



Arjo year-end report 2020

February 3, 2021

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Agenda

1. Business update – Q4 & FY 2020

2. Financials in detail

3. Business highlights

4. Key takeaways

5. Q&A



Business Update

Full year 2020 Highlights

- An unprecedented year where we have successfully navigated the market and supported healthcare globally
- Solid organic growth and significant profitability improvement
- A strong financial position for the future
- We have delivered on our short-term commitments while investing in our future
- Proposed 2020 dividend per share at SEK 0.85 – increase of 30% and well within dividend target interval

Net sales grew organically by

3.9%



Gross margin increased to

45.5%



EBIT before restructuring up

30.2%












Cash conversion

123.3%



We have delivered on or above our Arjo 2020 plan commitments - allowing us to invest in our future

	2018	2019	2020
Average annual organic sales growth of 2–4%			
Average reported EBITDA growth of more than 10% per year			
Cash conversion of more than 70%			

Q4 2020 Highlights

Growth, increased profitability and strong financial position

- Net sales grew 4.1% organically
- Continued strong development in Medical beds and US Rental - limited access to customer facilities remained
- Rental volumes and good cost control driving profitability improvement
- Record high cash flow further strengthens financial position
- Launch of new strategy & new financial targets

Net sales grew organically by

4.1%



Gross margin increased to

45.3%



EBIT before restructuring up

23.7%

in comparable currencies



Cash conversion

166.3%



North America

Q4 2020

Growth trend continues

- Positive momentum in the US remains - up almost 10% org. with continued high demand in rental, both core and Critical Care
- Limited access to customer facilities holding back Patient Handling, Hygiene & Service
- Lower DVT volumes due to postponed elective care
- Strong finish to 2020 in Canada

US Rental business remains a key profitability driver

- Significant operational leverage from high volumes in both core and critical care
- Positive Covid-19 effect, but also incremental improvements on core

Q4 org. net sales

+8.5%

FY org. net sales

+5.8%

Western Europe

Q4 2020

Net sales grew 0,5%

- Continued high volumes in Medical Beds
- Solid growth in France, Germany and Spain
- Lower capital and service sales due to limited access to customer facilities
- UK slightly down vs. strong Q419 due to increased restrictions & temporary logistics issues

Good momentum in efficiency measures

- European restructuring program generating savings at a higher pace than originally anticipated, approx. 35 MSEK already in 2020 (50 MSEK on annual basis)
- Restructuring costs of approx. 7 MSEK related to transfer of central logistics hub from UK to Sweden to allow for more efficient currency management and structural synergies.

Q4 Org. net sales

+0.5%

FY Org. net sales

+1.0%

Rest of the world

Q4 2020

Solid growth continues

- Strong net sales growth in South Africa, Eastern Europe and Singapore
- High demand in Medical beds across markets
- Growth held back by extensive Covid-19 restrictions in several markets

Positive results from efforts to further strengthen commercial setup

- Investments in infrastructure and new distributor networks provides solid foundation for future growth
- Continued strong development in i.e. Japan

Q4 Org. net sales

+4.8%

FY Org. net sales

+7.9%



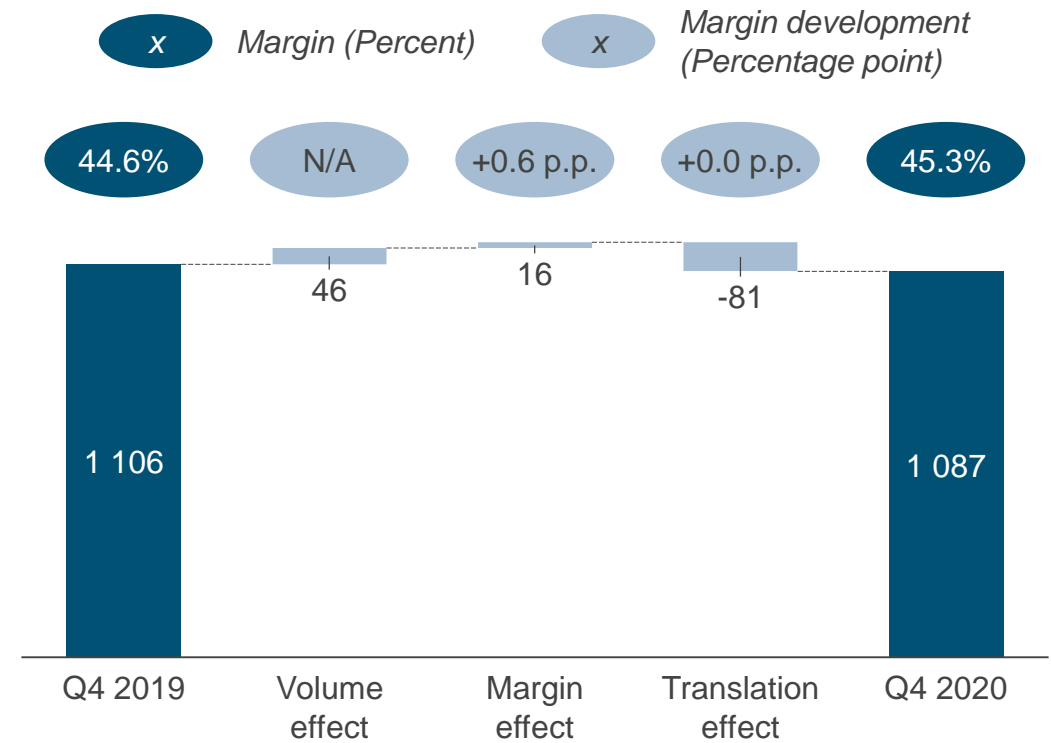
Financials in detail

Q4 gross profit

Improved gross profit in quarter

- High US rental volumes
- Increase in high spec medical beds
- Good cost control throughout value chain
- Gross margin held back by product mix effects; lower Patient Handling, Hygiene, Service and DVT
- Higher logistics costs due to Covid-19 and Brexit

Gross profit bridge – Q4 2020 vs. Q4 2019 (SEK M)

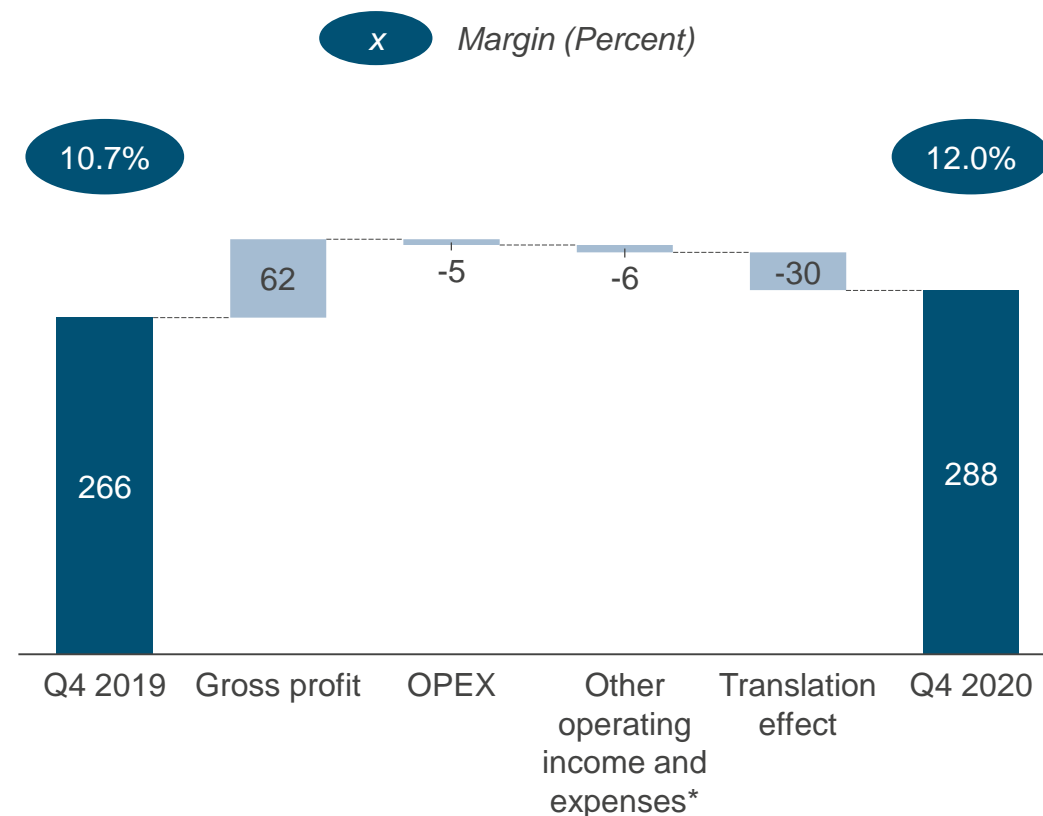


Q4 adjusted EBIT

Improvement of 23% in comparable currencies

- Adjusted EBIT grew by 8.2% to 288 MSEK (266).
- Adjusted for currency effects, EBIT grew 23%
- Continued very good profitability within US rental operations due to operational leverage
- OPEX under good control relative to net sales
- Good cost control throughout value chain

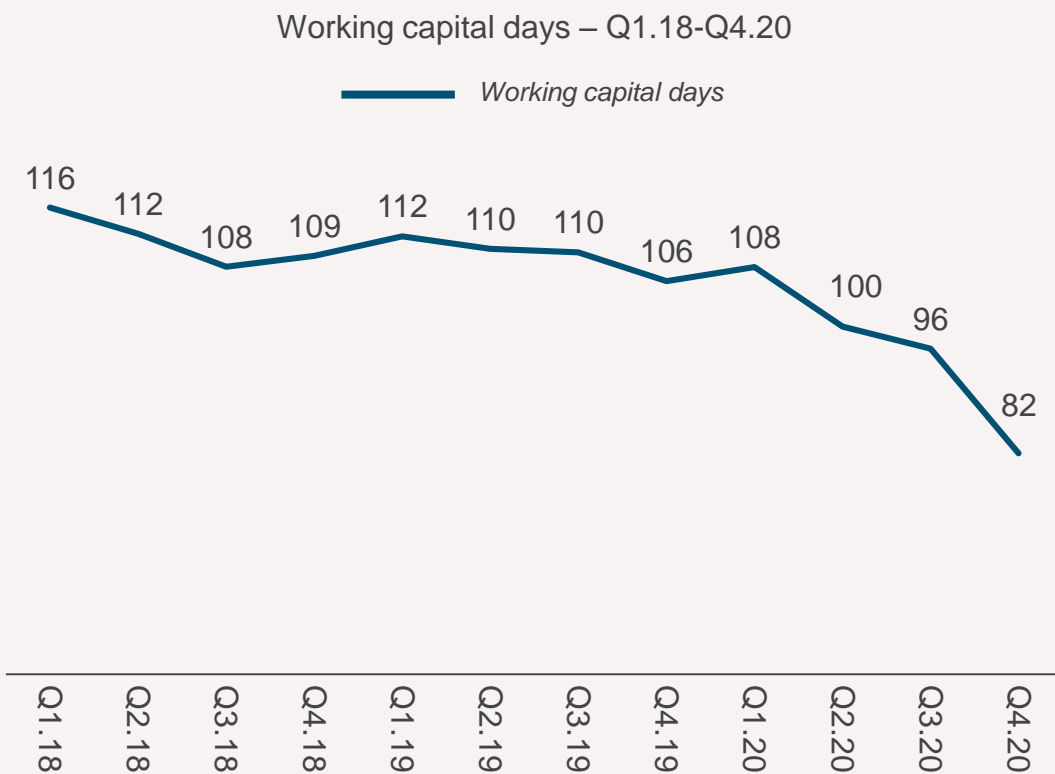
Adj. EBIT bridge – Q4 2020 vs. Q4 2019 (SEK M)



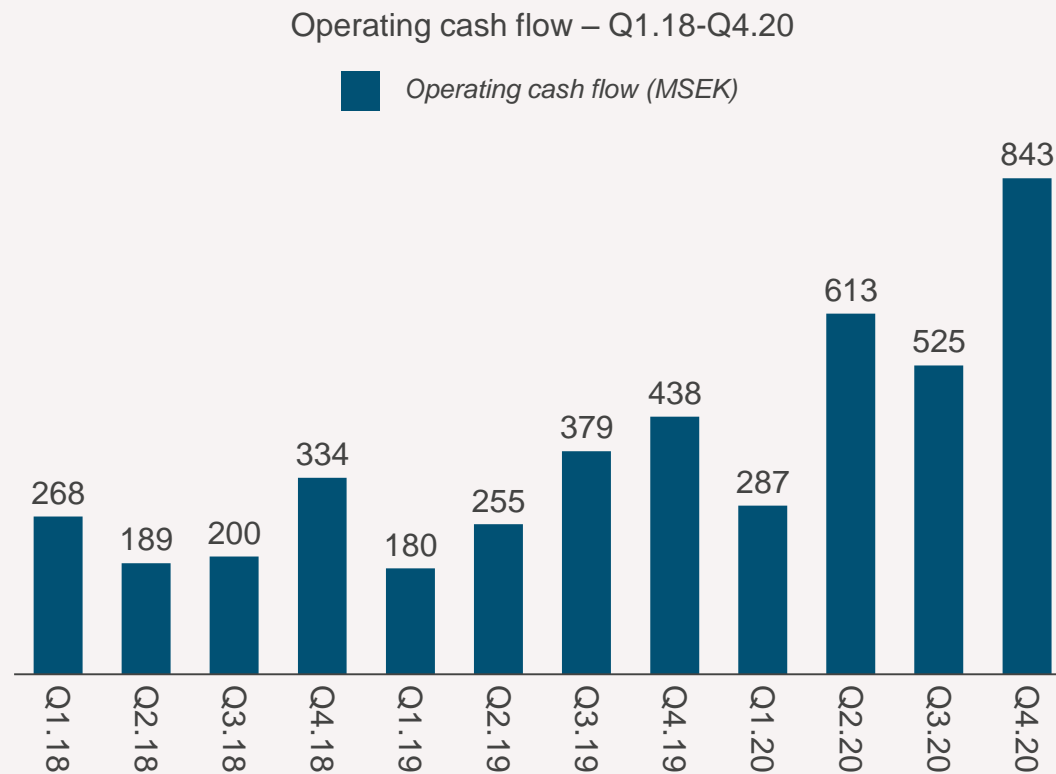
*incl. -11 MSEK in transaction cost related to negative re-evaluation of accounts receivables and payable

Q4 working capital and operating cash flow

Continued improvement in working capital



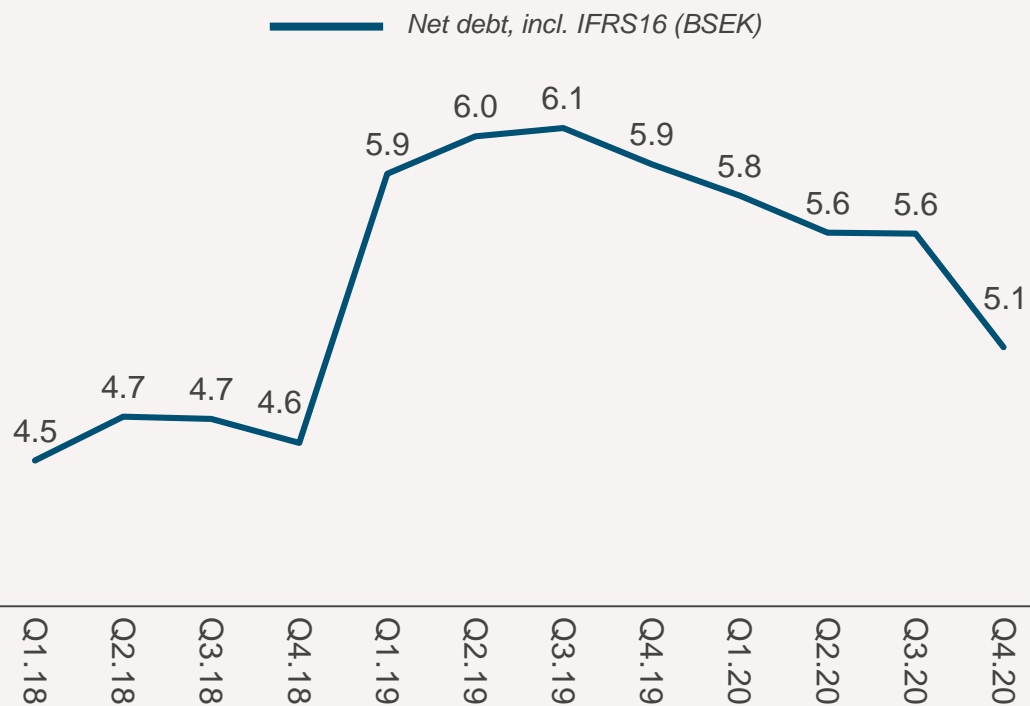
Operating cash flow at record high level



Q4 net debt and leverage

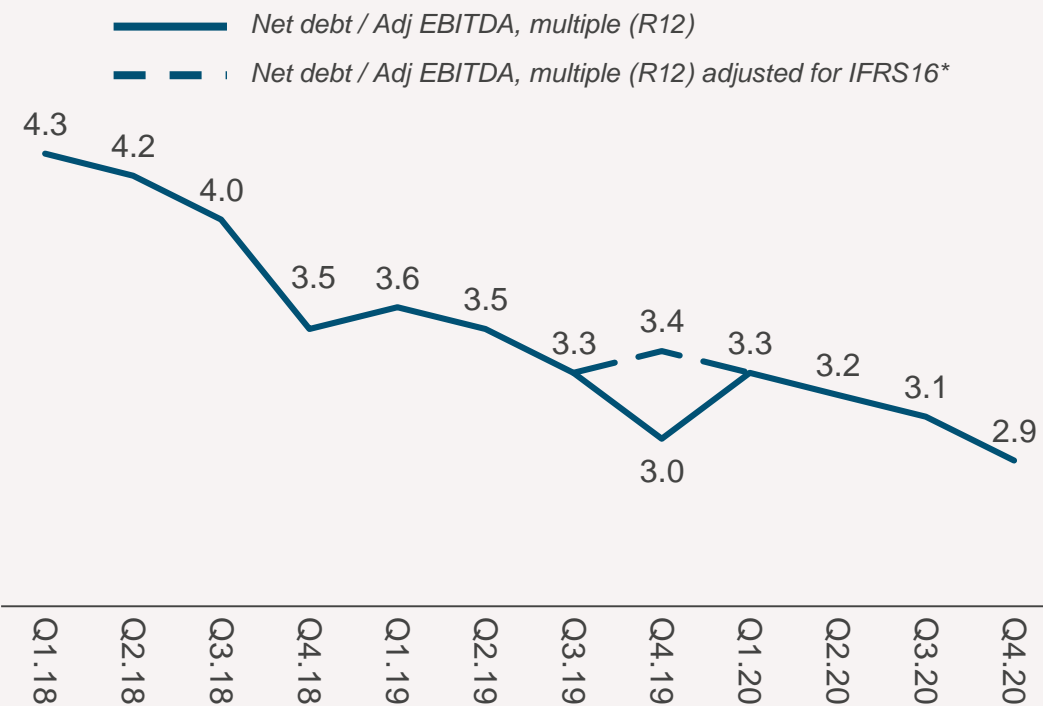
Debt level continues to decline

Net debt – Q1.18-Q4.20



Solid improvement in leverage

Leverage – Q1.18-Q4.20



* IFRS16 effect excluded in Q4.19 value

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



Business Highlights

Acquisition of AirPal

- A US-based company specializing in Air-Assisted Lateral Patient Transfers
- Solution strengthens Patient Handling portfolio and aims to mitigate physical efforts and injury risks, enabling reduced caregiver injuries and healthcare costs
- Opportunity to gain significant market share within 2-3 years
- Limited financial impact in 2021 but will contribute positively to EPS development in 2022 and increasingly so onwards





Acquisition of equity stake in Bruin Biometrics (BBI)

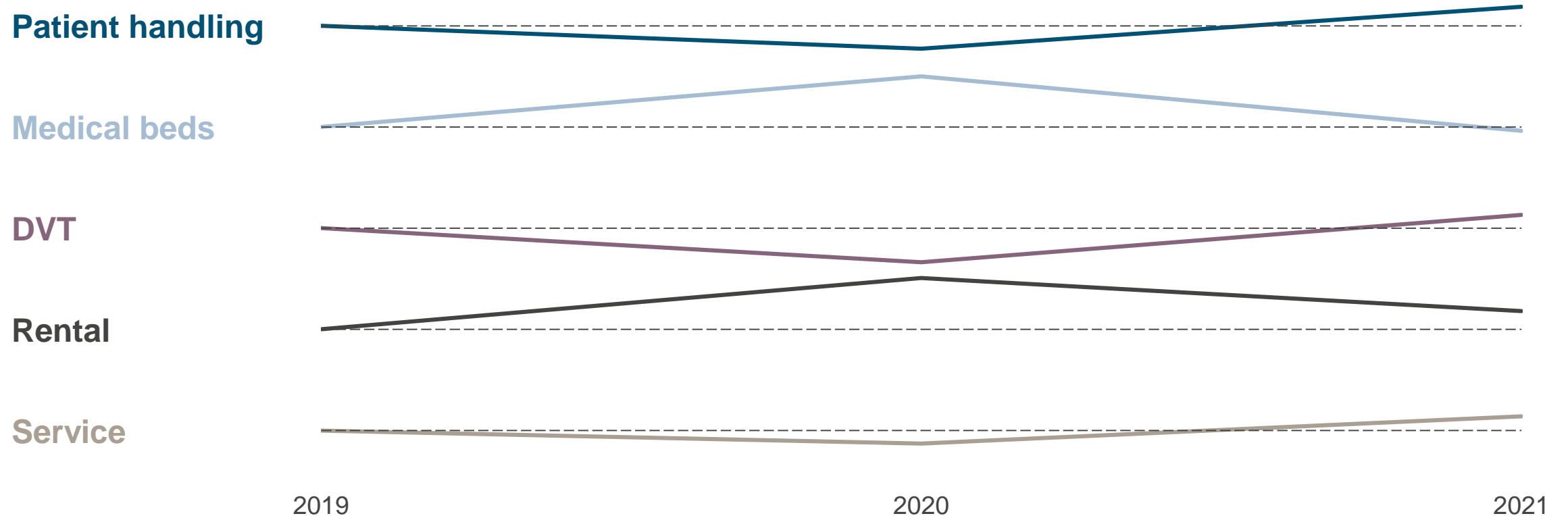
- Exclusive distribution rights for BBI's SEM scanner, further strengthening our WoundCare offering
- SEM scanner to be launched to the market beginning Q1 2021
- US & UK among first markets, with significant potential
- Slightly positive impact on net sales and EPS from H2 2021, and significant contribution to both net sales and EPS development from 2023 onwards

WoundExpress update

- Randomized Controlled Trial according to plan - finalization expected end of 2021 or Q1 2022
- FDA approval expected end of Q2 2021
- Positive response from customers & go to market plans implemented in key markets in H2 2021

2021 - Another year of solid growth – with a different dynamic

Expected net sales trend versus 2019





Outlook 2021

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



Key takeaways

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- A strong quarter and full year 2020
- Record high cash flow in Q4
- We have supported healthcare during the pandemic and continued to deliver on our commitments, allowing us to invest in our future
- We enter 2021 with strengthened positions and will continue to navigate short-term Covid-19 challenges in a good way
- New strategy to contribute to shaping the care of the future, with new financial targets
- Organic net sales growth for 2021 is expected to be within the new 3-5% target interval



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.

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with people in mind