

# Report of the Month

ReportWatch e.com

June 2007

## Securitas

Stockholm, Sweden



## Report Facts

**Company name:** Securitas AB  
**Fiscal year end:** December 31, 2006  
**Report title:** Annual Report 2006  
**Chief Executive Officer:** Thomas Berglund  
**Number of books (Received):** 1  
**Report length:** 128 pages  
**Auditors:** PricewaterhouseCoopers AB  
**Designers:** Hallvarsson & Halvarsson  
**E-mail:** [info@securitas.com](mailto:info@securitas.com)

**Report Rating:** ★★★★★

(Rating scale overleaf)

**Profile-Mission** (Excerpts, as from the report)

*By means of organic growth and acquisitions over the past 20 years, Securitas has grown to become a world leader in security. The Group is now organized into two specialized guarding divisions, Security Services North America and Security Services Europe, and one specialized division for cash handling services, whose name has been changed to Loomis.* (inside front cover)

**Total sales:** SEK 60,523 million

**Operating income:** SEK 3,591 million

**Net income, all operations:** SEK 852 million

**Earnings per share:** SEK 1.41

**Return on capital employed:** 8%

**Return on equity:** 6%

**Net debt to equity ratio:** 1.01 (multiple)

(Source: annual report 2006 only –figures not found through a report scan are considered NA. All figures for fiscal year 2006)

## Report Rating: ★★★★★

### Strongest

- > A report that gives the “big picture”. Relations between market and society trends, risks and industry development for the security business are plainly explained; past and future growth drivers are clearly defined.
- > *Comments by the CEO* go beyond the “message as usual”: they are nine pages long, explain how the company has moved and grown, and set the strategy for the future –and the successor, warmly welcomed in the last lines.
- > *Financial control and financial objectives* explained by the CFO (see selected page hereafter). This includes targets, *the internal model for financial reporting*, *stability objectives*, and an analysis of key ratios at aggregate and division levels.
- > Very good business reviews.
- > A 15-year (fifteen!) *Financial overview*.

### Good too

- > Significant key ratios are highlighted, for better or worse. They include organic sales growth, real change in operating income, free cash flow...
- > Note 3 defines financial concepts used and explains the calculations of all key ratios.

### Buts

- > Return on equity surprisingly not considered as a key ratio and buried at the bottom of p 34.
- > Layout and legibility of the numerous and very informative tables are far from optimized: check e.g. the 15-year *Financial overview*. As a result, finding one’s way is far from easiest. And segment splitting and spinoff made this even worse.
- > *Code of Conduct –ethics in everyday life* (pp 22-23) doesn’t go far and deep enough to make up a corporate responsibility chapter. However, we read that *Securitas does not accept bribes of any kind*. And that *Business decisions should always be based on objective criteria and all employees should avoid conflicts of interest that may arise between their private lives and Securitas’ operations*. What does that mean?

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#### Rating Scale

★★★★★: World-class ★★★★★(★): First-rate ★★★★★: Excellent ★★★(★): Fine ★★\*: Average

★★(★): Uneven ★★: Ordinary ★(★): Deficient ★: Unsatisfactory (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment.

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*How does the company report in key areas? What are the main report pluses and minuses?  
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

*Contact [e.com@reportwatch.net](mailto:e.com@reportwatch.net)*

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