



# Q2 Report 2017

Mattias Perjos, President and CEO

Reinhard Mayer, CFO

July 17, 2017

GETINGE 

# Agenda

Business overview

Financial performance

Outlook

Summary

Q&A

# Business overview

Mattias Perjos, President and CEO

# Takeaway from the quarter I(IV)

Challenges remain

## Topline development

Significant decrease in  
Surgical Workflows

Continued efficiency  
enhancements

(FDA Consent Decree)

Remediation process  
Provision: SEK 488 M

Distribution and listing of  
Patient & Post-Acute  
Care

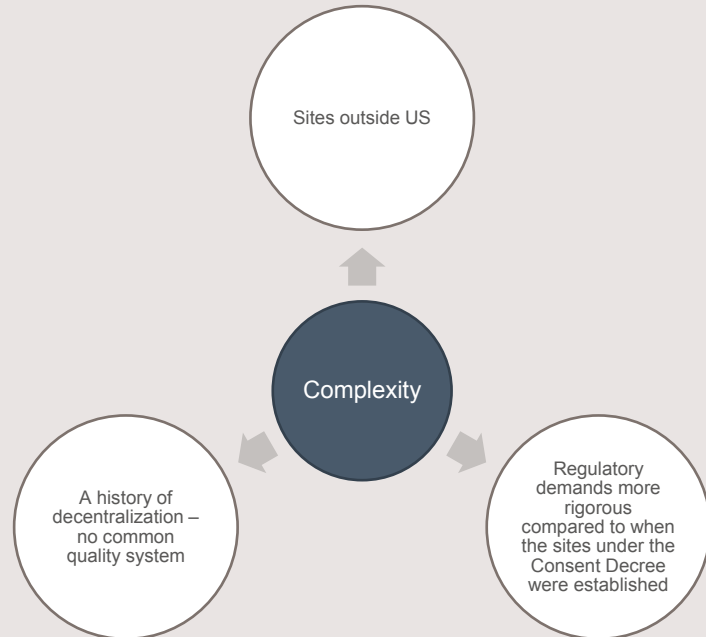
Guaranteed Rights Issue  
approximately SEK 4 B

# Takeaway from the quarter II(IV)

Consent Decree – replanning in Hechingen – additional provision SEK 488 M

## Background

### 3 main reasons behind the complexity



## Update

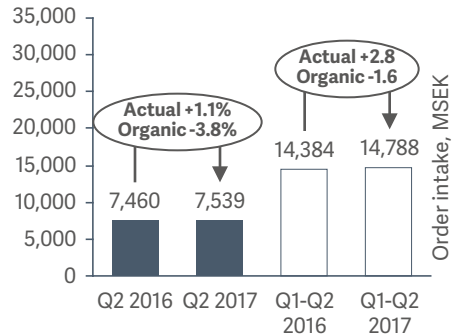
### Utilization of provision and progress on sites

Hudson (US)	<ul style="list-style-type: none"><li>•Stable remediation progress according to plan</li><li>•The planned move from Hudson to Merrimack has been finalized</li></ul>
Wayne (US)	<ul style="list-style-type: none"><li>•Progressing in the right direction</li></ul>
Hechingen (Germany)	<ul style="list-style-type: none"><li>•The most complex remediation site</li><li>•Re-planning of remediation program</li><li>•Additional provision of SEK 488 M</li></ul>
Provision utilized: SEK 76 M in Q2	<ul style="list-style-type: none"><li>•SEK 710M in provision remaining</li></ul>

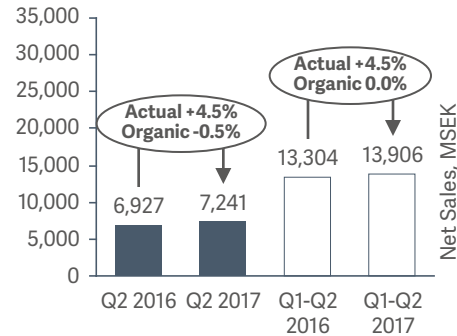
# Takeaway from the quarter III (IV)

Strengthened EBITA 1 but EBIT impacted by the additional SEK 488 M provision

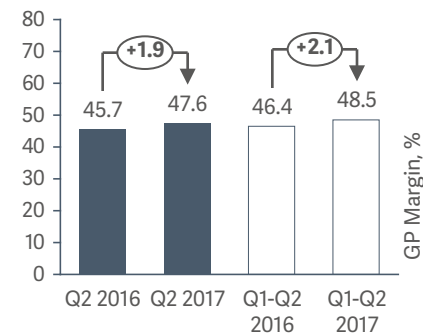
## 1. Organic Order Intake growth in actuals but not organically ...



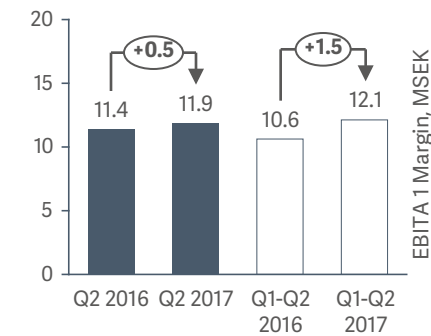
## ... and the same goes for Net Sales



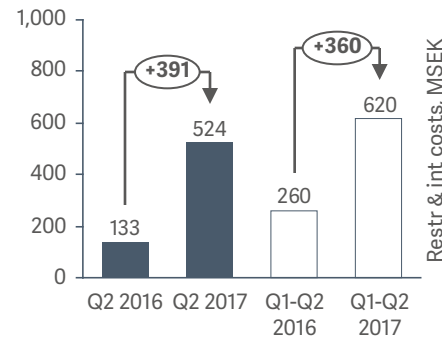
## 2. Improved Gross Margin ...



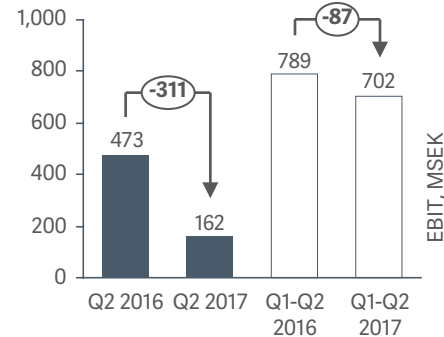
## ... and EBITA 1 margin



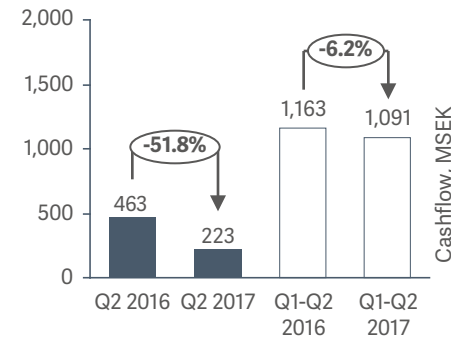
## 3. Increased restr and integr costs due to provision of SEK 488 M



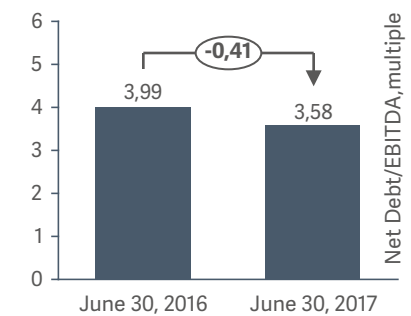
## ... negatively impacting EBIT



## 4. Cash Flow from operations impacted by tied up capital



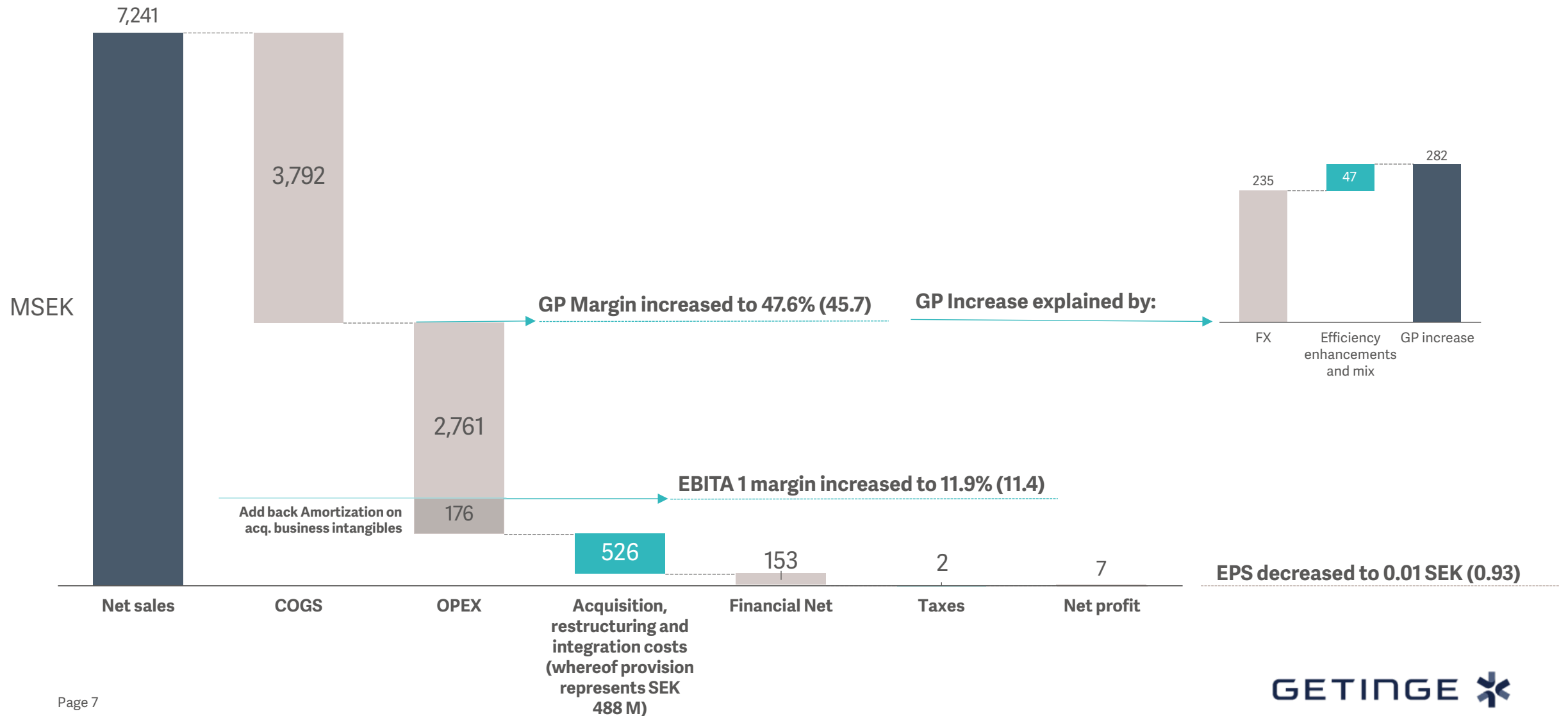
## 5. Decreasing Net debt/EBITDA\*



\* EBITDA before acquisition, restructuring and integration costs (rolling 12M)

# Takeaway from the quarter IV (IV)

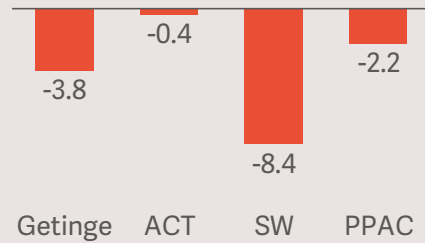
Increased margins but EPS impacted by the additional provision of SEK 488 M for remediation in Hechingen



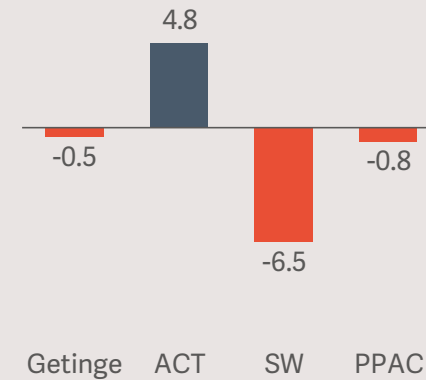
# Organic topline development in Q2

## Business areas

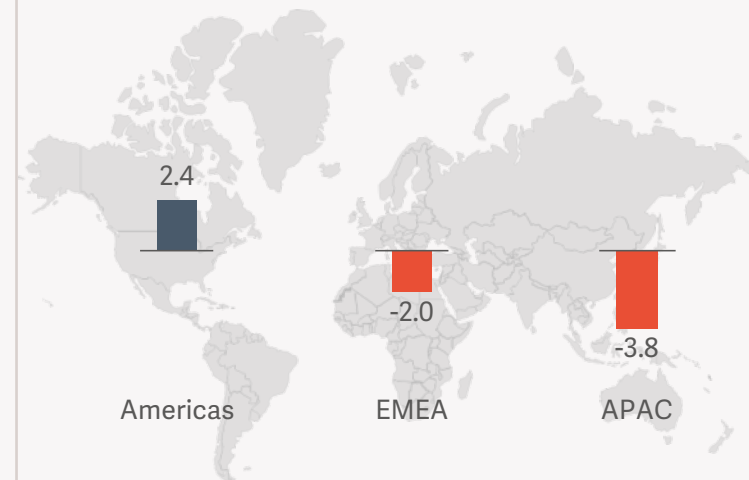
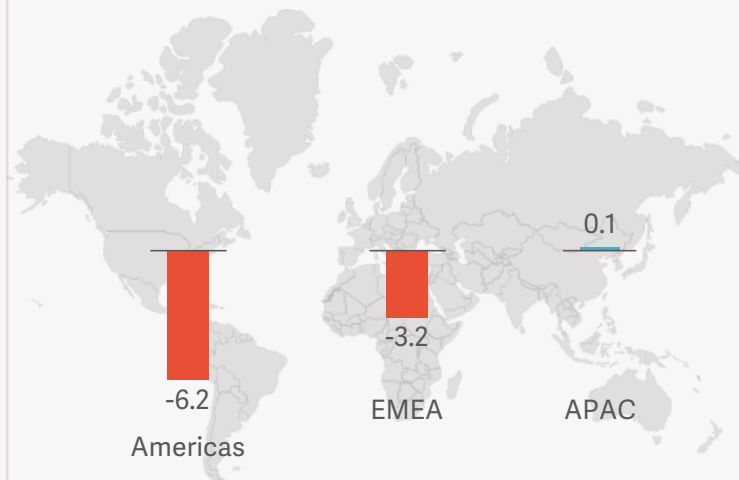
Organic order intake: -3.8%



Organic net sales: -0.5%



## Regional



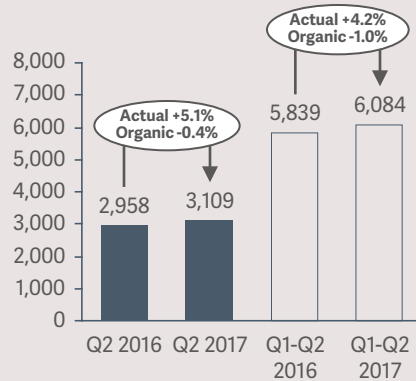


# Acute Care Therapies Q2 – topline and operational efficiency

Growing net sales and margins but the provision of SEK 488 M is eroding the EBIT

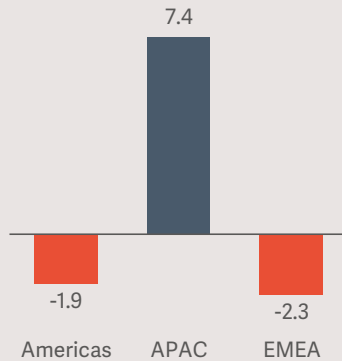
## 1. Slight decline in organic order intake...

Order intake (SEK M)



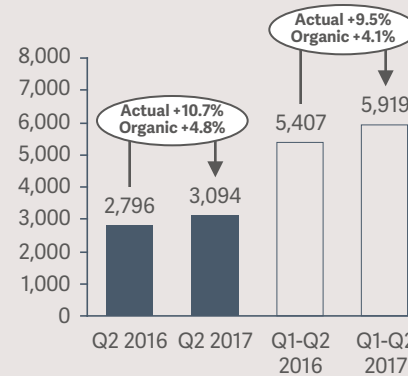
## ... but strong demand in APAC

Order intake, regional organic growth (%)



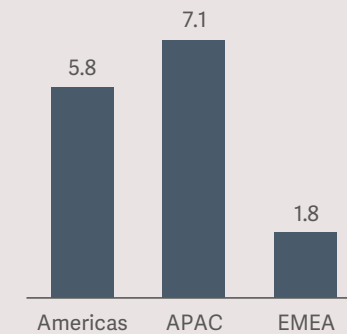
## 2. Improved net sales

Net Sales (SEK M)



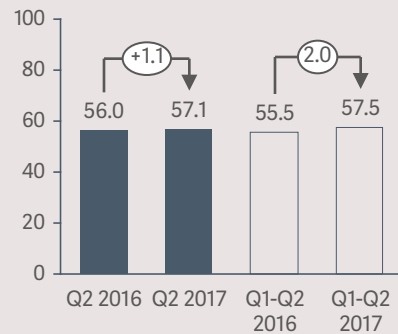
## ... in all regions

Net sales, regional organic growth (%)



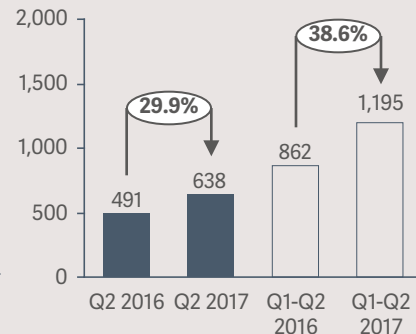
## 3. Improved gross profit and margin ...

Gross profit (%)



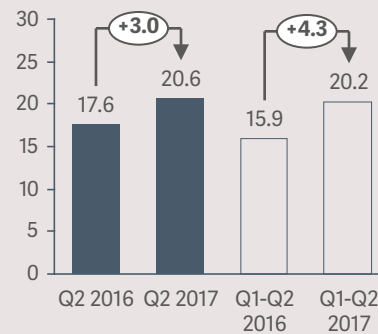
## ... increased EBITA 1

EBITA 1 (SEK M)



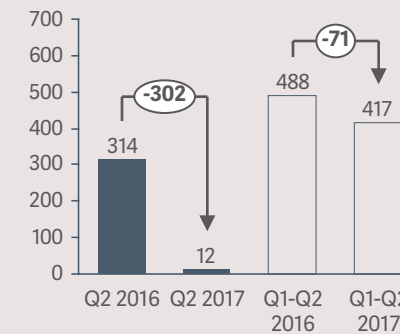
## ... and EBITA 1 margin

EBITA 1 margin (%)



## 4. But EBIT is negatively impacted by the provision of SEK 488 M

EBIT (SEK M)

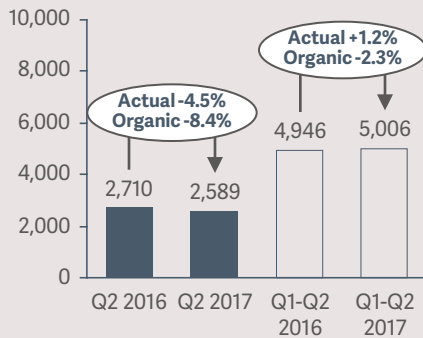


# Surgical Workflows in Q2 – topline and operational efficiency

Significant decline in topline having impact on earnings

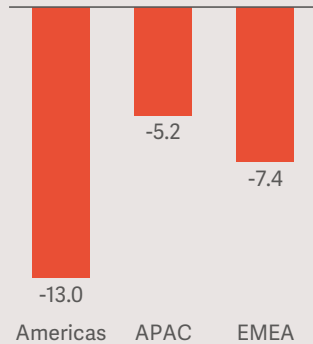
## 1. Weak organic order intake ...

Order intake (SEK M)



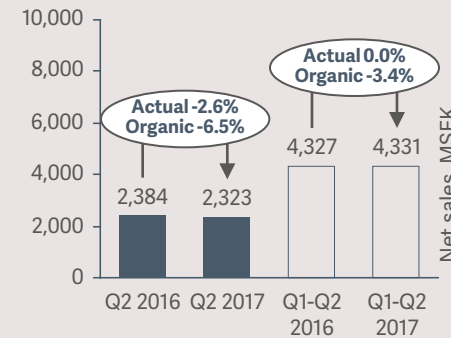
## ... and decline in all regions, but most evident in Americas

Order intake, regional organic growth (%)



## 2. Weak organic net sales

Net Sales (SEK M)



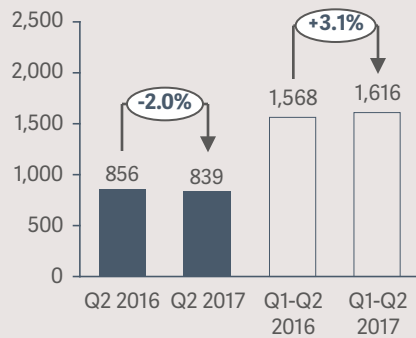
## ... with decline in all regions, but most evident in APAC

Net sales, regional organic growth (%)



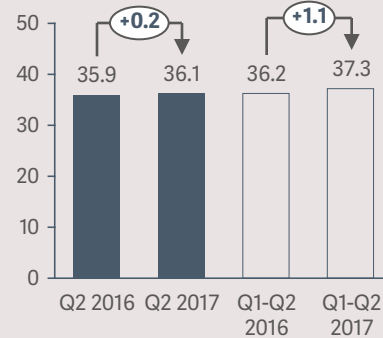
## 3. Weak topline impacting the Gross Profit ...

Gross profit (SEK M)



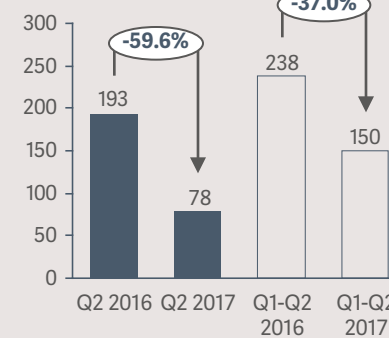
## ... but GP margin is flat due to FX and efficiency enhancements

Gross margin (%)



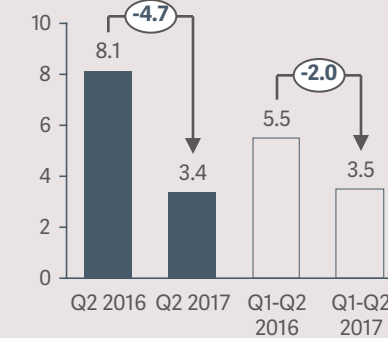
## 4. Weak topline and increasing OPEX leading to falling EBITA 1

EBITA 1 (SEK M)



## ... and EBITA 1 margin

EBITA 1 margin (%)

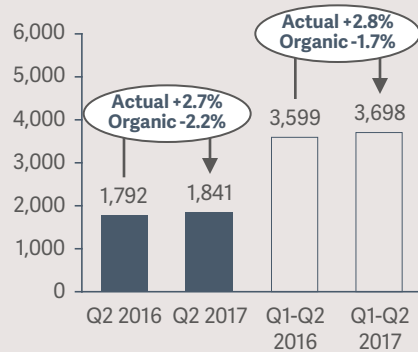


# Patient & Post-Acute Care Q2 – topline and operational efficiency

Continued challenges in organic growth but significantly improved earnings due to efficiency enhancements and FX

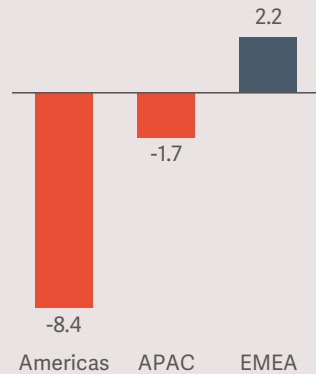
## 1. Decline in organic order intake ...

Order intake (SEK M)



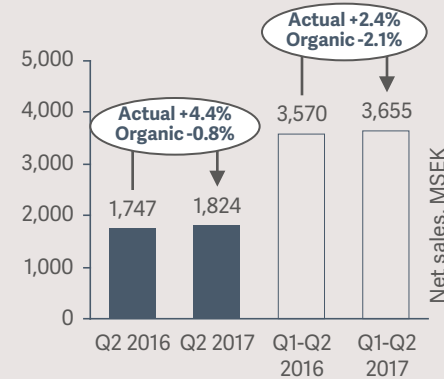
## ... due to weak performance mainly in Americas

Order intake, regional organic growth (%)



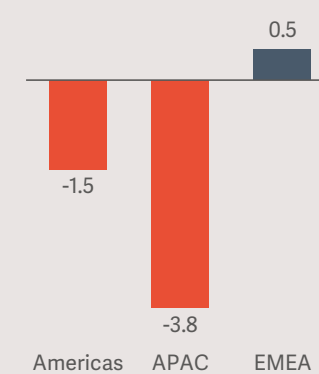
## 2. Decline in organic net sales

Net Sales (SEK M)



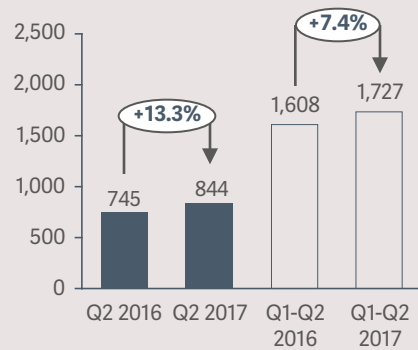
## ... driven by Americas and APAC

Net sales, regional organic growth (%)



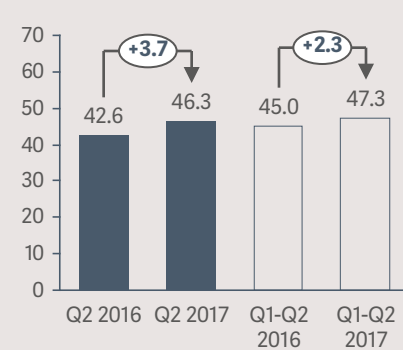
## 3. Improved gross profit and margin due to ...

Gross profit (SEK M)



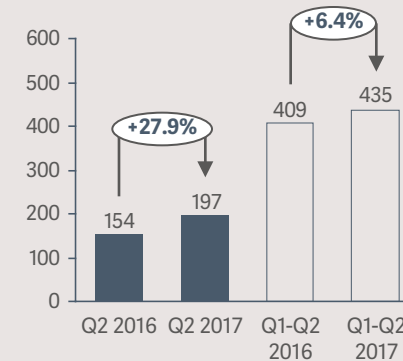
## ... higher net sales (actuals) and efficiency in Supply Chain

Gross margin (%)



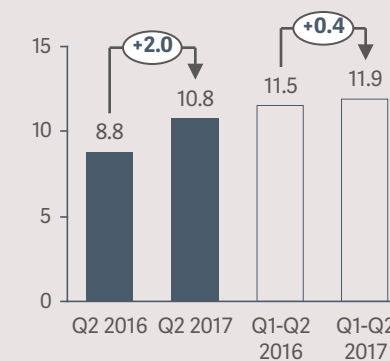
## ... which also explains the growth in EBITA 1

EBITA 1 (SEK M)



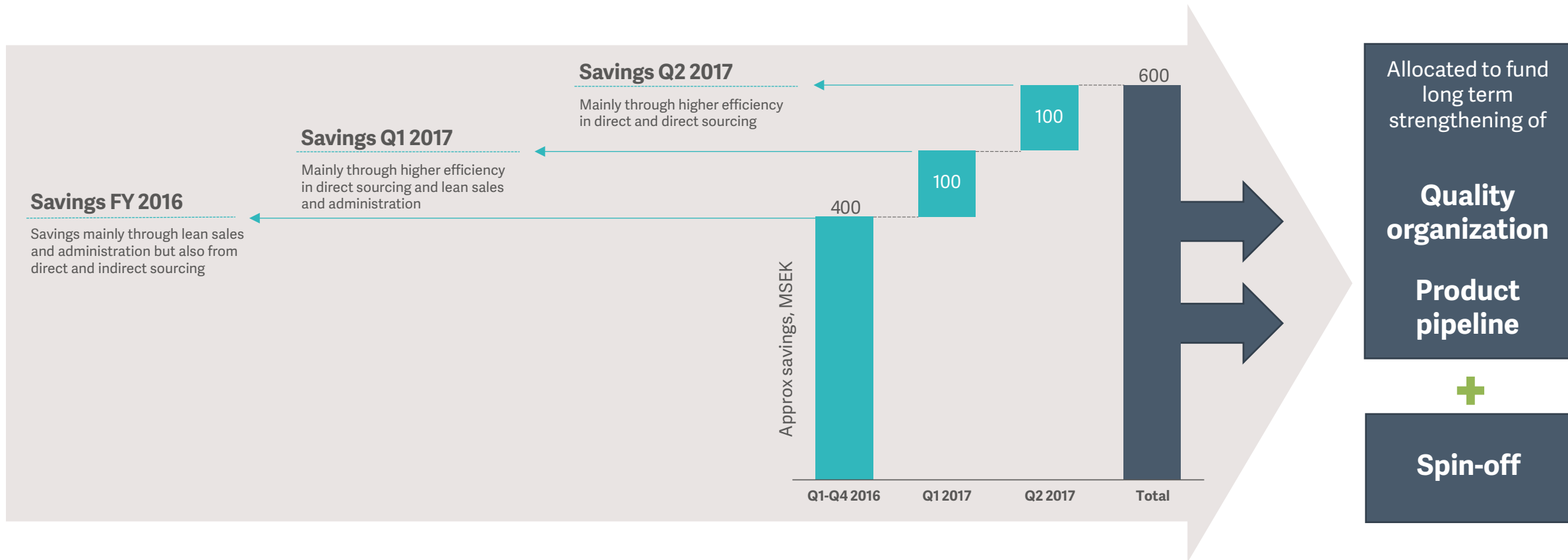
## ... and EBITA 1 margin

EBITA 1 margin (%)



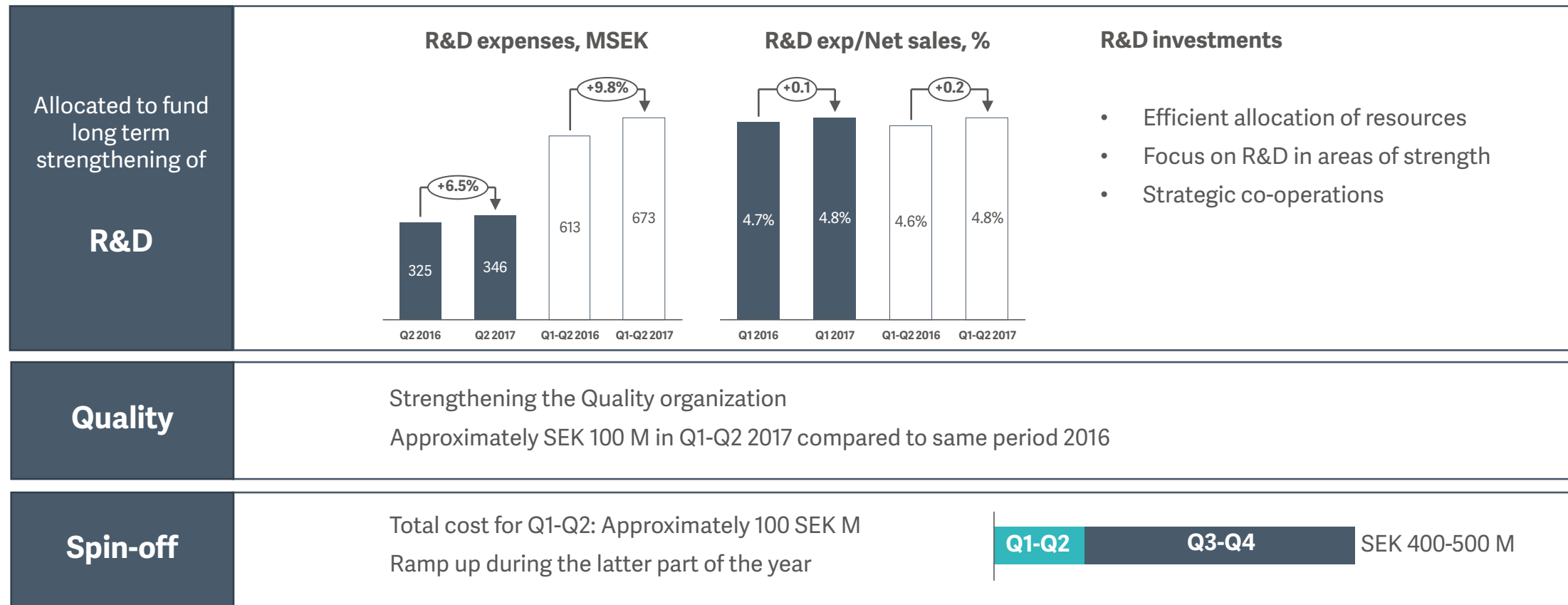
# Cost efficiency program

SEK 100 M in additional savings from Big 5 during the quarter



# Allocating resources to strengthen R&D and the Quality organization

and the spin-off related costs are in line with what was communicated in the Q1 report



# Overview financials

Reinhard Mayer, CFO

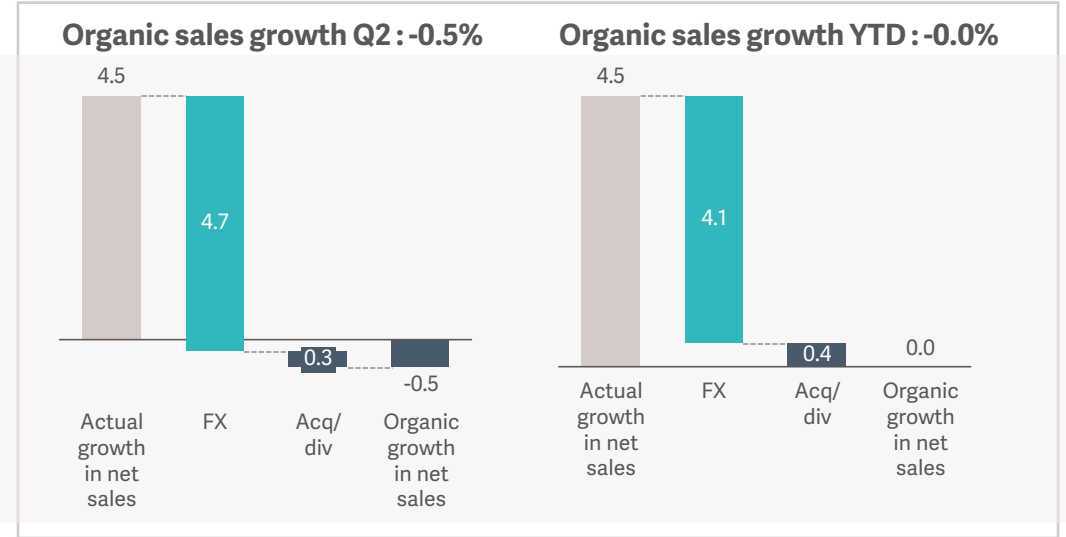
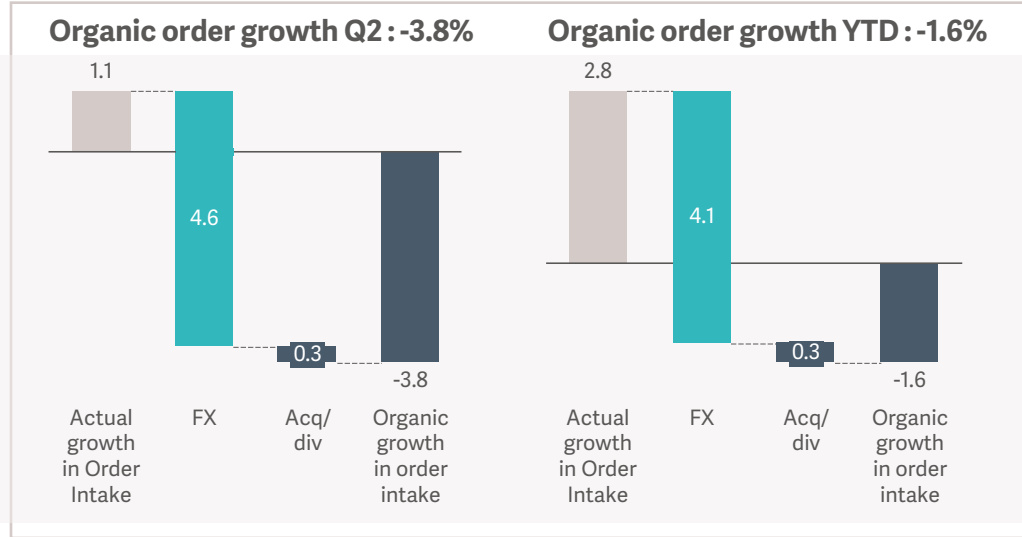
# Results

Q2 2017

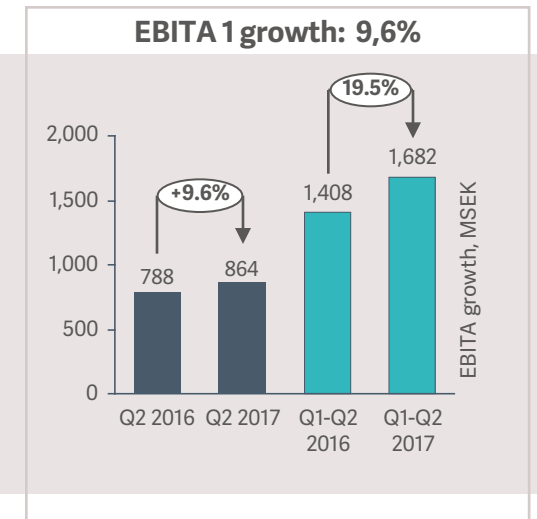
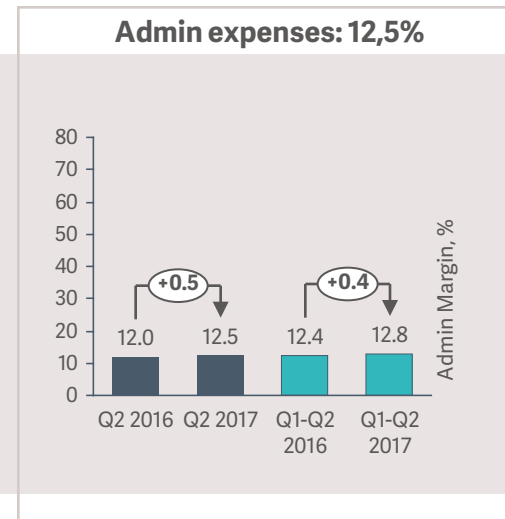
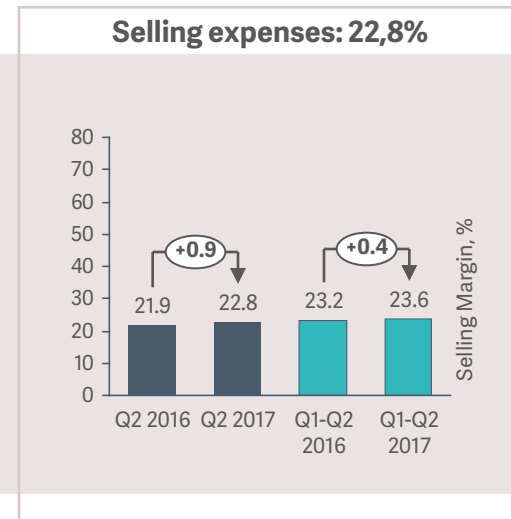
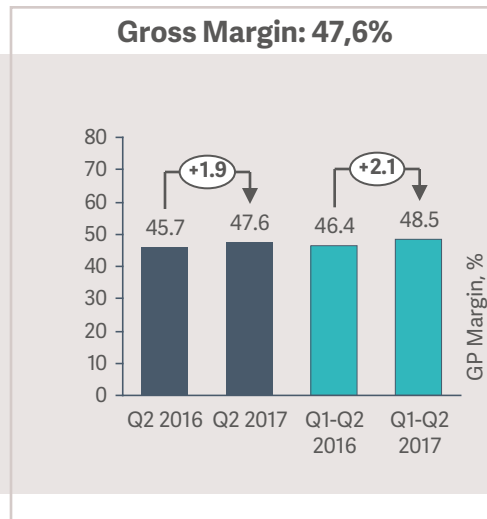
# Performance summary

## Continued EBITA 1 improvements

### Topline development



### Margin development





# FX effects

Positive exchange rate effects in Q2

## Positive effects in the quarter

Exchange rate effects had a positive impact of SEK 127 M on EBITA 1 in the quarter, of which transaction effects accounted for SEK 56 M and translation effects for SEK 71 M

## Outlook transaction effects FY17

Approximately SEK 250 M on the Group's earnings

### Quarter

SEK M	Transaction effect	Translation effect	Total FX-effect
Gross Profit	56	179	235
EBITA 1	56	71	127
EBIT	56	64	120

### YTD

SEK M	Transaction effect	Translation effect	Total FX-effect
Gross Profit	133	214	347
EBITA 1	133	27	160
EBIT	133	23	156

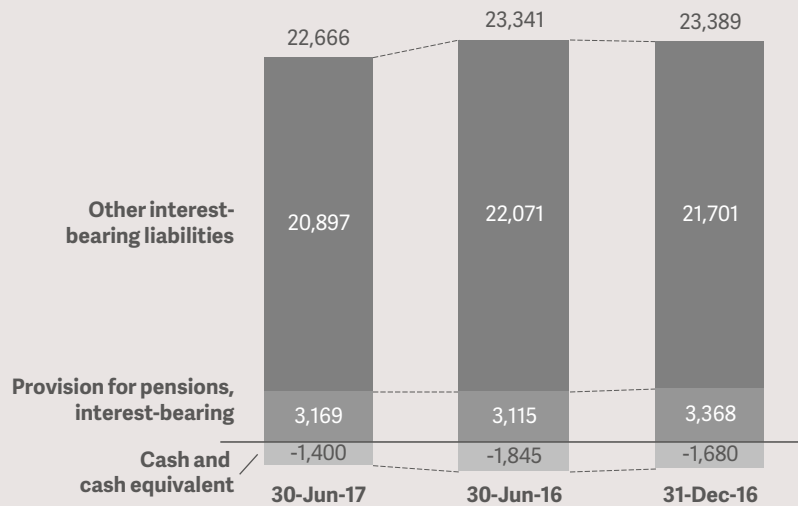
# Balance sheet

Q2 2017

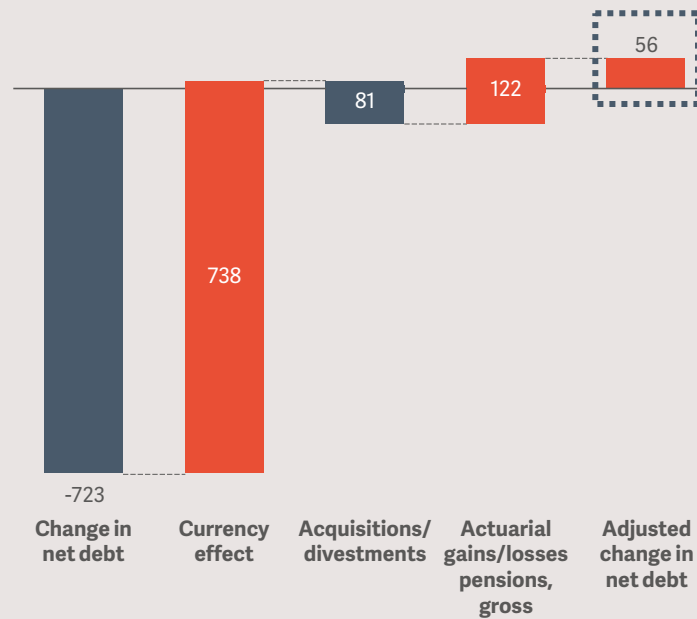
# Balance sheet

## Improvement in net debt development

### Net debt development



### Adjusted change in net debt



#### Net debt development

Increase in net debt amounted to SEK 56 M (497)

#### Net debt to equity ratio

Decreased to 113.0% (123.0)

#### Net debt to EBITDA\*

Decreased to 3.59 (3.99)

\* EBITDA before acquisition, restructuring and integration costs (rolling 12M)

# Cash Flow

Q2 2017

# Cash flow

## Decreased cash flow from operations

### Operational Cash Flow

Decreased by 51.8% to SEK 223 M (463) in the quarter.

### Cash Conversion

Amounted to 29.1% (44.7) in the quarter

### Cash Flow after Net

Investments Decreased by 36.8%

SEK M	Q2 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016	Full Year 2016
<b>Operating activities</b>					
Operating profit (EBIT)	162	473	702	789	2,287
Amortizations, depreciations and write-downs	605	562	1,271	1,174	2,703
Other non-cash items	11	28	15	32	85
Expensed restructuring and integration costs*	523	133	551	260	1,015
Paid restructuring and integration costs	-142	-202	-257	-401	-872
Financial items	-153	-162	-310	-321	-637
Taxes paid	-81	-101	-253	-262	-332
<b>Cash flow before changes to working capital</b>	<b>925</b>	<b>731</b>	<b>1,719</b>	<b>1,271</b>	<b>4,249</b>
Changes in working capital	-702	-268	-628	-108	-578
<b>Cash flow from operating activities</b>	<b>223</b>	<b>463</b>	<b>1,091</b>	<b>1,163</b>	<b>3,671</b>
Cash conversion,%	29,1	44,7	55,3	59,2	73,6
Cash flow from investing activities	-431	-615	-837	-975	-1,797
<b>Cash flow after net investments</b>	<b>-208</b>	<b>-152</b>	<b>254</b>	<b>188</b>	<b>1,874</b>
Cash flow from financing activities	-662	-122	-508	197	-1,749
<b>Cash flow for the period</b>	<b>-870</b>	<b>-274</b>	<b>-254</b>	<b>385</b>	<b>125</b>

\* Excluding write-downs on fixed assets

# Outlook

Mattias Perjos, President and CEO

# Outlook 2017

- We expect slight growth in organic net sales in 2017
- Currency transaction effects FY 2017 are expected to have a positive impact of approximately SEK 250 M (200) on the Group's earnings
- Estimated costs related to the potential distribution and listing of Patient & Post-Acute Care amounts to SEK 400-500 M, of which roughly half are one-time costs.

# Summary

Mattias Perjos, President and CEO



# Summary

Q2 2017

## Improvements in the quarter

- Improved GP and EBITA 1
- Continued efficiency enhancements (direct and indirect spend)
- Acute Care Therapies growth (net sales)

## But still challenges ahead

- Top line development
- Remediation (Consent Decree)
- Continued efficiency enhancements
- Working Capital

# Q&A

Q2 2017

# Thank you

## Forward looking information

This document contains forward-looking information based on the current expectations of the Getinge Group'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.



**GETINGE**

PASSION FOR LIFE