

A photograph of a healthcare worker in blue scrubs holding the hand of an elderly patient in a hospital bed. The worker is smiling and looking at the patient. The patient is wearing a patterned hospital gown and looking back at the worker. The background is a plain hospital room wall.

Arjo year-end report 2021

February 3, 2022

Joacim Lindoff, President & CEO

Daniel Fäldt, CFO

Agenda

1. Business update – FY 2021 & Q4

2. Financials in detail

3. Business highlights



4. Key takeaways

5. Q&A



Business Update

2021 – our strongest year so far

-  Global challenges very well navigated by organisation
-  Solid performance throughout the value chain
-  All financial targets met, with improvements on all parameters
-  Strong capital order backlog and positive momentum in service and rental going into 2022

Net sales grew organically by

3.5%



Gross margin increased to

46.4%



EBIT before restructuring up with almost

23.8%

in comparable currencies



Cash conversion

85.3%



Q4 2021 Highlights

Solid execution despite increasing Covid effects

- Continued high customer demand but growth held back
 - Strong development in Patient Handling and DVT
 - Supply chain disturbances with shipments moved into 2022
 - Significantly lower Critical Care rental sales in the US. Positive Core rental development in both US and Europe
- Continued gross margin improvement
 - Positive product mix with strong Patient Handling & DVT
 - Positive margin development in Core rental – efficiency gains very visible
 - Good cost control throughout value chain
- Solid management of challenges around raw material supply and logistics, but clear impact on gross profit
- Continued good cash conversion, accounts receivable very well managed
- Proposed dividend of 1,15 SEK per share – increase of 35% vs. last year
- Solid base for a good start to 2022

Net sales grew organically by

1.0%



Gross margin increased to

46.0%



EBIT before restructuring up with almost

3%

in comparable currencies



Cash conversion

123.0%



North America

Q4 2021

Continued positive momentum

- Solid development in the US with continued high demand in Patient Handling
- Continued DVT recovery in the US
- Significantly lower Critical Care rental effects on net sales and gross margin
- Continued healthy Core Rental development
- Strong development in Canada in quarter, double digit growth for FY

Gradual market normalization with high customer demand

- Higher activity level in both AC and LTC, with solid pipeline for 2022 and onwards
- Continued pipeline build-up for SEM scanner
- Core rental pipeline developing well

Q4 org. net sales

+2.9%

FY org. net sales

+4.9%

Western Europe

Q4 2021

Solid performance despite significant Covid-19 effects

- High demand continues
- Logistics challenges well managed
- Continued Covid-19 effects, restricted customer access, especially in Service
- Strong performance in France, Netherlands and Italy – UK in line with last year
- Rental continues to develop well – both net sales & profitability
- Healthy development in Patient Handling remains, supported by good order intake

SEM Scanner sensors now available via NHS largest framework

- SEM scanner single-use sensors awarded onto NHS Supply Chain framework
- Good launch momentum continues throughout region

Q4 org. net sales

+1.9%

FY org. net sales

+3.7%

Rest of the World

Q4 2021

Region impacted by Covid-19 restrictions and logistics challenges

- Significant Covid effects in a number of countries – well managed by organization
- Strong performance in Australia, Hong Kong, Singapore and India
- Slower development in distribution markets due to Covid lockdowns
- Logistics situation challenging but well managed – both from communication and price perspective

Solid foundation for long-term profitable growth

- Infrastructure build-up continues
- Significant growth possibilities also outside Medical Beds when Covid situation stabilises

Q4 org. net sales

-7.0%

FY org. net sales

-1.2%



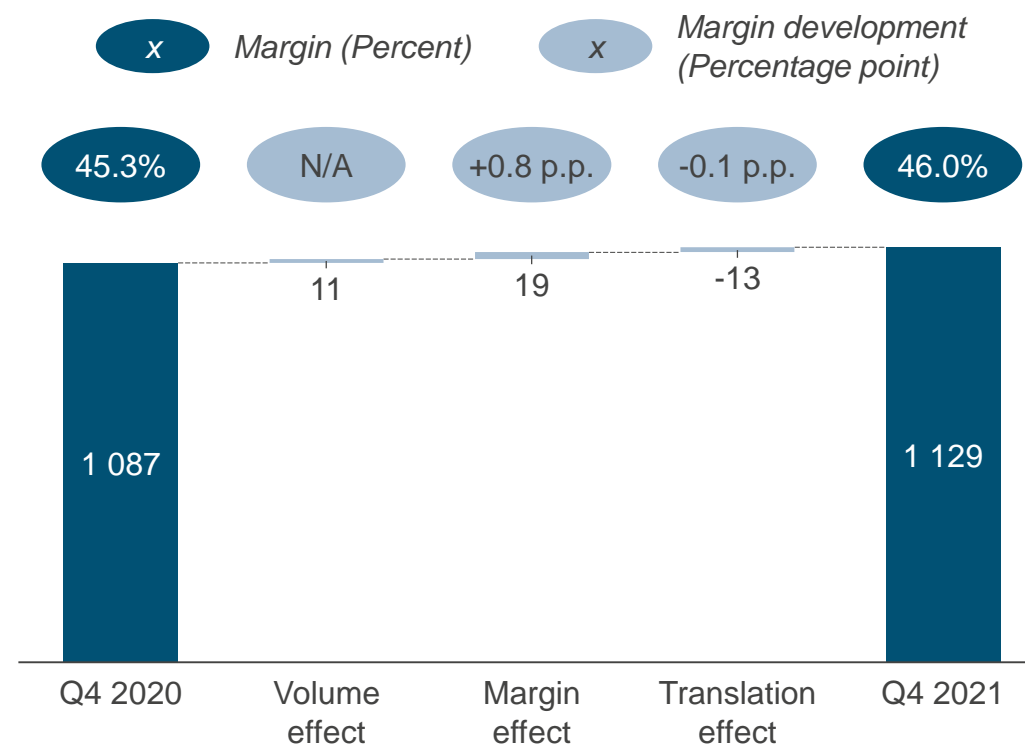
Financials in detail

Q4 gross profit

Improved gross margin

- Product mix driven by higher volumes in Patient Handling and DVT
- Significantly lower Critical Care rental volumes with negative gross margin effect
- Increasing cost pressure from logistics and raw material in quarter
- Solid management of global challenges related to transportation and supply constrains – mitigated by higher efficiency in production and rental, as well as price adjustments
- Long term efficiencies here to stay

Gross profit bridge – Q4 2021 vs. Q4 2020 (SEK M)

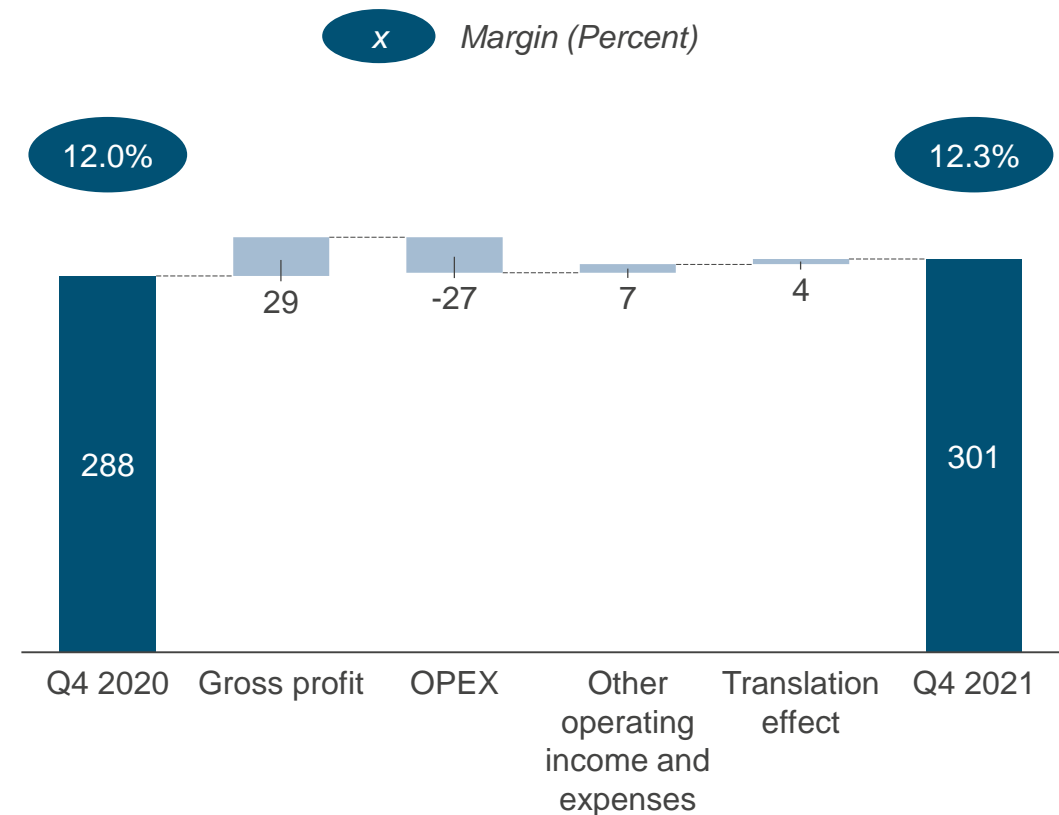


Q4 adjusted EBIT

Continued profit development

- Higher activity level in selling and marketing
- Admin costs under good control, with very low travel expenses
- Gross R&D at 2.7%, following plan
- Good cost control throughout value chain
- Neutral currency effects on EBIT
- Adjusted EBIT grew to 301 MSEK (288)
- Adjusted EBITDA margin in line with last year

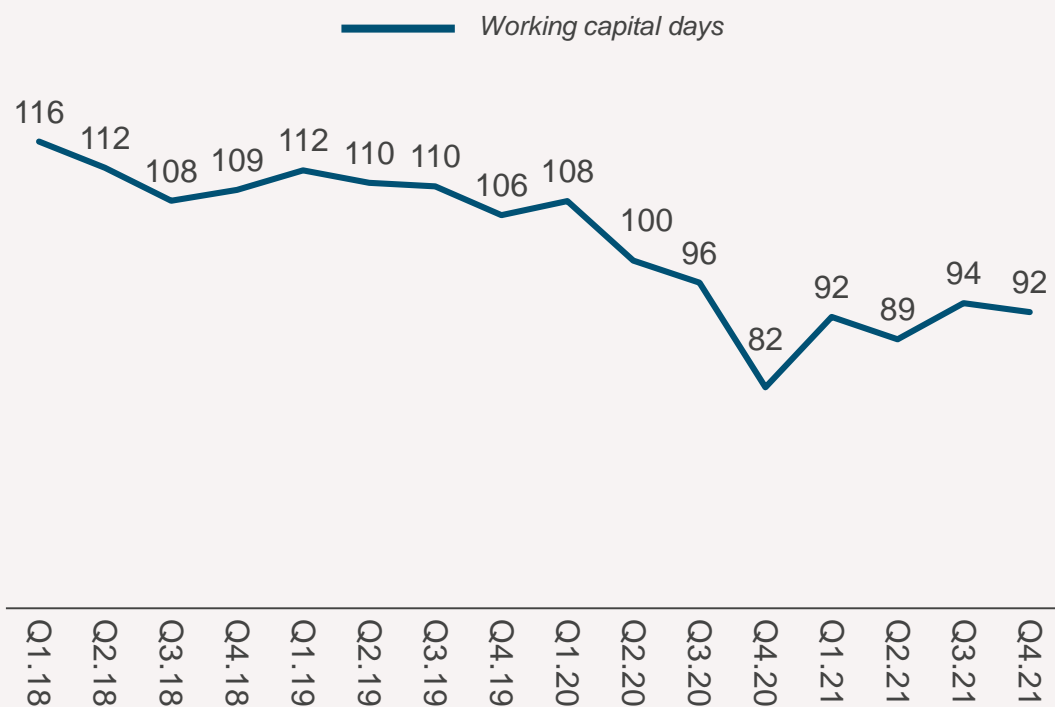
Adj. EBIT bridge – Q4 2021 vs. Q4 2020 (SEK M)



Q4 working capital and operating cash flow

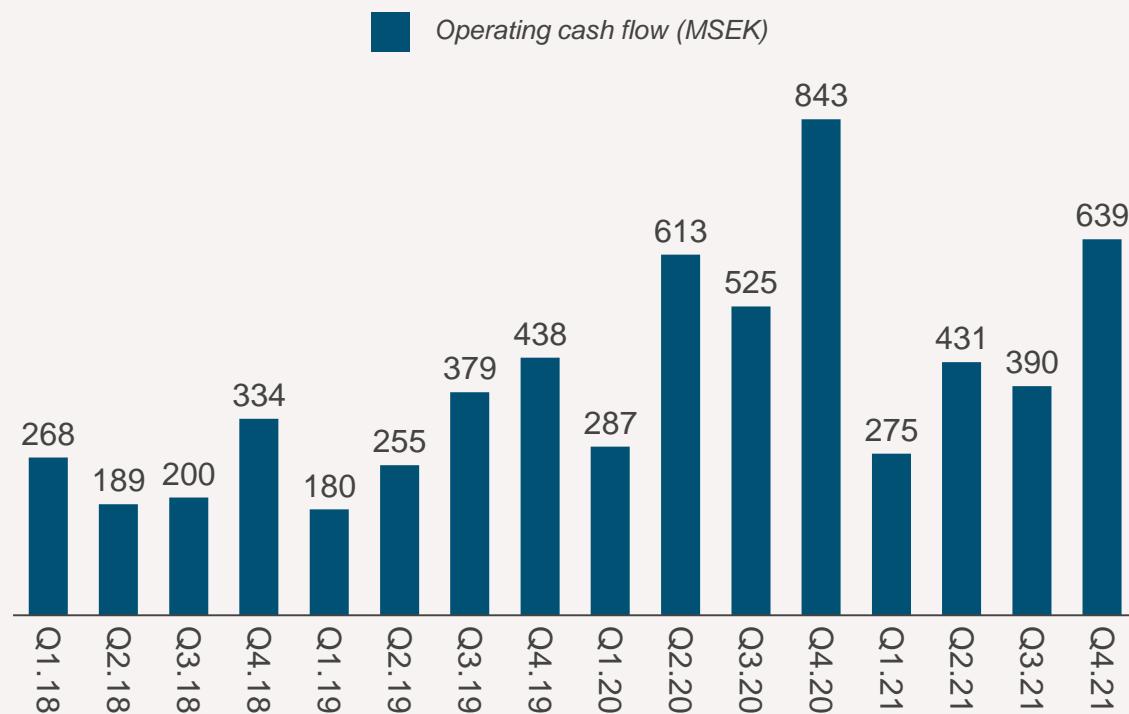
Solid working capital management continues

Working capital days – Q1.18-Q4.21



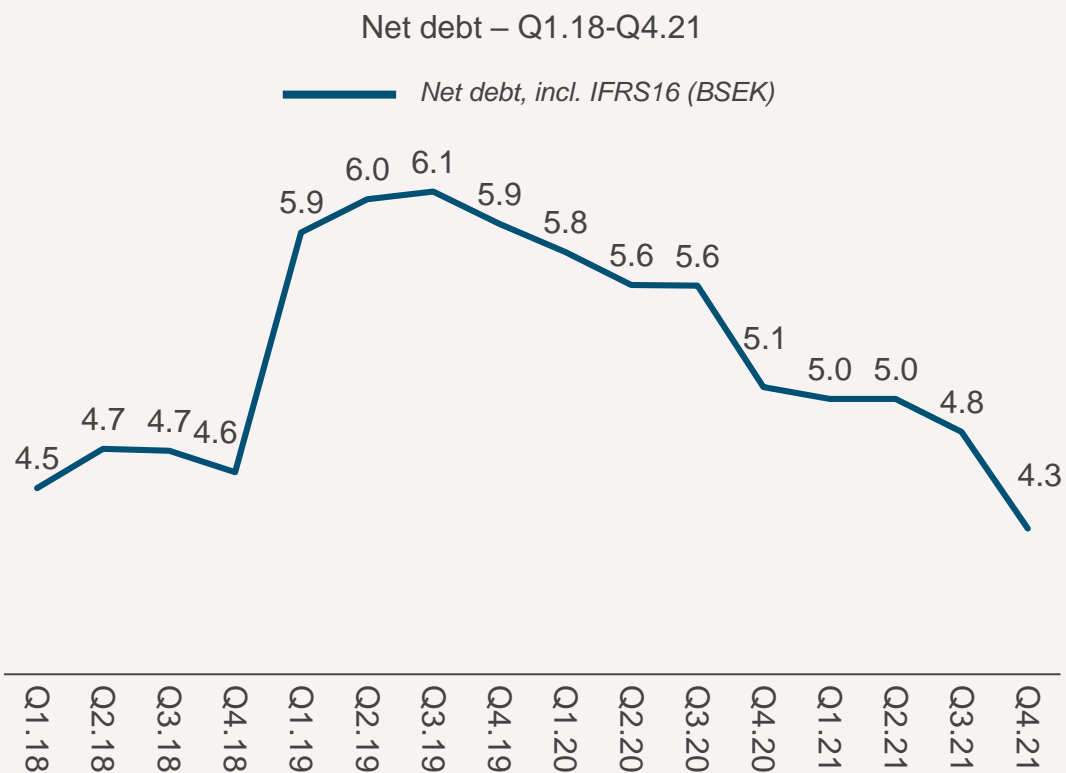
Strong Operating cash flow

Operating cash flow – Q1.18-Q4.21

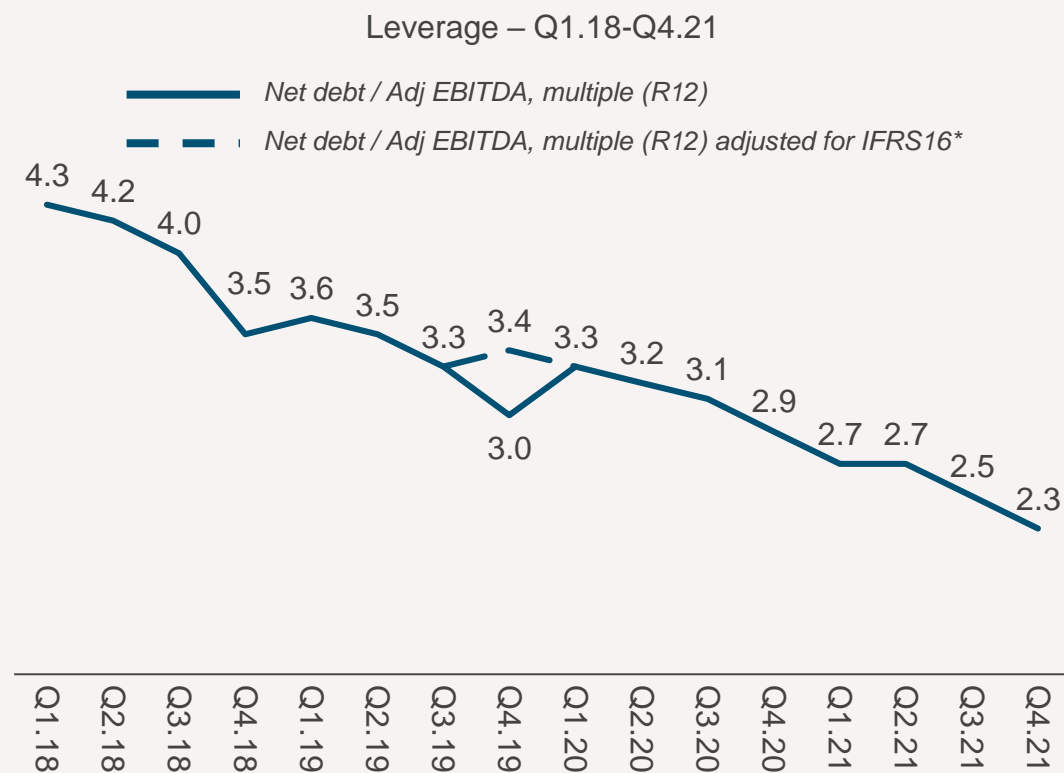


Q4 net debt and leverage

Debt level continues to decline over time



Consistent reduction in leverage continues



* IFRS16 effect excluded in Q4.19 value

Note: IFRS16 affects comparison of 2018 values with those of 2019 and 2020



Business Highlights

WoundExpress update

- Continued high interest
- Delays due to Covid effects
- RCT finalization delayed until end of Q3 2022 due to Covid significantly slowing recruitment
- Reimbursement in place in US ahead of schedule
 - US market activity ramp-up during 2022



Continued positive momentum in SEM scanner evaluations & outcome programs expansion

- Over 80 completed evaluations in 2021, with significant >50% reduction in pressure injuries
- Additional +200 evaluations ongoing or planned
- Conversion of positive pipeline slower than anticipated mainly due to Covid implications on staff and C-suite level
- SEM Scanner Single Use Sensors now on NHS Supply Chain framework, the largest framework provider to the NHS
- Second Pressure Injury Prevention outcome program signed in US

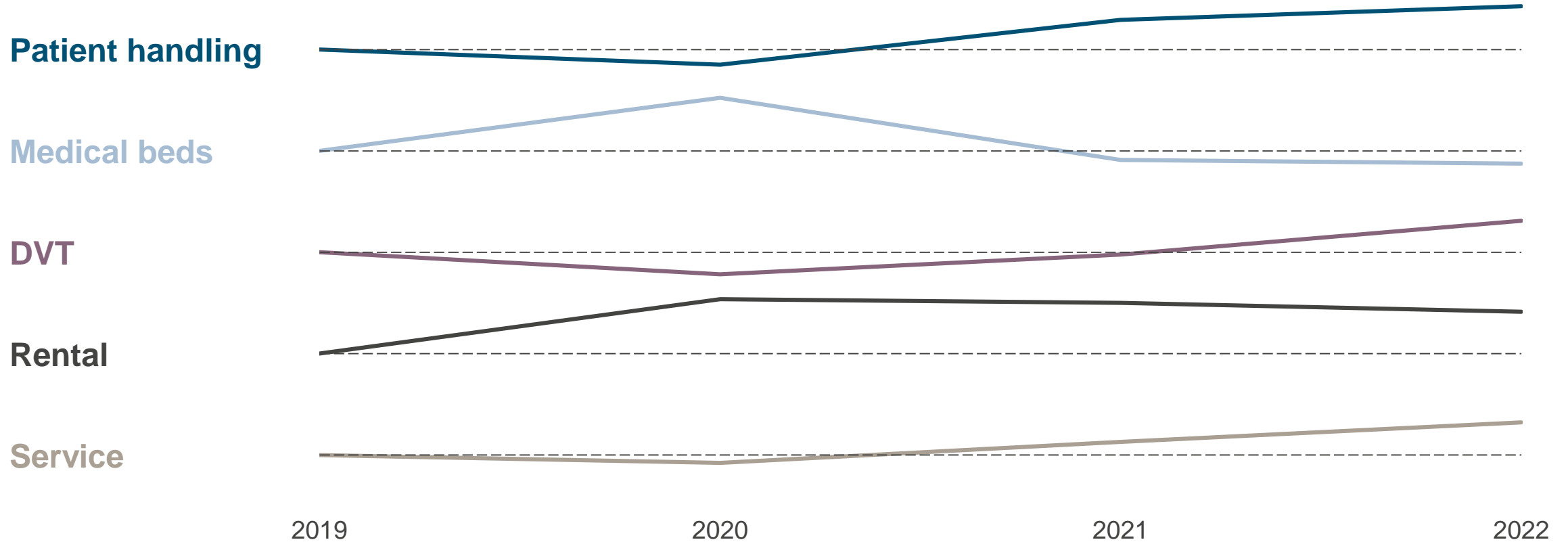
Outlook 2022

Organic net sales growth for 2022 is expected to be within the Group's target interval of 3-5%



2022 – Stabilization of long-term demand

Expected net sales trend versus 2019





Key takeaways

Key takeaways

- **2021 the strongest year so far for Arjo** – growth, profit improvement and a solid financial position
- **Solid execution of Q4** despite increased global supply chain challenges, long-term efficiency gains in place
- High customer demand and **strong capital order backlog** with positive momentum in service and rental going into 2022
- 2022 with a number of new product launches, further realization of internal efficiencies and continued implementation of the new strategy, incl. SEM scanner





Q&A

Financial calendar

Annual Report 2021

March 2022

Interim Report Jan-Mar 2022

April 22, 2022

Annual General Meeting 2022

April 22, 2022

Interim Report Jan-Jun 2022

July 14, 2022

Interim Report Jan-Sep 2022

October 28, 2022

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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with people in mind