Arjo – year-end report 2019
February 4, 2020

Joacim Lindoff, President & CEO
Jonas Lindqvist, CFO
Agenda

2. Other business highlights
3. Currency effects
4. Balance sheet
5. Outlook 2020
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Business update

Q4 & FY 2019
Q4 2019 - Summary
Continued growth and positive results of efficiency measures

Solid end to the year with continued organic growth of 2.8%
- North America continues delivering on plans – minor decline in light of strong growth of 13% in the US in Q4 2018 & delay in delivery of three larger projects in the US
- Stable development in Western Europe – UK delivering growth, especially in light of strong Q4 2018
- RoW sees double-digit growth after continued solid development in Australia and good developments in emerging markets

Gross margin of 44.4%
- Unfavorable product mix has minor negative effect in quarter – solid sales of Medical beds and Disinfection, which have lower than average margins
- Continued successful initiative to centralize and reduce inventory levels of spare parts has negative effect in the quarter compared to Q4 2018
- Somewhat unfavorable country mix in quarter – share of US sales lower & growth in distributor business
- Rental business developing well and has positive impact on gross margin

Efficiency measures in US and UK showing results
- US Rental program performing according to plan – estimated annual effect of 30 MSEK, 8 MSEK positive impact already seen in quarter
- UK program to drive profitability showing solid development and result in quarter

OPEX relative to net sales continues improving according to plan

EBITDA before exceptional items of 513 MSEK (409) – an increase of 25.4%
EBIT amounted to 249 MSEK (157)
Cash conversion amounts to 88.4% – positive results of Working Capital initiatives
Full Year 2019 - Summary
Solid growth with strong foundation set for 2020

Solid organic growth of 3.9% – FY financial targets met
• North America delivers continued strong sales development of 6.1% fueled by solid performance in US and Canada
• Western Europe sees slight organic growth despite UK decline of 6.9%
• Rest of World shows strong 11.9% growth driven by successful initiatives in emerging markets and with Australia back in growth
• Entering 2020 with strengthened market positions

Gross margin of 43.5% (44.6) – room for improvement
• Negatively affected by challenges in Rental & high sales of medical beds impacting product mix
• Currency effects, both transaction and translation, impact gross margin negatively
• Continued focus on profitability moving forward across the organization

OPEX relative to net sales continues to improve as result of good cost control

EBITDA before exceptional items grew by 31.7% to 1 728 MSEK (1 312)

EBIT amounted to 671 MSEK (493) – an increase of 36.1%

Cash conversion amounts to 74.7%

Dividend per share raised to SEK 0.65 (0.55) – 18% increase compared to 2018

Meeting FY targets and well prepared for final leg of Arjo 2020 plan

Financial targets
Sales growth
Average annual organic sales growth of 2-4 percent ✔

Profitability growth
Average annual reported EBITDA growth of at least 10 percent ✔

Cash conversion
Cash conversion exceeding 70 percent ✔
Q4 2019
North America

Continuously delivering on growth plans
• Minor decline of 1.6% in quarter to be compared with strong growth in of 12.3% in Q4 2018
• Delivery of three larger projects in US delayed and pushed into Q1 2020 – negative impact on quarter
• Solid sales development in for example Service and Patient handling

US Rental efficiency program showing positive results
• Quarterly improvement in line with 30 MSEK savings per year
• Gross margin in Rental held back by lower Critical Care volumes

Canada delivers continued solid growth
• Good development across several product categories – especially Rental and Patient Handling
**Q4 2019**

**Western Europe**

**Net sales grew organically by 2.5%**
- Positive sales development across several markets
- Patient handling in France is the main driver
- Some decline in, for example, Italy and Belgium due to delays in projects

**UK delivers organic growth of 2.8%**
- Positive result in light of strong Q4 2018
- Solid performance driven by high sales activities despite continued low NHS investments

**Restructuring activities in UK showing positive results**
- Beginning to see the FY effects of 30 MSEK in the quarter

**Initiative to improve profitability in Europe in focus for 2020 – efficiency program initiated early 2020**
- Estimated annual FY savings of 50 MSEK, and cost of program estimated at 75 MSEK
- Minor positive effect will be seen already during 2020
Q4 2019
Rest of the World

Strong organic growth of 16.0%
• Australia continues to deliver on growth plans with solid FY growth as expected

Continued positive results from investments in own sales organizations and distributor markets
• Solid trajectory in several markets such as India, South Africa and South East Asian countries provides confidence for continued development
• New distributor markets such as Latin America and Middle East showing solid traction
• Product registration supports expansion

Q4 2019
Rest of the World net sales, SEK M, Actuals

341
Q4 2019
293
Q4 2018
Profit development – Q4 & FY 2019

Gross margin of 44.4% (45.2) in Q4
- Solid sales of Medical beds and Disinfection, which have lower average margins – but with related Service revenues having positive long-term impact
- Successful initiative to centralize and reduce inventory levels – negative effect in Q4
- Somewhat unfavorable market mix – share of US sales lower & growth in distributor business
- Rental business has negative impact during 2019 – but showing uptick in Q4

FY gross margin of 43,5% (44,6) – profitability improvements in focus during 2020

OPEX development relative to net sales continues to improve
- Result of good cost control and continuous improvement

R&D efficiency continuously improving
- Slightly higher R&D cost in Q4 2019 due to write-off of old investment

EBITDA before exceptional items increased by 25.4% to 513 MSEK (409) in Q4
- EBITDA before exceptional items for FY was 1 728 MSEK (1 312), an increase of 31,7%

Restructuring costs of 17 MSEK in Q4 – cost of efficiency programs in US and UK
- Exceptional items for FY were 53 MSEK – mainly related to cost of efficiency measures in US and UK

### Profit development – Q4 & FY 2019

<table>
<thead>
<tr>
<th>M$EK</th>
<th>Q4 2019</th>
<th>Q4 2018</th>
<th>FY 2019</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2 464</td>
<td>2 307</td>
<td>8 925</td>
<td>8 217</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1 093</td>
<td>1 042</td>
<td>3 886</td>
<td>3 662</td>
</tr>
<tr>
<td>Gross margin, %</td>
<td>44,4</td>
<td>45,2</td>
<td>43,5</td>
<td>44,6</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>513</td>
<td>409</td>
<td>1 728</td>
<td>1 312</td>
</tr>
<tr>
<td>EBITDA-margin*, %</td>
<td>20,8</td>
<td>17,7</td>
<td>19,4</td>
<td>16,0</td>
</tr>
<tr>
<td>EBIT</td>
<td>249</td>
<td>157</td>
<td>671</td>
<td>493</td>
</tr>
<tr>
<td>EBIT*</td>
<td>266</td>
<td>235</td>
<td>724</td>
<td>649</td>
</tr>
</tbody>
</table>

*Before exceptional items
Other business highlights
Other events

EU MDR audit passed successfully and certification in progress
• Potential for Arjo to become one of first companies to be certified
• MDR goes into effect May 2020

MDSAP certification received for 2 production units
• Certification for Arjo’s Suzhou, China and Poznan, Poland units
• Bringing factories under MDSAP is strategically important – limits number of external inspections by authorities from US, Japan, Canada, Australia and Brazil
Currency effects
Currency effects

Q4 2019 vs. Q4 2018

Hedging revaluations had an impact of -11 MSEK on gross profit

Changed hedging policy – only identified transactions to be hedged

Translation effects – positive impact

<table>
<thead>
<tr>
<th>Translation effect Q4 2019 vs Q4 2018, MSEK</th>
</tr>
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<tbody>
<tr>
<td>Net Sales</td>
</tr>
<tr>
<td>COGS</td>
</tr>
<tr>
<td>Gross profit</td>
</tr>
<tr>
<td>OPEX</td>
</tr>
<tr>
<td>Other</td>
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<tr>
<td>EBIT</td>
</tr>
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</table>
Cash flow (C/F)

Cash flow from operations
• Increase by 104 MSEK, of which IFRS 16-effects of 77 MSEK and improved working capital

Investment activities
• Net investments in primarily Rental fleet and IT
• Investment in Atlas Lift Tech

Cash conversion at 88% (96%)
• Full year outcome 75% (84%) above target of 70%

<table>
<thead>
<tr>
<th>M kullanılanlar</th>
<th>Q4 2019</th>
<th>Q4 2018</th>
<th>Jan-Dec 2019</th>
<th>Jan-Dec 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOW FROM OPERATIONS</td>
<td>438</td>
<td>334</td>
<td>1 252</td>
<td>991</td>
</tr>
<tr>
<td>CHANGE IN WORKING CAPITAL</td>
<td>+54</td>
<td>+27</td>
<td>-36</td>
<td>+109</td>
</tr>
<tr>
<td>CASH FLOW FROM INVESTING ACTIVITIES</td>
<td>-210</td>
<td>-139</td>
<td>-801</td>
<td>-717</td>
</tr>
</tbody>
</table>
Balance sheet

Stable situation and continued strong balance sheet

- Equity ratio of 41.0% (41.3)
  - Excluding IFRS 16 – Equity ratio of ~44.6%
  - IFRS 16 impacted total assets with ~SEK 1.2 Billion

Working Capital

- Decrease in inventory in quarter – improved control
- Accounts receivable increased in quarter due to strong quarter

Leverage

- Strictly applying the IFRS 16 according to our method gives 3.0, however 3.4 is a more correct picture
Outlook 2020
Outlook 2020

• Organic sales growth for 2020 is expected to reach the upper part of the 2-4% interval

• Operating expenses are expected to continue to decline slightly as a percentage of sales in 2020
Summary
Summary

Positive sales development leads to solid organic growth of 2.8% in Q4 and 3.9% for FY
• North America delivers continued strong growth with strengthened market positions in both US and Canada
• Stable growth in Western Europe with some growth in UK at end of year
• RoW delivers double-digit growth after solid performances in both Australia and emerging markets
• Financial targets for FY met and we continue to hit Arjo 2020 milestones

Gross margin at 44.4% in Q4
• Unfavorable market and product mix has minor negative effect in quarter
• Rental shows some uptick in quarter – despite decline in sales in Europe and lower placement of Critical Care solutions in US
• FY gross margin of 43.5% leaves room for improvement

OPEX relative to net sales continues to improve as result of good cost control

Restructuring programs in US and UK implemented and generating results

Entering 2020 with high activity level and focus on profitable growth
• Keep strengthening market presence across regions
• Investing in product development, continued focus on increased efficiencies, and increased focus on inorganic activities

Dividend per share raised to SEK 0.65 (0.55) – 18% increase compared to 2018

Capital Markets Day, May 13 in Malmö – launch of new strategy and updated financial targets
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.
with people in mind