Ambu A/S (AMBUb.CO – DKK 97.60)

March 23, 2023*

Ambu A/S (AMBUb.CO) develops, manufactures, and markets diagnostic and life-support devices for hospitals, clinics, and rescue services. The Company's products include endoscopes, laryngoscopes, resuscitators, laryngeal masks, anaesthesia masks, cardiology electrodes, and neurology electrodes, among others. Ambu was founded in 1937 and is headquartered in Ballerup, Denmark. Its fiscal year ends on 09/30.

Thesis Summary

We are concerned competition may drive persistent Endoscopy Solutions pressure. Our competition concerns are heightened given (1) certain competitors may have superior offerings, (2) evidence of a delayed launch of a key product differentiator (i.e. video laryngoscope), (3) an earlier-than-expected flu season peak may have pulled forward demand, and (4) Endoscopy Solutions may continue to face challenging comparable periods. We believe a recently removed endoscope sold disclosure may obfuscate pricing pressure analysis and guidance for H2 23 pulmonology improvement may be optimistic. In our view, missed FY 22 planned launch dates for multiple products may highlight poor product development. Our product development concerns are heightened given certain launches underperformed and/or faced a recall. In our view, certain business area growth driven by pent-up demand/elevated backlog levels may be unsustainable. We believe inventory may be overbuilt and margins may be pressured as the Company focuses on inventory normalization. Margin/inventory improvements may be delayed given the Company will have to work through higher priced inventory before benefiting from cost improvements and certain supplier agreements may limit inventory improvement. We believe a facility expansion initiated during outsized pandemic-driven demand may have resulted in overbuilt manufacturing capacity and underutilized capacity may exacerbate margin pressure. Elevated completed project development cost asset and prepayment levels heighten our margin pressure concerns. Our earnings sustainability concerns are heightened given cash flow deterioration despite payable expansion amidst a recently initiated supply chain financing program, an elevated leverage ratio, executive turnover, no dividend payment approved, a new disclosure highlighting capital management risk, and a recently announced share offering.

Company Data

Country/Exchange	Denmark/Copenhagen
Reporting currency	DKK
Accounting standard	IFRS
Shares Outstanding (mil)	223.4
Float (mil)	174.3
Average Volume (mil)	DKK 83.1
52 Week Range	DKK 61.26 – DKK 122.90
Dividend Yield	0.0%
Market Cap (bil)	DKK 24.8
Net Debt (bil)	DKK 1.8
Enterprise Value (bil)	DKK 26.6
FY 22 Revenue / Growth	DKK 4,444.0 / 10.7%
FY 22 Adj. Operating Income (mil)	DKK 122.0
FY 22 GM % / Change	57.5% / (490 bps)
FY 22 Adj. Op. Margin % / Change	2.7% / (570 bps)

Valuation (as of report date)

NTM P/S	4.9x
NTM EV/ EBITDA	38.7x
NTM P/E	89.6x

Consensus Estimate Drift

In DKK	EST	1M Ago	6M Ago	1YR Ago
Q2 23 Rev	1,200.8	1,187.5	1,293.0	--
FY 23 Rev	4,885.3	4,876.4	4,900.2	5,622.6
FY 24 Rev	5,498.8	5,520.3	5,636.3	6,653.1
Q2 23 EPS	0.16	0.17	--	--
FY 23 EPS	0.71	0.65	0.92	1.90
FY 24 EPS	1.50	1.50	1.74	2.85

Peers Mentioned In This Report

Boston Scientific Corporation (BSX)
Olympus Corporation (7733.T)
Verathon (subsidiary of Roper Technologies Inc. (ROP))

Catalysts and Timing

Reduced FY 23 guidance.
Weaker-than-expected pulmonology growth.
Persistent product development delays.
Overbuilt inventory and capacity drive margin pressure.

* **All research is completed as of 4:00PM – 4:15PM Eastern Time unless otherwise noted.**
Please refer to the end of this report for an updated version of *The Short List*.

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Company Background

Company description: Ambu A/S (AMBUb.CO) develops, manufactures, and markets diagnostic and life-support devices for hospitals, clinics, and rescue services. The Company's products include endoscopes, laryngoscopes, resuscitators, laryngeal masks, anaesthesia masks, cardiology electrodes, and neurology electrodes, among others. Ambu was founded in 1937 and is headquartered in Ballerup, Denmark. Its fiscal year ends on 09/30.

Background on business areas: In FY 22, Endoscopy Solutions (formerly Visualization) accounted for 52.3% of revenue, Anaesthesia accounted for 25.3%, and Patient Monitoring accounted for 22.4%. The Endoscopy Solutions business area sells single-use endoscopes, displaying units, video laryngoscopes, and airway tubes with an integrated camera. In its FY 22 Annual Report, the Company indicated the Endoscopy Solutions business offered solutions in four endoscopy areas: pulmonology, urology, ear-nose-throat (ENT), and gastroenterology.[1] Ambu's endoscope product portfolio includes Ambu aScope, VivaSight, and other endoscopes. The Anaesthesia business area sells resuscitators, laryngeal masks, anaesthesia masks, and breathing circuits. The Patient Monitoring business area sells cardiology electrodes, neurology electrodes, training manikins, and neck collars.

Revenue By Business Area Analysis (as % of revenue)	FY 22
Pulmonology	32.6%
Endoscopy Solutions (ex. pulmonology)	19.7%
Total Endoscopy Solutions (formerly Visualization)	52.3%
Anaesthesia	25.3%
Patient Monitoring	22.4%
Total	100.0%

Geography: In FY 22, North America accounted for 48.2% of revenue, Europe accounted for 41.1%, and the Rest of the World accounted for 10.8%. Specifically, the US accounted for 47.0% of revenue (97.7% of North America revenue).

Revenue By Geography Analysis (as % of revenue)	FY 22
US	47.0%
Other North America	1.2%
North America	48.2%
Europe	41.1%
Rest of World	10.8%
Total	100.0%

Background on manufacturing and distribution: In its FY 22 Annual Report, the Company disclosed it operated four manufacturing plants in Malaysia, China, the US, and Mexico. Ambu sells its products to hospitals and healthcare clinics. Further, the Company indicated it had the world's largest single-use endoscopy sales and marketing organization focused on expanding hospitals access to single-use endoscopes and to shape its innovation roadmap.

[1] In its Q1 23 Interim Report, the Company remained the Visualization segment to Endoscopy Solutions. In addition, the Company began disaggregating pulmonology and Endoscopy Solutions excluding pulmonology revenue.

Competition: Ambu competes with single-use and reusable endoscope manufacturers in the Endoscopy Solutions business area including Verathon (a subsidiary of Roper Technologies), Boston Scientific, Olympus, and Karl Storz, among others. In the Anaesthesia and Patient Monitoring business areas, Ambu competes with GE Healthcare, Draeger, 3M, Conmed, and Teleflex, among others.[2]

[2] Roper Technologies Inc. (ROP), Boston Scientific Corporation (BSX), Olympus Corporation (7733.T), Karl Storz – Endoskope (private), GE Healthcare Technologies Inc. (GEHC), Draegerwerk AG & Co KGaA (DRWG.DE), 3M Co. (MMM), Conmed Corp. (CNMD), Teleflex Incorporated (TFX).

Voyant's Earnings Risk Assessment

We are concerned competition may drive persistent Endoscopy Solutions pressure. Our competition concerns are heightened given (1) certain competitors may have superior offerings, (2) evidence of a delayed launch of a key product differentiator (i.e. video laryngoscope), (3) an earlier-than-expected flu season peak may have pulled forward demand, and (4) Endoscopy Solutions may continue to face challenging comparable periods. We believe a recently removed endoscope sold disclosure may obfuscate pricing pressure analysis and guidance for H2 23 pulmonology improvement may be optimistic. In our view, missed FY 22 planned launch dates for multiple products may highlight poor product development. Our product development concerns are heightened given certain launches underperformed and/or faced a recall. In our view, certain business area growth driven by pent-up demand/elevated backlog levels may be unsustainable. We believe inventory may be overbuilt and margins may be pressured as the Company focuses on inventory normalization. Margin/inventory improvements may be delayed given the Company will have to work through higher priced inventory before benefiting from cost improvements and certain supplier agreements may limit inventory improvement. We believe a facility expansion initiated during outsized pandemic-driven demand may have resulted in overbuilt manufacturing capacity and underutilized capacity may exacerbate margin pressure. Elevated completed project development cost asset and prepayment levels heighten our margin pressure concerns. Our earnings sustainability concerns are heightened given cash flow deterioration despite payable expansion amidst a recently initiated supply chain financing program, an elevated leverage ratio, executive turnover, no dividend payment approved, a new disclosure highlighting capital management risk, and a recently announced share offering.

Competition May Drive Persistent Endoscopy Solutions Revenue Pressure, In Our View

Endoscopy Solutions (formerly: Visualization) is Ambu's largest business area and "primary focus": In FY 22, Endoscopy Solutions (formerly: Visualization) accounted for 52.3% of revenue. Specifically, pulmonology (other endoscopy solutions) accounted for 32.6% (19.7%) of revenue.[3] In its FY 22 Annual Report, the Company highlighted the "growth potential" of the Endoscopy Solutions business area was its "primary focus." In addition, the Company highlighted the largest contributor to Endoscopy Solutions revenue continued to be the Ambu aScope 4 Broncho bronchoscope designed for pulmonology procedures.

> This part of our business, which we call Visualization, has grown rapidly and now represents more than half of our overall business. **The growth potential in this part of our business is our primary focus**. (FY 22 Annual Report) [emphasis added]

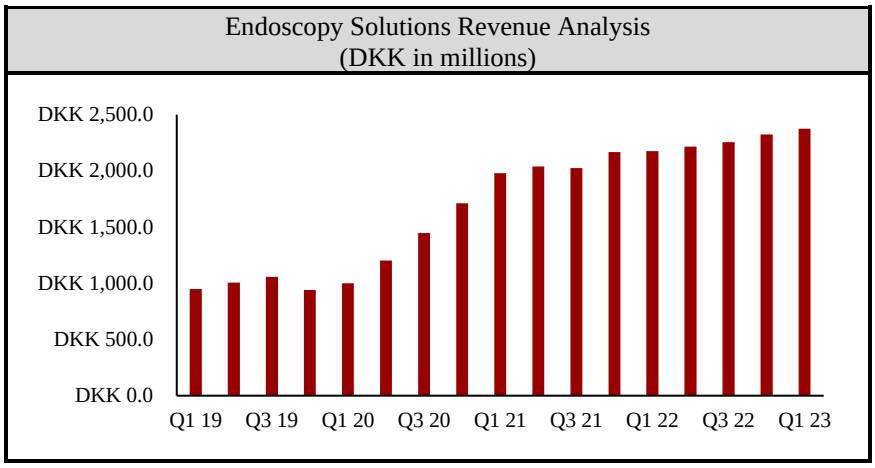
Revenue By Business Area Analysis (as % of revenue)	FY 18	FY 19	FY 20	FY 21	FY 22
Pulmonology	--	--	--	--	32.6%
Endoscopy Solutions (ex. pulmonology)	--	--	--	--	19.7%
Total Endoscopy Solutions (formerly Visualization)	32.1%	33.4%	48.0%	54.0%	52.3%

Bronchoscope demand for COVID-19 treatment boosted FY 20 and FY 21 Endoscopy Solutions growth: From FY 18 to FY 22, Endoscopy Solutions increased from 32.1% of revenue to 52.3% of revenue. In its FY 21 Annual Report, the Company highlighted Endoscopy Solutions organic growth was 31.0% in FY 21 and 81.0% in FY 20. The Company attributed the growth primarily to sales of single-use endoscopes for pulmonology as its bronchoscopes played a "significant" role in treating COVID-19 patients.

> In 2020/21, total Visualization revenue grew organically by 31% (81%), and reported growth ended at 27% (82%). Visualization thus accounts for 54% (48%) of the total revenue for the year. The largest contributor to our Visualization revenue continues to be sales of single-use endoscopes for pulmonology; and our

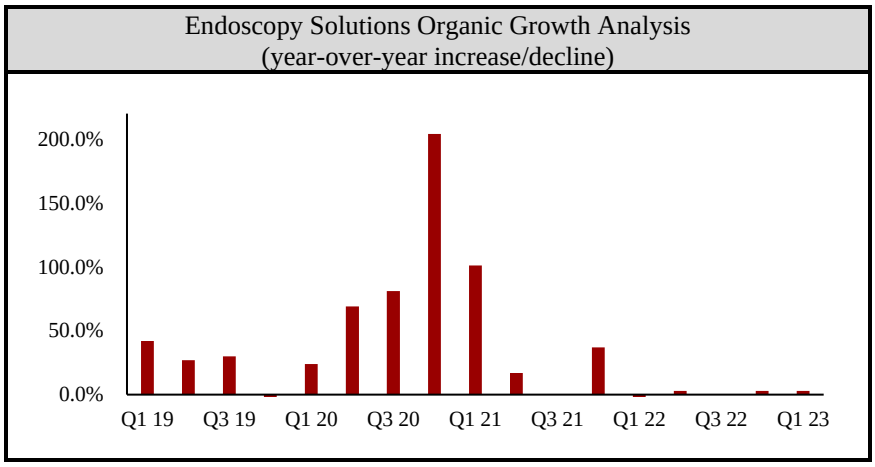
[3] The Company began disclosing Pulmonology separately from other Endoscopy Solutions in Q1 23 with certain historical periods disclosed.

bronchoscopes in particular have played a significant role in the treatment of COVID-19 patients. (FY 21 Annual Report)



Pandemic-driven pulmonology growth slowed in recent periods: In Q1 23, Endoscopy Solutions organic revenue growth was 3.0%, the fifth consecutive period of low-single digit or negative organic growth. In its Q1 23 Interim Report, the Company highlighted pulmonology declined 17.0% due to high comparable periods from COVID-19. Excluding pulmonology, Endoscopy Solutions revenue surged 47.0% driven by urology and ENT growth. On its Q1 23 Conference Call, the Company represented the pulmonology performance was in line with expectations, and guided for continued pressure in Q2 23 due to difficult comparable periods and certain competition (discussed next) but guided for a return to growth in H2 23.

I'd say overall, if we look at pulmonology, it's very clear that we have high comparables from H1 last year. This is also why we are very clear that we are expecting a continuous in this quarter and Q2 decrease versus last year. What we do see is, not only Omicron, but we also see, as we have talked about before, competitive pressures in the U.S., and we see some of that in the U.K. and to a minor extent, in the rest of Europe. And that continues, you can say. If we look at the overall, we do expect that we return to growth in the second half of this year. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23)



Increased competition may drive persistent Endoscopy Solutions pressure: Previously, on its Q3 22 Conference Call on 08/25/22, Ambu highlighted increased US competition from Verathon (a subsidiary of Roper Technologies) and Boston Scientific. On its Q1 23 Conference Call, Ambu acknowledged the competitive dynamics were "bigger" than it faced in the past and increased competition drove pricing pressure. We are concerned an increasingly competitive environment and evidence certain competitors may have superior offerings (discussed

below) suggest Endoscopy Solutions pressure may persist. We have included evidence of certain recent competitive launches/competitor commentary below:

- **Verathon's combined bronchoscope and video laryngoscope may be superior to Ambu's bronchoscope:** On its JP Morgan Healthcare Conference Call on 01/10/23, Ambu represented Verathon was its "key competition" with a combined video laryngoscope and bronchoscope (Verathon's Total Airway Solution combines its GlideScope Spectrum video laryngoscope with its BFlex single-use bronchoscope). On its Barclays Industrials Select Conference Call on 02/23/23, Roper Technologies (Verathon's parent company) highlighted its single-use bronchoscope went from zero market share five years ago to number two market share in the US. Further, Roper guided to have the number one market share in the US in CY 23. **Given pulmonology (i.e. bronchoscopes) is Ambu's largest Endoscopy Solutions business, Ambu acknowledged the competitive threat of Verathon's combined video laryngoscope and bronchoscope, Ambu did not have a combined offering (discussed below), and Roper's guidance for Verathon to gain market share, we believe Ambu may lose key Endoscopy Solutions market share and revenue may remain pressured.**

  > Around single-use bronchoscope where it gone from 0 market share 5 years ago to #2 in the U.S., **we anticipate to be #1 in the U.S. this year in market share**. (ROP CFO Mr. Jason Conley, ROP Barclays Industrials Select Conference Call, 02/23/23) [emphasis added]

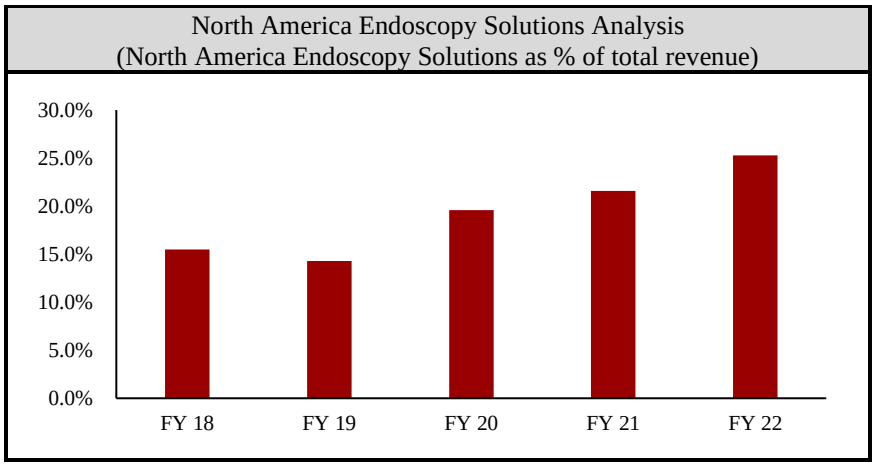
- **Boston Scientific offers multiple single-use endoscopes and highlighted strong single-use growth:** In its 08/11/21 Press Release, Boston Scientific announced the FDA approval of its single-use EXALT Model B bronchoscope. In its 02/03/23 Press Release, Boston Scientific announced it received US FDA clearance for the LithoVue Elite Single-Use Digital Flexible Ureteroscope System. On its Q4 22 Conference Call on 02/01/23, Boston Scientific highlighted FY 22 growth was driven, in part, by single-use imaging growth of over 20.0%. Given Boston Scientific recently launched new single-use endoscopes and highlighted strong single-use growth, our Endoscopy Solutions competition pressure concerns are heightened.

  > In '22, we had global success with innovative products such as AXIOS and Single-Use-Imaging, both growing over 20% and supporting strong growth across the globe. (BSX CEO Mr. Michael Mahoney, BSX Q4 22 Conference Call, 02/01/23)

- **Olympus entrance into single-use endoscope market may increase competitive threats, in our view:** In its Corporate Strategy Presentation on 11/05/19, Olympus guided to complement its existing reusable endoscope portfolio with single-use endoscopes to accelerate growth and address unmet needs. In its 04/30/21 Press Release, Olympus announced the launch of a new line of five single-use bronchoscopes. On its JP Morgan Healthcare Conference Call on 01/10/22, Olympus highlighted growth opportunities for single-use endoscopes and guided for future single-use endoscope launches in several specialty areas. We believe Olympus (historically a leader in reusable endoscopes) entrance into the single-use endoscopy market highlights increased competition.

  > We recognize the growth opportunities and market demand for single-use endoscopes, and we are launching a first line of the single-use bronchoscopes now and have near future plan for single-use endoscopes in several specialty areas. (Olympus CEO Mr. Yasuo Takeuchi, Olympus JP Morgan Healthcare Conference Call, 01/10/22)

Significant US Endoscopy Solutions exposure heightens our competition concerns: In FY 22, North America Endoscopy Solutions increased 29.8% to DKK 1,124.0 million and increased 370 basis points as a percent of revenue to 25.7% (historically, over 97.0% of North America revenue related to the US). Given significant US Endoscopy Solutions exposure, our concerns about increased US competition/market share pressure, specifically related to Verathon and Boston Scientific offerings, are heightened.



Potentially delayed video laryngoscope launch heightens our competition concerns: Previously, in its FY 21 Annual Report, Ambu guided to launch its second generation video laryngoscope (Video Laryngoscope 2.0) in FY 22. Further, on its Q2 22 Conference Call, the Company guided to launch the Video Laryngoscope 2.0 "later" in the year. However, on its Q1 23 Conference Call, the Company continued to highlight the most competition comes from the combined video laryngoscope and bronchoscope (i.e. Verathon), guided for the Video Laryngoscope 2.0 launch (i.e. Video Laryngoscope 2.0 did not launch in CY 22), and highlighted it had not commented on the timeline for the launch. **Evidence of a delayed Video Laryngoscope 2.0 launch amidst the importance of a combined video laryngoscope and bronchoscope offering heightens our competition concerns. Further, we believe the Company commentary highlighting it had not commented on the timeline for the launch may be misleading.**

> We have a future pipeline, which is 2 main things. Number one is to round out our aScope 5 Bronch additional sizes and with the BronchoSampler. And then **later this year**, **we're going to introduce our next-generation video laryngoscope**, and **that's going to close our only real portfolio gap in pulmonology**, and offer what we expect will be actually a superior option versus our competitors. (SVP & CMO Mr. Bassel Rifai, Q2 22 Conference Call, 05/06/22) [emphasis added]

> Then in terms of the U.S. dynamics, the laryngoscope -- video laryngoscope launch, **we have not commented on when we will launch the video laryngoscope**…Where we see the most competition in the US and is basically from a company that has both a video laryngoscope together with a bronchoscope. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23) [emphasis added]

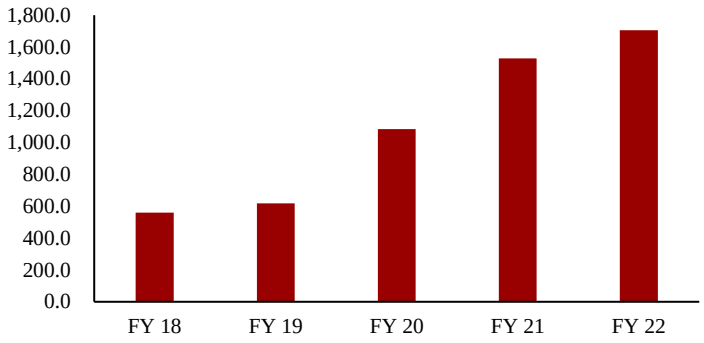
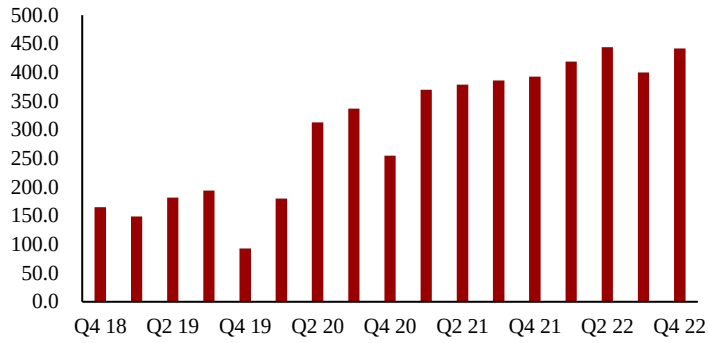
Q1 23 pulmonology revenue benefited from earlier flu season peak: On its Q1 23 Conference Call, the Company represented Q1 23 pulmonology revenue benefited from an earlier-than-typical flu season peak. Specifically, the Company highlighted certain flu benefits expected in Q2 23 "came in" Q1 23. Therefore, we believe Q2 23 pulmonology revenue may be weaker than expected (as mentioned, the Company guided for pressure to persist in Q2 23) as an earlier-than-expected flu season may have pulled forward certain revenue from Q2 23 into Q1 23.

> When it comes to pulmonology…there, we had in line with expectations, a decline of 17%. This is due to the high comparables that we have from last year due to COVID, but the numbers are also **positively impacted by the flu, which we saw peaking earlier than we have seen in previous years**... influenza-like illness, where you see the red curve, and this is U.S. data, peaking at -- high peak compared to previous years and also peaking much earlier, which is exactly what I referred to before that we benefit from, in particular, in the U.S. in the Q1 of this year in terms of higher revenue…means that basically, **what we had anticipated to get benefits from the flu in Q2 came in Q1, so slightly earlier than we anticipated**. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23) [emphasis added]

Prior year channel build may create difficult Q2 23 comparable period, in our view: In FY 22, endoscopes sold increased 11.6% to 1,705,000 units from an elevated base (surged 40.8% in FY 21). On its JP Morgan Healthcare Conference Call on 01/10/23, the Company represented hospitals ordered bronchoscopes in response to

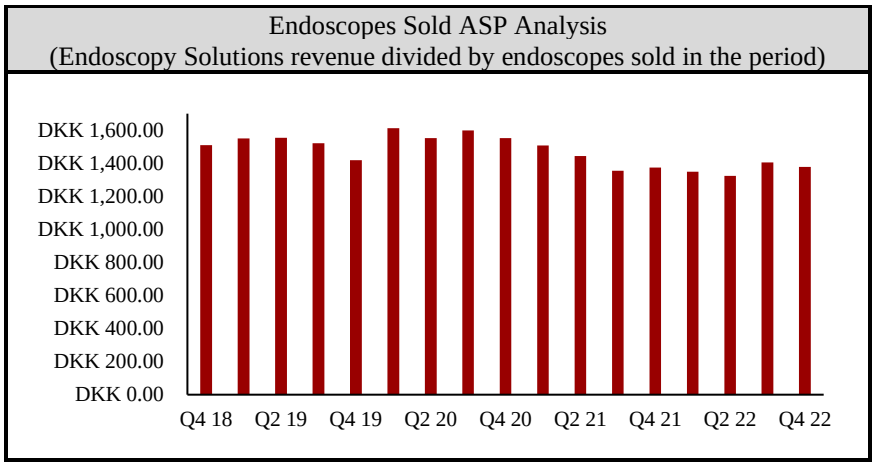
the potential materiality of the Omicron wave, but the wave did not materialize as expected. Accordingly, the Company experienced certain pressure as hospital customers worked through excess channel inventory. We are concerned Q2 23 may face a challenging comparable period as hospitals may have built bronchoscope inventory in the prior year.

> Last year, when the Omicron wave came, we saw hospitals buying a lot of bronchoscopes in case they needed it. But fortunately, for the world health, that was less severe. So that means that **we have been hit by a decline in the past year as hospitals have had their inventories that they have been using from this purchase**. (CEO Ms. Britt Meelby Jensen, JP Morgan Healthcare Conference Call, 01/10/23) [emphasis added]

Annual Endoscope Sales Analysis (units in thousands)	Quarterly Endoscope Sales Analysis (units in thousands)
	

Removed endoscopes sold disclosure may obfuscate analysis and/or mask pricing pressure, in our view: Prior to its Q1 23 Interim Report, the Company disclosed endoscopes sold in its quarterly/annual reports. In Q4 22, we estimate the endoscope average selling price (ASP) (i.e. Endoscopy Solutions revenue divided by endoscopes sold) increased 0.3% year-over-year to DKK 1,377.83 from a depressed base (declined 11.5% in Q4 21). Accordingly, we believe the endoscope average selling price declined materially since Q4 20. In its Q1 23 Interim Report, the Company removed the endoscopes sold disclosure. On its Q1 23 Conference Call, the Company attributed the disclosure removal to the value of different endoscopes varying significantly. **We believe the disclosure removal amidst increased competition, difficult comparable periods, and evidence of average selling price deterioration may obfuscate certain pricing pressure and/or Endoscopy Solutions demand weakness.**

> Going forward, just to clarify that, we have decided not to report a number of scopes anymore. The reason being that, we find it's a bit of comparing apples and pears because the value of the different scopes is very different. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23)



Guidance for H2 23 pulmonology growth may be difficult to achieve, in our view: As mentioned, the Company guided for continued pulmonology pressure in Q2 23 due to difficult comparable periods and competitive pressures but guided for pulmonology to return to growth in H2 23. **We are concerned an H2 23 return to pulmonology growth may be challenging given (1) persistent competitive/pricing pressure, (2) potential continued product development delays (specifically, Video Laryngoscope 2.0), and (3) H2 23 may continue to face challenging comparable periods (Endoscopy Solutions revenue increased 10.2% year-over-year in H2 22).**[4]

Missed Product Expected Launch Timelines May Highlight Development Challenges

Background on expected product launch disclosure and subsequent removal: In its FY 19, FY 20, and FY 21 Annual Reports, the Company disclosed an expected single-use endoscopy launch plan. The disclosure highlighted certain recently launched products and upcoming product launches with the expected launch year. The Company did not disclose a single-use endoscopy launch plan in its FY 22 Annual Report.

Missed planned product launches may highlight product development challenges, in our view: In its FY 21 Annual Report, the Company guided for FY 22 launches of a second generation video laryngoscope (i.e. Video Laryngoscope 2.0), a second-generation HD cystoscope, a single-use ureteroscope, a single-use colonoscope, and a second generation duodenoscope (aScope Duodeno 2.0), among others. However, in its FY 22 Annual Report, the Company continued to guide for the planned launch of a second generation video laryngoscope, an HD single-use cystoscope, a single-use ureteroscope, a single-use colonoscope, and the second generation duodenoscope (the Company did launch aScope Duodeno 1.5 in FY 22). **Accordingly, we believe the Company may have missed multiple expected product launch timelines throughout FY 22 and we are concerned about certain product development challenges and/or late launch driven growth pressure.**

> We will strengthen our position with the launches of smaller sizes of Ambu® aScope™ 5 Broncho HD, as well as **our upcoming video laryngoscope 2.0**…Ambu created the single-use cystoscope market with the launch of our Ambu® aScope™ 4 Cysto in 2019/20. It proved to be our most successful launch ever. Going forward, **we will continue to expand the cystoscopy single-use market with the launch of a next-generation single-use cystoscope**, the Ambu® aScope™ 5 HD… Ambu will enter this market with the **upcoming launch of a single-use ureteroscope**… Ambu will enter this market with the **future launch of a single-use colonoscope**. (FY 22 Annual Report) [emphasis added]

[4] The Company only began disclosing pulmonology revenue in its Q1 23 Interim Report. Accordingly, there is no disclosure related to H2 22 pulmonology revenue growth.

Planned FY 22 Single-Use Endoscope Launches Analysis (products guided to launch in FY 22 per FY 21 Annual Report)	FY 22
aScope 5 Broncho HD	Launched
Video laryngoscope 2.0	**Not launched**
ENT FEES	Launched
Ureteroscope	**Not launched**
Cystoscope HD	**Not launched**
aScope Duodeno 2.0	**Launched Duodeno 1.5 but not Duodeno 2.0**
aScope Colono (single-use colonoscope)	**Not launched**
aScope Gastro (single-use gastroscope)	**Not launched**

Expected product launch timeline disclosure removal may obfuscate analysis: As mentioned, in its FY 22 Annual Report, the Company removed the planned single-use endoscope launch disclosure. While the Company did disclose certain products in development, it did not provide a specific guided timeline for new product launches. We believe the disclosure removal and reluctance to provide product development timelines (e.g. recent commentary on the Video Laryngoscope 2.0 as discussed above), may obfuscate product development analysis.

Recent highly touted product launch underperformance heightens our product development concerns: In its 11/08/21 Press Release, Ambu announced early clinical results for its aScope Duodeno 1.5 duodenoscope and guided to proceed with worldwide commercialization of the scope. On its Q2 22 Conference Call on 05/06/22, the Company guided for its Duo 1.5 duodenoscope to be an "important" growth "engine" for the Company. However, on its Preliminary Q3 22 Conference Call on 08/03/22, the Company highlighted duodenoscope single-use uptake was taking "longer than expected." In its Q3 22 Interim Report, the Company disclosed it wrote down DKK 45.0 million related to the Duo 1.5. In its FY 22 Annual Report, the Company represented the duodenoscope did not meet its expectations as physicians were reluctant to convert from reusable to single-use endoscopes. Given evidence a recent, highly touted, product launch underperformed expectations, our concerns about product development challenges are heightened.

> We entered the gastrointestinal segment with our single-use duodenoscope, the Ambu® aScope™ Duodeno. Our aim was to address the clinical needs of the complex ERCP procedures. Yet, our expectations were not fulfilled. Physicians were reluctant to convert from reusable to single-use endoscopes, as the product performance did not fulfil the needs of all customers. (FY 22 Annual Report)

Voluntary VivaSight 2 DLT recall highlights product development challenges, in our view: Previously, in its 05/12/21 Press Release, the Company announced FDA approval for its Ambu VivaSight 2 DLT, an endobronchial tube with built-in camera to be launched in Q3 21. In its Q3 22 Interim Report, the Company disclosed it issued a voluntary recall of the Ambu VivaSight 2 DLT on 05/24/22 due to reports of potential rupture of bronchial or tracheal cliff. In its Q1 23 Interim Report, the Company disclosed the issue was "currently being resolved" and no patients were impacted. We believe the Ambu VivaSight 2 DLT recall approximately one year after launch highlights product development challenges.

> The endobronchial tube, Ambu® VivaSight™ 2 DLT, which was voluntarily recalled in Q3 2021/22 due to reports of a potential rupture of the bronchial or tracheal cuff. The issue is currently being resolved, and no patients have been affected. (Q1 23 Interim Report)

Reduced Backlog & Health System Challenges May Pressure Certain Business Areas

Background on Anaesthesia and Patient Monitoring business areas: In FY 22, the Anaesthesia (Patient Monitoring) business area accounted for 25.3% (22.4%) of revenue. Accordingly, Anaesthesia and Patient Monitoring in aggregate accounted for 47.7% of revenue. The Anaesthesia business area sells resuscitators,

laryngeal masks, anaesthesia masks, and breathing circuits. The Patient Monitoring business area sells cardiology electrodes, neurology electrodes, training manikins, and neck collars.

Revenue By Business Area Analysis (as % of revenue)	FY 18	FY 19	FY 20	FY 21	FY 22
Anaesthesia	35.5%	35.1%	29.7%	24.8%	25.3%
Patient Monitoring (PM)	32.4%	31.5%	22.3%	21.1%	22.4%
Anaesthesia and PM	67.9%	66.6%	52.0%	45.9%	47.7%

Pent-up demand and worked through backlog driven growth may be unsustainable, in our view: Previously, on its Q4 21 Conference Call on 11/09/21, the Company highlighted the Anaesthesia and Patient Monitoring business areas were negatively impacted by a slower-than-expected return of elective procedures and guided for the gradual improvement as external market conditions return to pre-COVID levels. In addition, the Company guided for backlog for certain Anaesthesia and Patient Monitoring products to have a positive impact on FY 22 results. On its past four quarterly Conference Calls (i.e. Q2 22 through Q1 23), the Company highlighted Anaesthesia and Patient Monitoring growth was positively impacted by reduced order backlog and/or pent-up demand. **In our view, recent Anaesthesia and Patient Monitoring growth may have been supported by pent-up demand and elevated backlog levels and continued outsized growth may be challenging given customers may have rebuilt channel inventory and worked through pent-up demand/backlog in recent periods.**

Anaesthesia & PM Analysis	Anaesthesia Organic Growth	PM Organic Growth	Conference Call Commentary
Q2 22	12.0%	14.0%	*part of this growth is also driven by the reduction of backlog orders*
Q3 22	14.0%	20.0%	*positively impacted by pent-up demand and the continued reduction of our backlog*
Q4 22	0.0%	10.0%	*positively impacted by increasing pent-up demand…and…reduction of our backlog*
Q1 23	4.0%	6.0%	*positively impacted by increasing pent-up demand…and…reduction of our backlog*

Backlog reduction to "very minimum levels" suggests growth may be pressured: In Q1 23, Anaesthesia (Patient Monitoring) organic growth was 4.0% (6.0%). On its Q1 23 Conference Call, the Company represented it worked backlog down to "very minimum levels." Further, the Company highlighted working through backlog was a "big driver" of certain growth in Q1 23 and guided for the three-year compound annual growth rate to be approximately 2.0%. As such, we believe there is limited incremental backlog to work through to support continued growth and Anaesthesia and Patient Monitoring growth may be pressured.

> We see nice contributions from these 2 segments, as you see. And there is clearly a contribution from clearing the backlog. So I think -- I mean, we have -- I mean, **our backlog down to a very minimum levels**. So I think our supply situation is working very well. So that is -- I mean, that is a big driver of some of the increase this month of the 5% in Q1, where we have -- if we look at the 3-year CAGR, we are looking at a number that is -- we expect to be slightly lower and more in the range of 2%. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23) [emphasis added]

Health system challenges may pressure demand, in our view: On its Q1 23 Conference Call, Ambu highlighted certain health system challenges including strikes, staff shortages, and health system backlogs may pressure Anaesthesia and Patient Monitoring demand. We are concerned the commentary suggests customers (i.e. health systems) may limit spending. Accordingly, our concerns about Anaesthesia and Patient Monitoring revenue pressure are heightened (i.e. health systems may be reluctant to carry high levels of inventory to manage cash flow).

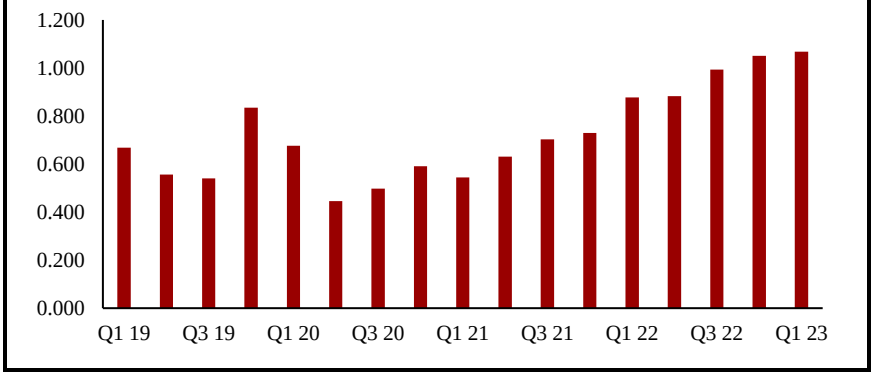
> We continue to see, as I alluded to, health systems being challenged and they're working through all their challenges in terms of both strikes, staff shortages, and then on top of that, their own backlogs, if you will. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23)

Overbuilt Inventory May Drive Persistent Margin Pressure, In Our View

Inventory level surge to multi-year high suggests margins may be pressured, in our view: In Q1 23, inventory surged 33.6% year-over-year to DKK 1,209.0 million, while revenue increased 9.8% to DKK 1,132.0 million. Accordingly, inventory-to-revenue surged 21.7% to 1.068, the highest level in over five years. On its Q1 23 Conference Call, the Company represented it "started to see" an initial and early inventory reduction and guided to accelerate the reduction in the "coming quarters." Further, the Company guided for indirect production costs to pressure margins as it reduces inventory. Accordingly, we believe overbuilt inventory may drive margin pressure.

> Indirect production cost, it is clear that when we will reduce now, over the coming quarters, our inventory, of course, some of the indirect production cost will rather come in and hit over the P&L. (CFO Mr. Thomas Schmidt, Q1 23 Conference Call, 02/07/23)

Inventory Analysis
(inventory-to-revenue)



Inventory reduction speed and margin improvement may take longer than expected, in our view: On its Q1 23 Conference Call, the Company represented certain cost improvements (e.g. freight cost declines) will take "longer" to benefit margins as it has to work through inventory with higher costs first. In addition, Ambu indicated it may take "longer" than other companies to reduce inventory due to its "strong and long" agreements with certain suppliers. Accordingly, we are concerned inventory and margin improvement may take longer than expected.

> It takes us maybe a little bit longer than most other companies because we also have a quite good strong and long agreements also with some of our suppliers. (CFO Mr. Thomas Schmidt, Q1 23 Conference Call, 02/07/23)

Potentially Unwarranted Facility Expansion Heightens Our Margin Pressure Concerns

Mexico manufacturing facility expansion may have been driven by outsized pandemic demand: On its Q4 20 Conference Call on 11/11/20, the Company announced plans to invest in a single-use endoscopy manufacturing facility in Mexico to support the US market. We believe the Company may have initiated the Mexico facility expansion given certain outsized pandemic-driven Endoscopy Solutions demand and expectations for continued endoscope demand strength.

Overestimated demand and competition suggest Mexico facility expansion may have been unwarranted: In its FY 22 Annual Report, the Company acknowledged it did not accurately estimate the post COVID-19 situation. Given the Mexico facility expansion was initiated in CY 20, the Company overestimated post COVID-19 demand, and elevated US endoscopy competition (discussed heretofore), we are concerned the Mexico manufacturing facility expansion may have been (1) initiated with expectations of higher demand and (2) unwarranted.

Manufacturing capacity may be materially overbuilt relative to near-term demand, in our view: Previously, on its Q4 20 Conference Call, the Company represented its Malaysia facility had capacity to produce between 2.8

million to 3.0 million endoscopes per year. Further, on its Q1 22 Conference Call on 02/08/22, the Company highlighted the Mexico facility would be the largest single-use endoscopy plant and "much bigger" than Malaysia. While Ambu did not disclose the Mexico facility capacity, we believe the Mexico facility capacity is at least 2.8 million units. Accordingly, we estimate the Mexico facility expansion will increase total capacity to over 5.5 million units. However, in FY 22, the Company sold 1.7 million endoscopes. **Therefore, we believe capacity may be materially overbuilt relative to near-term endoscope unit demand and our overbuilt capacity concerns are heightened.**

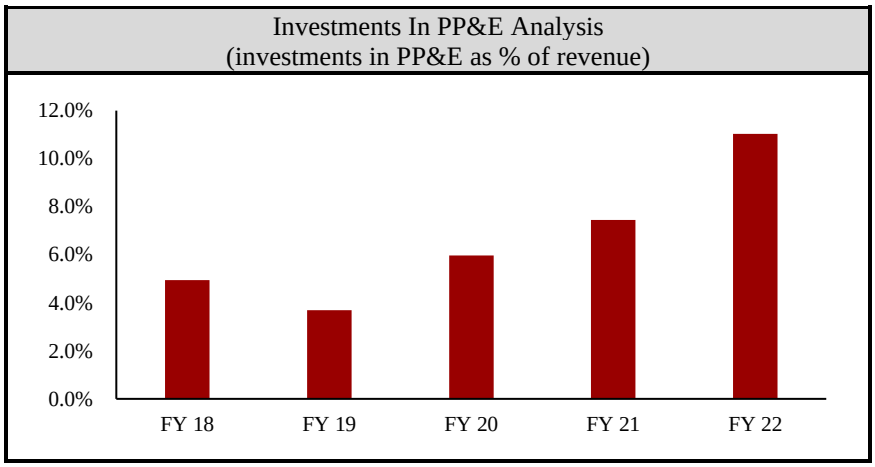
> I don't think we have provide any capacity numbers regarding our Mexico plant. What we have said though is that this is going to be the largest single-use endoscopy plant. So this plant is projected to be much bigger than our plant in Malaysia. (CEO Juan Jose Gonzalez, Q1 22 Conference Call, 02/08/22)

> With respect to the capacity, you're fully correct that with Malaysia, we have a blended capacity somewhere around 2, 3 quarters 3 million units per year. (CFO Mr. Michael Hojgaard, Q4 20 Conference Call, 11/11/20)

Mexico facility margin pressure may persist even after ramp-up is complete, in our view: On its Q2 22 Conference Call on 05/06/22, the Company represented it completed construction of the Mexico facility and it was in the midst of setting up production lines. On its Q3 22, Q4 22, and Q1 23 Conference Calls, the Company highlighted certain margin pressure due to the Mexico facility ramp-up. On its Q1 23 Conference Call, the Company guided for certain FY 23 gross margin pressure due to continued ramp-up costs. Given we believe capacity may be overbuilt, we are concerned margins may remain pressured after the facility ramps due to underutilized manufacturing capacity.

> Gross margin is expected to decline for the year by approximately 2 percentage points. And this is due to higher production costs, **continued Mexico ramp-up** and also product mix for the entire year. (CFO Mr. Thomas Schmidt, Q1 23 Conference Call, 02/07/23) [emphasis added]

Historically elevated PP&E investments heighten our facility expansion concerns: In FY 22, capital investments in property, plant, and equipment (PP&E) increased 63.9% to DKK 490.0 million and surged 360 basis points as a percent of revenue to 11.0%.[5] The significant investments in PP&E surge in recent periods, heightens our concerns about overbuilt manufacturing capacity. In addition, we are concerned elevated PP&E investment levels may highlight aggressive cost capitalization and/or suggest depreciation may ramp and pressure margins.



[5] The Company only discloses investments in PP&E in its Annual Reports.

Persistently Elevated Development Project Amortization Heightens Our Margin Concerns

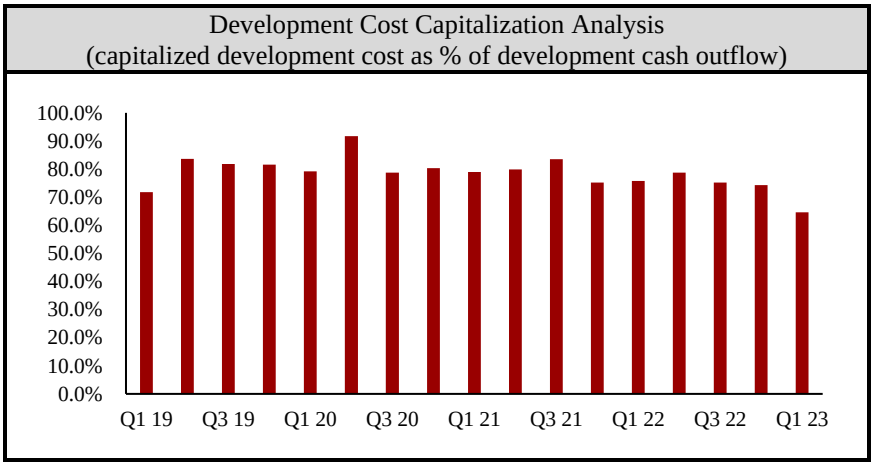
Background on development project cost capitalization: In FY 22, capitalized development costs (R&D) declined 7.2% to DKK 414.0 million and declined 340 basis points as a percent of total development project spend to 76.0%. In its FY 22 Annual Report, the Company disclosed it capitalized certain development project spend related to projects with clearly defined and identified future market scope. Other development costs are recognized as an expense as incurred.

> Development projects that are clearly defined and identifiable and where the technical utilization degree, sufficient resources and a potential future market or scope for use in the group can be proven, and where the group intends to produce, market or use the project, are recognized as intangible assets where the cost of the project can be calculated reliably and there is sufficient certainty that the future earnings or the net selling price can cover the production costs, selling and distribution costs as well as management and administrative expenses. Other development costs are recognized in the income statement as incurred. (FY 22 Annual Report)

Capitalized Development Project Cost Analysis (DKK in millions)	FY 20	FY 21	FY 22
Capitalized development costs	DKK 306.0	DKK 446.0	DKK 414.0
Directly expensed development costs	DKK 66.0	DKK 116.0	DKK 131.0
Total development cost spend	DKK 372.0	DKK 562.0	DKK 545.0
Capitalized development cost as % of spend	82.3%	79.4%	76.0%
Change	*220 bps*	*(290 bps)*	*(340 bps)*

Capitalized R&D level decline suggests more R&D may be expensed and near-term launches may be limited: In Q1 23, capitalized development costs declined 51.9% year-over-year to DKK 51.0 million, while total capital development project spend declined 43.6% to DKK 79.0 million. Accordingly, capitalized development cost as a percent of total spend declined 1,120 basis points to 64.6%. While we acknowledge total development spend declined, we believe the reduced percent of spend capitalized highlights fewer projects are at the stage of development that allow for capitalization. Accordingly, we believe margins may be pressured as a higher percent of development spend is directly expensed and our concerns about continued product launch delays are heightened (i.e. we believe projects eligible for capitalization are likely closer to launching).

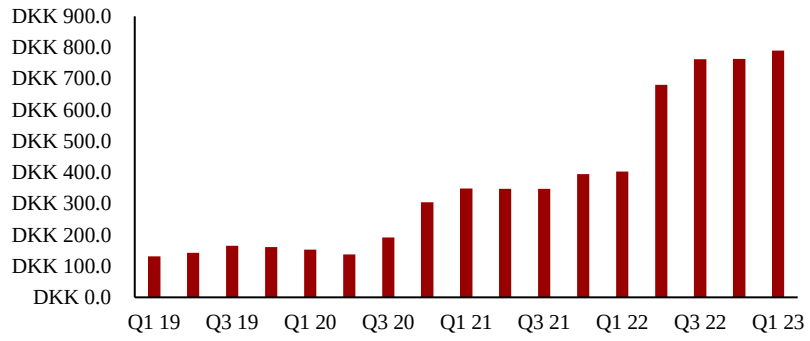
Development Cost Capitalization Analysis
(capitalized development cost as % of development cash outflow)



Completed development project asset surge suggests amortization may remain elevated, in our view: In Q1 23, the completed development project asset surged 96.0% year-over-year to DKK 790.0 million. Further, development cost amortization surged 41.4% year-over-year to DKK 41.0 million. We believe the completed

development project asset surge suggests development cost amortization may remain elevated given development project amortization begins once a project is completed and transferred from the in progress development project asset to the completed development project asset.

Completed Development Project Asset Analysis
(DKK in millions)

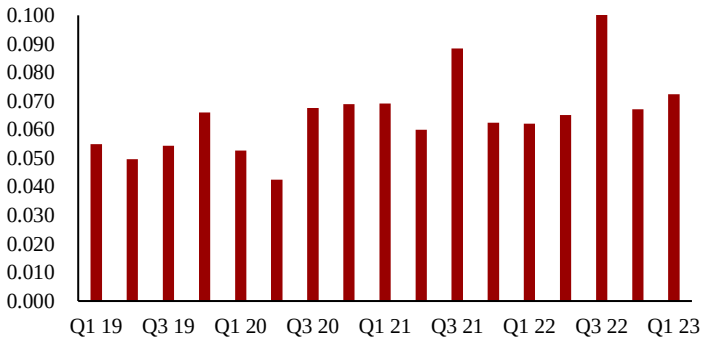


Elevated Prepayment Levels Heighten Our Margin Pressure Concerns

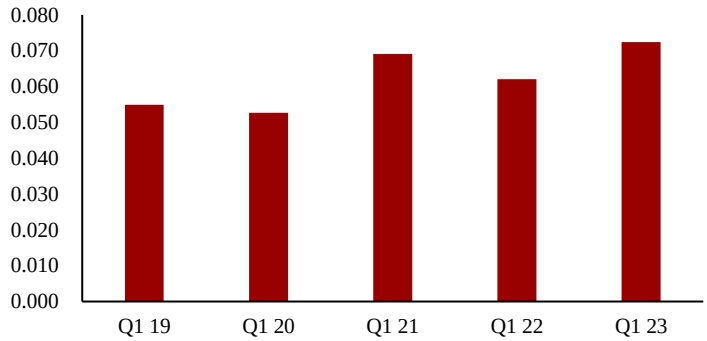
In its FY 22 Annual Report, the Company disclosed prepayment assets related to costs to be recorded in the next twelve months. In Q1 23, prepayments surged 28.1% year-over-year to DKK 82.0 million and increased 16.7% relative to revenue to 0.072, the highest seasonal level in at least five years. The Company did not discuss prepayment levels in its Q1 23 Interim Report or on its Q1 23 Conference Call. We are concerned the elevated prepayment levels highlight potential margin pressure as the prepayments are recognized as expenses in the next twelve months.

> Prepayments recognized under assets comprise costs incurred in respect of the coming financial year measured at cost. (FY 22 Annual Report)

Prepayments Analysis
(prepayments-to-revenue)



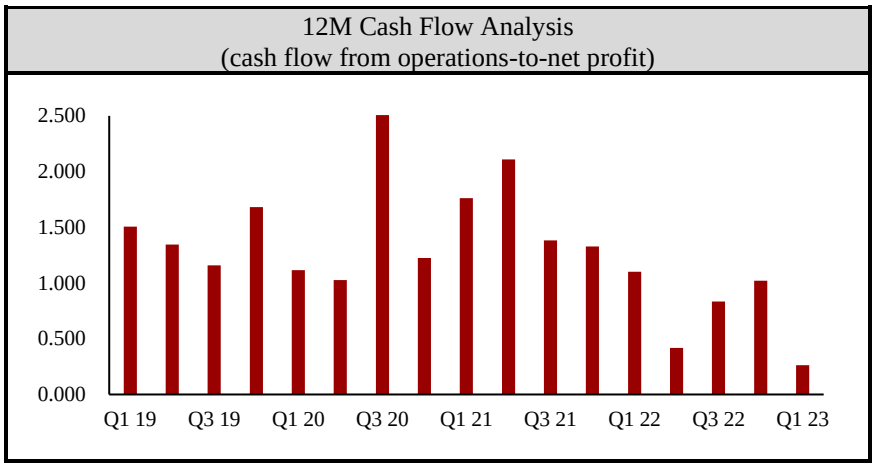
Seasonal Prepayments Analysis
(prepayments-to-revenue)



Cash Flow Levels Deteriorate Despite Unsustainable Payable Expansion, In Our View

Depressed cash flow driven by working capital consumption heightens our earnings sustainability concerns: In the twelve months ended Q1 23, cash flow from operations declined 87.1% year-over-year to DKK 25.0 million, while net profit declined 46.0% to DKK 95.0 million. Accordingly, cash flow from operations-to-net profit declined 76.1% to 0.263, the lowest level in over five years. Working capital consumed DKK 227.0 million of cash. On its Q1 23 Conference Call, the Company attributed cash flow pressure to inventory levels and certain nonrecurring cash

items (e.g. severance). The significant cash flow level deterioration driven, in part, by working capital cash consumption heightens our earnings sustainability concerns.



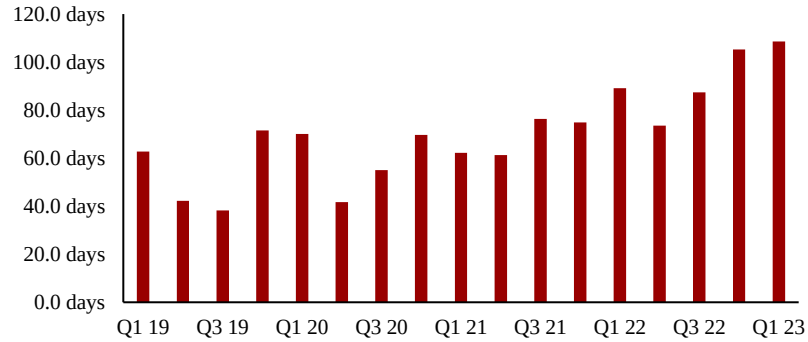
New supply chain financing agreement recently disclosed: In its FY 22 Annual Report, the Company added a disclosure related to a new supply chain financing (SCF) program. Under the program, suppliers have the option to receive early payment from the bank through a factoring arrangement between the supplier and the bank where the outstanding invoices are transferred to the bank. Ambu disclosed the payables covered by the program remained outstanding due to the bank. Further, Ambu indicated the program did not significantly extend payment terms. As of Q4 22, DKK 51.0 million (8.5%) of trade payables were covered by the program. No payables were covered by the program in the prior year and Ambu did not disclose payables covered by the program as of Q1 23.

> To improve the relationship with our suppliers and minimise the financing cost in the value chain Ambu has introduced a SCF programme. When participating in this programme, the supplier has the option to receive early payment from the bank based on the invoices approved by Ambu through a factoring arrangement between the supplier and the bank…the payment terms of the suppliers there are participating in the SCF programme are not significantly extended compared to trade payables not part of the SCF programme. At the end of 2021/22, trade payables covered by the programme amounted to DKK 51m (DKK 0m). (FY 22 Annual Report)

Supply Chain Financing Analysis (DKK in millions)	Q4 22
Payables covered by SCF program	DKK 51.0
Total payables	DKK 600.0
SCF payables as % of total	8.5%

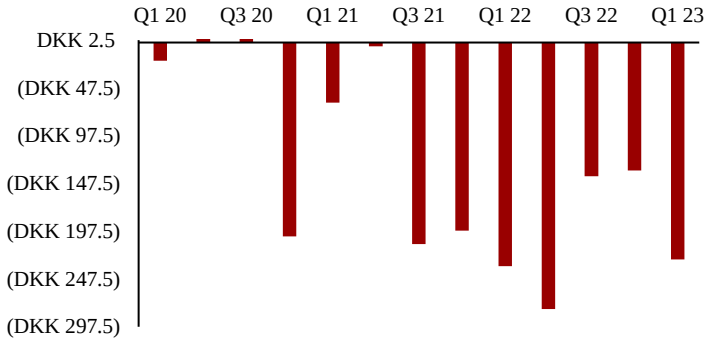
Payable level surge amidst new SCF program may have provided unsustainable cash flow benefit: In Q1 23, trade payables surged 25.7% year-over-year to DKK 509.0 million, while cost of goods sold surged 18.4% to DKK 470.0 million. Accordingly, days payable outstanding (DPO) increased 21.8% to 108.5 days, the highest level in over five years. The Company did not discuss trade payables levels on its Q1 23 Conference Call or in its Q1 23 Interim Report. **We are concerned the recent payable level surge coinciding with the newly initiated supply chain financing arrangement may have provided an unsustainable cash flow benefit.**

Trade Payables Analysis
(days payable outstanding)

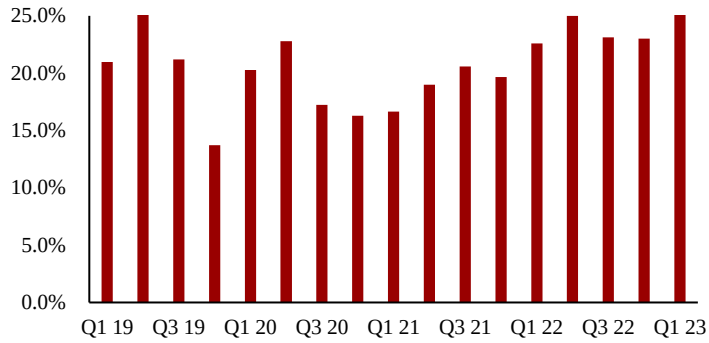


Elevated working capital levels/cash consumption despite payable benefit heightens our concerns: In Q1 23, net working capital as a percent of trailing-twelve-month revenue increased 260 basis points year-over-year to 25.2%. In addition, in the twelve months ended Q1 23, working capital consumed DKK 227.0 million of cash. Given the elevated working capital levels and cash consumption despite elevated payable levels, our earnings sustainability concerns are heightened.

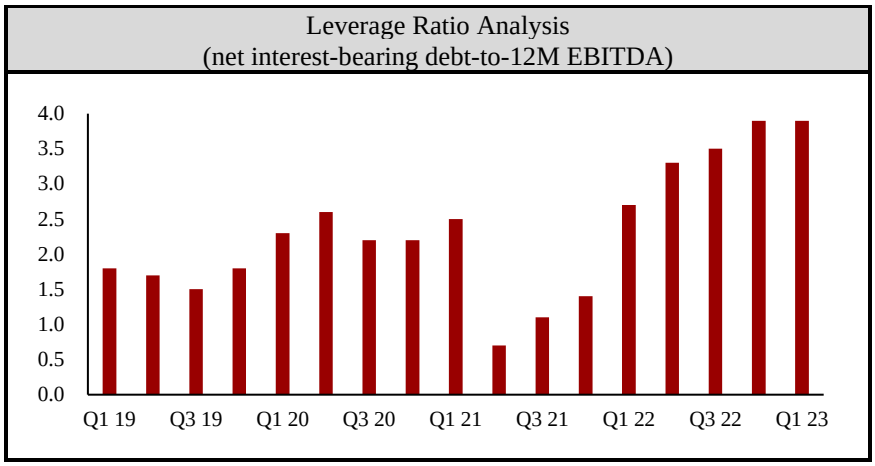
12M Cash Provided (Consumed) By Working Capital Analysis
(DKK in millions)



Net Working Capital Analysis
(net working capital as % of trailing-twelve-month revenue)



Materially elevated leverage ratio heightens our concerns: In Q1 23, net interest-bearing debt-to-EBITDA surged 44.4% year-over-year to 3.9x, materially (in our view) above historical levels. On its Q1 23 Conference Call, the Company represented the leverage ratio was in line with its expectations and guided for leverage ratio and cash flow improvement to be a "key focus." We are concerned the historically elevated leverage ratio may limit certain capital deployment and our earnings sustainability concerns are heightened.



Other Observations: Executive Turnover, Capital Management Risk, & Share Offering

Executive turnover may increase business disruption risk and heightens our earnings sustainability concerns: On 03/15/22, Ambu announced Mr. Thomas Schmidt would be appointed CFO effective 06/01/22. In addition, on 05/19/22, the Company announced it hired board member Ms. Britt Meelby Jensen to replace Mr. Juan Jose Gonzalez as CEO effective 05/20/22. In its 05/19/22 Press Release, the Company represented macroeconomic headwinds and weaker-than-expected financial performance compelled it to "execute differently on [its] strategy." We are concerned the executive turnover may increase business disruption risk. In addition, we are concerned certain initiatives implemented by the former executive team (e.g. Mexico facility expansion, development challenges, etc.) may continue to impact the business.

> The Board of Directors of Ambu A/S has appointed Britt Meelby Jensen as new Chief Executive Officer (CEO). Britt Meelby Jensen has served as board member of Ambu since 2019, a position she will step down from when she takes over the position as CEO on 20 May 2022 and replaces Juan Jose Gonzalez who will leave Ambu after three years and support the new CEO in the transition as needed…However, the Covid-19 pandemic, the recent macroeconomic headwind and a weaker than originally expected financial performance require that we execute differently on our strategy. (05/19/22 Press Release)

No dividend payment and new capital management risk factor disclosure heightens our concerns: Previously, on its Annual Shareholders Meeting Conference Call on 12/14/21, the Company highlighted it historically maintained a policy of paying dividends in the "region" of 30.0% of the result for the year. In its 12/14/22 Annual General Meeting Decisions Press Release, the Company disclosed the Board proposed no dividend to be paid given the size of the FY 22 net profit (DKK 93.0 million), the first year the Company did not authorize a dividend in over five years. In its FY 22 Annual Report, the Company added a "capital management" financial risk management disclosure. Specifically, the Company highlighted it may adjust dividend payments and/or issue new shares. The discontinued dividend and new disclosure heighten our earnings sustainability, elevated leverage ratio, and capital management concerns.

> The primary objective of the Group's capital management is to ensure the funding of growth of the Group, while maximizing the return to the shareholders through the optimization of the debt and equity balance. For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the equity holders of the parent. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. (FY 22 Annual Report) [new disclosure]

Recently announced share offering heightens our concerns: In its Capital Markets Day Press Release on 03/20/23, the Company represented it may consider raising capital equal to around 5.0% of its B Shares to provide operational flexibility and reduce financial leverage. In its 03/23/23 Press Release, Ambu announced its intent to

raise approximately 5.0% of Ambu's total B Shares outstanding through an offering of new B Shares and existing treasury B Shares to be completed through an accelerated offering in a private placement. The Company attributed the decision to offer shares to ensure "an appropriate level of operational flexibility" and it highlighted the proceeds will be used for general corporate purposes and to repay debt.

> To reduce its financial leverage and ensure an appropriate level of operational flexibility to deliver on its long-term financial targets, Ambu now intends to raise capital in an offering of existing treasury B shares and new B shares through an accelerated bookbuilding process. The proceeds will be used for general corporate purposes, including repayment of debt. The transaction will allow Ambu to reduce its financial leverage to be within its communicated long-term target NIBD/EBITDA ratio of less than 2.5x, providing ample buffer in an environment with increased geopolitical and economic uncertainty. (03/23/23 Press Release)

Conclusion

We are concerned competition may drive persistent Endoscopy Solutions pressure. Our competition concerns are heightened given (1) certain competitors may have superior offerings, (2) evidence of a delayed launch of a key product differentiator (i.e. video laryngoscope), (3) an earlier-than-expected flu season peak may have pulled forward demand, and (4) Endoscopy Solutions may continue to face challenging comparable periods. We believe a recently removed endoscope sold disclosure may obfuscate pricing pressure analysis and guidance for H2 23 pulmonology improvement may be optimistic. In our view, missed FY 22 planned launch dates for multiple products may highlight poor product development. Our product development concerns are heightened given certain launches underperformed and/or faced a recall. In our view, certain business area growth driven by pent-up demand/elevated backlog levels may be unsustainable. We believe inventory may be overbuilt and margins may be pressured as the Company focuses on inventory normalization. Margin/inventory improvements may be delayed given the Company will have to work through higher priced inventory before benefiting from cost improvements and certain supplier agreements may limit inventory improvement. We believe a facility expansion initiated during outsized pandemic-driven demand may have resulted in overbuilt manufacturing capacity and underutilized capacity may exacerbate margin pressure. Elevated completed project development cost asset and prepayment levels heighten our margin pressure concerns. Our earnings sustainability concerns are heightened given cash flow deterioration despite payable expansion amidst a recently initiated supply chain financing program, an elevated leverage ratio, executive turnover, no dividend payment approved, a new disclosure highlighting capital management risk, and a recently announced share offering.

Risks to Our Thesis & Valuation

New Products, Restructuring, ZOOM IN, Transition To Single-Use, & Long-Term Targets

aScope Broncho 5 launch expands addressable market: In its 05/03/22 Press Release, the Company announced it received CE Mark approval for its fifth generation bronchoscope, aScope 5 Broncho. The Company highlighted the launch allowed it to enter a segment of procedures that required high image quality and handling performance given the aScope 5 Broncho has advanced imaging and design features including a high-resolution camera chip. On its Q1 23 Conference Call, the Company indicated the aScope 5 Broncho expanded its addressable market from 3.0 million procedures to 5.0 million procedures. In addition, Ambu indicated it saw "continuous, very strong feedback" from its customers and guided to continue to focus on the product.

> The aScope 5 Broncho expands the total addressable market by 2 million procedures, so from 3 million to 5 million procedures. We have launched this product in U.S., Europe and Australia. In the recent months, we have seen major U.S. GPOs adopting the product. We see continuous, very strong feedback from our customers also when it comes to the workflow benefits, but more importantly, also the clinical performance. It's a product that we continue to focus on. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23)

Planned video laryngoscope guided to offset certain competition: As mentioned, Ambu acknowledged Verathon's competitive advantage with a combined bronchoscope and video laryngoscope. On its Q1 23 Conference Call, Ambu represented its planned Video Laryngoscope 2.0 launch will position it as a leader where it sees the most competition. Specifically, Ambu highlighted it would launch a high-quality product and its customers were looking forward to the launch.

> Pulmonology remains a high priority area where we have also put more commercial focus on in recent months. Both **the VivaSight and the Video Laryngoscope 2.0 will give us a position as a leader where we see the most competition in the U.S.** and is basically from a company that has both the video laryngoscope together with a bronchoscope. And we believe our offering that we have in development is clearly a very high-quality and will be a very high-quality winning solution with our customers. And they are definitely looking forward to us having also a video laryngoscope on the market. (CEO Ms. Britt Meelby Jensen, Q1 23 Conference Call, 02/07/23) [emphasis added]

Cost reduction program and ZOOM IN strategic initiative: In its 08/02/22 Press Release, the Company disclosed a newly initiated cost reduction program. The Company guided to reduce its sales force in certain markets and reduce innovation investment levels. Specifically, the Company guided to continue to invest in its Endoscopy Solutions pipeline but to "scale down" investments within Anaesthesia and Patient Monitoring. The Company guided for the program to result in DKK 150.0 million of one-off charges related to severance, asset write-offs, and inventory write-downs and an annualized DKK 250.0 million pre-tax savings beginning in FY 23. In addition, in its FY 22 Annual Report, the Company outlined its ZOOM IN strategic initiative to focus on four areas: meeting customer needs, efficient execution, sustainability, and people and culture.

> Our strategy centers on four strategic zoom areas: Zoom in on meeting true customer needs, zoom in on executing efficiently, zoom in on sustainability and zoom in on our people and culture – all together, we will ZOOM IN to deliver strong and profitable growth. (FY 22 Annual Report)

Transition from reusable to single-use endoscopes: In its FY 22 Annual Report, the Company disclosed it was the market leader within single-use endoscopes. Ambu represented approximately 98.0% of endoscopy procedures were performed using reusable endoscope systems but the transition to single-use endoscopes accelerated in recent years. The Company highlighted the single-use endoscope market was a high-growth market supported by an increased focus on patient safety, workflow and efficiency benefits, and rapid technology advancements. In its Capital Markets Day Press Release on 03/20/23, Ambu guided for the single-use endoscopy market to increase from DKK 5.0 billion to DKK 17.5 billion at midpoint in five years.

> Within endoscopy, approximately 98% of procedures are performed using reusable endoscope systems. With the transition accelerating over the last three years, ~2% have transitioned to single-use endoscopes, indicating a comprehensive future potential. Three overall trends support the future expansion of the single-use endoscopy market. We see increasing evidence supporting each of these drivers, and in combination, they continue to support the transition from reusable to single-use…increased focus on patient safety…workflow and efficiency benefits…rapid technology advancements. (FY 22 Annual Report)

Long-term targets for double-digit revenue growth and EBIT margin expansion: In its FY 22 Annual Report, the Company highlighted its long-term financial "aspiration" was to drive "sustainable" double-digit revenue growth with continuous EBIT margin expansion. The Company highlighted the targets were achievable given it had market leadership in a large and growing market (i.e. single-use endoscopes). In its Capital Markets Day Press Release on 03/20/23, the Company specifically guided for a five-year organic compound annual growth rate of greater than 10.0% with Endoscopy Solutions growth of 15.0% to 20.0% and Anaesthesia and Patient Monitoring combined growth of 2.0% to 4.0%. Further, Ambu guided for EBIT margin before special items to be greater than 10.0% within the next two years with a five-year target (FY 28) of 20.0%.

> With our new strategy, we will deliver value for our stakeholders and return to strong profitable growth. With focus and execution excellence, we aspire to deliver long-term sustainable double-digit revenue growth with continuously upward trending EBIT margins to industry levels. We believe this is achievable in a large and growing market, where we lead and expand our portfolio to increase single-use penetration. We will be able to drive scale-advantages, and we have a strong plan with a clear transformation focus. (FY 22 Annual Report)

Valuation Analysis

As of the date of this publication, Ambu traded at 38.7x EV to next-twelve-month EBITDA, 27.3% below the prior five-year average of 53.2x.

Disclaimer and Disclosure

This report was produced by Voyant Advisors, LLC ("Voyant"). The following Research Analysts employed by Voyant contributed to this report: Graeme Lazarus, Ryan DesJardin, Andrew Brown, and Michael Meehan. Voyant's home office is at 15373 Innovation Dr, Suite 365 San Diego, CA 92128. The firm's home office is where information about the valuations herein are located, unless otherwise indicated in the report.

At the time of this report, Voyant expects to provide updates on a quarterly or semi-annual basis depending on the frequency of when the above company discloses material financial results. We will cease providing updates if we are discontinuing research coverage as disclosed on the front page of this report in the Thesis Summary.

Voyant has not provided previous recommendations concerning the same financial instrument or issuer during the preceding twelve-month period.