

# Transforming from a position of strength

2019 was an important year for Securitas. We grew faster than the market and we generated the highest cash flow in the history of the company. We started implementing our strategy to be the leader in intelligent security and presented our ambition to double our security solutions and electronic security business by 2023. We also defined our purpose as a company and introduced the leadership team that will drive the transformation during the next phase. We are undertaking these changes from a position of strength – with a leading global and local presence, and the best offering and employees in the industry.

## GROWTH AND INVESTMENTS

We are continuously working to deliver high quality and added value to our clients. In 2019, we had 4 percent organic sales growth. Security solutions and electronic security sales grew with 10 percent and now represent 21 percent of our total sales. The operating margin was 5.2 percent. We are making significant investments in our strategic transformation and in creating the most attractive client offering. These investments will reinforce our leading position and help drive growth and profitability improvements in the long term.

The positive momentum continued across all business units in Security Services North America, with solid growth and improved operating margins. In Security Services Europe, most countries performed well but growth and profitability were negatively impacted by contract losses and price and wage imbalances in a few countries. We had a strong finish to the year in Security Services Ibero-America and continued favorable growth and development in our Africa, Middle East and Asia (AMEA) division.

Earnings per share improved by 4 percent, after adjustments for changes in exchange rates, items affecting comparability, IFRS 16 and the impact from the US tax reform.

With a record-breaking operating cash flow of MSEK 4 902, we strengthened our balance sheet and our net debt to EBITDA ratio decreased to 2.2.

Acquisitions play an important role in strengthening our protective services offering and accelerating our strategic transformation. During 2019, we completed acquisitions in Australia, the UK and the US, together with some smaller acquisitions in other key markets. We are very pleased to welcome all new employees to the Securitas team.

## BUILDING STRENGTH FOR THE FUTURE

The strategy that we defined and communicated five years ago, Vision 2020, has been successful. We are now launching the next phase. This phase does not represent a change in the direction of the strategy, but rather an evolution, including investments to further strengthen our protective services leadership and accelerate data-driven innovations for enhanced services for our clients.

Our desired position is to become the intelligent protective services partner for our clients. We are focusing on three areas to

achieve this desired position: 1) client engagement 2) sharpening our protective services leadership and innovation, and 3) efficiency.

## CLIENT ENGAGEMENT

Our strategy is geared towards creating added value for our clients. Our decentralized operating model allows us to remain close to our local clients, which in turn enables close engagement and the ability to continuously develop the service offering to address each client's specific needs and risks.

We have 150 000 clients and a client retention rate that is steadily around 90 percent. This is proof that our clients value the quality of our services and our relationship, but we can always do better. One measure is to invest in an improved client engagement model. This will help us leverage best practices and bring consistently better quality and value to our clients. During the year, we also created a global client organization to further strengthen our offering to clients who require consistent protective services of high quality across different countries and geographies.

## PROTECTIVE SERVICES LEADERSHIP AND INNOVATION

We focus on security services and creating long-term value. This is what we do best, and we generate the highest value for our clients by combining different protective services into solutions that are based on a risk assessment and the client's needs. We are growing faster than the market thanks to our global presence, leading offering and the high-quality services that our competent employees deliver to our clients every day.

For the next development phase, we have identified a number of focus areas that will improve our offering to our clients and drive innovation. The first involves strengthening our core operations. Guarding represents 77 percent of our business, and we are now sharpening the efficiency of our guarding operations in order to continue to deliver the best-quality services. Electronic security is another significant focus area, and we are well positioned to compete in this market with increasingly strong capabilities and an outstanding team.

We see a future which is increasingly knowledge focused, and this will require a vast local presence and access to large quantities of data. Our global and local presence gives us a unique capability to generate data. We can use this information



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We help make your  
world a safer place.”

to improve our knowledge, and the understanding of what might happen. Combined with our ability to respond quickly, this puts us in a unique position in the industry.

We are accelerating our strategy through innovation in intelligent services, which will be an exciting part of our development during the coming years.

#### **EFFICIENCY**

In 2019, we launched two major transformation programs that will bring increased efficiency, modernization and innovation. One is a global IT transformation program and the other a business transformation program in North America. Both will span over several years, and we are progressing according to plan. Driving efficiency is important to free up resources that we can invest in the business or to improve margins.

To implement the strategy for the next phase, we created global functions with an enhanced focus on client engagement, guarding and electronic security. We also made a number of leadership changes and are entering 2020 with a very strong team.

#### **WE PLAY AN IMPORTANT ROLE IN SOCIETY**

Securitas plays an important role in society, providing security and safety in a sustainable way. We provide many people with work opportunities, some as a first step into the labor market. As a responsible and reliable employer, we offer fair wages and good working conditions, which also helps us to attract and retain people who share our values and can provide excellent client service.

We are taking the situation with the COVID-19 (Corona virus) outbreak very seriously and we are working closely with our clients to help them in these challenging times. The health and well-being of our employees is of course also a top priority.

We have zero tolerance for misconduct of any type. We investigate all alleged wrong-doings, if necessary with external help. We are currently also reinforcing our compliance program.

Securitas continues to support the UN Global Compact through a commitment to its ten principles. We also contribute to the fulfillment of the UN Sustainable Development Goals. Sustainability is integrated into our daily business and I believe it adds value for our clients.

#### **A CLEAR PURPOSE**

During the strategy process, thousands of employees took part in workshops to define our purpose as a company. Based on their input, we defined our purpose: We help make your world a safer place.

It is my conviction that a strong and clear purpose will make us more successful as a business in the long term, which will benefit not only our clients, employees and investors, but also society as a whole.

Our purpose will provide us with guidance in the decisions that all 370 000 of Securitas' employees make every day, from strategic decisions to daily operational decisions. A person who feels proud of what they do and part of a bigger whole is always more engaged and will consequently create greater value for us all. Attracting and retaining the right people and motivating them to stay with us is a critical factor behind our success. Contributing to making the world a safer place is a very strong motivator.

Securitas' people make a difference for our clients and society every day. We have a strong offering and clear targets to drive value creation. In short, we are in a very good position to lead the industry, now and in the future.

Stockholm, March 18, 2020

Magnus Ahlqvist  
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