

Q2

ARJO Q2 REPORT 2023

July 14, 2023

Joacim Lindoff, President & CEO



Agenda

Business Update – Q2 2023

Financials in detail

Key takeaways

Q&A



Business Update

Q2 2023 highlights

Continued recovery

Healthy growth across most main markets

- Capital sales development continues according to plan – however continued lower Patient Handling volumes in the US
- High demand for Service and Rental
- High interest in PIP solutions globally – SEM scanner conversion progress slower than anticipated

Towards long-term improved profitability

- Sequential gross margin improvement, and better y-o-y
- Negative impact from mix effects, material costs and salary inflation
- Effects from price adjustments according to plan – focused efforts remain
- Gradual stabilization of supply chain

Strong operating cash flow performance – cash conversion well on track towards full year target

Outlook of 3-5% organic growth for the full year stands firm

Net sales
grew organically by

5.0%



Gross margin
amounted to

42.5%



Adjusted EBITDA
amounted to

490 MSEK



Cash
conversion

112.5%



North America

Q2 2023

Continued strong development in Canada

- 13 consecutive quarters of solid growth
- Continued healthy mix of acute care vs. long-term care sales
- Service and Rental continues to perform well

US market remains challenging – recovery expected in H2

- Continued solid demand within Core Rental, Service and DVT
- Lower Patient Handling (Outcome Programs) sales vs. Q2 2022 due to continued staff shortages and financial uncertainty among healthcare providers
- New sales organization setup starting to gain speed

Q2 org. net sales

+3.5%

YTD org. net sales

+2.1%

Global Sales

Q2 2023

Western European markets (+4.2% in Q2)

- Strong net sales development in larger markets like UK, Belgium and France
- Capital sales well aligned with forecast
- Continued strong demand within Rental and Service
- First Pressure Injury Prevention pilot program launched in UK
- Price adjustments to mitigate cost pressure continues

Q2 org. net sales

+5.3%

YTD org. net sales

+5.5%

Global Sales

Q2 2023

Rest of the World markets (+8.0% in Q2)

- Solid growth across many markets such as Australia, Africa, India and Singapore
- Generally healthy demand for capital equipment, with step by step improvements in product mix
- Improvement in service and rental activities where available
- Geographical expansion focused on profitable net sales

Q2 org. net sales

+5.3%

YTD org. net sales

+5.5%

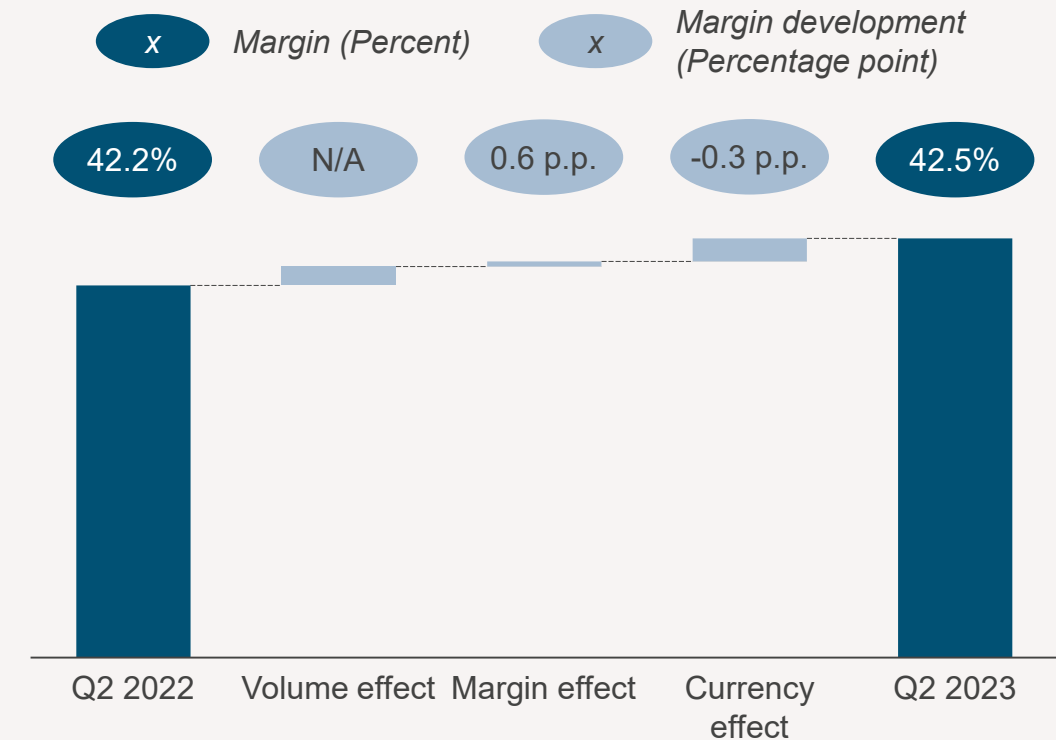
Financials in detail

Q2 gross profit

Stable development but impact from mix effects and higher material costs

- Slight improvement vs. Q2 2022 and Q1 2023
- Unfavorable product and geography mix with low margin Medical Beds sales and lower Patient Handling volumes in the US
- Higher material cost, mainly within electronics, but stabilizing environment
- Clearly visible inflationary effects, mainly on salaries
- Transportation cost declining according to plan
- Contribution from price adjustments according to plan – strong focus on continued efforts

Gross profit bridge – Q2 2023 vs. Q2 2022 (MSEK)

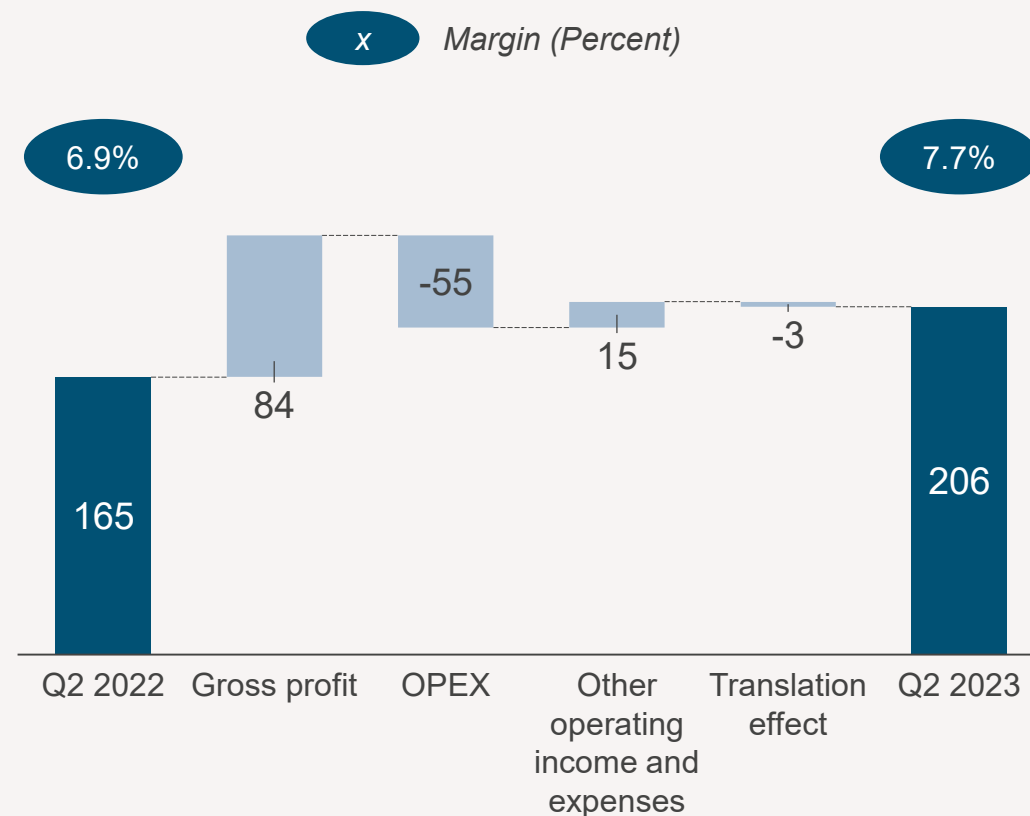


Q2 adjusted EBIT

High activity level and solid cost control

- OPEX development in line with expectations
- Inflation on salary now clearly visible – expected to remain in H2
- OPEX as percentage to net sales in line with Q2 2022
- Good cost control throughout the value chain

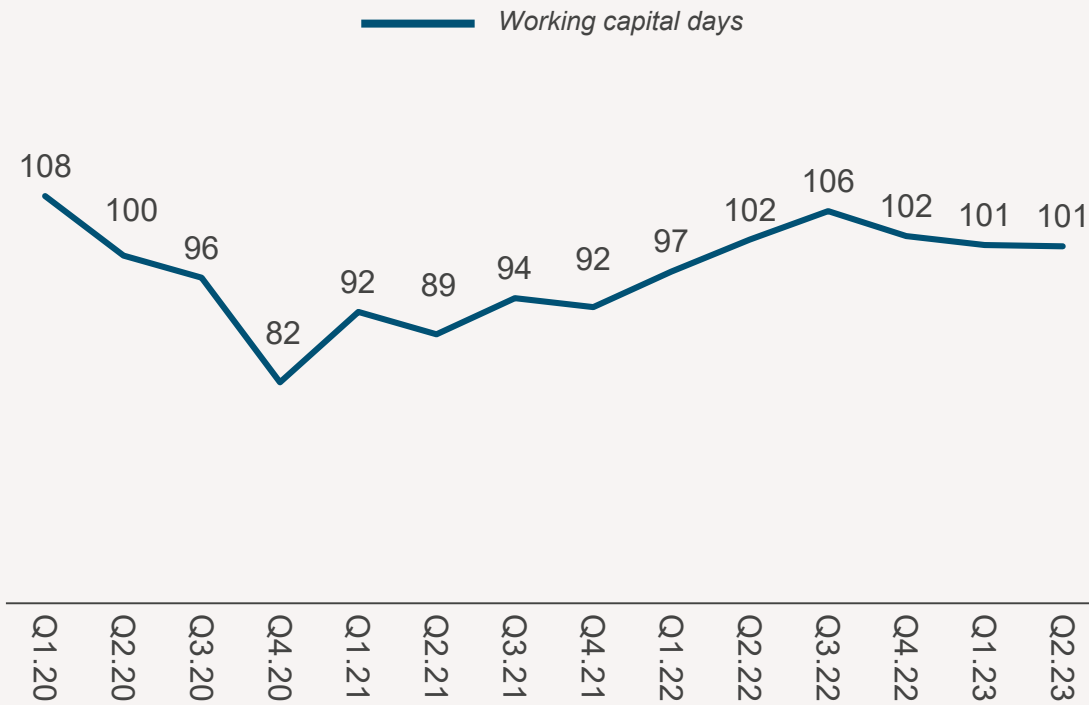
Adj. EBIT bridge – Q2 2023 vs. Q2 2022 (MSEK)



Q2 working capital and operating cash flow

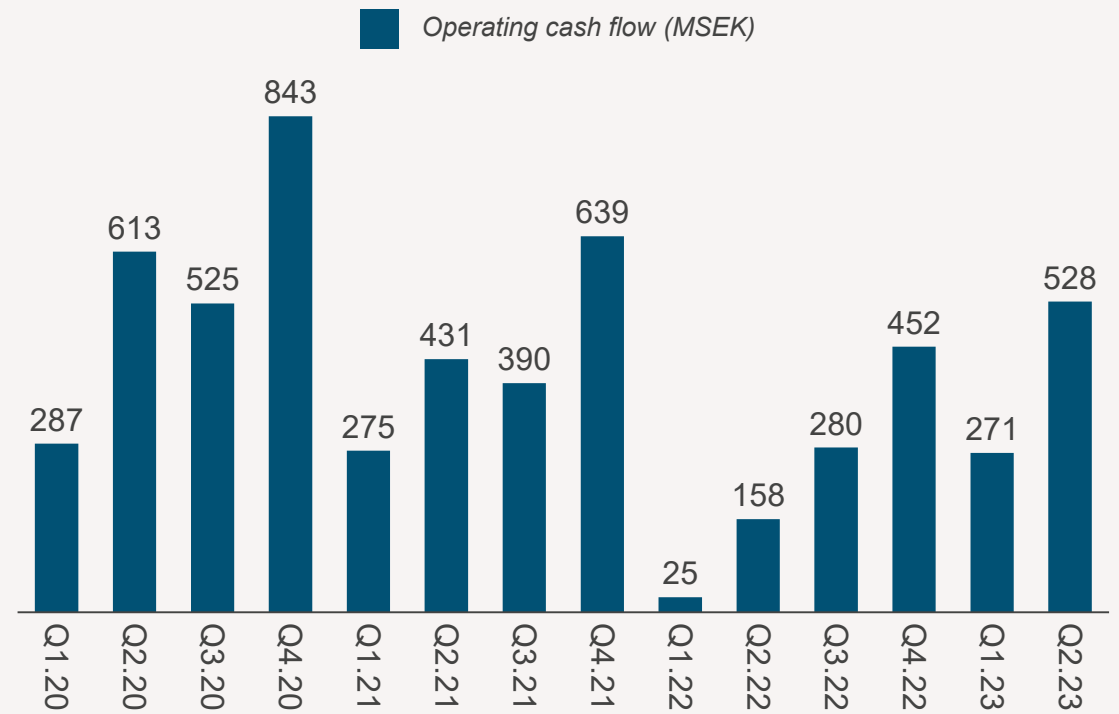
Working capital days stable and improving

Working capital days – Q1.20-Q2.23



In turn resulting in strong operating cash flow

Operating cash flow – Q1.20-Q2.23

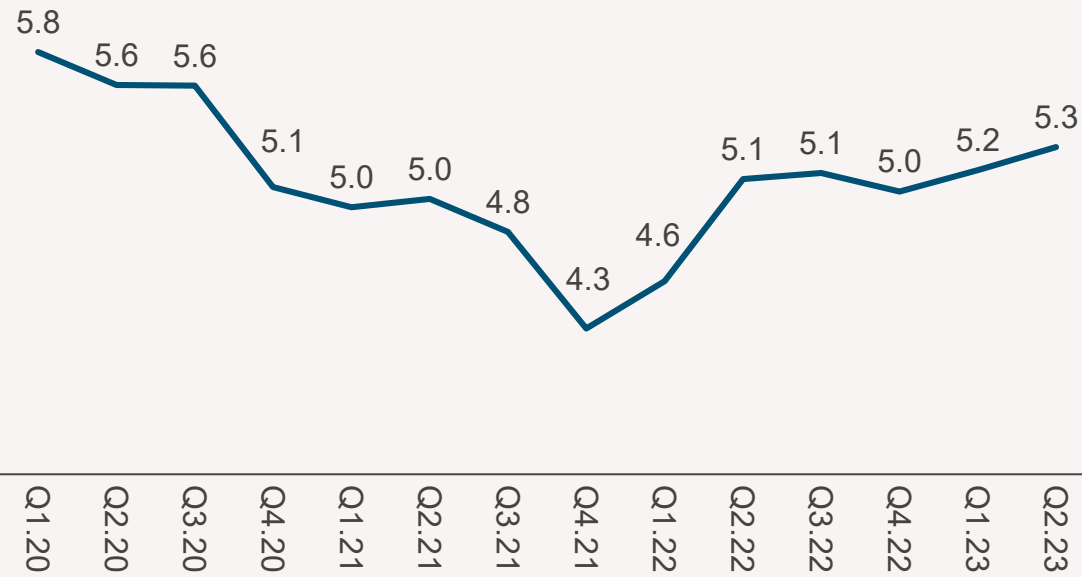


Q2 net debt and leverage

Slight increase in net debt level

Net debt – Q1.20-Q2.23

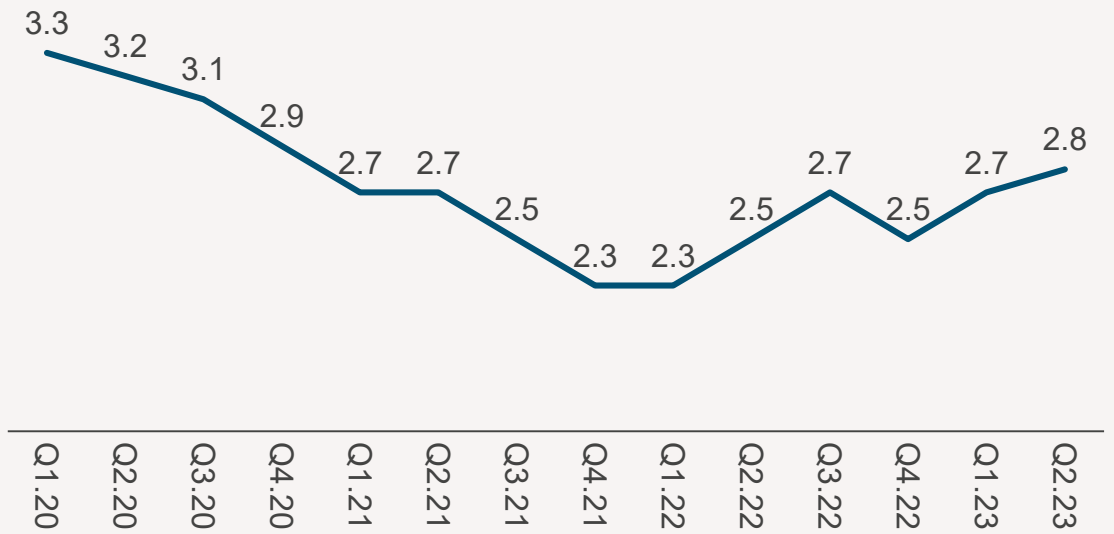
Net debt, incl. IFRS16 (BSEK)



In turn bringing leverage up

Leverage – Q1.20-Q2.23

Net debt / Adj EBITDA, multiple (R12)



Outlook 2023

Organic net sales growth for 2023 is expected to be within the Group's target interval of 3-5%

Key takeaways

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- Healthy growth across most main markets
- Continued positive trend in Service and Rental
- US returns to growth but market conditions remain challenging – step by step recovery still expected in H2
- Long-term profitability improvement activities generating results
- On track towards 3-5% organic net sales growth in 2023

Q&A

Financial calendar

Interim Report Jan-Sep 2023

October 19, 2023

Year-end Report 2023

January 30, 2024

Annual Report 2023

March 2024

Interim Report Jan-Mar 2024

April 18, 2024

Annual General Meeting 2024

April 18, 2024

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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