Q3 2019 Presentation

24 October 2019

Staffan Ternström, President and CEO
Pernilla Lindén, CFO

handicare

Summary Q3 2019

- Limited organic growth in the third quarter
- Continued focus on improved customer experience, efficiency, service quality and innovation
- Solid growth in Accessibility
  - Strong growth for Stairlift North America
  - Good growth in Stairlift EU, partly offset by weaker sales in the UK, related to Brexit
  - Vehicle Accessibility back to growth
- Successful launch of 1100 on the important US market
- Decline in revenue for Patient Handling
  - US institutional sales still challenging
  - EU impacted by lower sales at key distributors
- Adjusted EBITA margin decreased vs last year due to lower gross margin
- Operating cash flow positively impacted by less capital tied up in working capital

Significant events after the end of the period

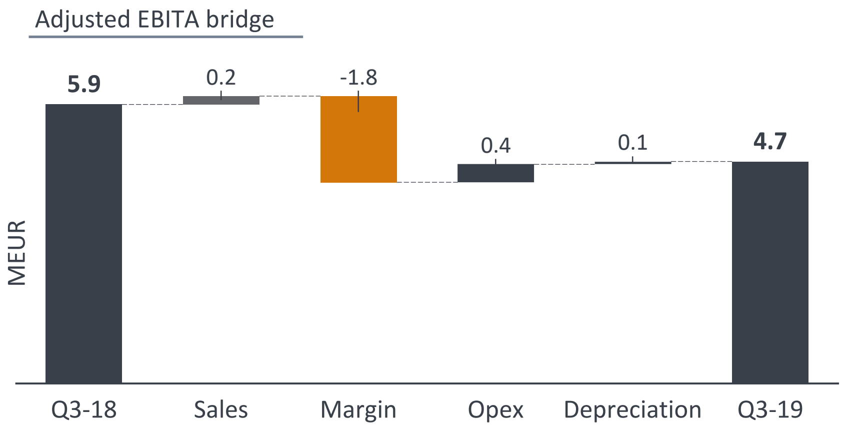
- Strategic review initiated

handicare

Financial highlights – Group

MEUR	July - September 2019	2018	Δ%	January - September 2019	2018	Δ%	LTM 2018/2019	Full year 2018
Revenue	**65.6**	**65.2**	**0.6 %**	**202.2**	**200.5**	**0.8 %**	**271.4**	**269.8**
Organic revenue growth	*0.2 %*			*-0.3 %*				
Gross margin	*41.2 %*	*44.0 %*		*41.8 %*	*43.5 %*		*40.7 %*	*42.0 %*
Adjusted EBITA	**4.7**	**5.9**	**-20.5 %**	**16.2**	**17.8**	**-8.8 %**	**19.1**	**20.7**
Adjusted EBITA margin	*7.2 %*	*9.1 %*		*8.0 %*	*8.9 %*		*7.0 %*	*7.7 %*

Note: All P&L numbers in this report exclude the divested business area Puls. No change to the balance sheet.



Revenue Q3: organic growth 0.2%
- Accessibility +3.4%
- Patient Handling -7.7%

EBITA Q3: adjusted margin 7.2% (9.1%)
- Gross margin decreased to 41.2% (44.0%) driven mainly by country mix and low cost absorption
- Operating expenses decreased by 0.4 MEUR, primarily explained by lower costs for IT and variable compensation
- Group costs 2.5 MEUR (2.9 MEUR)

OCF Q3: 6.9 MEUR (0.8)
- Other specified items -0.3 MEUR
- Cash flow from working capital +2.5 MEUR (-4.9 MEUR).
- Leverage 3.1x (excluding IFRS 16)

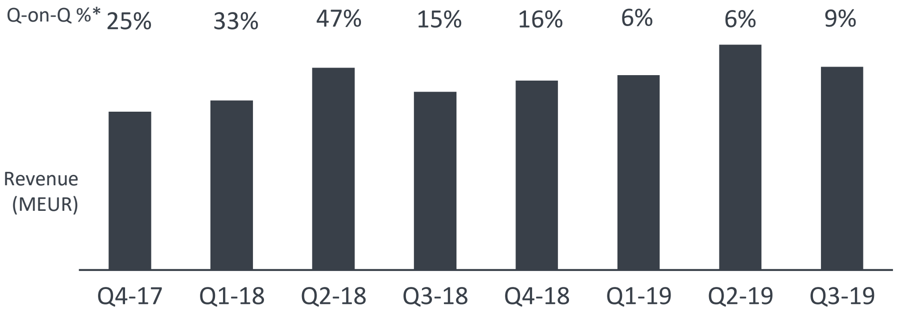
Note: From 1 January 2019, the Group applies IFRS 16 Leases. To facilitate comparison between the periods, the performance measures in this presentation are presented excluding the impact from IFRS 16. The transition impacts are set out in Appendix.

Accessibility

SBU % of Group revenue

MEUR	July - September 2019	July - September 2018	July - September Δ%	January - September 2019	January - September 2018	January - September Δ%	LTM 2018/2019	Full year 2018
Revenue	**48.0**	**46.6**	**3.1 %**	**146.3**	**141.1**	**3.7 %**	**194.6**	**189.4**
Organic revenue growth	*3.4 %*			*3.3 %*				
Adjusted EBITA	**6.2**	**7.2**	**-13.8 %**	**20.0**	**20.2**	**-0.8 %**	**25.3**	**25.4**
Adjusted EBITA margin	*12.9 %*	*15.4 %*		*13.7 %*	*14.3 %*		*13.0 %*	*13.4 %*

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



*e.g. Q3 2019 vs Q3 2018

Revenue Q3: organic growth +3.4%

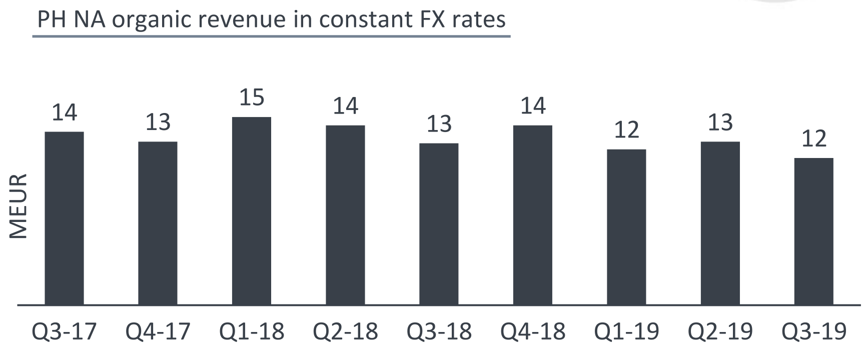
- Stairlifts +3.7% (NA +9.1%)
- Organic growth in Vehicle Accessibility

EBITA Q3: adjusted margin 12.9% (15.4)

- Decline in gross margin from country mix in Stairlifts and unfavourable product mix in Vehicle Accessibility
- Operating expenses were principally flat

Patient Handling

MEUR	July - September 2019	2018	Δ%	January - September 2019	2018	Δ%	LTM 2018/2019	Full year 2018
Revenue	**17.6**	**18.6**	**-5.5 %**	**55.8**	**59.4**	**-5.9 %**	**76.7**	**80.3**
Organic revenue growth	*-7.7 %*			*-8.7 %*				
Adjusted EBITA	**1.1**	**1.6**	**-35.1 %**	**4.4**	**6.1**	**-27.5 %**	**5.4**	**7.1**
Adjusted EBITA margin	*6.0 %*	*8.7 %*		*8.0 %*	*10.3 %*		*7.0 %*	*8.8 %*



Revenue Q3: organic decline -7.7%

- PH EU reported lower revenue vs Q3-18. This on the back of slightly lower revenue at some major distributors
- Decreased revenue in NA vs Q3 last year (-9.1%). The lower revenue was principally due to continued weak Institutional sales in the US

EBITA Q3: adjusted margin 6.0% (8.7%)

- Slightly lower gross margin explained by product mix and lower cost absorption in NA
- Operating expenses principally flat vs Q3-18 but higher as a % of revenue

handicare

Update on North America actions

Key Q3 achievements:

- Launched 1100 in US
- Elite Dealer program launched and customer adoption is ahead of plan
- Implemented new HUB setup:
  - Switched a majority from full service Hub:s to regional sales offices
- Continued improvement in the order to cash process
- Recruited new VP corporate accounts to increase focus on IDN:s and VA
- Canada institutional delivered strong growth
- Results from actions initiated takes longer than expected in the US institutional business

Key Q4 activities:

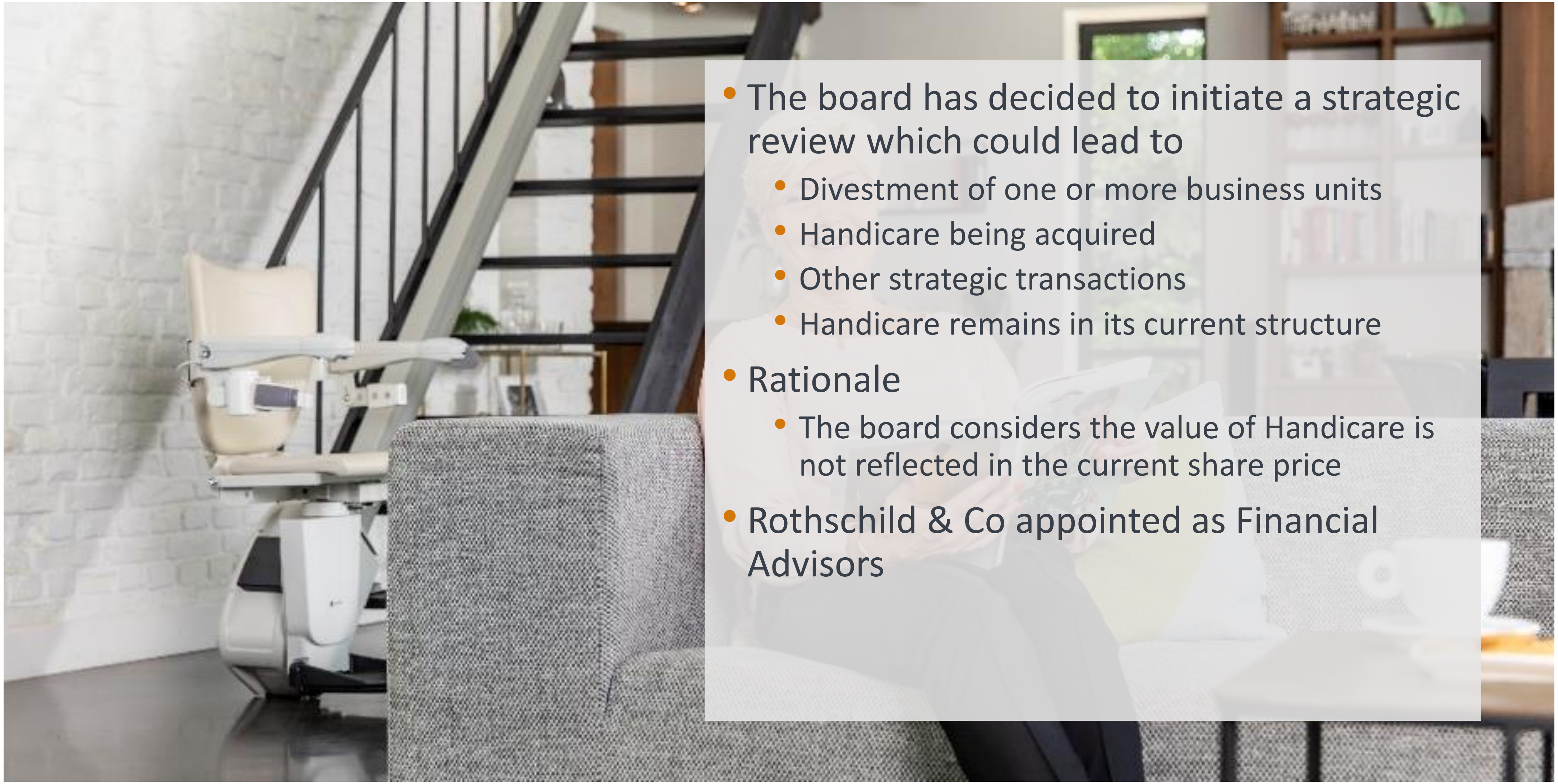
- Continued focus on 1100 to drive share of wallet with existing customers and to drive new customer acquisition
- Further deploy Elite Dealer program
- Leverage implementation of new setup of regional sales offices/Hub:s
- Continued focus on sales force effectiveness and improved value proposition:
  - Recruit new VP of institutional sales in the US
  - Get new sales force “up to speed”
  - Continued focus on increased activity (call rate, number of visits, etc.) and quality (pre-tender work, win-rate, etc)
  - Increased focus on IDN:s and VA to maximize value of existing and new contracts
  - Increase recurring sales of high margin “below-the-bar” products

Summary Q3 2019

- Organic growth 0.2%:
  - Stairlifts posted good organic growth of 3.7% (NA: 9.1%), negatively impacted by Brexit concerns in the UK
  - Vehicle Accessibility reported organic revenue growth vs last year
  - PH reported negative organic growth of -7.7%, due to lower sales in the US institutional business
- Adjusted EBITA margin declined to 7.2% (9.1%) explained by lower gross margin from unfavorable country mix and reduced cost absorption
- Outlook 2019 (changed):
  - Organic growth in H2-19 vs H2-18 expected to be lower than the previously communicated interval of 4-6%
  - Adjusted EBITA margin still expected to increase in H2-19 vs H1-19 (8.4%)
- Continued focus on improved customer experience, efficiency, service quality and innovation
- Macro trends remain favorable

handicare

Strategic review



- The board has decided to initiate a strategic review which could lead to
  - Divestment of one or more business units
  - Handicare being acquired
  - Other strategic transactions
  - Handicare remains in its current structure
- Rationale
  - The board considers the value of Handicare is not reflected in the current share price
- Rothschild & Co appointed as Financial Advisors

handicare

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

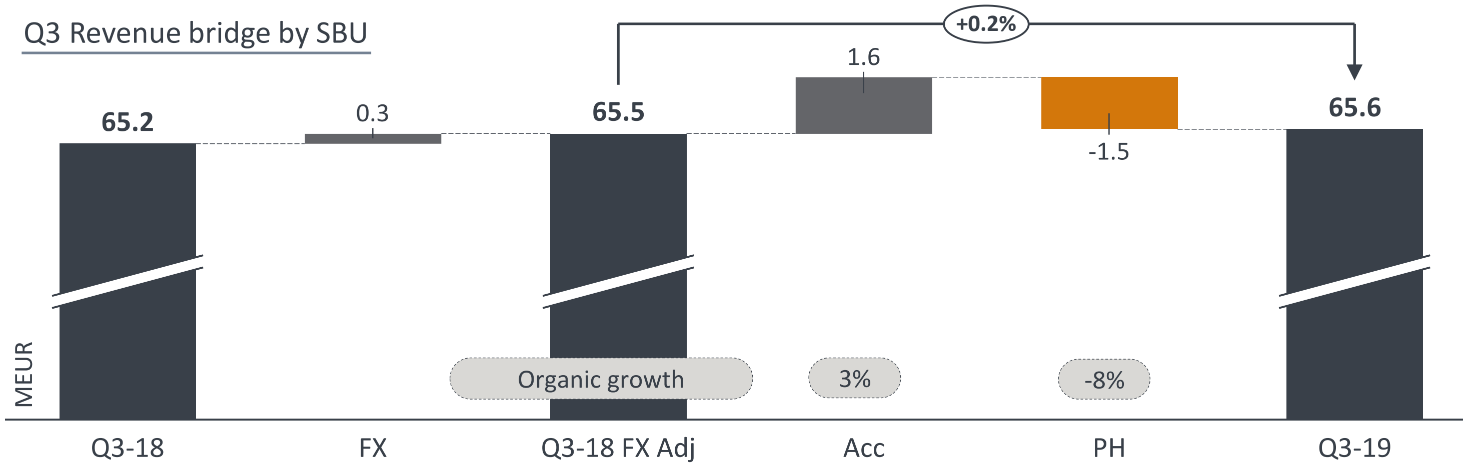
Target	Status
An average annual growth of 10 percent, of which 4-6 percent organically, in the medium-term	*LTM 2019 organic: 1.0%*
An adjusted EBITA margin exceeding 12 percent in the medium-term	*LTM 2019: 7.0%*
Leverage of approximately 2.5 times net debt/LTM (last 12 months) adjusted EBITDA, with flexibility for strategic activities**	*3.1x as at 30 September 2019*
An annual dividend corresponding to 30-50 percent of the net profit for the period*	*Dividend 2019: 5 cent per share, 26% of the net profit*

*The pay-out decision will be based on Handicare's financial position, investment needs, acquisition opportunities and liquidity position.
** Excluding IFRS 16 impacts

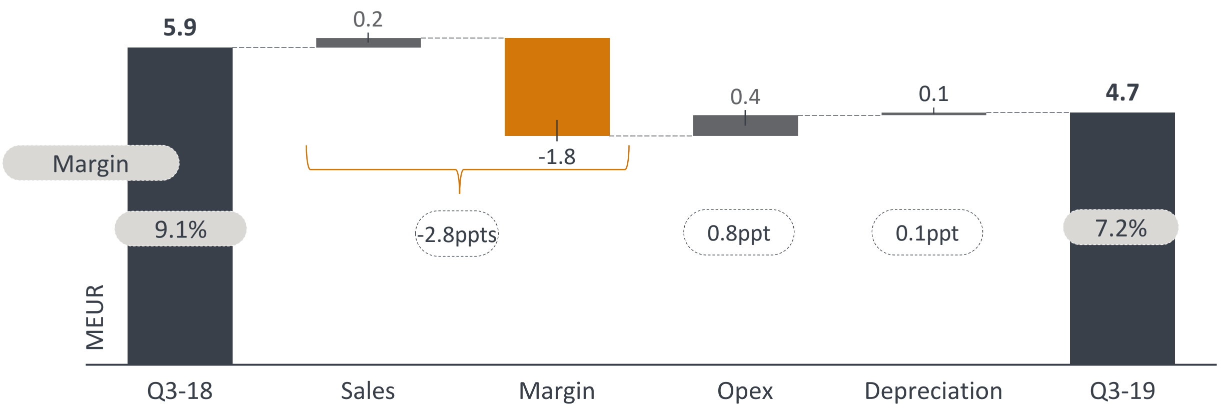
handicare

Q3 revenue and adjusted EBITA bridges

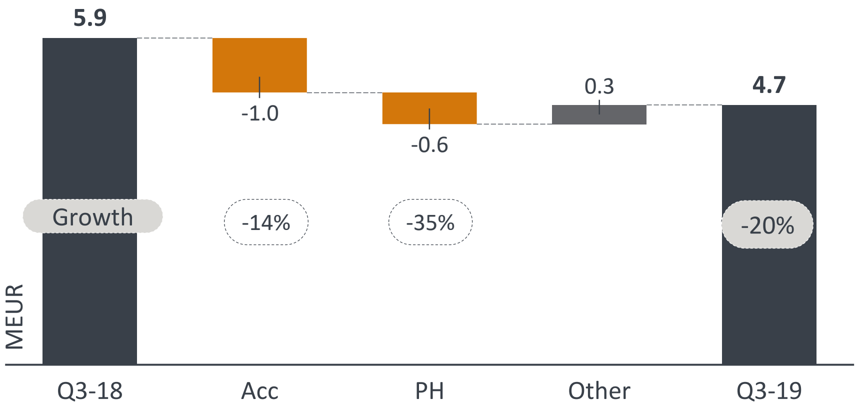
Q3 Revenue bridge by SBU



Q3 Adjusted EBITA bridge by component



Q3 Adjusted EBITA bridge by SBU



handicare

Cash flow

MEUR	July - September 2019	July - September 2018	January - September 2019	January - September 2018	Full year 2018
Adjusted EBITDA	**5.6**	**6.8**	**18.8**	**20.7**	**24.4**
Inventory	0.3	-1.6	-0.1	-2.8	0.5
Accounts receivable	1.3	0.8	1.3	-3.1	-1.8
Accounts payable	0.9	-2.2	-5.4	2.0	5.7
Other receivables/liabilities	0.0	-1.9	-3.6	-4.7	-5.7
Change in NWC	2.5	-4.9	-7.9	-8.7	-1.3
Tangible assets	-0.4	-0.5	-1.2	-1.4	-2.1
Intangible assets	-0.7	-0.6	-2.0	-2.5	-3.8
Total capex	-1.2	-1.1	-3.1	-3.9	-5.9
Adjusted operating cash flow	**6.9**	**0.8**	**7.8**	**8.1**	**17.2**
KPI:s					
Paid tax	-0.3	-0.2	-0.6	-1.3	-1.6
Adjusted OCF / Adjusted EBITDA	124%	12%	42%	39%	70%
Net debt (excl IFRS 16)	70.4	92.0	70.4	92.0	80.5
Net debt / Adjusted LTM EBITDA (excl IFRS 16)	3.1	3.3	3.1	3.3	3.3

Adjusted OCF: 6.9 MEUR (0.8)
- Other specified items paid in Q3-19: 0.3 MEUR
- Reduced net working capital
- Q3-19 capex of 1.2 MEUR (1.8% of revenue)
- Tax payments related to North America (Canada)

Net debt / adjusted EBITDA 3.1x (excl IFRS 16)
- RCF of 40 MEUR undrawn at quarter end and cash balance of 35.6 MEUR
- Dividend of 2.9 MEUR paid out in May 2019
- Consideration for Puls of 10.9 MEUR received in May 2019
- Unpaid other specified items: 1.3 MEUR at 30 Sep 2019

handicare

Balance sheet

Group MEUR	30 Sep 2019	30 Sep 2018	31 Dec 2018
Goodwill	165.9	164.8	162.8
Other intangible assets	46.7	50.3	49.1
Property, plant and equipment	8.1	9.9	9.7
Right-of-use assets	26.6	-	-
Deferred tax assets	7.2	7.7	8.0
Other non-current assets	0.1	0.2	0.2
Total non-current assets	**254.6**	**233.0**	**229.7**
Inventory	33.0	39.2	35.6
Accounts receivable	41.5	45.4	43.7
Tax receivables	0.2	0.2	0.1
Other current assets	3.1	4.6	3.3
Cash and cash equivalents	35.6	15.0	23.6
Total current assets	**113.5**	**104.3**	**106.3**
Total assets	**368.1**	**337.4**	**336.0**
Total equity	**184.1**	**172.4**	**171.3**
Provisions for pensions	0.2	0.4	0.2
Deferred tax liabilities	7.9	8.9	8.3
Advance payments	2.4	2.3	2.4
Other liabilities	0.3	0.7	0.4
Lease liabilities	21.7	-	-
Interest-bearing loans	105.0	105.6	103.0
Total long-term liabilities	**137.5**	**117.9**	**114.3**
Interest-bearing loans	0.0	0.1	0.0
Lease liabilities	4.9	-	-
Accounts payable	24.5	27.0	30.5
Other liabilities	0.9	1.9	1.1
Accrued expenses and deferred income	16.1	18.1	18.7
Total current liabilities	**46.5**	**47.1**	**50.4**
Total shareholders' equity and liabilities	**368.1**	**337.4**	**336.0**

From 1 January 2019, the Group applies IFRS 16 Leases. Therefore, the balance sheet for 2019 is not fully comparable with 2018. Refer to the Quarterly report (Q3 2019) for a specification of the impact.

IFRS 16 impact on EBITA

MEUR	July - September			January - September		
	2019	2018	Δ%	2019	2018	Δ%
Reported EBITA	**4.8**	**5.9**	**-18.3 %**	**16.6**	**15.8**	**5.0 %**
Other specified items	-	-		-	2.0	
IFRS 16 impact - Operating costs	-1.5	-		-4.4	-	
IFRS 16 impact - Depreciation	1.3	-		4.0	-	
Adjusted EBITA	**4.7**	**5.9**	**-20.5 %**	**16.2**	**17.8**	**-8.8 %**

Note: From 1 January 2019, the Group applies IFRS 16 Leases. To facilitate comparison between the periods, the performance measures in this presentation are presented excluding the impacts from IFRS 16. The transition impacts are set out above.

handicare

Making everyday life easier