

Q2 2021/22 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 2021/22 (January 2022 – March 2022).

Please note that the items listed below are not exhaustive.

2021/22 GUIDANCE

On February 8, 2022 in connection with our financial results for Q1 2021/22, we revised the financial guidance for the financial year 2021/22. The outlook for organic growth was revised from “15-19%” to “15%+” (15 percent or higher) and the outlook for EBIT margin was revised from “7-9%” to “7%+” (7 percent or higher).

	Organic revenue growth	EBIT margin
Financial guidance, 2021/22	15%+ (15 percent or higher)	7%+ (7 percent or higher)

At the Q1 2021/22 earnings (February 8, 2022) we communicated the following regarding our guidance for the fiscal year 2021/22:

Our full-year outlook is revised to reflect the uncertainties regarding the impact of Omicron. The impact from Omicron variant started in mid-December 2021 and is expected to continue creating volatility in Q2 and Q3. In the short-term, Omicron has the following negative impact:

- *It does not drive single-use bronchoscopy extra demand as the variant is less severe compared to the previous variants*
- *Contraction of elective procedures due to hospital staff shortages driven by infections and self-isolations*
- *Limited access to hospitals to demonstrate new products, e.g. aScope™ Duodeno 1.5*

(Company announcement no. 6 2021/22)

In our annual report 2020/21 (November 9, 2021) we communicated the following regarding our guidance for the fiscal year 2021/22 that continues to apply.

Organic revenue growth:

Organic growth will be driven by Visualization, which will continue to deliver high double-digit growth rates. Our recent launches, i.e. aScope™ RhinoLaryngo, aScope™ 4 Cysto and aScope™ Duodeno, are expected to contribute a large share of the organic growth as we create the markets and move through the year.

The phasing of the quarterly growth in 2021/22 will be back-end loaded as the recently launched products are expected to gain traction and elective procedures reach full recovery.

We expect the average selling prices across our single-use endoscopy portfolio to remain stable within product categories and geographies.

EBIT margin

EBIT margin will be impacted by the high costs of running the supply chain as well as the raw material inflation. As we move into 2021/22, we have built a comprehensive commercial infrastructure that will ensure our ability to effectively launch and create the markets. The OPEX ratio to revenue will be highest in the early part of the year and improve together with the EBIT margin as we move through the year.

Free cash flow

Free cash flow is expected to be negative and will be impacted by the profit levels and continued CAPEX investments into innovation, manufacturing including Mexico and IT infrastructure. The majority of CAPEX will be related to innovation and to enable manufacturing to start up production lines of new devices in line with the planned product launches.

The perimeter of the manufacturing site in Mexico is based on a financial lease with a value of approx. DKK 225m which Ambu will take ownership of in Q1 2021/22. CAPEX relating to the interiors of the manufacturing site is expected at approx. DKK 70m. We expect the site in Mexico to be operational in the second half of 2021/22.

NIBD/EBITDA

The NIBD/EBITDA ratio is expected to increase in the first half of 2021/22 and then decrease towards the end of the financial year. Our loan documentation is designed to support the expected evolution of the NIBD/EBITDA ratio.

Gross margin

We expect the gross margin for 2021/22 to be slightly below 2020/21. The gross margin will be impacted by two opposite factors: 1) the high double-digit growth rates in Visualization that will increase the gross margin while 2) inflation from raw materials and additional overhead costs related to the ramp-up of the manufacturing facility in Mexico.

VISUALIZATION

“As a result (of uncertainties regarding the impact of Omicron), our Visualization sales growth will be impacted in Q2 and Q3 2021/22”

(Q1 2021/22 company announcement no. 6 2021/22)

“For the full year 2021/22, we expect urology and ENT endoscopes to generate combined sales of more than 700,000 units”

(Q1 2021/22 company announcement no. 6 2021/22)

“Our Broncho business basically has two dynamics. One is 2022 is going to be more of a normalization year after a couple of years where the overall ICU market was very large on the back of the COVID pandemic and last year on the Delta variant. The second thing is that our penetration of this market continues to increase year-over-year. And that's why you see this year as if there is a slowdown in our growth.”

(Q1 earnings conference call, February 8 2022)

“We have the GI commercial infrastructure that we need to commercialize aScope Duodeno 1.5 and to start the commercialization of aScope Gastro. We don't see the need of more commercial infrastructure.”

(Q1 earnings conference call, February 8 2022)

ANAESTHESIA AND PMD

“For the full year, we expect double-digit growth for Anaesthesia and PMD combined due to subsiding negative impact of COVID-19”

(Q1 2021/22 company announcement no. 6 2021/22)

“The congestions of the markets for global container transportation have continued to have a negative impact on our ability to maintain service levels. This means that backorders in Anaesthesia and PMD from Q4 have increased and are carried into Q2”

(Q1 2021/22 company announcement no. 6 2021/22)

FINANCIALS

“The perimeter of the manufacturing site in Mexico is based on a financial lease with a value of approx. DKK 225m which Ambu will take ownership of in Q1 2021/22. CAPEX relating to the interiors of the manufacturing site is expected at approx. DKK 70m. We expect the site in Mexico to be operational in the second half of 2021/22.”
(Annual report 2020/21, November 9 2021)

“By quarter 4, we are going to have a high level of sales and a high level of profitability in a year where our profitability will remain depressed because of the abnormally higher logistic costs and raw material inflation. Two of which we expect to reduce going forward and to further capture efficiencies from our Mexico plant, which will reduce the need to air freight from Asia Pacific to the U.S. and that will reduce the need of inventory tied to our sea pipeline.”
(Q1 earnings conference call, February 8 2022)

“We are spending more than DKK 160 million of cash in this quarter. But of course, we have taken actions in order to secure that. The plan we have laid in front of us, we’re able to finance in terms of our balance sheet, if you look at our working capital, a lot is also tied to inventory.”
(Q1 earnings conference call, February 8 2022)

“We expect our situation in terms of inventory to improve as the time of delivery from Asia to the U.S. go back to normal levels. Right now, it's twice longer than what it used to be. That is going to help us to free up inventory.”
(Q1 earnings conference call, February 8 2022)

“Our gross margin is going to be below last year. When you look at our overall pipeline of launches, the overall gross margin should be assumed to be constant, which basically means that, as we grow Visualization, the gross margin for the overall company will continue to increase.”
(Q1 earnings conference call, February 8 2022)

“Based on our guidance our overall net cash position for the year is going to be negative, (...) and this is happening in a very controlled manner. Our NIBD/EBITDA gearing is actually smack-on where we have estimated it to be when we exit this quarter here. (...) We have clear plans on how we are going to finance our way ahead, not only for this year, but also as we move forward”
(Q1 earnings conference call, February 8 2022)

EXCHANGE RATE ASSUMPTIONS

Exchange rate assumptions for 2021/22

	8 February 2022	9 November 2021
USD/DKK	650	642
MYR/DKK	155	155
CNY/DKK	102	100
GBP/DKK	880	877

(Q1 2021/22 company announcement no. 6 2021/22)

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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.