



**Ambu**  
Ideas that work for life

# J. P. Morgan 2018 Healthcare Conference

CEO Lars Marcher

# Ambu at a glance



Supplies  
single-use  
medical  
devices for  
hospitals



Global sales.  
Direct and via  
distributors



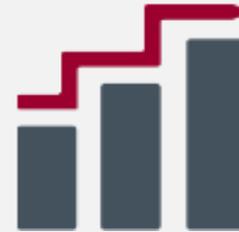
2,400  
employees  
worldwide



Own  
Production in  
China, Malaysia  
and the USA



Founded in 1937



2016/17  
Revenue:  
DKK 2.4bn  
EBIT margin:  
19.1%

# Agenda

- Q4 and FY highlights
- Visualisation in a new perspective
- Financials and outlook

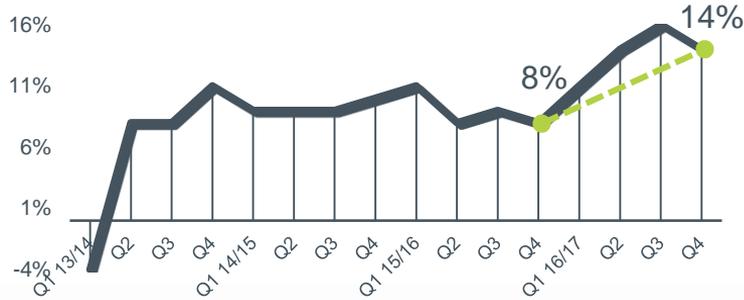
## Disclaimer

Forward-looking statements, especially such relating to future sales and operating profit, are subject to risks and uncertainties. Various factors, many of which are outside Ambu's control, may cause the actual development of the company to differ materially from the expectations contained in this presentation. Factors that might affect such expectations include, among others, changes in healthcare, in the world economy and in exchange rates.

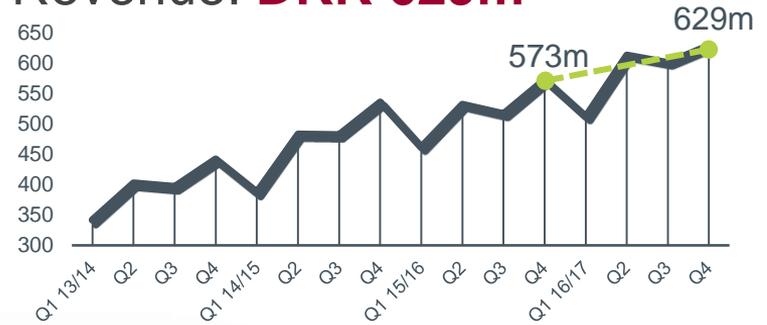


# Q4 performance

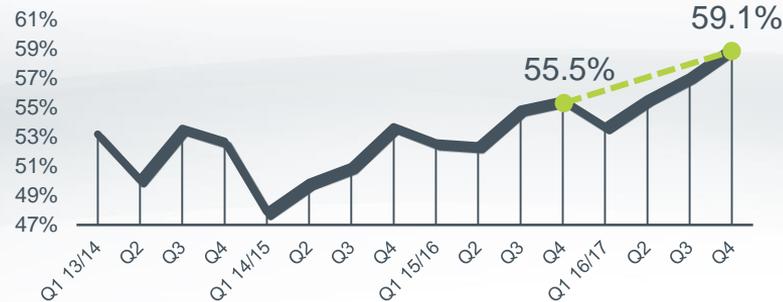
Organic growth: **14%**



Revenue: **DKK 629m**



Gross margin: **59.1%**



EBIT margin: **21.3%**



# Full-year highlights

- Continued solid growth (14%) and earnings (450m DKK)
- EBIT margin improved by 2%-points to 19.1%
- 364,000 endoscopes sold – 82% increase
- Two product launches in Visualisation
- Continued strong cash flow
- Big Five 2020 strategy launched 4 October 2017
- Invendo Medical acquisition on 25 October 2017



# Strategy targets surpassed

## Targets for 2016/17

### Revenue

- DKK 2bn

### EBIT margin

- 17-18%

### Working capital

- 25%

CLIMBING  
2017  
NEW HEIGHTS



## Realised in 2016/17

### Revenue

- DKK 2.355bn

### EBIT margin

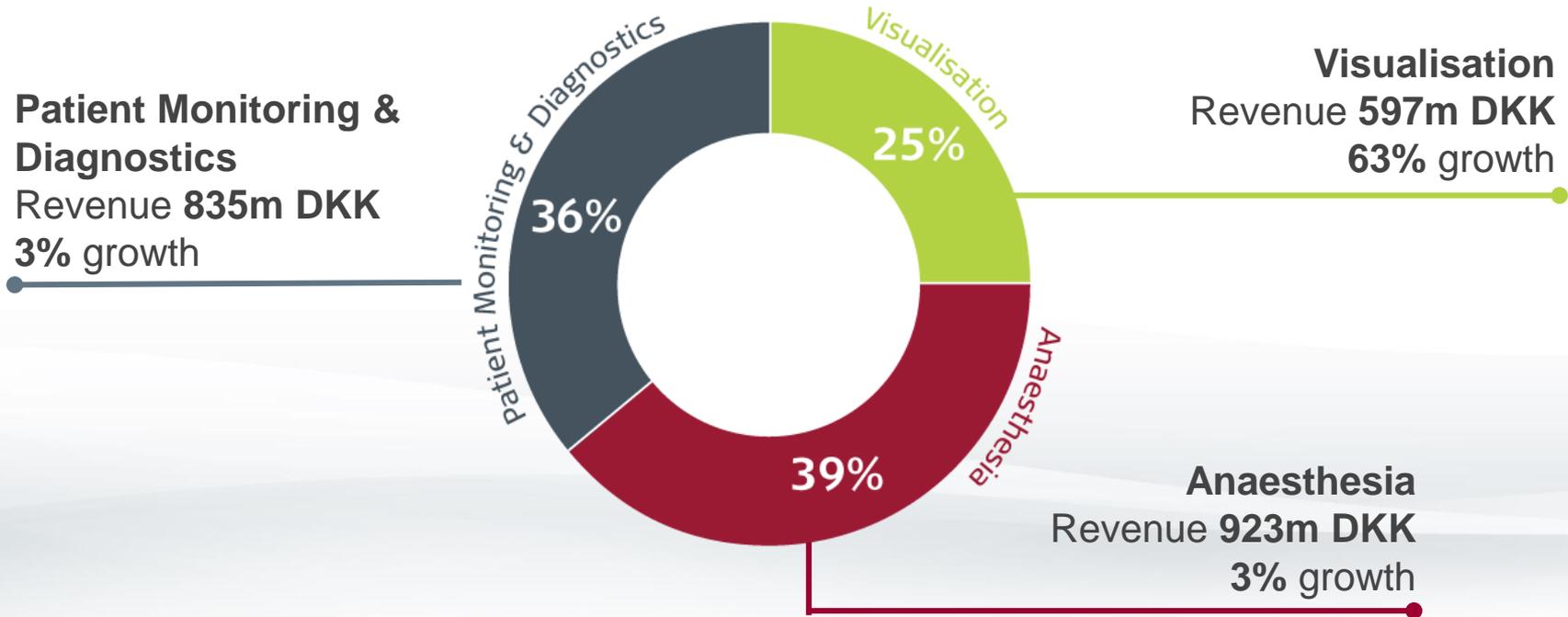
- 19.1%

### Working capital

- 19%

FY – organic growth

# Business areas



**Patient Monitoring & Diagnostics**  
Revenue **835m DKK**  
**3%** growth

**Visualisation**  
Revenue **597m DKK**  
**63%** growth

**Anaesthesia**  
Revenue **923m DKK**  
**3%** growth

# Markets

## North America

REVENUE **1,106m** DKK

GROWTH **12%**

### Business growth

- Visualisation 82%
- Anaesthesia -2%
- PMD -2%

Part of total revenue **47%**

## Europe

REVENUE **962m** DKK

GROWTH **13%**

### Business growth

- Visualisation 48%
- Anaesthesia 7%
- PMD 4%

Part of total revenue **41%**

## Rest of World

REVENUE **287m** DKK

GROWTH **24%**

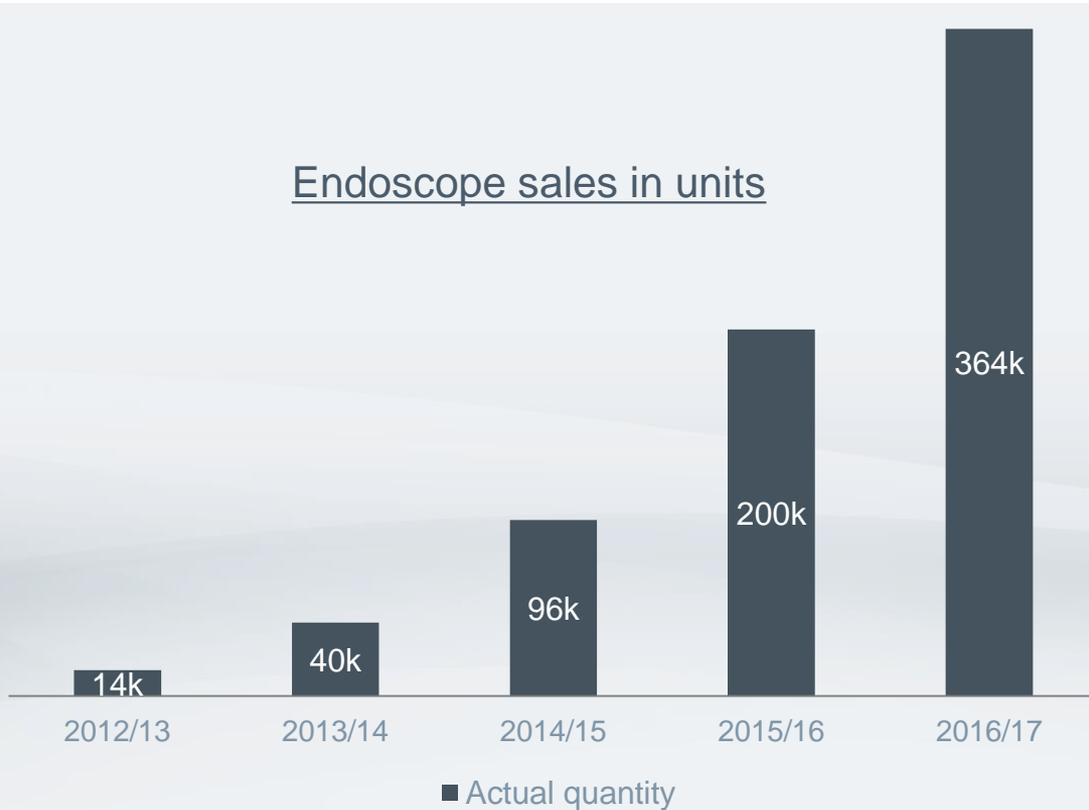
### Business growth

- Visualisation 53%
- Anaesthesia 28%
- PMD 7%

Part of total revenue **12%**

# 82% volume growth in endoscope sales for full-year

Endoscope sales in units



- Q4 endoscopes sales of 115,000 units (up 92%)
- Annual expectation of ~350,000 units
- Stable ASP as the value offering is significant
- New endoscope manufacturing site built. Production to start in January 2018



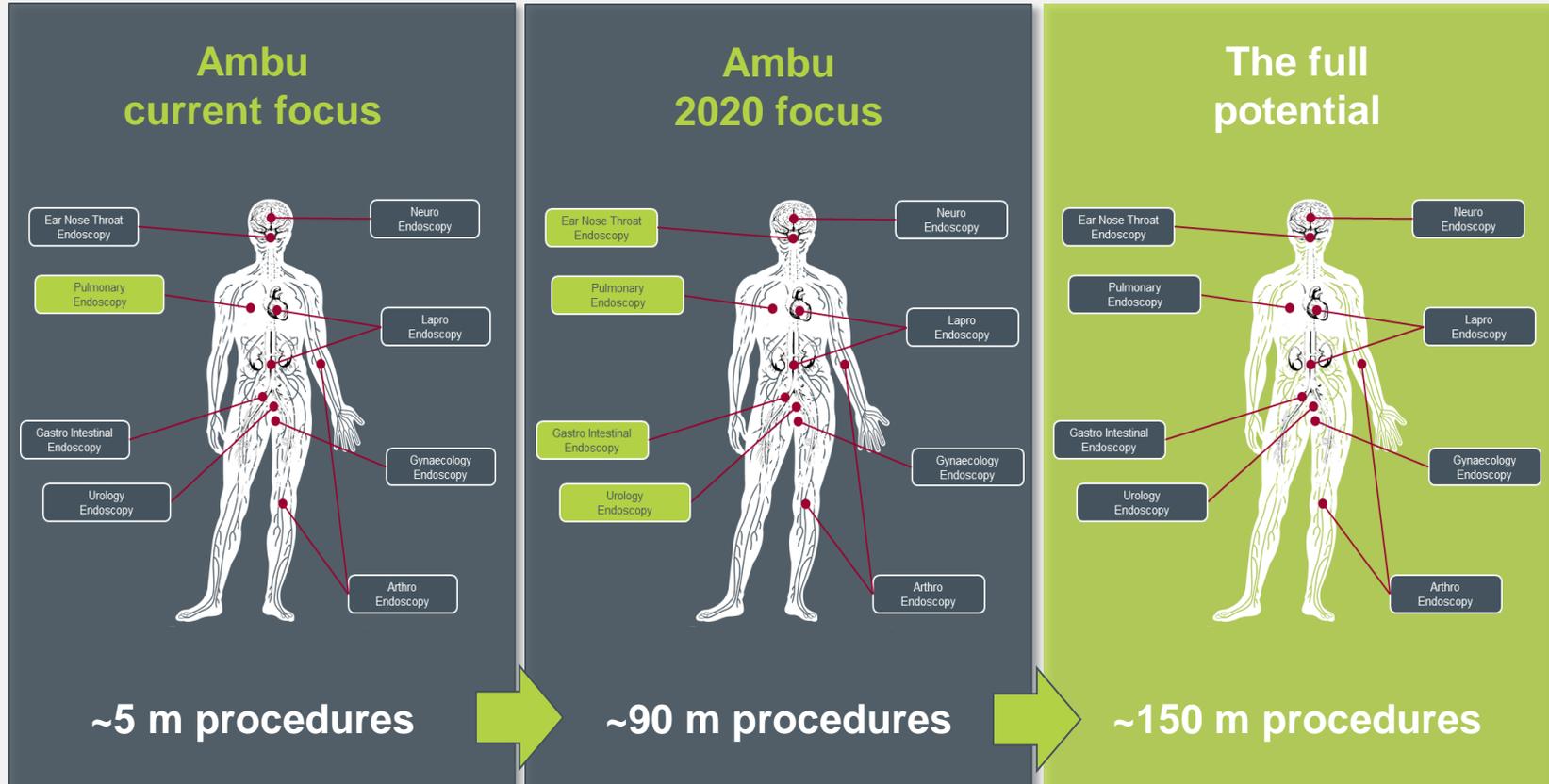
# Visualisation in a new perspective

# Since the introduction of aScope, we have steadily expanded our coverage in the pulmonary category

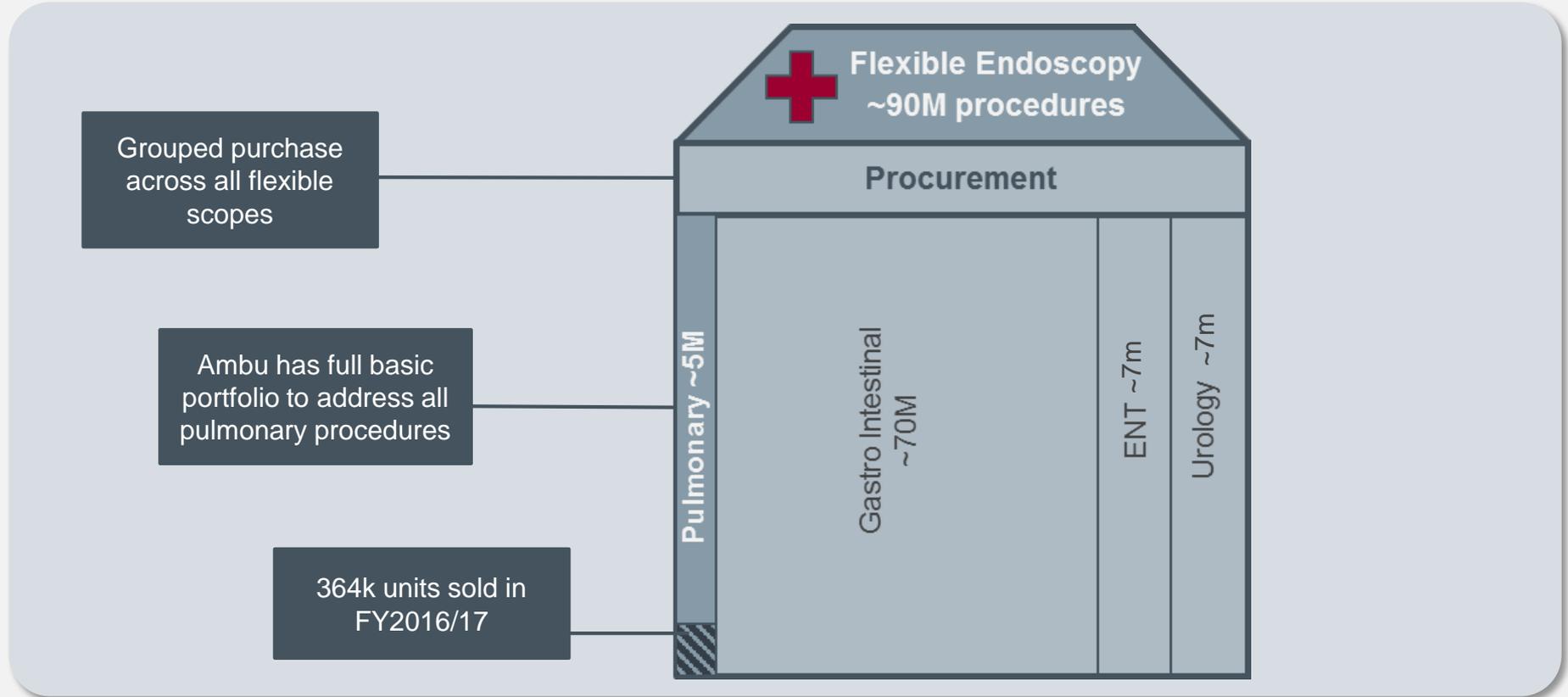


*With aScope 4 we now cover the entire pulmonary segment*

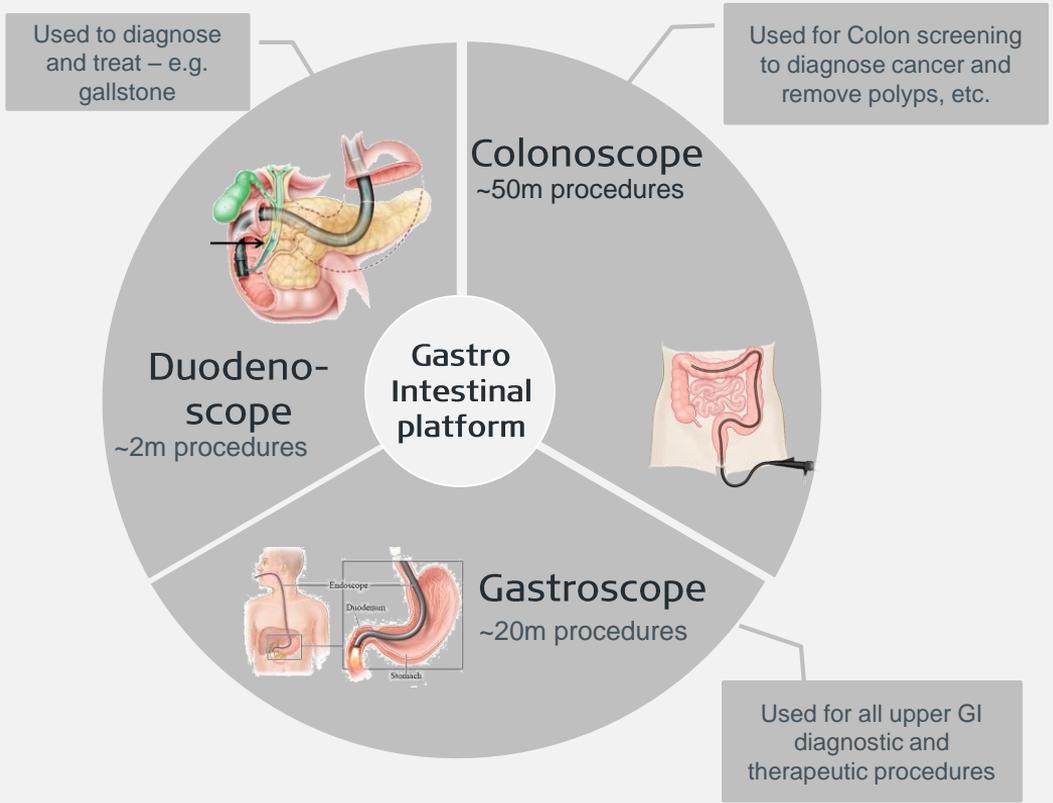
# Expanding from single-use pulmonary endoscopy



# Ambu can soon address the majority of the flexible endoscope market needs



# The acquired technology platform ensures a full and highly relevant GI portfolio by 2020



**Los Angeles Times**

## Superbug linked to 2 deaths at UCLA hospital; 179 potentially exposed

**N**early 180 patients at UCLA's Ronald Reagan Medical Center may have been exposed to potentially deadly bacteria from contaminated medical scopes, and two deaths have already been linked to the outbreak.

### Preventable Tragedies: Superbugs and How Ineffective Monitoring of Medical Device Safety Fails Patients

Between 2012 and spring 2015, closed-channel duodenoscopes were linked to at least 25 different instances of antibiotic-resistant infections that sickened at least 250 patients worldwide.



Contents lists available at [ScienceDirect](#)

**American Journal of Infection Control**

journal homepage: [www.ajicjournal.org](http://www.ajicjournal.org)




Major article

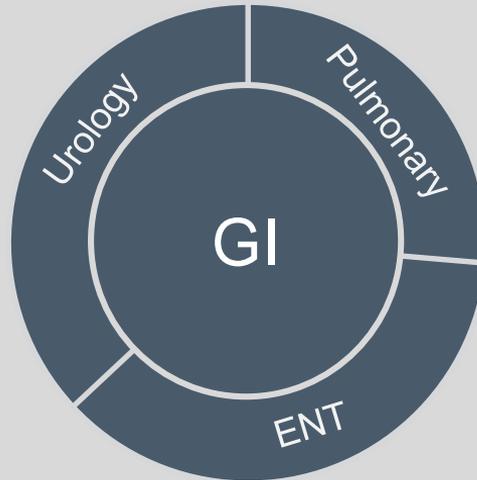
Persistent contamination on colonoscopes and gastroscopes detected by biologic cultures and rapid indicators despite reprocessing performed in accordance with guidelines

Cori L. Ofstead MSPH<sup>a,b,\*</sup>, Harry P. Wetzler MD, MSPH<sup>a</sup>, Evan M. Doyle BS<sup>a</sup>, Catherine K. Rocco RN, MSN, CNOR<sup>a</sup>, Kavel H. Visrodia MD<sup>c</sup>, Todd H. Baron MD<sup>d</sup>, Pritish K. Tosh MD<sup>b</sup>



# Ambu is now in a favorable position to transform the flexible endoscopy market

## Full hospital endoscopy player



~90 m procedures

- Majority of endoscopy **investment pool** is owned by GI department
- Gastro is **dominant** in the hospitals' endoscope purchasing process
- Unlike other flexible endoscopy areas, majority of GI procedures are **performed in hospital** (not Clinics)
- More than **8 out of 10** flexible endoscopy procedures in the hospital are within GI

Niche  
product  
supplier





# Financial results and outlook

# Profitability

– Continued strong earnings development

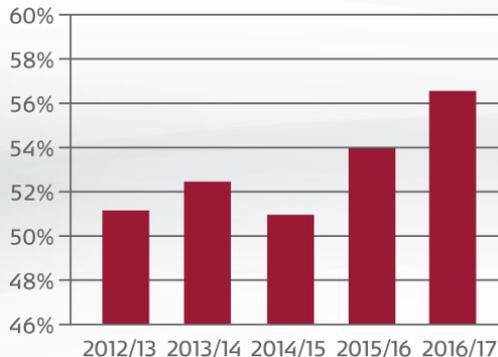
DKKm	Q4 16/17	Q4 15/16	FY 16/17	FY 15/16
Revenue	629	573	2,355	2,084
<b>Gross margin</b>	<b>59.1%</b>	<b>55.5%</b>	<b>56.5%</b>	<b>53.9%</b>
OPEX	-238	-187	-881	-768
Cost percentage	38%	33%	37%	37%
EBIT	134	131	450	356
<b>EBIT-margin</b>	<b>21.3%</b>	<b>22.9%</b>	<b>19.1%</b>	<b>17.1%</b>
Financials, net	-21	-11	-57	-30
Net result	87	92	301	250

- Strong growth in Q4 and in FY
- Improved gross margin
- EBIT-margin up 2%-pts. for FY
- Tax percentage maintained at 23%
- Net result at DKK 301m up 20%
- Proposed dividends at DKK 1.85 per share

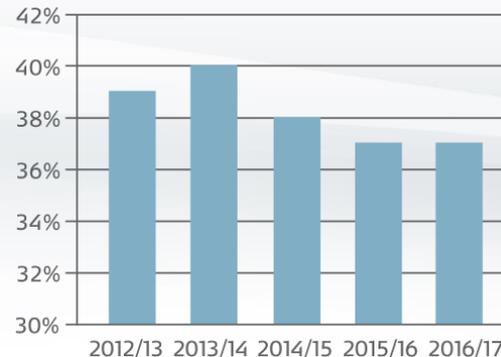
# Full-year highlights

- Strong trend on all financial KPIs
- Gross margin at 56.5% – up 2.6%-pts. since LY
- Rate of costs at 37% as LY
- EBIT at DKK 450m – up 26% over LY
- EBIT-margin at 19.1% – up by 2%-pts. to LY

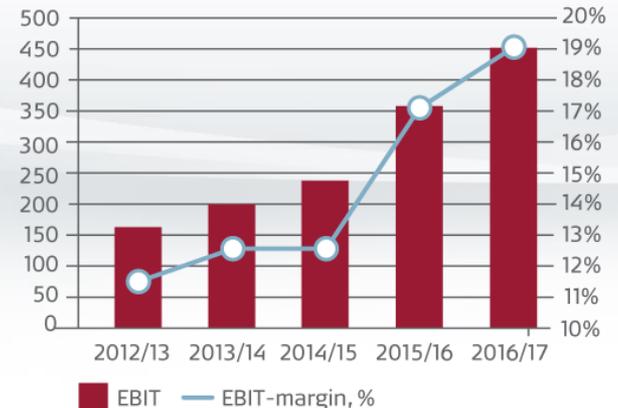
**Gross margin**



**Rate of cost**



**EBIT and EBIT margin**



# Cash flow and balance sheet

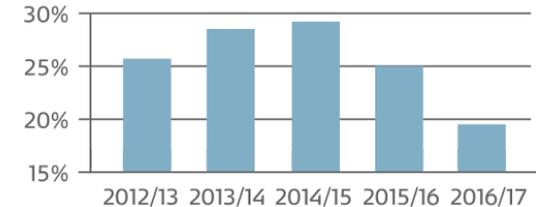
DKKm	Q4 16/17	Q4 15/16	FY 16/17	FY 15/16
<b>Cash flow:</b>				
Operating activities	160	101	462	369
Investing activities	-32	-22	-141	-84
<b>FCF before acquisitions</b>	<b>128</b>	<b>79</b>	<b>321</b>	<b>285</b>
Acquisition activities	0	-93	0	-155
<b>FCF after acquisitions</b>	<b>128</b>	<b>-14</b>	<b>321</b>	<b>130</b>
<b>Balance sheet:</b>				
Total assets			2,500	2,364
NIBD			767	955
<b>Key Figures:</b>				
Net working capital			19%	25%
ROIC after tax incl. goodwill			22%	19%
Equity ratio			51%	42%
NIBD/EBITDA			1.4	2.1

- Cash flow from operation at 20% of revenue vs. 18% LY
- Ordinary investments at 4% of revenue unchanged
- Working capital at 19% vs. 25% LY
- Investment in factory in Malaysia of DKK 40m
- Gearing at 1,4 vs. 2.1 LY
- Acquisition of Invendo Medical after the balance sheet date

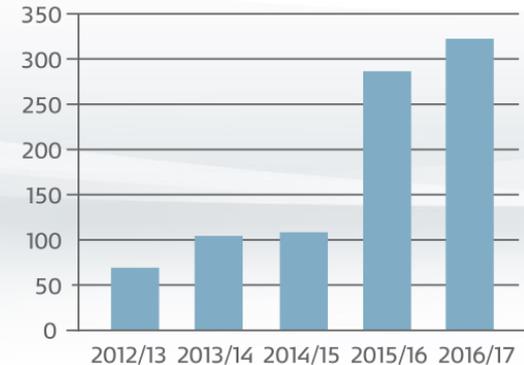
# Free cash flow and working capital

- Significant improvement in working capital down from 25% LY to 19% in 2016/17
- Main contributor is better collections and decreasing DSO by 2 days to 65 days over LY
- Also some improvements from lower inventories and better utilization
- Free cash flow ending at DKK 321m or 14% of revenue
  - Excluding non-recurring investments in buildings free cash flow equals 15% of revenue

Working capital relative to revenue



Free cash flows (DKKm)



# Big Five 2020 financial targets

– Our strategy translates into ambitious financial goals

## Revenue

It took 75 years to reach 1 billion. Four years to reach 2 billion. Now, we will try to reach 5 billion in three years – combined organic and acquisition growth. It's a stretch but we'll go for the Big Five.

**5** bn DKK

## Earnings

During the past strategy period we achieved global scale in our business & made the required investments in development, production and sales. Now, we are set to take our earnings to new levels.

**+5** %-pts on EBIT margin

# Financial outlook for 2017/18

	Local currencies	Danish Kroner
Organic growth	~13%	-
EBIT margin	-	~20%
Free cash flows	-	DKK ~275m

# In summary

- Strong financial performance surpassing targets
- Solid platform for further growth
- Big Five 2020 introduced
- Acquisition sets direction for next transformation





# Q&A



Read more at [www.ambu.com](http://www.ambu.com)

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