

# Arjo Q2 2021

July 15, 2021

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# Agenda

**1. Business update**

**2. Financials in detail**

**3. Business highlights**

**4. Key takeaways**

**5. Q&A**



# **Business Update**

# Q2 2021 highlights

## Another strong quarter

- Solid net sales growth supported by positive order intake in especially Patient handling
- Strong core rental development in both US and Europe
- Recovery in Patient handling, Hygiene, Service & DVT
- Positive gross margin development and continued good cost control
- Strategy implementation on track - high activity level in SEM scanner launch and new research supporting WoundExpress
- M&A focus continues – activities and pipe line increases

Net sales grew organically by

**4,0%**



Gross margin increased to

**47,0%**



EBIT before restructuring up with almost

**13%**

in comparable currencies



Cash conversion

**85%**



# North America

## Q2 2021

### Solid order intake provides good momentum for rest of year

- Profitable growth trajectory continues in region
- Canada delivers strong performance with double digit growth
- Patient handling uptick in both US & Canada
- Significantly lower critical care rental in US offset by continued high demand for Core rental in both countries, good foundation for future growth

### Gradual market normalization

- Higher activity level in both AC and LTC
- Good increase in DVT – continued improvement expected in H2
- Good momentum in AirPal launch
- High interest in SEM scanner

Q2 org. net sales

**+1,7%**

YTD org. net sales

**+4,4%**

# Western Europe

## Q2 2021

### Strong development in Continental Europe

- High volumes in capital sales and rental in Continental Europe, growing 9,4%
- Strong performance in France, Germany, Netherlands and Austria
- UK strong performance versus strong comps, above 9% organic growth
- Order intake above expectations, especially within Patient handling
- Recovery within Service and positive trend expected for remainder of year

### Intensified lead generation activity

- High lead generation across the region
- Uptick in Patient handling and Rental
- Roll-out of new SEM scanner well on track
- Restructuring efforts continue in line with plans

Q2 org. net sales

**+9,3%**

YTD org. net sales

**+5,0%**

# Rest of the world

## Q2 2021

### Decline vs. very strong comparative quarter

- Significantly lower Medical beds volumes in region in quarter
- Back to more normal business, while Q2 2020 positively impacted by major projects
- Still significant Covid effects in quarter – well managed
- Positive development in Australia and SEAPAC – supported by solid order intake

### Solid foundation for future growth

- Investments in new distributor networks and own sales structures proves successful
- Positive indications from several emerging markets
- Year over year growth since 2019 well on track

Q2 org. net sales

**-4,8%**

YTD org. net sales

**-0,2%**



# **Financials in detail**

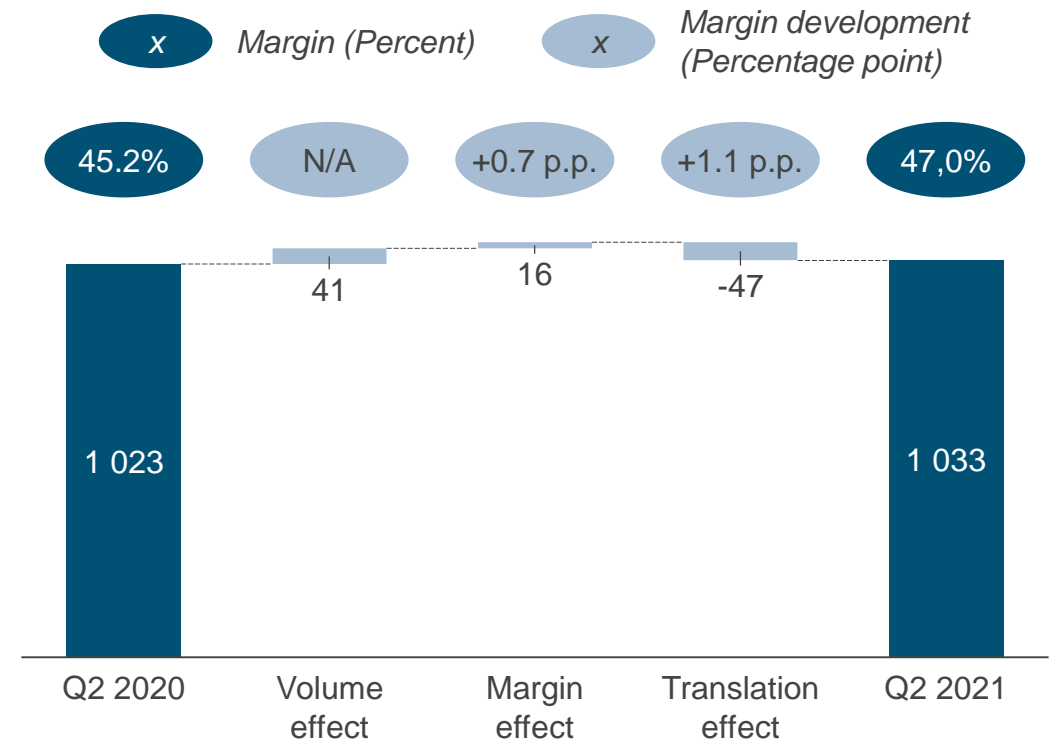


## Q2 gross profit

### Positive gross margin development continues

- Favourable product mix effect from higher volumes in Patient handling and DVT
- Previous efficiency programs in US and Europe generating better than expected results
- Solid management of global challenges related to transportation and supply constrains
- Negative cost pressure mitigated by higher efficiency in supply chain and early effects of initiated price adjustments

Gross profit bridge – Q2 2021 vs. Q2 2020 (SEK M)

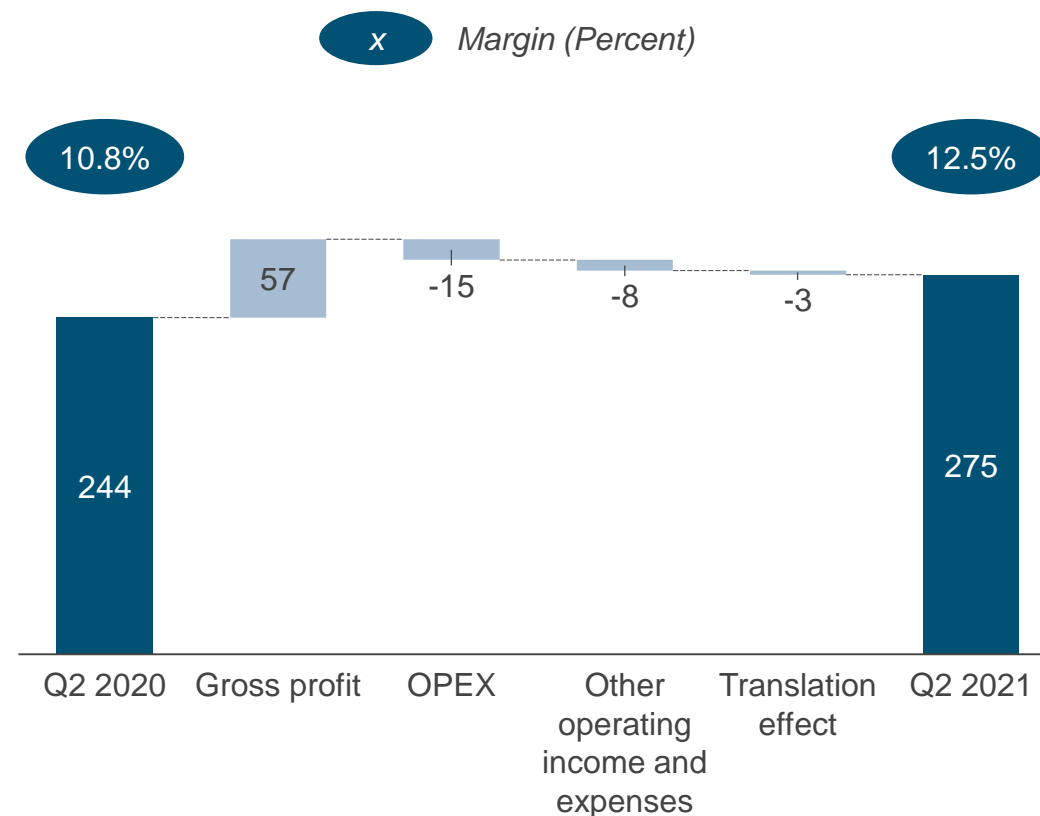


## Q2 adjusted EBIT

### Margin improvement continues

- OPEX decrease relative to net sales – positive trend continues
- Good cost control throughout value chain
- Negative translation (-3 M) effect on adjusted EBIT
- Minority positions impacting Other Income with -5 M
- Adjusted EBIT grew by 12,8% to 275 MSEK (244)
- Adjusted EBITDA margin grew from 21,6% to 23,3%

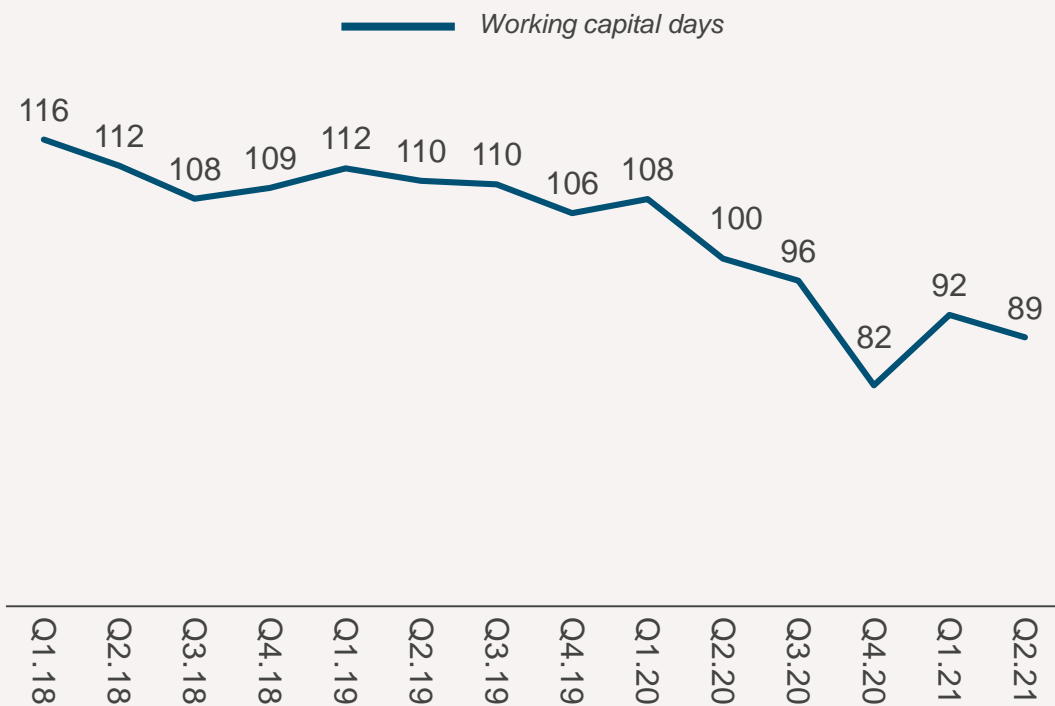
Adj. EBIT bridge – Q2 2021 vs. Q2 2020 (SEK M)



# Q2 working capital and operating cash flow

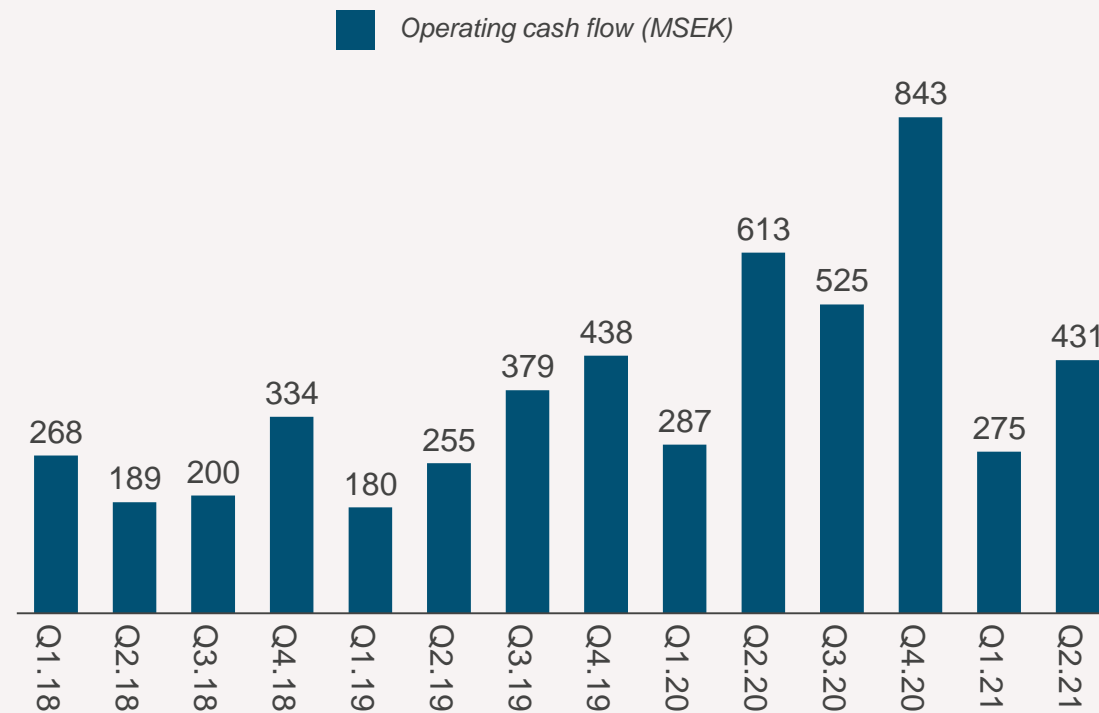
## Resumed WC days improvement trend

Working capital days – Q1.18-Q2.21



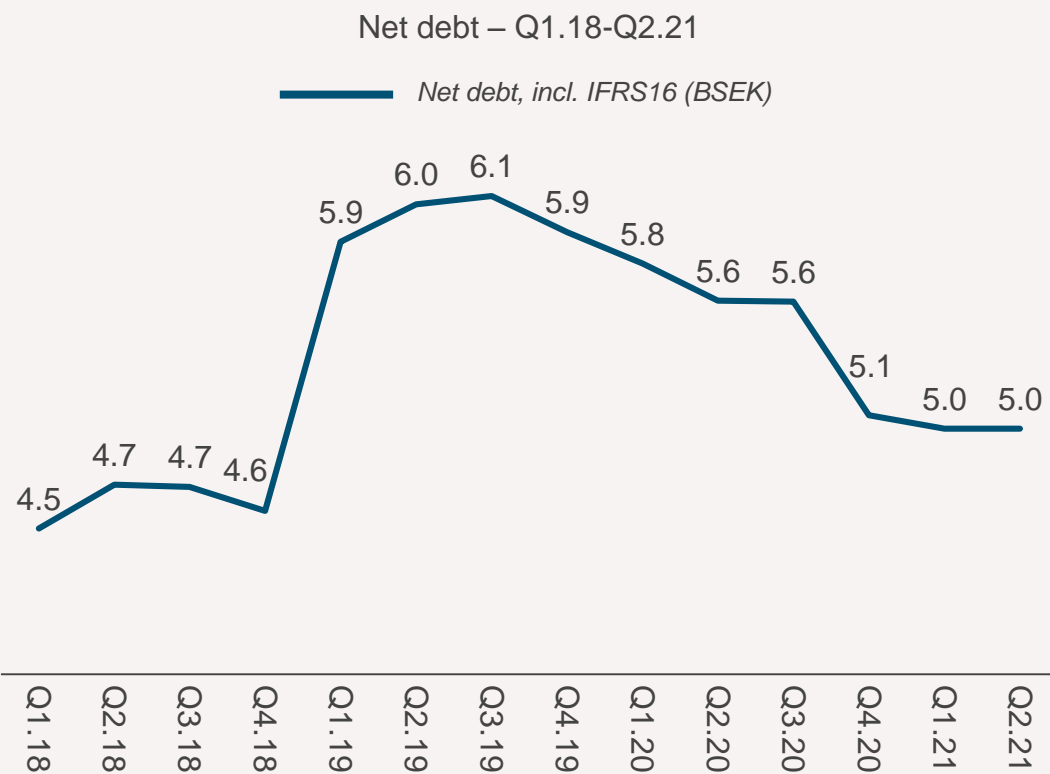
## Strong Operating cash flow

Operating cash flow – Q1.18-Q2.21

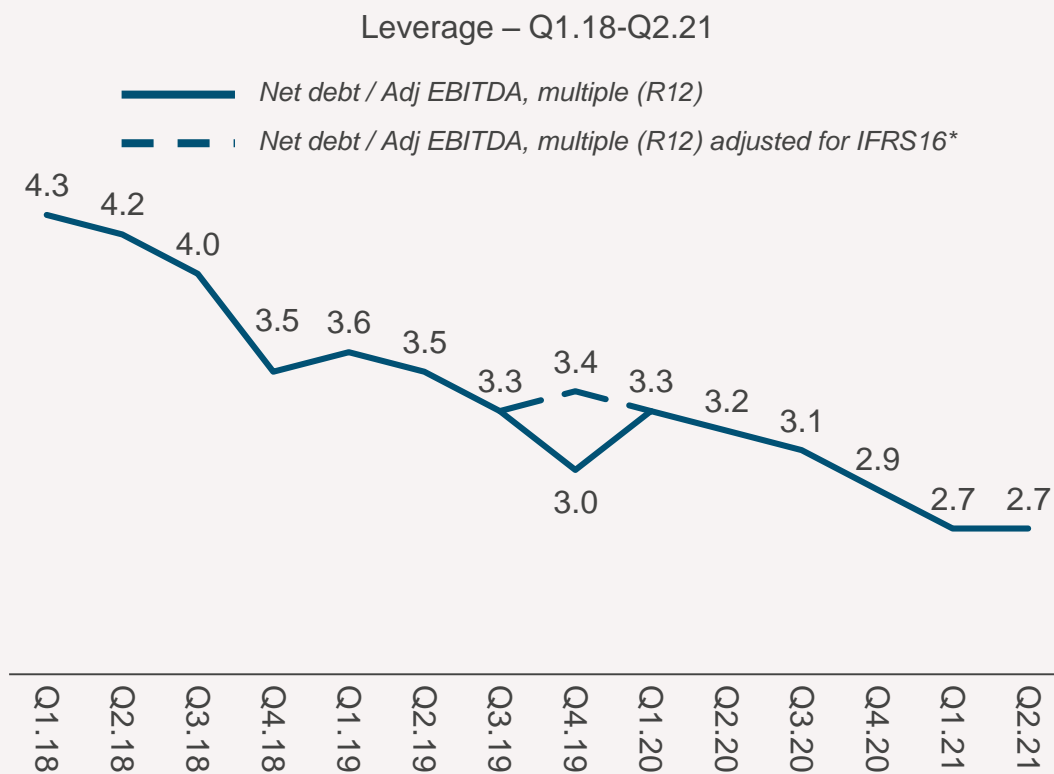


# Q2 net debt and leverage

## Debt level continues to decline over time



## Solid improvement in leverage set to continue



\* IFRS16 effect excluded in Q4.19 value

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



# **Business Highlights**



# SEM scanner generating positive response

- Efficient market introduction in key markets like US and UK
- Currently more than 150 evaluations planned or completed by healthcare systems across a range of clinical areas



# Clear health-economic arguments for including WoundExpress in standard care in the UK

- Increases probability of wound healing by 58%
- WoundExpress proven a cost-effective solution
- Market expansion according to plan
  - FDA approval work ongoing
  - RCT finalization expected Q1 2022 – depending on Covid-19 development

A child with curly hair, wearing a blue and white long-sleeved shirt and khaki shorts, is walking away from the camera on a wet beach. A small white dog with brown spots is walking ahead of the child. The beach is wet, reflecting the child and the dog. The ocean is in the background with gentle waves. The sky is a soft, hazy blue, suggesting sunset or sunrise. The overall mood is peaceful and serene.

# Outlook 2021

Organic net sales growth for 2021 is expected to be within the Group's 3-5% target interval.





# **Key takeaways**

# Key takeaways

- Strong development in Q2 with positive signals for full year
- Activity level continues to increase, with clear recovery in Patient Handling, Hygiene, Service & DVT
- Successful launch of SEM scanner continues
- New strategy implementation according to plan - supported by inorganic agenda, several upcoming product launches and further market expansion within wound care





# Q&A

## Financial calendar

Interim report, Jan-Sep 2021

October 28, 2021

Year-end report, 2021

February 3, 2022

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## 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*