



# Continued strong organic growth

Q2 Report 2018

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GETINGE 

# Q2 2018 in brief

# Strong organic growth – both in orders and net sales

Takeaways from Q2 2018

- Order intake increased by 10.2% organically
- Net sales increased by 6.0% organically
- Strong growth in capital goods and emerging markets, which is natural in an intense growth phase, expected to support recurring revenue later on
- Adjusted EBITA amounted to SEK 538M (702)
- Adjusted EBITA impacted by SEK -69 M in currency effects
- Adjusted earnings per share amounted to SEK 1.21 (1.62)



# Continued progress according to plan

## Key activities in Q2

### Growth

Systematic sales approach to support growth in all Business Areas and regions

### Innovation

Updates and launches in products, services and solutions within all Business Areas

### Quality

Continued roll out of the QMS and remediation related to the FDA consent decree continues according to plan – US sites expected to be remediated by the end of 2018

### Cost efficiency

Productivity focus while making necessary investment – OPEX increase flattening out vs Q1 2018

### Other

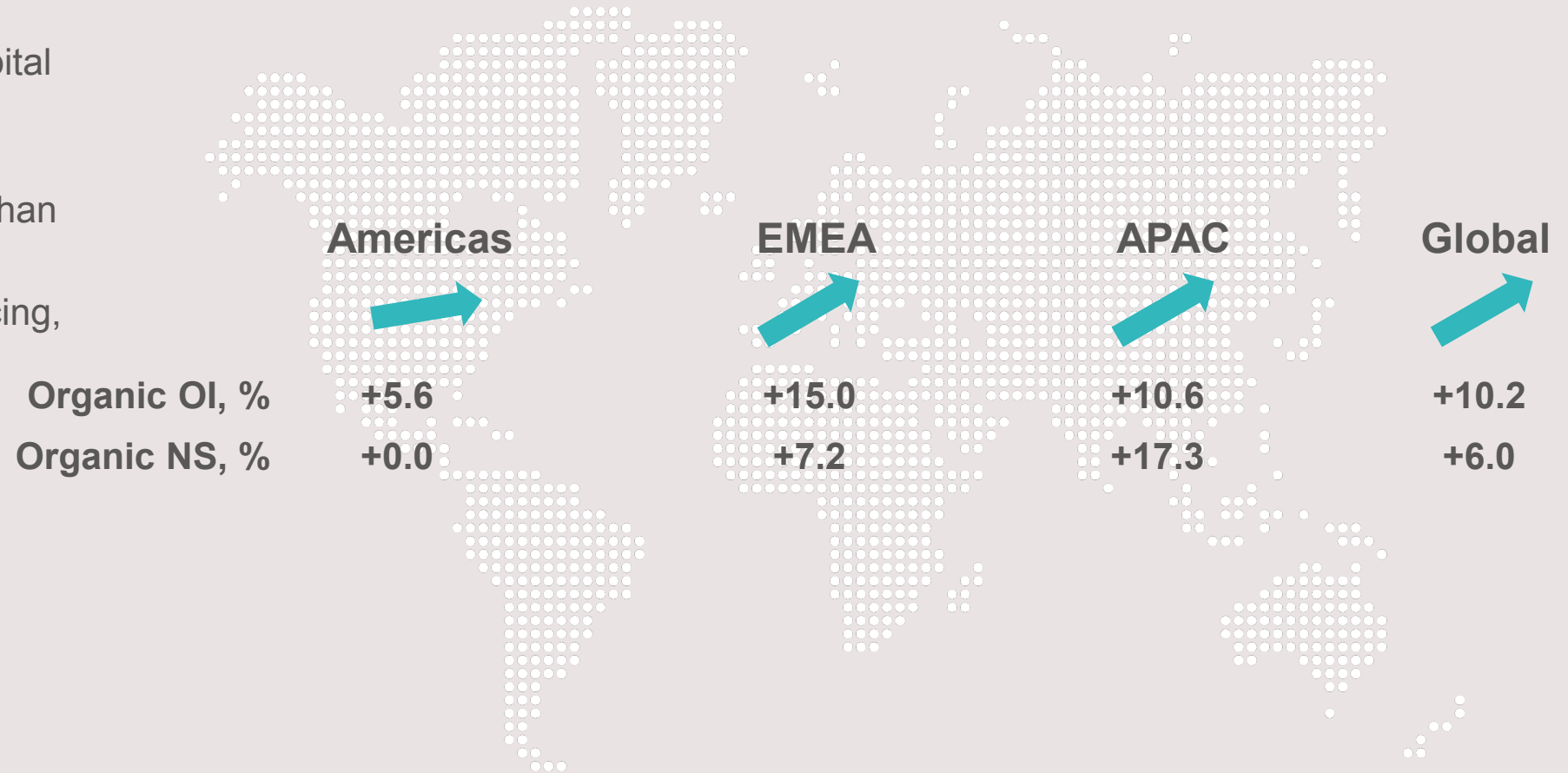
Agreement with authority in Brazil – SEK 276 M in fine, covered by provision made in Q1 2018, and SEK 64 M in tax provision related to ongoing investigations and negotiations in Brazil



# Strong sales growth in all regions and Business Areas

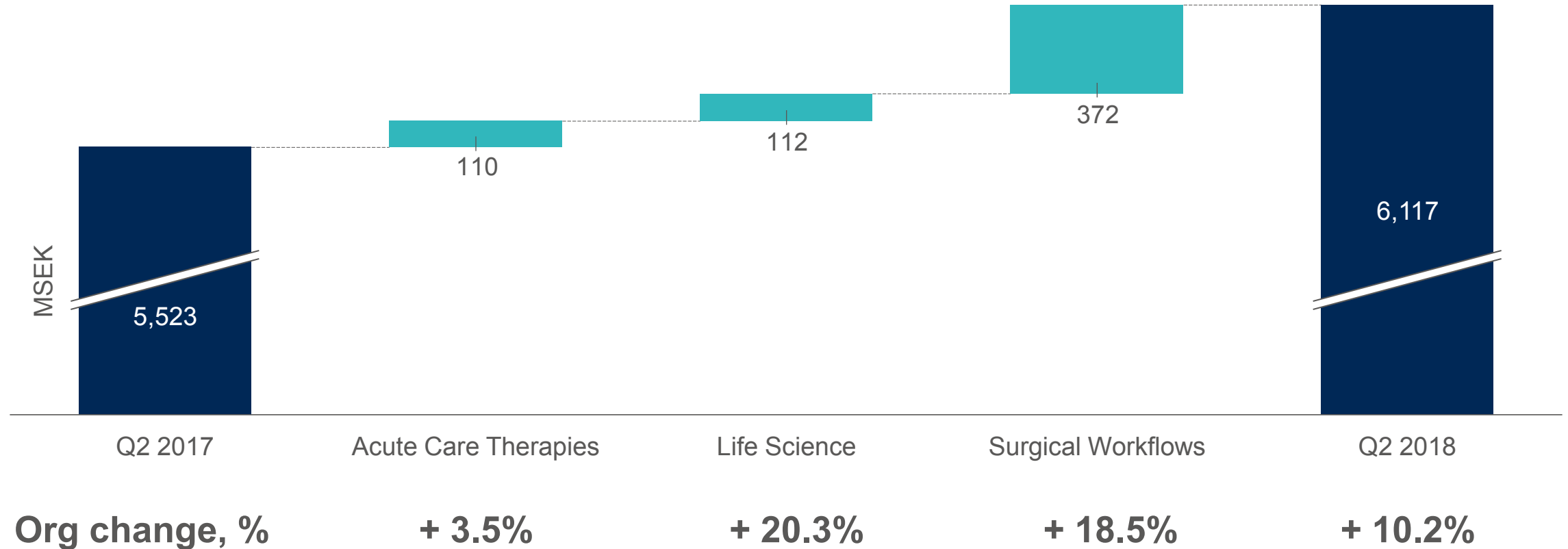
Continued positive momentum in capital goods and emerging markets

- Emerging markets and capital goods is driving growth
- Life Science and Surgical Workflows growing faster than Acute Care Therapies
- No general changes in pricing, like for like



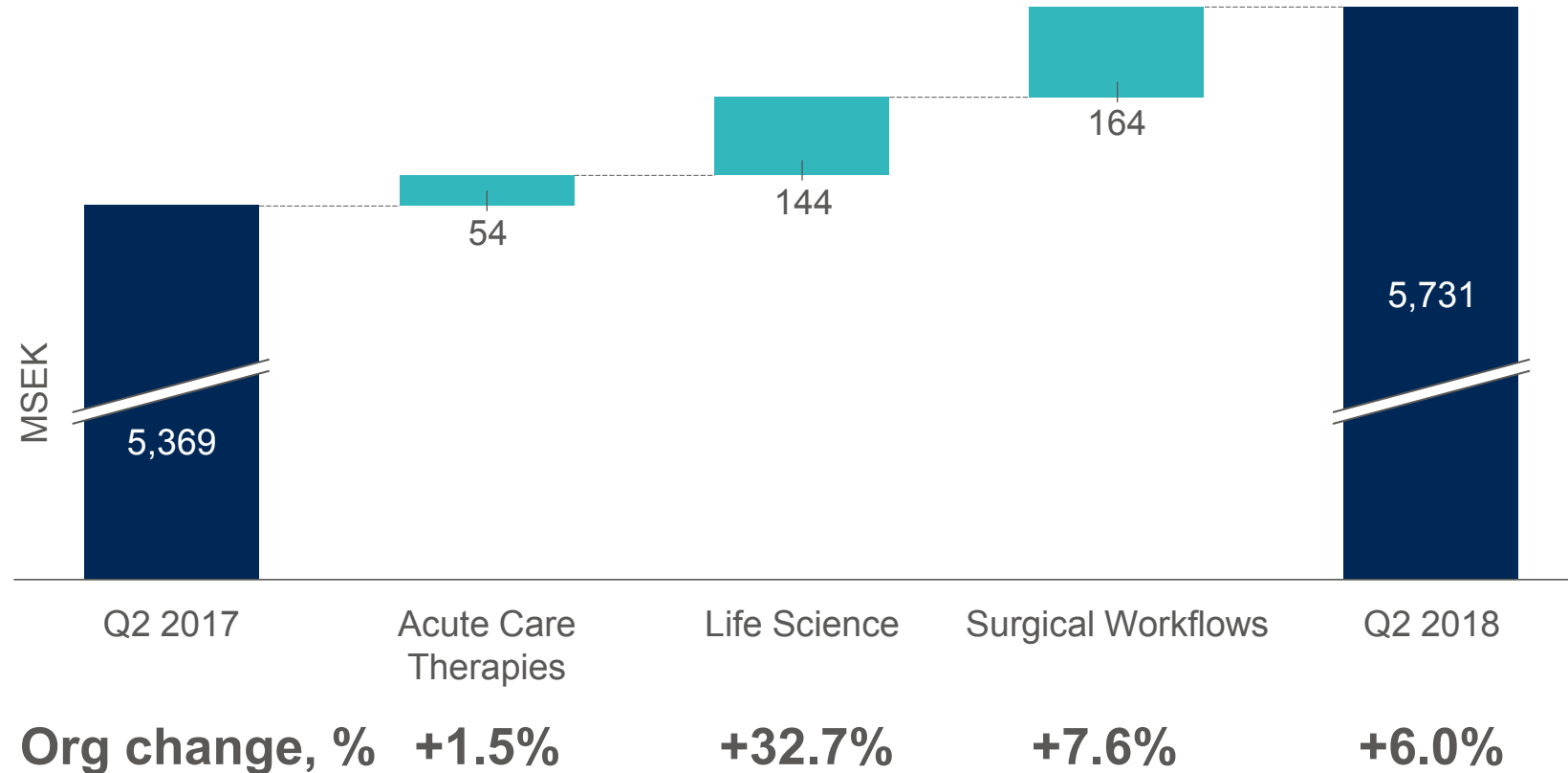
# Contribution in order intake Q2 2018

Organic growth in all Business Areas



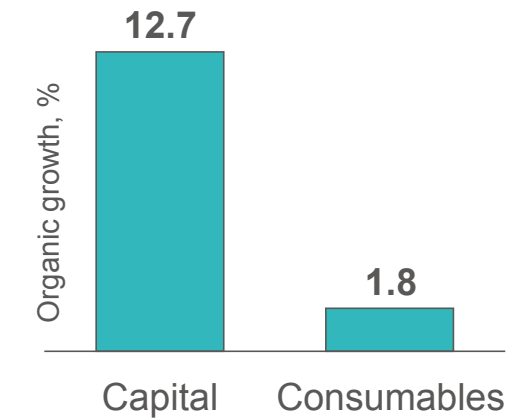
# Contribution in net sales Q2 2018

Strong organic growth in both Life Science and Surgical Workflows



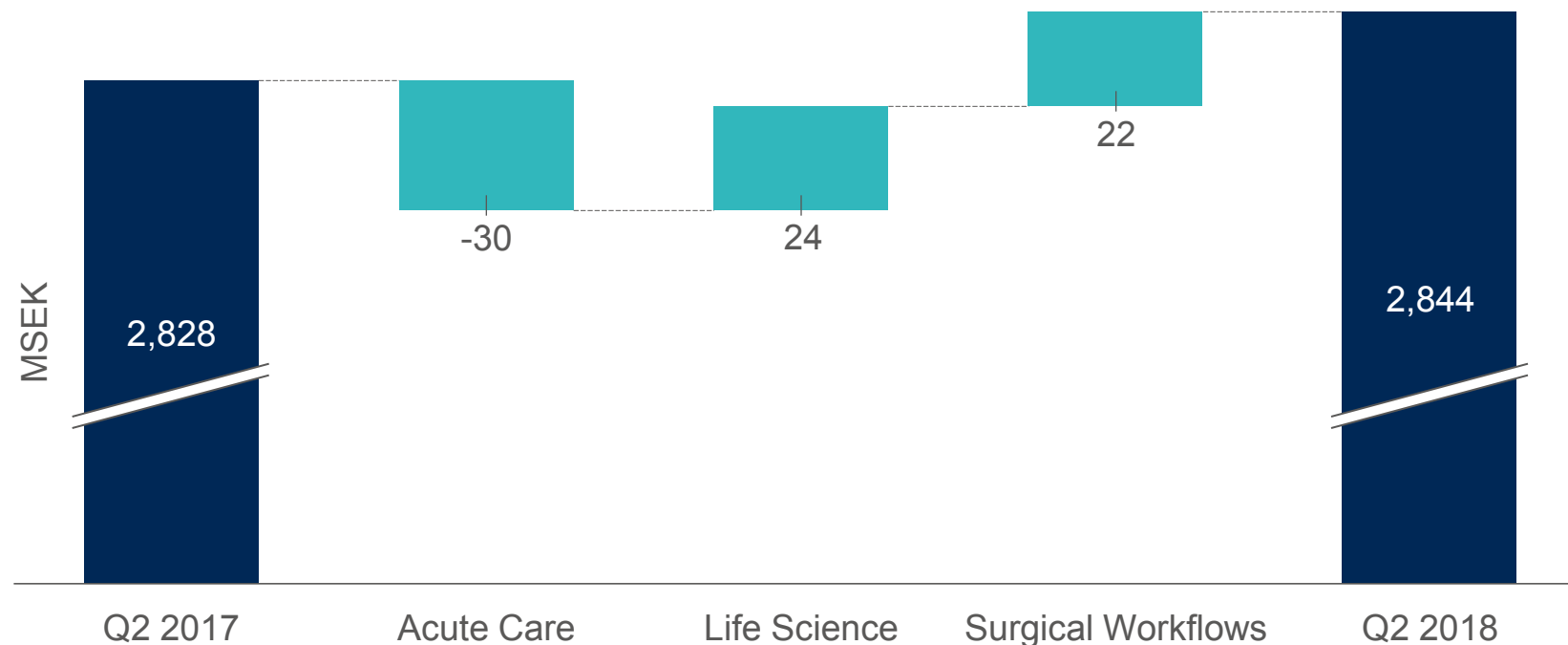
**+40**

Currency impact, MSEK



# Gross Margin development Q2 2018

Product and market mix and currency impacting negatively



**Gross margin impact**

- Volume
- Currency
- Product mix
- Regional mix

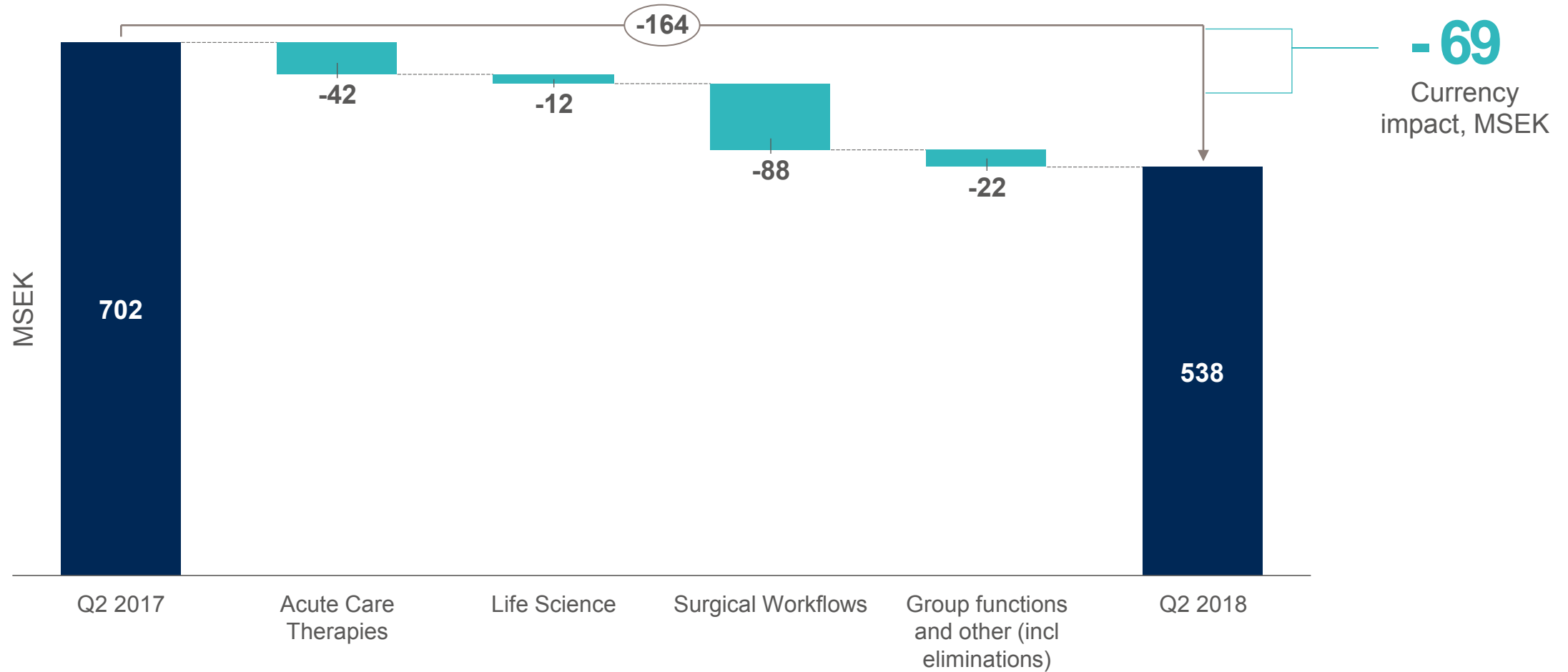
Adj. Gross margin, %	59.0	35.6	39.0	49.6
(Q2 2017)	(61.0)	(42.4)	(41.2)	(52.7)



# Financial development

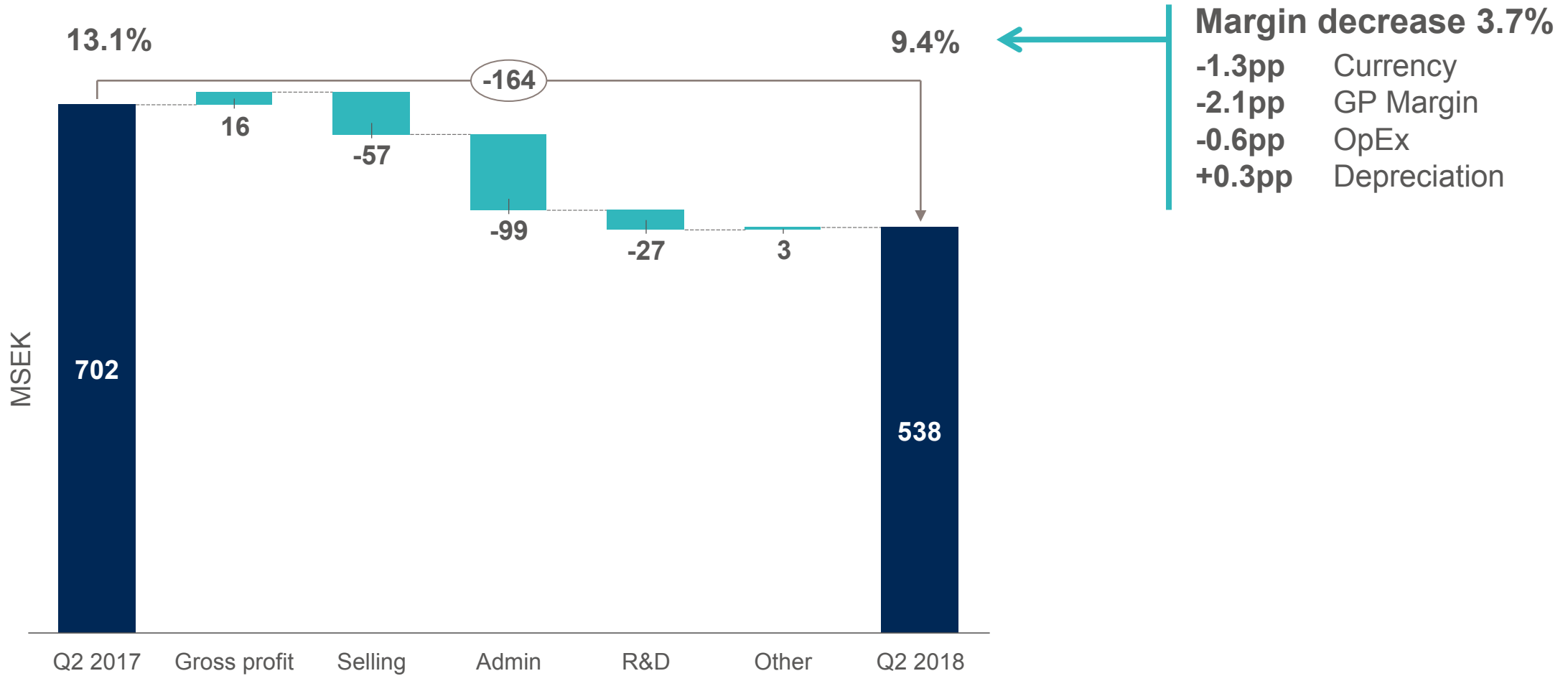
# Adjusted EBITA

Bridge Q2 2017 – Q2 2018



# Adjusted EBITA

Bridge Q2 2017 – Q2 2018



# Financial Position

## Currency impacting net debt

- Working Capital impacted by building inventory due to growth in top-line
- The fine of SEK 276 M related to investigations in Brazil is expected to be paid out in Q4
- Currency effects and dividend explains the change in net debt

SEK M	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Cash flow before changes in working capital	440	925	712	1,719	3,653
Changes in working capital	-39	-702	-13	-628	-890
Net investments in non-current assets	-354	-390	-653	-756	-1,633
<b>Cash flow after Net investments</b>	<b>47</b>	<b>-167</b>	<b>46</b>	<b>335</b>	<b>1,130</b>
Net interest-bearing debt at end of the period			<b>13,845</b>	<b>22,666</b>	<b>12,792</b>
<i>In relation to adjusted EBITDA R12M, multiple</i>			3.5	N/A	3.0

# Outlook

# Outlook 2018

Earlier outlook within brackets

- Organic sales growth is expected to be well within 2-4% (*slightly positive*) in 2018
- Currency transaction effects FY 2018 are expected to have a negative impact of approximately SEK -175 M (-150) on EBIT



# Summary

# Summary – key takeaways

2<sup>nd</sup> Quarter 2018

- Strong organic growth
- Gross margin adversely impacted by product and regional mix and currency
- OPEX flattening out vs Q1
- SEK -69 M currency impact on EBITA adjusted
- Agreement with Brazilian authority
- Product launches, such as Flow-c in Acute Care Therapies and Getinge Steam Sterilizer in Life Science



# Q&A

# Thank you

# Appendix – Business Information

# Leading positions in well defined segments

Enabling better healthcare to more patients with the same resources

**170 BSEK**

Addressable market

**2-4%**

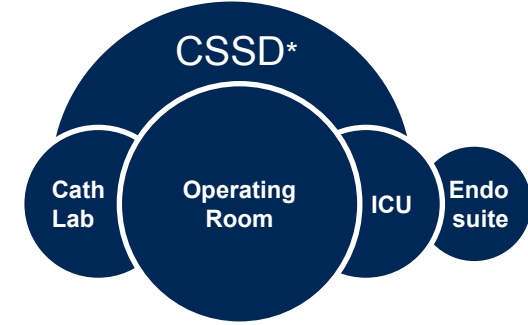
Organic growth in addressable market



**90%**

Hospitals represent 90 % of sales, 10% goes to Pharma, Lab & Medtech

Hospital products used in



Offering leading therapies, infrastructure and IT-solutions towards hospitals

The value we contribute with

Improving outcomes and reducing length of stay

Improving efficiency and minimizing HAI\*\*

Compliant and contamination free production and research processes



**150**

Sales in 150 countries



**22.5 BSEK**

Net sales\*\*\*

\*Central Sterile Supply Department. \*\* Hospital Acquired Infections \*\*\* 2017

# Three business areas in brief

And key financials for 2017

## Acute Care Therapies

Advanced life supporting therapies in acute care hospitals



**Value offering:** Contributing to a better clinical outcome in a cost efficient way in Critical Care and Cardiac Surgery

**Products:** Advanced Ventilators and Anesthesia machines, Heart-Lung machines and devices for Open heart surgery, Cardiac Assist, Vascular disease and Thorax drainage

**12,201**

Net Sales, MSEK

**54%**

Share of Group's net sales

**27/73**

Capital/consumables (incl service)

**2,500**

Adj EBITA\*, MSEK

**75.5%**

Share of Group's Adj EBITA\*

**20.5%**

Adj EBITA margin

**Addressable market:** 85 BSEK.  
2-4 % organic growth

**Main competitors:** Medtronic, Hamilton, Gore, Terumo

**Position:** Among the global leaders in all product segments

## Life Science

Solutions for sterile R&D and production (BioPharma, Labs & Medical Device)



**Value offering:** Contributing to a compliant and contamination free production and research process

**Products:** Sterilizers, Disinfectant-washers, products for Aseptic handling and Isolators.

**1,947**

Net Sales, MSEK

**9%**

Share of Group's net sales

**61/39**

Capital/Consumables (incl service)

**369**

Adj EBITA\*, MSEK

**11.3%**

Share of Group's Adj EBITA\*

**19.0%**

Adj EBITA margin

**Addressable market:** 23 BSEK.  
3-5 % organic growth

**Main competitors:** Steris, Stryker, HillRom/Trumpf

**Position:** Among the global leaders in all product segments

## Surgical Workflows

Leading technology for operating rooms and sterile supply



**Value offering:** Contributing to higher productivity and less risk for Hospital Acquired Infections

**Products:** Tables, Lights and Pendants, Sterilizers, Disinfectors and software systems for efficient workflows

**8,347**

Net Sales, MSEK

**37%**

Share of Group's net sales

**61/39**

Capital/Consumables (incl service)

**445**

Adj EBITA\*, MSEK

**13.2%**

Share of Group's Adj EBITA\*

**5.3%**

Adj EBITA margin

**Addressable market:** 62 BSEK.  
2-4 % organic growth

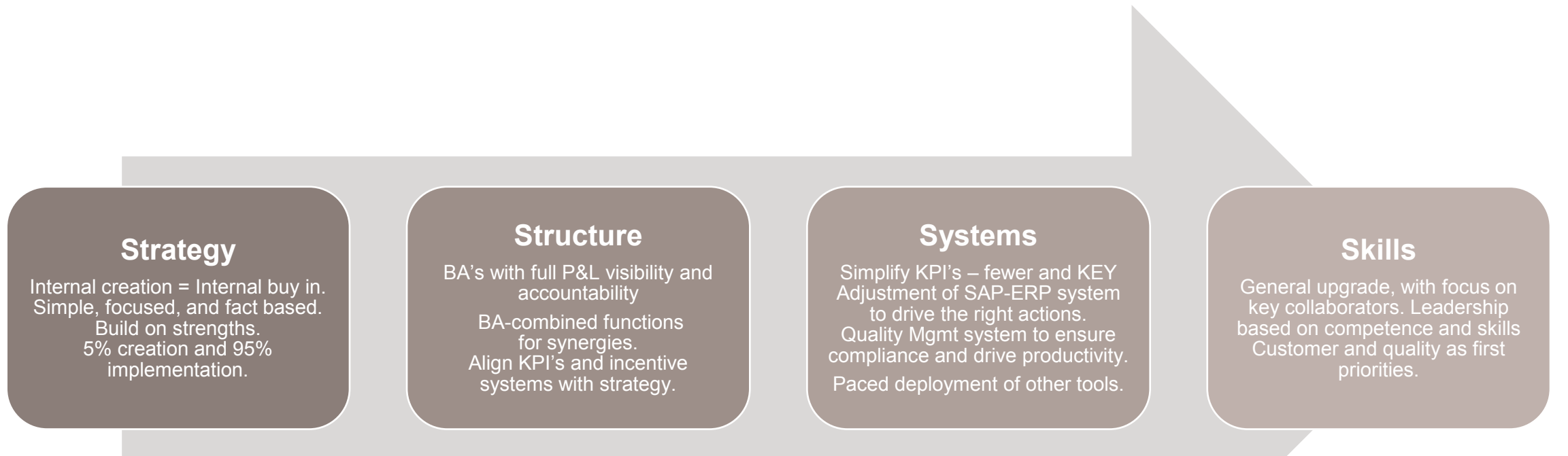
**Main competitors:** Steris, Belimed, Miele/Steelco

**Position:** Among the global leaders in all product segments

\*Adjusted for cost for Group functions (SEK -206 M in 2017)

# Recap – the building blocks of our turn around

Effective and sustainable change should follow Strategy-Structure-Systems-Skills wave iteration



## Strategy

Internal creation = Internal buy in.  
Simple, focused, and fact based.  
Build on strengths.  
5% creation and 95% implementation.

Done



Q2 2017

## Structure

BA's with full P&L visibility and accountability  
BA-combined functions for synergies.  
Align KPI's and incentive systems with strategy.

Done



1st October 2017

## Systems

Simplify KPI's – fewer and KEY  
Adjustment of SAP-ERP system to drive the right actions.  
Quality Mgmt system to ensure compliance and drive productivity.  
Paced deployment of other tools.

KPI's: Done



Q4 2017

SAP adjustments: Ongoing



Quality system: Ongoing



## Skills

General upgrade, with focus on key collaborators. Leadership based on competence and skills  
Customer and quality as first priorities.

Ongoing



(continuous improvement)

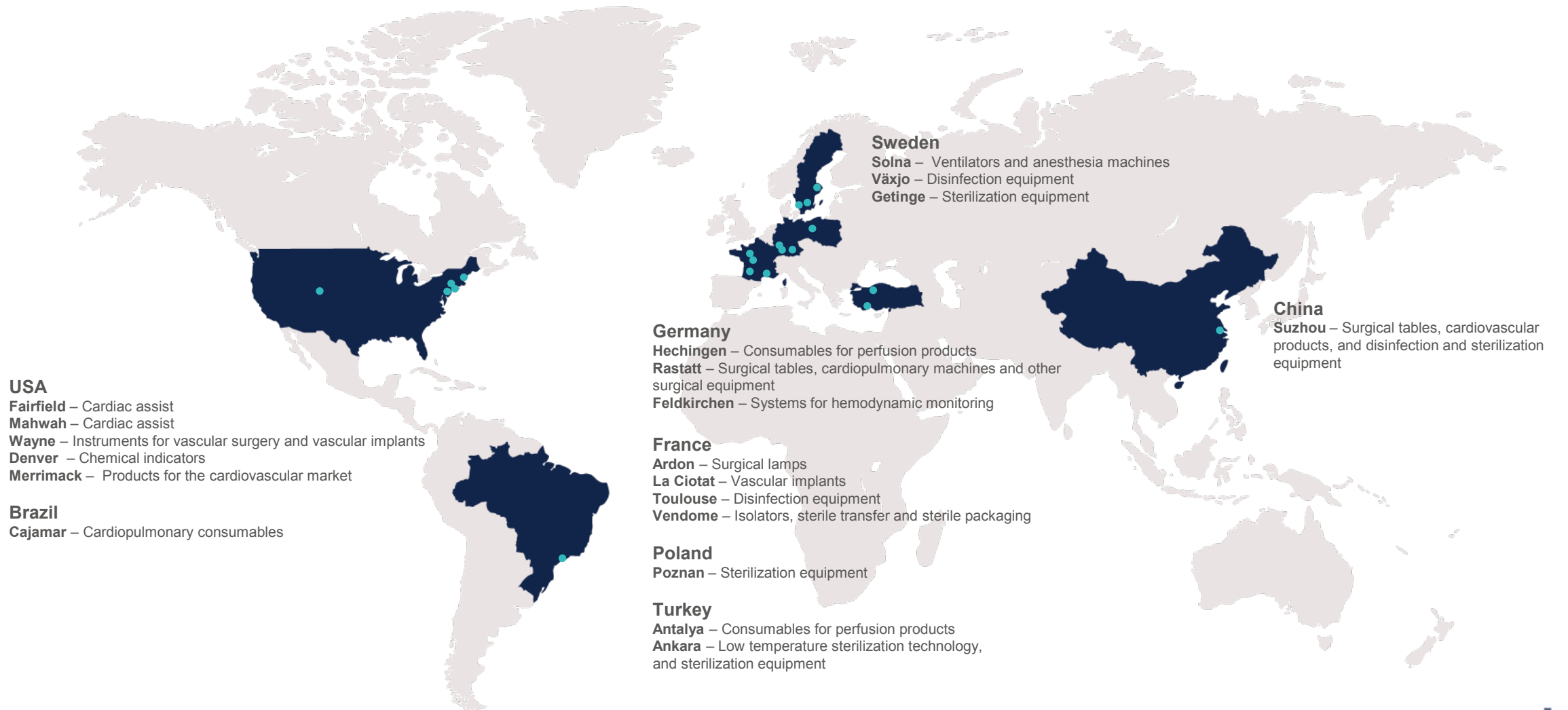
# Recap - Turn around towards sustainable profitable growth

10+1 Key steps in order of priority (and pace dictated by management bandwidth)

<p><b>1. Culture (and strategy).</b> Culture more important than strategy long term. Needs to start day 1. Aligned with strategy, which was updated in 2017.</p>	<p>Focus 2017</p>	<p>Continues</p>
<p><b>2. Do not compromise on quality/remediation.</b> License to operate. Functional organization in 2016 disturbed the remediation process.</p>	<p>Focus 2017</p>	<p>Continues</p>
<p><b>3. Speed up spin-off</b> to enable proper turnaround activities. Done 2017, ahead of plan.</p>	<p>Focus 2017</p>	
<p><b>4. Rights Issue to strengthen the balance sheet.</b> Room to move and act on opportunities. Done 2017.</p>	<p>Focus 2017</p>	
<p><b>5. Re-ignite organic growth.</b> Other challenges are easier to deal with when growing. Positive momentum helps positive culture shaping.</p>	<p>Focus 2017</p>	<p>Continues</p>
<p><b>6. Build a global Quality Mgmt System</b> in parallel with remediation. Will enhance efficiency and ensure compliance. Build up 2018. Full implementation will take longer.</p>		<p>Focus 2018</p> <p>Continues</p>
<p><b>7. High ethical standards.</b> Needed swift action in 2017. Finished in 2018.</p>		<p>Focus 2018</p> <p>Continues</p>
<p><b>8. Innovation and portfolio management.</b> Part of strategy update. Pruning and selective allocation started. High activity 2018 and then continuous improvement.</p>		<p>Focus 2018</p> <p>Continues</p>
<p><b>9. Simplify the supply chain.</b> Over-complicated setup, which was discontinued in 2017. Still suffering from some of the errors in the setup. Improvement journey starting 2018.</p>		<p>Focus 2018</p> <p>Continues</p>
<p><b>10. Factory efficiency and foot print structure.</b> Foot print analysis done. Lean program structure decided, implementation 2018 and onwards.</p>		<p>Focus 2018</p> <p>Continues</p>
<p><b>11 Other activities</b> to strengthen the company and the offering, such as scouting for bolt on M&amp;A's, partnerships etc</p>		<p>From 2018</p> <p>and onwards</p>

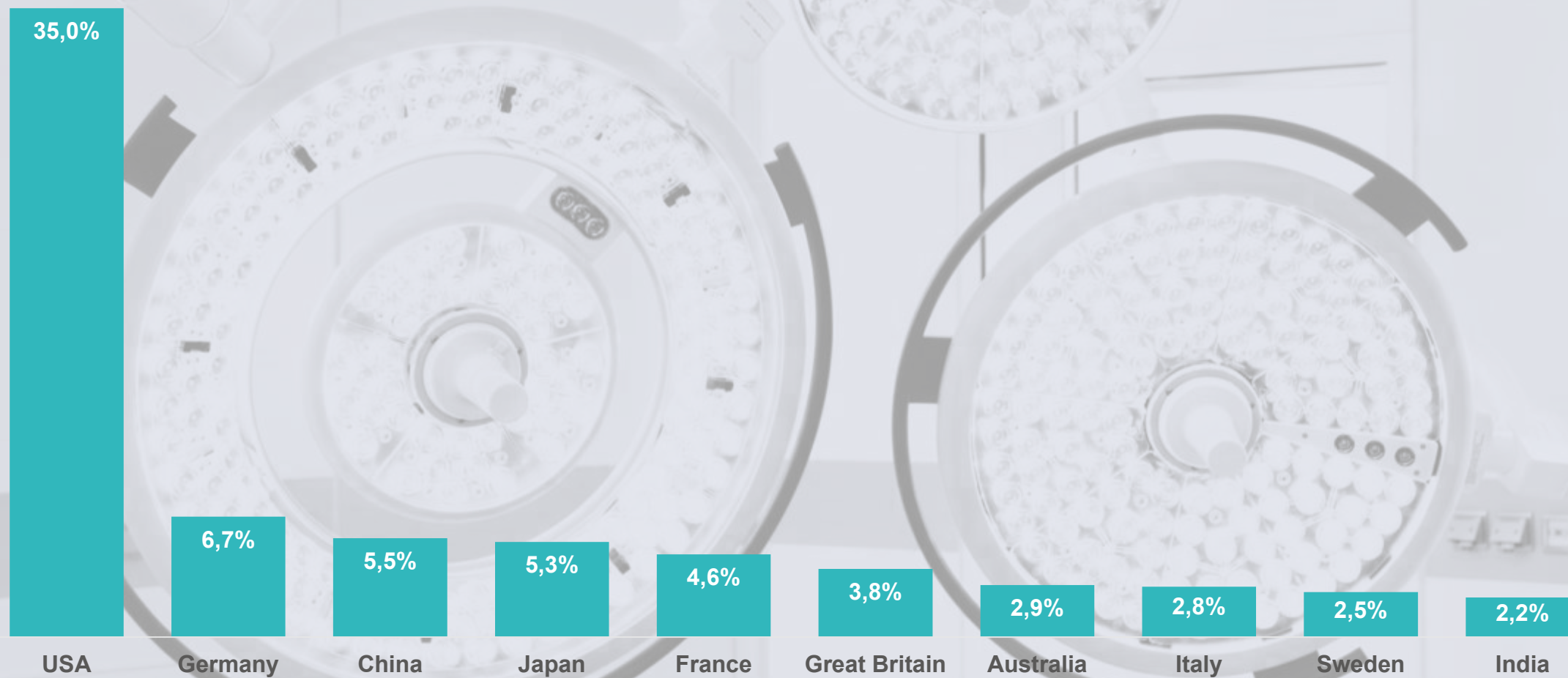
# Production

20 production units in 8 countries





## Our 10 largest markets 2017



## 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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