

Ambu 2017/18

Ambu^{*}
Ideas that work for life

HEALTHY BUSINESS

Investor
update

Financial highlights

DKKm	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	2,606	2,355	2,084	1,889	1,584
EBITDA	678	555	458	332	286
EBIT	563	450	356	236	198
Net financials	-98	-57	-30	-21	10
Profit before tax	465	393	326	215	208
Net profit of the year	337	301	250	152	151
Assets	4,234	2,500	2,364	2,252	2,045
Equity	1,882	1,279	990	1,034	852
Net interest-bearing debt	1,245	767	955	731	739
Free cash flows before acquisitions of enterprises	321	321	285	107	103
Acquisitions of enterprises and technology	-928	0	-155	-17	-112
Average no. of employees	2,712	2,503	2,337	2,270	2,333
Ratios					
Organic growth, %	15	14	9	9	7
Gross margin, %	59.4	56.5	53.9	50.9	52.4
Rate of cost, %	38	37	37	38	40
EBITDA margin, %	26.0	23.6	22.0	17.6	18.1
EBIT margin, %	21.6	19.1	17.1	12.5	12.5
Return on equity, %	21	27	25	16	20
NIBD/EBITDA	1.8	1.4	2.1	2.2	2.6
Working capital, % of revenue	21	19	25	29	28
Return on invested capital (ROIC), %	17	17	15	10	9
Share-related ratios					
Market price per share, DKK ¹	154	97	71	36	21
Earnings per share (EPS) (DKK) ¹	1.39	1.27	1.05	0.63	0.64
Pay-out ratio, %	30	30	30	30	30

¹ Changed to nominal value of DKK 0.50 per share after share split in January 2018.

Revenue per quarter (DKKm)



Rate of cost – five-year summary



EBIT (DKKm) and EBIT margin



Focus on clean devices

In fact, it's quite simple: We believe that doctors and patients – wherever they are in the world – are entitled to absolutely clean hospital equipment. And within the field of endoscopes, laryngeal masks, resuscitators and electrodes, we believe that using single-use devices is the only way of making sure that the equipment is clean.

For us, this is nothing new. For many years, this has been our line of thinking in Ambu, and we sell more than 800 million products a year. What's new is that we are able to develop increasingly advanced single-use products. Ten years ago a single-use endoscope was a vision. Today, they are used in hospitals all over the world.

From multiple-use to single-use

In FY 2017/18, Ambu sold 560,000 single-use endoscopes, and we are currently developing new types of single-use endoscopes for procedures in the urinary system, ENT and the gastrointestinal system.

We are well aware that the conversion from multiple-use to single-use devices is not going to happen overnight. But we believe that within a ten-year period, 80% of all endoscopies will be performed using single-use products. And we believe that concerns for patient safety and the need to reduce the risk of infection in hospitals will drive this development.

In addition, switching to single-use devices will be financially beneficial for most hospitals because the investment required

is minimal, and because it does away with the costs associated with repairing and cleaning multiple-use devices.

Strategic goals and potentials

A year ago, we presented our 2020 strategy entitled Big Five. An ambitious strategy, which aims to make the most of the potential that we see in the global market for advanced single-use technology. A potential, which Ambu is strongly geared to realising.

One year into the Big Five strategy period, we have raised our financial targets for 2020, and we now expect both higher organic growth and higher earnings than we did 12 months ago. Innovation is paramount, and today Visualisation contributes 32% of revenue. A business area that was non-existent a few years ago.

Our focus – and the focus that drives Ambu every single day – is on contributing to making devices available to doctors and patients that are absolutely clean. Saving lives and improving patient care is key to who we are, and this is what we will humbly continue to do in 2018/19.


Lars Marcher
President & CEO



Highlights and outlook



Comparative figures for 2016/17 are stated in brackets

Developments in 2017/18

- Revenue for the financial year was DKK 2,606m (DKK 2,355m) based on organic growth in local currencies of 15% (14%).
- EBIT was up 25% at DKK 563m (DKK 450m), with an EBIT margin of 21.6% (19.1%).
- Total tax on profit for the year was recognised at 28% (23%).
- Net profit for the year was up 12% at DKK 337m (DKK 301m).
- The Board of Directors proposes that dividend of DKK 0.40 (DKK 0.37) be paid per share, corresponding to an increase of 8% and an unchanged pay-out ratio of 30%.
- Net working capital at the end of the year was DKK 535m (DKK 457m), corresponding to 21% (19%) of revenue for the year.
- Free cash flows totalled DKK 321m (DKK 321m), and gearing was 1.8 (1.4).
- Ambu's Visualisation business continued the positive development, and in 2017/18 560,000 single-use endoscopes were sold against 364,000 last year, corresponding to a growth rate of 54% (82%).
- The acquisition of Invendo Medical GmbH was closed on 25 October 2017 based on a cash payment of EUR 115m and an agreement on an additional payment of contingent consideration of up to EUR 110m, of which a sum of EUR 10m was paid following FDA approval of the colonoscope (SC210) in January 2018.

Outlook for 2018/19

- Organic growth in local currencies of approx. 15-16%
- EBIT margin of approx. 22-24%
- Free cash flows before acquisitions of approx. DKK 400-475m

59%
return

In 2017/18, the price of the Ambu share went up from 97 to 154. The return was thus 59% + dividend.

In comparison, the C25 index fell 5%.



Revenue and growth in 2017/18

During the financial year 2017/18, Ambu has expanded its market position and realised double-digit growth in all three regions.

Anaesthesia

Since the capital markets day on 4 October 2017, Ambu has communicated a long-term growth ambition for Anaesthesia of approx. 5%, and with realised growth of 6% in 2017/18, we are satisfied with the results achieved. Results are particularly satisfactory in the USA, where 7% growth in Anaesthesia is an early sign that the specialisation of our US sales force is working.

In Europe and the rest of the world, Anaesthesia posted growth of 5% and 4%, respectively.

Visualisation

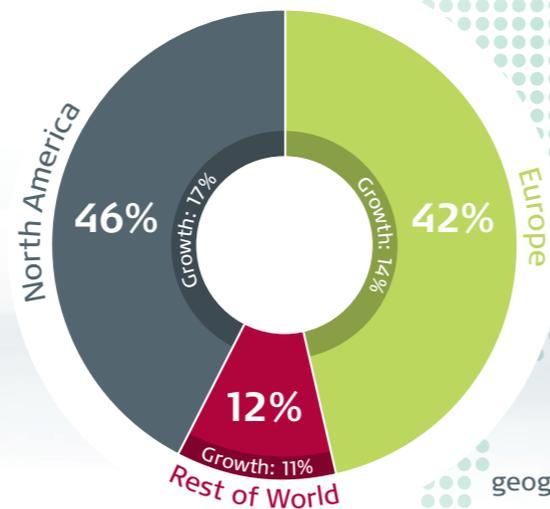
In Visualisation, the full-year growth was 46% in local currencies. Growth comes primarily from the USA and Europe, for which growth rates of 46% and 49%, respectively, were realised. The rest of the world realised a growth rate of 28%.

Ambu sold a total of 560,000 endoscopes, corresponding to a growth rate of 54% compared to the financial year 2016/17.

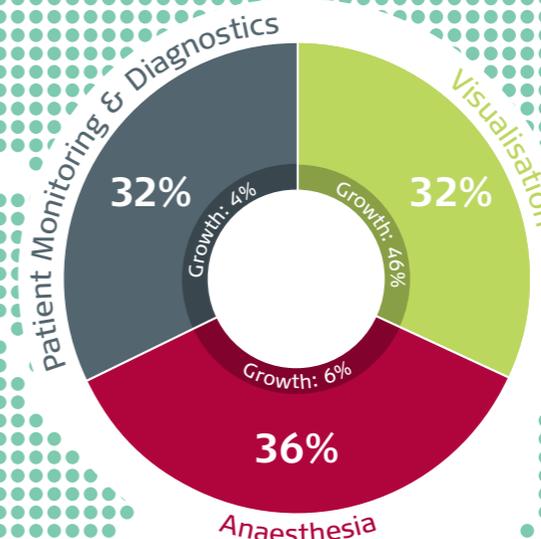
Patient Monitoring & Diagnostics

For the full financial year, growth of 4% was posted in local currencies. The regional distribution of growth was 6% in North America, 1% in Europe and 11% in the rest of the world.

Growth in North America is highly satisfactory and can, among other things, be attributed to the generally increased focus on sales execution in the USA achieved through the strengthening of the sales force. The low growth in Europe is ascribable to intensifying competition in some markets. Aggregate growth for PMD in 2017/18 was at the high end of the long-term growth target of 3-4%.



Revenue by geographical regions



Revenue distributed on three business areas

We want to simplify endoscopy

The single most important question in healthcare today is how to improve patient outcomes with the resources available. And as the world population increases and life expectancy expands, the pressure mounts on hospital budgets, workflow efficiency and, ultimately, patient safety.

Flexible endoscopes raise specific problems because they are costly to purchase, reprocess and repair, they are not always available when you need them, and their use risks exposing patients to infections.

We believe that the challenges in flexible endoscopy should be addressed with single-use devices, and for more than a decade we have been harnessing the technology. In 2009, we launched the world's first single-use flexible endoscope: The Ambu® aScope™. Today, the aScope is used for pulmonary endoscopies in the OR and ICU at more than 3,000 hospitals across the globe. Single-use endoscopy has proven its worth in pulmonary endoscopy and the next step is to bring the advantages of single-use to other clinical areas.

Therefore, we have set ourselves a goal: By the year 2020, we will offer sterile single-use scopes for use in ENT, the urinary system and the gastrointestinal system.

There is no doubt in our minds that a new and sterile scope for each and every patient is a great step forward for modern healthcare. And we are dedicated to making this future happen.



54%
higher
endoscope sales

In 2017/18, we sold a total of 560,000 single-use endoscopes versus 364,000 units the year before.



Four new products

During 2018/19 we will launch four new products within Visualisation.



Ambu® aScope™ 4 RhinoLaryngo Slim
 Ambu® aScope™ 4 RhinoLaryngo Slim Single-use rhinolaryngoscope. Used for routine ENT procedures.



Ambu® aScope™ 4 RhinoLaryngo Intervention
 Single-use rhinolaryngoscope. Used for ENT procedures, in particular to carry out biopsies, remove foreign objects or suck up secretions.



Invendoscope™ SC210
 Single-use colonoscope for rectal and colonic endoscopies.

Ambu® aScope BronchoSampler™
 Single-use accessory for Ambu's bronchoscope. Improves bronchoalveolar lavage (BAL) procedures, which is the sampling of secretions from the lungs.



Pipeline of flexible single-use endoscopes

By 2020, we will be relevant to around 100 million endoscopy procedures in four areas.

Airways (bronchoscopy)

Following the launch of aScope 4 Broncho, we cover the entire market, which amounts to five million procedures.

ENT (rhinolaryngoscopy)

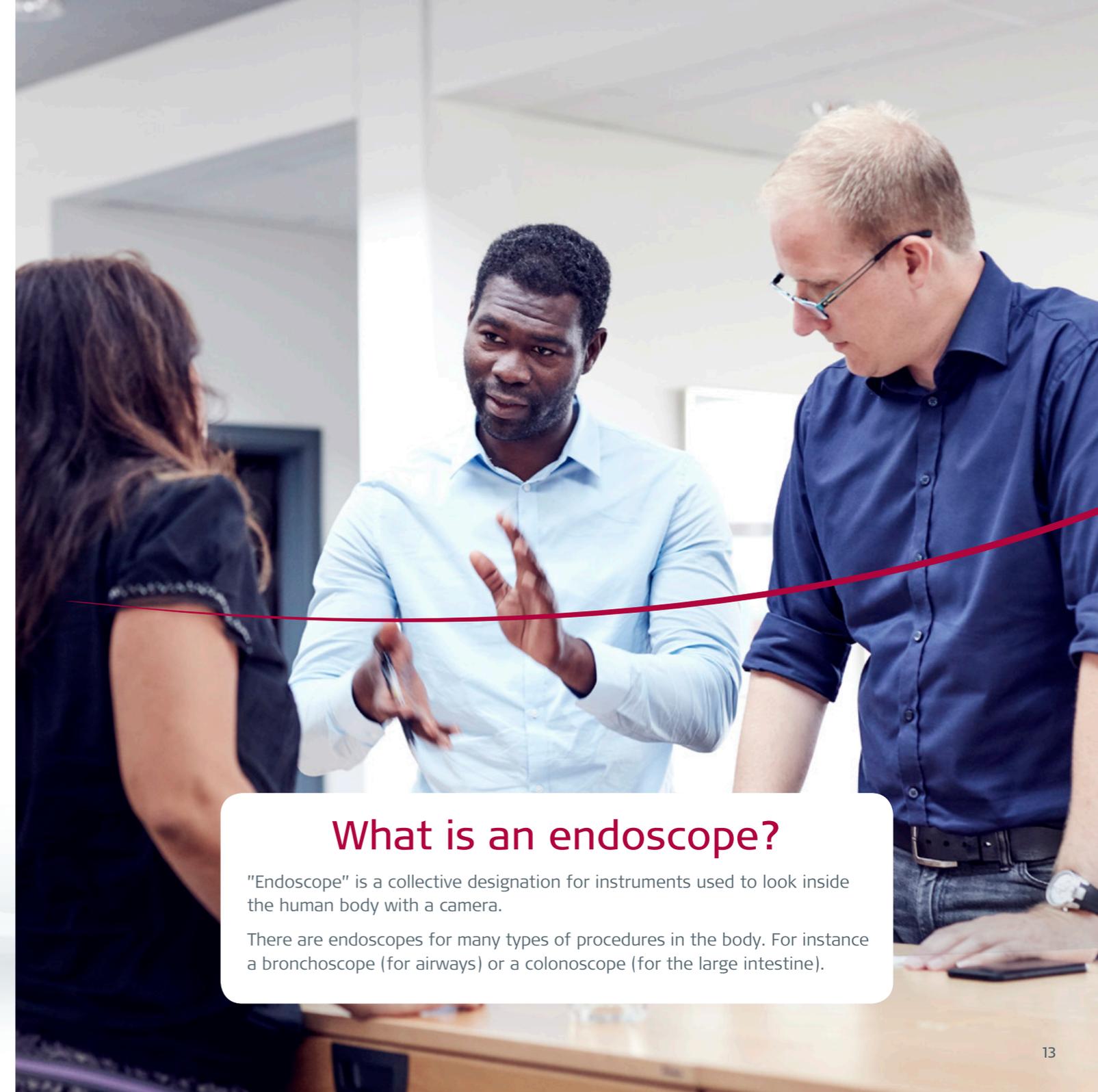
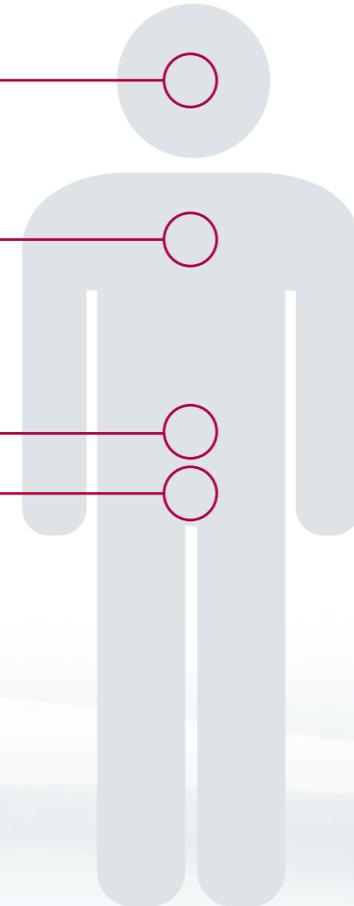
The market for ENT products amounts to 11 million procedures. Towards 2020, we will launch two endoscopes for ENT procedures.

Gastrointestinal system (gastroenterology)

The market for gastroenterology amounts to 72 million procedures. In the period up until 2020, we will launch a colonoscope, a gastroscope and a duodenoscope.

Urinary system (urology)

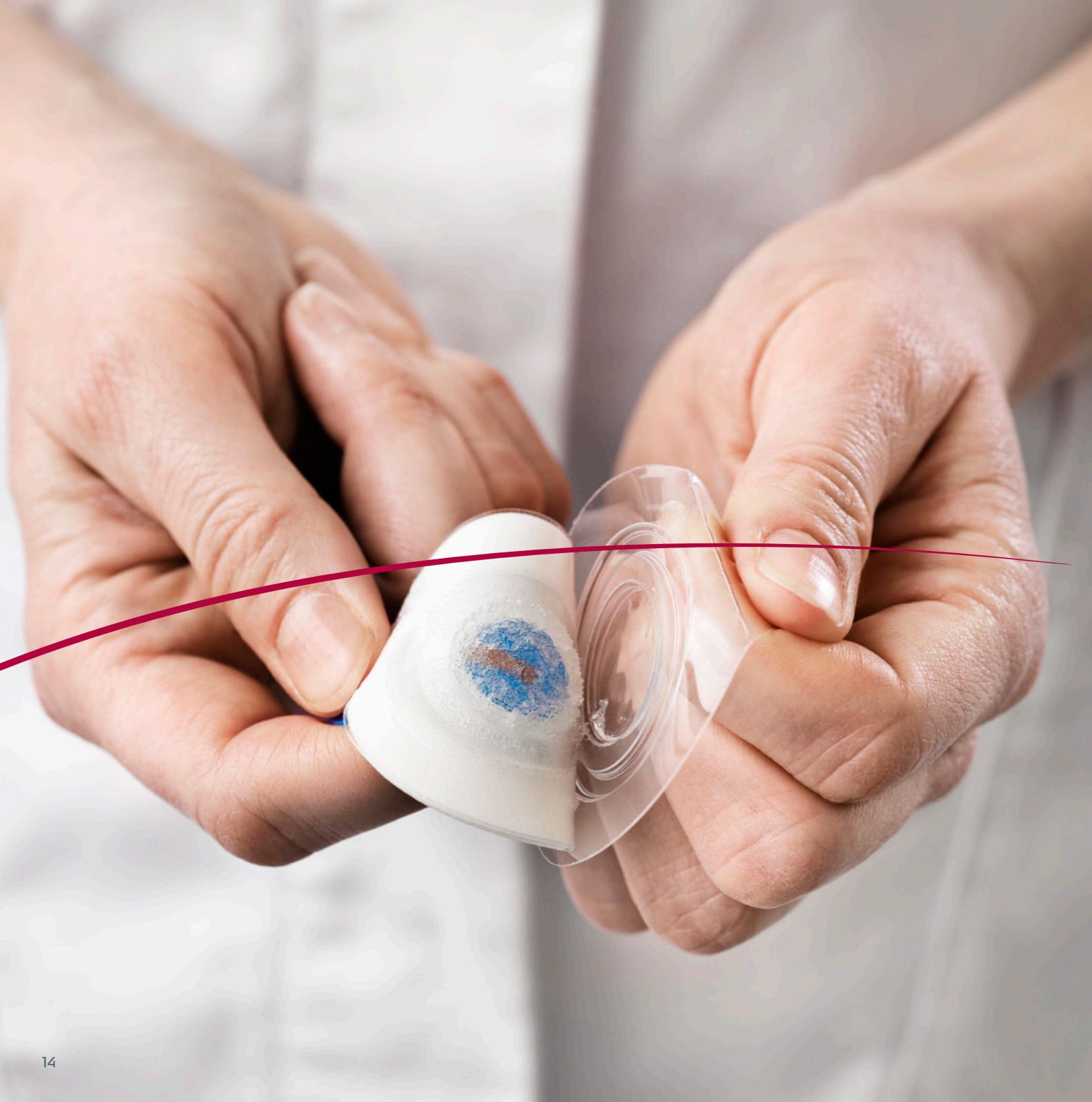
The market for urology constitutes seven million procedures. Towards 2020, we will launch a cystoscope.



What is an endoscope?

"Endoscope" is a collective designation for instruments used to look inside the human body with a camera.

There are endoscopes for many types of procedures in the body. For instance a bronchoscope (for airways) or a colonoscope (for the large intestine).



Targets for 2020 raised

In the three-year period up until 2020, we expect to launch a number of new and groundbreaking single-use endoscopes

and thereby create significant growth and earnings potential. Our financial targets for the period up until 2020 are as follows:

Revenue

In the three-year Big Five strategy period, we expect to realise average annual organic growth rates of 16-18%, raised from 13-15%.

16-18%
organic growth

Earnings

In the first year of the strategy period, we have scaled our Visualisation business further. We are therefore raising our expectations for our EBIT margin in 2020 from approx. 24-25% to 26-28%.

26-28%
EBIT-margin

Free cash flows

We expect free cash flows to equate to approx. 18% of revenue in 2020.

~18%
of revenue

The increase in organic growth to 16-18% is expected to be driven by Ambu's existing product portfolio, by four new products to be launched in FY 2018/19, and by the pipeline of endoscopes to be launched by 2020.

The expected increase in the EBIT margin will be driven primarily by an improved product mix as high-margin products in our endoscopy business will account for a larger share of sales towards 2020.

2020 vision of reaching DKK 5bn in revenue through acquisition
We focus on organic growth, in addition to which acquisitions may be made if the right opportunity arises. We will not commit in advance to making more acquisitions before 2020 as any acquisitions must be aligned with our strategy.



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