Ambu

Q2 2023/24 AIDE-MÉMOIRE

INTRODUCTION

This aide-mémoire sets forth public information previously provided by Ambu. The information provided below may prove helpful in estimating the financial performance for Q2 2023/24 (January 2023 - Marts 2023).
Please note that the items listed below are not exhaustive.

FINANCIAL GUIDANCE (2023/24)

On April 10, 2024, in connection with release of pre-liminary Q2 numbers, Ambu upgraded full-year 2023/24 earnings expectations.

	Organic revenue growth	EBIT margin (before special items)	Free cash flow (before acquisitions)
2023/24 - new outlook	**10-12%**	**10-12%**	**DKK +370m**
2023/24 – previous outlook	7-10%	8-10%	DKK +270m
2022/23 - actuals	7.6%	6.3%	DKK 192m

GUIDANCE COMMUNICATION (2023/24)

ORGANIC REVENUE GROWTH
"This growth [organic revenue growth], we expect to be driven by our key focus area, Endoscopy Solutions, which we expect to grow by 15%" (Q4 Earnings Call, Nov 8, 2023) "*(…) it's correct that a key part of the 15% growth is from existing products*" (Q4 Earnings Call, 8 Nov, 2023) *"When we look at our growth, and this is important to note, strategic initiatives that we have taken related to our Anesthesia and Patient Monitoring business (…) actually is baked into the outlook, but would have had -- or does impact the revenue by 1% to 1.5%, but again, included in our guidance."* (Q4 Earnings Call, Nov 8, 2023) *"If we look at Anesthesia and Patient Monitoring, our focus, as we have said, is that we have a focus on driving more profitable growth in this segment. So that means that we still have contracts that are coming up where we see a need to take significant price increases to remain on a profit level. And there's some uncertainty related to these because we don't know how they will end up. And also, it will be a little unsure pending the final conclusion on these when that will have an effect in the market"* (Q4 Earnings Call, 8 Nov, 2023) *"So let me finish off by looking at the business area, anesthesia and patient monitoring (…) where we are also prepared to let go of some contracts and volume in some cases in order to strengthen profitability. This is something that we are in the middle of and where we still see a lot of opportunities to drive more price increases in the year that we are through now. Our contracts are typically anywhere from one to three years. A large part of our business is contracted, so this is something that happens gradually. And where once a contract is negotiated, it still takes some months before we have a full overview of the volume impact"* (Q1 Earnings Call, 30 Jan, 2024)

"The raised outlook is mainly driven by better-than-expected outcomes of contract negotiations in Anaesthesia & Patient Monitoring, strong organic growth in Endoscopy Solutions and continued strengthened operational leverage"
(Pre-liminary Q2 numbers, 10 April, 2024)

"Key areas of growth, urology and ENT, last year, we expect those to continue to grow and then the GI area will be more a gradual ramp-up based on the niches that we are targeting."
(Q4 Earnings Call, 8 Nov, 2023)

"Let's look at the ureteroscope and how we see this new product. Basically, as I said, it was approved in Europe, it's not yet approved in the US. (…) And just to recap one of our launch processes, because what happens when our product has been approved is that we, for the first time are able to test our product in real-life cases and in real-life patients. So, this is a process that we refer to as our controlled market release (…) you should not expect any significant revenue from the ureteroscope in this fiscal-year '23-'24."
(Q1 Earnings Call, 30 Jan, 2024)

"Should also add that the aScope 5, as I alluded to, we do see strong momentum on this. And as we see the demand both in the suite and outside the suite that will also be a contributor to the growth in the fiscal year that we are entering."
(Q4 Earnings Call, 8 Nov, 2023)

"We have been granted this TPT, so the transitional-pass-through payment. (…) This is not something that we expect to have immediate financial impact. It's something we expect to see gradually. And it's a little difficult right now to fully estimate the financial impact, but it's something that we, of course, following closely. And we are making sure that this is as broadly known among our customers as possible."
(Q1 Earnings Call, 30 Jan, 2024)

"If we look at one of the factors that partly influenced the pulmonology sales, that's flu levels. (…) this is something that we follow, and that typically impacts the revenue positively in the Q1 and Q2 of our financial years."
(Q1 Earnings Call, 30 Jan, 2024)

MARGINS

"The EBIT margin improvements (…) will be a mix of gross margin improvements and also improvements in the OpEx ratio. (…) what is driving the gross margin is, of course, it's an area that we continue to focus on our transformation journey. And then it's also product mix related, which is also where, of course, given the other uncertainties I talked about on the Anesthesia and Patient Monitoring side, those are, of course, also impacting this area. But what we are, of course, looking at is higher endoscopy sales, which has a favorable impact on the gross margin"
(Q4 Earnings Call, 8 Nov, 2023)

"We have had ramp-up costs in -- I mean, in the '22, '23 for Mexico. We are not at full capacity where we want to be, but we're doing it gradually. So you can still expect to see some of that, but -- yes, and then we are not giving specific guidance on the amount, but there will still be some ramp up during the year"
(Q4 Earnings Call, 8 Nov, 2023)

"The OpEx cost will still continue to be a focus area, both on one hand, to ensure that we can drive long-term organic growth, but also on the other hand, to ensure that we can deliver on our ambitions to scale OpEx cost more."
(Q1 Earnings Call, 30 Jan, 2024)

"The strengthened EBIT margin was mainly driven by organic growth in revenue and operational leverage on OPEX, although partially offset by increased investments in resources to drive organic growth. The investments in resources are expected to increase for the remaining financial year."
(Q1 Earnings Call, 30 Jan, 2024)

FINANCIALS

"Free cash flow will be driven by both a higher EBIT margin and also continued savings from our cost reduction program"
(Q4 Earnings Call, 8 Nov, 2023)

"On net financial costs, maybe a couple of comments. First and foremost, we've, of course, done a capital increase, as you know, back in March. And that capital increase, we have basically used also to lower our debt. Secondly, with the very significant improvement in our cash flow and a positive cash flow, as you also will see in the details of the annual report, we basically don't have any outstanding debt towards the banks anymore. So that also means that the net financial cost we really have been driving down, and we don't really expect anything major within the net financial cost looking forward"
(Q4 Earnings Call, 8 Nov, 2023)

"If we double click on some of the key drivers, our net working capital ratio, which is total net working capital at the end of the quarter divided by the last 12-months rolling revenue, ended at 19%. Slightly below our expectation level of around 20% that we have earlier communicated. And we are expecting to see a little bit of increase also relatively speaking in the quarters to come. So this is also driven by some one-off effects with slightly lower inventory, slightly lower AR than we would normally see."
(Q1 Earnings Call, 30 Jan, 2024)

"Our free cash flow was also positively impacted [In Q1] by lower CapEx ratio of revenue at 4%. Again, this is more timing, we're expecting this to pick up in the coming quarters. But with some of our key development projects only really starting up and scaling up now, it ended lower in the first quarter"
(Q1 Earnings Call, 30 Jan, 2024)

Ambu

LONG TERM FINANCIAL TARGETS

	5-year CAGR (22/23-27/28)	Comments
Organic revenue growth	>10%	
Endoscopy Solutions	15-20%	Current portfolio in growing market, combined with strong pipeline
Anaesthesia and Patient Monitoring	2-4%	In line with market growth. Margin expansion initiatives may drive lower growth short-term
EBIT margin (before special items)	~20%	Improvements in gross margin and scale in OPEX. Potential trade-offs with growth investments

(Capital Market Day Presentation, March 21, 2023)

"The company expects an EBIT margin (before special items) >10% within the next two years, with a 5-year target of ~20% (2027/28). Given the market potential, Ambu strives for a balance between revenue growth and profitability that corresponds with Ambu's long-term financial targets, with potential short-term trade-offs on EBIT margin, if growth investments are available to secure long-term sustainable profitable growth"
(Capital Markets Day Press Release, March 21, 2023)

EXCHANGE RATE ASSUMPTIONS FOR 2023/24

Currency	Average in 2022/23	Expected for 2023/24
USD/DKK	6.98	6.88
MYR/DKK	1.54	1.46
CNY/DKK	0.99	0.96
GBP/DKK	8.55	8.69

(Annual Report, Nov 8, 2023 and Q1 Earnings Call, 30 Jan, 2024)

"Approximately 50% of Ambu's total revenue is invoiced in USD. Furthermore, approximately 31% of revenue is invoiced in EUR or DKK, and approximately 8% in GBP, while the remaining 11% is invoiced in other currencies. Production and capacity costs are predominantly settled in USD, DKK, EUR, MYR and CNY."
(Annual Report, Nov 8, 2023)

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FORWARD-LOOKING STATEMENTS

Forward-looking statements, especially such as relate to future revenue and operating profit, are subject to risks and uncertainties. Various factors, many of which are outside Ambu's control, may cause the actual development to differ materially from the expectations contained in this memo. Factors that might affect such expectations include, among others, changes in health care, in the world economy, in interest rate levels and in exchange rates.