

# Q3 2018 Presentation

24 October 2018

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# Summary Q3 2018

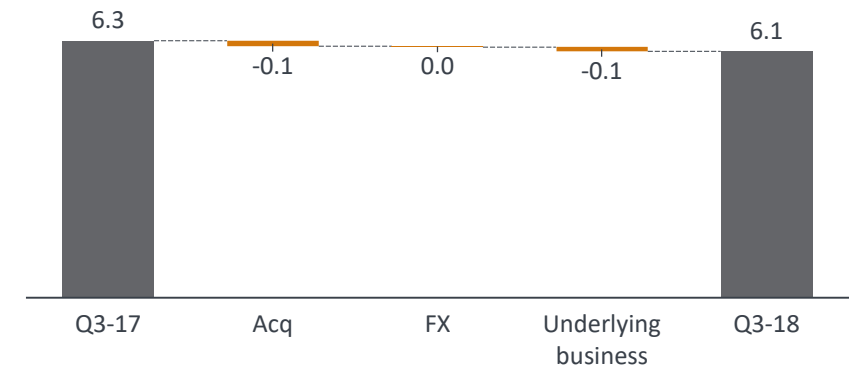


- Continued strong growth and improved margins for Stairlifts
- Delivery problems within Vehicle Accessibility
- Challenges for Patient Handling NA continues – however good development for Europe
- Good performance in Puls
- Lower adjusted EBITA-margin for Group, due to development in Patient Handling NA
- Handicare at Rehacare – new launches
  - New stairlift with four-wheel drive technology
  - Photosurvey4D - reducing design time by 60 percent

# Financial highlights – Group

MEUR	July - September			January - September			LTM	Full year
	2018	2017	Δ%	2018	2017	Δ%	2017/2018	2017
Revenue	70.1	69.2	1.2 %	217.0	213.9	1.4 %	287.4	284.3
Organic revenue growth	1.1 %			3.7 %				
Gross margin	43.0 %	42.4 %		42.5 %	42.8 %		42.4 %	42.6 %
Adjusted EBITA	6.1	6.3	-4.2 %	18.8	20.0	-5.9 %	25.0	26.2
Adjusted EBITA margin	8.6 %	9.1 %		8.7 %	9.4 %		8.7 %	9.2 %

Adjusted EBITA bridge



## Revenue Q3: organic +1.1%

- Accessibility +2.8%
- Patient Handling -5.5%
- Puls +12.6%

## EBITA Q3: adjusted margin 8.6% (9.1%)

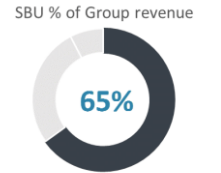
- Gross margin improved to 43.0% (42.4%)
- Increased operating expenses (variable salaries and IT projects)
- Cost savings according to plan, c. 0.9 MEUR in Q3-18 vs Q1-18

## OCF Q3: 1.0 MEUR (2.8)

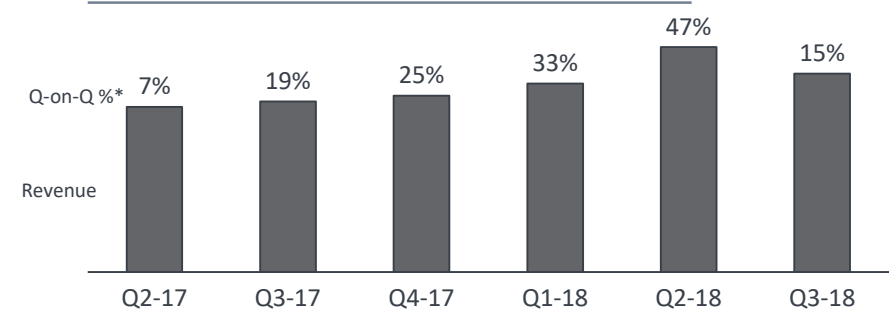
- Other specified items -0.9 MEUR (severance costs)
- Cash flow from working capital -4.9 MEUR (-3.3 MEUR)
- Leverage 3.2x



# Accessibility



Revenue and Q-on-Q organic growth (%)\* – Stairlifts US



\*e.g. Q3 2018 vs Q3 2017



MEUR	July - September			January - September			LTM	Full year
	2018	2017	Δ%	2018	2017	Δ%	2017/2018	2017
Revenue	46.6	45.4	2.7 %	141.1	135.2	4.4 %	187.2	181.3
Organic revenue growth	2.8 %			6.0 %				
Adjusted EBITA	7.2	5.6	29.0 %	20.2	16.4	23.3 %	26.3	22.5
Adjusted EBITA margin	15.4 %	12.2 %		14.3 %	12.1 %		14.0 %	12.4 %

## Revenue Q3: organic growth 2.8%

- Stairlifts +7% (North America +15%)
- Vehicle Accessibility negatively impacted by postponed deliveries of c. 0.5 MEUR (total impact YTD c. 2.0 MEUR)
- Organic growth excluding postponed deliveries in Vehicle Accessibility: 3.9%

## EBITA Q3: adjusted margin 15.4% (12.2)

- Improved gross margin due to product mix
- Cost control / operating leverage
- Impact of postponed deliveries in Vehicle Accessibility c. -0.2 MEUR

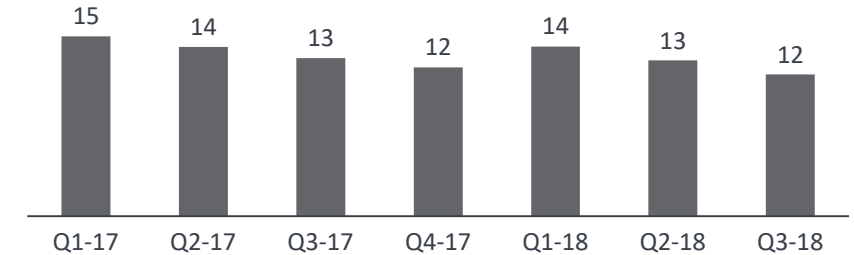


# Patient handling

SBU % of Group revenue



PH NA organic sales in constant FX rates



MEUR	July - September			January - September			LTM	Full year
	2018	2017	Δ%	2018	2017	Δ%	2017/2018	2017
Revenue	18.6	19.4	-4.2 %	59.4	64.1	-7.4 %	78.7	83.4
Organic revenue growth	-5.5 %			-4.2 %				
Adjusted EBITA	1.6	3.0	-46.3 %	6.1	9.4	-34.7 %	7.6	10.9
Adjusted EBITA margin	8.7 %	15.6 %		10.3 %	14.7 %		9.7 %	13.1 %

## Revenue Q3: organic decline -5.5%

- Continued good organic growth in Europe
- Decreased revenue in North America continued
- Acquired revenue 0.5 MEUR (0.7 MEUR in Q2-18). Conversion to Handicare product portfolio according to plan

## EBITA Q3: adjusted margin 8.7% (15.6)

- Lower gross margin due to product mix
- Decreased revenue reduced cost absorption
- Contribution from acquired distributor of -0.1 MEUR



# Puls

SBU % of Group revenue



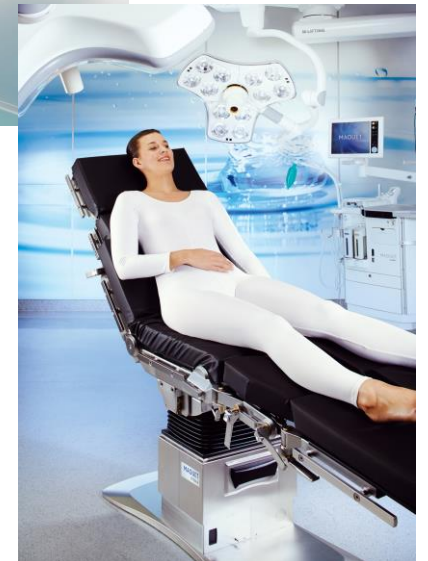
MEUR	July - September			January - September			LTM	Full year
	2018	2017	Δ%	2018	2017	Δ%	2017/2018	2017
Revenue	4.9	4.4	9.9 %	16.4	14.6	12.9 %	21.4	19.5
Organic revenue growth	12.6 %			17.0 %				
Adjusted EBITA	0.1	-0.3	n/a	1.0	0.3	198.0 %	1.2	0.5
Adjusted EBITA margin	2.7 %	-5.9 %		6.1 %	2.3 %		5.5 %	2.6 %

## Revenue Q3: organic growth 12.6%

- Increased sales focus paying off
- Sales increase in most product areas, strong project sales

## EBITA Q3: adjusted margin 2.7% (-5.9)

- Improved gross margin. Inventory adjustment of c. -0.2 MEUR in Q3-17
- Increased revenue improved cost absorption
- Restructuring program according to plan - cost savings have started to materialise.



# Improvement program

- **Immediate actions in order to turn around PH in North America**
  - Investments in sales force and sales management
  - Execute on sales organization focus - Institutional/Homecare
  - Improve sales activities and follow-up
  - Digital platform for lead generation
- **Medium term - increased commercial focus**
  - Customer and end-users perspective
  - Review of product offering
    - Product and solutions portfolio
    - Time to market – new product launches
    - Pricing strategy
  - Go to market strategy – sales channels to be evaluated in order to optimize
- **Medium term - footprint**
  - Assessment of new geographical markets
  - Assessment of adjacent products





# Summary



- Continued strong organic growth in Stairlifts: 7.0%
- Vehicle Accessibility negatively impacted by delivery problems in Q3-18. Revenue impact c. -0.5 MEUR and EBITA impact c. -0.2 MEUR
- Negative organic growth in PH-NA, development varies between local geographical markets. Continued growth in PH-EU
- Continued strong growth in Puls: 13%
- Realised cost savings according to plan:
  - c. 0.6 MEUR in Q3-18 (accumulated savings of 0.9 MEUR YTD 2018)
  - Annualised cost savings of at least 3.0 MEUR from Q1-19
- We estimate that the organic revenue growth for the financial year will be in the low end of our mid-term target range of 4% to 6%
- New CEO's short term focus is PH-NA turnaround and strategy execution
- Continued focus on M&A
- Macro trends remain favourable



Q&A

# Forward-looking statements

To the extent this report contains forward-looking statements, these statements are based on the current expectations of Handicare's Group management. Although management considers the expectations expressed in such forward-looking statements to be reasonable, there is no guarantee that these expectations will prove correct. Accordingly, actual future outcomes may differ significantly from those expressed in the forward-looking statements due to such factors as changed economic, market and competitive conditions, changes in regulatory requirements and other policy measures, and fluctuations in exchange rates.

# Appendices





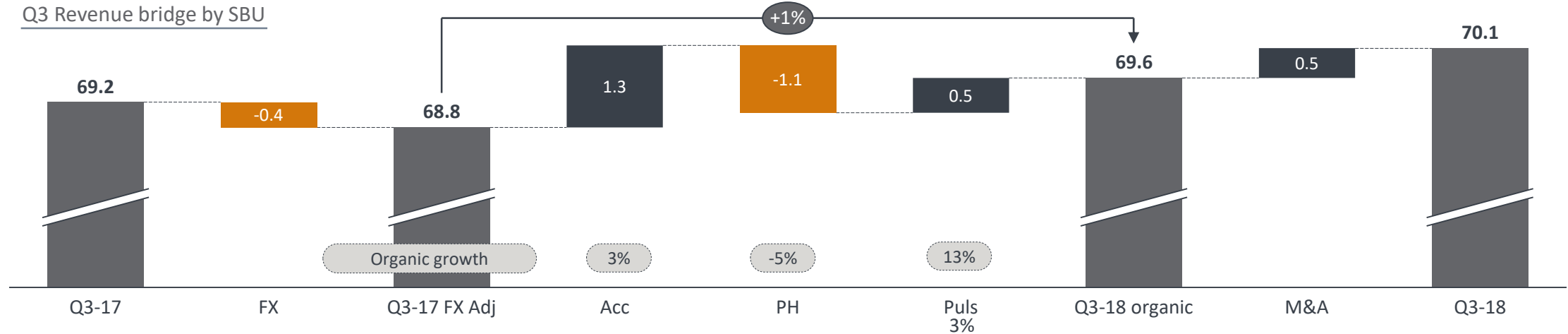
# Financial targets, medium term

Target:	Average annual revenue growth 10%, of which 4-6% organically	Profitability: adjusted EBITA margin >12%	Capital structure: 2.5x net debt/LTM adj EBITDA, subject to flexibility for strategic activities	Dividend policy: An annual dividend corresponding to 30-50 percent of the net profit for the period*
Status:	<ul style="list-style-type: none"><li>• 2018 LTM organic: 4%</li></ul>	<ul style="list-style-type: none"><li>• 2018 LTM 8.7%</li></ul>	<ul style="list-style-type: none"><li>• 3.2x as at 30 September 2018</li></ul>	<ul style="list-style-type: none"><li>• Dividend 2018: 0.50 SEK per share</li></ul>

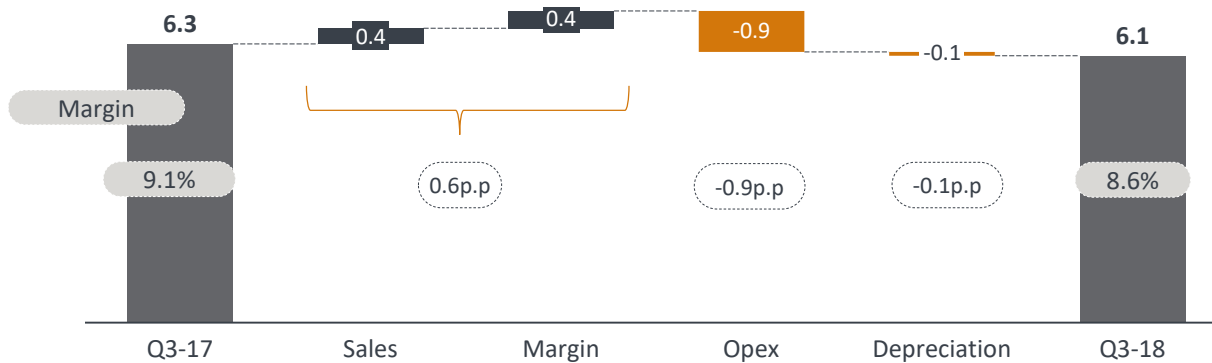
\*The pay-out decision will be based on Handicare's financial position, investment needs, acquisition opportunities and liquidity position.

# Q3 revenue and adjusted EBITA bridges

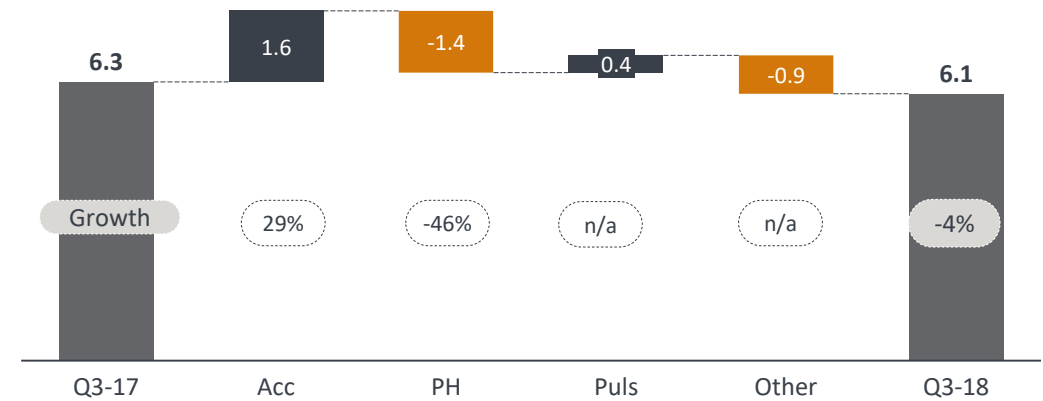
Q3 Revenue bridge by SBU



Q3 Adjusted EBITA bridge by component



Q3 Adjusted EBITA bridge by SBU



# Cash flow

MEUR	July - September		January - September		Full year
	2018	2017	2018	2017	2017
<b>EBITDA</b>	<b>7.0</b>	<b>2.3</b>	<b>19.7</b>	<b>15.8</b>	<b>22.6</b>
Inventory	-1.6	-1.3	-2.8	-2.4	-2.5
Accounts receivable	0.8	-0.7	-3.1	0.3	0.3
Accounts payable	-2.2	-1.6	2.0	-3.7	-3.6
Other receivables/liabilities	-1.9	0.2	-4.7	-4.8	-6.6
Change in NWC	-4.9	-3.3	-8.7	-10.6	-12.4
Tangible assets	-0.5	-0.3	-1.4	-1.7	-2.3
Intangible assets	-0.6	-0.7	-2.5	-2.6	-3.3
Total capex	-1.1	-1.0	-3.9	-4.4	-5.6
<b>Operating cash flow</b>	<b>1.0</b>	<b>-2.0</b>	<b>7.1</b>	<b>0.8</b>	<b>4.5</b>
<b>KPI:s</b>					
Paid tax	-0.2	0.1	-1.3	-0.4	-0.4
OCF / EBITDA	14%	-88%	36%	5%	20%
Net debt	92.0	181.3	92.0	181.3	89.0
Net debt / Adjusted LTM EBITDA	3.2	6.4	3.2	6.4	3.0

## OCF: 1.0 MEUR (-2.0)

- Other specified items paid in Q3-18: 0.9 MEUR (severance costs)
- Increased net working capital
- Q3-18 capex of 1.1 MEUR (1.5% of revenue)
- Tax payments related to North America

## Net debt / adjusted EBITDA 3.2x

- RCF of 40 MEUR undrawn at quarter end and cash balance of 15.0 MEUR
- Dividend of 2.9 MEUR paid in May





# Handicare 1100

In October we launched the revolutionary new straight stairlift: Handicare 1100

- Slimmest straight rail in the market
- New four-wheel drive technology, no tooth rack
- Smart service & maintenance
- Easy to install



# Photosurvey4D

We have introduced Photosurvey4D, a quicker, easier staircase measurement tool

- Quick: Complete measurement within 10 minutes (30 min in last version)
- Easy to carry: lightweight kit
- Easy to check: visible progress
- Easy to measure: no more attaching wall- and obstacle markers
- Easy to use: familiar software



