

A woman with brown hair, wearing white medical scrubs, stands in a brightly lit hospital hallway. She is looking directly at the camera with a slight smile. The background is slightly blurred, showing the typical architecture of a hospital corridor.

Arjo Q2 report 2022

July 14, 2022

Joacim Lindoff, President & CEO

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Business Update

Q2 2022 Highlights

Short-term challenges – full year outlook remains

Continued healthy order intake and strong order book

Solid underlying business – growth held back by short term factors

- Continued high demand in Core Rental, US growing double digit in Q2 and position on HealthTrust rental contract worth approx. 600 MSEK per year
- Postponed Patient Handling sales, significantly lower Critical Care Rental volumes, and continued disturbances in material supply and logistics

Lower gross margin mainly due to unfavorable product mix

- Higher share of Medical Beds, delays in Patient Handling, and significantly lower volumes in Critical Care Rental in the US
- High costs for material and logistics
- Gross margin of 44.5% in comparable currencies

High activity level in SEM scanner sets foundation for growth

Full year outlook of 3-5 % organic net sales growth remains

Net sales grew organically by

0.2%



Gross margin amounted to

42.9%



Adjusted EBITDA amounted to

430 MSEK



Cash conversion

37.4%



North America

Q2 2022

Growth held back in the US

- US net sales growth impacted by postponed Patient Handling sales and significantly lower Critical Care Rental
- Continued high demand for Core Rental – position on HealthTrust rental contract spanning over three years worth approx. 600 MSEK per year
- Solid order intake in Patient Handling and DVT
- Continued strong development in Canada with double digit growth in Q2

Continued market normalization and high customer demand

- High activity level in both Acute Care and Long-Term Care
- Good momentum for SEM scanner – implementation of commercial partnerships started or ready to start with major hospitals in the US and promising pipeline in Canada

Q2 org. net sales

-0.9%

YTD org. net sales

-2.4%

Global Sales

Q2 2022

Western European markets (-0.1% in Q2)

- Continued growth across main markets, i.e. France, Germany and Belgium
- Capital equipment order book and backlog on good level
- Continued healthy demand for Service and Rental
- Lower UK sales in Q2 vs. strong Q1 2021
- SEM scanner single-use sensor listed on NHS' Drug Tariff

Q2 org. net sales

+1.2%

YTD org. net sales

+3.1%

Global Sales

Q2 2022

Rest of the World markets (+7.5% in Q2)

- Healthy growth despite disturbances in global supply chain
- High invoicing of low-end Medical Beds from backlog in quarter
- Good demand for capital equipment remains
- Continued good growth in Australia
- Continued strong development for many of our high potential markets, for example Japan
- Still effects of Covid restrictions, mainly in distributor markets and China

Q2 org. net sales

+1.2%

YTD org. net sales

+3.1%



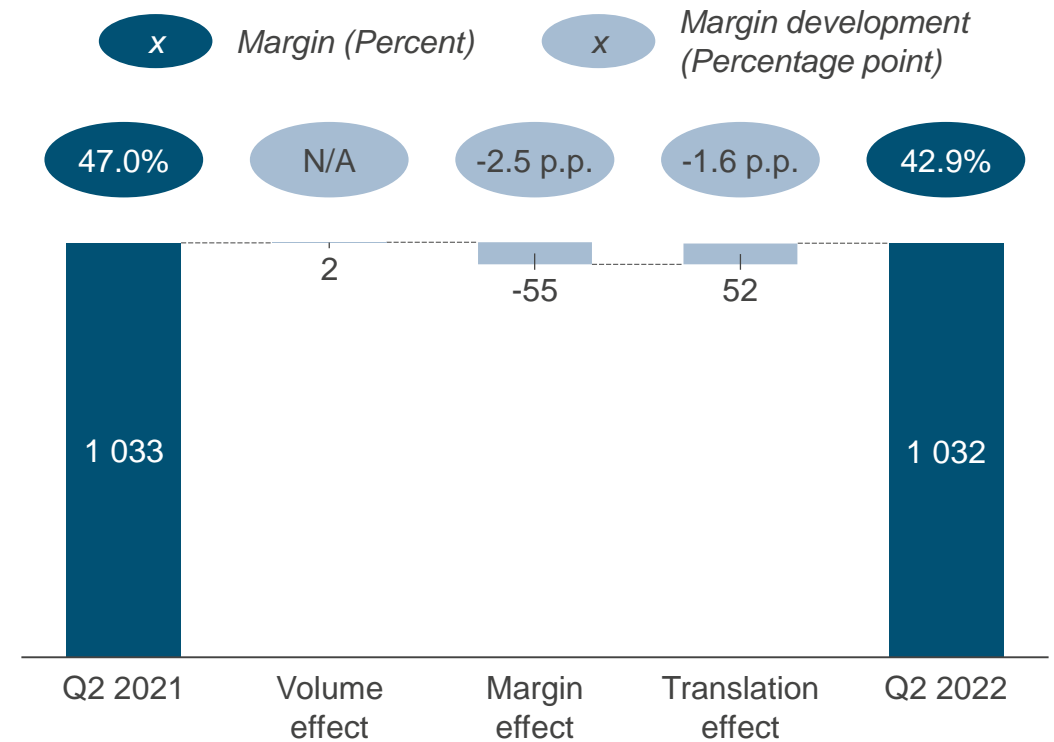
Financials in detail

Q2 gross profit

Gross margin held back by short term headwinds

- Unfavorable product mix with high volumes of low spec. Medical Beds and significantly lower Critical Care Rental volumes
- Margin impact from increasing material and transportation costs – also effecting supply chain efficiency
- Larger than expected inflation driven cost
- Continued good cost control throughout the value chain
- Solid management of global challenges related to transportation and supply constraints
- Order book expected to contribute to product mix in H2

Gross profit bridge – Q2 2022 vs. Q2 2021 (MSEK)

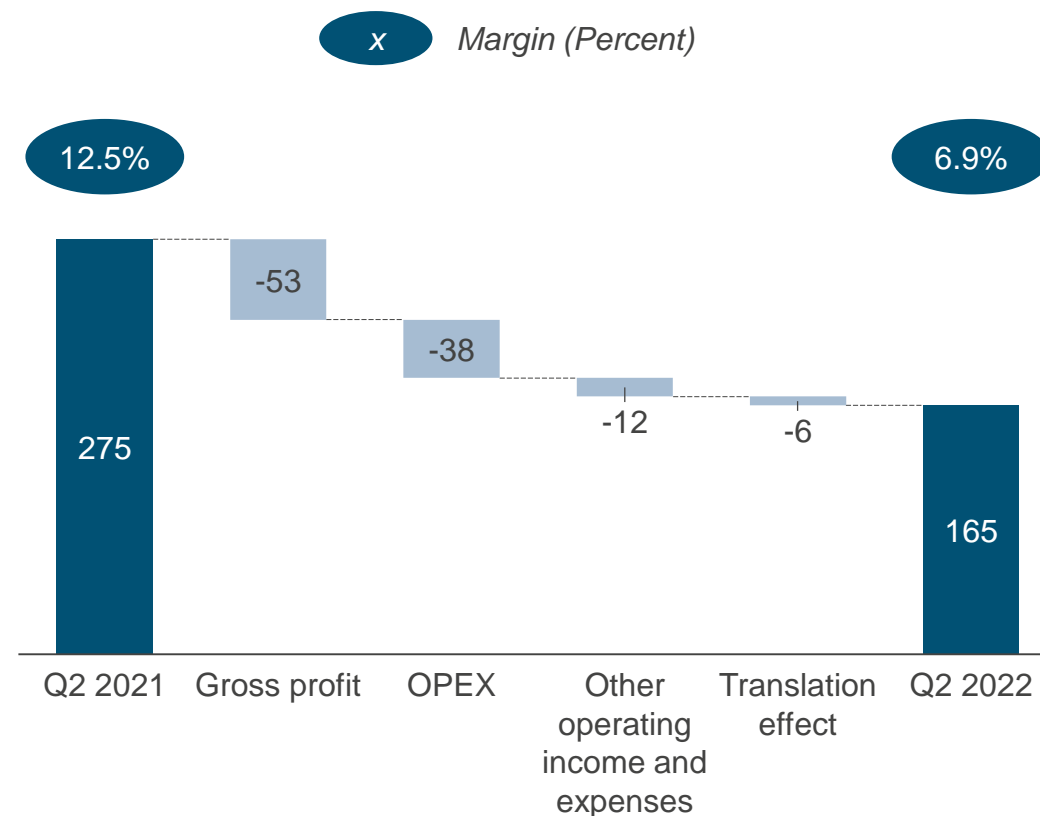


Q2 adjusted EBIT

High activity level and good cost control

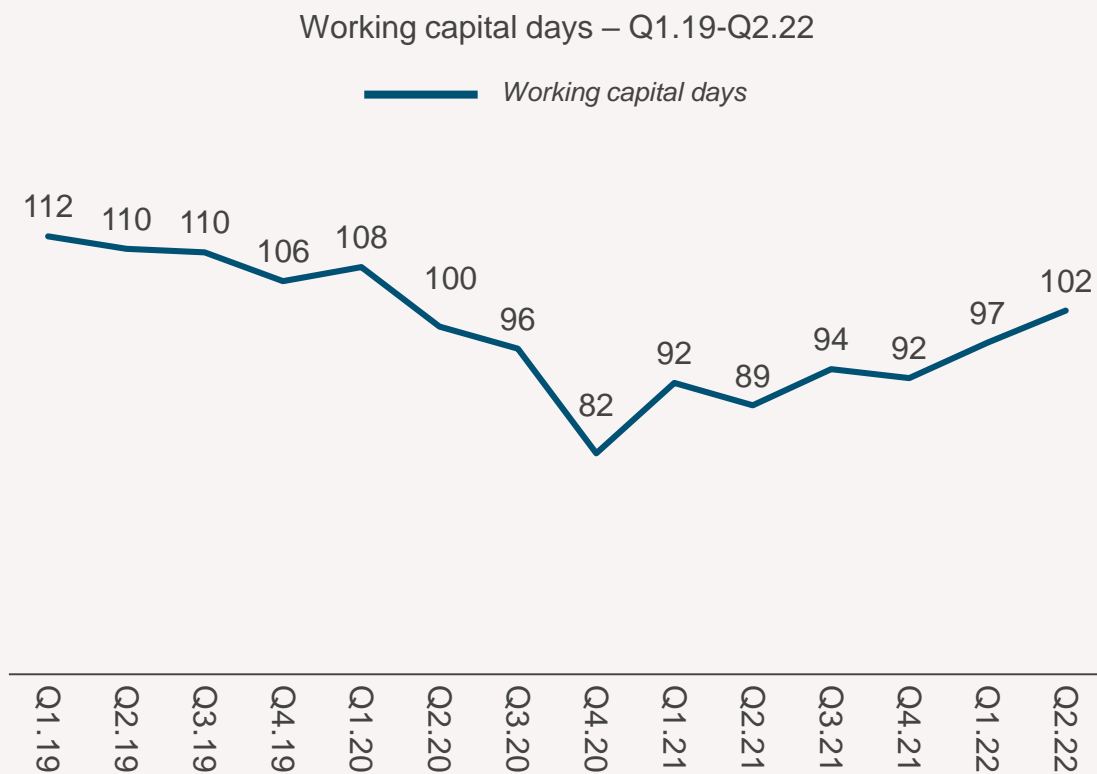
- Selling & admin costs in comparable currencies moderately higher vs. very low Q2 2021
- Higher activity level in selling, marketing and product development
- Admin costs under good control
- R&D spend according to plan, +10 MSEK net vs. Q2 2021
- Good cost control throughout value chain, with alignment to new ways of working

Adj. EBIT bridge – Q2 2022 vs. Q2 2021 (SEK M)

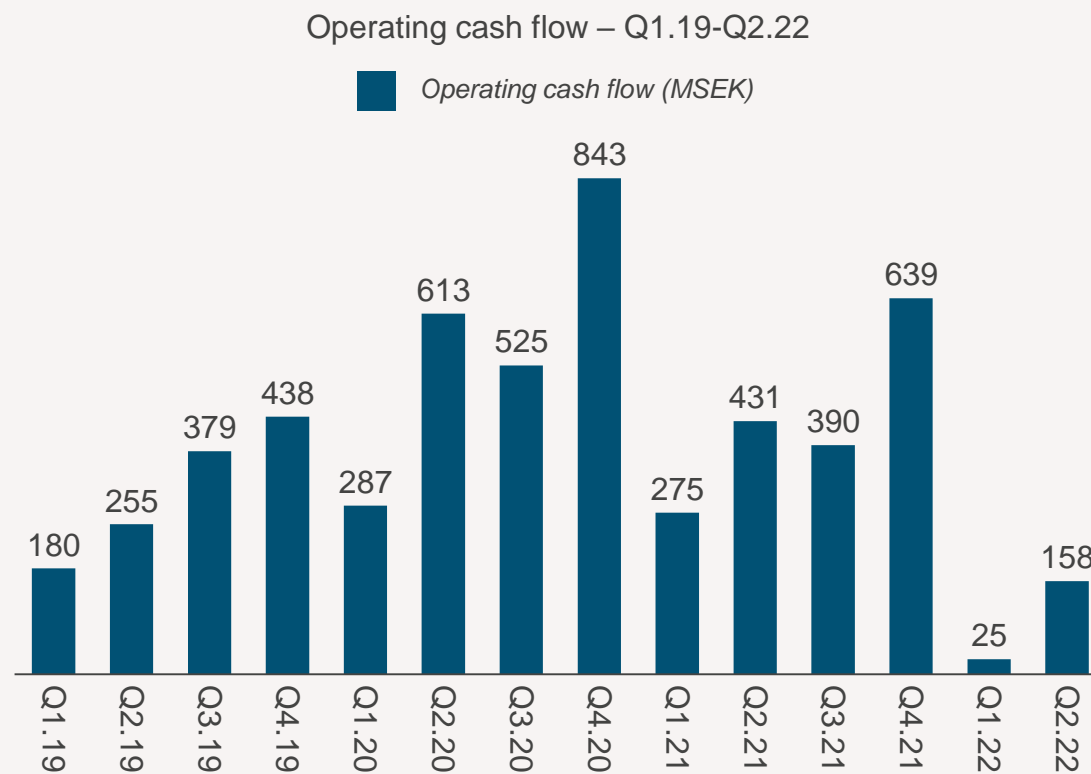


Q2 working capital and operating cash flow

Macroeconomic factors behind working cap. increase

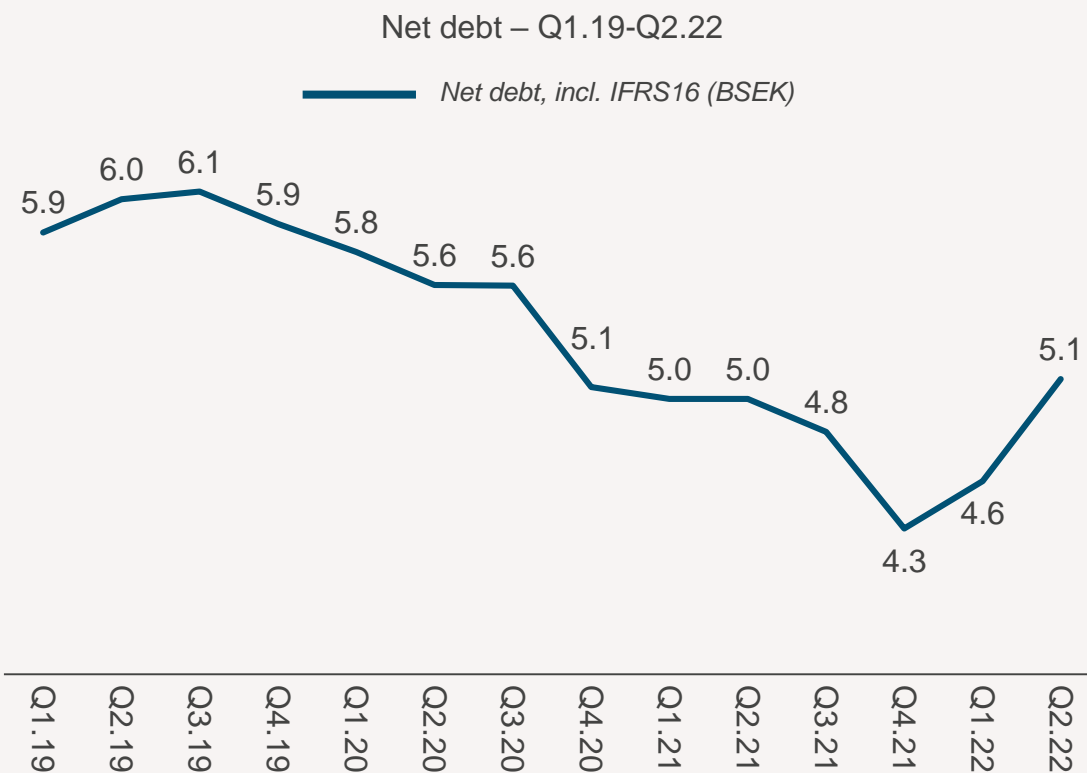


In turn reducing the operating cash flow

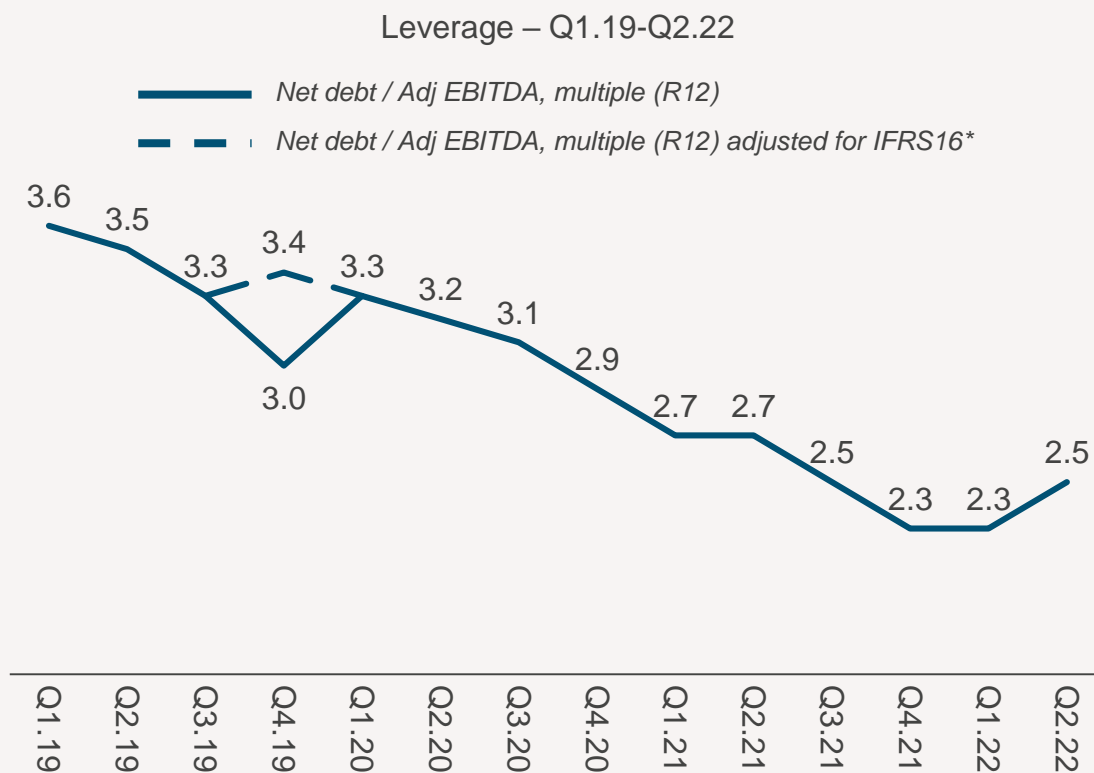


Q2 net debt and leverage

Debt level in line with same period last year



Increase in leverage from a low level





Business Highlights

Continued strong development in Core Rental in the US

Arjo awarded position on major rental contract in the US

- Arjo one of four suppliers awarded 3 year rental contract with HealthTrust, one of the leading GPOs in the US
- Contract covers Medical Beds and Surfaces with a total value of approx. 600 MSEK per year
- Important win for US rental business and key strategic milestone – well positioned to secure significant share
- Continued good pipeline for further expansion in Core Rental, also with other customers



SEM scanner progress

Important steps in SEM scanner implementation

- Positive momentum in implementation of commercial partnerships in the US
- SEM scanner single-use sensor listed onto NHS' *Drug Tariff* – enabling additional procurement and reimbursement routes in England and Wales (effective August 1 2022)
- SEM assessments recommended in Polish National Guidelines for pressure injury prevention
- Inclusion of recommendation of SEM scanner in consensus report in New Zealand





Outlook 2022

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



Key takeaways

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- Continued high market demand – healthy order intake and strong order book
- Growth in Q2 held back by postponed Patient Handling sales, significantly lower Critical Care Rental volumes, and challenges in material supply and logistics
- Positive momentum in service and rental remain
- Gross margin held back by unfavorable product mix, higher material and logistics costs, and cost inflation
- SEM scanner progress in several markets
- Good visibility into H2 and solid plans in place
- Full year target of 3-5% organic net sales growth remains



Q&A

Financial calendar

Interim Report Jan-Sep 2022	October 28, 2022
Strategy Update 2022	October 28, 2022
Year-end report 2022	January 25, 2023
Interim Report Jan-Mar 2023	April 20, 2023
Annual General Meeting 2023	April 20, 2023
Annual Report 2022	March 2023

Further questions

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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.

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