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dormakaba to acquire
Mechanical Security businesses
from Stanley Black & Decker

dormakaba 

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dormakaba to become top three player in the North American market, the most profitable market in the industry

- Acquisition builds on successful dormakaba merger and recent Mesker acquisition, **adding substantial scale in North America**
- **Large installed base** to provide attractive and stable repeat business, including possibility for future upgrade to electronic and wireless locks
- **BEST as one of the most recognized brands in the market** to considerably strengthen market position
- **Established spec-writing capabilities** to open access to new construction projects, opportunity to exploit interesting cross-selling opportunities in the future
- **Strong position in growing verticals** such as education and healthcare complementary to dormakaba's established position in hospitality, multi-housing, and government

Acquisition to significantly enhance dormakaba's prospects for further profitable growth

Acquisition of Stanley Mechanical Security businesses – Transaction highlights

Transaction scope

- Consolidated 2016E net sales of USD 276 mn and EBITDA of USD 52 mn
- Transaction comprises Stanley Black & Decker Commercial Hardware (2016E: USD 229 mn net sales, USD 51 mn EBITDA); GMT (2016E: USD 48 mn net sales, USD 2 mn EBITDA)
- Transaction does not include Sargent & Greenleaf business (safe locks)

Consideration

- USD 725 mn Enterprise Value, all-cash consideration
- Implied acquisition multiple of 13.8x EV/EBITDA 2016E (pre-synergies); 9x EV/EBITDA post expected revenue and cost synergies (to be achieved within four years) and including substantial expected tax benefits

Financial impact

- Revenue growth and EBITDA margin impact: Neutral from closing, accretive from FY 2019/2020 onwards
- EPS: accretive from day one

Financing

- Fully debt financed
- Increase of existing syndicated credit facility from CHF 0.5 bn to CHF 1.150 bn

Timing

- Transaction subject to customary regulatory approvals
- Closing expected in Q1 2017

Acquisition business profile – a leading player in an attractive market

Commercial Hardware

- Leading North American commercial access control business with 150 years of history
- Based in Indianapolis (Indiana/USA), 3 main sites in North America (one manufacturing, two distribution centers), ~1000 employees
- Additional production facility in Taiwan
- Net sales 2016E of USD 229 mn and EBITDA of USD 51 mn (c. 22% margin)
- Leading *BEST* brand; broad range of mechanical products and security solutions as well as state-of-the-art wireless and Cloud-based electronic locks



**Locks, SFIC
Cores & Keys**



Electromechanical



Exits



Closers




Hinges

GMT

- Established provider of access products and commercial hardware primarily for mid- and lower-price point markets (manufacturing, distribution, wholesale, shops) in China, ~600 employees
- Recognized brand for glass door floor hinges and door hardware in China, well-known among suppliers
- Net sales 2016E of USD 48 mn and EBITDA of USD 2 mn

The North American access control market – the most profitable market in the industry

- Favorable competitive dynamics
- Continued strong growth momentum
- Consistently high margins and returns



dormakaba will get scale and access – from a distant number 4 to a strong top 3 player in North America

Acquisition will bring major benefits to dormakaba

Manage the opening

Top 3 market player in North America with ability to offer the full portfolio of door hardware and access control solutions to our customers
Leap forward for AS AMER with regard to sales and EBITDA

Brand portfolio

Well-recognized industry brand *BEST* to considerably strengthen market position

Installed base

Large installed base in high margin mechanical core business, creates stable repeat business with potential for future upgrade / replacement to electronic and wireless

Spec writers

Addition of specification writing capability to help drive access to previously inaccessible bids in new construction

Leading position in selected verticals

Better access to growing verticals such as education and healthcare

dormakaba becomes a top three provider in North America

Manufacturer presence in product segments in North America



1 Entrance systems is part of Stanley Access Technologies, not Stanley Mechanical Security

2 For commercial use

3 Safe locks business from Stanley Black & Decker is not included in the acquisition

Building a strong presence in a high margin business – recurring revenue plus replacement and upgrade opportunities



- Interchangeable cores (cylinders) are differentiating and represent a unique value proposition
- Large installed base of customer sites drives stable repeat business
- Ability to leverage spec writing, privileged relationships and installed base to cross-sell products (e.g., mechanical/ electronic locks, door closers, access control)
- Increased access to attractive industry verticals like Healthcare / Hospitals and Education: Potential for pull through of dormakaba products and solutions like Entrance Systems (automatic doors) and Electronic Access & Data combined with dormakaba's Services business

Large installed base, particularly the mechanical core, will give us the opportunity to engage with and sell to an established customer base and leverage existing relationships

An opportunity with considerable value enhancement potential

Revenue synergies

Tangible opportunities to drive growth

- Leveraging the *BEST* brand and its large installed base
- Gain scale in attractive verticals

Cost synergies

Selected cost optimization potential from

- Production footprint optimization
- Insourcing of certain OEM products
- Establishing shared service functions for Finance and HR

Tax benefits

Acquisition-related tax benefits from year 1

Timing

Revenue and cost synergies to be achieved within 4 years

Implementation costs

One-off implementation costs of around USD 15 mn expected to accrue over 4 years with focus on years 1 and 2

Acquisition in line with our strategy*



Superior offering



Expanding presence



Enterprise excellence



Innovation leadership



Optimized business portfolio



Right people – right roles

Global brand power

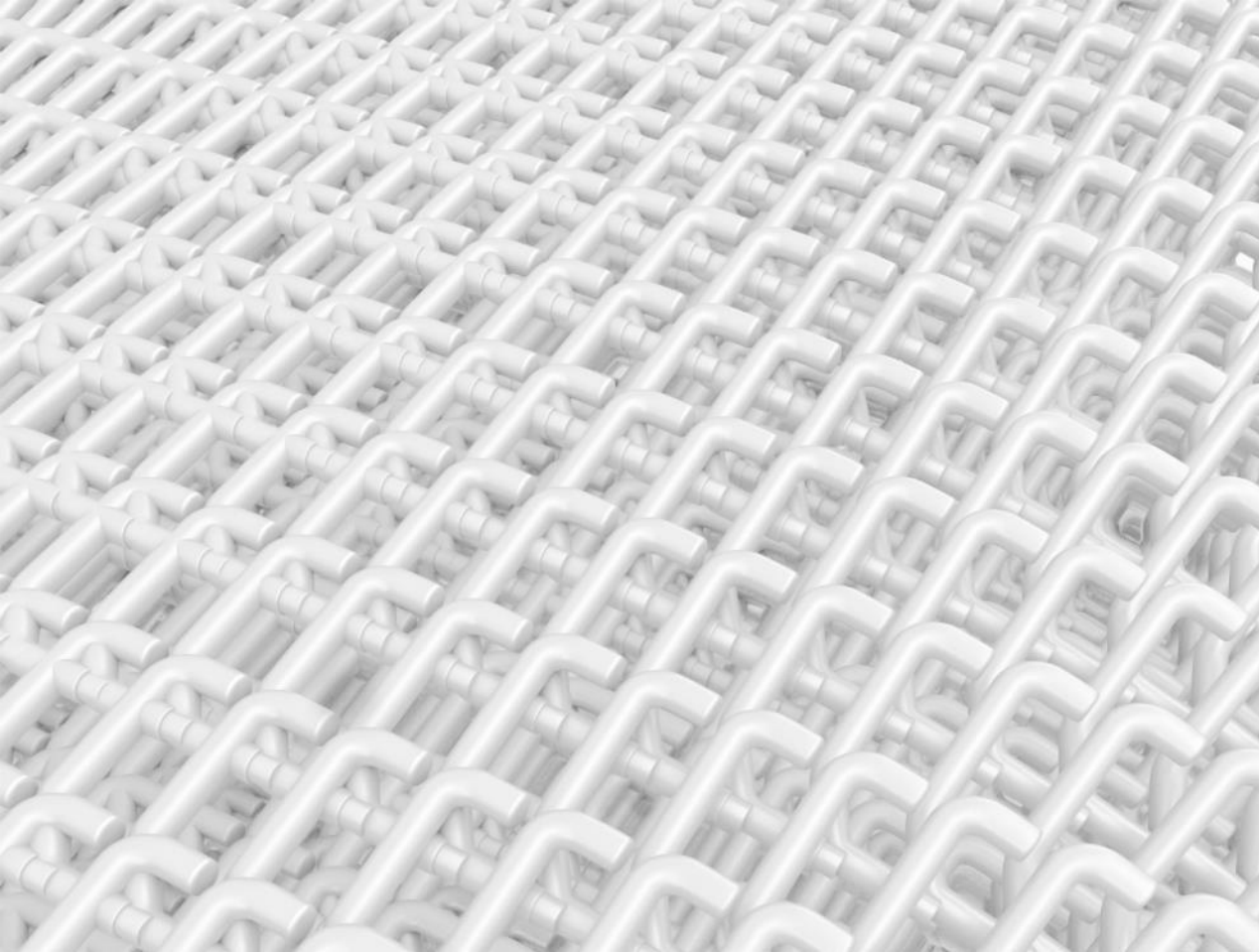
Sustainability

* dormakaba strategy as communicated at Capital Market Day 5 April 2016

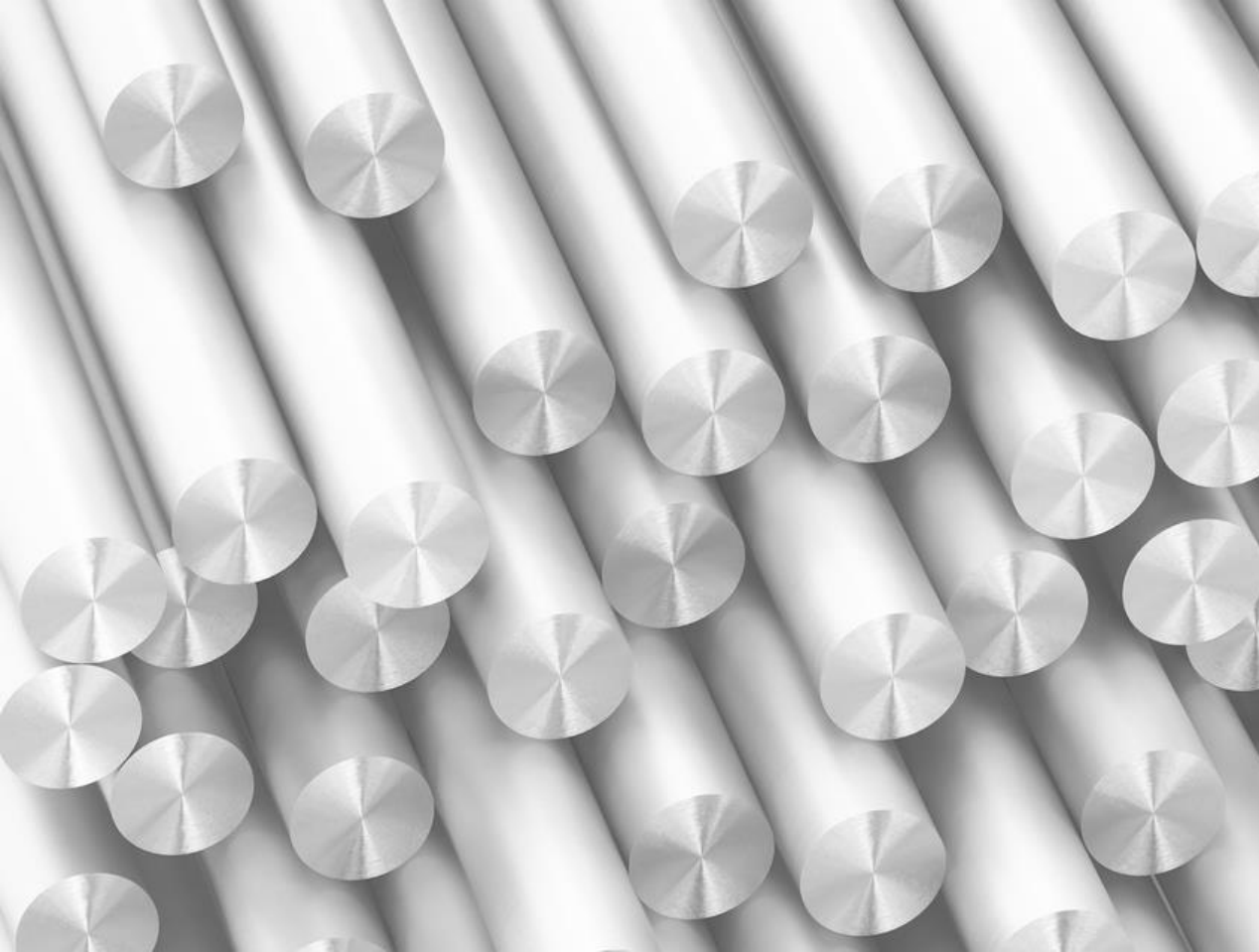
Acquisition of Stanley Mechanical Security businesses creates value for shareholders

- Adds strong presence in the most attractive and profitable market in our industry
- Adds large installed base in high margin business – recurring revenue plus upgrade opportunities
- Adds the well-recognized industry brand *BEST*
- Adds considerable value enhancement opportunities

A very important step in line with our strategy to become the trusted industry leader for access solutions

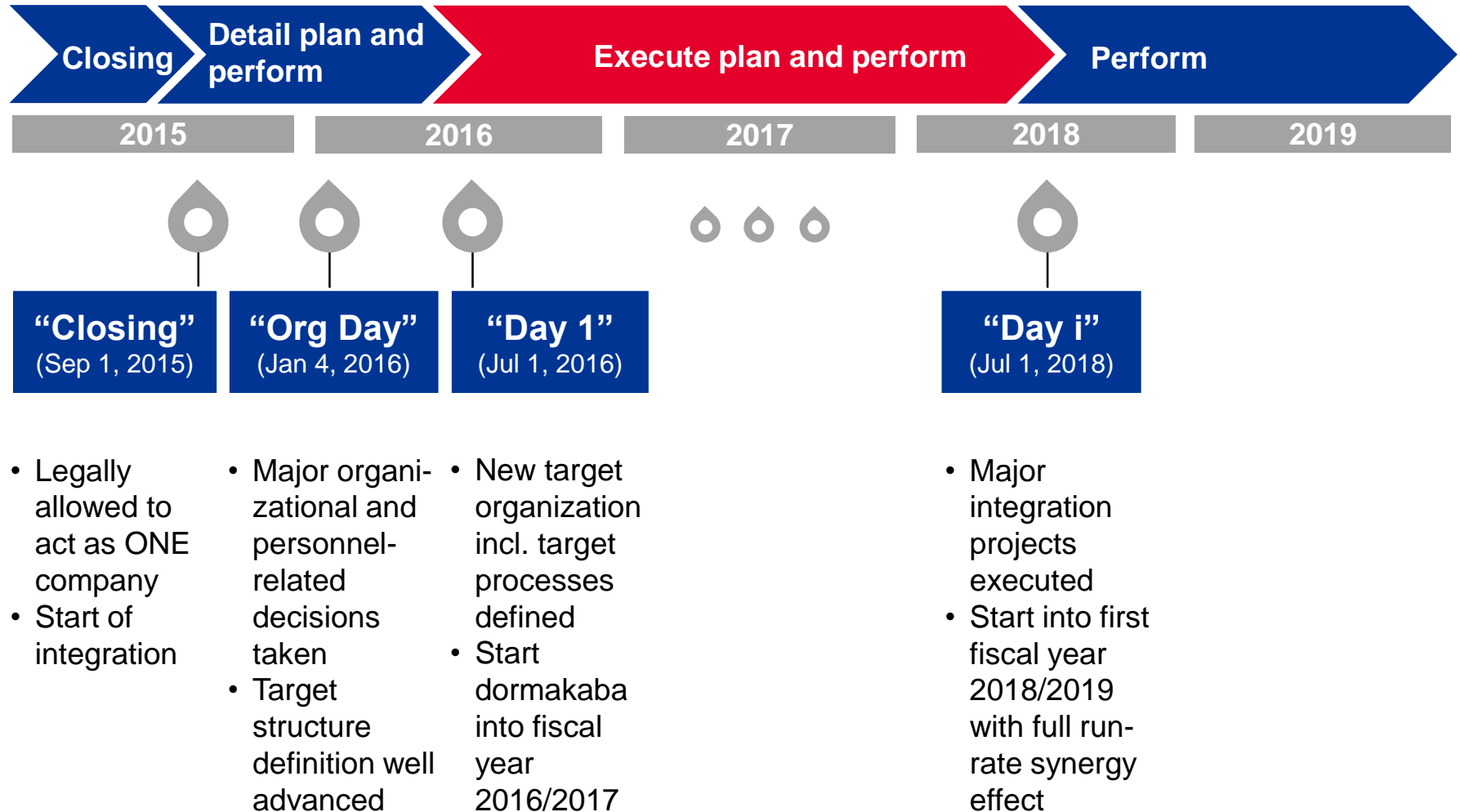


Q&A

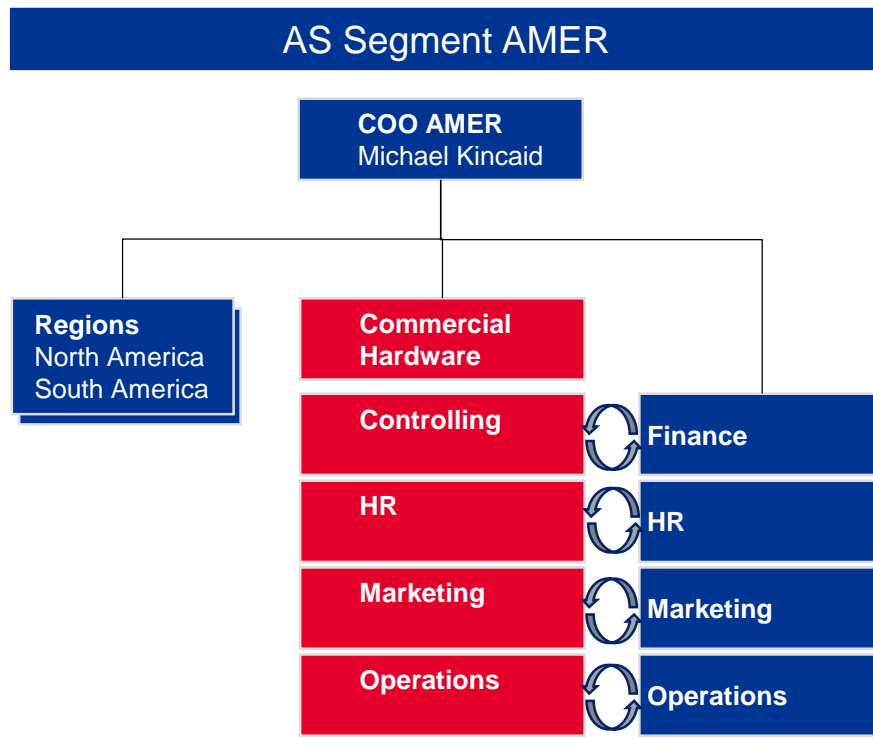


Appendix

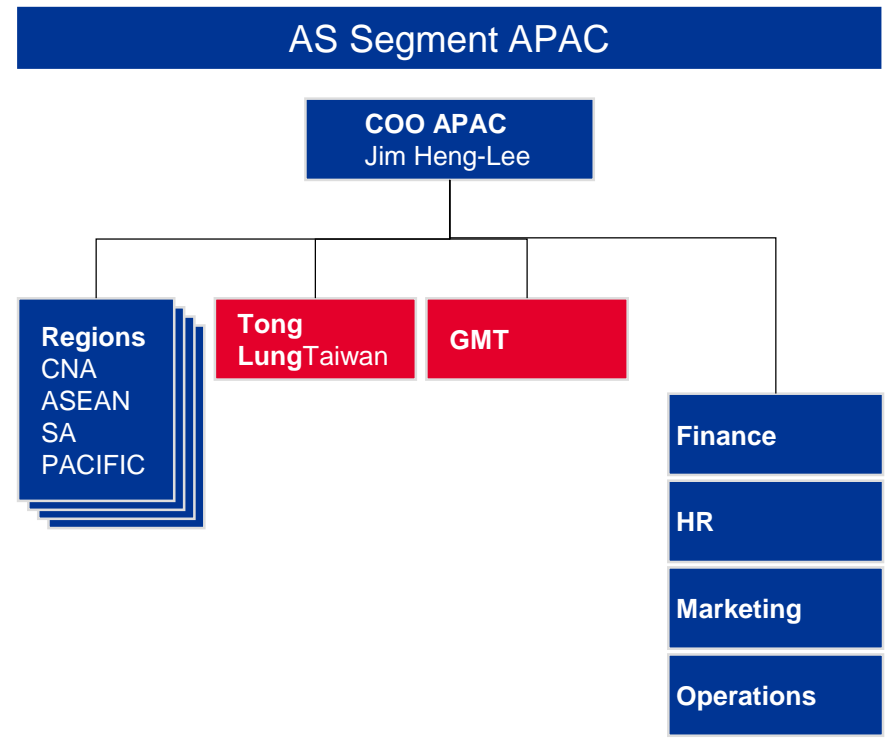
PMI in general on track; well advanced in AS AMER and AS APAC



Organizational integration – Commercial Hardware go-to-market on a standalone basis for approx. 24 months



Run as separate business unit with strong functional alignment



Run as separate business units with common functional support