



# Q1 Report 2017

Mattias Perjos, President and CEO

Reinhard Mayer, CFO

April 25, 2017

GETINGE 

# Agenda

Business overview

Financial performance

Outlook

Summary

Q&A

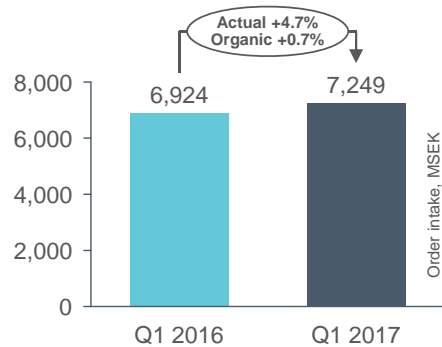
# Business overview

Mattias Perjos, President and CEO

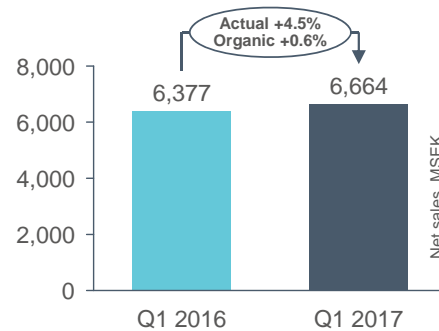
# Takeaway from the quarter I (III)

Improved topline, earnings and cash flow

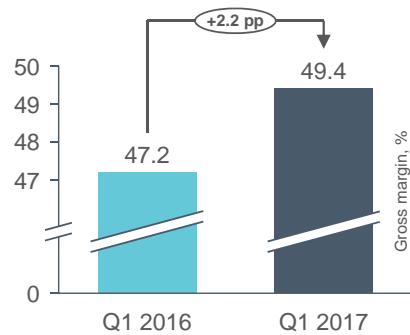
## 1. Growth in order intake ...



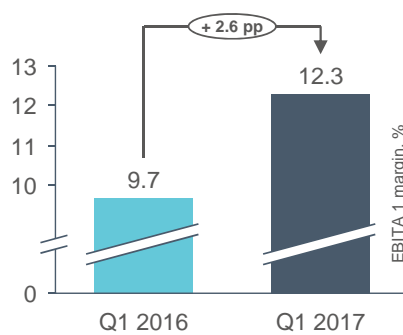
## ... and in net sales



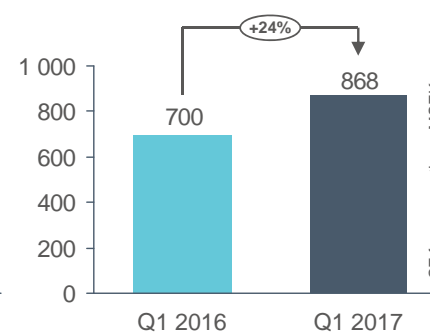
## 2. Improved Gross Margin ...



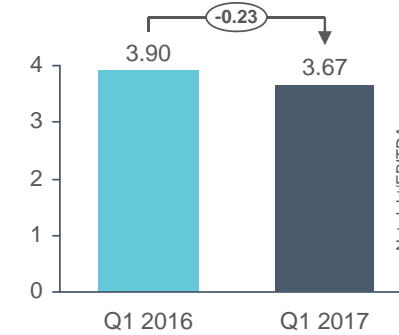
## ... EBITA 1\* margin and ...



## ... Cash Flow from operations



## 3. Enabling lower Net debt / EBITDA\*\*

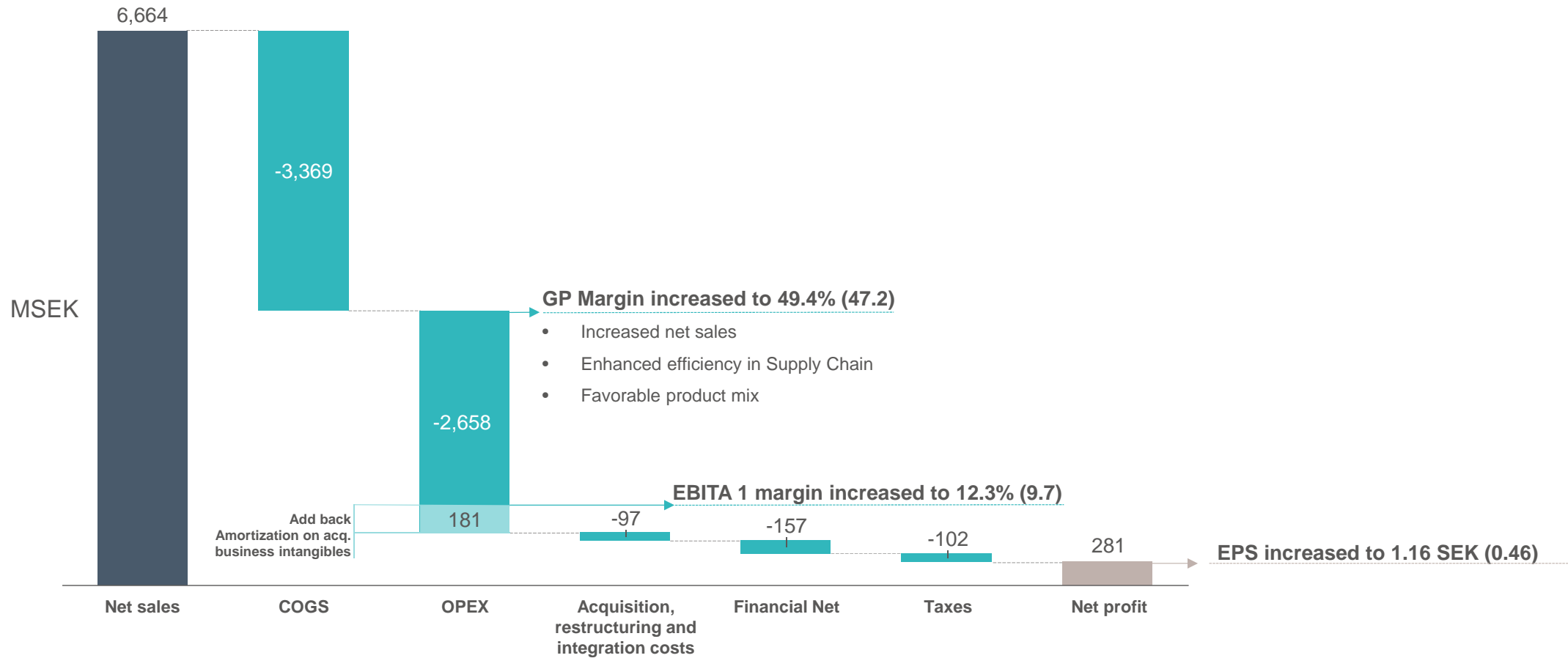


\* EBITA before acquisition, restructuring and integration costs

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

## Takeaway from the quarter II (III)

Increased margins and EPS thanks to efficient Supply Chain, favorable product mix and lower restructuring costs



## Takeaway from the quarter III (III)

Improvements but still challenges (and long term opportunities) ahead

Top line development

Continued efficiency  
enhancements

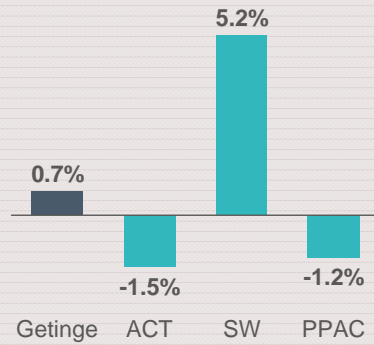
Remediation process  
(FDA Consent Decree)

Preparation of potential  
proposal of distribution and  
listing of Patient & Post-  
Acute Care

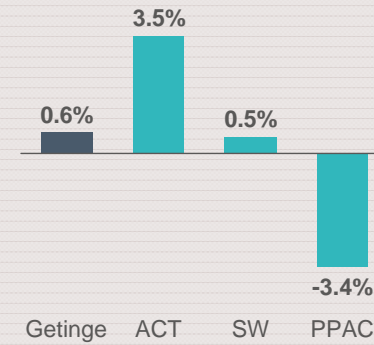
# Topline development

## Business areas

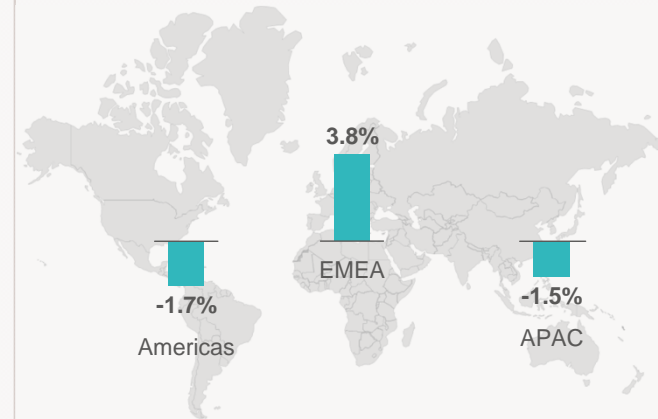
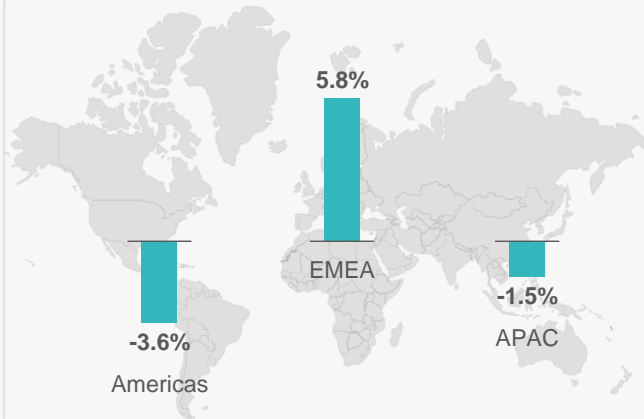
Organic order intake: +0.7%



Organic net sales: +0.6%



## Regional

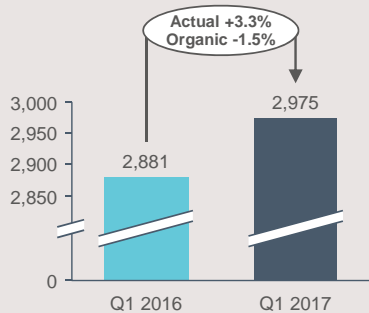


# Acute Care Therapies – topline and operational efficiency

Continued improvement in net sales and margins

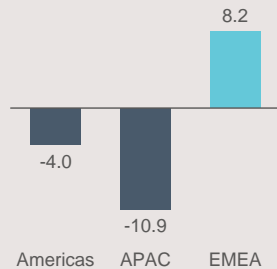
**Slight decline in organic order intake...**

Order intake (SEK M)



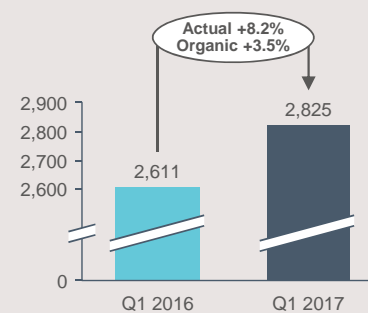
**... but strong demand in EMEA**

Order intake, regional organic growth (%)



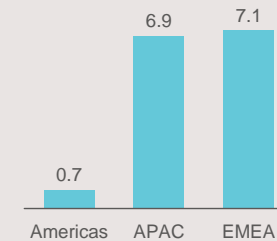
**... and improved net sales**

Net Sales (SEK M)



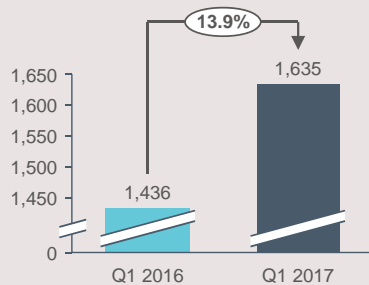
**... in all regions**

Net sales, regional organic growth (%)



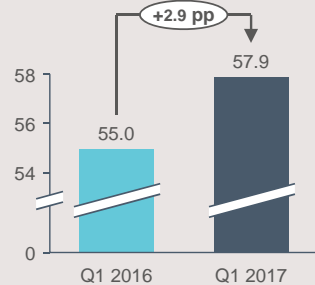
**Improved gross profit and margin due to ...**

Gross profit (SEK M)



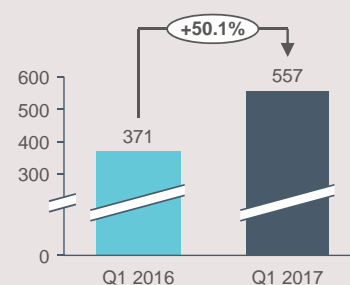
**... efficiency in Supply Chain**

Gross margin (%)



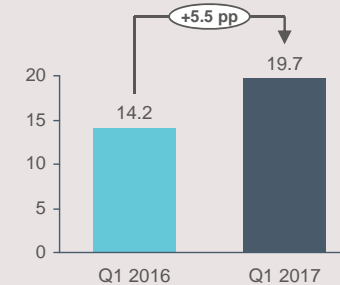
**... contributing to significantly higher EBITA 1\***

EBITA 1\* (SEK M)



**... and EBITA 1\* margin**

EBITA 1\* margin (%)



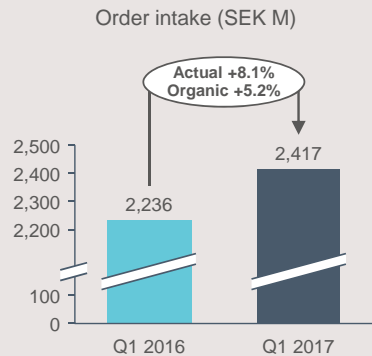
\* Before acquisition, restructuring and integration costs



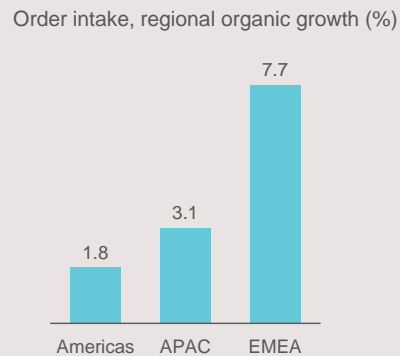
# Surgical Workflows – topline and operational efficiency

## Strong order intake and improved margins

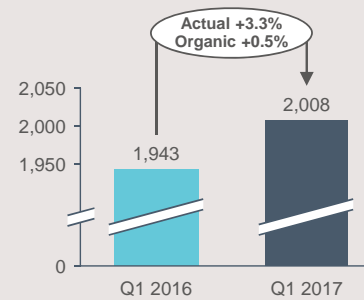
**Strong organic order intake ...**



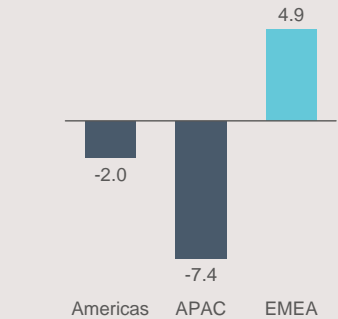
**... with growth in all regions**



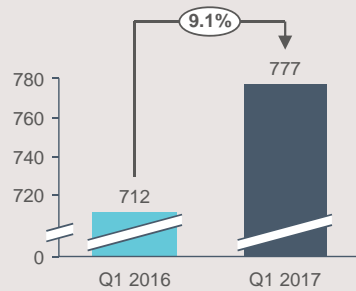
**... and slight improvement in organic net sales**



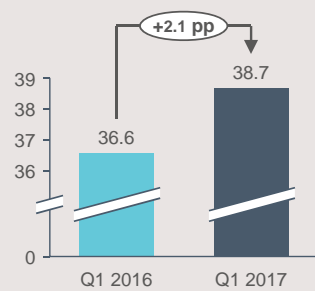
**... supported by strong demand in EMEA**



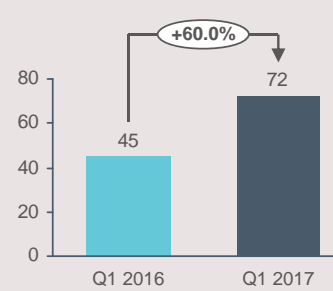
**Improved gross profit and margin due to ...**



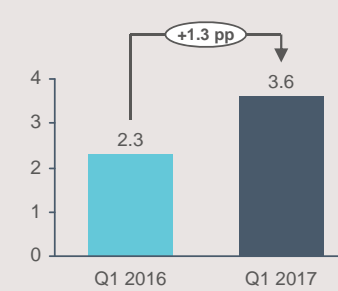
**... higher net sales and efficiency in Supply Chain**



**... contributing to significantly higher EBITA 1\***



**... and EBITA 1\* margin**



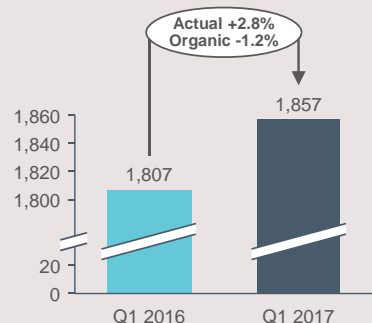
\* Before acquisition, restructuring and integration costs

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

Declining topline but improved gross margin

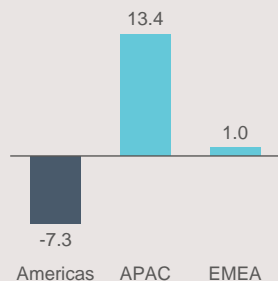
**Slight decline in organic order intake ...**

Order intake (SEK M)



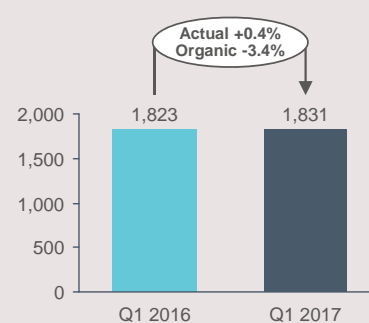
**... due to declining demand in Americas**

Order intake, regional organic growth (%)



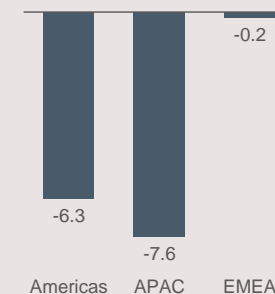
**Decline in organic net sales**

Net Sales (SEK M)



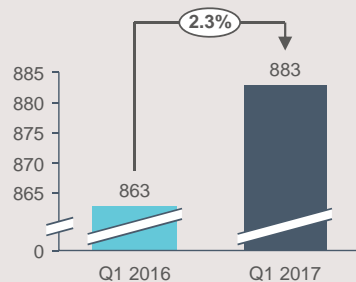
**... but a strong ending of the quarter by EMEA**

Net sales, regional organic growth (%)



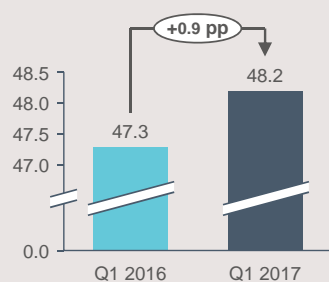
**Improved gross profit and margin due to ...**

Gross profit (SEK M)



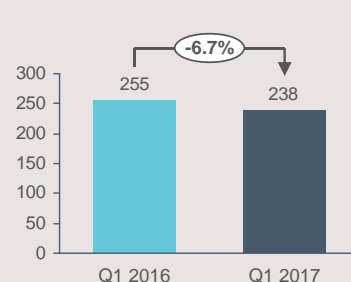
**... higher net sales and efficiency in Supply Chain**

Gross margin (%)



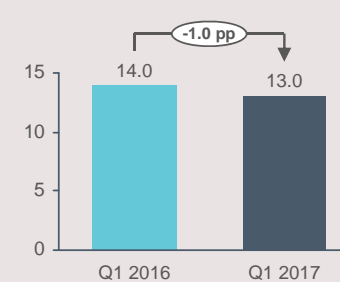
**... but higher OPEX contributed to declining EBITA 1\***

EBITA 1\* (SEK M)



**... and EBITA 1\* margin**

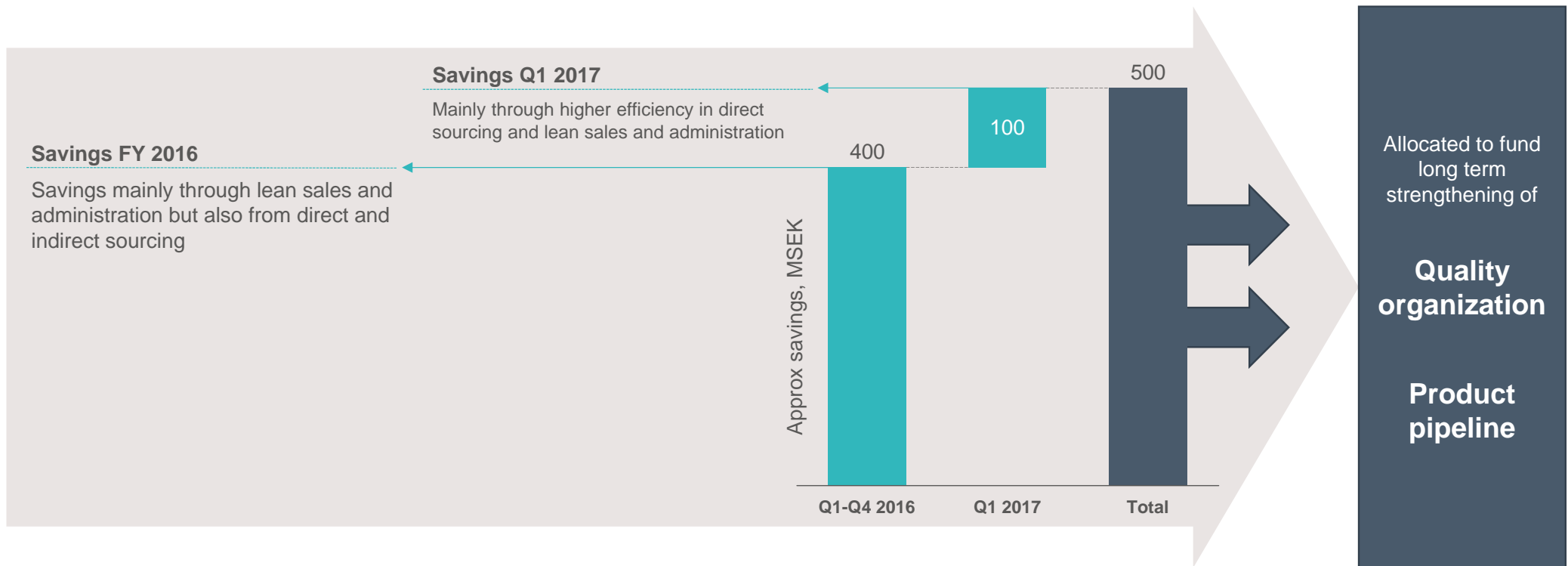
EBITA 1\* margin (%)



\* Before acquisition, restructuring and integration costs

# Cost efficiency program

Big 5 continues to deliver on plan

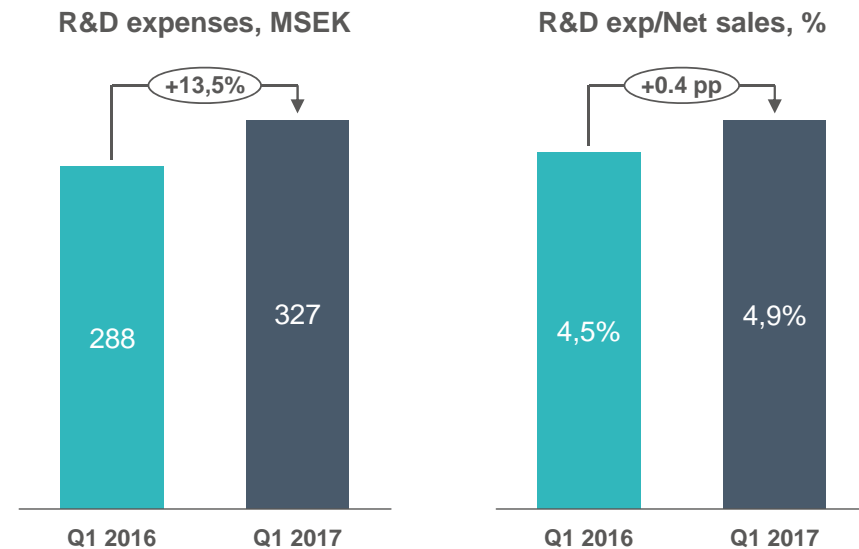


# Investment in innovation and product launches

Securing future growth and margins

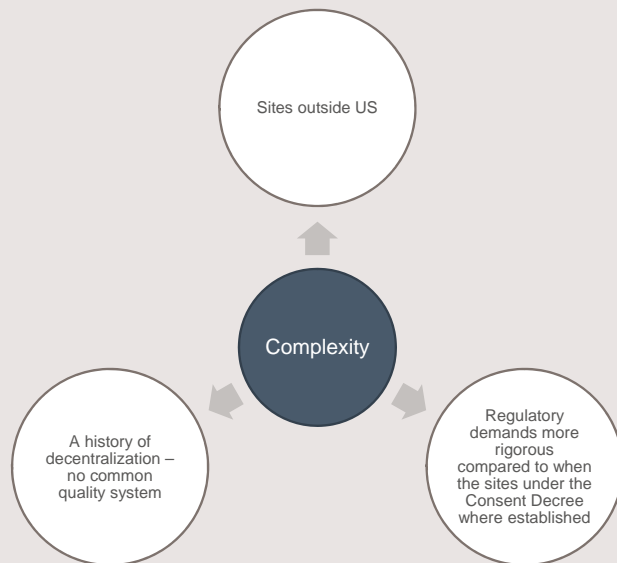
## R&D investments

- Efficient allocation of resources
- Focus on R&D in areas of strength
  - Cardiac, Vascular and Respiratory
  - Hospital infrastructure and Services
  - Integrated and effective solutions for mobility
- Strategic co-operations

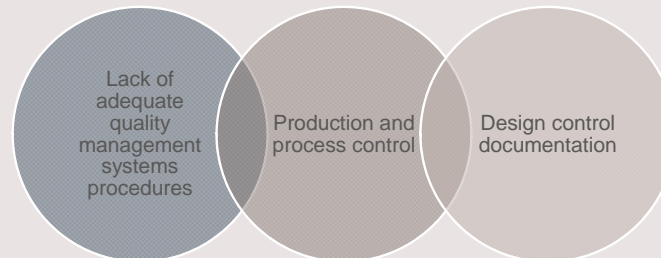


# FDA background and status

## Background 3 main reasons behind the complexity



## Background The observations in brief



## Update Utilization of provision and progress on sites

### Hudson (US)

- Stable remediation progress according to plan
- The planned move from Hudson to Merrimack is progressing according to plan

### Wayne (US)

- Progressing in the right direction

### Hechingen (Germany)

- The most complex remediation site
- Re-planning

### Provision utilized: SEK 65 M in Q1

- SEK 302M in provision remaining

# Overview financials

Reinhard Mayer, CFO

# Results

Q1 2017

# Performance

## Significant earnings improvement

### Slight increase on top-line

- Modest increase in both order intake and net sales

### Gross margin improvement

- Strengthened due to higher net sales, increased efficiency in Supply Chain and favorable product mix

### Selling and admin expenses

- Flat development in relation to net sales

### EBITA 1-growth

- Strengthened due to higher net sales, increased efficiency in Supply Chain and favorable product mix

%	Jan-Mar 2017	Jan-Mar 2016	Change, pp
Actual growth in order intake	4.7	- 3.7	8.4
Organic growth in order intake	0.7	- 2.0	2.7
<i>FX-effects</i>	3.6	- 1.4	5.0
<i>Acquisitions/divestments</i>	0.4	- 0.3	0.7
Actual growth in net sales	4.5	- 5.0	9.5
Organic growth in net sales	0.6	- 3.2	3.8
<i>FX-effects</i>	3.5	- 1.4	4.9
<i>Acquisitions/divestments</i>	0.4	- 0.4	0.8
Gross margin	49.4	47.2	2.2
Selling expenses (in % of net sales)	24.5	24.7	- 0.2
Administrative expenses (in % of net sales)	13.1	13.0	0.1
EBITA 1-growth	31.9	- 13.5	45.4
Cash conversion	72.0	75.4	- 3.4

Order intake regions, SEK M	Jan-Mar 2017	Jan-Mar 2016	Organic change	Rolling 12M	Full Year 2016
Americas	2,975	2,909	-3.6%	12,004	11,938
APAC	1,121	1,068	-1.5%	5,514	5,461
EMEA	3,153	2,947	5.8%	12,949	12,743
<b>Group total</b>	<b>7,249</b>	<b>6,924</b>	<b>0.7%</b>	<b>30,467</b>	<b>30,142</b>

Net sales regions, SEK M	Jan-Mar 2017	Jan-Mar 2016	Organic change	Rolling 12M	Full Year 2016
Americas	2,866	2,755	-1.7%	11,930	11,819
APAC	1,014	967	-1.5%	5,430	5,383
EMEA	2,784	2,655	3.8%	12,683	12,554
<b>Group total</b>	<b>6,664</b>	<b>6,377</b>	<b>0.6%</b>	<b>30,043</b>	<b>29,756</b>



## FX effects

Positive exchange rate effects in Q1

### Positive effects in the quarter

Exchange rate effects had a positive impact of SEK 33 M on EBITA 1 in the quarter, of which transaction effects accounted for SEK 77 M and translation effects for SEK -44 M

SEK M	Transaction effect	Translation effect	Total FX-effect
Gross Profit	77	35	112
EBITA 1	77	- 44	33
EBIT	77	- 41	36

### Outlook transaction effects FY17

Approximately SEK 200 M on the Group's earnings

# Balance sheet

Q1 2017

# Balance sheet

## Improvement in net debt development

### Net debt development

- Adjusted decrease in net debt amounted to SEK -451 M (-499)

### Net debt to equity ratio

- Decreased to 110.1% (122.6)

### Net debt to EBITDA\*

- Decreased to 3.67 (3.90)

SEK M	31 March 2017	31 March 2016	31 December 2016
Other interest-bearing liabilities	21,728	21,730	21,701
Provisions for pensions, interest-bearing	3,349	2,944	3,368
<b>Interest-bearing liabilities</b>	<b>25,077</b>	<b>24,674</b>	<b>25,069</b>
Cash and cash equivalents	- 2,334	- 2,056	- 1,680
<b>Interest-bearing net debt</b>	<b>22,743</b>	<b>22,618</b>	<b>23,389</b>

SEK M	31 March 2017	31 March 2016	31 December 2016
Change in net debt	- 646	- 249	521
Currency effect	235	- 276	- 1,388
Acquisitions/Divestments	- 40	0	- 212
Actuarial gains/losses pensions, gross	0	26	- 280
<b>Adjusted change in net debt</b>	<b>- 451</b>	<b>- 499</b>	<b>- 1,359</b>

Net debt to equity ratio	110.1%	122.6%	111.8%
Net debt to EBITDA before restructuring	3.67	3.90	3.88

SEK M	31 March 2017	31 March 2016	31 December 2016
<b>Assets</b>			
Intangible assets	31,495	29,976	32,004
Tangible fixed assets	4,203	4,497	4,313
Financial fixed assets	1,426	1,469	1,329
Inventory	6,005	5,570	5,431
Accounts receivable	6,744	6,302	8,159
Other current receivables	2,619	2,516	2,295
Cash and cash equivalents	2,334	2,056	1,680
<b>Total assets</b>	<b>54,826</b>	<b>52,386</b>	<b>55,211</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	20,648	18,445	20,916
Provisions for pensions, interest-bearing	3,349	2,944	3,368
Other interest-bearing liabilities	21,728	21,730	21,701
Provisions	1,835	2,149	1,856
Accounts payable	1,948	1,728	2,201
Other non-interest-bearing liabilities	5,318	5,390	5,169
<b>Total equity &amp; liabilities</b>	<b>54,826</b>	<b>52,386</b>	<b>55,211</b>

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

# Cash Flow

Q1 2017

# Cash flow

Improved cash flow from operations

## Operational Cash Flow

- Increased by 24% to SEK 868 M (700)

## Cash Conversion

- Amounted to 72.0% (75.4)

## Cash Flow after Net Investments

- Increased by 35.9%

SEK M	Jan-Mar 2017	Jan-Mar 2016	Full Year 2016
<b>Operating activities</b>			
Operating profit (EBIT)	540	316	2,287
Amortizations, depreciations and write-downs	666	612	2,703
Other non-cash items	4	4	85
Expensed restructuring and integration costs*	28	127	1,015
Paid restructuring and integration costs	- 115	- 199	- 872
Financial items	- 157	- 159	- 637
Taxes paid	- 172	- 161	- 332
<b>Cash flow before changes to working capital</b>	<b>794</b>	<b>540</b>	<b>4,249</b>
Changes in working capital	74	160	- 578
<b>Cash flow from operating activities</b>	<b>868</b>	<b>700</b>	<b>3,671</b>
Cash conversion,%	72.0	75.4	73.6
Cash flow from investing activities	- 406	- 360	- 1,797
<b>Cash flow after net investments</b>	<b>462</b>	<b>340</b>	<b>1,874</b>
Cash flow from financing activities	154	319	- 1,749
<b>Cash flow for the period</b>	<b>616</b>	<b>659</b>	<b>125</b>

\* Excluding write-downs on fixed assets  
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# Outlook

Mattias Perjos, President and CEO

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 200 M 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. Further information on financial effects on both entities going forward is planned to be presented during the autumn of 2017.

# Summary

Mattias Perjos, President and CEO



# Summary

Q1 2017

## Improvements in the quarter

- Slight increase in organic order intake and net sales
- Continued efficiency enhancement
- Significantly improved earnings
- Significantly improved cash flows from operations
- Net debt to EBITDA\* reduced to 3.67 (3.90)

## But still challenges (and opportunities) ahead

- Top line development
- Efficiency enhancements
- Remediation (Consent Decree)
- Spinoff

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

# Q&A

Q1 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.



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