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Arjo

Q2 2026

Speakers

Operator

Andréas Elgaard
President and CEO | Arjo

Christofer Carlsson
CFO | Arjo

Kristofer Liljeberg
Analyst | Carnegie

Sten Gustafsson
Analyst | ABG Sundal Collier

Filip Wetterqvist
Analyst | SB1 Markets

Mattias Vadsten
Analyst | SEB

Ludwig Germunder
Analyst | Handelsbanken

Prepared Remarks

Operator

Welcome to the Arjo Q2 presentation for 2026. During the questions and answers session, participants are able to ask questions by dialing pound key five on their telephone keypad. I will hand the conference over to President and CEO, Andréas Elgaard, and CFO, Christofer Carlsson. Please go ahead.

Andréas Elgaard
President and CEO | Arjo

Hello, everybody. First of all, thanks for taking time off from your, hopefully, good start to the summer. Today, we are going to present the Q2 report. I would like to begin by just going through some basic information about Arjo. Those who are new to the call or new to following us get a better grip on what we do. We really are purpose-driven. We have an organization that is really inspired by the purpose of helping patients when they need it the most, to protect their dignity, their integrity, and also to help caregivers do their very important job. We are experts in improving mobility, mainly in acute care and long-term care settings. A little bit also in home care, but mainly in acute care and long-term care.

Andréas Elgaard
President and CEO | Arjo

Everything from patient handling, hygiene and wellness, medical beds, pressure injury prevention, VTE prevention, diagnostics, and disinfection. We were founded in 1957 in Eslöv by Arne Johansson, and that's where the name Arjo comes from. We had in 2025, SEK 11 billion in turnover, and we have approximately 7,000 employees globally. Our sales arms reach more than 100 countries around the world. A summary of the Q2 report. Really happy about the growth. Very solid organic growth of 4.7%. Still pressure on the margin. This comes from cost increases. It also comes from some price pressure in certain segments of the market. All in all, we believe that the quarter was good. Global sales was really leading the way, we'll come back into that on the next slide. What is important to highlight is that there is an increasing demand for our sustainable solutions.

Andréas Elgaard
President and CEO | Arjo

Today, this quarter, ReNu had their all-time high sales. ReNu is our business of taking disposables, cleaning them in a safe way, and being able to use them again and not dispose of them. We have a very slight EBIT improvement. This is despite the pressure on the margin, this is mainly due to us being able to get some of the tariffs back this quarter. We also have a positive development of the cash flow this month, and we have an improved cash conversion. Not really according to our goals, improvements from last year. I will continue. Maybe I can shout out this, that we have also made our strategy. I will mention that towards the end as well.

Andréas Elgaard
President and CEO | Arjo

As a summary, we inform in the Q2 report that we see clear potential to improve Arjo's value generation, and we are going to share all about that in more specific numbers and terms in the Capital Markets Day on September 24th. Just to shout out that North America, they continue to grow. U.S. was leading there. Canada was slightly behind last year. Canada also came from really high numbers last year, as did also U.S. Both countries in North America really had very tough numbers to beat. We're happy that they managed to grow. Global sales with Western Europe and the rest of the world grew by an impressive 7%. Western Europe were on 6%, and it was really nice to see U.K. being back to growth. By that, I hand over to Christofer Carlsson to go into the financial performance.

Christofer Carlsson
CFO | Arjo

Thank you, Andréas. As Andréas stated, we had a solid growth in the quarter. Our gross margin came in somewhat lower than last year. Looking at the drivers. During the quarter, we experienced unfavorable sales mix driven by strong growth in global sales and relative lower growth in North America. Increased transportation cost and cost of materials pressured the margins in all categories. Part of the increased transportation cost is an implementation of a new transportation management system, where initial implementation challenges resulted in approximately SEK 10 million of one-time transportation cost during the quarter. This will be fading out during the third quarter. Group rental margin declined in the quarter, primarily due to weaker profitability in the U.S. rental business. During the quarter, we received an initial reimbursement of SEK 22 million related to U.S. tariffs.

Christofer Carlsson
CFO | Arjo

In addition, a further SEK 1 million is currently being processed, with the majority expected to be reimbursed during the third quarter. The reimbursement is recognized as a reduction in cost of goods sold. Excluding the reimbursement, U.S. tariff costs were at SEK 12 million lower than in corresponding quarter last year. FX had a minor negative impact on gross margin. In absolute terms, gross profit was negatively affected by SEK 23 million year-over-year. Nevertheless, this represents a significant improvement compared with the previous quarter. Gross margin was impacted by a number of factors during the quarter, as you will see on the next slide, disciplined cost control helped offset part of that pressure. Let's move to adjusted EBIT. Next slide, please. As you can see, adjusted EBIT for the second quarter amounted to SEK 211 million, compared to SEK 208 million in Q2 last year.

Christofer Carlsson
CFO | Arjo

Despite continued inflationary pressure, underlying profitability was broadly in line with last year when adjusting for one-off effects and FX. One of the drivers was continued improvement in operating expense efficiency. The OpEx to sales ratio decreased by 1% year-over-year to 34.6%, compared to 35.5% last year. Organic OpEx growth was 1.9%, which is lower than the increase reported in the first quarter. The total effects had a negative impact of SEK 12 million on adjusted EBIT during the quarter. Moving on to the adjusted EBITDA, which amounted to SEK 482 million, compared to SEK 475 million last year. The adjusted EBITDA margin was 17.5%, broadly in line with last year. The EBIT margin improved to 7.6%, compared with 6.5% last year. The improvement was supported by lower restructuring costs, which amounted to zero in the quarter, compared with SEK 34 million in Q2 last year.

Christofer Carlsson
CFO | Arjo

Turning from profitability to cash generation, let's look at our working capital and operating cash flow development in the quarter. Next slide please. Operating cash flow improved during the quarter and amounted to SEK 257 million, an increase of SEK 52 million compared with the same period last year. The improvement was driven primarily by stronger operating profit, partly offset by less favorable development in working capital. Working capital changed by SEK -122 million, compared with SEK -87 million last year. Following a relative soft start to the quarter and a very strong June, a large share of the receivable remained outstanding at the quarter end. The increase in inventory is mainly related to finished goods transit intended to support sales during the second half of the year. Working capital days increased to 87, compared with 83 days in Q2 last year.

Christofer Carlsson
CFO | Arjo

Cash conversion improved to 53.3%, compared with 46.6% in the corresponding period last year. For reference, cash flow from investing activities was SEK -194 million, compared to SEK -171 million in Q2 2025. The number includes an acquisition of a service business in Australia amounting to SEK 30 million. Cash flow remained solid during the quarter. With that context, let's move on to the net debt and leverage. Next slide please. The increase in net debt during the quarter was primarily driven by the annual dividend payment of SEK 259 million and higher investment levels. Net financial items amounted to SEK -40 million, compared with SEK -48 million in Q2 last year. The improvement was mainly driven by lower interest expense. As is typical in the second quarter, following the annual dividend payment, net debt to adjusted EBITDA increased and ended the quarter at 2.4x.

Christofer Carlsson
CFO | Arjo

Our equity ratio stood at 49.5%, slightly down from 49.8% at year-end 2025. To summarize, we delivered stable profitability, improved cash generation, and maintained a solid balance sheet. With that, I will hand it over to Andréas.

Andréas Elgaard
President and CEO | Arjo

Thanks, Christofer. My voice is breaking up a little bit, but I hope it will be okay for those listening in. I'm happy to announce, as we wrote in the report, that we have appointed five regional leaders to join the management team and report to me. This is something that will help us to really strengthen the voice of the customer in all group decision-making. It's also something that will help us to improve product development. It will help us to drive a common agenda and efficiency across the group. All of these regional managers are already part of Arjo, and they lead some of our biggest markets today, but now I'm happy that they have accepted to step up and lead a region then.

Andréas Elgaard
President and CEO | Arjo

I want to just make a small advertisement for our Capital Markets Day that will take place in Stockholm on September 24th. At that meeting, we're going to share our strategy, what it consists of, the direction Arjo is intending to take the next few years. We're also going to validate and put concrete numbers on what shareholders can expect from Arjo in the coming years, the value creation behind and the timing of it. This is something for everybody to look forward to. We have a strategy approved by the Board. We have activated approximately 90 leaders around this. We are now then calculating the effects and the timing of the strategy. I'm really looking forward to share all of that with you in September.

Q&A

Operator

If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Kristofer Liljeberg from Carnegie. Please go ahead.

Kristofer Liljeberg
Analyst | Carnegie

Yeah. Hi. Two questions. First, could you maybe talk a little bit about how you view the underlying demand situation in North America and globally? I would like to dig in a little bit more into the reason here for the margin pressure, or the gross margin pressure, despite strong organic sales growth. Is it possible maybe to split the impact you see here from the negative mix and the underlying transportation and purchasing cost? Also, how do you view the potential to offset this more near term? Thank you.

Andréas Elgaard
President and CEO | Arjo

Okay. Christofer, would you like to take that?

Christofer Carlsson
CFO | Arjo

Yes. When it comes to underlying demand, we see a strong demand in North America. The growth in the quarter is, of course, a little bit held back due to strong comparison numbers. We know that we have a strong pipeline for the second half there. Also in the global sales market and European markets and rest of the world market, we also see a good demand and healthy demand in the markets. When it comes to margin pressure, yes, there is an unfavorable mix due to both from a product and country mix, so to say. We have the medical beds increase is part of the growth, especially in Europe and U.K. We also have a weight against the products group in rest of the world and in Europe that is lower margin compared to what we have in the North America countries.

Christofer Carlsson
CFO | Arjo

When North America is not growing so fast, their share of the total is then declining, and that have an effect. We also have some kind of installation projects in Europe that is typically lower margin for the first time, then that will drive consumable and service business going forward. That is also part of the product mix explanation.

Kristofer Liljeberg
Analyst | Carnegie

Could I ask, would you say that this mix effect is a bigger impact in the quarter than higher material cost and higher transportation cost?

Christofer Carlsson
CFO | Arjo

I would say transportation cost is actually higher.

Kristofer Liljeberg
Analyst | Carnegie

Okay. Thank you.

Operator

The next question comes from Sten Gustafsson from ABG Sundal Collier. Please go ahead.

Sten Gustafsson
Analyst | ABG Sundal Collier

Yes. Good morning. Would like to follow up there on Christofer's question on the gross margin. Could you potentially share with us how much of sales is related to transportation cost? That would be my first question. Also, if you look on a country-by-country basis, do you see any pressure on the gross margin in any market? Is this purely mix? That would be my second question.

Andréas Elgaard
President and CEO | Arjo

The price pressure, there has been for quite some time, we've reported on this, that in the DVT business, there has been a clear price pressure that is eroding our margins. We don't think that is going to jump back. That's the market situation. Then, Christofer, I'm not sure if we have a number on the total transport cost.

Christofer Carlsson
CFO | Arjo

No, we have to get back on that one.

Andréas Elgaard
President and CEO | Arjo

Yep.

Sten Gustafsson
Analyst | ABG Sundal Collier

Yeah, I understand the DVT business, but is that still eroding? My question was more like, if you look at the U.S., for example, would you say that the underlying margin is under pressure, or is it flattish?

Andréas Elgaard
President and CEO | Arjo

Right now, we believe it's, yeah, depending on the mix, it plays a big role, but we don't see eroding margin more than the price pressure in certain segments. If I say it like that, Christofer, can we add any flavor to that, or?

Christofer Carlsson
CFO | Arjo

No, of course, it depends a little bit what product categories we are talking about. We have a healthy development in certain categories, and for some other, there are more pressure. As I mentioned also, that the rental business in the U.S. is under pressure from a profitability standpoint.

Sten Gustafsson
Analyst | ABG Sundal Collier

Okay, thanks. If I may squeeze in a last question here, it's related to Canada. If maybe you could remind me about how the comps will look like in the second half. I believe they become easier. Is that correct?

Christofer Carlsson
CFO | Arjo

Yes. They were a little bit soft the second half. Still growth. I can come back with the exact numbers there. They had a tremendous first half last year.

Sten Gustafsson
Analyst | ABG Sundal Collier

Okay, thank you.

Operator

The next question comes from Filip Wetterqvist from SB1 Markets. Please go ahead.

Filip Wetterqvist
Analyst | SB1 Markets

Good morning, guys. Just one follow-up on the gross margin and transportation cost. Given that the oil prices have come down slightly, in Q3 compared to Q2, should we then expect some positive effect quarter-over-quarter on transportation cost? Or how long does it take before these swings impact the P&L?

Andréas Elgaard
President and CEO | Arjo

We usually don't forecast anything, and right now, I think it's hard to say that the oil price is coming down in the quarter. There are attacks on Iran going on as we speak. Of course, if the oil price is going down and it hits the pumps, our transport cost will also go down. We will not do any forecast on that at this moment.

Filip Wetterqvist
Analyst | SB1 Markets

Yeah. You don't have hedged any freight cost or so. It affects you directly if the oil price jumps or goes down, so to say.

Andréas Elgaard
President and CEO | Arjo

It depends. It depends on how we go forward and, of course, we try to resist all increases, as much as we can. It's not everything that we can resist, and of course, when the oil price is going down, then of course, we want to be able to capitalize on that. Christofer, do you have any more details on this?

Christofer Carlsson
CFO | Arjo

No. There's no major program in terms of hedging transportation costs. This is also just to understand the whole value chain. It's not only the global, big transportation from our factories to sales units. It's also a lot of our rental business and service businesses with trucks going back and forth between customers and our rental and service depots. They also driving quite a lot of the fuel cost, for instance.

Filip Wetterqvist
Analyst | SB1 Markets

Yeah. My second question, you mentioned that June was very strong. What drove that? Was it one particularly strong order, or was it just in general a good momentum across the board?

Andréas Elgaard
President and CEO | Arjo

It was a fantastic month, and I must say, now I'm six months into the job here at Arjo, and it's always there is a pattern of having strong last months in the quarter, so very nerve-wracking. It was really a fantastic month, I must say. That's the background. Our order intake is also positive, when we look forward.

Filip Wetterqvist
Analyst | SB1 Markets

Thank you. That was all for me.

Operator

The next question comes from Mattias Vadsten from SEB. Please go ahead.

Mattias Vadsten
Analyst | SEB

Hello, good morning. I have three questions. I will take them one by one. First one, I think the wording in the report suggests improving conditions in the U.K. It's good comment if this is underlying or more of a timing effect. Maybe you can just describe the situation in the U.K. right now based on your experiences.

Andréas Elgaard
President and CEO | Arjo

Yeah. U.K., we are really happy that we saw growth in the quarter because we've had a very troublesome time and not just, Arjo. Many companies have issues with the business in U.K. For us, we're really happy. It's too early to say if this is a trend or not, but it's really positive signs. We believe that there is no particular change in U.K., I would say, politically or in the healthcare system. NHS is really struggling and needs to do a lot of transformation. I would say that it's more our focus that helped us to come back to growth. The market has not changed. That's how I would express it.

Mattias Vadsten
Analyst | SEB

Would you say the recovery was across most categories of Arjo, or was it some specific items or product categories that show the improvement?

Andréas Elgaard
President and CEO | Arjo

I don't have that level of detail in front of me right now for U.K. Christofer, do you have that?

Christofer Carlsson
CFO | Arjo

It's primarily driven with medical beds. That is one category in U.K. that is increasing.

Mattias Vadsten
Analyst | SEB

Okay, that's perfect. Next question. The organic OpEx increase you saw here in Q2, I think pretty good cost control. Would you say this is likely a good proxy also for the second half of the year? Or would you say we should keep any specific drivers in mind here for the second half? That's the next question.

Andréas Elgaard
President and CEO | Arjo

We keep a very sharp eye on our costs and that's also something we will come back to, with further detail in the Capital Markets Day, because it is really clear that we need to drive value generation, both in terms of growth and additional business, but also then to be efficient in our costs and look at cost out. That we'll come back to in September.

Mattias Vadsten
Analyst | SEB

Okay, perfect. The last one, higher cost related to the transportation management system implementation challenges that you mentioned in the presentation. Are those costs, would they remain at some magnitude going forward or are they fully taken care of?

Andréas Elgaard
President and CEO | Arjo

Our belief is that the majority of the problems we have seen, we are still not entirely happy with how the system is working. We're still working on it, but the bulk of the problem is behind us.

Mattias Vadsten
Analyst | SEB

Okay. Thank you very much.

Operator

As a reminder, if you wish to ask a question, please dial pound key five on your telephone keypad. The next question comes from Ludwig Germunder from Handelsbanken. Please go ahead.

Ludwig Germunder
Analyst | Handelsbanken

Yes, good morning. Ludwig Germunder here from Handelsbanken. I just want to start with a quick follow-up on the gross margin. You mentioned the mix effect here. Should we see this as a mix effect in terms of the North America not growing, meaning that all the other markets are growing faster? Or is there any market outside of North America that is standing out in terms of how much it's growing?

Andréas Elgaard
President and CEO | Arjo

I think we were really clear earlier in the presentation that North America faced some really strong comparable numbers and we have seen really strong growth in, I would say, specifically what we call rest of the world. Even if Europe grew really strong, rest of the world was really where we had a lot of strengths in the growth.

Ludwig Germunder
Analyst | Handelsbanken

Okay. Yeah. Thank you. Just a quick one. I get that you want to save the details for the Capital Markets Day in terms of the new strategy, just a quick question on the increased investments that you mentioned in the CEO letter. Is there anything we should expect to change dramatically in the near term here in terms of increased CapEx or anything like that?

Andréas Elgaard
President and CEO | Arjo

No. I would say no. Christofer, would you like to comment?

Christofer Carlsson
CFO | Arjo

No, I think we leave that for the Capital Markets Day.

Ludwig Germunder
Analyst | Handelsbanken

Perfect. Thank you so much.

Operator

There are no more questions at this time. I hand the conference back to the speakers for any closing comments.

Andréas Elgaard
President and CEO | Arjo

Big thanks, guys, for joining us on this call, and I hope you could hear me in a good way despite my voice is breaking up a little bit. By that, we say thanks from me and Christofer. Bye-bye.

Christofer Carlsson
CFO | Arjo

Thank you. Goodbye