

Stock Information

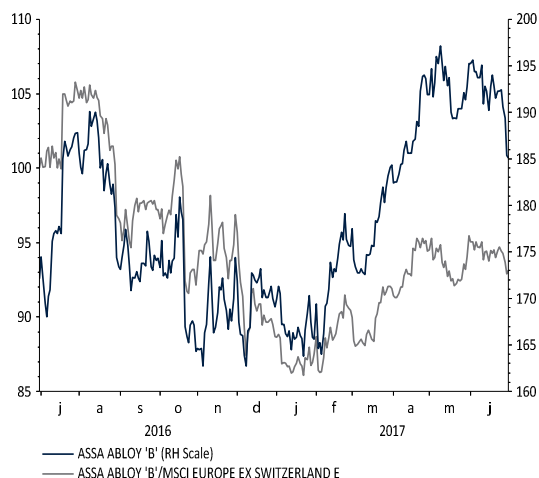
Price	30.06.2017	SEK	185.10
Market Capitalisation		SEK (mn)	195'290
Average Daily Volume (last 3 months, 000s)			2'147
52 weeks High / Low			197.1 / 162.7
ISIN		SE0007100581	
Bloomberg Code		ASSAB SS	

10 years performance (weekly data)



Graphic IAM - Source Thomson Reuters

1 year relative performance



Graphic IAM - Source Thomson Reuters

Stock absolute and relative performance

In %	Absolute	Relative *
1 month	-5.2	-2.6
3 months	2.0	1.3
YTD	11.2	4.4
2016	-3.5	-5.3
2015	30.5	23.7

*relative to MSCI Europe

Description

Assa Abloy is the world leader in door opening systems. These include traditional mechanical locks, as well as more modern electro-mechanical systems.

The company supplies locks and door opening solutions to airports, schools, hospitals, offices, and homes. Solutions include fields such as access control, identification technology, automatic doors, and hotel security.

New products in electronic security includes electronic cylinders, automatic doors, secure identification and various products for access control. Assa Abloy also sells mechanical security products such as door closers, emergency exit devices and window hardware.

Assa Abloy has a strong R&D focus and targets at least 25% of sales with products launched in the past three years.

Investment Case

As a clear worldwide leader in its industry, Assa Abloy is able to reap benefits of scale and continuously improve its operating margins. The company has already taken steps to reduce manufacturing in high-cost countries, leaving only end assembly and R&D.

The door opening business is one that benefits from long term trends such as higher urbanization rates, more security requirements, and technological developments (electronic locks for example). Overall, it is a business that grows faster than world GDP.

Assa Abloy also benefits from aftermarket sales, which represents 67% of sales. This provides the company greater stability than sales of first installments. The focus of aftermarket sales is also more oriented towards commercial and institutional customers (75% of aftermarket), resulting in higher profitability.

Overall, Assa Abloy has 3 priorities: an increased market presence, new innovations in products, and cost-efficiency across all platforms/products.

Per Share (SEK)

	2014	2015	2016	2017e	2018e
Earnings	5.79	6.93	5.99	8.00	8.84
Variation		19.5%	-13.5%	33.6%	10.4%
Earnings (IBES)	5.79	6.93	5.99	8.06	8.84
P/E	23.9	25.7	28.2	23.1	20.9
P/B	4.3	4.8	4.0	3.9	3.5
P/FCF	28.4	27.0	26.5	23.2	21.1
Dividend	2.17	2.65	2.69	3.60	3.98
Payout ratio	37%	38%	45%	45%	45%
Dividend yield	1.6%	1.5%	1.6%	1.9%	2.1%

Strengths

- Number one position worldwide in door security
- Strong growth prospects for the foreseeable future
- Management is very focused on economic returns

Weaknesses

As Assa Abloy is only a manufacturer, the company depends on its relationships with distributors. The company is still somewhat dependent on macro-economic conditions to spur construction demand. Dual share company: the A shares have 10 votes each, but the B shares only have 1 vote.

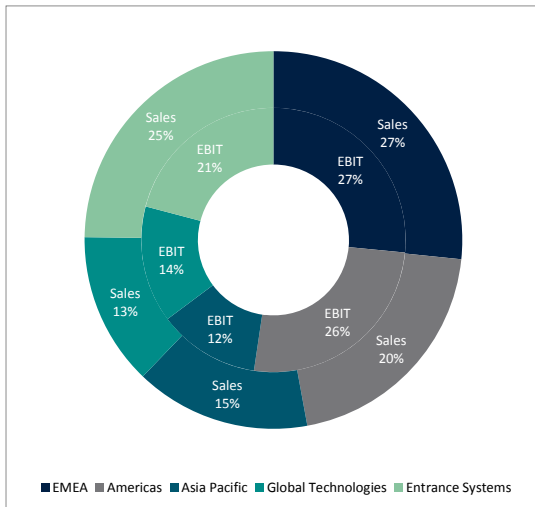
Opportunities

Acquisitions of local players will continue and let Assa Abloy be even more profitable by scale. Construction spending worldwide, be it residential or commercial. Urbanization is a long term trend. Focus on R&D with the greater penetration of electro-mechanical products.

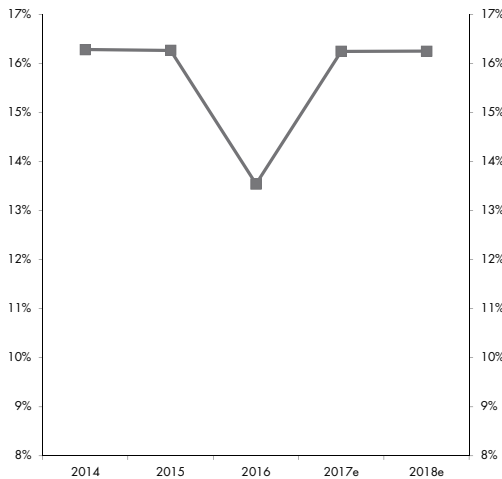
Threats

- Competition from more nimble or local players
- Strict laws and regulation that could favor local players

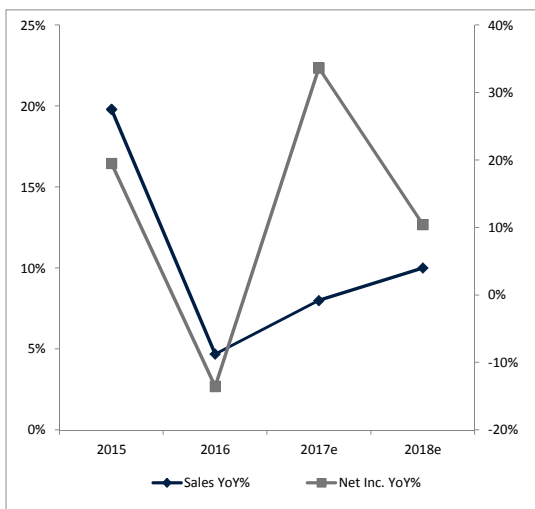
Sales and EBIT by geographic region



Operating margin evolution



Year over Year growth



Key Figures (mn EUR), December 31

	2014	2015	2016	2017e	2018e
Sales	56'843	68'099	71'293	76'996	84'696
variation		19.8%	4.7%	8.0%	10.0%
COGS	34'921	41'705	44'319	46'968	51'665
Selling expenses	12'797	10'441	11'543	17'478	19'226
R&D expenses	0	1'932	2'218	0	0
Other operating expenses	-132	-124	83	40	40
EBITDA	10'508	12'512	11'237	14'204	15'629
EBIT	9'257	11'079	9'657	12'510	13'765
PBT	8'698	10'382	8'952	12'010	13'265
Net Profit to firm	6'436	7'693	6'652	8'888	9'816
Minorities	0	0	1	0	0
Net Earnings Group	6'436	7'693	6'651	8'888	9'816
Adj. net earnings	6'436	7'693	6'651	8'888	9'816
Total current assets	21'738	23'330	26'025	27'279	33'503
Total fixed assets	58'260	62'847	69'257	68'893	69'147
Total assets	79'998	86'177	95'282	96'172	102'650
Shareholders equity	36'096	41'575	47'220	53'115	58'932
Working capital	2'355	2'898	3'913	9'244	14'807
Net debt	19'331	22'402	23'199	18'419	12'562
Operating cash flow	6'679	8'572	8'575	10'780	11'857
Capex	-1'271	-1'241	-1'478	-1'925	-2'117
Free cash flow	5'408	7'331	7'097	8'855	9'740

Performance Ratios

	2014	2015	2016	2017e	2018e
Operating Margin	16.3%	16.3%	13.5%	16.2%	16.3%
Net margin	11.3%	11.3%	9.3%	11.5%	11.6%
ROE	17.8%	18.5%	14.1%	16.7%	16.7%
NWC / Sales	4.1%	4.3%	5.5%	12.0%	17.5%
Net Debt / EBIT	208.8%	202.2%	240.2%	147.2%	91.3%
Net Debt / Equity	53.6%	53.9%	49.1%	34.7%	21.3%
D&A / P,P&E	16.2%	19.0%	19.6%	20.4%	21.8%
Capex / D&A	102%	87%	94%	114%	1.13636364
Capex / Sales	2.2%	1.8%	2.1%	2.5%	2.5%
FCF/Net Earnings	84.0%	95.3%	106.7%	99.6%	99.2%

Principal competitors (rebased to CHF)

Name	Mkt Cap (mn)	P/E 2017	P/E 2018	Div Yield	Perf YTD
ASSA ABLOY 'B'	22'173	23.1	20.9	1.6%	12.8%
STANLEY BLACK & DECKER	20'646	19.5	17.4	1.7%	16.8%
ALLEGION	7'410	21.8	19.6	0.8%	20.1%
DORMA KABA HOLD	3'499	29.3	24.7	1.4%	10.0%

Shareholders

Free float	95%
Principal shareholders	
Capital Group	11.3%
Latour Investment AB	6.1%
Swedbank Robur Fonder AB	5.9%

Management

Lars Renström, Chairman
Johan Molin, CEO
Carolina Dybeck Happe, CFO

Sales by reporting segment (mn SEK)

	2009	2010	2011	2012	2013
EMEA	13'601	13'036	10'030	13'382	13'165
Americas	9'880	9'536	8'906	9'671	10'121
Asia Pacific	3'789	6'081	6'633	7'224	7'420
Global Technologies	4'766	5'015	5'756	6'262	6'472
Entrance Systems	3'733	4'072	8'278	10'979	12'237

EBIT by reporting segment (mn SEK)

	2009	2010	2011	2012	2013
EMEA	2'056	2'174	2'203	2'279	2'197
Americas	1'925	1'886	1'812	2'007	2'140
Asia Pacific	459	843	933	978	1'032
Global Technologies	766	862	897	1'073	1'184
Entrance Systems	587	627	1'197	1'546	1'733

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