



Investor presentation

Q3, 2018/19

New executive management team established

President and CEO Juan Jose Gonzalez joined Ambu May 15, 2019



Juan Jose Gonzalez

CEO



Michael Højgaard

CFO

Agenda

- **Strategy update**
- Financial results and outlook
- Q&A

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

The first “100 days” as CEO

The single-use value proposition speaks to every stakeholder

Current challenges

Cross-contamination

- FDA concerns*
- New studies**
- Patient concerns

Availability

- Availability issues from cleaning
- Availability issues from repairs
- Lock-out from new tech in +4year capital life-cycles

Economics

- Increasing reprocessing costs
- Increasing installed base to compensate
- Scope degradation

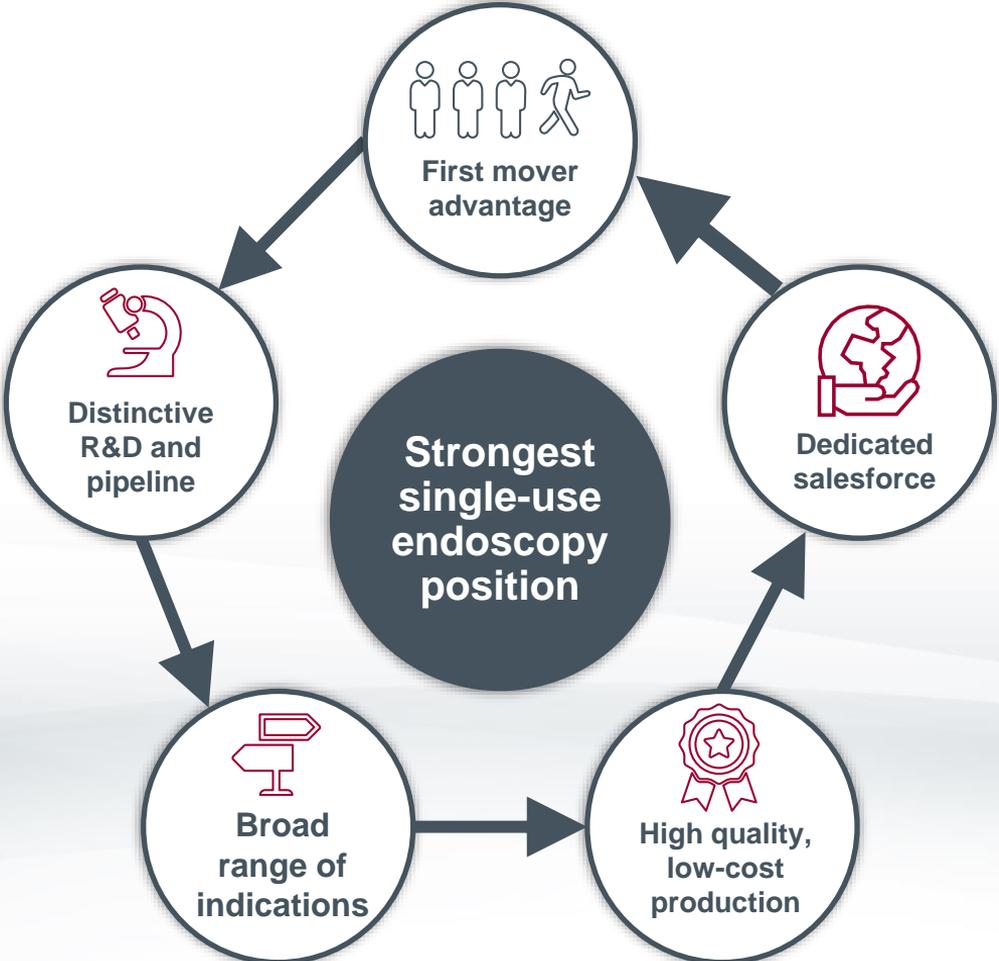
The single-use value proposition



* FDA on duodenoscope risk: [Link](#)

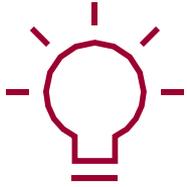
** Studies indicating risk of cross-contamination: [Link](#)

Ambu's key advantages in single-use endoscopy



1%-share points of near-term market potential (100M) would more than double existing visualization business

Building blocks of Ambu's 2019/20 Visualization strategy



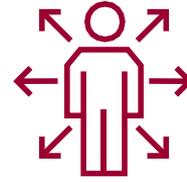
Innovation

- Further enhance R&D competitive advantage
- Execute on near-term visualization pipeline
- Develop differentiated future technologies (e.g., multi-functional image quality, AI etc)



Globalization

- Purposeful expansion of direct salesforce and marketing infrastructure
- Focus on key geographies: US, Western Europe, China, Japan, Australia
- Establish selective strategic partnerships (e.g., Cook Medical)



Capability expansion

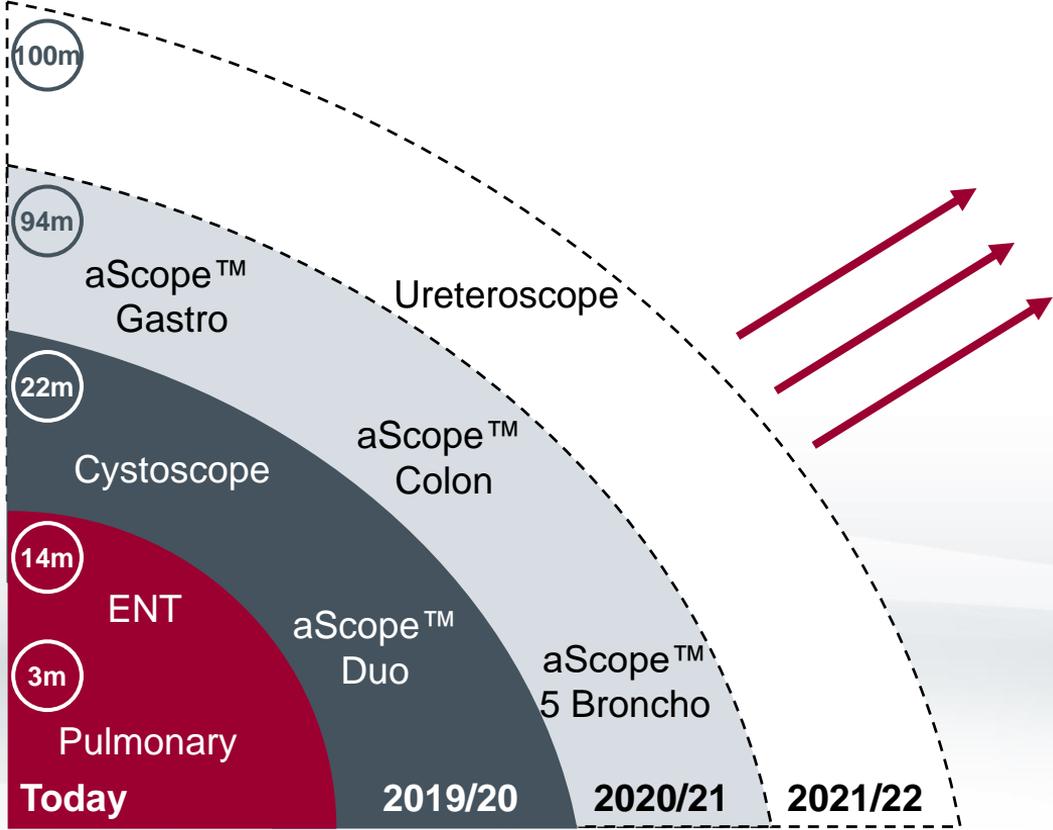
- Global operations network expansion to enable sustained growth and maintain low cost footprint
- Enhance critical commercial and enabling capabilities (e.g., healthcare economics, GPO contracting, clinical evidence)



Talent and Culture

- Strengthening our winning spirit and culture while rapidly expanding the organization
- Expand critical talent:
 - US and key geographies for commercial organization
 - Innovation (Malaysia / Germany / Denmark)

We will accelerate our market potential every year with new product launches



Full range of single-use flexible endoscopes and advanced monitors in a 100M annual procedures market

Early result shows strong ENT uptake on the US market

Q3, 2018/19

Full launch of the ENT portfolio across all markets

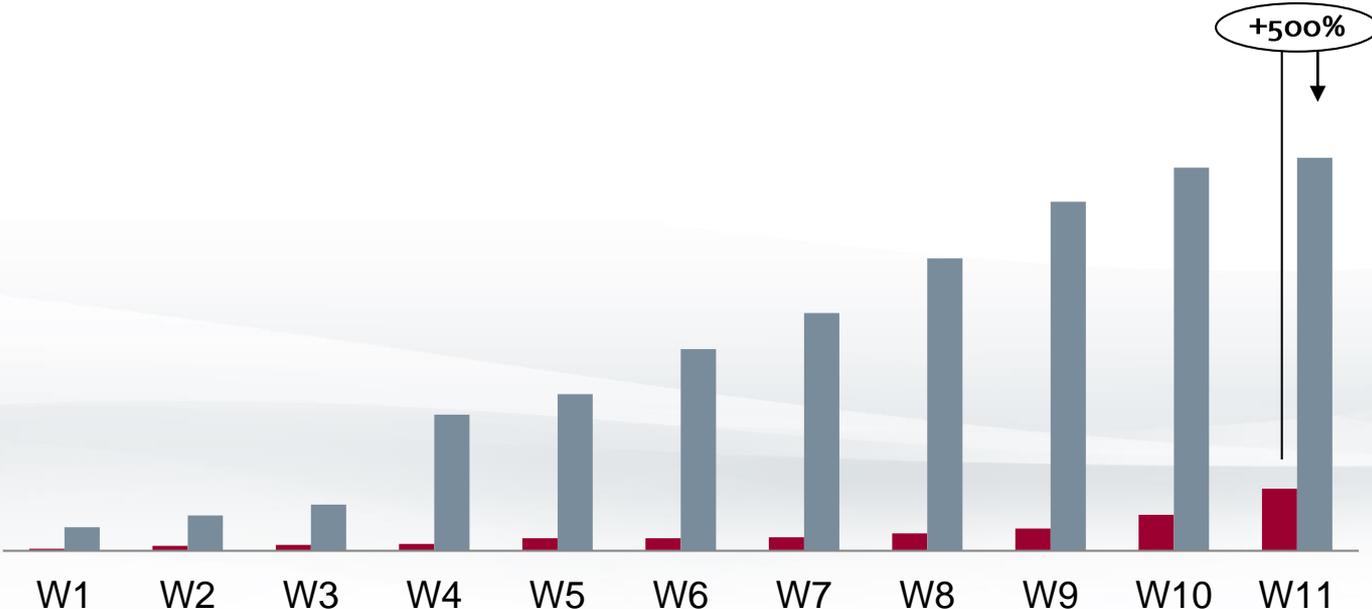
Early result shows faster uptake than for aScope 3

In the US 14 of top 100 hospitals have so far acquired the ENT scope

Unit volume first 11 weeks: aScope™ RhinoLaryngo (ENT) vs. aScope™ 3

US market

■ aScope™ 3 (pulmonology) ■ aScope™ RhinoLaryngo (ENT)



Near-term visualization portfolio

X Market opportunity (annual procedures) ✓ Commercially available

Launch plan

		aView 2 Advance		aBox™ Console	
1	Pulmonary	5m	aScope™ 5	Q4, 2020/21	
			aScope™ 4	✓	
			aScope BronchoSampler™	✓	
2	ENT	11m	aScope™ 4 RL Intervention	✓	
			aScope™ 4 RL Slim	✓	
			Isiris™	✓	
3	Urology	8m	Cystoscope	Q2, 2019/20	
			Ureteroscope	2021/22	
			aScope™ Colon	Q2, 2020/21	
4	Colonoscopy (GI)	50m	aScope™ Gastro	Q2, 2020/21	
5	Gastroscopy (GI)	20m	aScope™ Duo	Before end of Sep. 2020	
6	Duodenoscopy (GI)	2m			

Significant portfolio expansion over the next 2 years

aView 2 advance monitor is on track for launch in Q3, 2019/20

aBox monitor is on track for launch in Q2, 2020/21

Developing a best-in-class single use endoscopy portfolio – significant breadth and depth

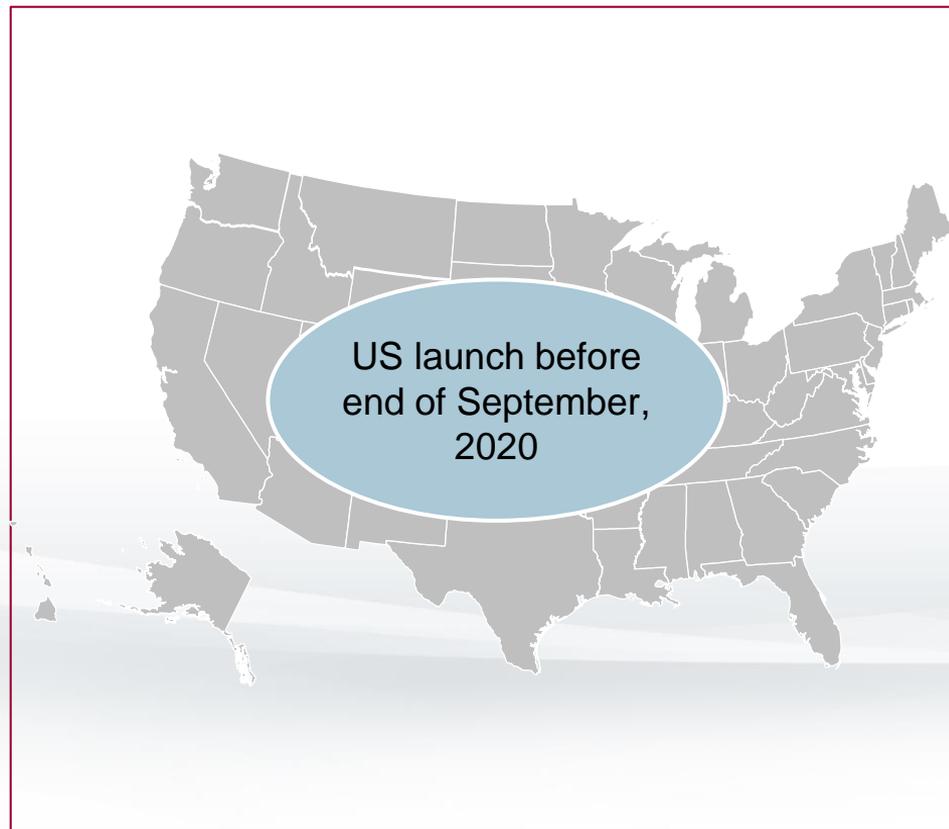
The US launch of our Duodenoscope is on track

Duodenoscope clinical program

The project is on track and we have completed a number of functional tests that confirm we have an optimal design

Tests are being done in models and animals in-vivo in accordance with regulatory requirements for FDA submission. We are in parallel doing cadaver tests to validate human anatomy

Post FDA approval, we will do human studies in the US before project launch



Ambu US Go-To-Market approach for Pulmonology

The US Go-To-Market strategy

- In 2015, Ambu established a distribution agreement with a US distributor to drive our Pulmonology business. The main objective was to increase the coverage and reach of US hospitals as Ambu lacked significant presence in the US
- In 2017 Ambu decided to start building a direct sales force in Pulmonology. Based on value Ambu's direct sales force covers 60% of the total revenue from Pulmonology while the distributor covers 40% (~1,300 accounts)
- We have valued our partnership as they played an important role while we were building our aScope business
- We believe that in the years to come, our direct sales force will be able to maximise our revenue growth, and our entrance into ENT and urology will benefit from having full control of the sales force

Revenue growth of a distributor vs. Ambu



Strategic rationale to create a 100% direct US Pulmonary model

Strategic rationale

1

The US healthcare market is consolidating into large healthcare systems, making it difficult to maintain different sales force organizations

2

As we move into new markets (e.g. ENT, Broncho suite), we can better leverage our direct sales force to penetrate hospitals and cross-sell

3

A direct model helps to deploy and coordinate new capabilities more effectively (e.g. GPO/IDN account management, healthcare economics, clinical evidence, training)

4

The stronger performance and focus of the direct sales force will be critical as we look to accelerate growth at higher margins and build a competitive advantage versus new potential competitors

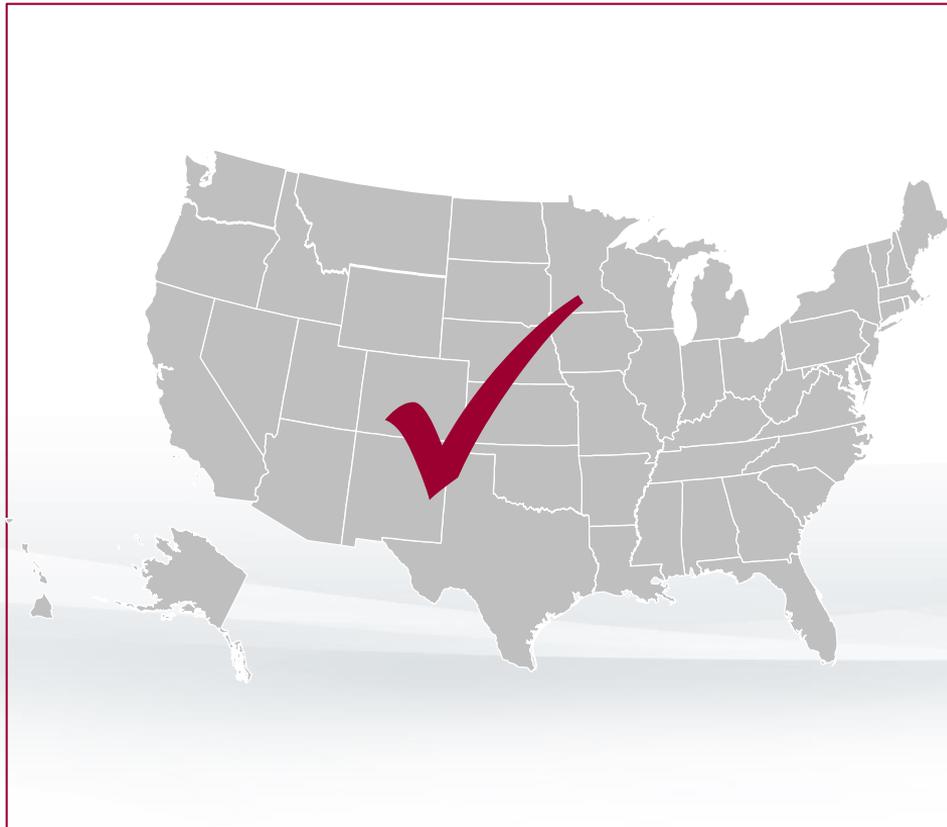
Transition plan

- Collaborative agreement with the distributor to ensure transfer of accounts to Ambu's direct sales force
- With the transition of the sales of aScopes™ products from the distributor, our global Visualization sales from our direct sales force will increase from ~ 75% to 95%

Creating the largest single-use direct sales force in the US

Aggressive investment in Ambu's largest region

- For Visualization, number of sales reps. and clinical trainers will triple in size which will significantly improve hospital coverage
- Expansion of corporate account teams, and dedicated healthcare economics and marketing teams by segment will help to penetrate large GPOs and IDNs faster
- Dedicated GI support teams for the new duodenoscope launch in 2019/20



The direct model has a higher NPV compared to sales through distributors

Basic assumptions

Converting the distributor will improve our selling price and contribution margin

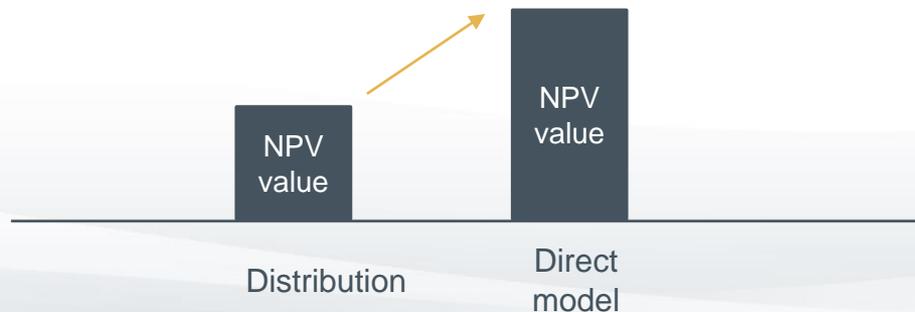
With our direct salesforce we can:

- Further penetrate existing accounts
- Enter into the Broncho suite
- Cross sell our endoscopy offering

The Incremental costs required to go direct will to begin with be neutral to our EBIT, and we will achieve cost-scale as we grow

Conclusion

Investment to move to a 100% direct model is financially and strategically very attractive for Ambu. We will be able to generate incremental accumulated sales of + DKK 500 M over the next 5 years



Impact of transaction in Q4 that will be outweighed by higher growth next year

We build deep category expertise within all areas

New Marketing organization

Visualization

Core

Pulmonary

Urology

ENT

GI

PMD

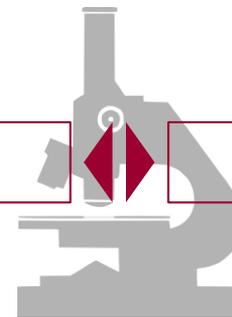
Anesthesia

Deep category expertise

R&D organization

Visualization

Core



Dedicated sales organizations in all territories

Visualization

Core



Clinical evidence

HEMA and Digital

Building enablers

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10%

Organic growth

30%

Visualization growth

1%

Core growth

56.4%

Gross margin

20.1%

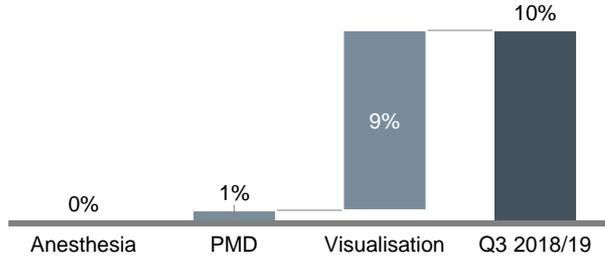
EBIT margin
before special items

194,000

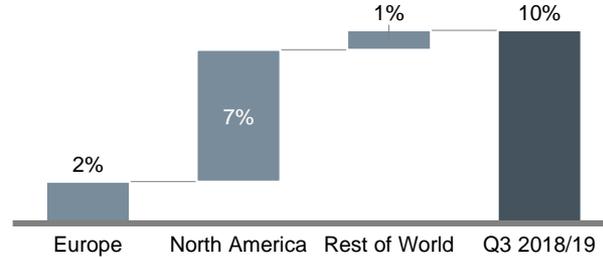
Endoscopes sold

Sales growth in 2018/19

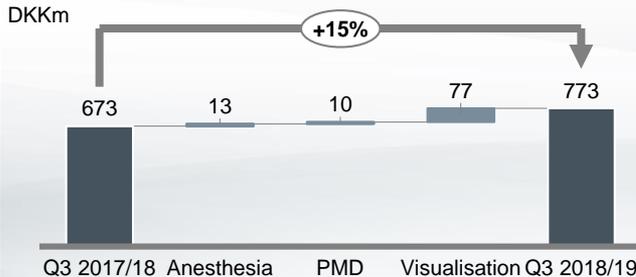
Q3 organic growth by segments



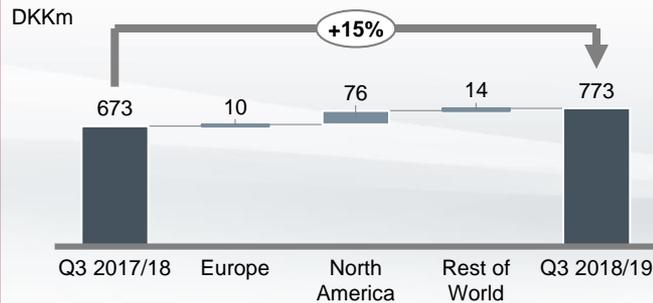
Q3 organic growth by regions



Q3 reported revenue by segments



Q3 reported revenue by regions



Q3, YTD growth

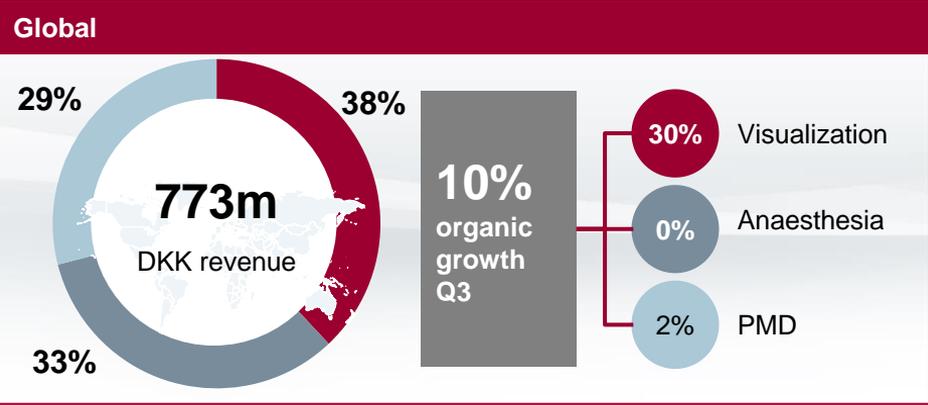
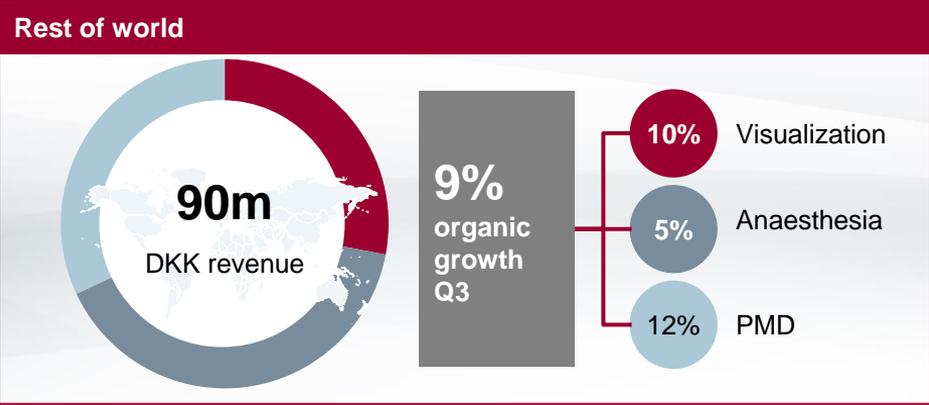
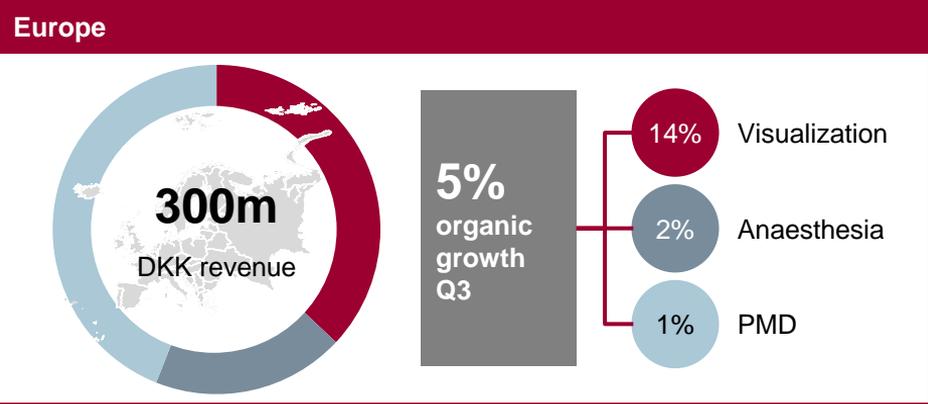
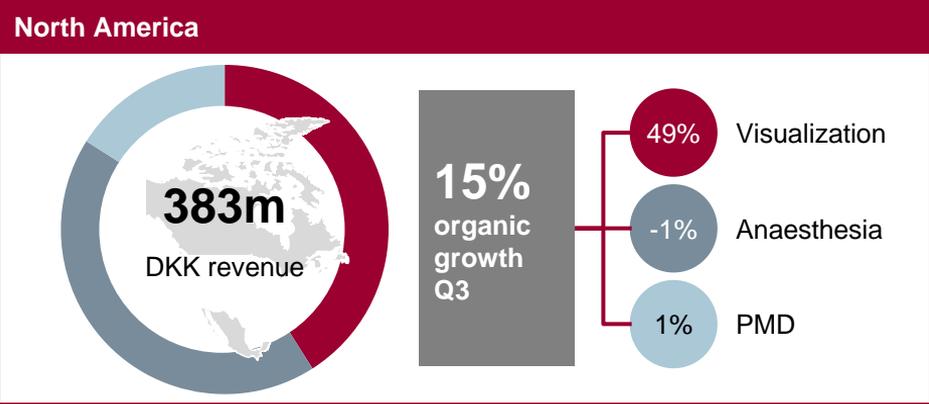
- Anesthesia: 4%
- PMD: 5%
- Core business: 4%
- Visualization: 32%
- Group: 13%

Comments

- Low core growth in Q3 due to strong growth in our H1, 2018/19

Organic sales growth by geography

Q3 revenue and growth across regions



Growth and profits

Ambu P&L – Q3 2018/19

DKKm	Q3 2018/19	Q3 2017/18
Revenue	773	673
Gross margin	56.4%	59.7%
OPEX	-281	-251
Cost percentage	36%	37%
EBIT before special items	155	151
EBIT margin before special items	20.1%	22.4%
Financials, net	164	-4
Net result	216	112

Comments

- Q3, revenue totalled DKK 773m (DKK 673m), with organic growth of 10% and reported growth of 15%
- Gross margin for Q3 was 56.4% (59.7%), including one-off write-downs of DKK 25m. Comparable gross margin before write-downs was 59.6%
- OPEX for the quarter totalled DKK 281m (DKK 251m), corresponding to a 12% increase. Reflects investments in the sales organization and change of costs for management long-term incentives
- EBIT margin before special items for Q3 was of 20.1% (22.4%). Adjusted for one-off write-downs relating to the SC210 colonoscope, the EBIT margin before special items was 23.3%
- Financial income for the quarter includes DKK 202m due to changes in estimates of earn-out and milestone payments related to Invendo-acquisition

Cash flow, assets and debt

Ambu cash flow and balance – Q3 2018/19

DKKm	Q3 2018/19		Q3 2017/18	
Cash flow and ratios:				
Operating activities	225	29%	181	27%
Investing activities	-77	-10%	-78	-12%
FCF before acquisitions	148	19%	103	15%
Balance sheet:				
Total assets	4,357		4,167	
Net interest-bearing debt (NIBD)	1,112		1,410	
Key Figures:				
Net working capital	21%		22%	
Equity ratio	51%		45%	
NIBD/EBITDA before special items	1.5x		2.2x	

Comments

- Cash flow from operating activities at 29% (27%) due to higher working capital
- Investments of 10% (12%) mainly R&D activities
- Full year investment target of approx. DKK 250m
- Expect full-year P&L impact from R&D activities unchanged vs. last year
- Working capital at 21% (22%) of revenue
- Equity ratio improved to 51% as earn-out will not be achieved

Financial guidance for 2018/19 and 2019/20

2018/19	<p>4-5%</p> <p>(14-15%)</p> <p>Organic growth</p>	<p>~ 17%</p> <p>~ 22%</p> <p>EBIT margin before special items</p>	<p>DKK</p> <p>~200 M</p> <p>(~ DKK 375 M)</p> <p>Free cash flow excluding M&A</p>	<p>~600k</p> <p>(~ 750k)</p> <p>Endoscopes sold (unit)</p>
2019/20	<p>16-22%</p> <p>(16-19%)</p>	<p>At Q4</p> <p>2018/19</p> <p>(+ 20%)</p>	<p>At Q4</p> <p>2018/19</p> <p>(9% of revenue)</p>	<p>~900k</p> <p>(~ 1,000k)</p>

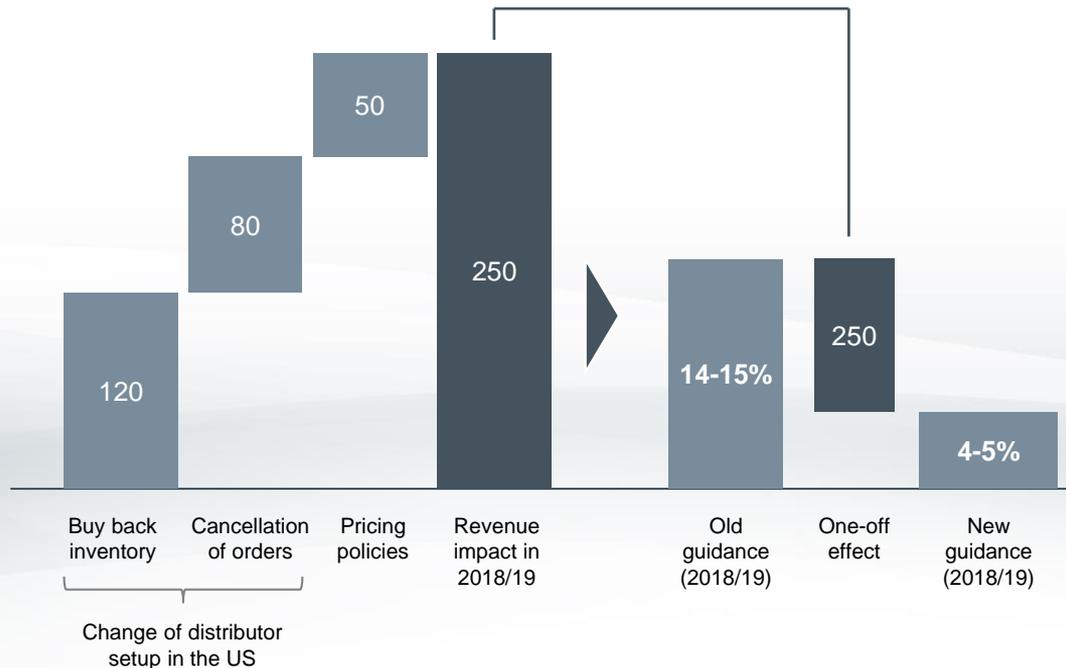
Considerations

- The changes to the commercial infrastructure in the US has led to significant changes to the financial guidance for this year and for 2019/20
- For 2019/20 all assumptions regarding planned revenue from direct sales of all Visualization products including GI and ENT are unchanged. Due to the significant expansion of the organization and the investments that are being planned, EBIT and cash flow guidance will be available with Q4, 2018/19

Changes to the commercial infrastructures in the US has lowered our organic revenue guidance for 2018/19 from 14-15% to 4-5%

Change revenue guidance

DKKm

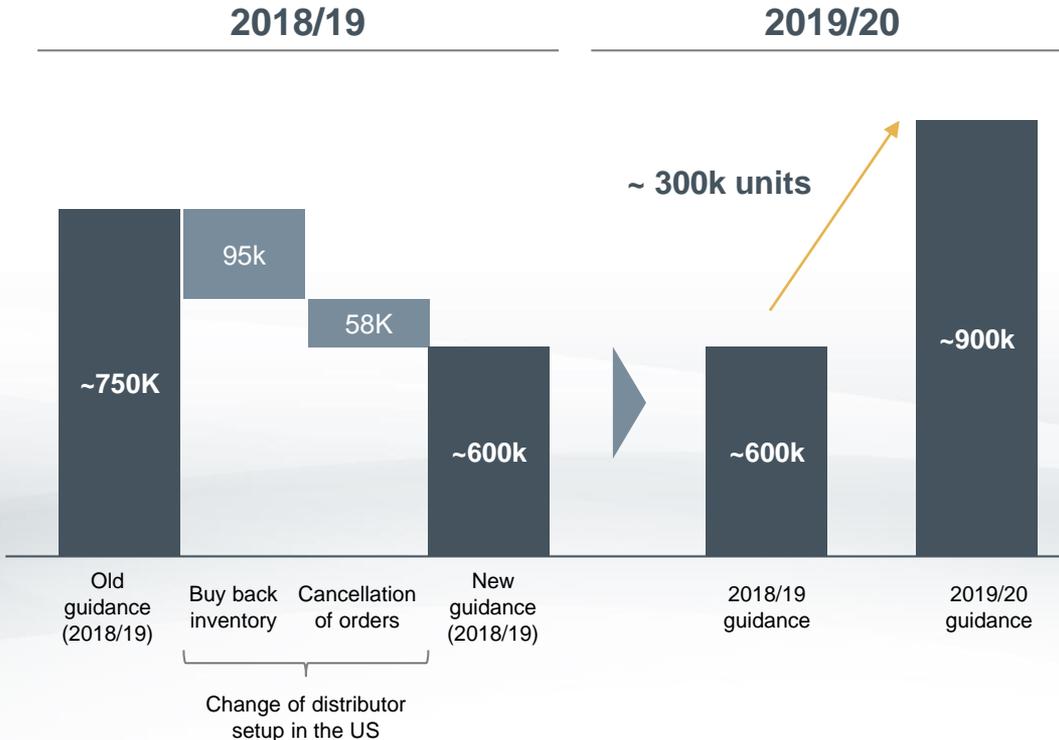


Comments

- Ambu has decided to further invest in and strengthen its largest market and transition the US distribution partnership with Tri-anim in pulmonology which will lower our revenue in 2018/19 by DKK 200M
- We believe that in the years to come, our direct sales force will be able to grow revenue faster than any distributor and our entrance into ENT and urology will benefit from having full control of the sales force
- Changes to pricing policies towards distributors in the US will be changed with the purpose of optimizing prices

Going direct with pulmonary endoscopy in the US will in the short term reduce estimated number of scopes to be sold

New guidance for endoscope sold



Comments

- Inventory with Tri-anim equals approx. 95,000 aScopes which Ambu will take back and offset against our Q4 2018/19 revenue and unit sales
- This will reduce our 2018/19 full year revenue and unit sales together with orders worth approx. DKK 80m expected for Q4 that are now canceled (58,000k scopes) as we transition the accounts to our direct sales organisation.
- For 2019/20 we expect to grow our unit sales ~ 300k

What makes Ambu unique

- ✓ Pioneering single-use disposable endoscopy
- ✓ Major market opportunities to increase penetration worldwide
- ✓ Market leading R&D and innovation
- ✓ Top-tier growth profile
- ✓ Robust financial position

Q&A

Conference call

DK: +45 3544 5577

UK: +44 333 300 0804

Access code: 95008558#

For questions, please press 01

Please limit your questions to **only 3 at a time** and get back into the queue if you have additional questions

Financial calendar

2019

13 November

17 December

Event

Annual Report 2018/19

Annual General Meeting 2018/19

Note: For full list of Investor Relations events, please visit: www.ambu.com/about/corporate-info/investors/calendar



Ambu – The Single-use company

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