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Gunnebo acquires Chubb Safes, becomes world leader within physical security

Gunnebo acquires the Chubb Safes Group for a net amount of MGBP 50. Chubb safes has annual sales of approximately MSEK 1,200 (MGBP 85) and 3,600 employees. This marks Gunnebo taking another major step towards becoming a streamlined security group. Gunnebo now becomes the global leader in physical security, such as bank and safe products with sales in 120 national markets. After the acquisition, group sales will amount to MSEK 6,000, with a total number of employees of 8,100.

Gunnebo's CEO Bjarne Holmqvist, commented that "Chubb is one of the world's leading physical security brands, with its main focus in those major regions that once constituted the British Empire. The acquisition marks a milestone in Gunnebo's strategy. Our strategic focus on security has resulted in us now becoming one of the leading global security companies and the biggest within physical security."

Gunnebo, quoted on the Stockholm Stock Exchange's A List, is acquiring Chubb Safes from Assa Abloy in a cash transaction. The purchase price is MGBP 57, after a capital contribution from Assa Abloy of MGBP 7. Gunnebo's net purchase price therefore amounts to MGBP 50, based on net assets of MGBP 44. An additional earnings-related purchase price of a maximum of MGBP 5 may also be payable.

In March 2000, Assa Abloy signed an agreement with Williams Plc regarding the acquisition of Yale Intruder Security, which includes Chubb Safes. Gunnebo's takeover, due to be effective during the third quarter, 2000, is subject to approval from the competition authorities in the affected countries.

Chubb Safes was founded in 1818 and achieved a strong market position in Europe, Asia and Africa early on.

Chubb Safes provides Gunnebo with a number of fast growing new markets outside Europe with very limited overlap in terms of presence and sales. Chubb Safes is the market leader in its product areas in countries such as the UK, Canada, South Africa, India, Indonesia and other parts of Asia.

The main products are burglar resistant equipment such as safes and vaults (40 %), fire resistant equipment such as document and data media safes (15 %), safe deposit lockers and other security products and systems (30 %), and services (15 %). Sales amounted to SEK 1.2 billion in 1999. Chubb Safes' primary customers are active within banking, corporate and public sectors.

Mr. Holmqvist continued: "The acquisition of Chubb Safes, implies that Gunnebo is maintaining its leading role on the global market for physical security. In the developing world, demand frequently experiences annual growth in excess of 10%, while there is surplus capacity in Europe. This implies that restructuring and rationalisation has become necessary in Europe, a process in which Gunnebo has played an active and successful role for several years. Chubb Safes is now providing us with attractive production capacity and expertise outside Europe, which we intend to exploit to increase global competitiveness."

Chubb Safes has experienced a few years of weak earnings and has initiated a restructuring process with cutbacks and investment programs. The acquisition provides Gunnebo with the opportunity for continued concentration and expansion of growing markets. Synergies are expected to arise in the co-ordination between Gunnebo Security and Chubb Safes. In addition, the transaction extends Gunnebo's product range.

The acquisition is expected to have only a marginal impact on earnings per share for the current year, with a positive contribution expected from 2001 onwards. Total impact on the result will be achieved in 2-3 years when the integration is completed fully.

Bjarne Holmqvist concludes "The acquisition of Chubb Safes marks an important step towards realising our vision for 2003. At that time, we intend Gunnebo to have become a fully concentrated security group with sales of SEK 8-10 billion and increased presence in Eastern Europe and the US. We will continue to pursue our acquisition strategy and intend to invest substantial resources in the fast growing electronic security systems segment and the leading edge sphere of internet-based security solutions. This means we will continue to build shareholder value."

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Information

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Brief facts about Chubb Safes

Global enterprise with a leading position on fast growing markets in Asia

- Chubb is probably the best known brand name in security products anywhere in the world. Chubb was founded in Great Britain in 1818 and developed within the British Empire into a world leader in bank security.
- Chubb Safes markets an extensive range of security products that have earned recognition and approvals by numerous international standardisation and certification bodies. The Chubb brand name is synonymous with quality, which is important in the security industry where confidence is of greater importance than in many other industries.
- Chubb Safes' turnover amounts to MGBP 85 (MSEK 1,200). The products can be divided into six main groups:

Burglar resistant equipment: safes, vaults and vault doors (40 % of total turnover).

Fire resistant equipment: document and data safes (15 %).

Safe deposit lockers (8 %).

Other security products: fire alarms, fire extinguishers, locks etc. (15 %).

Products for personnel protection: specially designed wooden and steel cabinets, bullet-resistant glazing, etc. (7 %).

Service (15 %).

- The company has a global presence with production in six countries (Great Britain, the Netherlands, Canada, South Africa, Indonesia and India) and a sales network in about 100 countries. The company's strongest platforms are in Great Britain, Benelux, Canada, South Africa, Australia and Asia. The company's 53 %-owned subsidiary in India is listed on the stock market there.
- Chubb Safes has invested heavily in production equipment in recent years. For example, in Indonesia it has one of the most modern production units in the security industry.

- Chubb Safes has approximately 3,600 employees, of whom 2 500 are in Asia, the region where demand for security products is growing fastest.

Number of employees per country

England	370
The Netherlands	200
France	20
Germany	20
South Africa	260
Canada	190
Australia	50
Indonesia	1 040
India	<u>1 450</u>
	3 600

- The market for the types of security equipment in which Chubb Safes is mainly active, such as safes, bank vaults, etc., is currently suffering from excess capacity in Western Europe. At the same time, demand is growing quickly for products of this type in developing countries, not least those in Asia. However, demand there has been slack as a consequence of the recent Asian economic crisis. Market prospects for Chubb Safes look bright in the light of the recovery in the Asian economies. Moreover, in the Western countries Chubb Safes is expected to focus increasingly on fast growing segments (security products for the consumer market and service), which should help to support Chubb Safes' development.
- In recent years, Chubb Safes' earnings have been weak and the company began a restructuring programme in 1998. Production has been discontinued in Belgium and Australia and production capacity in Great Britain and the Netherlands has been downsized as a means of improving profitability. At the same time, production facilities have been expanded in Asia and South Africa, where demand for security products is high and costs are lower than in Western Europe.
- Sales to banks and other financial enterprises account for some 55 % of total sales, manufacturing and other private enterprises for some 35 %, the public sector, including prisons, for some 6 %, and consumer oriented sales for 4 %. Chubb Safes' customers include such well known companies as Deutsche Bank, Citybank and McDonalds in the private sector, and important public institutions such as the postal authorities in Germany, France and the Netherlands, and British and Australian prison authorities.