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Embla Medical

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QUARTR



Prepared Remarks



At this time, I would like to welcome everyone to this Embla Medical Q3 2026 conference call. For the first part of this call, all participants will be in a listen-only mode. Afterwards, there will be a question and answer session. Today's call is being recorded. If you have any objections, please disconnect at this time. I would now like to introduce President and CEO, Sveinn Sölvason, and CFO, Arna Sveinsdóttir. Svend, please begin.



Thank you very much and good morning, everyone, and welcome to Embla Medical's third quarter 2026 conference call. I am Sveinn Sölvason, President and CEO of Embla Medical, and joining me today are our Chief Financial Officer, Arna Sveinsdóttir, and our Head of Investor Relations, Klaus Sindahl. We expect the presentation to take around 15 minutes, and we will then open the call for questions. Let's move to the next slide, please. For the first 9 months, sales reached \$741 million, with reported growth of 10% and organic growth of 5%. Growth in the quarter was led by Prosthetics and Neuro Orthotics, while Bracing & Supports delivered moderate growth. Patient Care was flat in the quarter and performance is below our expectations that we set at the start of the year.



We are, however, moving in the right direction and for a large part of our clinics platform, we are making very meaningful progress, and I will come back to this in more detail later in the presentation. Our EBITDA margin remained strong at 22%, in line with the third quarter last year. This was supported by disciplined cost control and increased profitability in Patient Care despite the lower than expected sales growth. We also continue to make good progress on innovation. During the quarter, we launched a new NEURO SWING joint in Neuro Orthotics and two new adapter kits in our Prosthetics segment. Based on our performance in the first 9 months and our outlook for the fourth quarter, we are narrowing our full year guidance to around 5% organic sales growth and an EBITDA margin of around 21%. Let's move to the next slide, please.



EMEA was the main driver of sales growth in the third quarter, supported by continued strong performance in Prosthetics and Neuro Orthotics across both established and new emerging markets. Sales in Americas were flat organically while sales in APAC declined. If we now move to looking at each segment in more detail, please turn to the next slide. Prosthetics and Neuro Orthotics delivered again strong organic sales growth of 7% in the third quarter. EMEA continued to perform strongly, supported by broad-based volume growth in Prosthetics, including Bionics and growth in sales in Ukraine. The Streifeneder business also contributed with strong growth here in the quarter. In the Americas, growth was flat in quarter 3. Strong performance in our College Park portfolio and Bionics was partly offset by softer sales in other categories. In APAC, sales were soft during the quarter.



Strong growth in Australia, New Zealand was offset by weaker sales in Asia, mainly due to increased competition in China. Neuro Orthotics performed well in EMEA and the Americas also contributed positively, although from a low base as the U.S. commercial rollout continues to progress. Overall, Prosthetics and Neuro Orthotics remains Embla Medical's main growth driver, supported by our broad portfolio, strong innovation pipeline, and expanding international reach. If you please turn to the next slide. Bracing & Supports delivered organic sales growth of 2% in the third quarter. The Americas performed well, supported by new business and broad-based demand across our core product portfolio. APAC also delivered strong growth while EMEA was flat. Contributions from new products and growth in selected markets in Europe were offset by changing market dynamics elsewhere. If you turn to the next slide, please.



Patient Care sales were flat in the third quarter and slightly up from prior quarters. As I mentioned at the beginning of the call, Patient Care sales have developed below the expectations we had at the beginning of the year. EMEA returned to growth here in quarter 3 with solid performance across all major markets, with the exception of Sweden. Performance in Sweden has been impacted by a loss of a regional tender from the beginning of 2026, impacting overall sales growth in the Patient Care business by approximately 2 percentage points for the full year. We have, however, secured a new tender in another Swedish region. This will start towards the end of the year and is similar in size as the tender we lost, and will therefore impact our growth in 2027 positively.



In the Americas, we continue to make progress across the majority of our clinical network, however, offset by impact of the last major integration in the U.S. We are encouraged by the progress we are seeing in both productivity and profitability across the network. At the same time, there is still more work to do to deliver consistent sales performance across all clinics. With a more integrated and efficient operating platform now in place, our focus is on strengthening commercial execution and turning these operational improvements into renewed sales growth. That concludes my overview for the quarter. I'll now hand it over to Arna, who will take us through the financials in more detail. Arna, over to you, please.



Thank you, Sveinn. If you please turn to the next slide for an overview of our financials. In the third quarter, our gross profit margin was 62%, compared to 63% in quarter 3 2025. A stronger gross margin in our Patient Care business was partially offset by temporary costs related to the optimization of selected smaller manufacturing sites in our Prosthetic business. These initiatives are expected to improve efficiency and support profitability over time. For the first 9 months of 2026, the gross profit margin was broadly in line with last year at 62.4% compared to 62.6%. OPEX was \$160 million, or 46% of sales, in line with quarter 3 2025. Organic OPEX increased by 2% in the quarter compared with organic sales growth of 4%. This reflects our continued focus on disciplined cost control, particularly within SG&A, as well as improved profitability in Patient Care.



As a result, the EBITDA margin was 22% in the quarter, in line with Q3 2025. For the first 9 months, the EBITDA margin was 21%, also in line with the same period last year. Net profit was \$26 million, or 1% up from Q3 2025. Higher operating profit was partly offset by increased net financial expenses due to adverse exchange rate movements. For the first 9 months, the net profit increased by 19%. Let's now move to the next slide for an update on the cash flow and leverage. CapEx was around \$7 million in the third quarter, equivalent to approximately 3% of sales. For the first 9 months, CapEx was approximately 2% of sales. For the full year, we now expect CapEx to be between 2% and 3% of sales, compared with our previous expectations of 3%-4%.



This reflects the moderate level of investment during the first 9 months. Free cash flow was \$31 million or 3% of sales, compared to \$38 million in the third quarter last year. The year-on-year decline in the quarter mainly reflects timing effects, while free cash flow for the first 9 months increased by 30%. Cash flow continued to benefit from strong operating performance, disciplined working capital management, and moderate CapEx. Net interest and tax to EBITDA was 2.1 times at the end of the quarter. That concludes the financial overview, and I'll hand back to Sveinn who will approach guidance.



Thank you, Arna. Please turn to the next slide. Based on our performance in the first 9 months and our outlook for the fourth quarter, we are narrowing our organic sales growth guidance to around 5%, compared with the previous range of 5%-7%. The revised outlook mainly reflects a slower-than-expected recovery in Patient Care, despite the continued improvements we're seeing in productivity and profitability. In Prosthetics and Neuro Orthotics, we expect solid performance to continue in the fourth quarter, supported by strong momentum in EMEA, continued growth in Bionics and our recently launched innovations. We're also narrowing our EBITDA margin guidance to around 21%, compared with the previous range of 20%-22%. That concludes our presentation. We are now ready to take your questions. Operator, please move to the next slide and open the Q&A.

Q&A



Thank you. We'll now start the Q&A session. If you wish to ask a question, please press 5 star on your telephone keypad. To withdraw your question, you may do so by pressing 5 star again. There'll be a brief pause while questions are being registered. Our first question will be from the line of Martin Brenoe from Nordea. Please go ahead. Your line will now be unmuted.



Hi. Thank you very much for taking my questions, Sveinn and Arna. I just have three questions, if I may. Can you maybe just speak a little bit to the market growth that you are seeing currently in the U.S. overall, and dive a little bit into what is going on, especially in the Patient Care segment here. What is it exactly that is holding the performance back? I see that you mentioned the ongoing integration and onboarding of additional clinics temporarily constrained growth. Can you maybe elaborate on what that means? That is the first question on market growth in the U.S. and what you mean about the constraint of growth. Secondly, my question would be about the margin here. You are seeing a pickup in Patient Care offset by the weakness in Prosthetics and Neuro Orthotics due to the footprint changes.



Can you maybe put a bit more numbers on exactly what you are seeing here, and when should we expect this change of footprint to show positive margin impact in your numbers? That is question number two. Then question number three is when do you see yourself a potential inflection point in the Patient Care business overall as a group? Is it when you start to get the tender contract out of your numbers in Sweden and the new tender contract into your books, or do you see any bigger structural changes that could happen over the next, let us say, six, nine, 12 months or so? Thank you.



Hi, Martin, and thanks for your question. On the U.S. growth, our view is that the market growth remains healthy in the United States, mid-single digit organic growth rates in the O&P market as a whole. What we see here in Q3 for our business, starting with the Patient Care business, and back to your reference from our communication this quarter, across our U.S. business, we see good progress across our network, with the exception of the last, I would say, major integration that we initiated here in the beginning of the year, which is a meaningful part of our platform, let us put it that way. When we go through these integrations, we usually see a dip in performance as we are integrating processes, integrating new systems, more time spent on not seeing patients.



We are encouraged with the progress which we are across the whole portfolio, but with the exception of these integration efforts. I will also say that the impact of this integration has been higher than what we anticipated. On the product business, we are comparing to, I would say, an exceptionally strong quarter from last year on our Prosthetics and Neuro business. Here in Q3, we continue to see good progress in our Bionics business, our College Park business, but with some unusual slowness across our mechanical portfolio, which we do not expect to be sort of systemic going forward. Overall, our view on the market is that it remains a healthy market, and we are in a good position to generate at least market growth rates.



On the margins, kind of the big picture in the quarter now around margin, we are on average reporting stable margins compared to same quarter last year. In our Prosthetics business and Neuro Orthotics business, we are a little lower year-over-year, mainly because we are doing consolidation in our manufacturing footprint. This has been part of our ongoing strategy, always on the operational side, to consolidate into, let's say, our main sites. That will, all else equal, help us with scalability going forward and help us to continue the trend that we've seen historically, that year-over-year, we find cost efficiencies to outweigh the year-over-year increases we always see on labor costs.



This exercise here that is costing us a little bit in the quarter will put us in a stronger position forward to continue to deliver on the scalability we see in our operational platform. What is encouraging to see on the margins is that the Patient Care business, despite being flat on top line, we still see more margin contribution, which speaks to the actions we've taken on the cost side in that business. Once we see more traction on the top line, we will see also more impact on our margins. That's a good connection to your last question on the Patient Care inflection point. This tender situation in Sweden has a relatively big impact for us this year. Usually, we will not comment on things like won or lost tenders, but this is a little bit of a unique situation.



Sweden is a relatively big part of our Patient Care platform. That's the only country where we are operating in a tender system like that. This tender we lost started impacting our numbers actually at the beginning of this year. It is a full 2 percentage point impact on organic growth. We have also secured another tender, but that will not start to impact our numbers until the beginning of next year. Next year we will get good help from this tender situation. That is part of the story, Martin, and the Patient Care inflection point. We are making good progress, and the easiest way to think about it always is that we have these 200 clinics, where we are driving progress around patient intake, capacity utilization cost.



We see with every quarter that passes, more of our clinics being on the right side of the benchmark we set for financial performance. We are gradually moving in the right direction. With that said, in 2026, we are below where we thought we'd be when we set guidance for the beginning of the year. That's, of course, disappointing.



Very clear. Thank you, Sveinn, for answering my questions. I will jump back in the queue.



All right. Thanks, Martin.



Thank you. The next question will be from the line of Tobias Berg Nissen from Danske Bank. Please go ahead. Your line will now be unmuted.



Yeah. Good morning, Sveinn and Arna. Just to touch on Martin's question on Patient Care here, and return to market-like growth. How should we think about this? Should we expect it to gradually come back going into next year, or will there be some kind of catch-up effect when some of these integration efforts in the U.S. ends? Just to get a lot more understanding on how this transformation is progressing and any feedback on that. Perhaps just, you call out this tender situation in Sweden, which is kind of unfortunate, but do you see any other major tenders coming up that can actually move the needle here in the short term? That would be my second question. Lastly, just on the gross margin where you call out this temporary cost from these site optimizations.



Can you quantify how large these costs are and when they end, and the expected payback and tailwind from when you are completed with this optimization? Thank you.



Hi, Tobias. On the Patient Care growth trajectory, we will give more specific guidance when we close the year and set guidance for 2027. Again, repeating my answer from previously, this tender situation in Sweden will obviously help us quite a lot next year if we assume that market growth rate is mid-single digit. We will get half of that just from the tender situation in Sweden. You can do the math. It requires less of us to at least be at market growth rate next year in Patient Care. We don't have any other tenders that are coming up here in the short term that we have a risk of losing, to put it that way. I wouldn't zoom in on that being any catalyst of any sort.



This is a little bit of a unique situation now when we are between tenders like this that have a meaningful impact on the overall situation. I will say for the gross profit margin impact of these manufacturing relocations, this is mainly a Q3 story, maybe slightly slipping into Q4. It's not a major topic. It is an explanation here in the Q4. In the absence of this, we would have had a slightly stronger gross profit margin because we're making good progress, especially on the productivity side in Patient Care. The way I look at the benefit is that we have a more scalable platform going forward and are in a stronger position to continue to create the continuous improvement that outweighs the normal sort of wage or labor cost increases we see every year.



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



Thank you, Tobias.



Thank you. The next question will be from the line of Beatrice Fairbairn from Berenberg. Please go ahead. Your line will now be unmuted.



Hi. Thank you so much for taking my questions. Firstly, I just wanted to clarify two points on what you discussed earlier regarding Patient Care in Sweden. Firstly, is this new tender expected to kick in in Q1 next year? You mentioned the beginning of the year, but I just wanted to further clarify about that. On the flat sales growth in Americas that you mentioned, is this just due to weakness in the mechanical segment? I suppose, could you give some more color on what's driving that? Secondly, you noted in the presentation increasing competition in China in the Prosthetics and Orthotics segment. How much of an impact on segment sales has this been, and could you elaborate more on what this looks like in terms of product categories affected and types of competition?



Finally, can I just clarify timings on when we should expect the ramp up of the NEURO HITRONIC MPKAF0 in the U.S.? For the K2 MPK launch, is this a full commercial launch or initial limited launch in the latter part of 2027? Thank you.



Hi, Beatrice. Thanks for your questions. On question one, yes, the tender will start from approximately 1st of January. It's good to confirm that. On the flat sales growth in the U.S., yes, it's mainly weakness in our mechanical portfolio, and we've seen these fluctuations historically. This has historically been our strength, liners, feet, and we are currently very enthusiastic about the reception we are seeing from our relatively new Pro-Flex Terra foot that also has reasonably favorable reimbursement dynamics in the U.S. So we expect the mechanical range to pick up going forward in our important U.S. market. In China, it is mainly competition in the knee segment from local Chinese companies that have impacted our growth in China. If we look at the APAC region as a whole, China is one of our three major markets.



Our biggest markets in the APAC region are Australia, New Zealand, and Japan, and then China. So this competition from local Chinese companies is having a meaningful impact on our position in China. However, we still remain one of the kind of few holistic suppliers, so everything that is needed to build prosthetic legs. We still see opportunities in this region. Here short term, we see an impact from this increased local competition, if you will. Neuro Orthotics in the U.S. continues to gradually build some traction. Reimbursement is there. The product is solid. We are doing lots of education and sales efforts with our customers and expect that to gradually ramp up. As we're growing from practically a zero base, this will help our growth rates.



Finally on the K2 question, we're still on track for launch towards the end of next year, and that will be in more limited fashion with full launch in 2028, I expect.



That's great. Thank you.



Thank you very much.



Thank you. As a reminder, if you wish to ask a question, please press five star on your telephone keypad. For our next question, please state your name and company before asking your question. Your line will now be unmuted.



Good morning. Tom Rosenfeld from Intron Health Research. Just one question from me today, and that's on the manufacturing site optimization costs. Could you give some more color on the magnitude of these costs, and how long they'll expect to see them for?



Yeah. As I mentioned earlier, this is a short-term topic, mainly a Q3, slightly stretching into Q4, where we are consolidating a small manufacturing location into our broader platform. It is part of the margin story this quarter because it's important for us to note that we are seeing this progress on the Patient Care side that is then compensating for this short-term weakness on the product side. We don't expect this to be any major theme going forward, but it is just an explanation here this quarter.



That's great. Thank you. On the margin, the 21% guidance, I think that implies a step up in the margin from last year in Q4. What's driving that, and does that mean that we'll have largely seen the end of the manufacturing site optimization costs by then?



Well, yes. We implicitly guiding for a margin which is similar to what we are reporting here. But I want to still caution all of you that usually, let's say if you look historically at our margins, we are seasonally a little lower always in Q4. It's a big quarter with lots of activity, so costs are typically a little higher. But, yeah. We are implicitly guiding towards a higher average margin here in the second half of the year than in the first half of the year, which lands us in and around 21%.



Thank you.



Thank you.



Thank you. Our next question will be from Yiwei Zhou from SEB. Please go ahead. Your line will now be unmuted.



Hi. Good morning. Thank you for taking my questions. I have two or three follow-up questions here. Firstly, on the Sweden, the new tendering. I understand that it should offset the revenue impact from the lost tender this year. Can you talk about its profitability? Should we expect a similar level of margin as compared to the one you lost? Secondly, on the Chinese competition, can you confirm that it is mainly still within China, and it is not impacting other Asia markets?



Hi, Yi. Thanks for your questions. On the impact of the tender situation, yes, again, just good to clarify. The impact is negative 2 percentage points on growth for full year 2026. What we are essentially saying is the tender that we won will have a positive 2 percentage point impact in 2027. It should have a marginal positive impact on profitability because we retain fixed costs in Sweden knowing that this is coming. We have been kind of, how should I put it? Given the fact that we lost this tender this year, we still kept some infrastructure cost in place to be able to serve this tender that is coming up. All is equal, it should rather be a positive margin story than a negative margin story, this new business that will serve next year. Hope that makes sense.



On the Chinese competition, we see products from Chinese manufacturers also being present in other markets. In Asia for us, we do not have a lot of sales exposure in other region. China, Japan, India are our main markets with some Korea. Let us say this is not a theme as such that we see these Chinese products impacting our business in these countries. I think it is fair to assume that we will have more competition, like all other companies from high quality Chinese companies entering other markets, and that is something we are assuming and need to compete with.



Okay, thanks. In this context, I remind that you had a product, a bionic bracing, which you announced in the last Capital Markets Day. You talked about really expect launch in the medium term. But so far, we have not heard anything. I always realized that also some Chinese competitor manufacturer, they are launching a new sort of bionic bracing products, and have done a lot of real live testing. Is something that delay your launch or concerned about your plan?



Wei, you're correct. We have historically talked about the possibility of active bracing products, and what you're referring to, I think are some of these pilots that we've done around, I remember an active pelvis orthosis, for example.



for stroke patients. I think this is also what you see now in our Neuro Orthotics business, where we are putting bracing external fitted mobility devices that are meant to replace lost muscular activity in the lower part of the body, and this is very much the Neuro Orthotics theme. Yes, you're also correct. There's lots of investment in and around these types of technologies, externally fitted mobility devices also for kind of lifestyle use and some of these aging themes play very much into that. Currently, that's not a focus theme for us. Our neuro business is principally focused on stroke patients and other patients with neuromuscular complications that in countries where there is an established reimbursement protocol for these types of indications. So there is a lot ongoing in this mobility industry.



We have lots of both technology, intellectual property know-how in and around that, but currently it's not a focus area for us to go beyond, you could say the focus markets, reimbursed markets that we operate in.



Okay, fair enough. Thanks. I will jump back to the queue.



Thanks, Yi.



Thank you. The next question will be from the line of Martin Brenoe from Nordea. Please go ahead. Your line will now be unmuted.



Hi, Anders. Martin. Hey, thank you for taking my follow-up here, Martin from Nordea. Just maybe one or two follow-up questions here. One of the things that you maybe are not really good at highlighting enough, I would say, is your Prosthetics and Neuro Orthotics business. Can you maybe just give us a little bit of status on where that business is versus when you bought it in terms of, let's say, in base 100, in sales is where it was when you acquired the business, and then you compare it to where it is today. And maybe also just a little bit on what's sort of the growth levels that you are seeing.



I get that it's from a very low base, but just to give us an indication of when this can become a meaningful contributor to the business. Maybe also just a bit of feedback, but maybe it's worth to put that in your report for the annual report, so you start to actually report a little bit on that number. That would be the first question. The second question is also what you don't write too much about. Can you just tell us a little bit about your tariff impact? Because I guess last year you were having a bit more negative impact from tariffs versus this quarter. Also just any tariff refunds that you received this quarter would be very helpful. Thank you.



Thanks, Martin, for the follow-up. On the neuro business, thanks for highlighting that. We are very satisfied with development in our neuro business and even more so than where we were just after the acquisition. This has definitely progressed in line with our expectations and fits extremely well into what type of company we are and what ambitions we have. This is a patient population that is largely underserved. It is much larger than the patient population we're focused on the prosthetic side. It's a market that is much less matured from a reimbursement perspective in particular. So growth has been in line with our expectations. Remember, this was mainly a German business when we acquired it.



The German business continues to go well and we are gradually seeing sales growth in other regions where we have relationships with clinics that also serve patients that would benefit from these products. When we think about future growth, it's a lot about reimbursement. We are really happy with the decision from last year where Medicare approved our high-end bionic knee brace for reimbursement in the U.S. So that gives us a platform to really start and build the neuro business in the U.S. So this will increasingly be a bigger part of our growth story, and at some point we will report on it as a separate segment, but for now we report on it as part of the broader Prosthetics segment. But again, it is very much similar dynamic, similar drivers. It's a repeat business, it's a maintenance.



People that need these products will need them for the rest of their lives. So, it's definitely progressing in line with our expectation and part of our growth story overall, very much so. We will be more specific around it as we set out our new guidance towards the latter half of next year for the next five-year strategy. On tariffs, Arna Sveinsdóttir, can you answer that, please?



I can say, yeah. Yes, just to start with that, last year we used to pay or did see around \$2 million in tariff every quarter. This year, we've seen around 50% of that as a quarterly cost for tariffs. Exception is for last quarter when we received the refund around \$4 million. This quarter, in Q3, we not see any further refunds from the tariffs, but there is still some open questions around that we expect to get answered late this year or early next year.



That is very clear. Thank you so much for taking my questions.



Thanks, Martin.



Thanks. As no one else has lined up for question in this call, I'll hand it back to the speakers for any closing remarks.



Thank you, operator. Thanks everyone for listening in to our call this morning. If you have any follow-up questions, please don't hesitate to reach out to our investor relations team. Enjoy the rest of your day. Thank you very much.