

Q1

ARJO Q1 REPORT 2023

April 20, 2023

Joacim Lindoff, President & CEO
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arjo
EMPOWERING MOVEMENT

Agenda

Business Update – Q1 2023

Financials in detail

Business highlights

Key takeaways

Q&A



Business Update

Q1 2023 highlights

A solid start to the year

Healthy growth across most main markets

- Capital sales development according to plan
- Continued positive Core Rental trend – especially in the US
- Lower Critical Care rental volumes and lower capital investments in the US
- Continued high demand in Service globally

Towards long-term improved profitability

- Gross margin improvement vs. last two quarters
- Negative impact from mix effects and material costs in the quarter
- Effects from price adjustments according to plan – focused efforts remain

On track towards normalized inventory levels by end of 2023

Improved cash flow performance, with continued improvement possibilities

A solid base for reaching the 3-5% org. growth target for the year

Net sales
grew organically by

4.3%



Gross margin
amounted to

42.2%



Adjusted EBITDA
amounted to

474 MSEK



Cash
conversion

59.2%



North America

Q1 2023

Continued strong development in Canada

- Another quarter of double-digit growth vs. an already strong Q1 2022
- 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

- Lower Patient Handling (Outcome Programs) sales due to continued staff shortages and financial uncertainty among healthcare providers
- Lower Critical Care Rental vs. Q1 2022
- Strong demand for Core Rental, Service and DVT

Re-alignment of US structure to form a stronger base for growth

- Critical Care Rental infrastructure efficiencies completed in Q1
- Reorganization US Sales and Service organization implemented fully aligned with strategic direction

Q1 org. net sales

+0.7%

Global Sales

Q1 2023

Western European markets (+6.0% in Q1)

- Healthy net sales growth across larger markets like France, Germany and Austria
- UK in line with strong Q1 2022 – solid management of turbulent market situation
- Capital sales development according to plan
- Continued strong demand for Service and Rental
- Price adjustments to mitigate material cost well under way

Q1 org. net sales

+5.6%

Global Sales

Q1 2023

Rest of the World markets (+4.9% in Q1)

- Solid growth across many markets, such as Australia, India, Hong Kong and Singapore
- Generally healthy demand for capital equipment, with step by step improvements in product mix
- Covid restrictions now more or less gone
- Good momentum for further growth

Q1 org. net sales

+5.6%

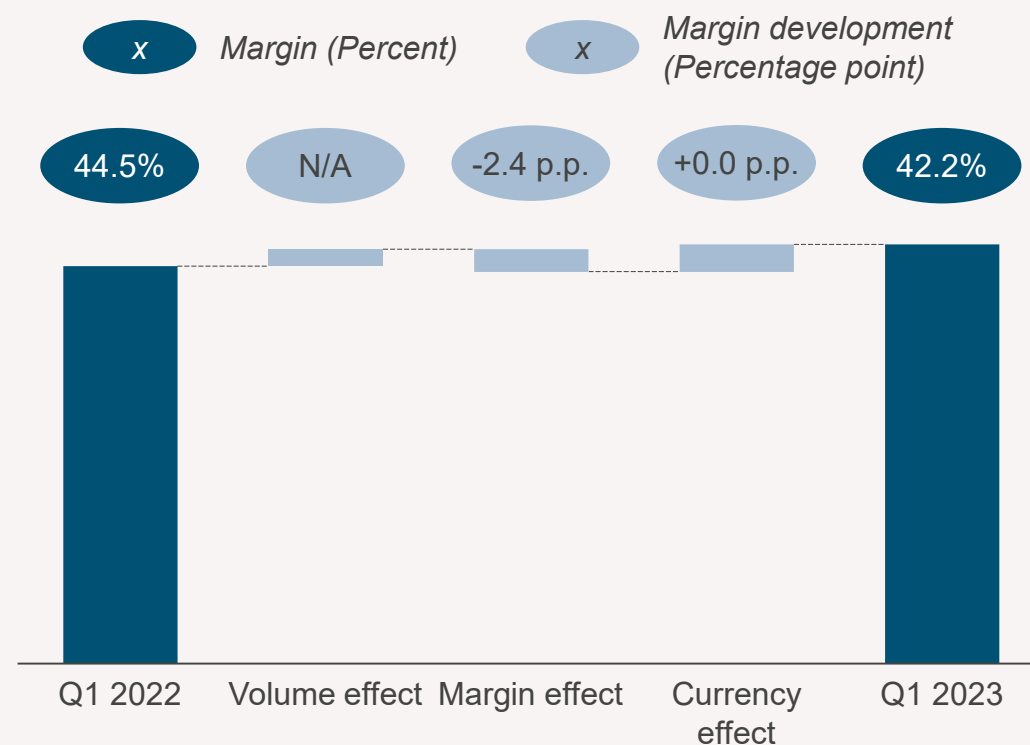
Financials in detail

Q1 gross profit

Margin development held back by mix effects and higher material costs

- Unfavorable product and geography mix
 - Lower Critical Care Rental volumes, lower Patient Handling sales in the US, and Diagnostics performance
- Higher material cost, mainly electronics, but more stable environment
- Clearly visible inflationary effects on salaries, energy and fuel
- Price adjustments generating planned effect – strong focus to continue mitigation efforts
- US rental efficiency program fully implemented

Gross profit bridge – Q1 2023 vs. Q1 2022 (MSEK)

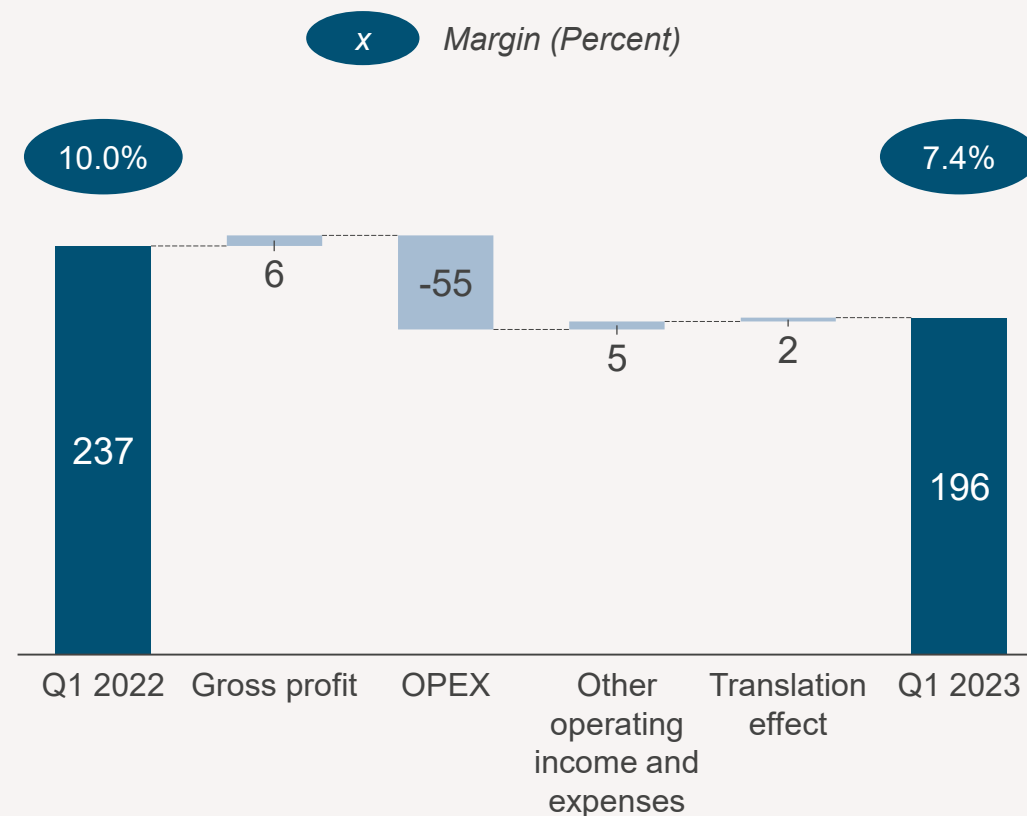


Q1 adjusted EBIT

High activity level and activities for long-term profitability improvements

- OPEX development in line with expectations with higher activity level vs. Q1 2022 heavily affected by covid restrictions
- Higher R&D spend according to plan
- Inflation on salary starting to be visible with additional effects in coming quarter
- Additional inflationary cost in other areas in line with expectation – expected to stabilize from Q2
- US sales reorganization fully implemented

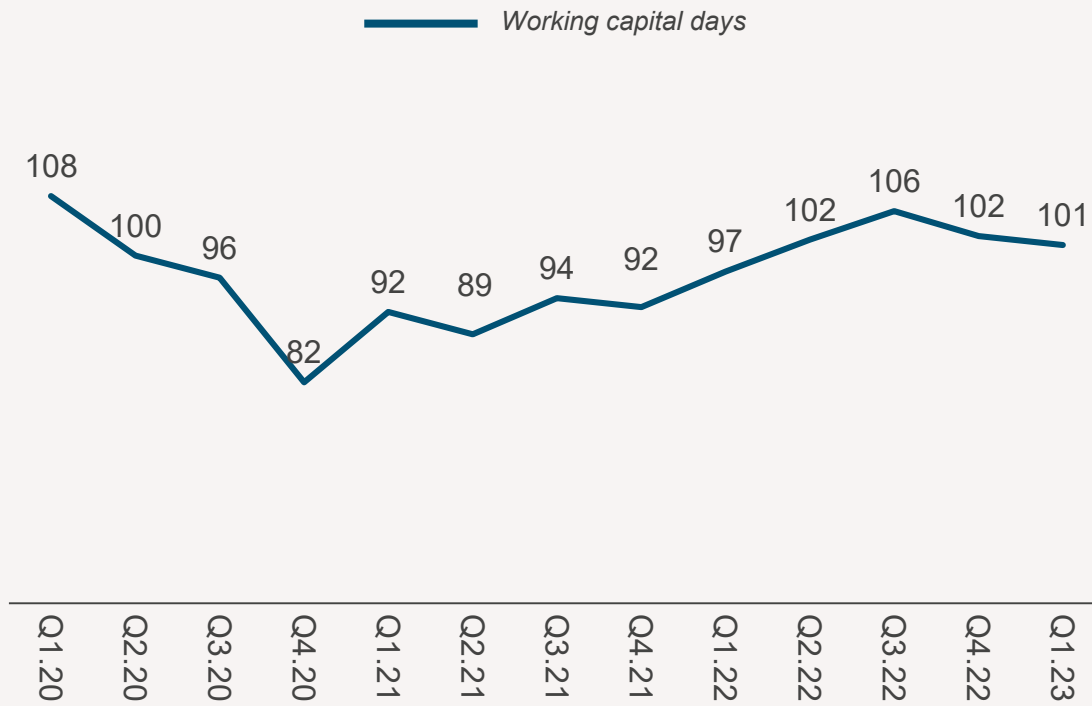
Adj. EBIT bridge – Q1 2023 vs. Q1 2022 (MSEK)



Q1 working capital and operating cash flow

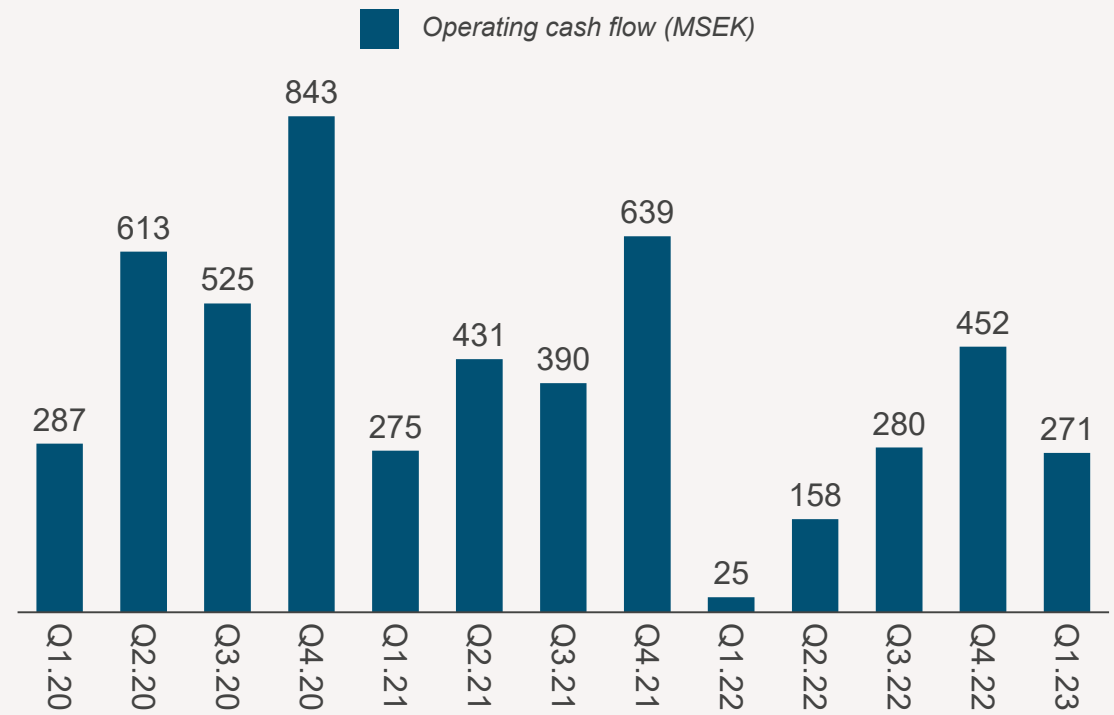
Improvement in working capital continues

Working capital days – Q1.20-Q1.23



In turn resulting in strong operating cash flow

Operating cash flow – Q1.20-Q1.23

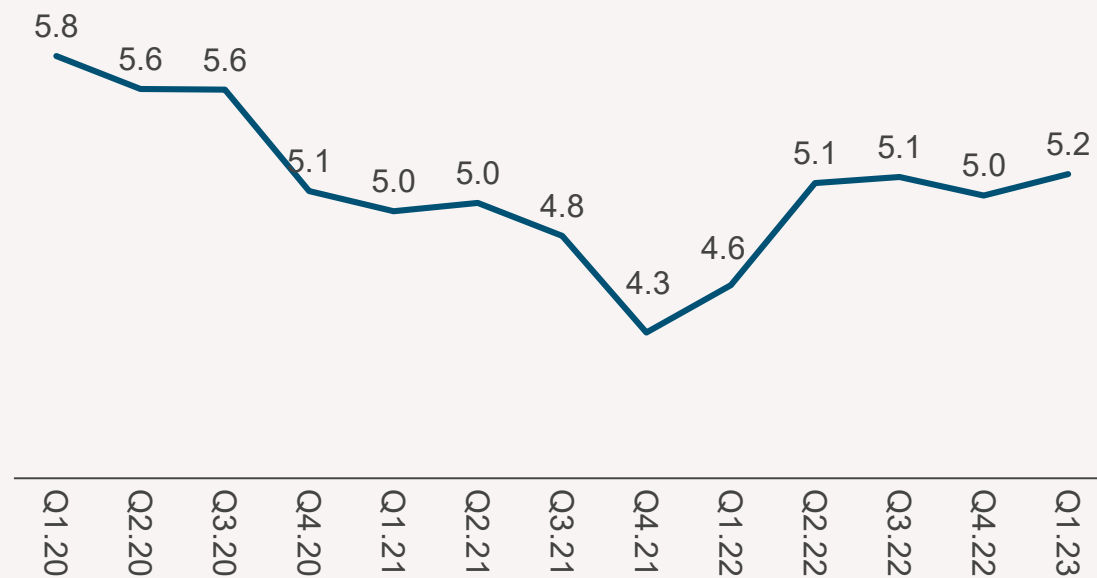


Q1 net debt and leverage

Slight increase in debt level

Net debt – Q1.20-Q1.23

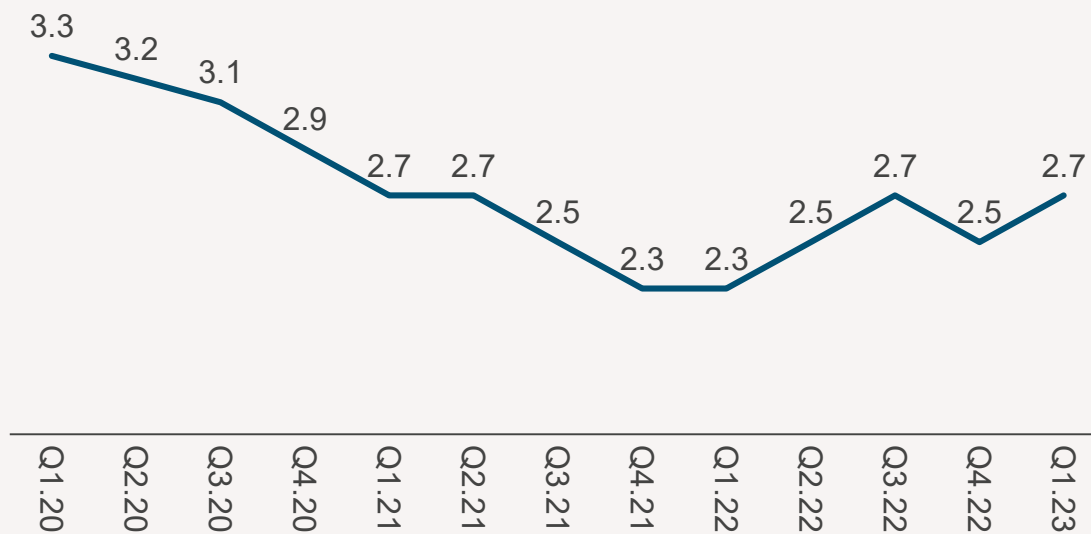
Net debt, incl. IFRS16 (BSEK)



In turn bringing leverage to Q3 level

Leverage – Q1.20-Q1.23

Net debt / Adj EBITDA, multiple (R12)



Business Highlights

Continued high interest for pressure injury prevention solutions

- High interest in PIP outcome solutions globally
- Continued high customer interest in SEM scanner – but conversion progress slower than anticipated
- SEM scanner sales volumes for 2023 expected to be somewhat lower than previous estimates



WoundExpress randomized controlled trial (RCT) delayed

- Recruitment of patients into new expanded protocol taking significantly longer than expected despite change of protocol
- Very clear aftermath effects from Covid, targeted sites not up to speed
- RCT finalization now planned for summer 2024
- No material financial impact in 2023/2024 as only low volumes planned in financial targets



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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- Back to growth – healthy growth across most main markets
- Q1 2023 last quarter with strong comps from Critical Care rental in the US
- US market remains challenging – step by step improvements expected from H2 2023 according to previous communication
- Continued positive trend in Service and Core rental
- Pricing initiatives paying off – continued focus throughout 2023
- Communicated restructuring programs implemented, good cost control throughout the value chain
- A solid start towards 3-5 % organic net sales growth in 2023

Q&A

Financial calendar

Annual General Meeting 2023

April 20, 2023

Interim Report Jan-Jun 2023

July 14, 2023

Interim Report Jan-Sep 2023

October 19, 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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