

Press release

12 June 2020 12:00 CEST

LIFTING HANDICARE TO BETTER PERFORMANCE: CAPITAL MARKETS UPDATE 2020

Today, Handicare, a market leader in stairlifts, will arrange a webcasted Capital Markets Update where senior management will elaborate on the company's strategy and the Lift Up Program.

Handicare operates in a growing market with attractive underlying long-term growth fundamentals. The company holds a leading position in Europe within the Accessibility area and has a strong growth trajectory in North America. Performance within the Accessibility business unit has been solid with an organic CAGR of approximately 7 percent over the last five years, and the Group's financial position is strong. A number of internal constraints have however hindered the Group from performing according to expectations, constraints of which the root causes have now been identified.

In conjunction with the release of the first quarter report on April 23, Handicare announced its launch of the Lift Up Program – an ambitious three-phased plan with the target of lifting the company to higher performance. Building on the successful outcome of the strategic review, finalized with the divestment of Patient Handling Europe in May 2020, the Lift Up Program will enable Handicare to further accelerate its transformation journey. Focus is on strengthening and growing the position of the Accessibility business unit, which currently accounts for more than 90 percent of Group EBITA.

The Lift Up Program

Phase one: Focus and Simplify

The objective of the first phase has been to build an organization better fit for purpose for a focused Accessibility company meanwhile also streamlining the cost base. Activities have included reducing group overhead functions and shifting capabilities to the business units. The restructuring will strengthen internal structures and move resources closer to the customers, allowing for a more performance-oriented company. The cost reduction activities target MEUR 8 of positive Adjusted EBITA impact year on year. The reductions are based on normalized business volumes and only consist of sustained savings. All initiatives are currently being implemented, and the new, more focused organization will provide a stable platform as the Lift Up Program now enters its next phase.

Phase two: Profitability

In order to secure strong long-term profitability, Handicare will initiate a number of measures to strengthen the competitiveness of its supplier base on direct and indirect materials. Additionally, the company will take measures to optimize its product assortment within certain categories. Finally, a selected number of commercial initiatives related to product pricing will be launched. All activities in scope of the program's second phase will be completed during the second half of 2020.

Phase three: Growth

As the second phase nears completion, Handicare will have the abilities to fully capture its growth potential and leverage the strong underlying long-term fundamentals that characterize the Accessibility market. The company has already identified activities and focus areas that will enable further growth of the Accessibility business, including development and expansion of the product portfolio and the dealer network.

In addition, a priority will be to shorten lead times within the stairlift segment. This is important to improve customer experience but also a prerequisite for growth in key markets. Among those are the US, a market with significant potential, where Handicare can benefit from replicating its successful European manufacturing model. Aiming to build on its already strong growth trajectory in North America, the company yesterday announced its decision to establish a local stairlift production site in the US. With a new production site, key geographies in the region can be reached within one to four days and with a competitive cost structure. Shortened lead times will significantly increase Handicare's competitive advantage and is a key enabler for growth. The required capital expenditure amounts to approximately MEUR 2.5 and the site will be in full production within twelve months.

Finally, Handicare will pursue a focused M&A agenda, with the ambition to enter into adjacent Accessibility product categories and to expand its current geographical footprint.

Patient Handling North America under review

Patient Handling North America only represents a small part of the overall Group earnings, but its development has been disappointing and requires specific attention. Handicare's market position and product offering within this business unit remains solid, but a number of improvement measures are necessary. Consequently, Patient Handling North America is under review. A three-step plan to improve the business unit's performance has been initiated as part of the Lift Up Program, with the intent to stabilize and improve profitability and thereafter assess further options for this business. The review is ongoing and will be finalised during 2020.

Financial impact of the Lift Up Program

The program's cost reduction activities target MEUR 8 of positive Adjusted EBITA impact year on year. The cost reductions are based on normalized business volumes and only consist of sustained savings. As activities are already in progress, Handicare expects a positive impact on Group Adjusted EBITA of MEUR 3-4 in 2020. The program is expected to reach its full run-rate effect by the end of 2020 and to show an Adjusted EBITA impact of MEUR 8 in 2021. Non-recurring costs for the program are estimated to MEUR 8, of which MEUR 6.5 has a cash flow impact, with the full amount being reserved in the second quarter 2020.

Financial targets

The company's mid-term financial targets of a 10 percent annual growth (of which 4-6 percent organically), an adjusted EBITA margin exceeding 12 percent, to maintain a capital structure that enables a high degree of financial flexibility and allows for acquisitions, a leverage ratio of approximately 2.5x net debt/LTM Adjusted EBITDA and an annual dividend corresponding to 30-50 percent of the net profit for the period, remain in place.

Trading update for April and May

Covid-19 has affected Handicare across all segments with short-term sales being negatively impacted. Cost reduction measures to reduce the revenue effects of the pandemic commenced in March, including furloughs and short-term layoffs to adapt staffing to the prevailing market situation.

In April and May, Group revenues declined approximately 35 percent compared to the same time period in 2019. Within Accessibility, impact can overall be referred to country-specific government strategies for Covid-19, where lockdowns in several core Accessibility markets have disrupted the sales processes. Thus, France, Italy, UK and the US were more impacted than the Group, while Germany and the Netherlands came in better. In Patient

Handling there has been a slight delay of certain projects, and revenue decline is in line with the Group. Vehicle Accessibility has a delay in impact due to its business model, hence revenues were less impacted during this time period.

Outlook

Despite the short-term negative effects of Covid-19, global mega trends continue to support long-term demand for Handicare's products and solutions. With the Lift Up Program implemented during 2020 and global markets stabilizing, the company is confident that it will be even better positioned to continue pursuing attractive opportunities.

Capital Markets Update Webcast

The Capital Markets Update will take place as a live webcast, June 12, 2020, at 13:00-15:30 CEST and can be followed through the below link:

<https://financialhearings.com/event/12926>

The webcast will commence with a presentation by Johan Ek, CEO and President, providing a general overview of Handicare's strategy followed by an update on the Lift Up Program. Clare Brophy, Executive Commercial Director, and Peter Slack, Executive Vice President Operations, will then further detail commercial and operational strategic priorities going forward, followed by Pernilla Lindén, CFO, who will present the company's financial profile as well as provide a trading update.

Recordings of the presentations and the corresponding slides will be published on Handicare's website after the webcast.

For further information, please contact:

Pernilla Lindén, CFO & IR
Phone: +46 708 775 832

This information is information that Handicare Group AB (publ) is required to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 12.00 CEST on 12 June 2020.

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 and vehicle adaptations. Handicare is a global company with sales in more than 40 countries and is one of the market leaders in this field. The head office is in Stockholm, Sweden and manufacturing and assembly is located at four sites distributed across North America, Asia and Europe. In the twelve-month period to March 2020, revenue amounted to MEUR 265 and the adjusted EBITA margin was 7.6%. Employees amounted to 1,034 and the share is listed on Nasdaq Stockholm. For more information, www.handicargroup.com.