

Press release

2019-01-21

Handicare anticipates continued solid organic growth but lower than expected profit for the fourth quarter 2018

Handicare Group AB (publ) (Handicare) anticipates continued solid organic growth but lower than expected profit for the fourth quarter 2018. The lower than expected profit is primarily a result of inventory adjustments and costs related to organisational changes following the business review performed in connection with the appointment of the new CEO. Revenue is expected to increase to 73.9 MEUR (70.4) with an organic growth of 4%. Operating profit (EBIT) is estimated at 0.4 MEUR (4.4) and adjusted EBITA is estimated at 3.0 MEUR (6.2) for the fourth quarter. Revenue for the full year 2018 is expected to increase to 290.9 MEUR (284.3) with an organic growth of 4%. EBIT is estimated at 13.2 MEUR (14.0) and adjusted EBITA is estimated at 21.8 MEUR (26.2).

Staffan Ternström, appointed CEO in August 2018, has performed a business review during the fourth quarter 2018. Based on this review, costs related to inventory adjustments (1.4 MEUR), changes to the organisation (1.0 MEUR) and implementation of a new ERP-system in North America and Vehicle Accessibility (0.8 MEUR) were identified. In addition, the fourth quarter was impacted by unfavourable average selling price and product mix with an estimated negative impact of 1.2 MEUR.

As communicated in the interim report for the nine-month period ended 30 September 2018, Handicare is driving a number of initiatives to secure profitable growth. One of these initiatives include optimising the organisation which will lead to a number of identified changes, primarily in North America, in the first quarter 2019. The associated non-recurring costs are estimated at 1.0 MEUR and are charged in full to the fourth quarter 2018.

Handicare continues the integration of its business segment across different geographies. This includes implementation of a group-wide ERP-system. During 2018 the new ERP-system was implemented in North America and in Vehicle Accessibility. The integration of the new ERP-system and Handicare's sales order- and logistics systems has been challenging. In our annual internal audit of our systems, costs related to previous quarters in 2018 were identified. These costs amount to 0.8 MEUR and have been charged in full to the fourth quarter 2018.

In order to acquire market share, new products and year-end price campaigns were launched in the fourth quarter, notably in certain geographies in the Stairlifts business. As a result, we saw good volume growth but at the expense of lower average selling prices. In addition, we experienced unfavourable product mix in certain markets. In total, the negative impact from average selling prices and product mix is estimated at 1.2 MEUR in the fourth quarter. In response, Handicare accelerated the review of its pricing and distribution channel strategy. This had some positive impact on profitability in the last month of the fourth quarter.

Despite decreased profit, cash flow was strong in the fourth quarter. As a result, net debt decreased to 80.5 MEUR (92.0 MEUR at 30 September 2018). This represents 3.1x expected adjusted EBITDA for the full year 2018 of 25.7 MEUR.

The financial development in the fourth quarter 2018 is not impacting our outlook for 2019. We believe that Handicare is well placed to deliver solid organic growth and improved margins.

The financial information in this press release is preliminary and has not been audited by the company's external auditors. The release of Handicare's year-end report has been moved forward to 6 February 2019 at 08.00.

*A telephone conference, hosted by Staffan Ternström, President and CEO, and Stephan Révay, CFO, will be held at 10:00 a.m. CET on 21 January 2019. To participate, please register in advance using the following link <http://emea.directeventreg.com/registration/7598429>
Conference Id number: 7598429.*

For more information, contact:

Staffan Ternström, CEO, +46 725 490 029
Stephan Révay, CFO, +46 729 666 532

This information is information that Handicare Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CET on 21 January 2019.

Definitions:

Organic growth: revenue growth excluding (i) growth related to acquisitions and divestments and (ii) growth related to fluctuations in currency exchange rates.

Adjusted EBITA: Earnings before interest, taxes and amortization, excluding other specified items. Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs and other efficiency projects.

Adjusted EBITDA: Earnings before interest, taxes, depreciation and amortization, excluding other specified items. Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs and other efficiency projects.

Forward-looking statements

To the extent this press release 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.

About Handicare

Handicare offers solutions to increase the independence of disabled or elderly people, and to facilitate for their care providers and family. The offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids, vehicle adaptations and medical equipment. Handicare is a global company with sales in more than 20 countries and is a market leader in this field. The head office is in Stockholm, Sweden and manufacturing is located at six sites distributed across North America, Asia and Europe. In the 12-month period to September 2018, revenue amounted to MEUR 287 and the adjusted EBITA margin was 8.7%. Employees numbered around 1,200 and the share is listed on Nasdaq Stockholm. For more information, www.handicaregroup.com.