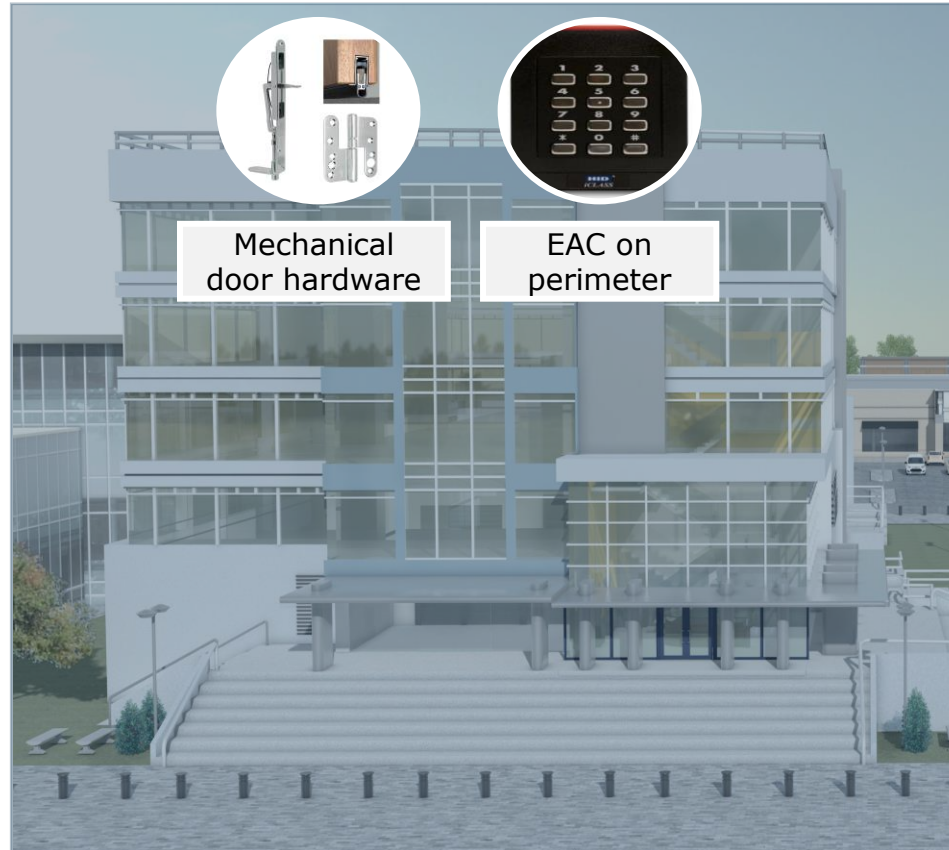
Actively upgrade installed base

Generate more recurring revenue

Increase service penetration

Grow in emerging markets

Commercial building projects 15 years ago



Commercial building projects now





The ASSA ABLOY Group is the global leader in access solutions. Every day we help people feel safe, secure and experience a more open world.

Radek Pazour

Head of Specification and CRM, Czech Republic

Construction project phases



- Creation of tender documentation
- Collaboration with architects and investors

- General Contractor Selection
- Specification-Sales handover

- Tender of sub-contractors and technologies
- Price offers, sampling, negotiations
- Closing deals

- Doors and hardware delivery and installation
- Delivery of components through sub-contractors

- Service Agreement
- Regular service and inspections

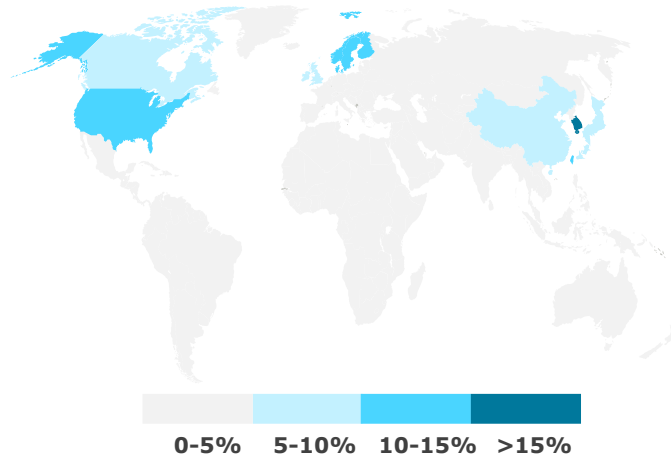


Strategic activities

Residential

Moving to digital and smart locks

Still low penetration rates globally...

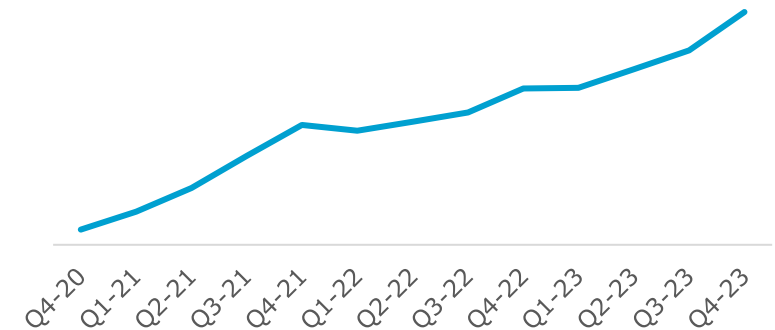


Still a young product

- **1998:** iRevo was founded, South Korea's number 1 smart lock company
- **2007:** ASSA ABLOY acquired iRevo
- **2009:** First smart lock launched in the US
- **2011:** First smart lock launched in Scandinavia and the UK
- **2020:** First pan-European smart lock range launched Yale Linus

...but it is growing in all markets

Yale Linus activation data in Europe



Drivers for smart lock transition

- A broader smart lock offering
 - Yale Doorman, Yale Linus, Kwikset etc.
- Demographic change
 - Millennials more susceptible to adapt to new technologies
- New business models
 - Shared economy (e.g. Airbnb)

Continue with successful acquisitions

Actively upgrade installed base

Generate more recurring revenue

Increase service penetration

Grow in emerging markets

Strategic activities

Residential


Significantly higher value proposition with the elmech transition

Mechanical residential customer




Elmech residential customer



 Continue with successful acquisitions

 Actively upgrade installed base

 Generate more recurring revenue

 Increase service penetration

 Grow in emerging markets

Strategic activities

Recurring revenue

One of our fastest growing areas

Software subscriptions	Field service subscriptions (contracts)
<ul style="list-style-type: none"> Developing products and solutions adapted to a recurring revenue business model Increased focus on training, sales- and marketing activities as well as pricing Continue to build and develop infrastructure, tools and processes to support growth Sharing of best practice and exploring new areas for recurring revenue 	<ul style="list-style-type: none"> Developing customer segment specific products and solutions Value-based pricing Value-added services through IoT and connected doors while improving conversion Increase service capacity and improve service efficiency

Continue with successful acquisitions

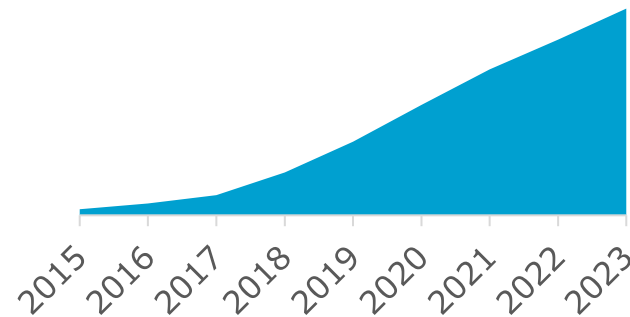
Actively upgrade installed base

Generate more recurring revenue

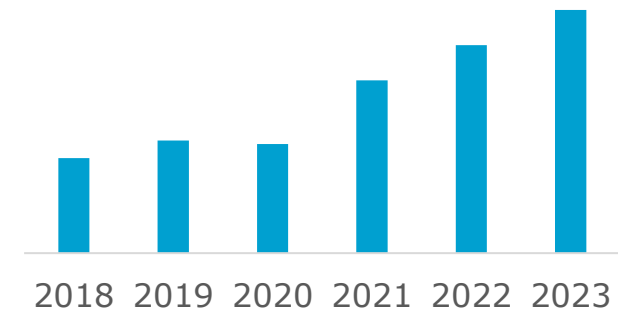
Increase service penetration

Grow in emerging markets

Hospitality: Mobile access deployment
The installed base has grown ~3300% since 2015




Group: Subscription revenues
Have grown ~160% since 2018



Strategic activities

Service growth

Entrance Systems - Service & Product reinforce each other

 Continue with successful acquisitions

 Actively upgrade installed base

 Generate more recurring revenue

 Increase service penetration

 Grow in emerging markets



Service and product reinforce each other

1. Installation
2. Maintenance
3. Repairs
4. Modernization & upgrades
5. Replacements

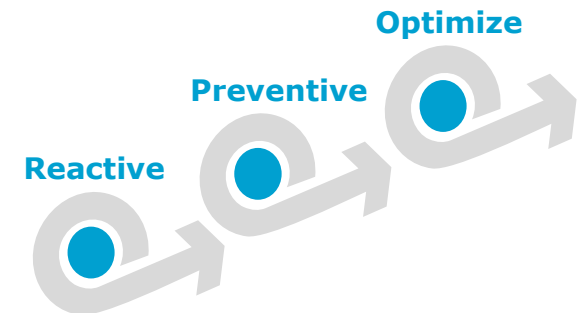


Our competitive advantages


- One supplier to cover all needs
- Geographical coverage
- Skilled service technicians
- Availability of parts
- Service of all doors and brands



Walking with our customers on their journey




Strategic activities

 Continue with successful acquisitions

 Actively upgrade installed base

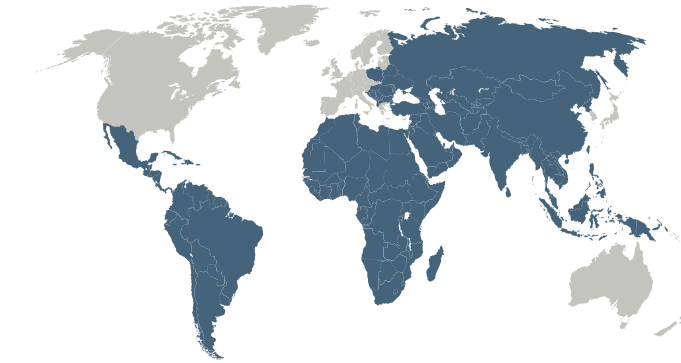
 Generate more recurring revenue

 Increase service penetration

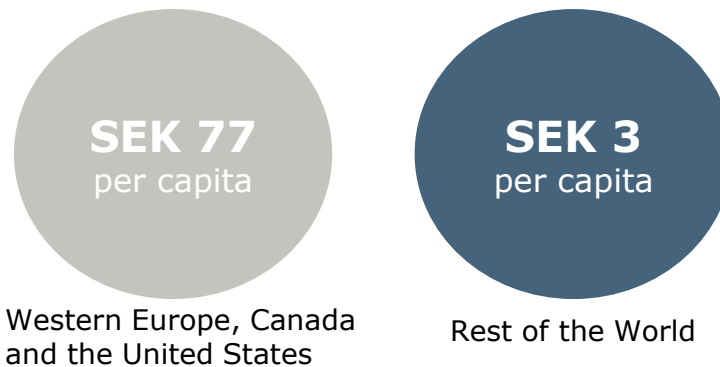
 Grow in emerging markets

Emerging markets

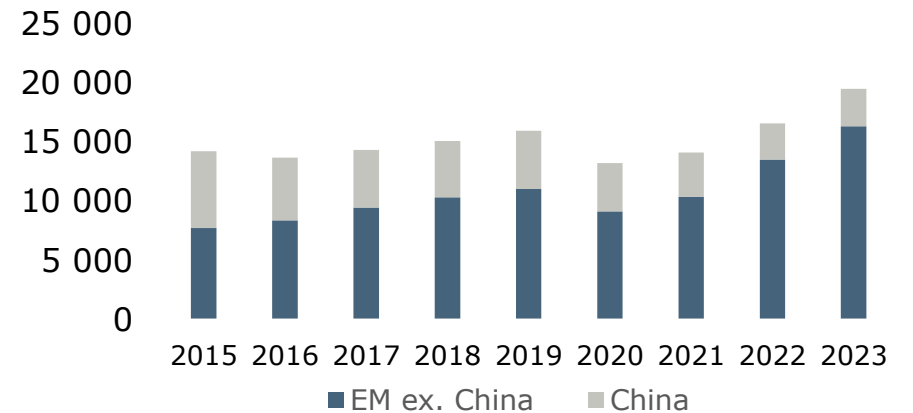
Strong growth potential



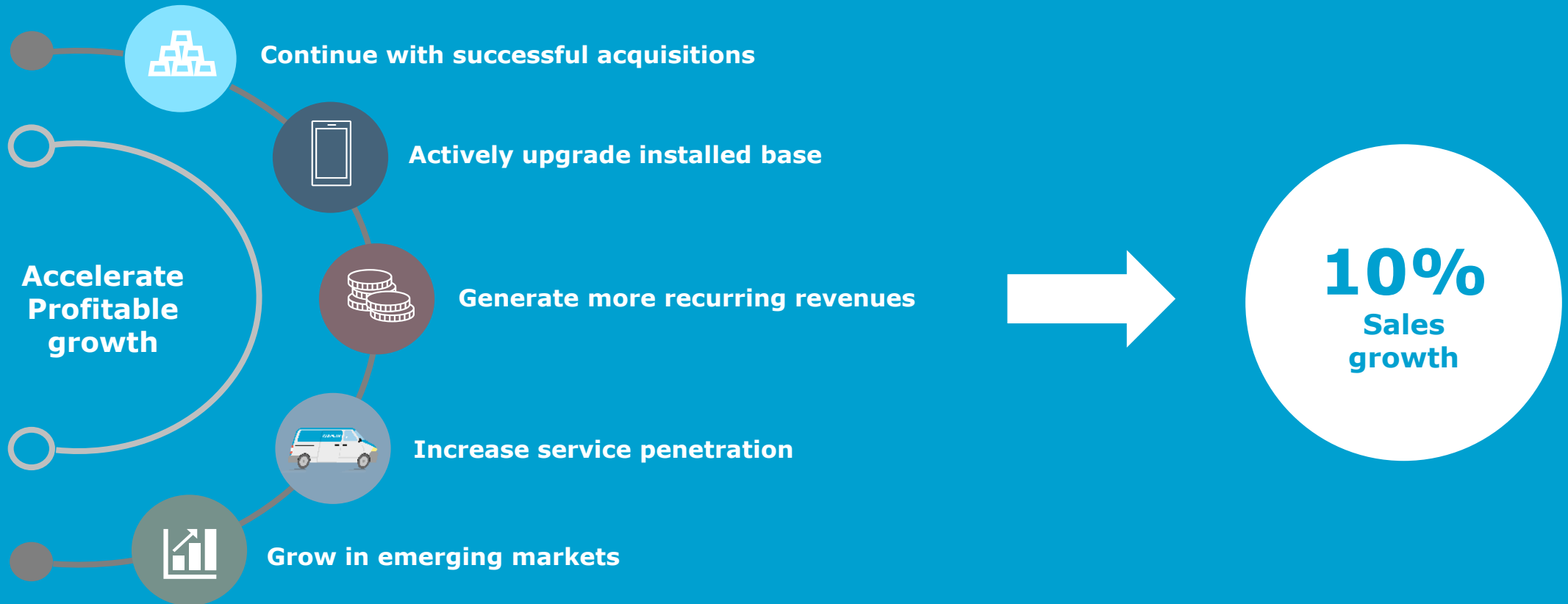
- Emerging markets offer significant growth potential
- Represents ~14% of Group sales
- Proven strategy in emerging markets
 - Finding suitable acquisitions as a base to enter a certain emerging market
 - Launching products specifically developed for emerging markets
 - Investing in people and our organization
 - Building local footprint and knowledge - “Feet on the street”



Sales in emerging markets
Ex. China, sales have grown by ~10% per annum between 2015-23



Strategic activities ambitions



A photograph of a man with a beard and a woman with a child in front of a window. The man is smiling and looking at the child, who is pointing towards the window. The woman is standing next to him, looking at the child. The scene is brightly lit, suggesting a sunny day.

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**Market &
strategy**

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**Accelerating
growth**

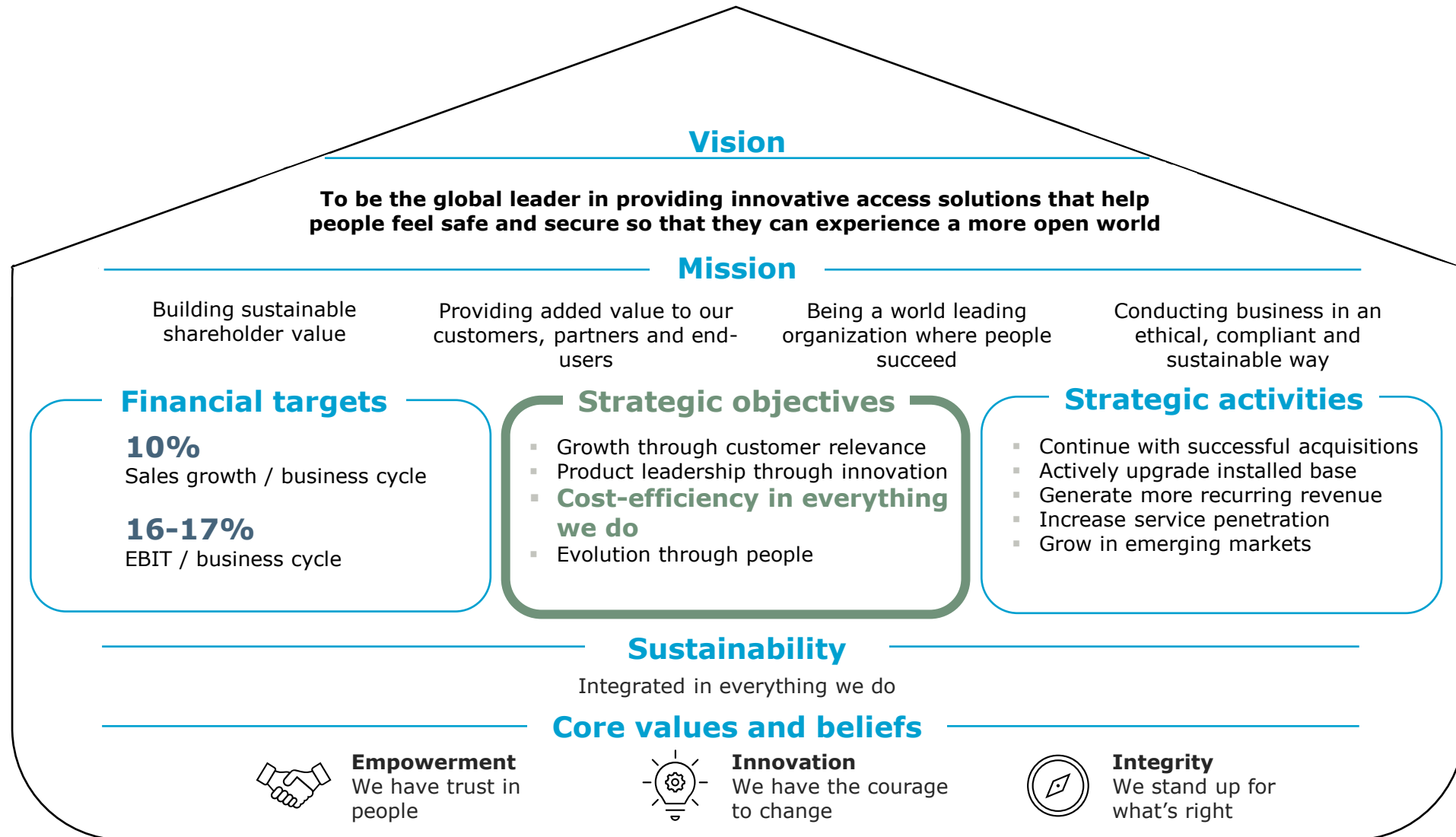
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**Cost
efficiency**

5

**Key
takeaways**

Our strategic framework



Cost-efficiency



Consolidate footprint and gain efficiency



Optimize logistics



Reduce product cost and environmental impact



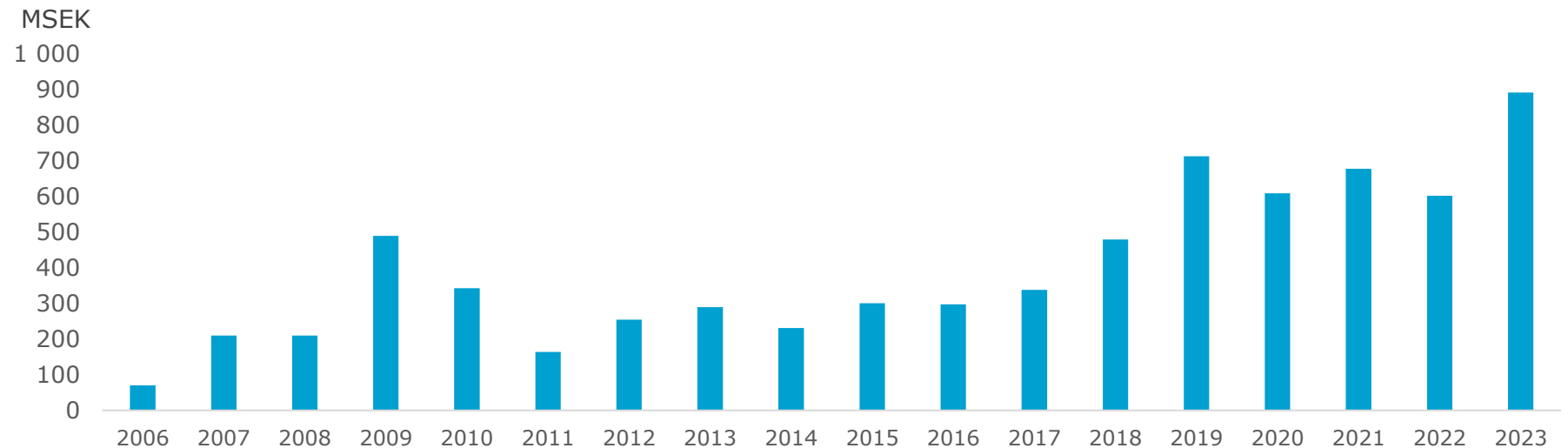
Working capital management

Cost-efficiency

Consolidate footprint and gain efficiency

- Constant need to target savings and find synergies
- Optimizing factory footprint and invest in shared offices across divisions through our Manufacturing Footprint Programs
 - MFP 9 in 2023 – annual savings of SEK 0.7bn and payback time of ~2 years
 - MFP 10 to be launched in late 2024/early 2025

Annual MFP savings: Accumulated savings of SEK 7.2bn since the program began



Consolidate footprint and gain efficiency



Optimize logistics



Reduce product cost and environmental impact



Working capital management

Cost-efficiency

Consolidate footprint and gain efficiency

Example Rychnov

Project details

- Production from 12 countries consolidated into the ASSA ABLOY Rychnov site
- Created a Centre of Excellence for cylinders and elmech locks
- Production running 24/7 compared to 1-2 shifts in original factories

Key benefits generated

- Labour efficiency (produced cylinders per HC) have increased by 5x
- Lower costs but strong engineering skills in Czech Republic
- Economy of scale benefits for material sourcing, components production and support functions
- R&D and production in the same place, leading to ~30% increase in key technologies utilization
- Connected machines, on-line tracking of performance and strong focus on productivity improvements



Consolidate footprint and gain efficiency



Optimize logistics



Reduce product cost and environmental impact



Working capital management

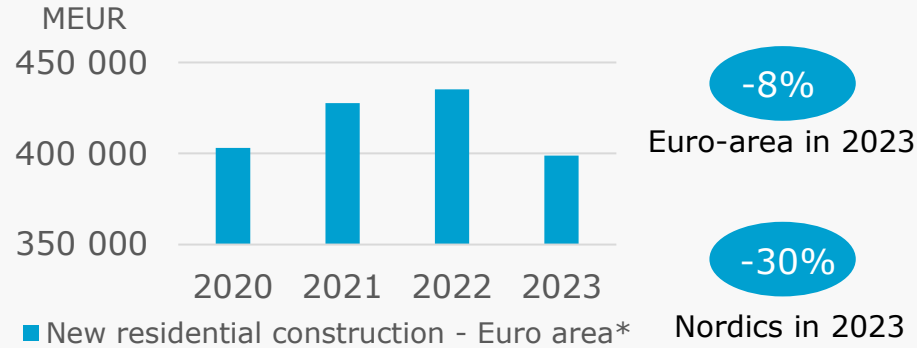


Cost-efficiency

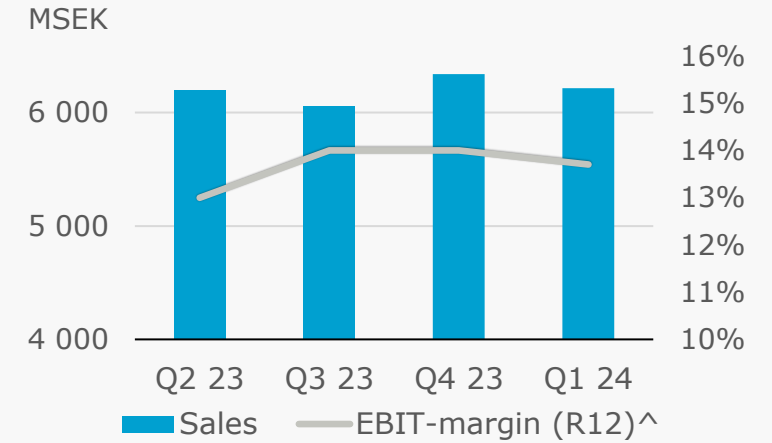
EMEIA - margin recovery underway

Challenges putting pressure on the margin

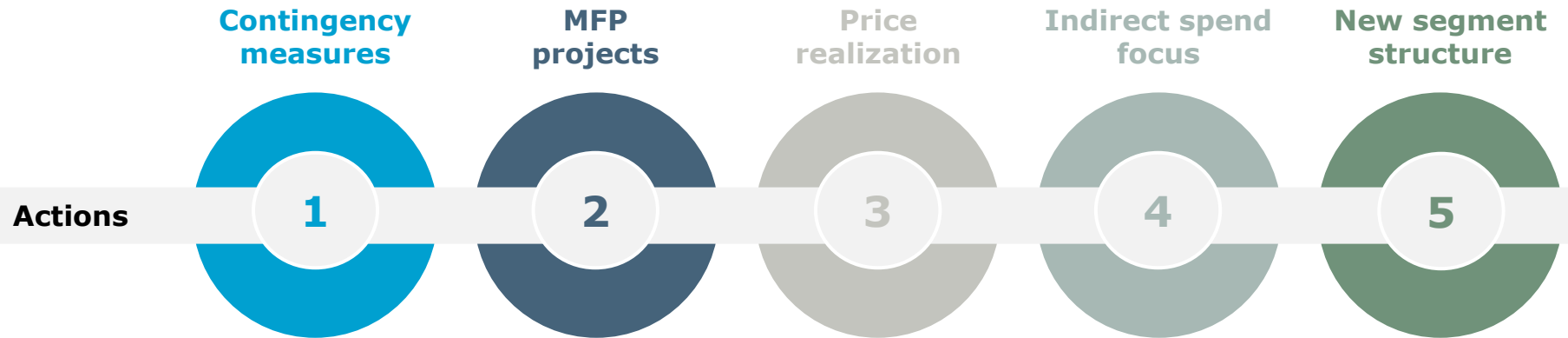
- FX headwind of 130bps in 2022-2023
- Weak residential market



But quick actions have already paid off



- Consolidate footprint and gain efficiency
- Optimize logistics
- Reduce product cost and environmental impact
- Working capital management



*Euroconstruct Nov/Dec 2023
^Excluding items affecting comparability

Cost-efficiency

Optimize logistics



Consolidate footprint and gain efficiency



Optimize logistics



Reduce product cost and environmental impact



Working capital management

We target **increased efficiencies** in our whole supply chain while **ensuring stable** logistics with industry-leading delivery performance



Consolidate and optimize warehouse locations



Improve Group utilization of container and truck loads



Optimize planning processes and use state-of-the-art software solutions



Partnerships with selected logistics providers



Dual sourcing where it makes sense



Phasing out old legacy products and reducing complexity

Cost-efficiency

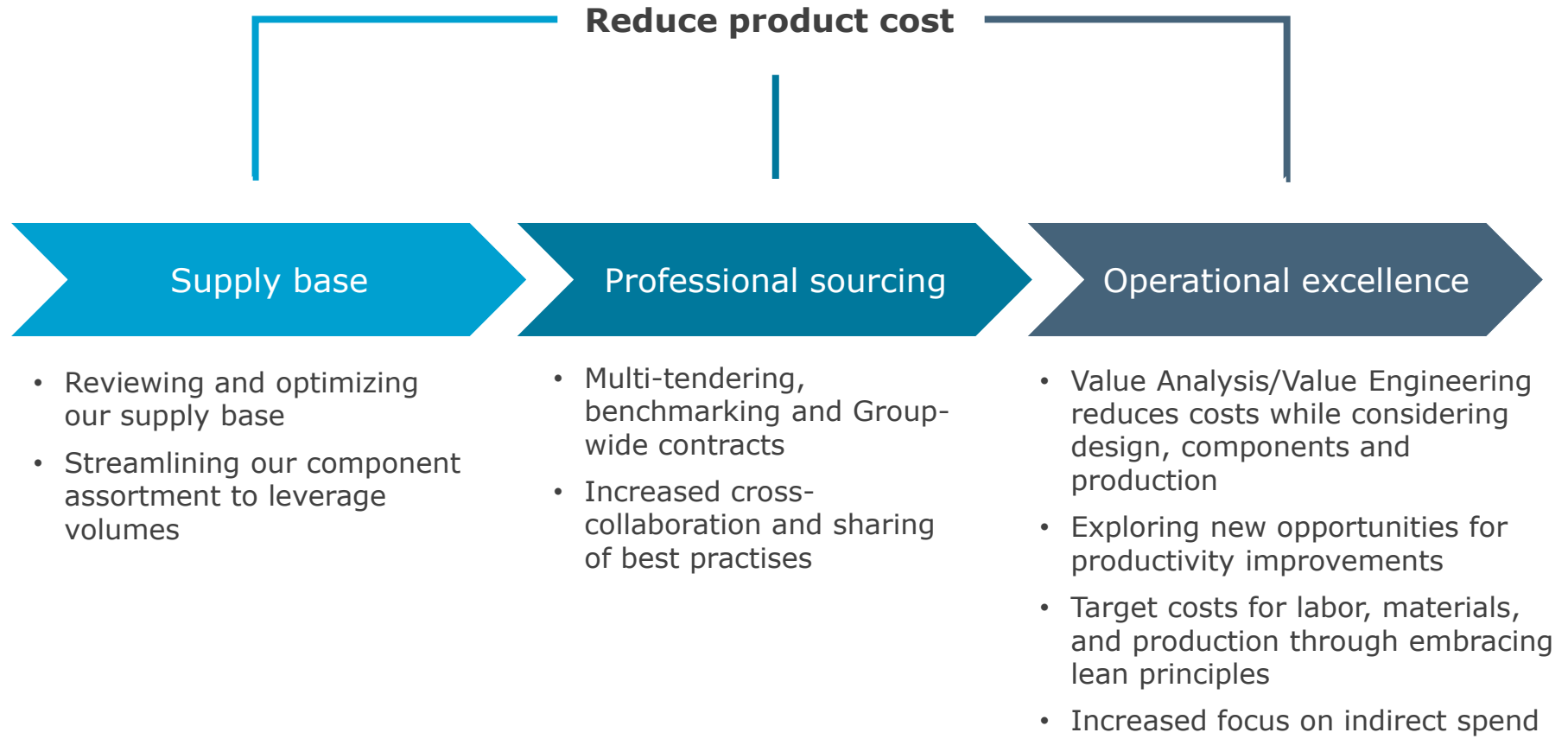
Reduce product cost and environmental impact

Consolidate footprint and gain efficiency

Optimize logistics

Reduce product cost and environmental impact

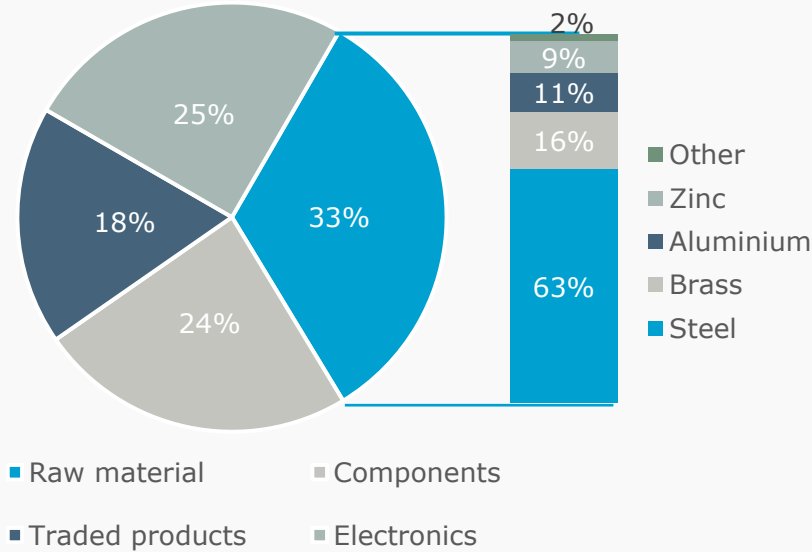
Working capital management



Cost-efficiency

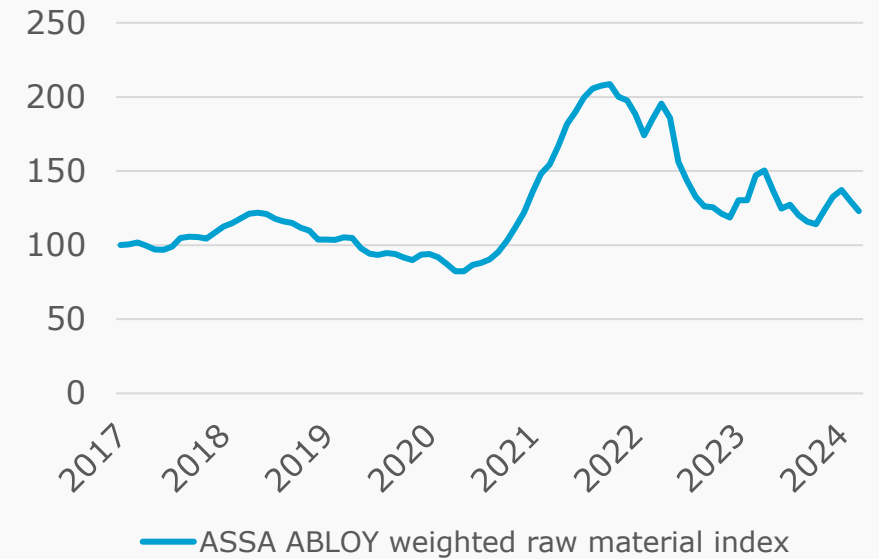
Direct material exposure

The direct material (34%) mix has shifted



- Raw material % down 5 p.p. since CMD-22 driven by lower raw material costs and pricing
- Electronics % up 7 p.p. since CMD-22 primarily driven by elmech transition

Raw material prices have stabilized on a higher level



- Down 40% from the peak in 2021 but still 20% above pre-pandemic average



Consolidate footprint and gain efficiency



Optimize logistics



Reduce product cost and environmental impact



Working capital management

Cost- efficiency

Working capital – inventory management

Challenge

- Inventories represent one of our most significant assets
- Optimal inventory is critical for meeting customer demands with short and reliable lead times

Replenishment tool



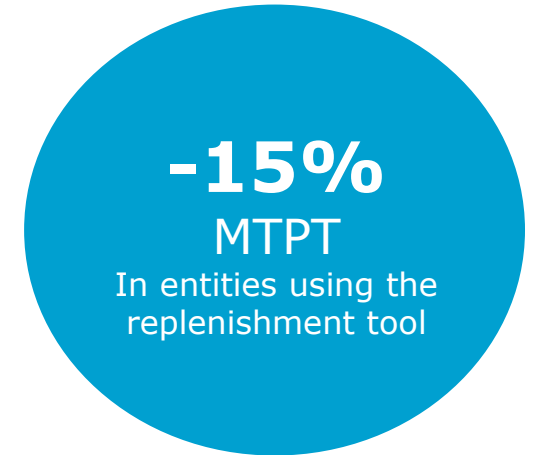
Enables a better understanding of what is building up the inventory value



Ensuring that we have the correct components and products in well-balanced quantities



Equipped with smart algorithms to optimize inventory to necessary levels for the next weeks and months



Consolidate footprint and gain efficiency



Optimize logistics



Reduce product cost and environmental impact



Working capital management

A photograph of a man with a beard and a woman with a child in front of a window. The man is holding the child, and the woman is pointing at something on the wall. The image is overlaid with a semi-transparent blue filter.

Agenda

1

**Business
update**

2

**Good
industry**

3

**Accelerating
growth**

4

**Cost
efficiency**

5

**Key
takeaways**

Key takeaways



With the largest installed base, the deepest know-how of access solutions and innovation, we have a solid platform to maintain our leading position



The global access solution industry is subject to strong underlying megatrends that support growth and demand for our products and solutions



A well-proven strategy with ambitious strategic activities aimed at strong growth areas to reach clear targets, underpinned by a strong focus on innovation



We have a long track-record of profitable growth by growing through customer relevance and being cost-efficient in everything we do



Thank you

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