Arjo Q3 2020

October 28, 2020

Joacim Lindoff, President & CEO

Daniel Fäldt, CFO

Agenda

1. Business update

2. Financials in detail

3. Key takeaways

4. Q&A

Business Update

Q3 2020
Highlights

Our profitable growth journey continues

- Net sales grew 5.8% organically – continued high activity level
- Strong development in Medical beds, Therapeutic mattresses and US Rental
- Limited access to customer facilities continues, especially in LTC
- Significant profitability improvement from rental volumes, efficiency programs and continued good cost control
- Solid financial position – strong cash flow and improved working capital with further room for improvement
- Overall very strong Q3

Net sales grew organically by

5.8%

Gross margin increased to

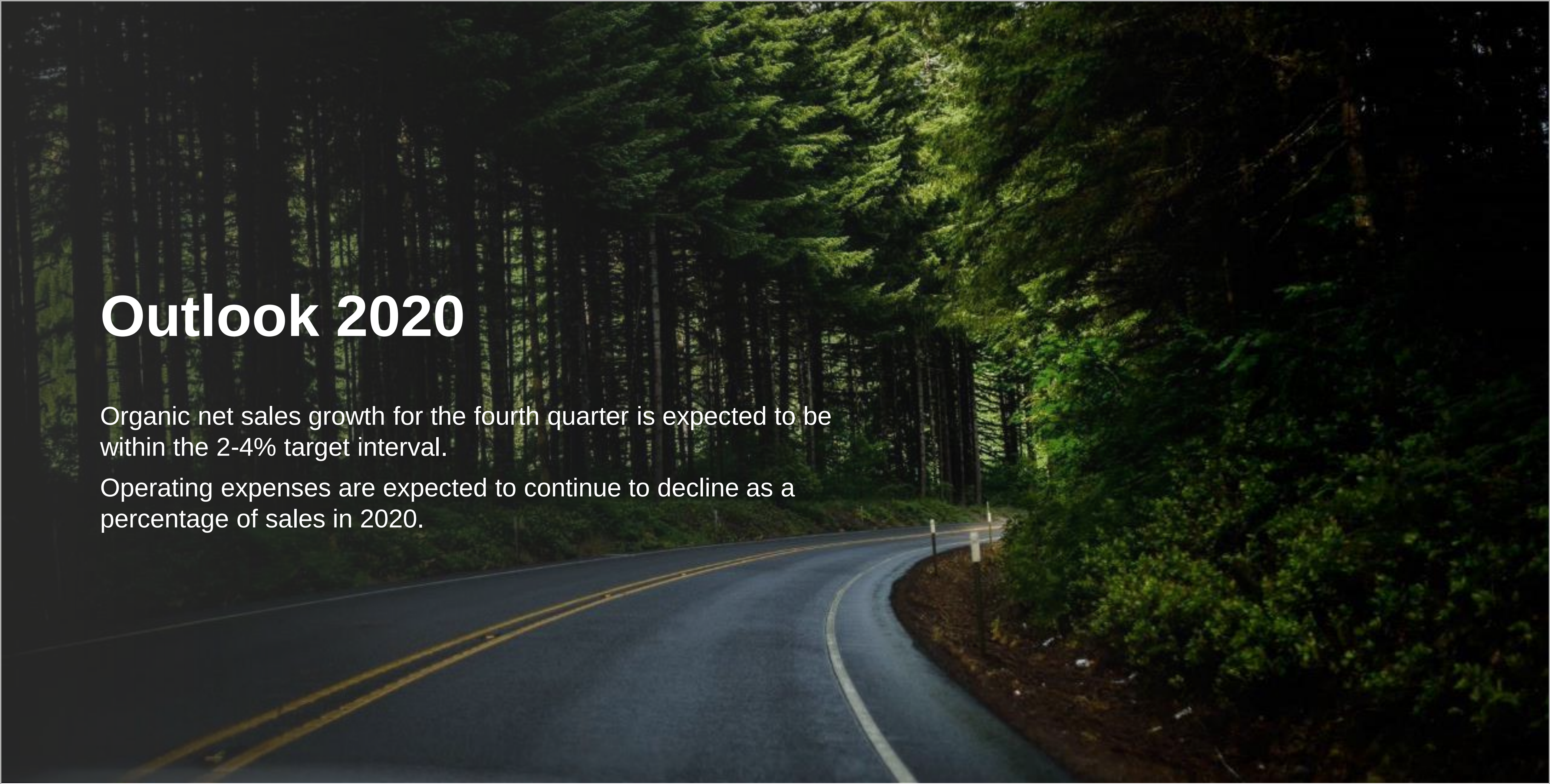
45.4%

EBIT before restructuring up

67,1%

Cash conversion

117.1%



Outlook 2020

Organic net sales growth for the fourth quarter is expected to be within the 2-4% target interval.

Operating expenses are expected to continue to decline as a percentage of sales in 2020.

Acquisition of equity stake in Bruin Biometrics (BBI)

- Exclusive distribution rights for BBI’s SEM scanner
- Possible to detect pressure injuries days before visible to the human eye
- Further strengthens our WoundCare offering
- Positive impact on net sales and EPS beginning in 2021, and significant contribution to both net sales and EPS development from 2023 onwards

North America
Q3 2020

Continued strong development, especially in the US

- Continued strong momentum in the US; healthy growth in Q3
- High demand for US rental, especially in beginning of the quarter
- Elective care still below normal levels - causing lower US DVT volumes
- Limited access to customer facilities, especially LTC, holding back Patient Handling & Hygiene volumes

US Rental business remains a key profitability driver

- Significant operational leverage from high volumes in both core and critical care
- Strong positive Covid-19 effect, but also incremental improvements on core
- Previous efficiency measures paying off

Q3 org. net sales

+9.2%

YTD org. net sales

+4.8%

Western Europe
Q3 2020

Net sales grew 0.7%

- High net sales in Medical beds
- Healthy growth in France & Spain
- Exit rates for Service and Rental on last year's levels
- Lower Patient Handling and Hygiene volumes due to limited access to customer facilities

Restructuring activities delivering better than plan

- No restructuring cost in Q3
- Savings generated at a higher pace than originally anticipated, with high share of savings already in 2020 (50 MSEK on annual basis)
- Total program restructuring cost expected at ~ 75 MSEK, of which approx. 60 MSEK is expected to be charged to 2020 and the rest to 2021. So far, 48 MSEK has been charged to the current year.

Q3 Org. net sales

+0.7%

YTD Org. net sales

+1.2%

Rest of the World
Q3 2020

Continued solid growth

- Good momentum in both distributor markets and our own infrastructure
- Generally high demand in Medical beds
- Growth held back by extensive Covid-19 restrictions in several markets – India remains in severe lockdown and sees significant decline, mainly in rental

Efforts to further strengthen commercial setup paying off

- Investments in infrastructure and new distributor networks provides solid foundation for future growth

Q3 Org. net sales

+12.1%

YTD Org. net sales

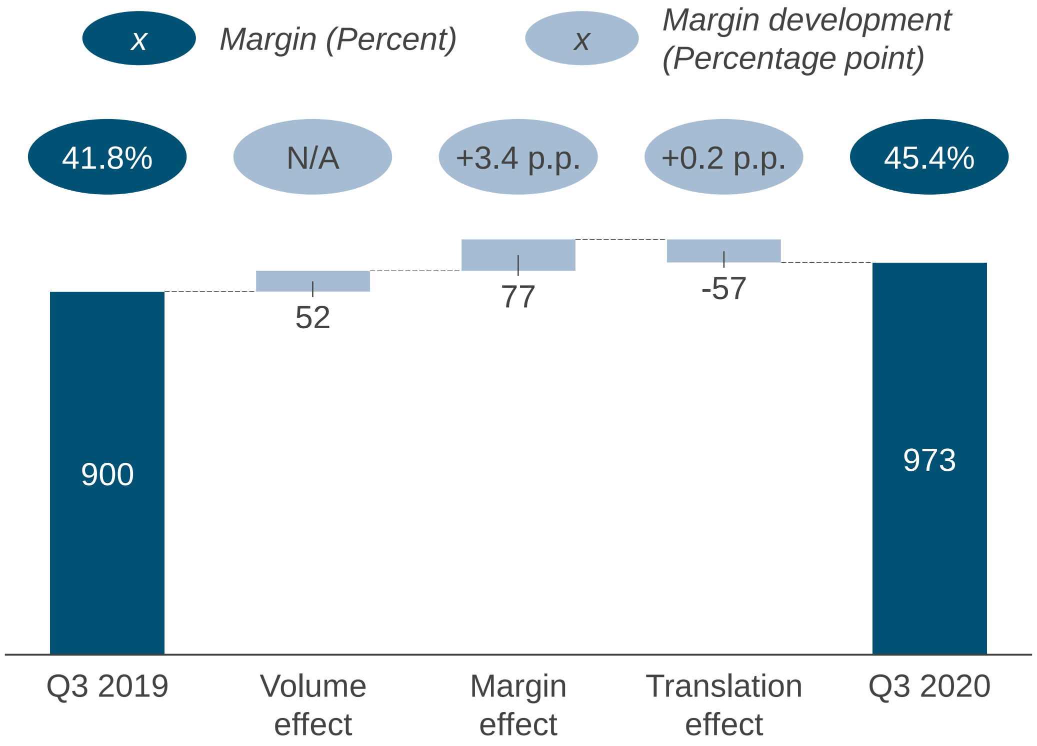
+9.2%

Financials in detail

Q3 gross profit
Improved gross profit in quarter

- High volumes in US rental generating operational leverage
- Previous efficiency measures paying off
- Increase in high spec medical beds and mattresses
- Efficient utilization of supply chain - good operational leverage
- Good cost control throughout value chain
- Efficiency measures generating results at higher rate than anticipated
- Lower demand for Patient Handling, Hygiene and DVT holding back gross margin
- Negative currency effect

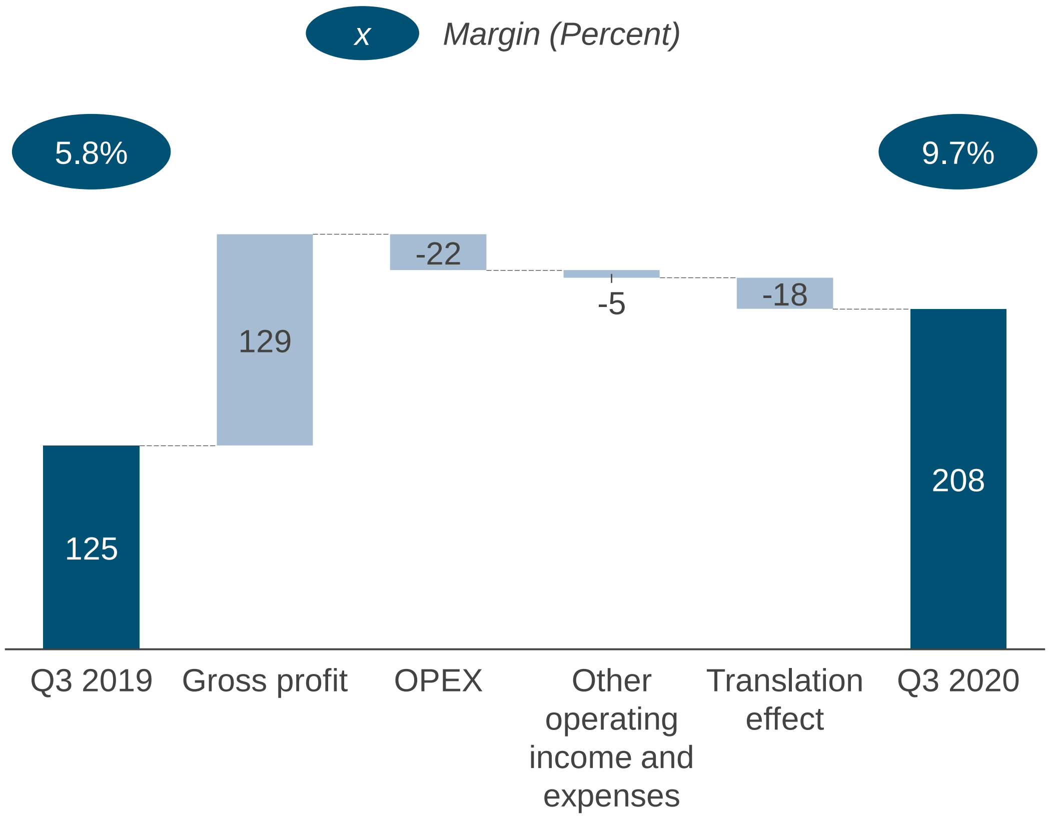
Gross profit bridge – Q3 2020 vs. Q3 2019 (SEK M)



Q3 Adjusted EBIT
Significant improvement of 67% vs. last year

- Adjusted EBIT grew by 67.1% vs. last year to 208 MSEK (125)
- Solid profitability within US rental operations, driven by Covid-19
- OPEX under good control relative to net sales
- Good cost control throughout value chain and efficiency programs paying off
- Negative currency effect

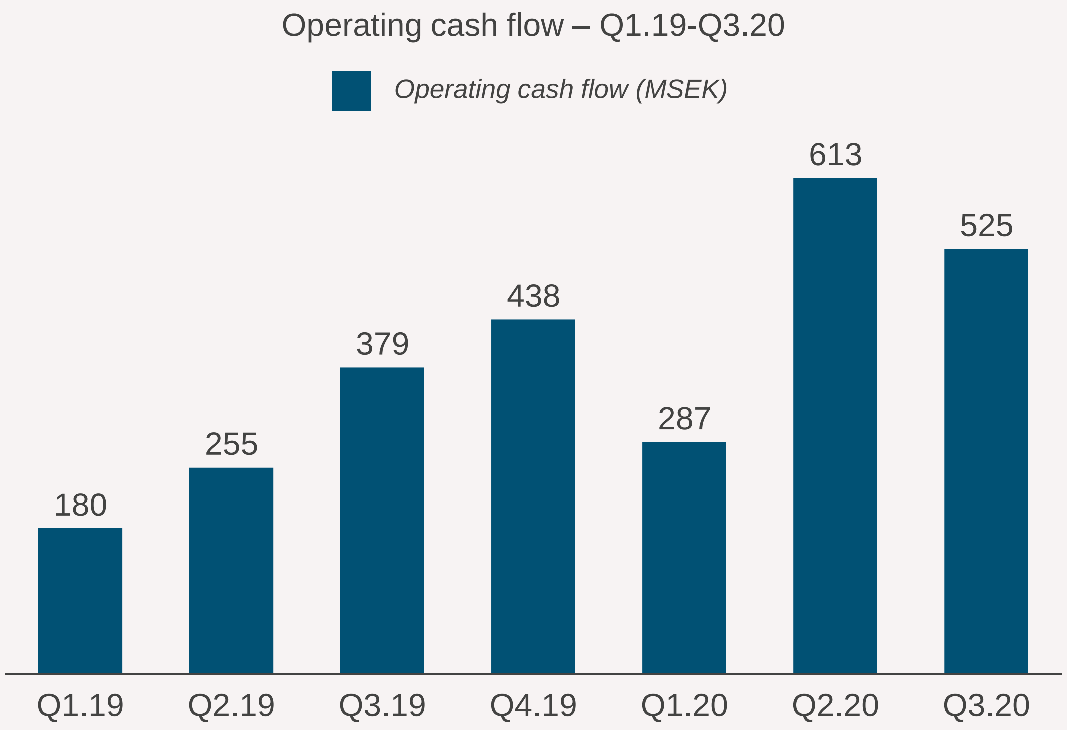
Adj. EBIT bridge – Q3 2020 vs. Q3 2019 (SEK M)



Q3 Working capital and Operating cash flow

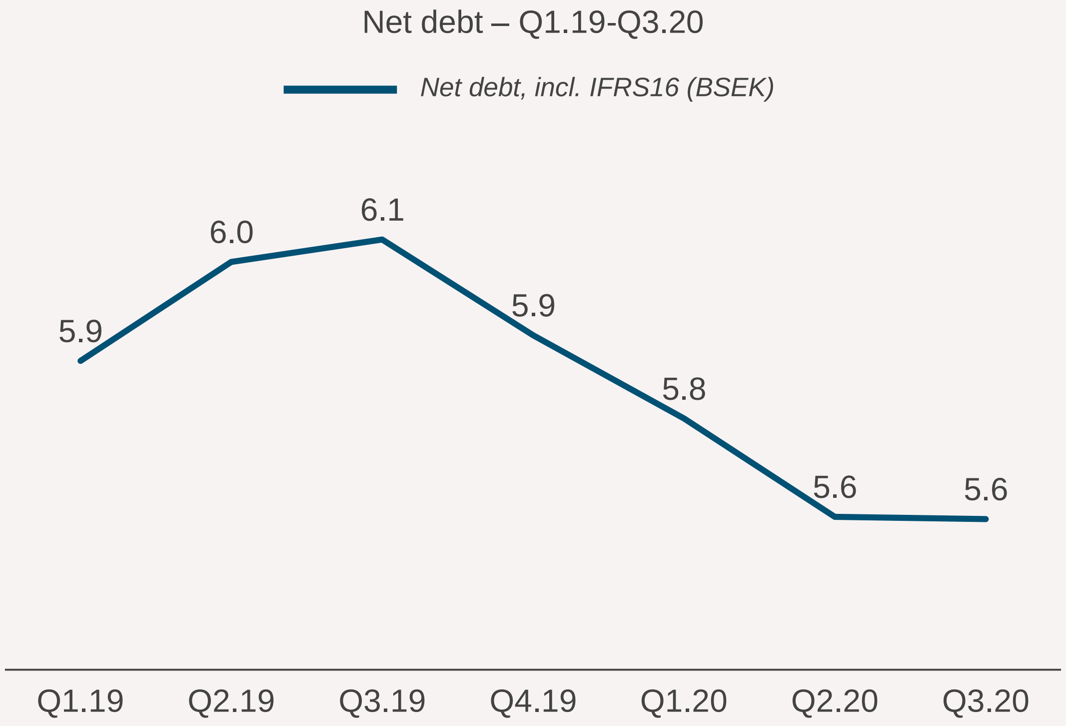
Continued improvement in working capital

Operating cash flow remains strong

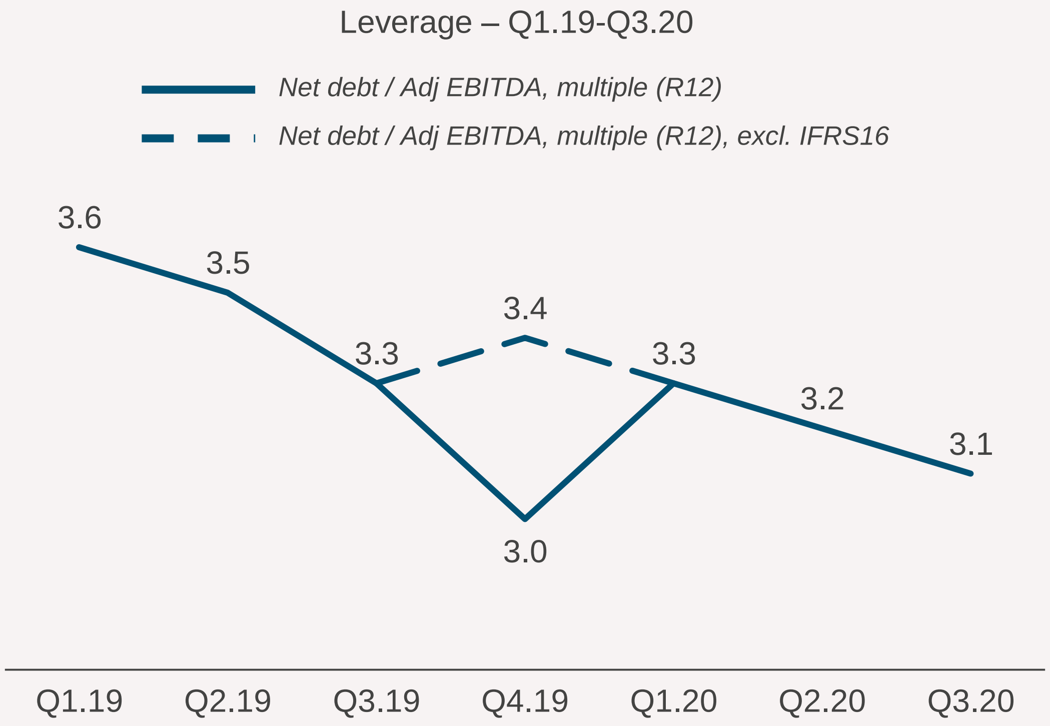


Q3 Net debt and leverage

Net debt in line with Q2's low level



Solid improvement in leverage



Key takeaways

Key takeaways

- Very strong Q3 – higher pace of delivery than anticipated
- Continued high demand for Medical beds & Therapeutic mattresses
- High volumes in US Rental, especially in beginning of quarter
- Limited access to AC and LTC facilities remain
- Solid financial position, with further room for improvements
- Acquisition of equity stake in Bruin Biometrics in October
- New strategy and financial targets to be announced at Capital Markets Day on November 2nd

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.

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with people in mind