



# Arjo Q2 2020

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# Agenda

**1. Business update**

**2. Financials in detail**

**3. Key takeaways**

**4. Q&A**

# Business update

## Q2 2020 Highlights

### Strong Q2 with significantly improved profitability

- Net sales exceeded expectations, grew 2.2% organically vs. strong Q2 2019
- Continued strong development in US Rental, Medical beds, Therapeutic mattresses and Diagnostics
- Significantly improved profitability – rental volumes, high spec medical beds & mattresses, efficient utilization in supply chain and good cost control
- Strong financial position – solid work on accounts receivables, strong cash flow and improved working capital
- Overall very good Q2 with closing of Q stronger than expected

Net sales grew organically by

**2.2%**



Gross margin increased to

**45.2%**



EBIT before restructuring up

**47.7%**



Cash conversion

**129.2%**



# Outlook 2020

Organic net sales growth for the third and fourth quarters, respectively, 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.

# North America

## Q2 2020

### Development in line with strong Q2 2019 performance

- Continued high demand for rental in US, especially Critical Care solutions
- Significant decline in US DVT due to postponed elective care
- Lower Patient Handling due to limited access to customer facilities
- NA grew almost 16% in Q2 LY with large medical beds shipment in US

### US Rental business key driver of profitability in Q2

- Previous efficiency measures paying off
- High volumes in both core and critical care generating significant operational leverage

Q2 org. net sales

**-1.2%**

YTD org. net sales

**+2.6%**

# Western Europe

## Q2 2020

### Net sales grew 0.8%

- Strong net sales development in UK with double digit growth
- Growth held back by Central European markets, but gradual improvement towards end of Q2 as restrictions are lifted step by step
- Lower Patient Handling, Rental, Hygiene and Service sales due to limited access to customer facilities

### Restructuring activities continue to deliver according to plan

- Exceptional items of 18 MSEK in Q2, of which majority relates to ongoing efficiency program
- Program cost now expected to amount to approx. 70 MSEK, with high share of savings already in 2020 (50 MSEK on yearly basis)

Q2 Org. net sales

**+0.8%**

YTD Org. net sales

**+1.5%**

# Rest of the World

## Q2 2020

### 17% organic net sales growth in quarter

- Healthy growth in many markets such as Australia, South Africa & distributor markets in Eastern Europe
- Growth held back by extensive Covid-19 restrictions in many markets  
- India sees continued significant decline with total lockdown
- Good continued development of Medical beds

Q2 Org. net sales

**+17.0%**

YTD Org. net sales

**+7.6%**

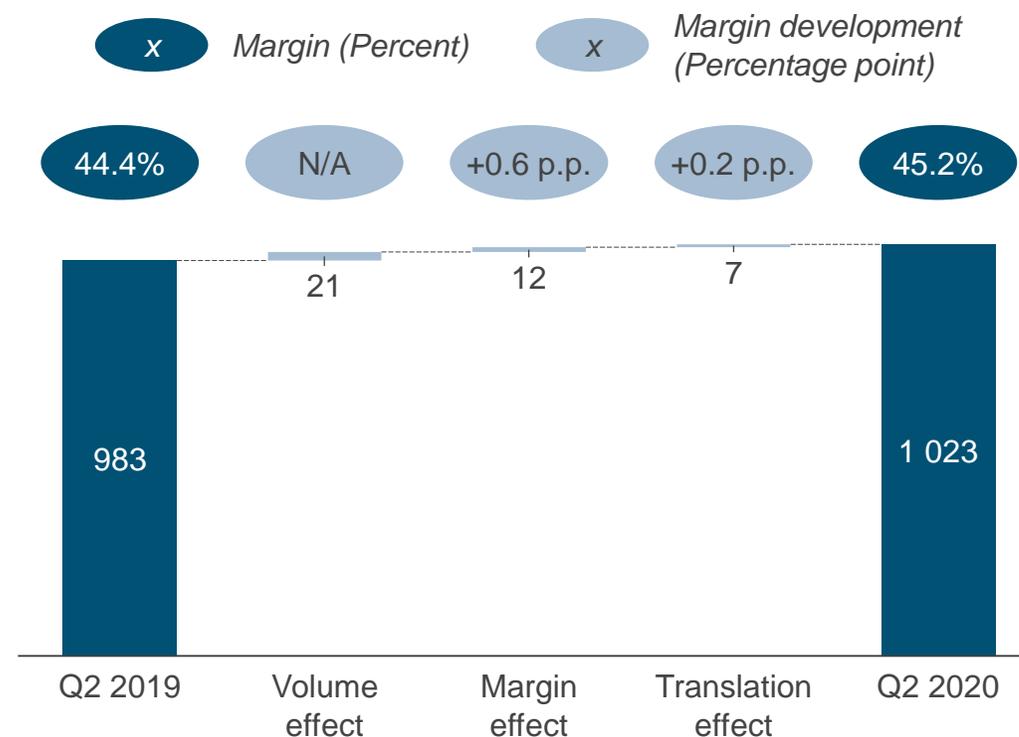
# Financials in detail

## Q2 gross profit

### Improved gross profit in quarter

- High volumes in US rental generating operational leverage along with previous efficiency measures paying off
- Increase in high spec medical beds and mattresses
- Lower demand for Patient Handling, Hygiene and DVT with negative impact on gross margin
- Efficient utilization of supply chain with good operational leverage
- Continued good cost control throughout value chain

Gross profit bridge – Q2 2020 vs. Q2 2019 (SEK M)

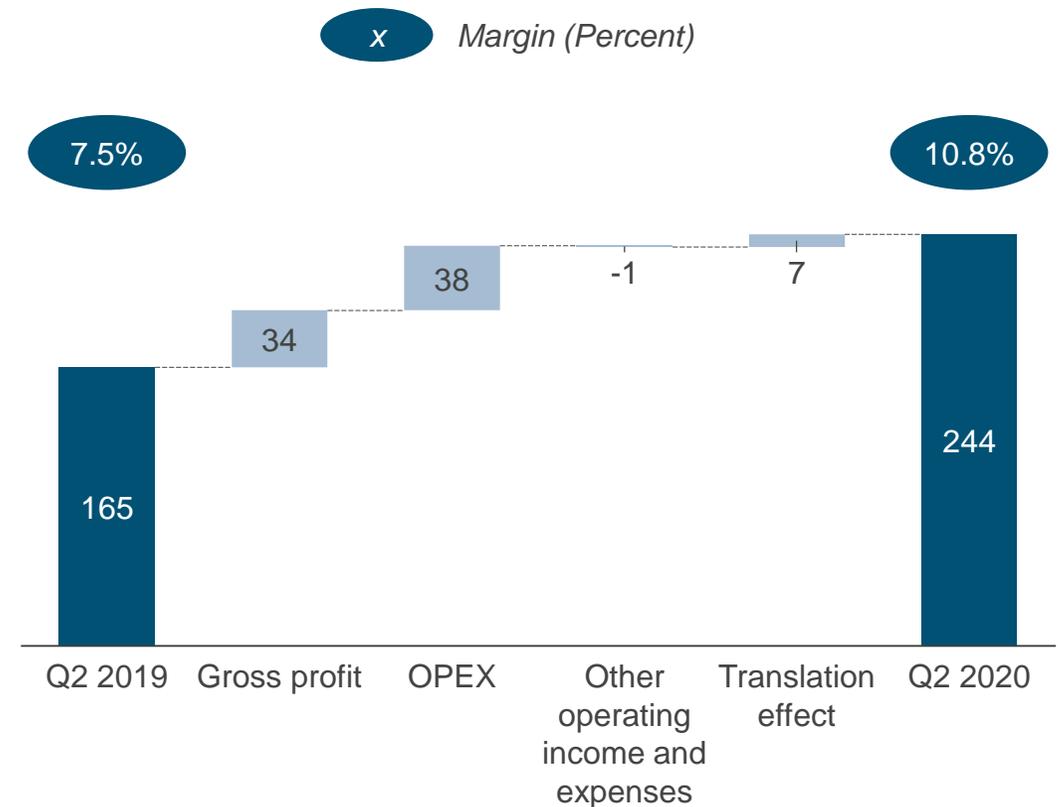


## Q2 Adjusted EBIT

### Significant improvement of 47.7% vs. last year

- Adjusted EBIT grew by 47.7% vs last year to 244 MSEK (165)
- Solid profitability within rental operations and good cost control throughout value chain

Adj. EBIT bridge – Q2 2020 vs. Q2 2019 (SEK M)

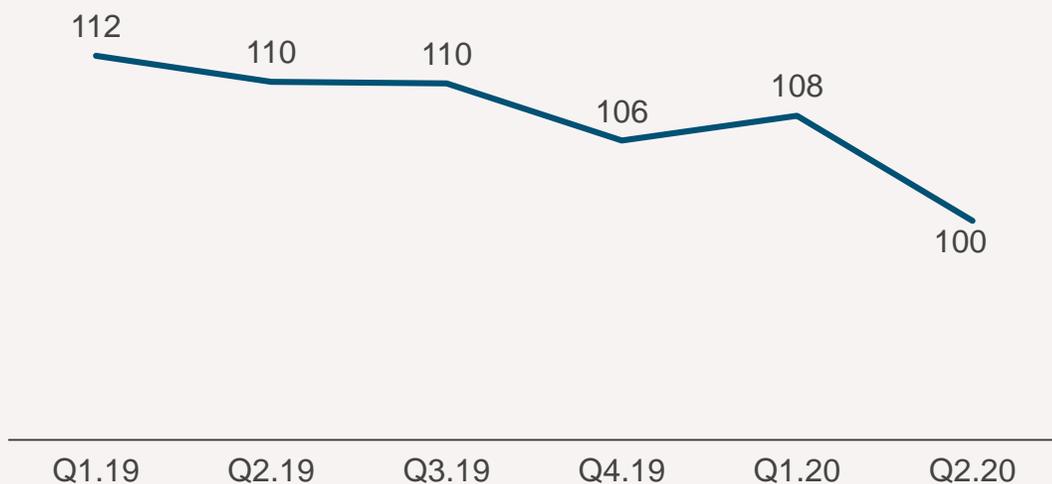


# Q2 Working capital and Operating cash flow

## Continued improvement in working capital

Working capital days – Q1.19-Q2.20

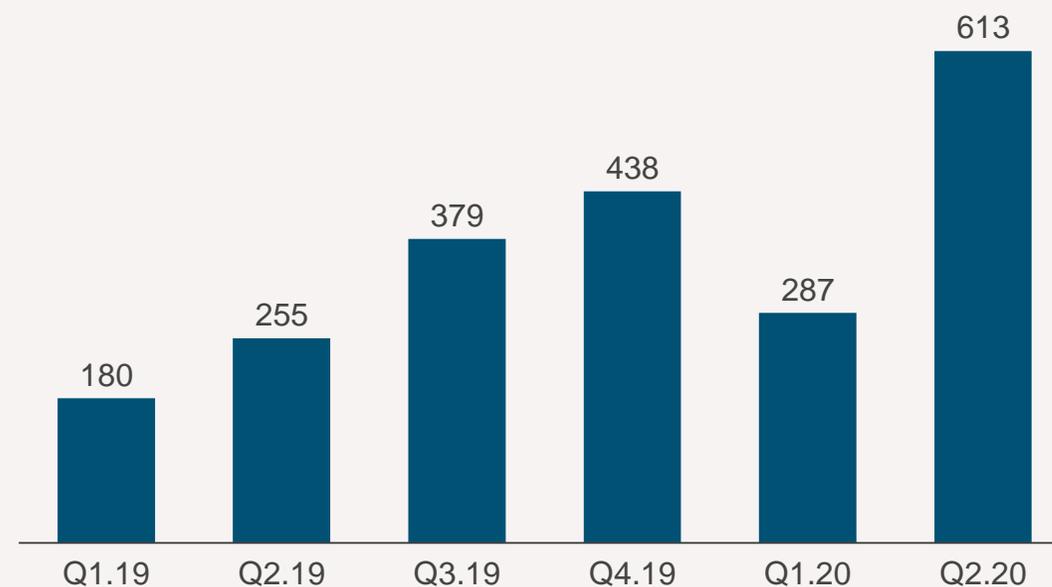
— Working capital days



## Operating cash flow at record high level

Operating cash flow – Q1.19-Q2.20

■ Operating cash flow (MSEK)

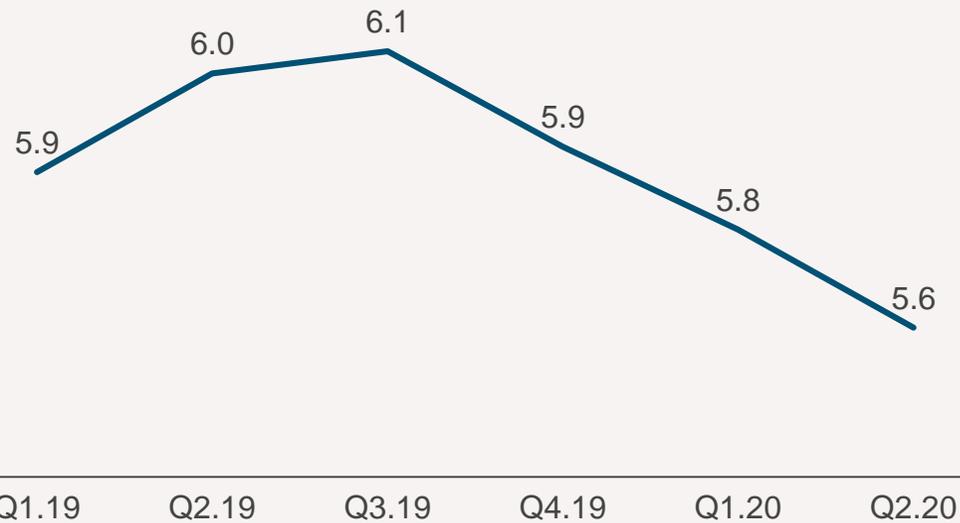


# Q2 Net debt and leverage

## Debt level decline continues

Net debt – Q1.19-Q2.20

— Net debt, incl. IFRS16 (BSEK)

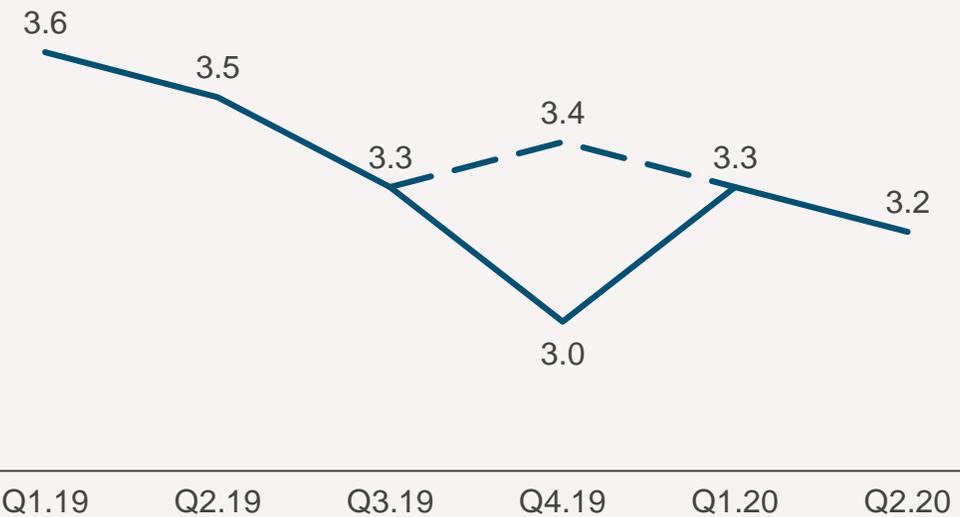


## Solid improvement in leverage

Leverage – Q1.19-Q2.20

— Net debt / Adj EBITDA, multiple (R12)

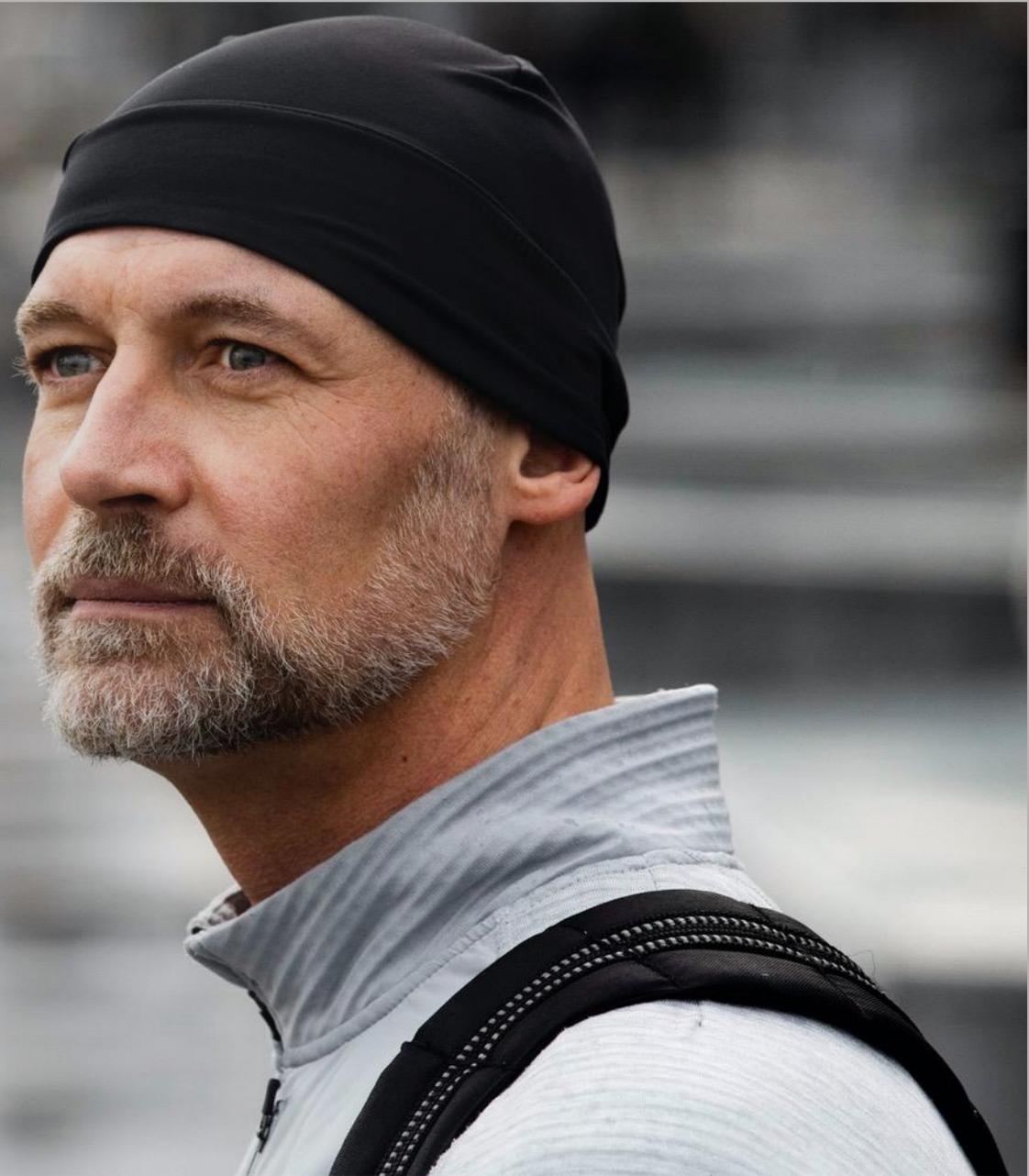
- - - Net debt / Adj EBITDA, multiple (R12), excl. IFRS16



# Key takeaways

## Key takeaways

- Strong Q2 with continued growth and significant profitability improvement
- US rental, Medical beds and Therapeutic mattresses main drivers
- GP improvement and adjusted EBIT up almost 50%
- Strong financial position
- Resumed outlook – org. net sales growth for Q3 and Q4, respectively, expected within 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.

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*with people in mind*