

Good work at cost cutting

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EBITDA up to 21% of sales

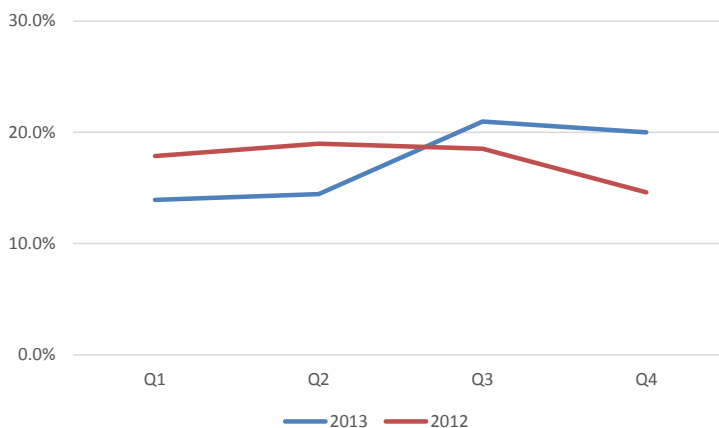
- The medical device maker Össur just published its Q313 figures. Here is our first impression of them. We will publish a new valuation of the company tomorrow, after an earnings call with management.
- The main news in this is that management delivered well on its cost cutting message, better than we expected.
- Historical figures, including the new ones, and our forecast can be seen in the table to the right.
- Sales and gross profit we nearly exactly as we predicted, USD 104,7m and 65.4m respectively.
- Cost was significantly lower, as can be seen in the table. Management's cost cutting programme, including relocation of production, layoffs and stricter controls, is obviously paying off in line with their forecasts and then some. Operating cost was 45% of sales, compared to 47% in Q312.
- The good work in cost cutting leads to an increase in EBITDA% to 21.0%, up from 18.5% in Q312 and 14.4% last quarter, a relevant change. Indeed this is among the highest quarterly EBITDA% on record for Össur.
- In light of these results we have revised our forecast for Q4 and 2013. The new estimates can be seen in the table (top right).
- IFS will publish a new valuation for the company tomorrow, following a conference call with management.

Össur – Earnings forecast vs. actual results

USDm	Q312	2012	Q3 13	Q3 13E	Diff%	2013E	2013E
Net sales	98.5	399.4	104.7	104.4	0.3%	427.3	427.0
Sales growth%, YoY	-2.8%	0.3%	6.3%	6.0%		7.0%	6.9%
Cost of good sold	-36.8	-151.5	-39.3	-39.4		-162.4	-162.5
Gross profit	61.7	248.0	65.4	65.1	0.5%	264.9	264.5
Gross profit%	62.6%	62.1%	62.4%	62.3%		62.0%	62.0%
Other income	0.0	0.1	0.1	0.1		0.5	0.5
Sales and marketing exp.	-29.4	-120.9	-31.0	-32.4		-131.6	-134.4
R&D expenses	-5.5	-22.1	-4.8	-5.7		-22.6	-23.5
Admin expenses	-11.8	-48.2	-11.1	-12.5		-50.6	-53.0
EBIT	15.0	56.8	18.6	14.5	27.9%	60.5	54.1
EBIT%	15.3%	14.2%	17.7%	13.9%		14.2%	12.7%
Financial income	0.0	0.2	0.0	0.0		0.1	0.1
Financial expenses	-1.6	-6.8	-1.1	-1.1		-4.6	-4.6
Net exchange rate diff.	0.2	0.3	0.8	0.0		0.0	0.0
Total financial expenses	-1.4	-6.4	-0.3	-1.1		-4.4	-4.5
Profit before tax	13.6	50.9	18.3	13.4		56.1	49.6
Income tax	-3.8	-13.1	-4.4	-3.5		-14.2	-12.7
Net profit	9.9	37.8	14.0	9.9	40.4%	41.8	36.9
EBITDA	18.2	70.0	22.0	17.9	22.6%	74.7	68.3
EBITDA%	18.5%	17.5%	21.0%	17.2%		17.5%	16.0%
Gross profit%	62.6%	62.1%	62.4%	62.3%		62.0%	62.0%
Sales and marketing%	-29.8%	-30.3%	-29.6%	-31.0%		-30.8%	-31.5%
R&D%	-5.6%	-5.5%	-4.6%	-5.5%		-5.3%	-5.5%
Admin cost%	-12.0%	-12.1%	-10.6%	-12.0%		-11.8%	-12.4%

Source: Össur, IFS Research

EBITDA% by quarters 2012 and 2013



Source: Össur, IFS Research



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