



# Arjo year-end report 2022

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**1. Business update – FY & Q4 2022**

**2. Financials in detail**

**3. Key takeaways**

**4. Q&A**



# **Business Update**

# Q4 2022 Highlights

## Continued solid underlying business – growth held back by the US

- Lower Critical Care rental volumes and slower capital investments in the US
- Continued positive global Core Rental trend – high implementation rate in the US end of quarter
- Healthy growth in many large markets, incl. France, Germany, Canada, UK and Australia
- Continued high demand in Service globally

## Gross margin negatively impacted by product mix and material cost

- Higher material cost related to electronic components shortage in Diagnostics vs. forecast
- Unfavorable product mix due to postponed Diagnostics sales and significantly lower Critical Care Rental volumes in the US
- Material and transportation costs somewhat higher than expected
- Initial effects from price increases

**Adjusted EBITDA of 500 MSEK in Q4**

**Significantly lowered inventory levels and cash conversion above target**

Net sales  
amounted to

**-2.2%**



Gross margin  
amounted to

**41.0%**



Adjusted EBITDA  
amounted to

**500** MSEK



Cash  
conversion

**101.1%**



# Full year 2022 highlights

## Managing short-term challenges – long-term plans remain intact

- Solid underlying business growth in a challenging macro environment
- Growth held back by significantly lower critical care rental volumes in the US – adjusted for this the Group grew by approx. 3% org.
- Positive development in Core rental and Service
- Continuous mitigation of cost increases – high focus on price adjustments remain in 2023
- Inventory levels now trending downwards, strong focus to remain in 2023 to get to normalized levels

Net sales  
amounted to

**-0.2%**



Gross margin  
amounted to

**42.2%**



Adjusted EBITDA  
amounted to

**1,841** MSEK



Cash  
conversion

**51.8%**



# North America

## Q4 2022

### Growth held back by market related challenges in the US

- Significantly lower Critical Care Rental in the US vs. Q4 2021
- Lower capital goods investments in the US due to effects from staff shortages and financial uncertainty among healthcare providers
- Continued strong development in Canada
- High demand for Core Rental and Service across the region

**Continued good momentum in roll-out of pressure injury prevention program**

**Critical Care Rental infrastructure efficiencies according to plan**

**Re-alignment of US Sales and Service to further align with strategic direction**

Q4 org. net sales

**-9.1%**

FY org. net sales

**-5.9%**

# Global Sales

## Q4 2022

### Western European markets (+0.6% in Q4, +3.0% FY)

- Demand for capital equipment aligned with plans
- Continued healthy net sales growth across major markets, i.e. UK, France, Germany and Austria
- Strong demand for Service and Rental
- SEM scanner introduction with continued good interest

Q4 org. net sales

**+2.6%**

FY org. net sales

**+3.9%**



# Global Sales

## Q4 2022

### Rest of the World markets (+10.5% in Q4, +7.9% FY)

- Strong growth across many markets
- Continued positive development in many markets, incl. Australia, UAE, and Japan
- Good demand for capital equipment on most markets
- Rental and service developing well on key markets like Australia and Singapore
- Some effects of Covid restrictions in quarter, mainly in distributor markets and China

Q4 org. net sales

**+2.6%**

FY org. net sales

**+3.9%**





# Financials in detail

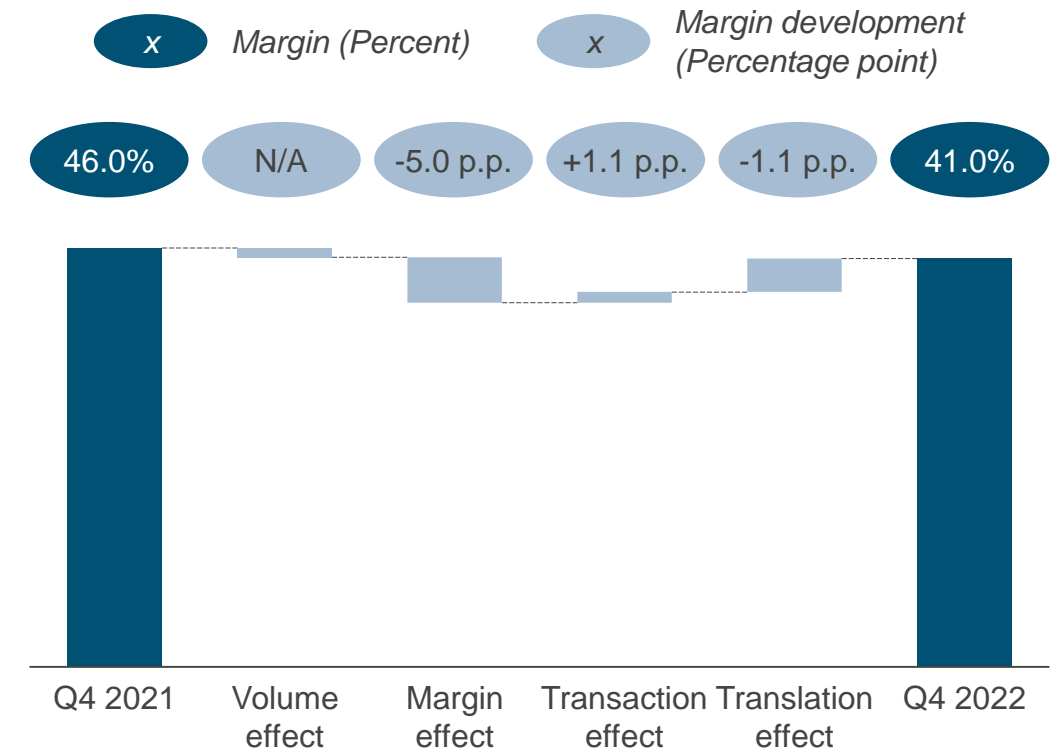
# Q4 gross profit

## Impact from unfavorable product mix and higher material costs

### Margin effect:

- Unfavorable product mix due to lower Critical Care Rental volumes, lower Patient Handling volumes in the US, and postponed Diagnostics sales
- Margin negatively impacted by higher material cost, mainly electronics, and higher transportation costs than expected
- Impact from inflationary effects on salaries, energy and fuel
- Pricing effects starting to get effect

Gross profit bridge – Q4 2022 vs. Q4 2021 (MSEK)

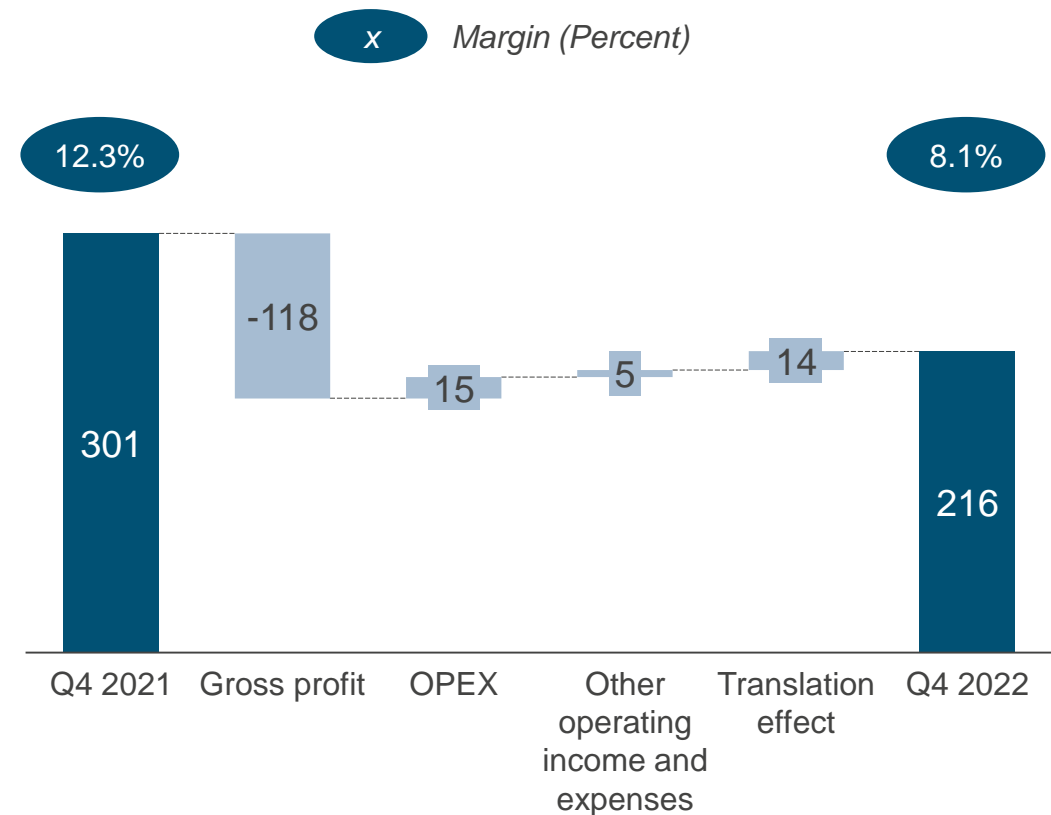


# Q4 adjusted EBIT

## High activity level and activities for long-term profitability improvements

- Good cost control throughout the value chain – OPEX decrease vs. Q4 2021 in comparable currencies
- R&D spend according to plan at approx. 2.5% of FY net sales
- US rental efficiency program according to plan, 5 MUSD R12 effect mainly in 2023

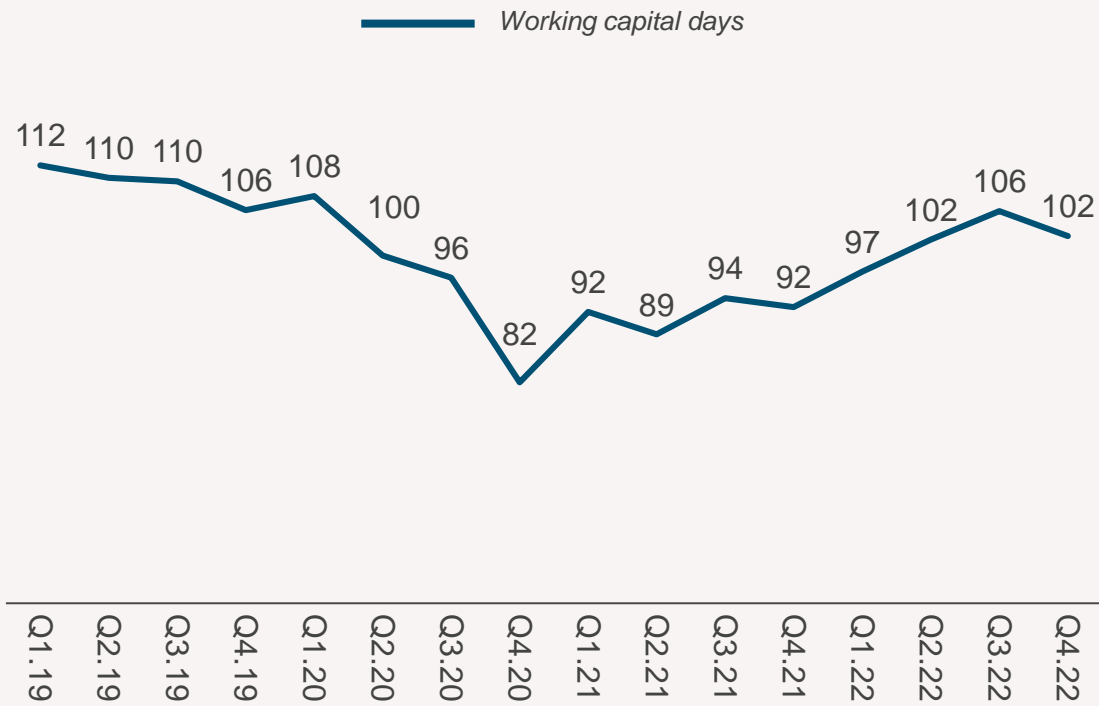
Adj. EBIT bridge – Q4 2022 vs. Q4 2021 (MSEK)



# Q4 working capital and operating cash flow

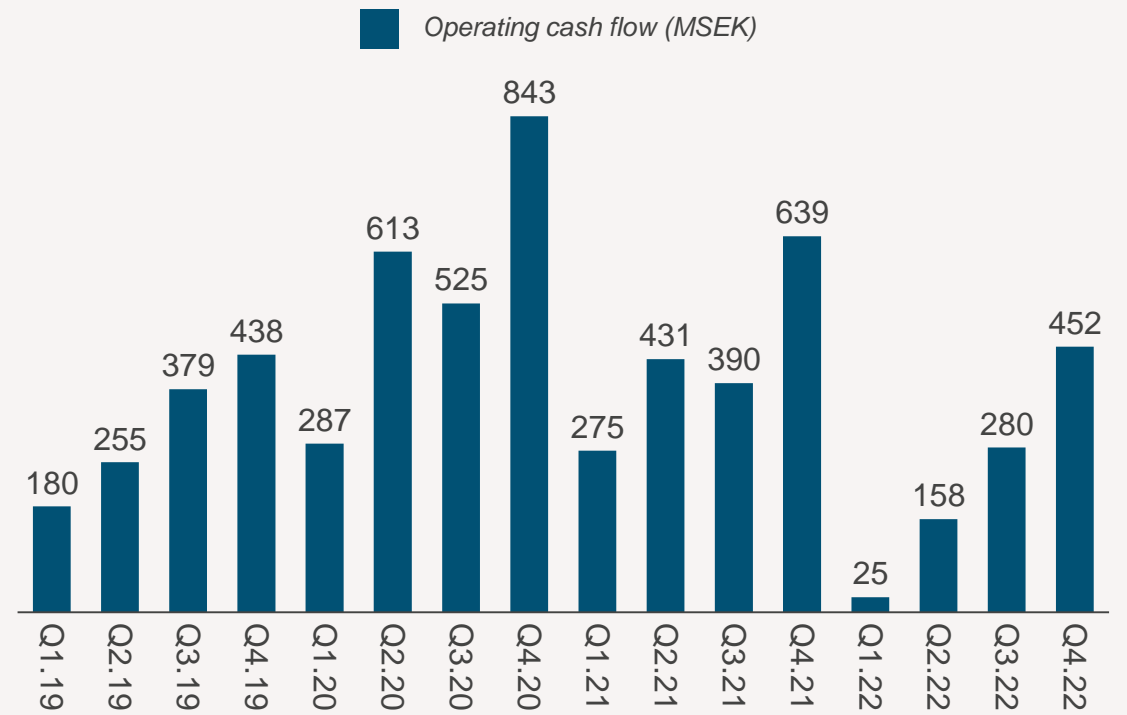
## Starting to see working capital improvements

Working capital days – Q1.19-Q4.22



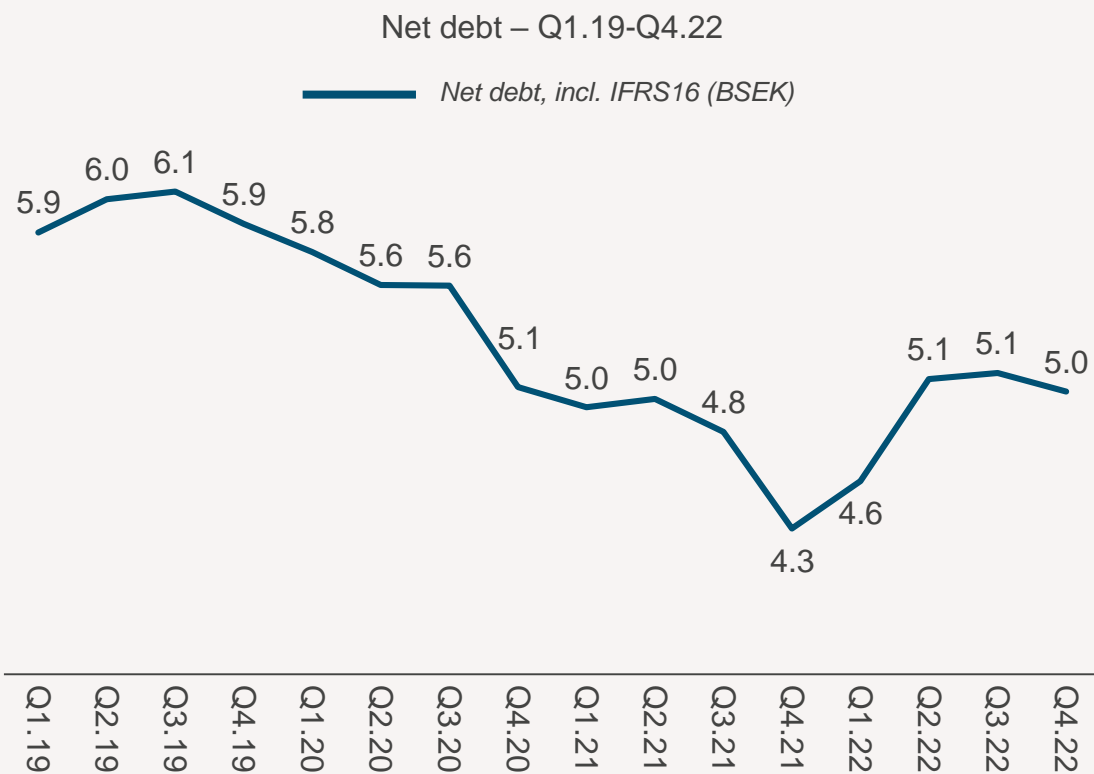
## In turn improving operating cash flow vs Q1-Q3

Operating cash flow – Q1.19-Q4.22

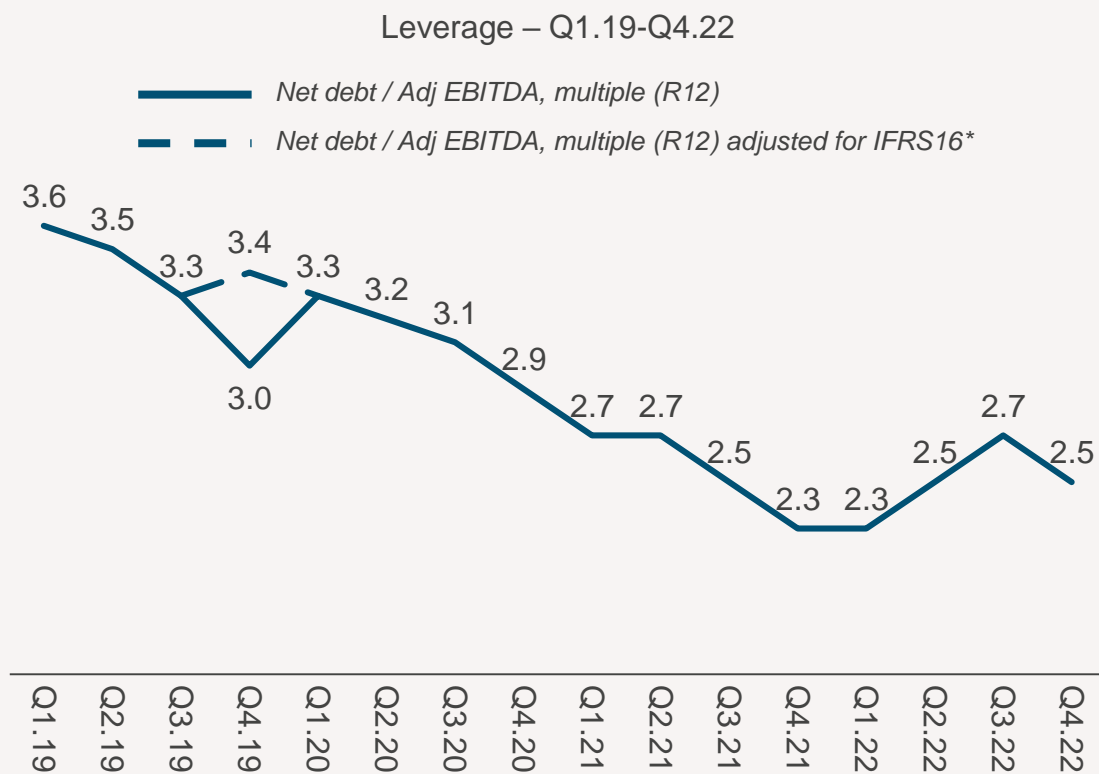


# Q4 net debt and leverage

## Debt level down vs. previous quarter



## Decrease in leverage during the quarter



\* IFRS16 effect excluded in Q4.19 value



# Outlook 2023

Organic net sales growth for 2023 is expected to be within the Group's target interval of 3-5%



# **Key takeaways**



A close-up photograph of two elderly women with grey hair, smiling warmly and hugging each other. They are wearing light blue jackets over maroon tops. The woman on the right has her hands clasped in front of her. The background is softly blurred, suggesting an outdoor setting.

## Key takeaways

- 2022 a challenging year, but which also accentuates the **strength in the underlying business**
- Growth and profitability mainly held back by significantly lower Critical Care rental volumes in the US
- Healthy customer demand in many main markets and continued positive development in Service and Core rental going into 2023
- Organization committed to plans to mitigate cost pressure and tactical and strategic pricing initiatives giving wanted effect
- **Our long-term strategy is more relevant than ever**  
– implementation to accelerate in 2023, spearheaded by the US



# Q&A



## Financial calendar

Annual Report 2022	March 2023
Interim Report Jan-Mar 2023	April 20, 2023
Annual General Meeting 2023	April 20, 2023
Interim Report Jan-Jun 2023	July 14, 2023
Interim Report Jan-Sep 2023	October 19, 2023

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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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