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Embla Medical

Q1 2026

Prepared Remarks

Welcome to Embla Medical Q1 2026 conference call. Today's call is being recorded. If you have any objections to this, please disconnect your line. All participants will be in a listen-only mode throughout the presentation, and afterwards there will be a question and answer session. To ask a question, please press five star on your telephone keypad. I would like to introduce President and CEO, Sveinn Sölvason, and CFO, Arna Sveinsdóttir. Sveinn, please begin.

Thank you very much. Good morning, and welcome to the Embla Medical conference call, where we will review the first quarter results for 2026. I'm Sveinn Sölvason, President and CEO of Embla Medical, and joining me on today's call is our Chief Financial Officer, Arna Sveinsdóttir, and Embla Medical's Head of Investor Relations, Klaus Sindahl. The presentation should take approximately 15 minutes, after which there will be an opportunity to ask questions during a Q&A session. Now, if you would please go to the next slide. We are seeing good progress at the beginning of 2026. Sales in the first quarter amounted to $232 million, representing reported growth of 15% and organic growth of 4%. We delivered strong performance in Prosthetics and Neuro Orthotics, driven by continued momentum and solid volume growth across regions and categories.

Growth in Bracing & Supports was moderate, and Patient Care experienced a soft quarter, largely driven by timing effects in Europe. Our EBITDA margin for the quarter came in at 17% and is down one percentage point from the comparable quarter last year, largely due to external factors such as FX and tariffs. We delivered strong net profit growth driven by growing operating results and favorable changes in net financial expenses. During the first quarter, we continued the rollout of our ForMotion brand in Patient Care, and the global rebranding rollout is now more than 90% complete and expected to conclude during the second quarter. In Patient Care, we are seeing, or starting to see, the benefits from the change initiatives we implemented in the second half of last year to enhance long-term growth and profitability in our Patient Care business.

I will cover the performance in patient care later in the presentation. I also wanted to highlight progress in our R&D in the first quarter with the launch of the AeroFit Vent, a liner that minimizes sweat accumulating in the socket. Lastly, we are reiterating our full year guidance of 5%-8% organic sales growth and 20%-22% EBITDA margin. If you please go to the next slide. In APAC, sales growth was strong in the first quarter with 14% organic growth driven by strong performance across all three segments. EMEA and Americas also posted good growth for the quarter, driven by prosthetics and neuro orthotics, which however was partly offset by softer growth in the other business segments. I will cover the specifics and dynamics in each of our segments on the following slide.

If you please go to the next slide. Prosthetics and Neuro Orthotics delivered 9% organic growth. In EMEA, we continue to see strong regional momentum with a broad-based contribution from bionics, our feet products, and other key categories. In addition, our Neuro Orthotics business continues to progress well across several European markets, reflecting our strategy to expand the Pure Intent portfolio internationally. Growth in Americas was also strong, driven by recently launched innovation in bionics as well as our feet solutions across both our Össur and College Park brands. Neuro Orthotics have begun to ramp up in the U.S. with a more meaningful contribution expected during 2026 as we broaden the launch of our first bionic knee joint, which received a reimbursement code last summer in this important market.

Lastly, we saw a very strong quarter in APAC across key markets and all product categories. If you turn to the next slide, please. Sales in Bracing & Supports grew 1% in the first quarter. In America, sales growth was flat, and the market continues to be affected by shifting dynamics and competitive pressure, including increased price sensitivity. In EMEA, sales were soft, consistent with trends seen in Americas. Lastly, our Bracing & Supports business in APAC delivered strong growth in quarter one across the region with strong growth contribution in Asia as well as Australia and New Zealand. If you turn to the next slide, please. Sales in Patient Care declined 1%.

In Europe, we saw sales underperform here in the first quarter, largely due to timing effects as we are both following a strong fourth quarter from 2025 and Easter holidays partly overlapped into March. We expect the Patient Care business in Europe to return to more consistent sales performance in line with market during 2026. Sales in Americas recovered in the first quarter in line with the internal change initiatives implemented during the second half of 2025. In APAC, sales performance in Patient Care remained solid in Australia. We remain confident that the Patient Care business in both Americas and Europe will deliver in line with the structural growth of the O&P industry as the year progresses, as well as gradually contribute to increasing margins as we see profitability moving in the right direction here in quarter one.

With this overview of our performance for the first quarter, I would like to hand it over to Arna to go through the financials in more detail. Arna, please.

Thank you, Sven. Please turn to the next slide for an overview of our financials. In the first quarter, the gross profit margin was 62% compared to 63% in Q1 2025. The gross profit margin was positively impacted by strong sales in the Prosthetics and Neuro Orthotics, but offset by all items such as FX and tariffs in the U.S. OPEX was 52% of sales in Q1, which is the same ratio of sales as in the comparable period. OPEX grew 3% organically in line with our continued focus on cost control. Consequently, we delivered an EBITDA margin of 17%, which is one percentage point below the comparable quarter, mainly due to FX headwinds and tariffs.

The negative effect on our EBITDA margin from changes in currencies amounting to roughly 50 basis points net of hedging in quarter one when compared to the same period in 2025. Finally, I'm very pleased to see that we delivered strong net profit in the quarter as our net profit grew 21%. The increase is driven by growing operating sales and favorable changes in net financial expenses. If you please turn to the next slide for the status on our cash flow and leverage. During the first quarter, CapEx was $5 million or 2% of sales, which is below our normalized level of 3%-4% of sales due to timing of investments.

Our free cash flow generation was lower than comparable period last year, mainly driven by negative effects related to timing of our net working capital. In addition, it's worth highlighting that cash flow generation is seasonally low in the first quarter. Net interest and debt to EBITDA amounted to 2.4 times at the end of the quarter, which is in line with our target range of 2-3 times. We therefore continue with our share buyback program. During quarter one, we bought back $2.6 million worth of shares. With this overview on our financials, I'll hand over to Sven for his closing remarks and comments around guidance.

Thank you, Arna. Please turn to the next slide. Despite the variability in performance across regions and segments, we're off to a reasonably good start in 2026 in an environment with higher uncertainty on the global economic outlook. Our guidance for 2026 remains unchanged, where we expect organic sales growth to be in the range of 5%-8% and EBITDA margin to be in the range of 20%-22%. With this overview, our presentation is now concluded, and we would like to open the call for questions. Operator, please move to the next slide and the Q&A can begin.

Q&A

Thank you. If you do wish to ask a question, please press five star on your telephone keypad. To withdraw your question, you may do so by pressing five star again. We will have a brief pause while questions are being registered. The first question is from the line of Yiwei Zhou from SEB. Please go ahead. Your line will now be unmuted.

Also, Sven from Geode.

Hi, it's Wei from SEB. Thank you for taking my questions. I have three questions, and I'll do one at a time. Firstly, just looking at the Bracing & Supports, I recall that historically, this segment carry a lower margin. Then after the tariff payments now, I understand it's $2 million in the quarter and, if we annualize that, can you confirm that that segment you still have a healthy profitability going forward? Is there a sort of possibility to increase sales price? If you could comment on this first. Thank you.

Hi, Wei. Appreciate your question. Yes, the tariffs are mainly impacting our bracing business. You're correct. We manufacture most of our bracing products in Southeast Asia, China, or with third-party vendors in China and Taiwan. When it comes to margin in the bracing business, the bracing business is a profitable business. It contributes positively to the overall margin of the company. With that said, obviously an impact from the tariffs and we've had very little pass-through to our customers.

At the end of the day, the bracing business is a competitive marketplace with many companies that compete in especially the U.S. marketplace and with reimbursement being fixed, it has provided very limited opportunities for pass-through of these tariffs.

Okay. Can you confirm that you still have a healthy margin after-

Yes.

The tariff payments?

Absolutely.

Okay. Fair enough. Thank you. My second question regarding the upper limbs portfolio in the prosthetics. I realized that there recently have been a change in the U.S. reimbursement. Can you comment on this? What would be the net effect on your business?

Okay. Yeah. There was a reimbursement. Wait, is it possible for you to mute the line? Well, there's some background noise between-

Yeah.

Questions. Yeah. Sorry about that. There was a reimbursement ruling here on the OfferX product line here in the beginning of the year, which was unfavorable. Which means that there are certain aspects that impact our business negatively while there are other aspects which are more neutral to positive. We are still working through the exact impact of this, but this is not something that will have a meaningful impact on our overall growth trajectory. We see lots of opportunity in the OfferX business, especially also on the mechanical finger range, with very little, which is a category with extremely low penetration. A slight...

On balance, a slightly negative ruling on reimbursement, but not something that will change our overall outlook for the year.

Is it possible to remind us what is the growth trajectory in that portfolio?

Our OfferX business has been showing sort of strong, high single-digit organic growth rates historically.

Okay. Thank you. Last question on the EBITDA margin guidance. I mean, if you look at the 20-22% compared to last year, the high end is one percentage point higher than your guidance last year. But if you're looking at Q1, usually lower, because of tariff payments and also FX headwind. I mean, what is your assumption for you to reach the 22%?

Yeah, that's a good question, Wei. Remember quarter one now is sort of the last quarter where we're comparing to a period from last year where we were not paying tariffs. Let's keep that in mind. The main consideration with regards to our EBITDA margin guidance range, it goes back to our Patient Care business. We've talked a lot about our efforts in building a global Patient Care business, rolling out one ERP system, rolling out one brand, bringing more consistency into our ways of working for our Patient Care platform. That is probably the single biggest topic which will determine where we'll end up ultimately in the range.

What we see here in quarter one is that despite our off time being 1% down in Patient Care, we still see more margin contribution from our Patient Care business, which tells us that we are moving the business in the right direction. As we will see more top line contribution from Patient Care in the latter half of the year, that will also impact our margins. That is the single biggest topic to look out for when it comes to where we'll end up in the range.

Cool. Thank you. Can you confirm that the rebranding and the restructuring initiatives now have been completed here in Q1?

Yeah. We mentioned in our material here that we're 90% through the rebranding exercise, and we'll finish here in quarter two. There were two sort of big launches for us here in quarter one in France and the other one in the last region in the U.S. There is some, you could say, impact of that here in quarter one. Yeah, we're almost across the line in this on the branding rollout.

Great. Thank you. I'll jump back to the queue.

Thanks, Wei.

The next question is from Ms. Beatrice from Berenberg. Please go ahead.

Professor in neuroprosthetics. Thank you for taking my questions. Just on the prosthetics and neuroprosthetics segment, could you elaborate a little bit more on how demand has been across the Össur and College Park brands, particularly on the kind of the Navii and the Icon products? You noted that that segment growth was largely volume driven. Could you potentially discuss a little bit how much you've seen from price and mix and whether or not you're seeing any impact from that kind of Medicare reimbursement change, and how that's progressing? Thank you.

Yes. Hi, Beatrice. Thanks for your question. There was some background noise there in the beginning. I'm not sure I caught the whole question, but on sort of going back to bionics is a big part of our growth story here in quarter one. When we look at the Americas business, that's both our Icon and the Navii, which are doing very well. That is we believe partly due to the reimbursement expansion in the U.S. We don't have full transparency when it comes to what type of patients are being fitted within third-party clinical customers.

We certainly believe that that's part of the reason for the, let's say, the good trend lines we see in our bionics business in the United States. Generally across all major markets, we see good progress in our bionic range on a volume side. When you look at the high single digit growth rates we are posting in our new prosthetics and neuroprosthetics business, that is then ultimately partly mix because our bionics range is growing faster than our mechanical range treatment lines.

Great. Thank you.

Thank you, Beatrice.

The next question is from the line of Tom Widenfelt. Please go ahead. Your line will now be unmuted.

Widenfelt calling from Intron Health here. Just building on the Medicare K2 expansion question, how are you currently sizing the K2 patient population in the U.S.? What proportion do you realistically expect to capture? What is the reimbursement rate per K2 fitting versus your existing K3 and K4 ASPs?

Hi, Tom. Thanks for the question. I mean, if we look at just the Medicare data that is publicly available, the lower active population is similar in size to the higher active population. When it comes to pricing, the reimbursement code for bionics for lower active patients is the same as it is for higher active patients in the United States. Remember, this change that was implemented when, as when Medicare opened up for reimbursement for lower active patients. This will take some time to take effect fully. There's a limited clinical capacity in the system.

You will have many K2 patients that have recently been or recently before the reimbursement change had received an upgrade or a new knee and will not be eligible for replacement until 3-4 years down the line. This is a change that will impact the industry for many years to come. We are well positioned to take part in that expansion. We have our Navii, we have our Icon, we have the RHEO KNEE, and we are also in the process of developing a knee that is specifically designed for the least active patients. This is overall a positive change for the industry.

That's great. Thank you.

Thanks.

Before we take the next question, let me just remind you, if you wish to ask a question, please press 5 star on your telephone keypad. Next up, we have Martin Brennø from Nordea. Please go ahead. Your line will now be unmuted.

Hi, Sveinn and Arna. Thank you for taking my questions. I just have two questions as a starting point. Maybe just to understand a little bit how we should bridge the margin guidance versus the performance that you did here in Q1. Just to deliver on the midpoint of your guidance, you need to deliver 22% EBITDA margin consecutively for the next three quarters. You know, can you maybe explain how you bridge that and how likely you think that is or whether we should you know start to realize that we're probably gonna be in the lower end of the guidance range? Thank you.

Hi, Martin. Thanks for your question. I'm going back to Patient Care because bridging from where we were last year to how we've guided for 2026, we closed 2025 with a 20% EBITDA margin. We've guided 20%-22%. We noticed also when we set guidance that there's some, let's say, impact around tariffs. There's some impact around FX. If we look aside from that, the main topic is the Patient Care business. We continue to expect high single digit organic growth rates for our Prosthetics and neuro business, which drives positive mix impact. We expect low single digit organic growth rate for the Bracing business.

For the Patient Care business, we expect during the year to gradually deliver at market growth rates. When that happens, we will get much more operating leverage on our baseline cost. Going back to the initiatives we've been doing on the Patient Care side, we have taken some measures to reduce our overall cost base. We have taken measures to also on the procurement side and measures to increase the productivity or enable our CPOs to see more patients. We see very clearly that these initiatives are paying off here in the U.S. The U.S. has been the biggest integration effort for us over the last years. This is where we've had most fragmentation when it comes to multiple acquisitions in one single region.

It's been lots of heavy lifting and integrating that business. Now we see here in quarter one nice growth rates and a very sort of positive contribution on the margin side. However, that is neutralized by the impact in Europe. There's no structural change in Europe. The Europe Patient Care business has been contributing nicely over the last couple of years. We see some slowness here in quarter one, which we attribute mainly to sort of timing effects, a big quarter four, as well as some Easter impact leading to some loss of capacity utilization. It is a lot about watching or believing in the continuous momentum we see in our Patient Care business.

Because when that business starts to deliver more top line, we will see a big impact on the margin side. That is the single biggest topic in terms of bridging the guidance range.

Thank you, Sven. It's almost like you have read my questions prior to me asking them, because my second question was exactly to actually the Patient Care. Because as an outsider, it's very hard to see the improvements you have been doing in Patient Care in this quarter. It sounds like we are at the verge of the inflection point here in Patient Care. Based on what you're saying, should we already start to see this as of now in Patient Care globally, or do you see some headwinds in Europe sort of in the very short term that we should pencil in for the next couple of quarters?

I mean, what we've said is that during 2026 we'll return to market growth in Patient Care. Again, the Patient Care business is, as a global business, a very healthy business. We have seen impact in our Patient Care business because of all the integration efforts both in terms of implementing systems, rolling out new brands. If we look at the last 18 months, our biggest headwinds in Patient Care have been in the U.S. We've had stable contribution from our APAC Patient Care business as well as our Europe business. However, here in quarter one, we see the turnaround in the U.S., which is super encouraging. However, Europe was slow there we

Again, we don't have any structural issues in the European Patient Care business and expect that to get back on track. This is the main topic, Martin, to watch out for when it comes to our ability to deliver on our EBITDA margin guidance.

Okay. That's super helpful. Thank you for taking my questions.

Yeah. Thanks, Martin.

We have a follow-up from Tom Widenfelt. Please go ahead. Your line will now be unmuted.

Hi, Tom from Intron again. I just wanted to ask one final question on the Streifeneder integration so far. In particular, have you seen any revenue synergies from your other business segments? Thank you.

Yeah. Hi, Tom. Thanks for the question. Yes, the logic for buying or acquiring Streifeneder was to strengthen our position in certain markets and enhancing our, especially our ability to serve clients in more price-sensitive private pay markets. We are starting to see those synergies, yes, and we're also starting to see progress on our integration case when it comes to margin. Streifeneder is diluted here in the first quarter, but as we move into the latter half of this year, beginning of next year, we'll see less dilution from this important acquisition.

That's great. Thank you very much.

Thank you.

We have another follow-up from Miss Beatrice. Please go ahead. Your line will now be unmuted.

Hi, it's Beatrice Berenberg. I just had one follow-up question. Are you seeing any impact from cost inflation at the moment? If so, would you be able to give some color on what is getting impacted and how you're looking-

Sorry

to mitigate this?

Sorry, I didn't hear. Impact from what, sorry?

Cost inflation, if any at all.

Well, there are some vendors have flagged that they expect to raise prices because of oil spiking. At the moment, we don't see this materially impacting our cost picture for the year. With that said, I think it's fair to say that we are more cautious taking some measures to increase our ability to weather some changes here in the second half of the year. As all companies, we are watching this very closely.

Thank you.

Thanks, Beatrice.

As there are no further questions from the telephone, I'll hand it back to the speakers.

Thanks, everyone for participating this morning. I encourage you all to reach out to our investor relations team if you have any follow-up questions. Enjoy the rest of your day.