



Arjo - Q4 report 2017

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Joacim Lindoff, President & CEO

Jonas Lindqvist, CFO

Agenda

1. Business update – Q4 and FY 2017

2. Balance sheet

3. Summary

4. Outlook

5. Q&A

Business update

Q4 and FY 2017

Q4 2017 - Summary

Positive development in several of our markets
– challenges remain in UK

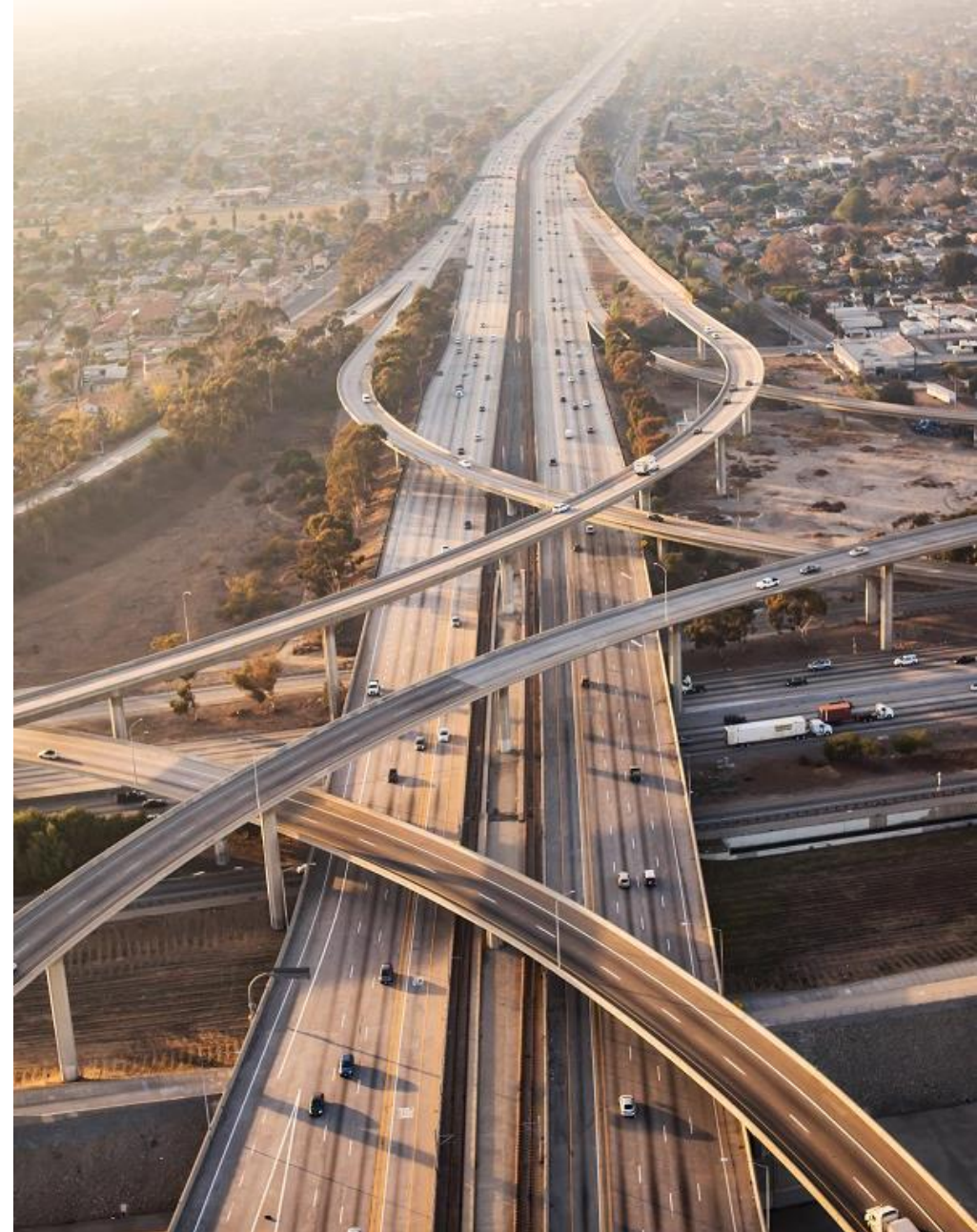
- **Lower net sales mainly due to DVT invoicing issue and UK decline**
 - When adjusted for US DVT invoicing issue, organic net sales grew by 0,4%
 - Continued low NHS investments in the UK
 - Positive US rental for second consecutive quarter – activities paying off
 - Positive development in several markets
- **Profitability impacted by costs related to the creation of Arjo as an independent company**
 - EBITDA before acquisition, restructuring and integration costs declined to SEK 240 M (422)
 - Restructuring and integration costs amounted to SEK 104 M (107)
- **Cash flow from operations amounted to SEK 175 M (196)**
 - The cash conversion was 123,2% (49,0)
- **Partnership with Sony Mobile**
- **Successful listing of Arjo**



Full year 2017 Summary

A year of transition

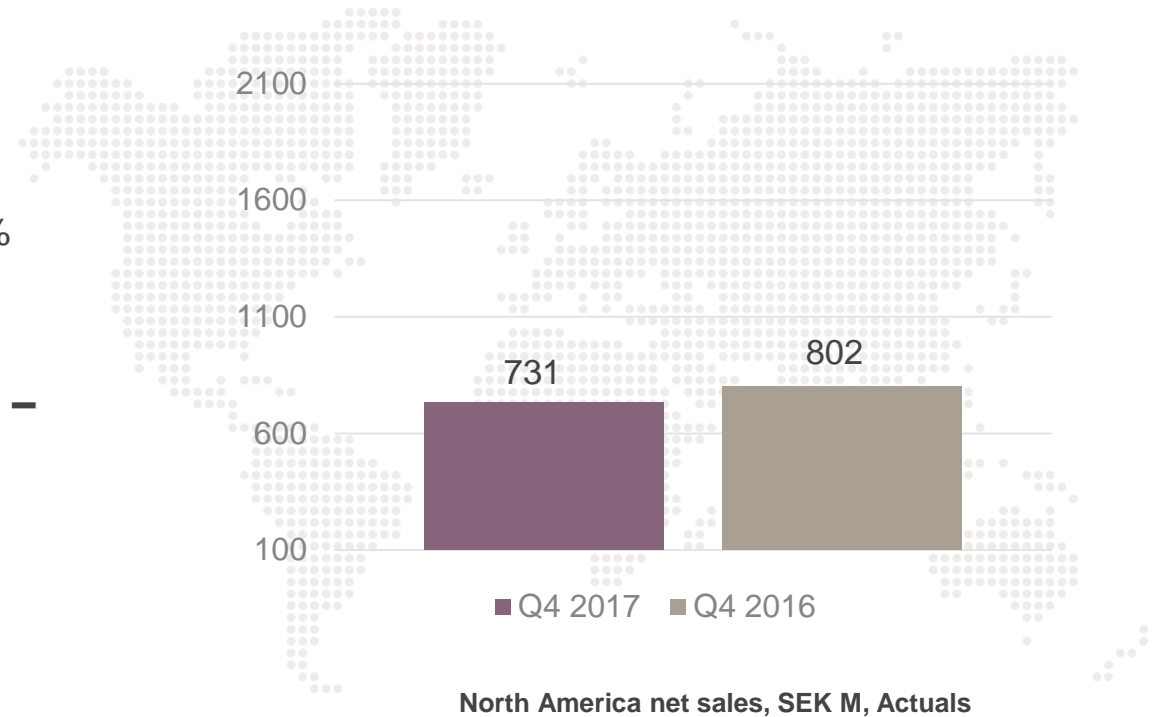
- **Net sales decreased by –1,6 % organically**
 - Main drivers are lower rental and DVT in the US, and low NHS investments in the UK
 - Negative impact by DVT invoicing issue in the US - stabilization of DVT demand by the end of 2017
- **Positive US rental development in both Q3 and Q4**
- **Increased gross margin, 44,6 % (44,1)**
- **Lower EBITDA due to cost increase**
 - Cost increase related to Arjo becoming a standalone company
 - Restructuring and integration costs amounted to SEK 324 M (155)
- **Cash flow (operations) amounted to SEK 572 M (919)**
 - The cash conversion was 57,4% (59,8)
- **A year of transition - plans in place to turn around the business**
- **Proposed dividend of SEK 0,50 per share**



Q4

North America

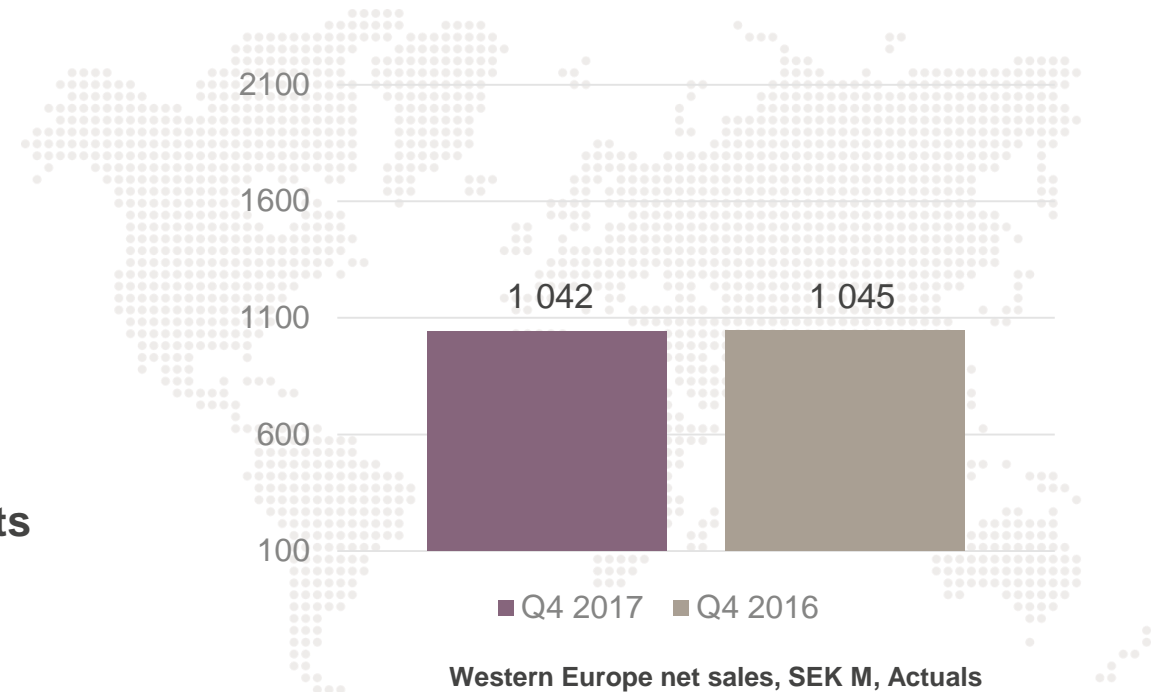
- **Net sales declined organically by -1,9%**
 - When adjusted for DVT invoicing issue, net sales grew by 4,4%
 - Stabilization of DVT demand during the quarter
- **Rental performing well for second consecutive quarter – positive results from US turnaround plan**
- **Continued focus on Long Term Care in the US**
- **US tax reform**



Q4

Western Europe

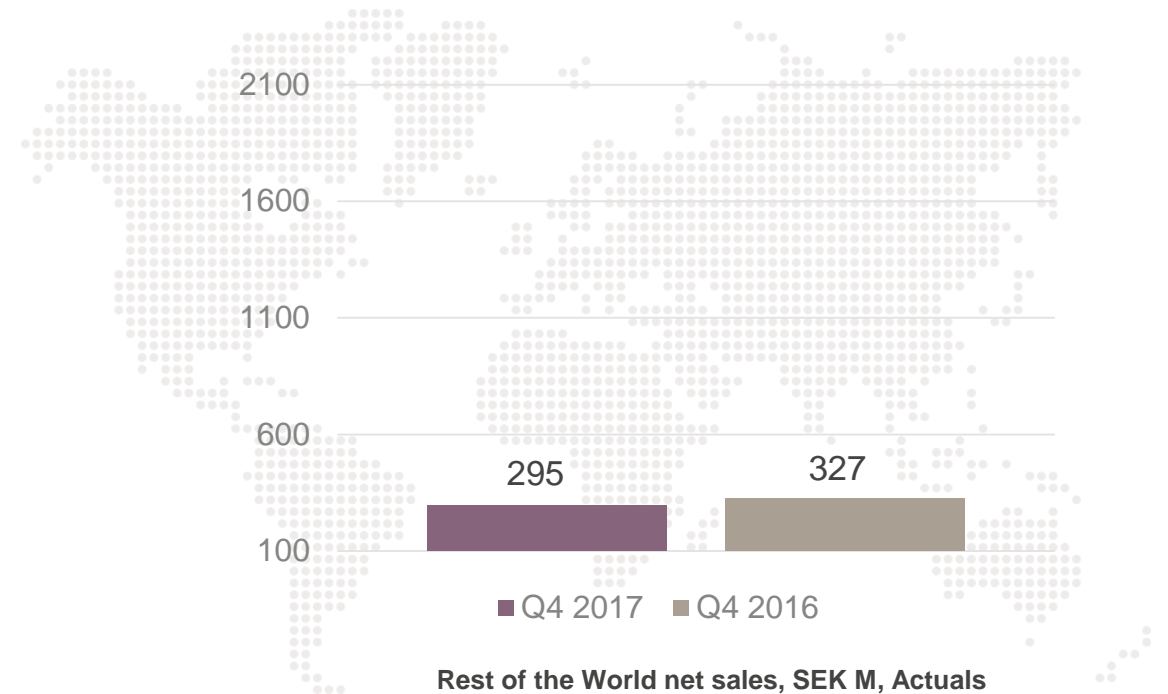
- **Net sales declined organically by -1,6%**
 - Continued low investments by NHS in the UK
 - UK sales volumes for 2017 estimated to mirror 2018 levels
 - Action plan in place for better allocation of resources to adapt UK business to current market situation
- **Positive net sales development in several other markets**
 - France, Netherlands, Italy, Austria



Q4

Rest of the World

- **Net sales declined organically by -2,6%**
 - Main drivers are China and Hong Kong
 - Australia continues to perform well
- **Geographic expansion continues**
 - Japan, China, Latin America



Profit development – Q4 and FY 2017

- Lower gross margin of 43,6% (45,5) in Q4. FY gross margin increased to 44,6% (44,1)
- EBITDA before acquisition, restructuring and integration costs was 240 MSEK (422) in Q4, FY amounted to 1 246 (1 610)
 - Lower net sales
 - Higher OPEX
- Restructuring costs of 104 MSEK in Q4, and 324 MSEK in FY.

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
Net sales	2 068	2 174	7 688	7 808
Gross profit	901	989	3 428	3 442
Gross margin, %	43,6	45,5	44,6	44,1
EBITDA*	240	422	1 246	1 610
EBITDA-margin*, %	11,6	19,4	16,2	20,6

Business Highlights

- **Strategic partnership with Sony Mobile**
 - Unique tracking solution to enable healthcare efficiency and improved quality of care
 - Successful pilot study at Lund University
 - Market introduction in H1 2018



Balance sheet

Balance sheet

- First stand-alone balance sheet after completed spin-off
- Business related items no major changes
- Major spin-off related changes:
 - External financing in place in December
 - Shareholder contribution
- Increased activity level in Q4



Cash Flow

- Cash flow before changes to working capital
 - lower EBIT
 - lower add-back of amortization, depreciation and write down
- Working capital positive in the quarter
 - high business activity in Q4
- Investing activities up in Q4
 - Rental fleet 193

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
Operating profit	-34	141	281	781
Cash flow before changes to working capital	138	316	982	1 238
Change in working capital	37	-120	-410	-319
Cash flow from operations	175	196	572	919
Cash flow from investing activities	-359	-88	-652	-526

Summary

Summary

- **When adjusted for DVT invoicing issue in the US, net sales grew organically by 0,4% in Q4**
 - US rental business performing well for second consecutive quarter
 - US turnaround plan continues to hit milestones
- **Positive development in majority of our markets – challenges remain in UK**
 - Continued low NHS investments in the UK
 - UK action plan in place for improved resource utilization
- **2017 - a year of transition**
- **It's a journey - we have set the foundation and are ready to deliver according to our commitments**



Outlook 2018

Outlook 2018

- Organic sales growth in 2018 is estimated to reach the lower range of 2-4 %



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.

arjo

with people in mind