



2018 Q1 Q NEWSLETTER

Magnus Ahlqvist sums up and reflects over his first quarter as Securitas President and CEO.

Dear Securitas colleague,

We have just reported our results for the first quarter. We experienced favorable growth across all our business segments and are growing faster than the market. Our strong sales momentum from 2017 continued and resulted in organic sales growth of 6 percent. We are strengthening our security solutions and electronic security business, supported by favorable macroeconomic conditions in our main markets.

North America

North America experienced good momentum in all parts of the business. The region grew by a very strong 8 percent, which is significantly faster than the market, while at the same time maintaining its operating margin of 5.5 percent – good work North American team.

Europe

In Europe, we achieved 4 percent sales growth during the quarter, a figure we are quite happy with compared with where we were a year ago, when we saw a decline of the refugee-related business and a few terminated contracts. It is gratifying to see that our business is once again growing at a decent pace, but from a margin perspective I'm

not satisfied. We had a few countries and parts of the business pulling down the margin. We are now working on this so we can improve in the coming quarters.

Ibero America and AMEA

Ibero America improved its operating margin, mainly driven by its performance in Spain, where we are now growing at a very good pace. After a number of years of economic crisis, our Spanish business is emerging stronger than before the crisis, driving the security solutions and electronic security business with great success.

The AMEA division also had a strong quarter, in terms of both growth and profitability. These results were supported by favorable growth across most countries and by a few specific events, such as the tax rebate in India and the Olympics in South Korea.

**OUR CUSTOMER
OFFERINGS ARE REALLY
WORKING**

The right strategy

Security solutions and electronic security sales grew by 20 percent compared with the first quarter of 2017 and represented 19 percent of total sales across the Group. Strategically, this is one of the most important areas of the business. I have said on several occasions that I'm convinced that we have the right strategy: we know that our customer offerings are really working.

SPEED UP THE PACE OF TRANSFORMATION

Acquisitions

In the first quarter, we completed several strategic acquisitions, including Automatic Alarm in France and Alphantron in the Netherlands. These acquisitions will greatly enhance our technical capability in these markets and support the security solutions strategy in Europe. We are delighted to welcome the teams and colleagues from these companies to Securitas. In March, we announced our intention to acquire Kratos's Public Safety and Security Division, a top-ten system integrator in the US. I'm very excited about this acquisition since it will further strengthen our capability within electronic security in the US.

Cash flow

The weak cash flow in the first quarter was mainly due to Europe, where the timing of Easter had a negative impact. This meant that numerous customer payments were delayed from the end of March until early April. Cash flow has since improved significantly.

Transforming and managing performance

As I've already mentioned, we have a clear, winning strategy for driving protective services and solutions. A strategy we know is working. All of us at Securitas need to take responsibility to make it happen – to speed up the pace of transformation.

We must ensure we make that initial security solution sale, in every area and branch. Apart from that, we need to always keep a strong hold on our income statement and profitability – to manage the six fingers. The simple rule is to ensure that our margins grow at a faster pace than our costs, in both the short and long term. Driving the transformation and managing our financial performance – those are important priorities in this quarter and going forward.

*Best regards,
Magnus Ahlqvist*



COMING NEXT...

Keep an eye on Securitas Global Net for a coming update from Magnus, with a short report from the recent **Annual General Meeting** in Stockholm and more.