

# Comments by the CEO

## Continued strong growth and improved cash flow

Organic growth, excluding COVID-19 and currency effects, totalled 9 percent in the fourth quarter. Activity levels remained high and demand was robust in the markets and segments in which AddLife's companies operate. In the fourth quarter, organic growth was 13 percent in Labtech and 6 percent in Medtech.

In the Labtech business area, demand and profitability for Diagnostics remained steady. High activity in medical research contributed to substantial sales growth and improved profitability in BioMedical & Research.

The Medtech business area, developed well, with strong growth and profitability especially in Hospitals despite the routine seasonal break for planned surgeries over the Christmas and New Year holidays. Demand in Homecare was weaker during the quarter as a result of delayed remodelling and new construction projects for adapted homes. Long-term underlying positive growth drivers, such as an aging population and technological advances, remain unchanged.

Our focused efforts to improve cash flow continue. In the fourth quarter, cash flow from operating activities increased to SEK 448 m, up from SEK 351 m in the corresponding quarter of 2022. The sequential improvement in cash flow from SEK 138 m in the third quarter is attributable in part to normal seasonal patterns as well as the positive effects of a significant reduction in inventory, which has been a key focus for us, as well as an increase in accounts payable. Nevertheless, accounts receivable increased as expected, driven by continued strong sales growth. Net debt declined by approximately SEK 400 m in the quarter as a result of the improved cash flow.

All companies continue to focus on improving working capital and cash flow, especially in the larger enterprises.



*We have dedicated considerable effort to developing and improving operations in the companies, taking several actions that will generate significant positive effects on growth, profitability and cash flow in 2024 and beyond.*

## Key measures to improve profitability

The companies within AddLife performed well and profitability improved. This trend applies to both large and small companies, including those that have been part of AddLife for a long time and those that have joined the AddLife family more recently.

However, AddVision and Homecare have faced challenges and these two have significantly lowered the average profitability of Medtech in 2023. We have therefore closely analysed the challenges in AddVision and Homecare over the course of the year and implemented strong measures. We restructured AddVision, closed down its headquarter and simplified the organisation, which has resulted in more efficient and decentralised decision-making. The restructuring, completed in the second half of 2023, is expected to lead to more focused commercial processes and efficient adaptations to local market conditions. During the fourth quarter, we also made organisational changes in Switzerland and the UK, which are expected to result in greater commercial efficiency and lower costs. Collectively, these measures are expected to deliver an annual cost reduction of about SEK 20 m, to be realised in early 2024.

As previously communicated, we have conducted a comprehensive review of Homecare's digital development projects during 2023. The review has led to a decision in the third quarter to terminate the Camanio Health self-monitoring project, which will result in annual savings of just over SEK 10 m in 2024. In addition, in January 2024, trade union negotiations were initiated regarding the planned discontinuation of the Camanio Care safety alarm development project, and the subsequent dissolution of the subsidiary Camanio. This measure is expected to result in an additional cost reduction of SEK 50 m on an annual basis. Collectively, these measures are expected to generate a total annual cost reduction of approximately SEK 80 m, that will be gradually realized through the third quarter of 2024. The expected annual positive cash flow effect of this action is estimated to SEK 110 m.

### Summary and future outlook

The AddLife companies have performed exceptionally well in 2023, continuously adapting to support the healthcare systems in the transition to normal operations after COVID-19, while also addressing the effects of the substantial pandemic-related growth in patient waiting lists. AddLife also continues to continuously update its product and service portfolio to meet growing and emerging needs in diagnostics, research, health care and home care.

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The consistent positive trend in our market and the robust cash flow in the second half of the year align with our ambition to reduce net debt through internally generated cash flow and, over time, resume an increased pace of acquisitions. AddLife's goal is a dividend corresponding to 30-50 percent of profit after tax, while also taking investment needs and other relevant factors into account. For 2023, AddLife's Board of Directors proposes to the Annual General Meeting a dividend of SEK 0.50 per share (1.20), corresponding to 30% of profit after tax.

I would like to express my sincere appreciation to all our companies for the outstanding work carried out during the quarter and the year. We all look forward to 2024 and expect improved profitability and cash flow, while identifying and implementing new growth initiatives in our expanding market.



*Fredrik Dalborg*

President and CEO