

# Comments by the CEO

## Continued strong growth and improved cash flow

The activity in the European Healthcare systems remains high, with strong demand in the segments where AddLife's companies operate. The number of surgical procedures performed continues to grow, and demand for homecare remains robust. In diagnostics, demand is steadily rising and in research, activity is high among our core customer groups in pharmaceutical development and academic research.

Sales growth remained robust in both business areas during the third quarter, a period when we typically see slower activity in healthcare during the summer months. Organic sales growth for the quarter was 10 percent, adjusted for COVID-19 and currency effects. This represents an increase compared with the previous quarter, the companies are growing faster than the market and are taking market share in both Labtech and Medtech.

EBITA increased by 12 percent, adjusted for the effects of contingent considerations, even though the corresponding quarter in 2022 included COVID-19 sales of SEK 151 m.

Operating cash flow strengthened to SEK 138 m compared with SEK 20 m in the corresponding quarter of 2022. The growth in working capital reported in the first two quarters of 2023 was reduced in the third quarter. Accounts receivables and inventories were slightly reduced in the quarter, despite continued strong organic growth. The improved cash flow resulted in a reduction of Net debt by approximately SEK 200 m in the quarter. Our efforts to improve cash flow and profitability, while reducing debt continue.

We completed one acquisition during the quarter. The acquired company, which will be integrated with Healthcare 21 Groups's operations in the UK, is active in surgical products and has sales of approximately SEK 28 m with good profitability and growth potential.



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## Actions to improve profitability and cash flow

Profitability strengthened in the quarter, driven by a strong positive earnings trend, especially in the companies in Hospital and Biomedical & Research that were acquired in recent years. The profitability trend was also strong in Homecare. AddVision continued to negatively impact the margin. The company is now being restructured and the organization simplified in order to achieve more efficient and decentralised decision-making. The restructuring is expected to facilitate more focused sales efforts and a faster response to market conditions, while also reducing annual costs by approximately SEK 15 m, which will be realised after the end of the year. The digital development project portfolio in Homecare was reviewed during the quarter. As a result of the review, annual savings of at least SEK 10 m will be realized, starting from the beginning of the new year.

Efforts to enhance cash flow continue, supported by AddLife's methods, KPIs and incentive programmes. As part of this initiative, the companies have been assigned specific targets for working capital reductions for the year and the larger companies are conducting specific capital efficiency projects.

**Summary**

Healthcare activity levels have risen in all markets. The waiting lists for surgical procedures remains substantial and continues to increase in some countries. However, healthcare staffing shortages limit the ability to rapidly reduce these waiting lists. Increased numbers of elective surgery procedures can be expected going forward. Elevated activity related to planned surgeries can be expected for some time to come.

AddLife's growth plan is working well and after a period of COVID-19 and acquisition-driven growth, we are now seeing robust organic growth. Profitability has improved and we have implemented a number of measures that are expected to support a positive profitability trend moving forward. The activities to improve cash flow have been successful and we are excited that we have completed an add-on acquisition in the quarter.

AddLife's business model is highly effective, and our expanded presence in more countries and segments in recent years provides us with benefits and new opportunities. The market trend is favourable and the companies are performing well, driving improvement efforts and growth initiatives with great dedication and excellent results.



*Fredrik Dalborg*

President and CEO