Annual report 2018/19 (Earnings release)

In Q4, Ambu has transitioned to direct sales of aScope in the USA, and as a result full-year organic growth ends at 4% as planned. Our pipeline of single-use endoscopes is on track and expanded to now cover 15 products in development. We expect to launch our duodenoscope in early Q4 2019/20.

"We are in the midst of transitioning to a direct sales model in the USA to position Ambu as the leading supplier of single-use flexible endoscopy. For the past ten years, Ambu has led the creation of the market for single-use endoscopy in pulmonology, and this year we started an accelerated expansion into new endoscopy areas. We entered ENT, and we will advance our pipeline to enter urology and GI in 2019/20 including our next generation monitor. Our investments in innovation, high-quality manufacturing and commercial infrastructure reflect the scale of our commitment to making Ambu one of Europe's leading medical device companies," says CEO Juan Jose Gonzalez.

Highlights

Q4 2018/19

- Organic growth of -19% (15%) was realised in Q4, based on revenue of DKK 606m (DKK 729m). Sales in North America were reduced by half – organic growth of -51% – due to strategic decisions to buy back inventory from a major distributor and changes to pricing policies. Europe and Rest of World realized organic growth of 8% and 23%, respectively.
- EBIT before special items decreased to DKK 18m (DKK 165m) with an EBIT margin before special items of 3.0% (22.6%).

FY 2018/19

- Revenue for the financial year was DKK 2,820m (DKK 2,606m) based on organic growth of 4% (15%). North America saw negative organic growth by -3% due to impact from Q4, while we saw organic growth in Europe of 8% and Rest of World of 17%, respectively, for the full year.
- EBIT before special items was DKK 480m (DKK 563m), with an EBIT margin before special items of 17.0% (21.6%).
- Special items was a cost of DKK 174m and includes severence in connection with CEO replacement as well as compensation agreed when transitioning distributor in the USA.
- Total tax on profit for the year was recognised at 23% (28%).
- Net profit for the year was down 6% at DKK 317m (DKK 337m).

- The Board of Directors proposes that dividend of DKK 0.38 (DKK 0.40) be paid per share, corresponding to a decrease of 5% and an unchanged pay-out ratio of 30%.
- Net working capital at the end of the year was DKK 387m (DKK 535m), corresponding to 14% (21%) of revenue for the year.
- Free cash flow totalled DKK 274m (DKK 321m), and gearing was 1.8 (1.8). The realized free cash flow of DKK 274m versus the most recent financial outlook announced on 22 August of approx. DKK 200m is caused by the first instalment of the transition fee due to the US distributor of USD 10m not being paid until early October. The delay has been caused by legal implications when finalizing the settlement agreement which have all been dealt with. Adjusted for this timing difference, the reported cash flow would have been DKK 205m.
- Ambu's Visualization business was negatively, but temporarily, impacted by the decision to transition the US sales from a distributor to direct sales including buy-back of inventory and cancelled orders in Q4. The unit sales in 2018/19 was 618,000 endoscopes against 560,000 units last year, corresponding to a growth rate of 10% (54%).
- Ambu's pipeline of single-use endoscopes is expanded with seven newly announced products with expected launch in financial year 2021/22.

Outlook 2019/20

The outlook for 2019/20 is as follows:

- Organic growth in the range of 16-22%
- EBIT margin before special items in the range of 12-14%
- Sales of single-use endoscopes of approx. 900,000 units

The development project for the duodenoscope is progressing well, and we now expect to begin the commercial launch in early Q4 2019/20 rather than "before the end of september 2020" as communicated previously. Instead of appointing Cook Medical as our US distributor, it has been decided to establish a global co-marketing agreement, whereby Ambu and Cook Medical will be working together on introducing the duodenoscope to hospitals not only in the USA but on all major markets. We are building a dedicated commercial infrastructure for the duodenoscope in the USA as we believe a direct sales force will be more effective. We expect the list price of the duodenoscope to be in the range USD 1,400-1,600. All other assumptions regarding the duodenoscope launch are unchanged.

A **conference call** is held today, 13 November 2019, at 10.00 (CET). To ask questions in the Q&A session, please call the following number five minutes before the start of the conference: +45 3544 5577. The conference is broadcast via www.ambu.com/webcastQ42019 and is held in English. The presentation can be downloaded immediately before the conference call via the same link.

Ambu's **annual general meeting** will be held on Tuesday 17 December 2019 at 13.00 (CET) at Tivoli Hotel & Congress Center, Arni Magnussons Gade 2, 1577 Copenhagen V, Denmark. The annual general meeting will be broadcast live.

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About Ambu

Since 1937, breakthrough ideas have fuelled our work on bringing efficient healthcare solutions to life. This is what we create within our fields of excellence – Visualisation, Anaesthesia, and Patient Monitoring & Diagnostics. Millions of patients and healthcare professionals worldwide depend on the functionality and performance of our products. We are dedicated to improve patient safety and determined to advance single-use devices. The manifestations of our efforts range from early inventions like the Ambu Bag™ resuscitator and the legendary BlueSensor™ electrodes to our newest landmark solutions like the Ambu aScope™ – the world's first single-use flexible endoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognized medtech companies in the world. Headquartered near Copenhagen in Denmark, Ambu employs approximately 3,000 people in Europe, North America and the Asia Pacific. For more information, please visit www.ambu.com.