



Q2 interim report 2017/18

January 1 – March 31, 2018

CEO Lars Marcher
CFO Michael Højgaard

Conference call: May 7 2018

Agenda

- Q2 highlights
- Visualisation by 2020
- Financials 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.



Q2 highlights

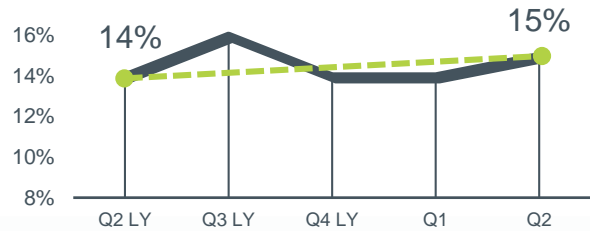
- 15% organic growth
- Endoscope unit sales up 53%
- EBIT margin improved by 4.3%-points
- GI projects on schedule
- Full-year outlook adjusted upwards

BIG
FIVE 2020

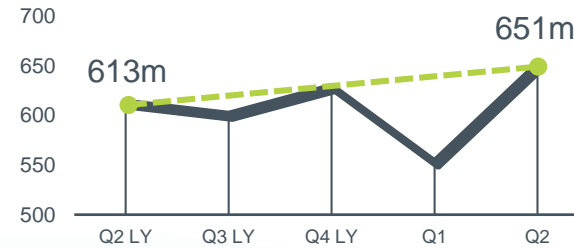


Q2 shows scale in business

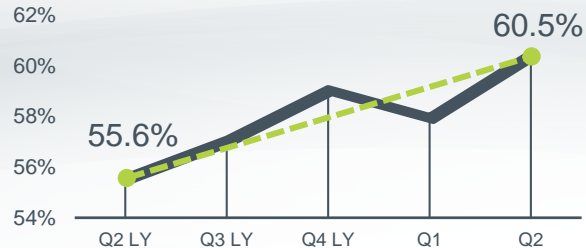
Organic growth: **15%**



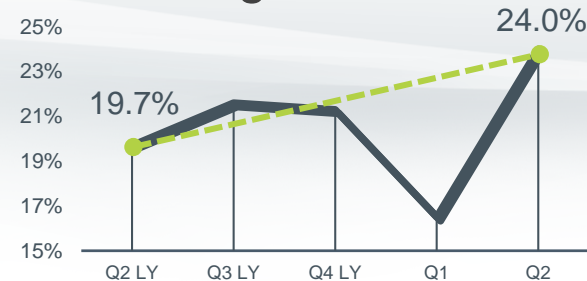
Revenue: **DKK 651m**



Gross margin: **60.5%**



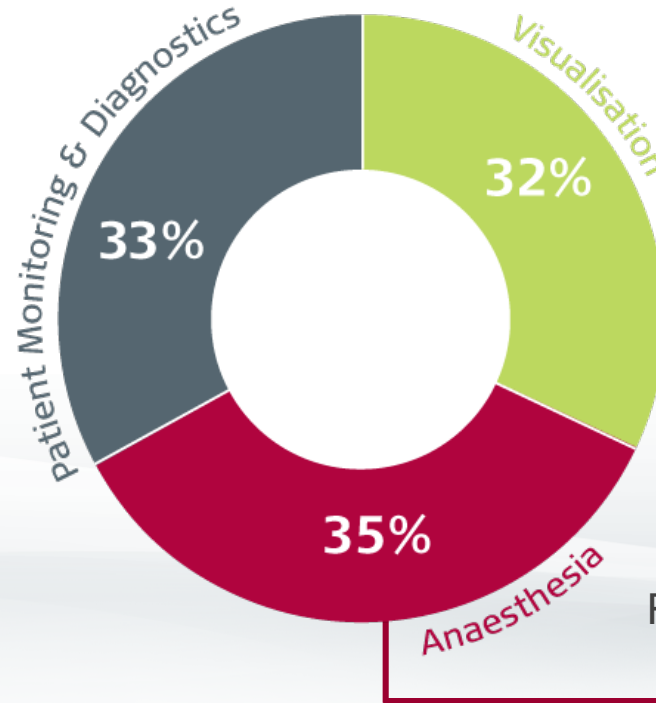
EBIT margin: **24.0%**



Q2 – organic growth

Business areas

Patient Monitoring & Diagnostics
Revenue 212m DKK
3% growth



Visualisation
Revenue 211m DKK
43% growth

Anaesthesia
Revenue 228m DKK
8% growth

Markets

North America

REVENUE **291m** DKK

GROWTH **16%**

Business growth

- Visualisation 42%
- Anaesthesia 6%
- PMD 5%

Part of total revenue **45%**

Europe

REVENUE **290m** DKK

GROWTH **14%**

Business growth

- Visualisation 47%
- Anaesthesia 8%
- PMD 1%

Part of total revenue **45%**

Rest of World

REVENUE **70m** DKK

GROWTH **16%**

Business growth

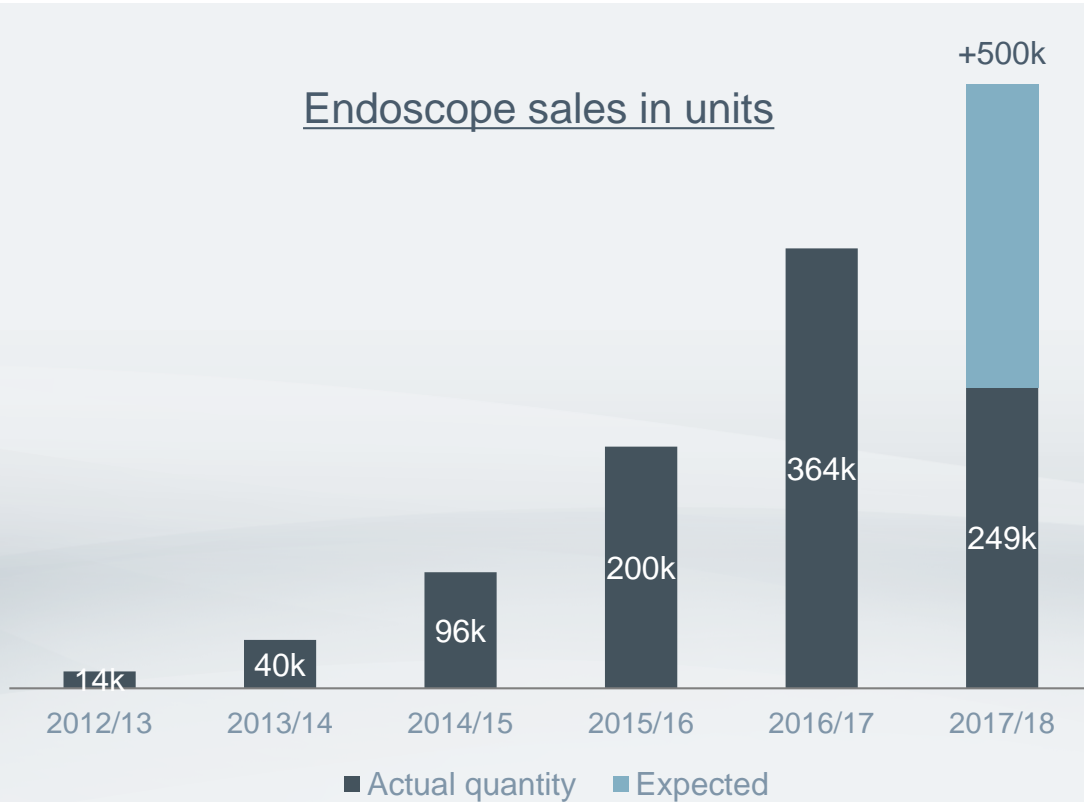
- Visualisation 31%
- Anaesthesia 15%
- PMD 8%

Part of total revenue **10%**

Q2 – endoscope volume sales

53% volume growth in Q2

Endoscope sales in units



- 145,000 endoscope units sold in Q2
- Full-year sales expected to surpass 500,000 units
- No change in competitive landscape
- Market clearances as expected during Q2:
 - Colonoscope (US & EU)
 - aScope 4 Broncho (US)

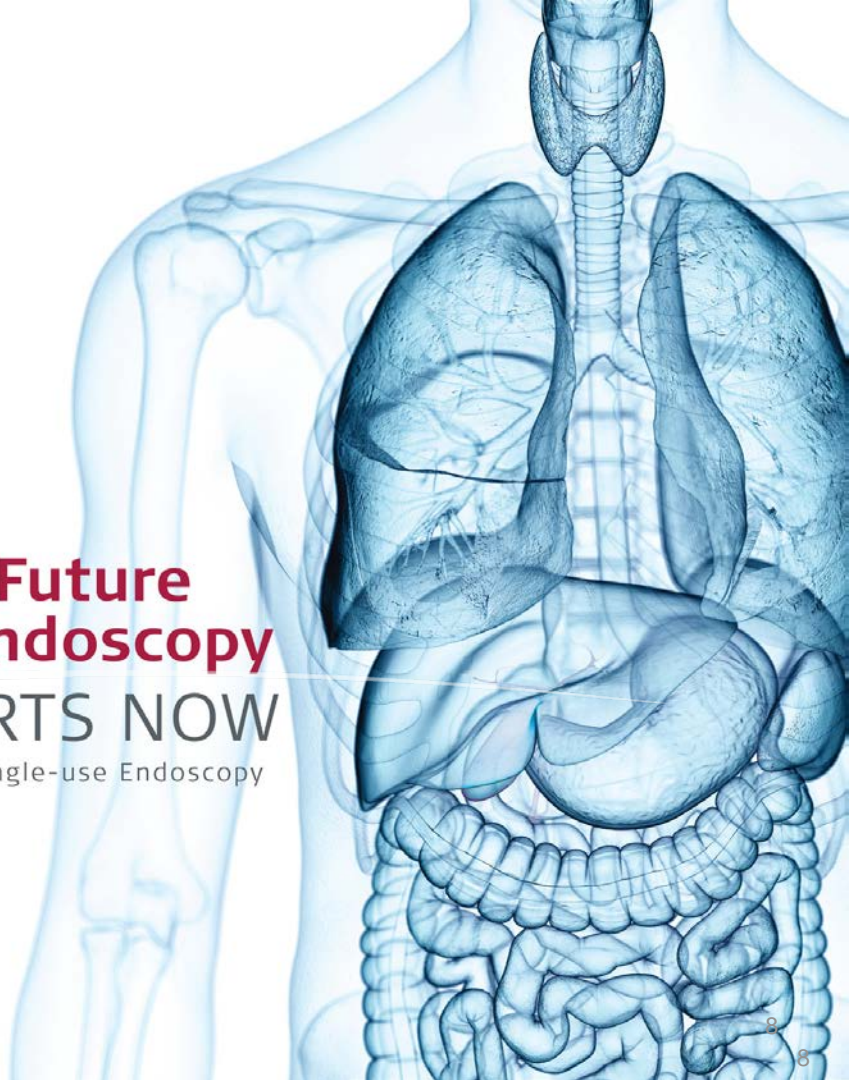
Visualisation by 2020

Single-use expansion

**The Future
of Endoscopy**

STARTS NOW

Sterile Single-use Endoscopy



The endoscopy market is changing rapidly – and several parameters are in favor of single-use



Los Angeles Times
Superbug linked to 2 deaths at UCLA hospital; 179 potentially exposed
Nearly 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.

Infections Associated with Reprocessed Duodenoscopes
In fall 2013, the Centers for Disease Control and Prevention (CDC) alerted the FDA to a potential association between multi-drug resistant bacteria and duodenoscopes. Upon further investigation, it became clear that these Cases of infection were occurring despite confirmation that the users were following proper manufacturer cleaning and disinfection or sterilization instructions.

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.

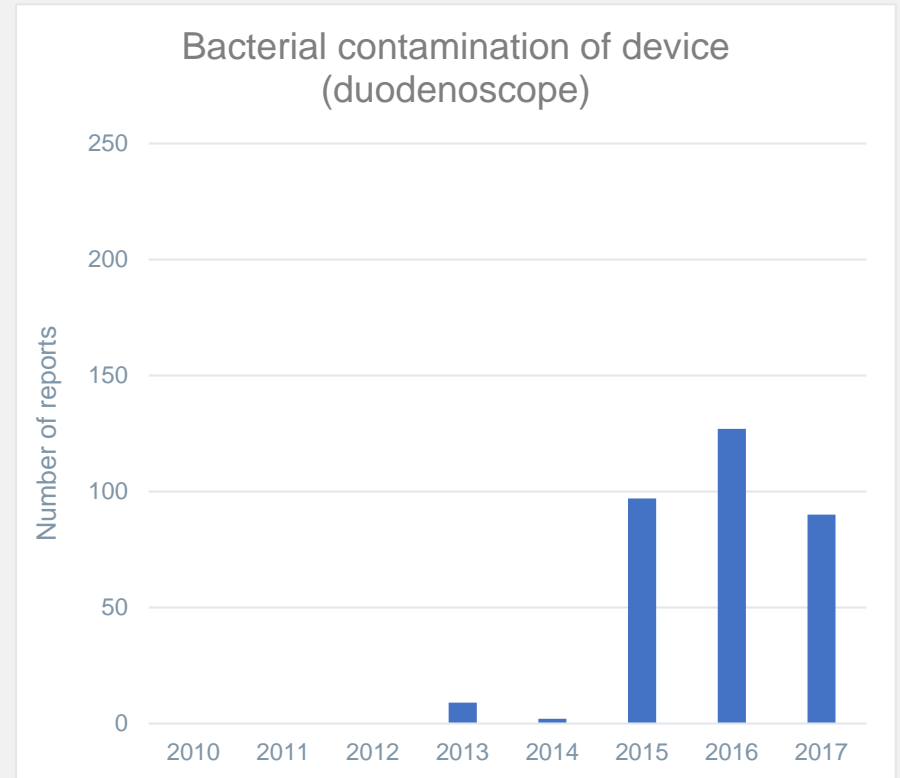
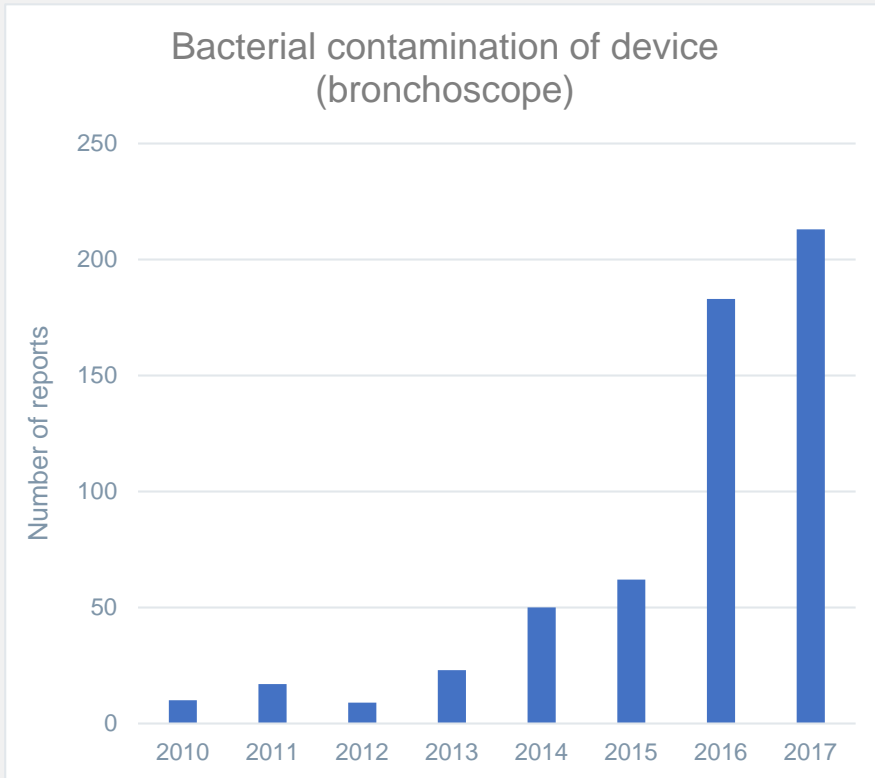
FDA News Release
FDA warns duodenoscope manufacturers about failure to comply with required postmarket surveillance studies to assess contamination risk
For Immediate Release
March 9, 2018



Top 10 Health Technology Hazards for 2018
Executive Brief
1. Contamination of Endoscopy
2. Improper Use of Medical Devices
3. Improper Use of Medical Devices
4. Improper Use of Medical Devices
5. Improper Use of Medical Devices
6. Improper Use of Medical Devices
7. Improper Use of Medical Devices
8. Improper Use of Medical Devices
9. Improper Use of Medical Devices
10. Improper Use of Medical Devices

Contents lists available at ScienceDirect.com
American Journal of Infection Control
Journal homepage: 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^{a,b}, Harry P. Wetzler MD, MSPH^a, Evan M. Doyle BS^a, Catherine K. Rocco RN, MSN, CNOR^a, Kavel H. Visrodia MD^a, Todd H. Baron MD^d, Pritish K. Tosh MD^b

Increase in medical device reports of contaminated scopes



The benefits of going single-use on endoscopy are significant – and the experts within the field are on board

Reusable endoscopy

A complex and costly setup putting patients at risk



Risk of Cross-Contamination

Despite increased reprocessing requirements, cross-contamination remains a major issue.



Extensive Reprocessing Setup

100+ steps of cleaning, major surveillance and documentation burden.



Availability Issues

Procedure delay or even cancellation due to unavailable scopes.



High Cost-in-Use

High capital investment plus repair and reprocessing costs.



Complex Contracting

Complex and non-transparent contracts on scopes, repair etc. binding the hospital.

Single-use endoscopy

A simple and cost-effective setup eliminating infection risks



Eliminating Risk of Cross-Contamination

Sterile out of the pouch. Personal scope for each patient, never been in contact with other patients.



No Reprocessing

Scopes are discarded after use – no cleaning, documentation, surveillance or auditing on proper reprocessing.



No Availability Issues

No more "where is my scope?" Always a new scope at hand ensuring a fully functional scope for each patient.



Low Cost-in-Use

Minimal upfront investment. No cost for repair, reprocessing or added investment when guidelines change.



Transparent Contracting

Increased flexibility and simplicity for the hospital.

"I believe disposable endoscopy will play a very important role in gastro-enterology. Patients are understandably concerned about recent reports of infection transmission. We need to explore the possibility of using disposable devices in GI endoscopy."

Klaus Mergener, MD, PhD, MBA
Affiliate Professor of Medicine,
University of Washington, Seattle, WA



"A cost-effective, sterile, single-use endoscopic portfolio for the GI space will instantly change the entire practice of gastroenterology. All the concerns with reprocessing and potential cross contamination would be eliminated. When utilization begins, sterile, single-use endoscopes will represent a classic example of the term "disruptive technology" as applied to endoscopy."

Bergein (Gene) F. Overholt, MD
Past President ASGE, Co-Founder of
Gastrointestinal Associates, Knoxville, US



Three growth drivers will boost our Visualisation business this fiscal year and towards 2020

1

Ambu sales coverage

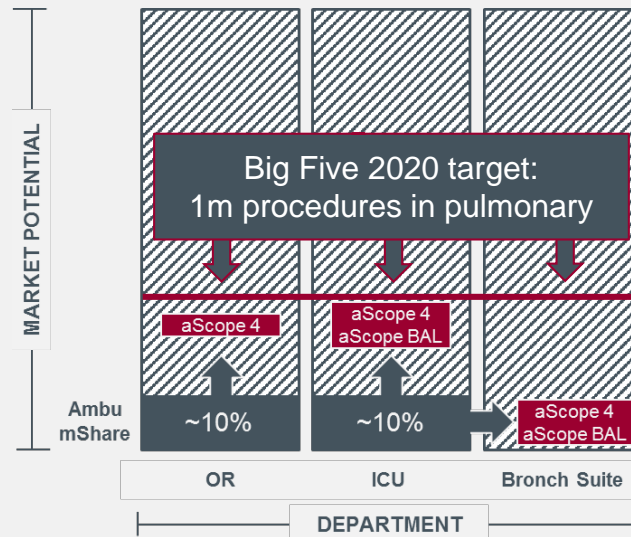


Dedicated
Visualisation reps
in all our
major markets

2

aScope BAL will fuel penetration of ICU and Branch Suite

Full market potential ~5m procedures



3

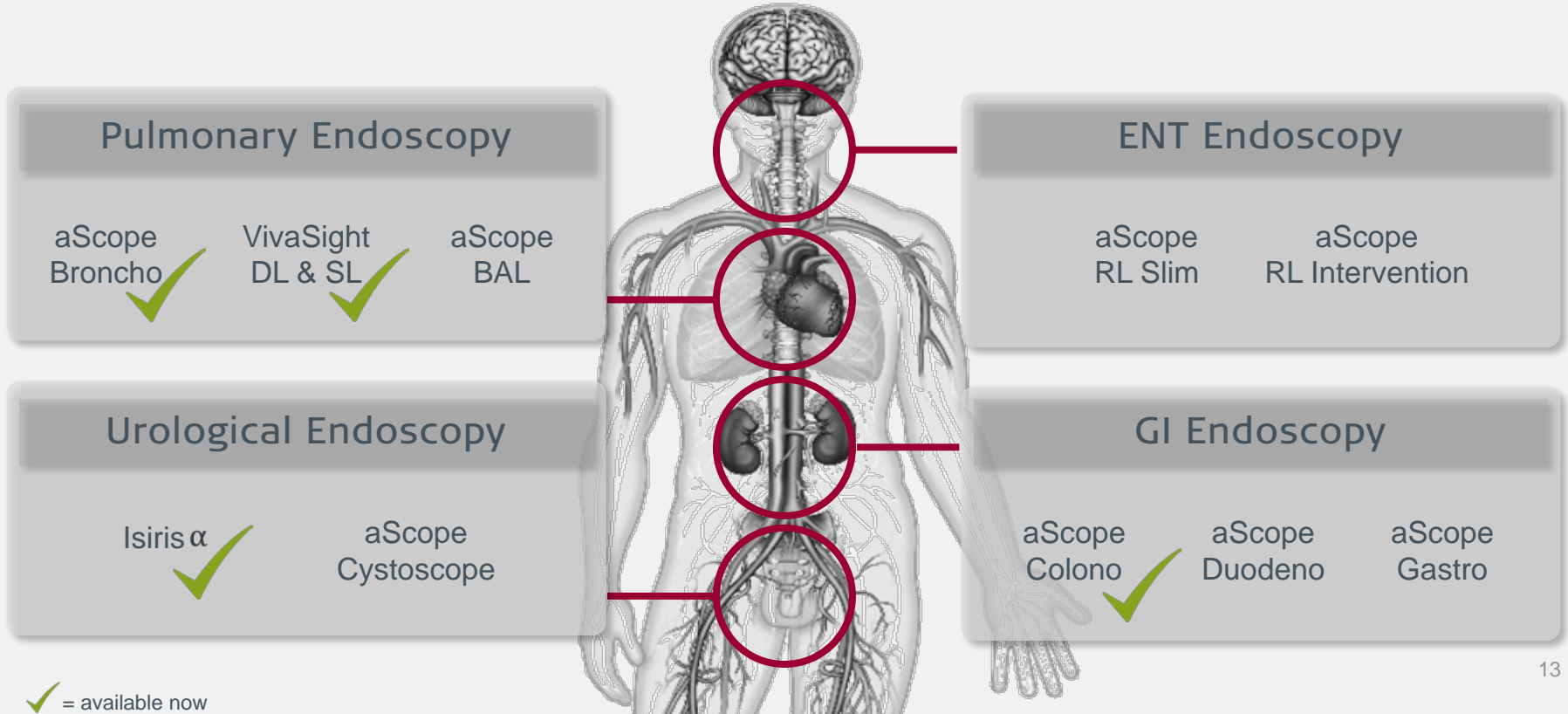
Product offering will cover all flexible endoscopy areas

Offering a new way for hospitals to operate

- ✓ Eliminating cross-contamination
- ✓ A flexible capital model
- ✓ Much lower investments for capital equipment and cleaning setups
- ✓ Less overhead
- ✓ Freedom to operate without locked supplier contracts across areas

By 2020, it is our ambition to be the first to offer a full range of single-use endoscopes

Our visualisation offering will address all major flexible endoscopy procedures



The Big Five endoscopy projects on track

Big Five 2020 endoscopy projects



Pre-launch activities

★
January 2018
FDA clearance
on colonoscope



Scalable production

★
Scalable production
setup in Malaysia



Development activities

★
Launch
Colonoscope

★
Launch
BAL scope

★
Launch
ENT scopes

★
Launch
Duodenoscope

★
Launch
Cystoscope

★
Launch
Gastroscope

Financial results and outlook



Growth and profits

– Expansion of EBIT and gross margins continues

| DKKm | Q2 17/18 | Q2 16/17 |
|---------------------|--------------|--------------|
| Revenue | 651 | 613 |
| Gross margin | 60.5% | 55.6% |
| OPEX | -238 | -220 |
| Cost percentage | 37% | 36% |
| EBIT | 156 | 121 |
| EBIT margin | 24.0% | 19.7% |
| Financials, net | -37 | -11 |
| Net result | 92 | 84 |

- 15% organic growth and 6% in DKK from depreciating USD/DKK
- Gross margin up 4.9%-points due to scale, mix and efficiency
- Cost base includes Invendo and sales expansion in US
- EBIT margin up 4.3%-points
- Non-cash interest costs of DKK 48m from Invendo acquisition

Cash flow and debt

– Net working capital at 22%

| DKKm | Q2 17/18 | | Q2 16/17 | |
|----------------------------------|-----------|-----------|-----------|-----------|
| Cash flow and ratios: | | | | |
| Operating activities | 70 | 11% | 90 | 14% |
| Investing activities | -48 | -8% | -39 | -6% |
| FCF before acquisitions | 22 | 3% | 51 | 8% |
| Balance sheet: | | | | |
| Total assets | 4,100 | | 2,507 | |
| NIBD (Net interest-bearing debt) | 1,241 | | 997 | |
| Key Figures: | | | | |
| Net working capital | 22% | | 23% | |
| Equity ratio | 42% | | 44% | |
| NIBD/EBITDA | 2.0 | | 1.9 | |

- Operating cash flow at 11%
- Investments of 8% (6%) including buildings by 2% (1%)
- Working capital at 22% (23%) of revenue
- Bond loan has been repaid
- Unused credit facilities at DKK 1.1bn
- Share buy back has been 68% completed with a total investment of 320 mio. DKK

Purchase Price Allocation of Invendo

- Minor changes since Q1 and expected to be final by end of Q4

- The fair value is measured at DKK 1,415m (EUR 190m)
 - Over the coming 4-5 years, we expect to pay out all contingent payments and expense EUR 35m through financial items
- Technologies are valued at DKK 660m (EUR 89m)
 - Allocated to the three main products and amortised over 15 years
- Goodwill of DKK 765m (EUR 103m)

Full-year outlook raised

| | Local currencies | | | Danish Kroner | | |
|------------------|------------------|-----------------|-----------------|---------------|-----------------|-----------------|
| | 7 May 2018 | 31 January 2018 | 9 November 2017 | 7 May 2018 | 31 January 2018 | 9 November 2017 |
| Organic growth | 14-15% | ~13% | ~13% | - | - | - |
| EBIT margin | - | - | - | 20-21% | 20-21% | ~20% |
| Free cash flows* | - | - | - | ~DKK 300m | ~DKK 300m | ~DKK 275m |

* Before acquisitions

In summary

- Big Five 2020 strategy on plan
- Core business on track for FY 4-5% growth
- Visualisation continues high growth
- Strong profitable growth
- Ambu on path to full range in single-use endoscopy before 2020
- Outlook on organic growth lifted

**BIG
FIVE** 2020





Q&A





Read more at www.ambu.com

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