

Q4

ARJO Q4 & YEAR-END REPORT 2023

January 30, 2024

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Agenda

Business update – Q4 & FY 2023

Financials in detail

Outlook 2024

Key takeaways

Q&A



Q4 highlights

A strong end to 2023

Continued growth across all regions

- Healthy net sales growth in major markets
- Positive capital sales development, both volume and price
- Good development in Service and Rental globally

Strong profitability improvement

- Gross margin improvement y-o-y with expected mix effect
- Price adjustments generating expected effect
- Stability in supply chain

Adj. EBIT increased over 50% in Q4

Strong operating cash flow performance

Improved sustainability rating from Sustainalytics & MSCI

Net sales
grew organically by

4.9%



Gross margin
amounted to

45.3%



Adjusted EBITDA
amounted to

614 MSEK



Cash
conversion

124.6%



Full year 2023 highlights

A year of recovery & stabilization

- Strong core business development across regions, setting strong foundation for further development
- Continued growth in the US
- Outcome programs in both Pressure Injury Prevention and Patient Handling slower than anticipated due to market environment – step by step improvement expected in 2024
- Improved profitability through product mix, supply chain efficiency and price
- Operating cash flow over 2 billion SEK with cash conversion well above target
- Improving leverage – efforts continue with full focus to get net debt further down
- Proposed dividend of 0.90 SEK (0.85)

Net sales
grew organically by

4.7%



Gross margin
amounted to

43.1%



Adjusted EBITDA
amounted to

2 017
MSEK



Cash
conversion

105.9%



North America

Q4 2023

Strong development in Canada

- Growth journey continues – 15 consecutive quarters of growth
- Service, Rental and Capital all perform well
- Good penetration in Long-Term Care, with further potential in Acute Care

US market trending in the right direction

- Net sales grew ~5% vs. Q4 2022
- Continued solid development within Service and Rental
- Outcome Programs in Patient Handling and Pressure Injury Prevention affected negatively by continued staff shortages and financial uncertainty among healthcare providers. However, outlook positive for 2024.

Q4 org. net sales

+7.6%

FY org. net sales

+5.1%

Global Sales

Q4 2023

Western European markets (+0.5% in Q4, +3.0% FY)

- Strong net sales development in markets like Netherlands, Italy and Ireland
- Germany and UK performance aligned with last year despite market turbulence
- Capital sales develops according to plan, in both volume and price
- Continued strong development within Rental and Service
- Price adjustments to mitigate cost pressure continues

Q4 org. net sales

+4.0%

FY org. net sales

+4.3%

Global Sales

Q4 2023

Rest of the World markets (+14.1% in Q4, +8.1% FY)

- Strong growth in many markets such as Australia, Africa and India
- Generally healthy demand for capital equipment, with step by step improvements in product mix
- Improvement in service and rental activities continue
- Continued investments in sales force expansion during the quarter and into 2024

Q4 org. net sales

+4.0%

FY org. net sales

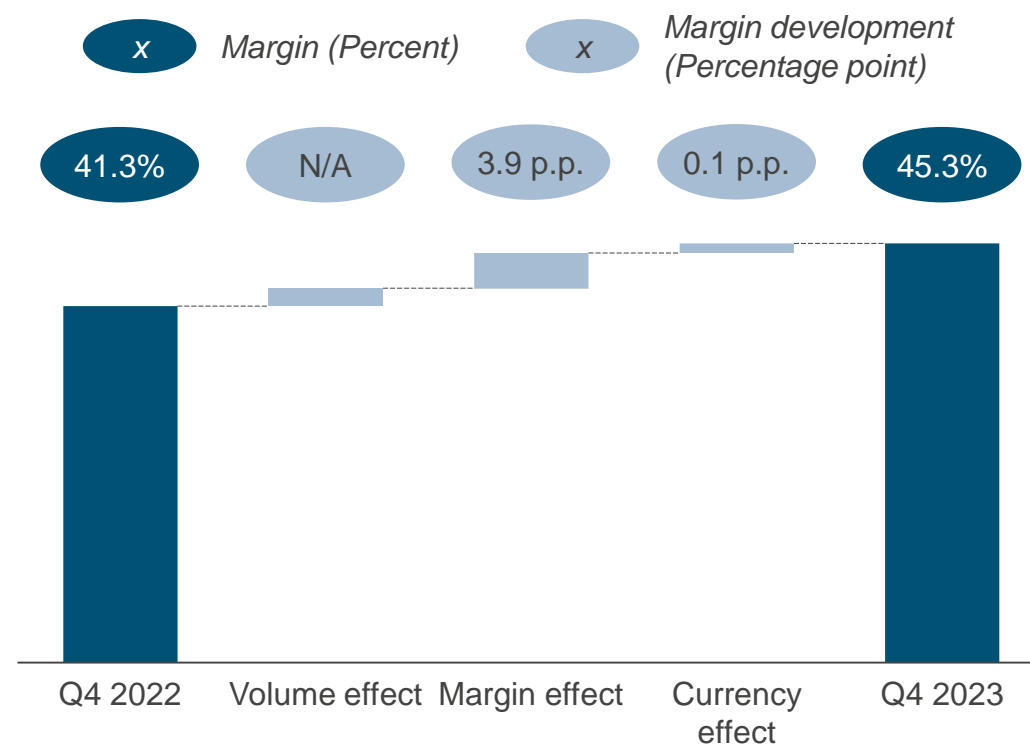
+4.3%

Q4 gross profit

Positive gross margin improvement

- Continued gross margin improvement y-o-y
- Contribution from price adjustments and efficiencies according to plan – strong focus to continue in 2024
- Improved product and geography mix effects according to plan
- Continued improvements in the supply chain, both from internal activities and external factors

Gross profit bridge – Q4 2023 vs. Q4 2022 (MSEK)

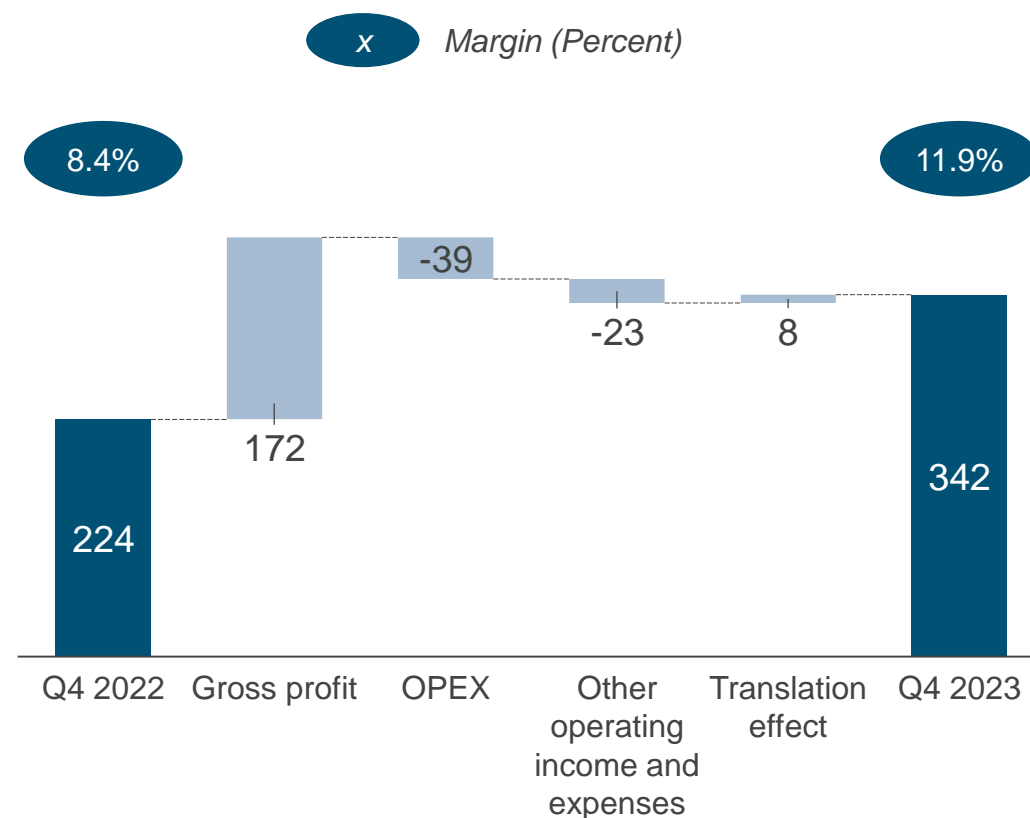


Q4 adjusted EBIT

Strong development

- High activity levels to support continued growth agenda
- Good cost control throughout the value chain continues
- OPEX development in line with expectations
 - Inflation on salaries clearly visible – expected to remain also in 2024
 - Increased IT cost related to licenses and IT security efforts
- R&D spend according to plan, approx. 2.9% of net sales, with 17 MSEK net more than Q4 2022
- Negative effect from revaluation of AR/AP, -20MSEK in Q4 vs. Q4 2022
- Adj. EBIT increased by 52.4 % vs. Q4 2022

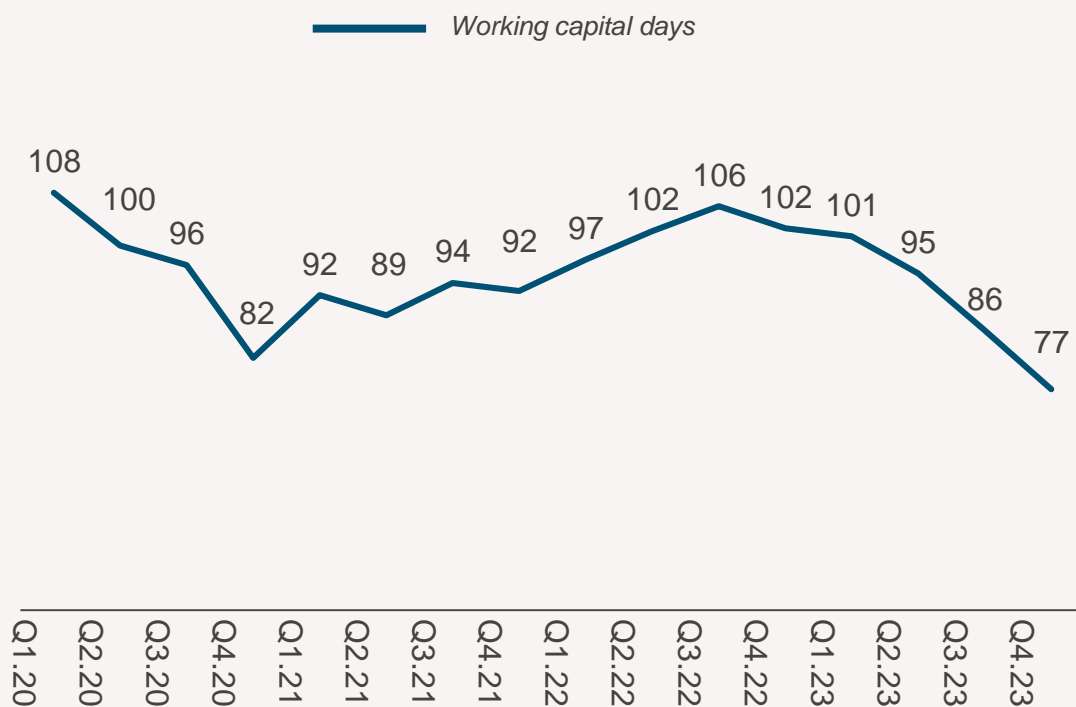
Adj. EBIT bridge – Q4 2023 vs. Q4 2022 (MSEK)



Q4 working capital and operating cash flow

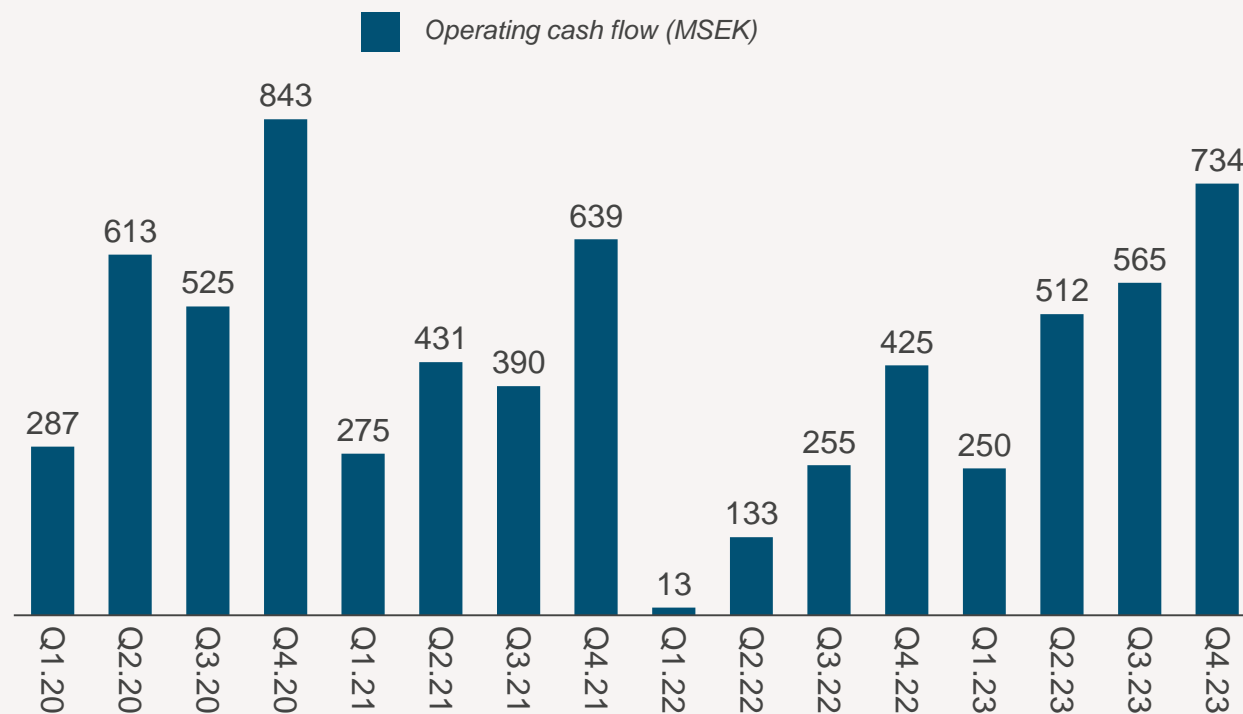
Working capital days – positive trend continues

Working capital days – Q1.20-Q4.23



Strong operating cash flow

Operating cash flow – Q1.20-Q4.23

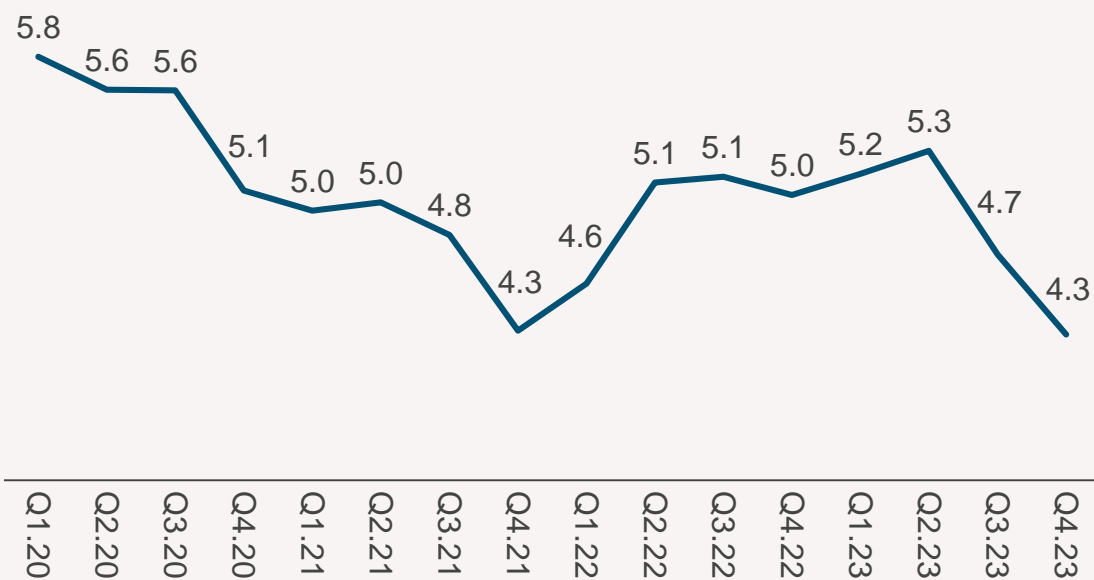


Q4 net debt and leverage

Net debt level decreases further

Net debt – Q1.20-Q4.23

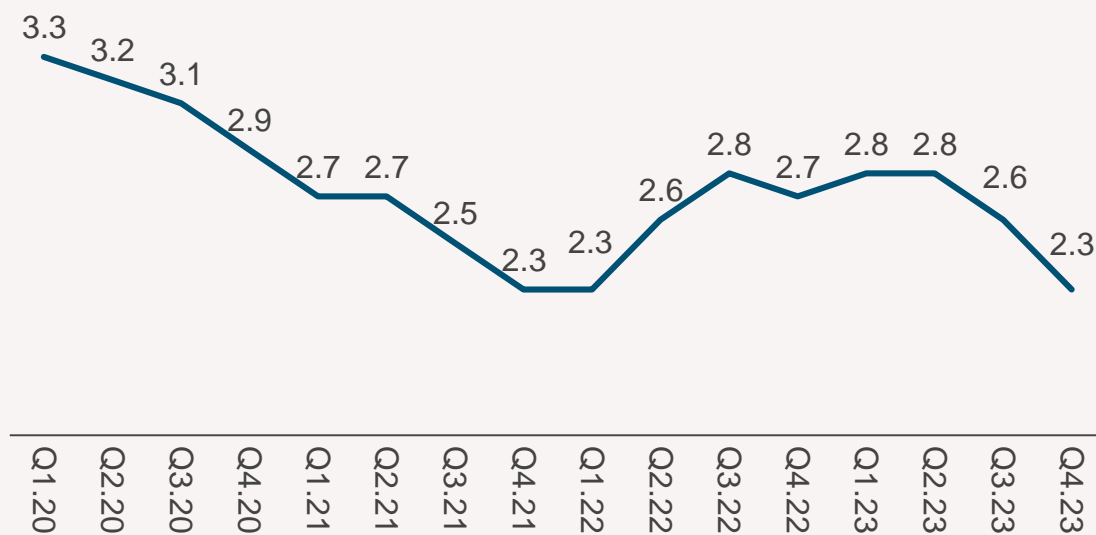
— Net debt, incl. IFRS16 (BSEK)



In turn improving leverage

Leverage – Q1.20-Q4.23

— Net debt / Adj EBITDA, multiple (R12)





Outlook 2024

Organic net sales growth for 2024 is expected to be within the Group's target interval of 3-5%

2024 expectations

Capital Equipment – trending in the right direction

Continued market recovery after the pandemic

- Step by step improvement expected in the US – Canada remaining on high level
- Western Europe expected to develop in line with 2023 on volume
- Positive trend in Rest of the World expected to continue in 2024

Outcome programs in Patient Handling and Pressure Injury Prevention still slow due to challenging market environment, but gradual improvement expected in 2024

Continued strong focus on price adjustments in 2024 to mitigate cost pressure

2024 expectations

Service business

- Solid development globally expected to continue
- Service volumes through MOVE contracts expected to increase
- Pricing initiatives to continue to mitigate cost pressure and restore previous margin erosion



2024 expectations

Rental business

- Positive rental trend remains, coming of a strong 2023
- Market share in the US expected to continue to grow, also adding on Long-Term Care focus
- Step-by-step development of European rental business continues, with increasing profitability levels
- Continued efficiency work to enhance margins
- Phase-out of critical care rental completed – minimum demand as seen in 2022 and 2023

2024 expectations

Outcome Solutions

Pressure Injury Prevention and Patient Handling

- Patient Handling outcome projects with good pipeline in the US, with conversion rate set to pick up
- SEM scanner implementation continues with good pace
 - Strong demand – growing customer pipeline and conversions happening
 - Market access progress with i.e. continuous endorsements by the FDA
 - Very positive customer feedback – successful implementation across several large healthcare institutions in the US with proven PI reductions ranging from 77-100%
 - Growing positive testimonials and real world data from existing customers

Gradual improvement of outcome solutions sales expected in 2024, with the US as main market

Key takeaways

- Strong core business growth across regions setting the base
- Continued positive trend in Service and Rental globally
- Major markets developing well with good base for 2024
- US market remains challenging due to external factors – but moving in the right direction
- Healthy profitability development
- Strong operating cash flow – efforts to lower net debt continues
- Continued strategy implementation to meet healthcare's challenges today and tomorrow



Q&A

Financial calendar

Annual Report 2023	March 2024
Interim Report Jan-Mar 2024	April 18, 2024
Annual General Meeting 2024	April 18, 2024
Interim Report Jan-Jun 2024	July 12, 2024
Interim Report Jan-Sep 2024	October 17, 2024

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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