



Q2 interim report 2016/17

January 1 – March 31 2017

CEO Lars Marcher
CFO Michael Højgaard

Conference call: May 2 2017

Agenda

- Q2 highlights
- aScope update
- 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.



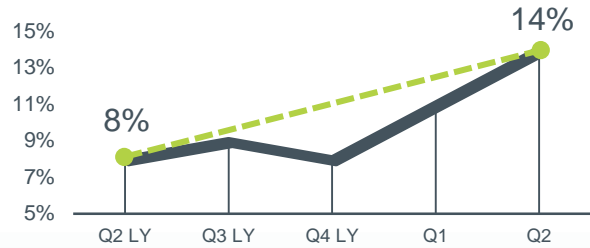
Q2 highlights

- High growth and earnings
- EBIT increased by 42%
- Continued strong cash flow development
- Momentum on videoscope sales continues
– up approx. 100% in units. Increased FY expectations
- Core business on track for H1 and full year
- Gross margin up with 3.2%-points
- Full-year outlook adjusted upwards

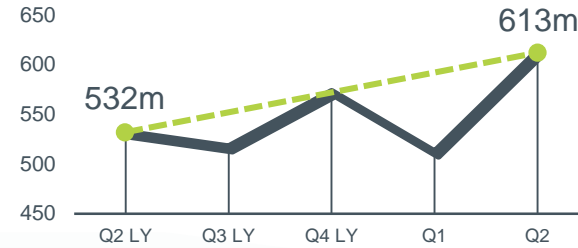


Strong Q2 performance

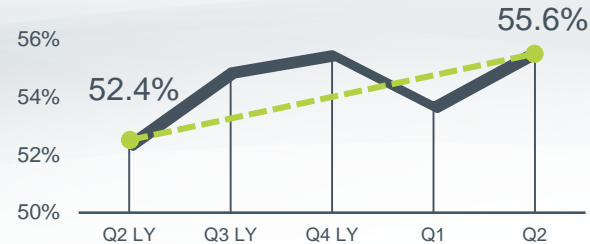
Organic growth: **14%**



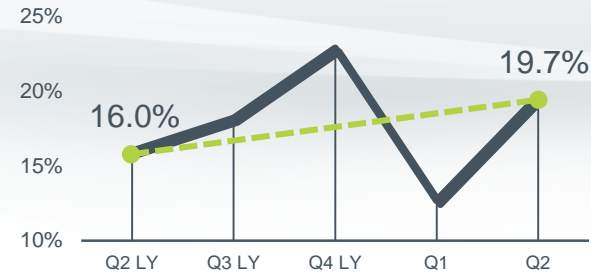
Revenue: **DKK 613m**



Gross margin: **55.6%**



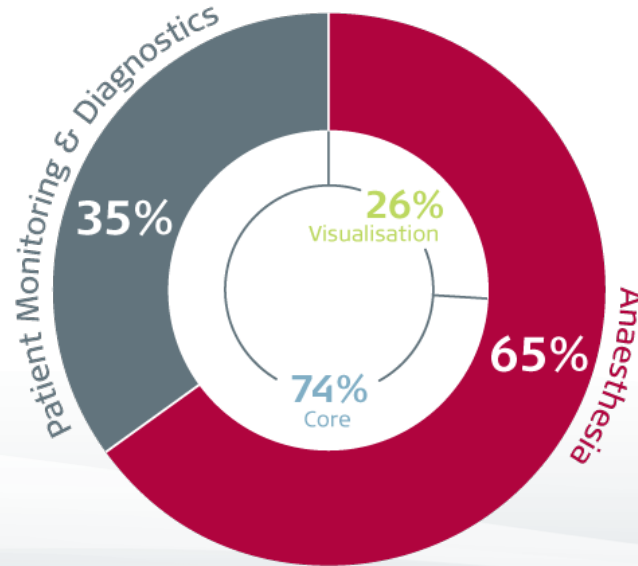
EBIT margin: **19.7%**



Q2 – organic growth

Business areas

Patient Monitoring & Diagnostics
Revenue 217m DKK
4% growth



Anaesthesia
Revenue 396m DKK
20% growth

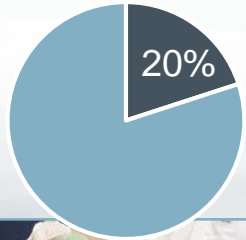
- Visualisation business surpassing projections
- Core business on track for full-year

Significant potential for core growth

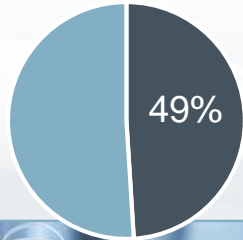
Growth drivers for core business

- Cross-selling and value-selling
- New GPO and tender contracts
- Further expansion in emerging markets

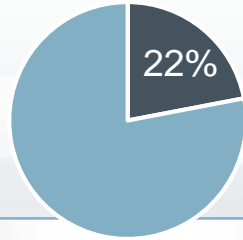
Laryngeal masks



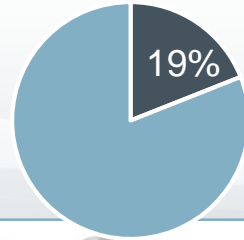
Resuscitators



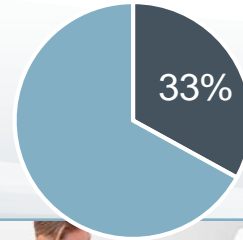
Facemasks



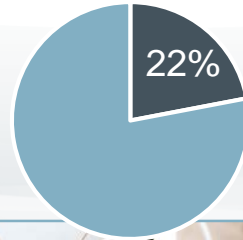
Breathing circuits



Cardiology



Neurology



Markets

North America

REVENUE **290m DKK**
GROWTH **10%**

Key drivers

- Strong aScope momentum
- Soft core growth

H1 growth of 11%

Part of total revenue **47%**

Europe

REVENUE **256m DKK**
GROWTH **16%**

Key drivers

- Double-digit growth in all markets
- Strong core growth

H1 growth of 11%

Part of total revenue **42%**

Rest of World

REVENUE **67m DKK**
GROWTH **19%**

Key drivers

- Double-digit growth in key markets
- Strong core growth

H1 growth of 26%

Part of total revenue **11%**

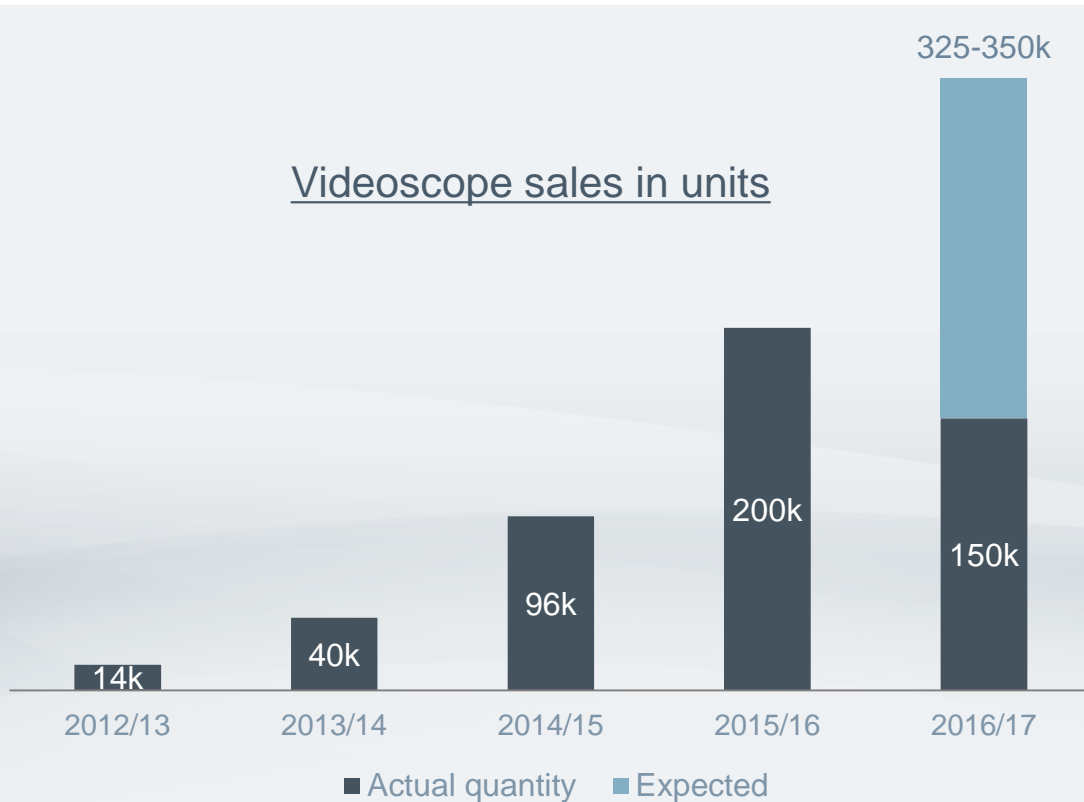
aScope update

– Market status and
upwards adjusted view
on full-year unit sales



Single-use scopes widely recognised by hospitals and doctors

Videoscope sales in units



- Continued acceptance of single-use scope concept
- Stable ASP as the value offering is significant
- No change to competitive landscape
- Expectations for unit sales up ~20% for the year

Refinements of health economic evidence

- From 'cost of use' to 'cost of clinical outcome'
- Cost of use:
 - Capital cost + repairs + reprocessing
- Cost of clinical outcome:
 - Cost of use + cost of cross-contamination + cost of surgical delays

First cost-effectiveness study on aScope incorporating cost of use AND cost of cross-contamination risk

Overall conclusions

- *“Implementation of the single-use technology in the intensive care unit is cost effective in most scenarios”*
- **Single-use flexible video bronchoscope technology is the preferred technology, as this option is less costly and more effective** in regard to cross-contamination and subsequent infection
- Using the current technology (**reusable bronchoscopes**) is **estimated to have an average cost of \$US424 and to hold a 0.7% risk of infection**. The newer technology (aScope) has an average cost per use of \$US305 and a 0% risk of infection
- **Results show a possible saving of \$US118.56 per procedure and the elimination of a 0.7% risk of infection if the single-use option is adopted instead of the current technology.**

Pharmacoeconomics Open
DOI 10.1007/s41669-017-0012-9



ORIGINAL RESEARCH ARTICLE

Early Assessment of the Likely Cost Effectiveness of Single-Use Flexible Video Bronchoscopes

Christoffer Lilja Terjesen¹ · Julia Kovaleva² · Lars Ehlers³

© The Author(s) 2017. This article is published with open access at Springerlink.com

Abstract

Background Bronchoscopic procedures are common in the clinical setting, with estimates indicating 500,000 are undertaken per year in the USA alone. These procedures are generally regarded as safe. Unfortunately, a risk of cross-contamination between patients, with possible subsequent infection, is associated with the re-use technology typically used in these procedures.

Objective Our objective was to conduct an early cost-effectiveness analysis (CEA) of single-use flexible video bronchoscope technology compared with the current reusable technology in a US hospital intensive care setting. **Methods** We conducted a CEA to determine an incremental cost-effectiveness ratio (ICER), and constructed a decision analytic model based on the best available evidence from a literature search and a Delphi panel. We also conducted several one- and two-way sensitivity analyses and a probabilistic sensitivity analysis to illuminate the uncertainty associated with the estimates.

Results The literature search showed ample evidence of risk, albeit little of it was quantifiable. Estimates from the Delphi method found approximately a 3% risk of cross-contamination and approximately a 21% risk of subsequent infection. Pneumonia was estimated as the most likely

manifestation of infection. The CEA showed a saving of \$US118 per procedure and elimination of 0.7% of the risk of infection with the single-use technology. Relevant sensitivity analyses generally validated this result. **Conclusion** This study suggests that implementation of the single-use technology in the intensive care unit is cost effective in most scenarios. However, this result should be interpreted with caution because of the lack of certain knowledge on this particular topic.

Key Points for Decision Makers

Risks of cross-contamination and post-endoscopic infection from bronchoscopic procedures is under-researched.

A single-use flexible video bronchoscope would eliminate any given risk of cross-contamination.

Early assessment of the cost effectiveness of single-use bronchoscopes indicates potential hospital savings and patient benefits from infections avoided.

1 Introduction

Although definitive assessment of cost effectiveness may require long-term evidence from randomized trials, it is important to begin to estimate likely cost effectiveness early in the life cycle of new technologies [1]. Such estimates can help prioritize internal development plans, indicate which parameters need further research and inform

Electronic supplementary material The online version of this article (doi:10.1007/s41669-017-0012-9) contains supplementary material, which is available to authorized users.

✉ Lars Ehlers
lehlere@business.aau.dk

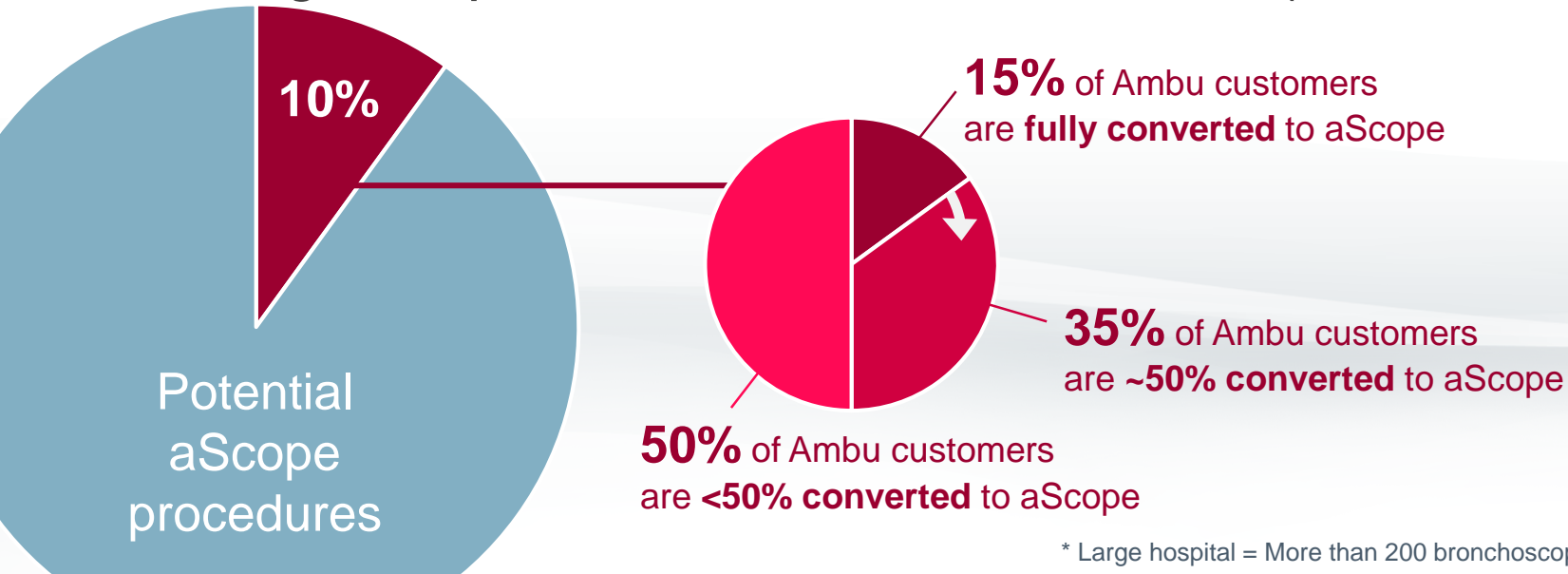
¹ University Hospital of North Norway, Tromsø, Norway

² Center for Medical Analysis, Herentals, Belgium

³ Danish Center for Healthcare Improvements, Aalborg University, Fibigerstræde 11, 9220 Aalborg, Denmark

aScope continues steady conversion

- 10% of potential procedures are performed with aScope
- Conversion rates increase over time
- Large hospitals now 53% of total sales* (Q1 = 45%)



Financial results and outlook

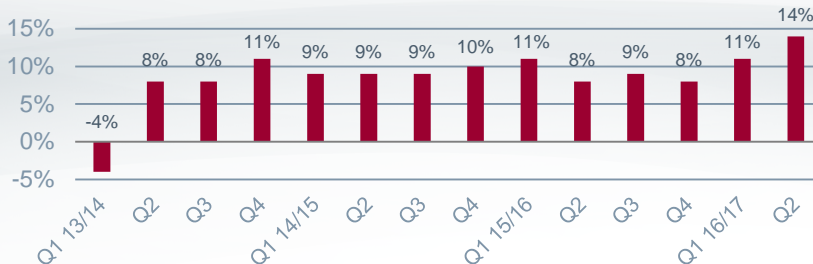


Profitability

DKKm	Q2 16/17	Q2 15/16
Revenue	613	532
Gross margin	55.6%	52.4%
OPEX	-220	-194
Cost percentage	36%	36%
EBIT	121	85
EBIT margin	19.7%	16.0%
Financials, net	-11	-11
Net result	84	52

- High organic growth continues
- Gross margin improves 3.2%-pts. due to mix and efficiency
- Strong cost control
- EBIT margin up 3.7%-pts
- Net impact to EBIT from Fx is neutral
- Earnings pr. share is up 63% to DKK 1.78

Quarterly growth in local currency since launch of strategy:



Cash flow and balance sheet

DKKm	Q2 16/17	Q2 15/16
Cash flow:		
Operating activities	90	50
Investing activities	-39	-19
FCF before acquisitions	51	31
Balance sheet:		
Total assets	2,507	2,299
NIBD (Net interest-bearing debt)	997	958
Key Figures:		
Net working capital	23%	28%
ROIC after tax incl. goodwill	22%	15%
Equity ratio	44%	37%
NIBD/EBITDA	1.9	2.4

- Working capital significantly reduced to 23% of revenue
- Gearing at 1.9 vs. 2.4 LY
- Commitment from bank to refinance bond loan at ordinary expiry in March 2018
- Unused credit facilities at DKK 1,0bn

Full-year outlook upgraded

– Stronger growth, earnings and cash flow

	Local currencies			Danish Kroner		
	2 May 2017	1 February 2017	8 November 2016	2 May 2017	1 February 2017	8 November 2016
Organic growth	12-14%	9-11%	8-10%	-	-	-
EBIT margin*	-	-	-	~19%	~18%	~18%
Free cash flows*	-	-	-	DKK 250-275m	~DKK 200m	~DKK 175m
Gearing	-	-	-	~1.5	~1.6	~1.75

* The outlook for the EBIT margin announced on 8 November 2016 and 1 February 2017 was before integration costs relating to the acquisition of ETView. In the outlook for the EBIT margin and free cash flows as of 2 May 2017, integration costs of DKK 10m have been included. No additional costs are expected to be incurred in connection with the integration of ETView.

In summary

- Better than expected H1 performance
- Single-use visualisation widely accepted
- Core business on track
- Full-year outlook significantly adjusted





Ambu
Ideas that work for life

Q&A



Read more at www.ambu.com

Contact

CEO Lars Marcher, lm@ambu.com or +45 5136 2490

CFO Michael Højgaard, miho@ambu.com or +45 4030 4349