Arjo year-end report 2018

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Agenda

1. Business update – Q4 & FY 2018
2. Other events
3. Balance sheet
4. Outlook
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6. Q&A

Business update

Q4 & FY 2018

Q4 2018 - Summary
Double digit growth in US & UK

Strong end to the year
- Net sales grew by 5,8% organically
- US grew by 13,1% organically - US Turnaround plan delivering according to plan
- Strong UK growth (10,6% org.) despite challenging market environment – action plan generating results
- Growth offset by continued challenges in Australia – action plan under implementation
- Continued strong order intake across the group in Q4

Good cost control and improved EBITDA
- OPEX development better than plan, well within estimates for full year
- EBITDA before acquisition, restructuring and integration costs grew by 70,4% to SEK 409 M (240)
- Restructuring costs of SEK 38 M; mainly due to IT write-down related to spin-off

Gross margin of 45,2%
- High activity level contributing but held back by additional costs related to logistics move in Q3

Cash flow from operations of 334 MSEK (175)
- Cash conversion of 96,0 % (123,2)

Full Year 2018 - Summary

Strong first year as a standalone company

Net sales grew by 3% organically for the first time in six years

- Strong development in North America – both US and Canada performing well
- US Turnaround plan showing results and US grew by 4,1% after several years of challenges
- UK grew by 7,6%, above estimations to grow slightly YoY. Local management successfully delivering on action plan.
- Rest of the World growth offset by challenges in Australia in Q3 and Q4
- Strong order intake going into 2019

OPEX better than communicated estimates – good cost control

- OPEX of SEK 3 017 M gives SEK 2 927 M in comparable currencies (1712) – vs. guidance of SEK 2 965 M

Improved profitability

- Gross margin of 44,6 % - in line with last year, affected by costs related to logistics move and unfavourable product mix (medical beds)
- Reported EBITDA grew by 18,5% to SEK 1 180 M (996)
- EBITDA before acquisition, restructuring and integration costs grew by 5,2% to SEK 1 312 M (1 246)

Cash flow from operations of 991 MSEK (572)

- Cash conversion of 84,0 % (57,4)

Financial targets

Sales growth
Average annual organic sales growth of 2–4 percent. ✓

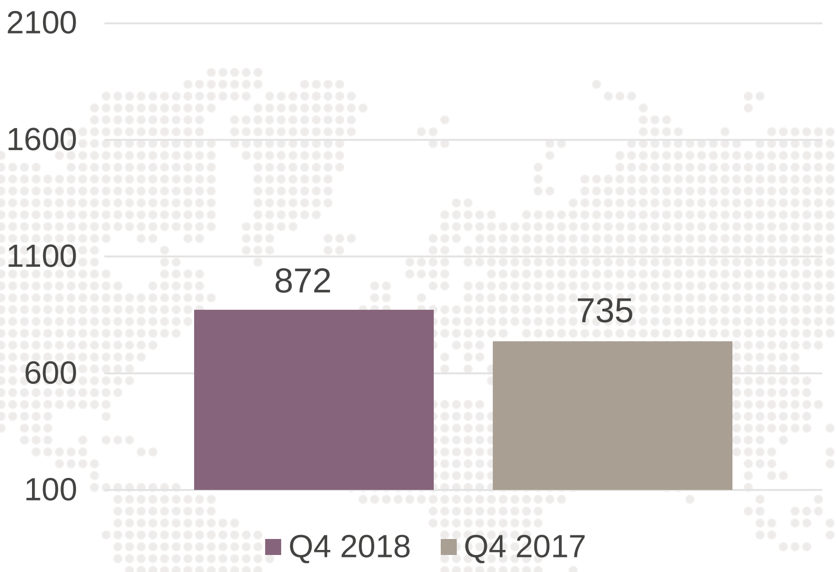
Profitability growth
Average annual reported EBITDA growth of at least 10 percent. ✓

Cash conversion
Cash conversion exceeding 70 percent. ✓

Q4 2018

North America

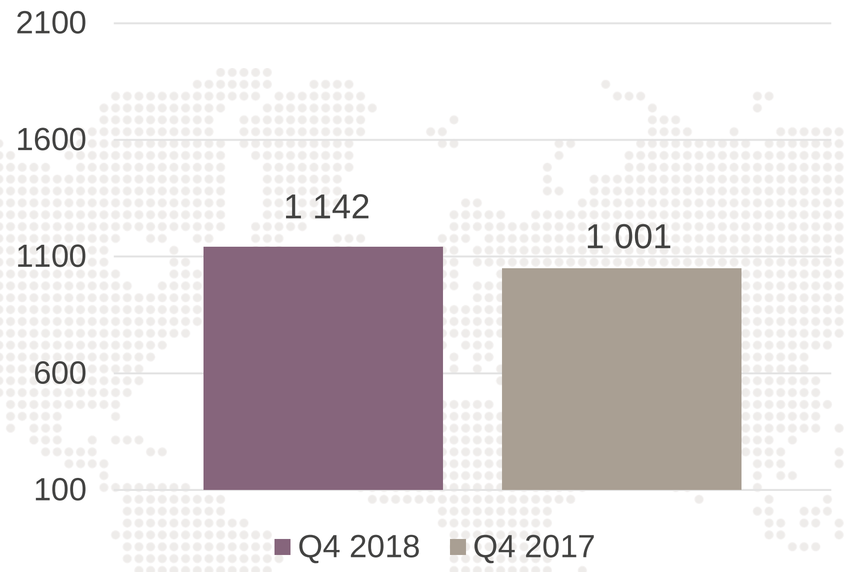
- **Net sales grew organically by 12,3% in Q4**
  - Positive development in both US & Canada
  - Continued good performance in capital goods – especially Patient Handling, Bariatrics and DVT
- **”US Turnaround plan” generating strong results**
  - US grew by 13,1%
- **US rental continues to perform according to plan**
  - 4,1% growth in FY18
- **Long-term care investments continuing to gain momentum**



North America net sales, SEK M, Actuals

Q4 2018
Western Europe

- **Net sales grew organically by 7,3%**
  - Several markets performing well, incl. UK, France & Netherlands
- **Strong UK performance - activities paying off**
  - UK grew by 10,6% in Q4 despite challenging market
  - FY sales volumes exceeding expectations
- **Rental business sees continued price pressure**
- **Healthy development in capital sales**

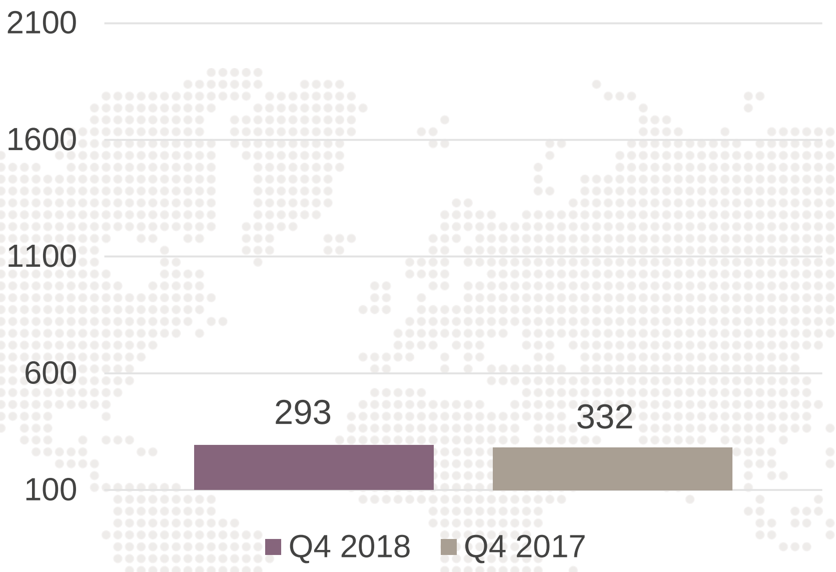


Western Europe net sales, SEK M, Actuals

Q4 2018
Rest of the World

- **Net sales declined by 13,3% organically with worse than expected development in Australia**
  - Australian government uncertainty and lower investments into healthcare continued in Q4
    - Mainly in private sector and for lower specification capital equipment
    - Action plan to focus sales resources on less commoditized products for stabilization
    - Service and rental development
  - Several other RoW markets performing well
    - India, South Africa, New Zealand

- **Important steps for geographic expansion during 2018**
  - Product registrations of existing product portfolio exceeded targets
  - Sales organisations in Japan, China & Latin America in place
  - Distribution networks established in South East Asia & Central Eastern Europe



Rest of the World net sales, SEK M, Actuals

Profit development – Q4 and FY 2018

- **Gross margin of 45,2% (43,6) in Q4**
  - Higher sales contributed to the higher margin, but offset by costs related to the logistics move in Q3
  - 44,6% for FY18 – unchanged vs. last year with possibilities for improvement
- **Adj. EBITDA increased by 70,4% to 409 MSEK (240) in Q4**
  - OPEX development better than plan
  - FY OPEX of 3 017 MSEK gives 2 927 MSEK in 1712 rates, which is well within estimates of 2 965 MSEK
  - FY reported EBITDA increased by 18,5 %
- **Restructuring costs of 38 MSEK in Q4**
  - Mainly related to write-down of IT system from previous Getinge structure of 24 MSEK (no cash flow impact)
- **Pension liability adjustment of -40 MSEK**

MSEK	Q4 2018	Q4 2017	FY 2018	FY 2017
Net sales	2 307	2 068	8 217	7 688
Gross profit	1 042	901	3 662	3 428
Gross margin, %	45,2	43,6	44,6	44,6
EBITDA*	409	240	1 312	1 246
EBITDA-margin*, %	17,7	11,6	16,0	16,2
EBIT	157	-34	493	281

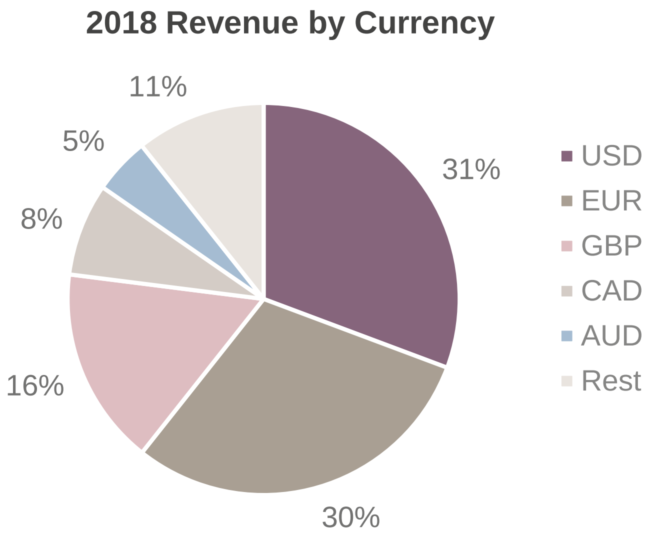
*Before exceptional items

Currency effects

- **2018 vs. 2017 not comparable in terms of currency effects due to new currency strategy as of December 12, 2017**

- **Positive transaction effects of 4 MSEK on gross margin compared with Q4 2017**
  - The transaction effect is lower in Q4 (+4 MSEK) than in Q3 (+13 MSEK).

- **Increased hedging during 2018 leads to lower volatility towards the end of the year**
  - During 2018, the average hedging level was 58%



Translation effect vs 1712, MSEK	Q4	YTD
Gross Profit	+53	+134
Opex	-33	-90
Restructuring/other	-4	-5
EBIT	+16	+39

Other events

Other events

Decision to divest low-spec medical beds business Acare

- A key part of the action plan to improve profitability in the medical beds product category
- The divestment is not expected to have any considerable effect on cash flow or results 2019
- The divestment is expected to have a positive annual effect of approximately SEK 25 M on operating profit from 2019

Pension liability adjustment of -40 MSEK

- During the quarter, the Group's pension liability in the UK has been adjusted as a result of a judgment from the Supreme Court at the end of 2018.
- According to accounting practices, the adjustment of -40 MSEK has been accounted for in the consolidated income statement as "Exceptional items"

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Balance sheet

Balance sheet

Continued strong balance sheet

- Equity ratio ~41%

Focus on Working Capital

- Cash-flow effect +27 MSEK in Q4 and +109 MSEK YTD

Commercial paper program

- Approx. 2,8 billion SEK utilized by Q4
- Excess cash used to repay loan in Jan with ~300 MSEK

Cash Flow

- **Cash flow before changes to working capital**
  - Increased operating profit
- **Working capital positive in the quarter**
  - 4th positive quarter in row
  - Focus area
  - Contribution from inventory and accounts payable partly offset by account receivables
- **Investing activities**
  - Approx. 50% is Rental investment and the rest is mainly in IT-system and R&D.
- **Cash conversion YTD of 84,0%**

MSEK	Q4 2018	Q4 2017	FY 2018	FY 2017
Operating profit	157	-34	493	281
Cash flow before changes to working capital	307	138	882	982
Change in working capital	27	37	109	-410
Cash flow from operations	334	175	991	572
Cash flow from investing activities	-139	-359	-717	-652

Outlook 2019

Outlook 2019 (new)

- Organic sales growth for 2019 is expected to be in line with the 2018 level of approximately 3%.
- Operating expenses are expected to continue to decline slightly as a percentage of sales in 2019.

Summary

Summary

- **We have turned Arjo back to growth, +5,8% in Q4 and +3,0% in FY**
  - Strong development in North America and Western Europe
  - RoW held back by Australia
  - Growth across most product categories

- **We have managed to turn around our two largest markets, US & UK – both very strong in Q4 and over performing FY**

- **Gross margin of 45,2% in Q4**
  - FY gross margin in line with FY17
  - Q4 gross margin impacted by costs related to logistics move disruptions

- **FY EBITDA growth of 18,5% (target of 10% growth)**

- **FY Cash conversion of 84 % (target of >70%)**

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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