



# Arjo Q1 report 2022

April 22, 2022

Joacim Lindoff, President & CEO

Daniel Fäldt, CFO

# Agenda

**1. Business update**

**2. Financials in detail**

**3. Business highlights**

**4. Key takeaways**

**5. Q&A**



# **Business Update**

# Q1 2022 Highlights

## High demand and continued growth

### Healthy net sales growth despite global supply chain challenges

- Strong order intake, significantly higher capital equipment order book
- Continued high demand for Core rental, Service, Patient Handling and DVT
- Cancellation of new projects to Russia of approx. 50 MSEK in Q1-Q2

### High activity level and good cost control

- Gross margin of 44.5% despite significantly higher material and transportation costs
- Implemented efficiencies within rental and production paying off
- Negative product mix effect from significantly lower Critical Care rental and higher Medical beds sales
- Strong Patient Handling & DVT order intake to contribute to gross margin onwards

### Continued challenges in material supply and logistics well managed

### Launch of new generation mattress system for pressure injury prevention

### Solid start to 2022

Net sales grew organically by

**1.4%**



Gross margin amounted to

**44.5%**



Adjusted EBITDA amounted to

**490** MSEK



Cash conversion

**5.3%**



# North America

## Q1 2022

### Growth held back by significantly lower Critical Care rental in the US

- Continued high demand for Service and Core rental
- Order intake in Patient handling and DVT remains strong, net sales held back by supply chain issues
- Continued positive growth trend for Canada in Q1
- Strong order book development

### Continued market normalization and high customer demand

- Higher activity level in both Acute Care and Long-Term Care
- Continued build-up of SEM scanner pipeline and investments in additional dedicated sales resources to drive implementation in both US and Canada

Q1 org. net sales

**-3.9%**

# Global Sales

## Q1 2022

### Strong growth despite disturbances in global supply chain

- Healthy growth across key markets, i.e. UK, France, Germany and Australia
- Strengthened order book for Capital equipment
- High demand for Service and Core rental remains
- Continued impact in Service from restricted customer access due to Covid-19
- Good start for many of our high potential markets, for example Japan

### Cancellation of deliveries to Russia until further notice

- Equipment worth approx. 50 MSEK originally planned to be delivered in 2022

Q1 org. net sales

**+5.2%**



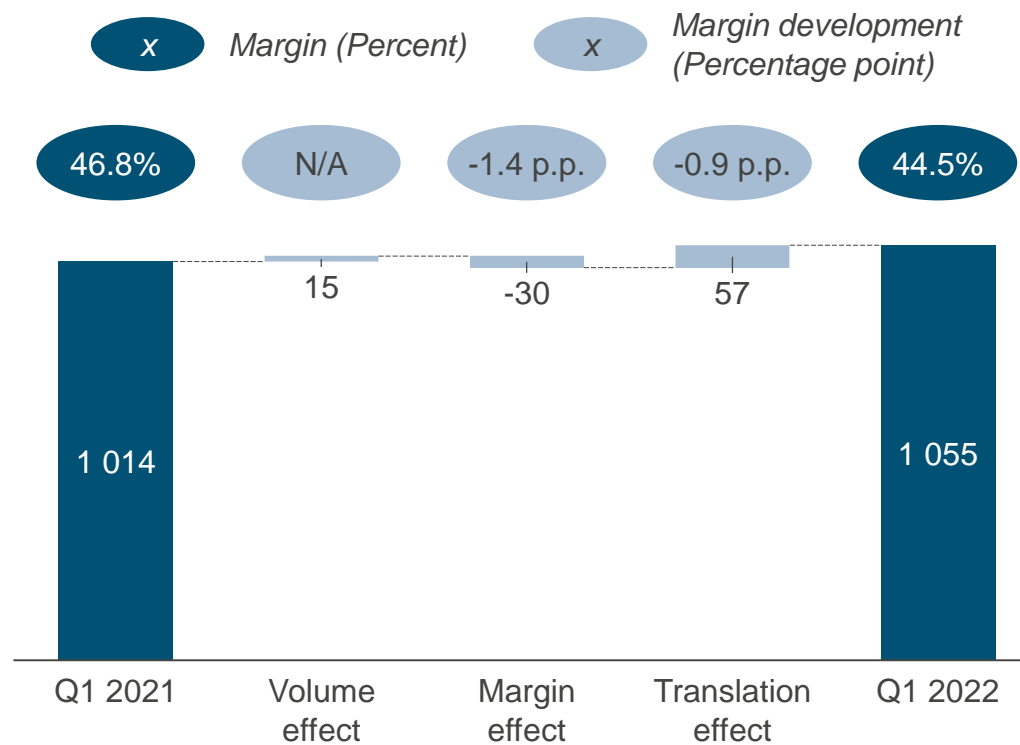
# Financials in detail

# Q1 gross profit

## Solid margin despite global supply chain challenges

- Margin impact from increasing material and transportation costs and related disturbances
- Significantly lower Critical Care rental volumes and higher Medical beds sales
- Good cost control throughout the value chain
- Solid management of global challenges related to transportation and supply constrains – mitigated by higher efficiency in production and rental, as well as price adjustments
- Long term efficiencies here to stay

Gross profit bridge – Q1 2022 vs. Q1 2021 (MSEK)



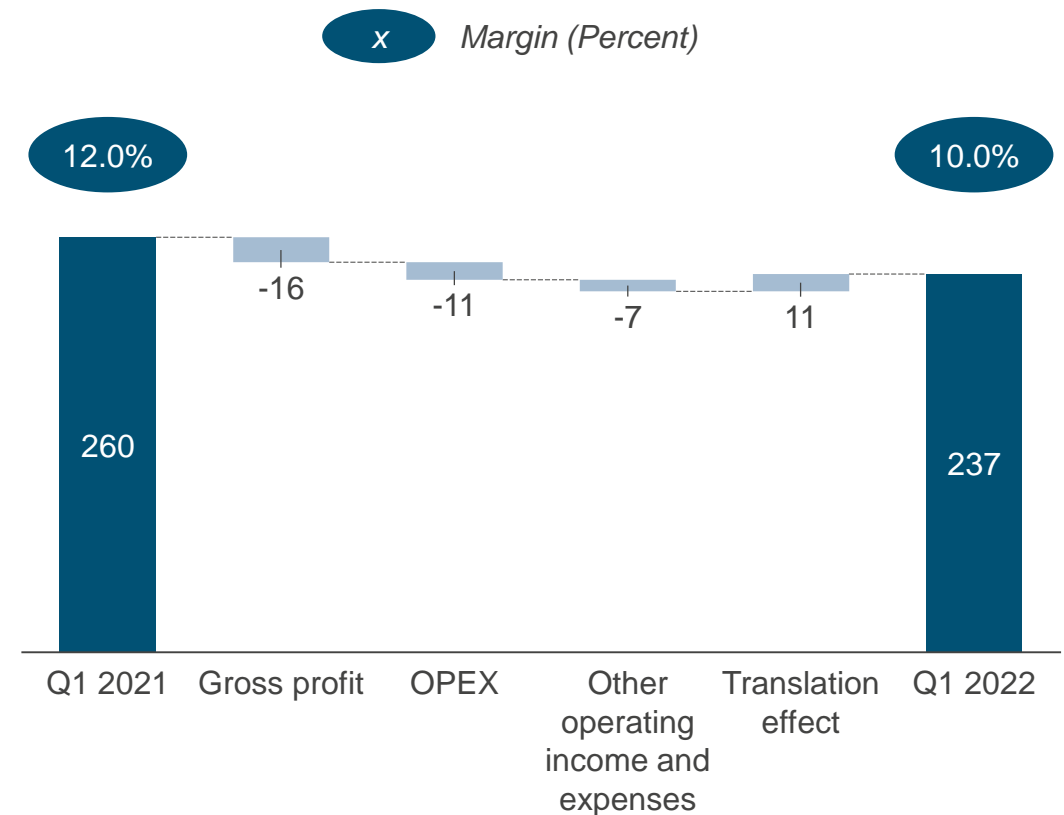


# Q1 adjusted EBIT

## High activity level and good cost control

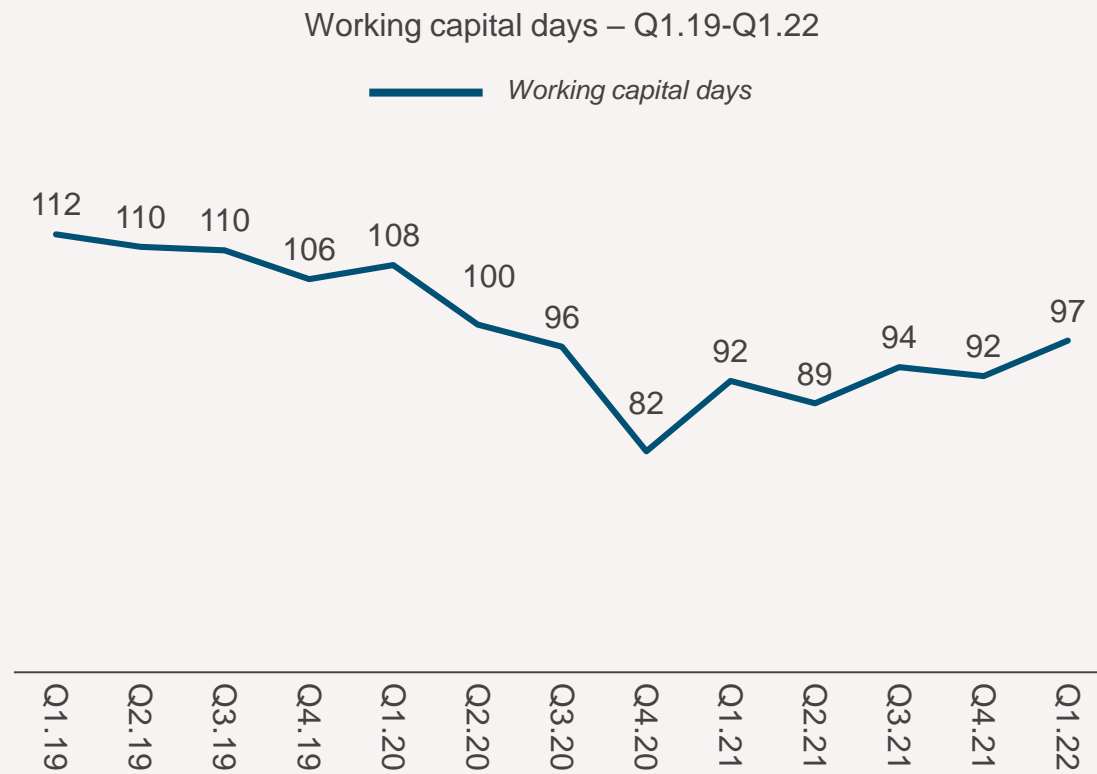
- Higher activity level in selling and marketing
- Admin costs under good control
- R&D spend according to plan
- Good cost control throughout value chain, with alignment to new ways of working
- OPEX spend as share of net sales improved 0.5 percentage points vs. Q1 2021, well aligned with plan

Adj. EBIT bridge – Q1 2022 vs. Q1 2021 (SEK M)

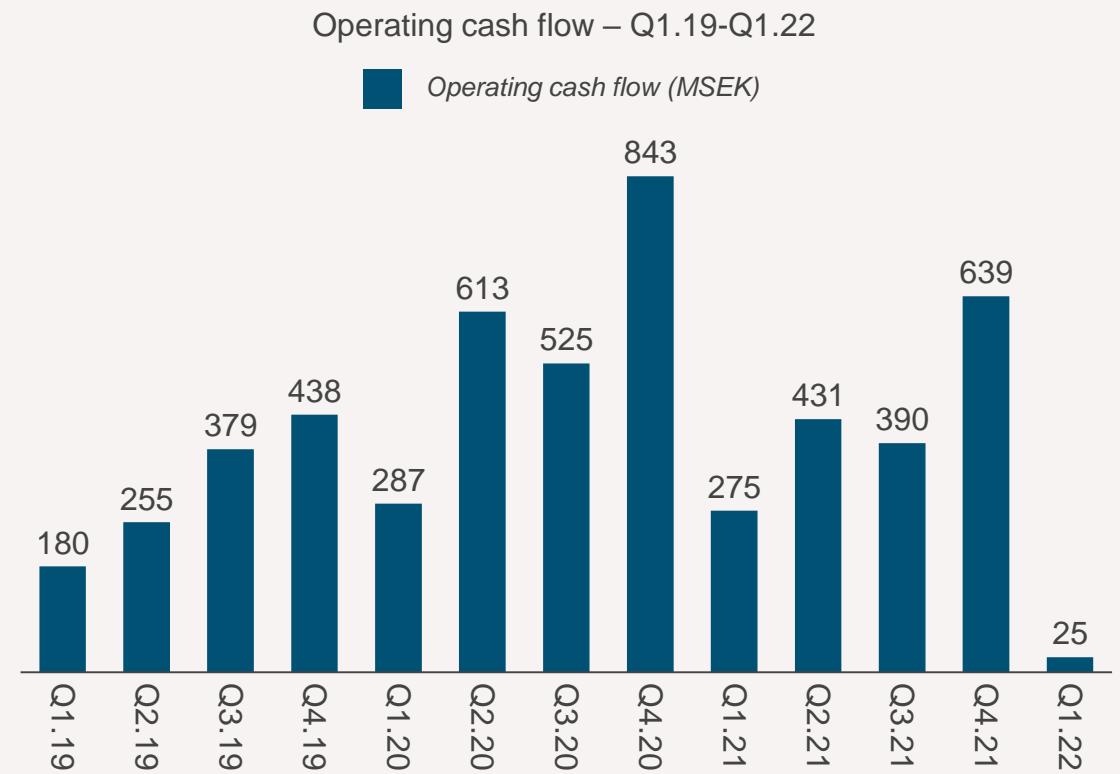


# Q1 working capital and operating cash flow

## Macroeconomic factors behind working capital increase

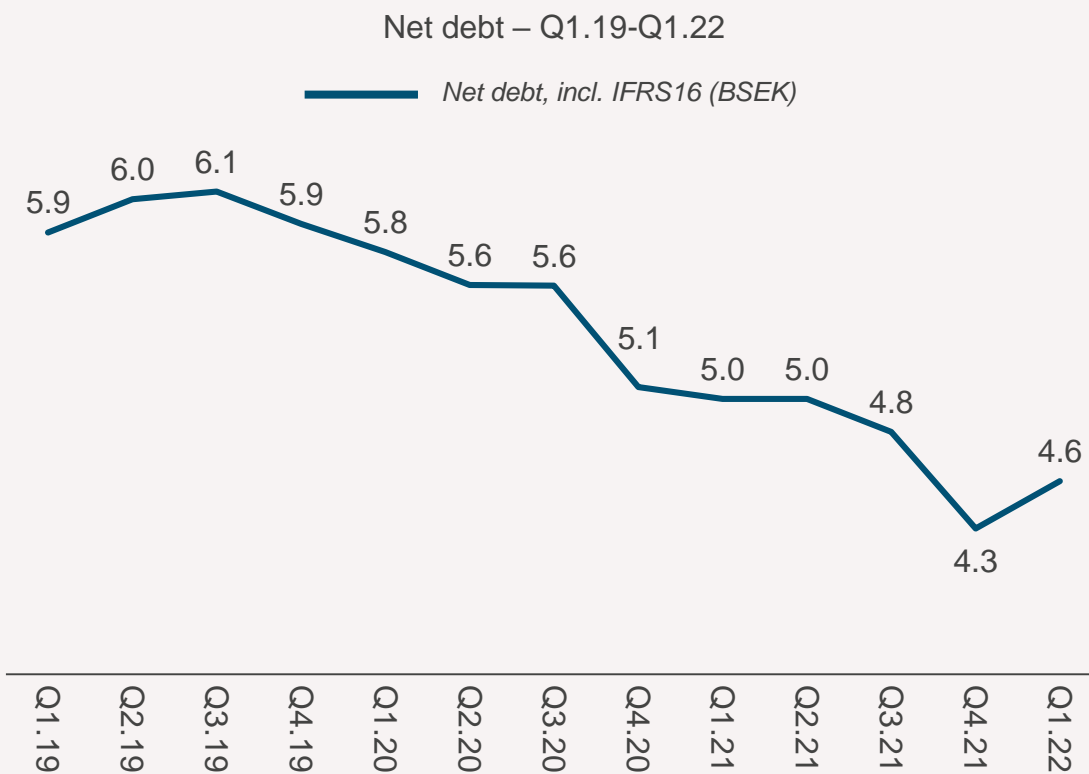


## In turn reducing the operating cash flow

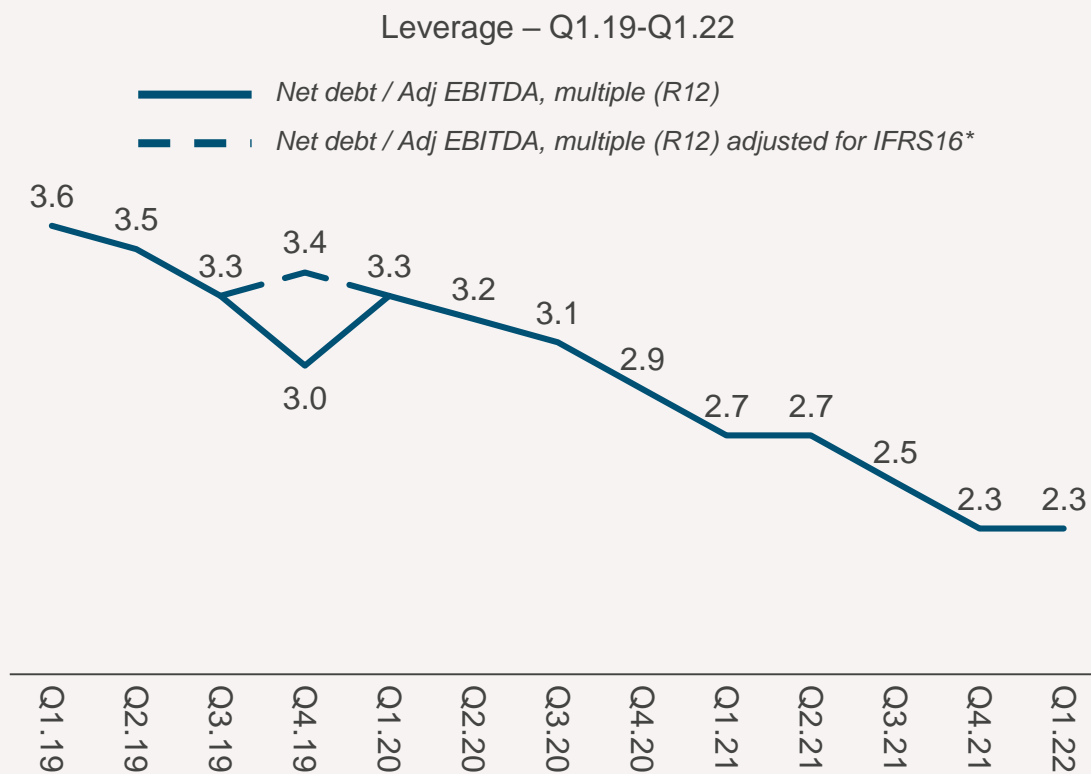


# Q1 net debt and leverage

## Increase in debt level from a low base



## Leverage remains at low level



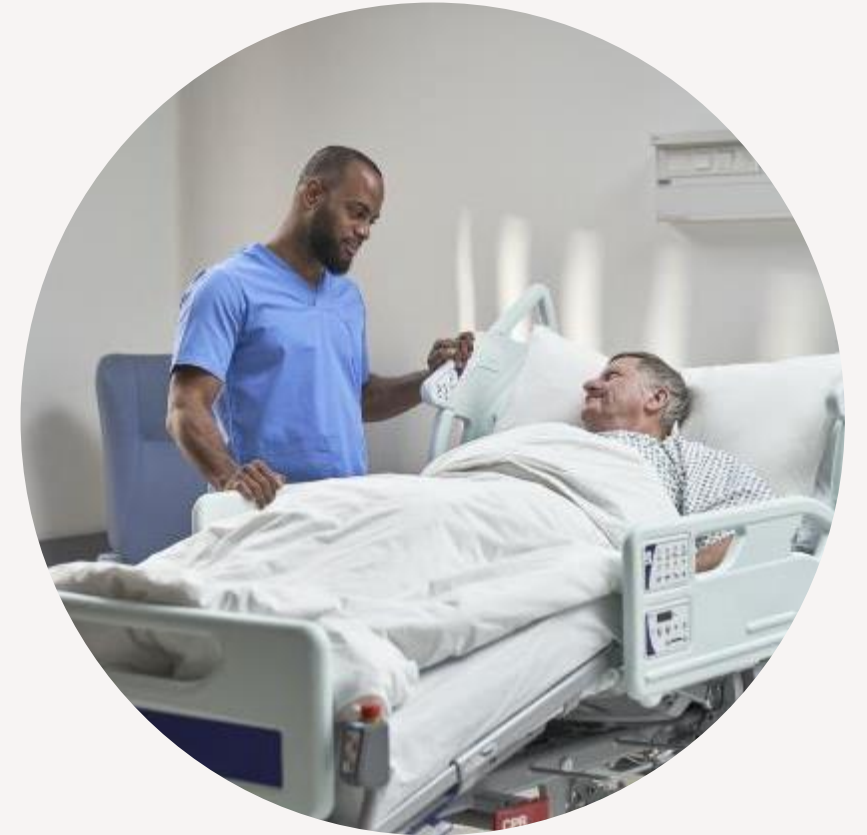


# **Business Highlights**

New product launch

# AtmosAir Velaris

- A new generation mattress system for pressure injury prevention
- Further strengthens Arjo's PIP portfolio
- Developed to drive improved clinical and financial outcomes
- Will drive net sales and internal efficiencies in supply chain over time
- Launched in +20 countries during Q1



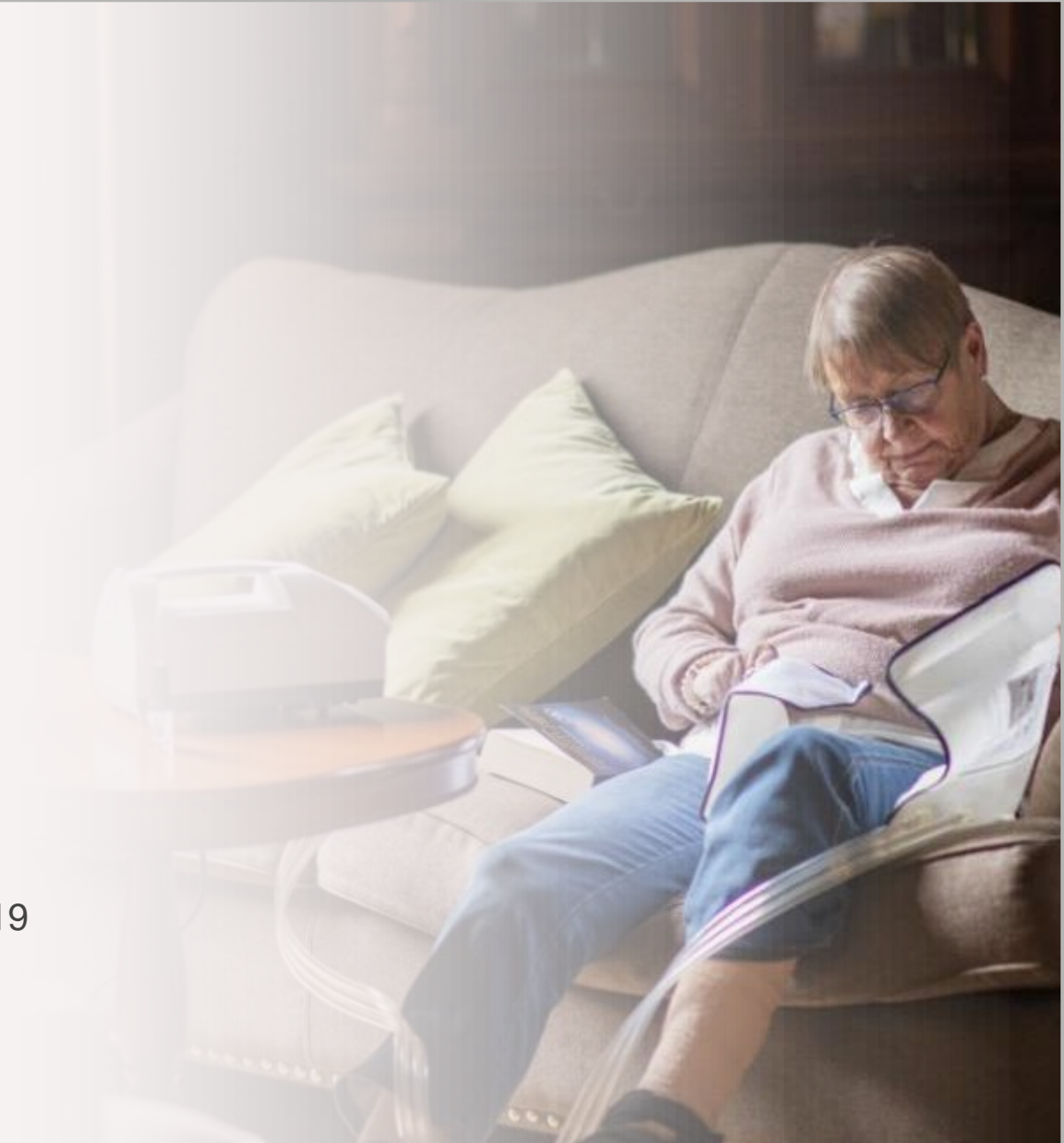
SEM scanner update

# Increasing customer interaction and expansion to additional markets

- Conversion of pipeline slower than anticipated in Q1 due to Covid-19
- Increasing C-suite interactions in the end of Q1
- Investments in dedicated sales resources in several markets now under execution
- Successful scanning program implemented in Spain
- Expectation to reach previously communicated sales volumes in 2022

# WoundExpress update

- Continued high interest
- High activity level in UK, Nordics and Central Europe
- US activity build-up according to plan
- RCT finalization delayed again until H1 2023 due to Covid-19 significantly slowing recruitment of patients also in Q1



# Outlook 2022

Organic net sales growth for 2022 is expected to be within the Group's target interval of 3-5%





# **Key takeaways**

# Key takeaways

- Continued growth supported by strong order intake
- Positive momentum in service and rental remain
- Increasing global supply chain challenges expected to remain throughout 2022 – continued solid management
- Profitability held back by increased material and transportation costs
- Investments in dedicated sales resources to drive SEM scanner implementation, and new product launches to support journey onwards
- Well positioned to continue our growth journey!





# Q&A

## Financial calendar

Annual General Meeting 2022

April 22, 2022

Interim Report Jan-Jun 2022

July 14, 2022

Interim Report Jan-Sep 2022

October 28, 2022

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## Further questions

### **Maria Nilsson**

Acting EVP, Marketing Communication & Public Relations

+46 734 244 515

[maria.nilsson@arjo.com](mailto:maria.nilsson@arjo.com)

### **Sara Ehinger**

VP, Investor Relations & Corporate Communications

+46 723 597 794

[sara.ehinger@arjo.com](mailto:sara.ehinger@arjo.com)

## Forward looking information

This document contains forward-looking information based on the current expectations of Arjo's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared with what is stated in the forward-looking information, due to such factors as changed conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuations in exchange rates.

**arjo**

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