

SECURITAS

Sweden

Commercial Services– Security Services

BUY

October 3, 2016

Company description

Securitas AB is a Sweden based company engaged in the provision of security solutions operating through 3 business segments: Security Services North America segment, Security Services Europe and Security Services Ibero-America. The Company sells products and services for the protection of homes, work places, and community. Its services include specialized guarding and mobile services, monitoring, and consulting & investigations. Securitas operates in Europe, North and South America, the Middle East, and Asia.

The group has approximately 330,000 employees in over 60 countries worldwide.

Recent developments

August 4, 2016: The Company released Q2 results beating expectations. This quarterly report sent a strong message of both record-high organic growth (8%) and improving operational leverage (EBITA margin 5.1% versus 4.7% yoy), with reported EBITA 5% ahead of consensus.

This was driven by improved underlying performance in North America and good extra sales in Europe and the US. In Europe, the increased need for security services due to the refugee situation and the terror attacks represented about half of the organic sales growth, predominantly impacting the Nordic countries, Belgium, France and Germany. However, the Company noted that most of these extra needs of security are short term in its nature, and are expected to reduce during the second half of 2016.

Upcoming events:

November 8, 2016: Interim Report Jan-Sep 2016
February 7, 2017: Full Year Report Jan-Dec 2016

Investment conclusion

The company continues to increase its share of security solutions and electronic security, i.e. in the 'Technology Solutions' remaining the value driver. The M&A pipeline remains strong and Securitas is looking for small/mid-sized acquisitions mainly within technology and fire and safety in Europe. This progressive portfolio shift towards higher margin/ROIC bundled solutions and away from the more commoditised static manned guarding would further strengthen the estimate revision trend ahead.

With its focus on integrating technology and its leading position in markets where security demand is growing, we believe Securitas is in a sweet spot to deliver solid and profitable growth. Even after recent strong share price performance (+13% YTD, +40.6% on 1-yr), we believe the market's perception of these qualities is not fully there yet.

Performance



	1m	3m	12 m
Absolute perf.	-4.6%	10.7%	40.8%
OMX Stockholm 30 Index perf	0.4%	7.7%	2.2%

Market data

Share price (SEK), as of Oct 3, 2016:	144.6
52-wk range:	100.4–152.9
Mkt cap (SEK m):	52'495
Nb of shares issued:	348m
Bloomberg ticker:	SECUB:SS
Isin:	SE0000163594

Financial summary (In mio SEK) & Valuation

	2014	2015	2016e	2017e
Revenues	70'217	80'860	86'998	90'966
Operating inc.	3'249	3'871	4'333	4'674
Net income	2'081.7	2'489.1	2'942.7	3'177.1
EPS (adj.)	5.70	6.82	8.13	8.77
DPS	3.0	3.5	3.8	4.08
Div. yield (%)	3.2%	2.7%	2.6%	2.8%
P/E (x)	16.7	19.5	17.8	16.5

Source: Bloomberg

Equity rating—Bloomberg consensus

		Nb of analysts
Buy	23.8%	5
Hold	23.8%	5
Sell	52.4%	11