

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 architectural details of the hallway.

# Arjo

August 23, 2022

Joacim Lindoff, President & CEO

# Agenda

Business update

Strategy update & business highlights

Key takeaways

Q&A

# Business update



# Q2 2022 Highlights

## Short-term challenges – continued good traction in underlying business

### Continued healthy order intake and 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
- 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 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

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

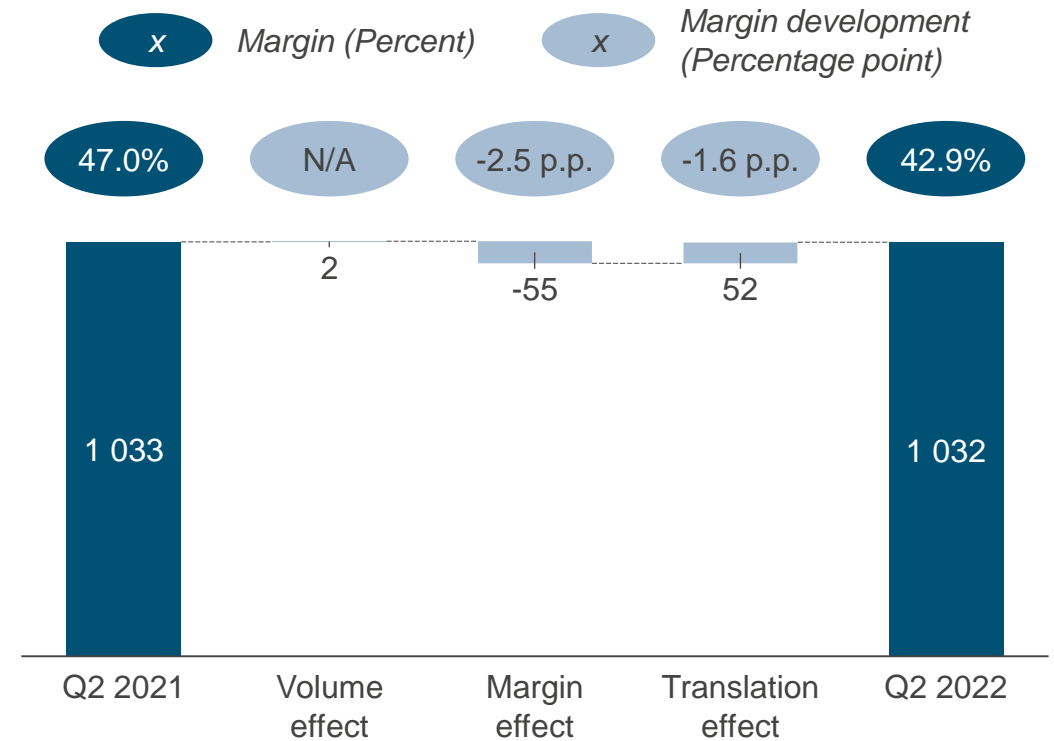
**+3.1%**

# 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

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



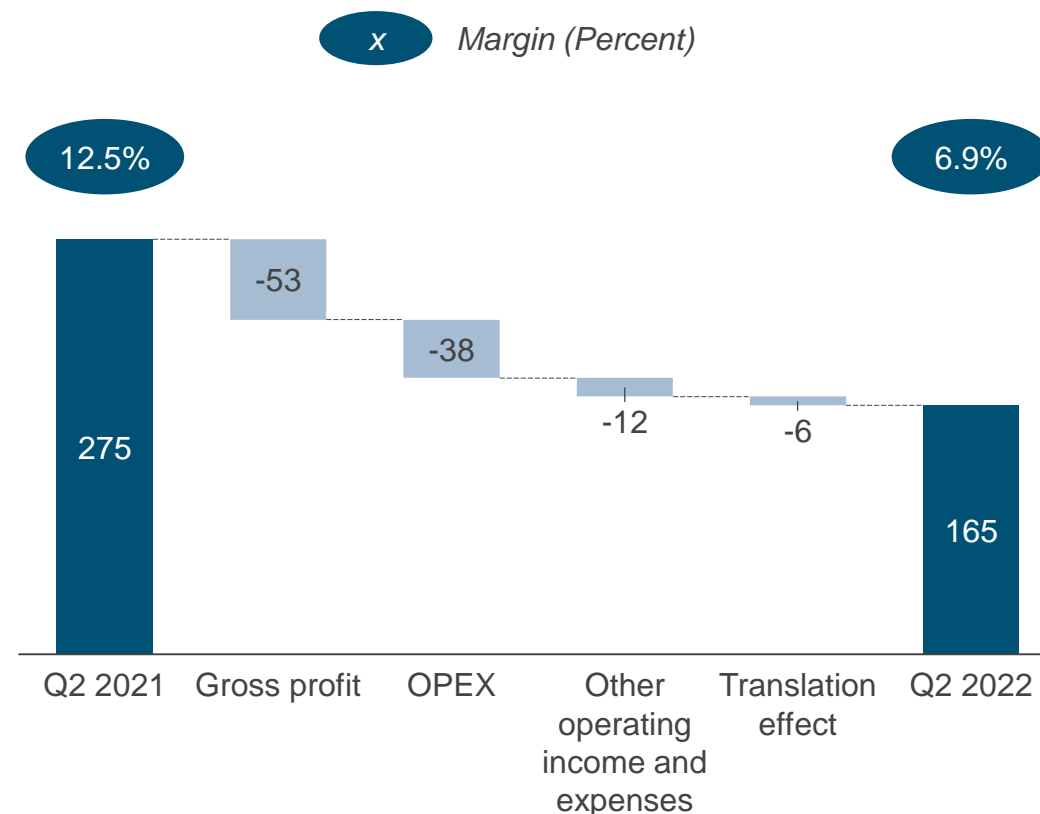


## Q2 adjusted EBIT

### 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)



# Strategy update & business highlights

# A two-tier strategy to contribute to a sustainable healthcare system

Continue building a strong foundation with **increased efficiency**...

Embracing complexity of current business and focusing on ***process optimization, efficiency and prioritization as value levers***

## Examples of key tactical next steps

- Operational leverage
- Core rental profitability
- Increased sales of consumables and services
- Continued supply chain efficiencies
- Procurement management – direct and indirect purchasing
- OPEX to continue to decline as percentage of sales

The ARJO logo is centered in a white circle. It consists of the letters 'ARJO' in a bold, blue, sans-serif font. The 'A' and 'R' are connected, and the 'J' and 'O' are also connected.

... with a focus on building a sustainable competitive advantage as a **mobility outcome partner**

Build a differentiated position and ***sustainable competitive advantage*** by ***partnering with customers*** around ***clinical outcomes or efficiency measures***

## Examples of key tactical next steps

- Develop outcome programs aligned with customer needs – through investments, partnerships, and acquisitions
- Invest in digitalization
- Increase investment in product development to support strategic intent
- Develop skills and competences

Grow people and business together & build a sustainable and winning culture

# Major healthcare costs associated with reduced mobility



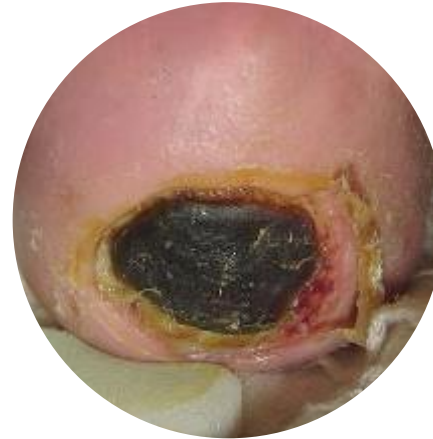
Caregiver injuries

**>75 BSEK**

per year **globally**

Patient Handling

Hygiene



Pressure injuries

**>500 BSEK**

per year **globally**

Pressure Injury Prevention, incl. BBI

Patient Handling

Medical beds



Venous leg ulcers

**>300 BSEK**

per year **globally**

WoundExpress

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





# Balancing short-term execution with the long-term agenda

## Perform

– a continuation of our journey since 2017

- Increase operational efficiency
- Continue to gain market share in the US
- Develop market share in Western Europe
- Continue to invest in RoW
- Continue selling current products and solutions
- Product launches aligned with our portfolio planning

## Transform

– invest to become a mobility outcome partner

- Develop new outcome programs and expand current ones
- Develop skills and capabilities within the organization
- Expand offering from partnerships and acquisitions
- Look for new potential in-organic opportunities

2020

2030

# Key takeaways

## Key takeaways

- Continued good market demand – healthy order intake and strong order book
- Growth in Q2 held back by 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
- Continued very good traction on underlying business



# Q&A

## 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.

**anjo**

**EMPOWERING MOVEMENT**