



Embla Medical

Stepping into the Future

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Embla Medical, a global leader in non-invasive orthopaedic solutions, is a vertically integrated business with multiple upside drivers. The Medicare K2 policy shift and potential commercial payor alignment, ongoing mix shift to higher margin bionics, nascent neuro-orthotics market and EM prosthetics expansion all present major opportunities. We forecast revenue to grow at a CAGR of 7% over 24-29, with the K2 pt expansion adding at least 4% to 2029 revenue. We expect strategic consolidation of Embla's O&P clinics and targeted cost optimisation to drive adjusted EBITDA margins up by 300bps to 23.1% by 2029. Reliable free cash flow and a history of buybacks underscore Embla's investment appeal. We value the company at DKK56, implying ~50% upside.

Bionics: A Key Growth Driver, With 16% CAGR to 2029

We see Bionics growing at 16% pa 2024-29 as reimbursement gradually expands in developed markets. The Medicare K2 policy shift, with likely commercial payor alignment, adds 4% to revenues by 2029 with potential for upside from increased patient access and broader market adoption.

Neuro-Orthotics Presents Synergy-Driven Growth Opportunity

Embla's acquisition of Fior & Gentz positions it to drive global growth in neuro-orthotics, tapping into a vastly underserved patient base. With ~70% of current revenue from Germany alone, Embla's geographic expansion drives 16% revenue CAGR from a modest base.

Projected 300bps Margin Expansion by 2029

We expect margins to expand as revenue growth surpasses fixed cost growth, with acquisition synergies and operational efficiencies driving a projected 300bp gain in the EBITDA margin by 2029.

DCF Derived PT Set at DKK56/share Offering 52% Upside...

...despite an 18% EPS CAGR (2024-2029) outperforming its peer average of 13%, it currently trades at a ~5% sector discount on 2025e EV/EBITDA. At our PT it would trade on a 38% sector premium.

INITIATION

Price: DKK37
Target Price: DKK56

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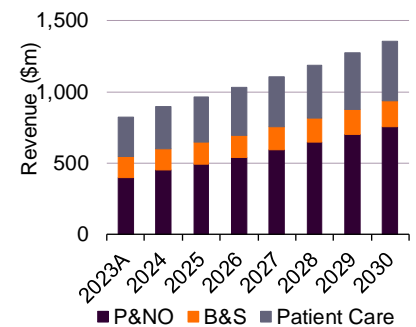
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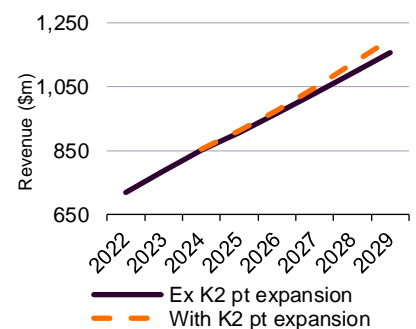
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Group revenue (\$m)



Source: Intron Health estimates

K2 pt expansion opportunity (\$m)



Source: Intron Health estimates

Summary Financials

\$m	23A	24E	25E	26E
Revenues	786	854	911	975
EPS (\$)	0.14	0.17	0.20	0.24
Net debt (\$m)	395	437	378	319
2026 PE			22x	
Mcap (\$bn)			2.2	

Source: Intron Health estimates



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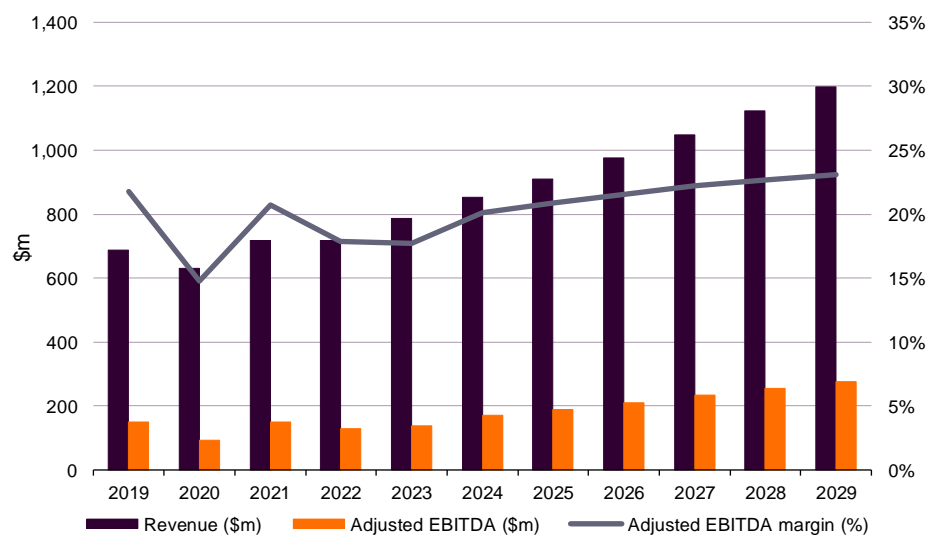
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Investment Summary

Embla Medical, listed on the NASDAQ Copenhagen Stock Exchange, is a global leader in non-invasive orthopaedic products, such as prosthetics and braces. We show how Embla is set to execute on multiple growth drivers between now and 2029, leading us to forecast a revenue CAGR of 7% over 2024-29. The major growth drivers include 1) the recent Medicare policy that extends coverage for advanced bionic knees and feet to K2 patients, adding 4% to revenue by 2029; 2) building on the acquisition of Fior & Gentz through strong international growth opportunities in the neuro orthotics market; 3) the expansion of mechanical prosthetics into underserved emerging markets, and 4) Patient Care services benefitting from functional trade up to bionic devices. The shift toward higher-margin bionics drives our 300bp margin accretion over 24-29, with the EBITDA margin hitting 23% by 2029. Our DCF model yields a valuation of DKK56/share, representing 52% upside.

Chart 1: Revenue, EBITDA and margins: 2019-2030



Source: Intron Health estimates

Vertically Integrated with Three Business Segments

Embla operates through three synergistic business segments. P&NO (50% revenues) sells mechanical and bionic prosthetics and is one of the top two players in this highly fragmented market. The Fior & Gentz acquisition added a lower-limb portfolio by expanding into neuro-orthotics. B&S (17% revenues) sells braces for acute injuries and osteoarthritis patients, but this market is characterised by lower barriers to entry, limited innovation and pricing pressures. Patient Care (33% of revenues) encompasses Embla's operations across a global network of ~200 O&P clinics in 11 countries, providing personalised fittings for prosthetic, orthotic, and assistive devices.



Table 1: Characteristics of Embla's three business segments

	Prosthetics (& Neuro Orthotics)	Bracing & Supports	Patient Care
2023 share of revenue	46%	18%	36%
2023 organic sales growth	13%	3%	8%
Market size (\$bn)	1.5-1.7	2.7-3.0	14-15
Market growth	4-6%	2-3%	3-4%
Embla's market share	23-25%	5-7%	2-3%
Embla's global position	2nd	4th	3rd
Embla revenues CAGR 2024-2030*	9%	3%	6%

Source: Company reports, Intron Health *Intron Health estimates

Table 2: Divisional revenue growth forecasts and drivers: 2024-2029

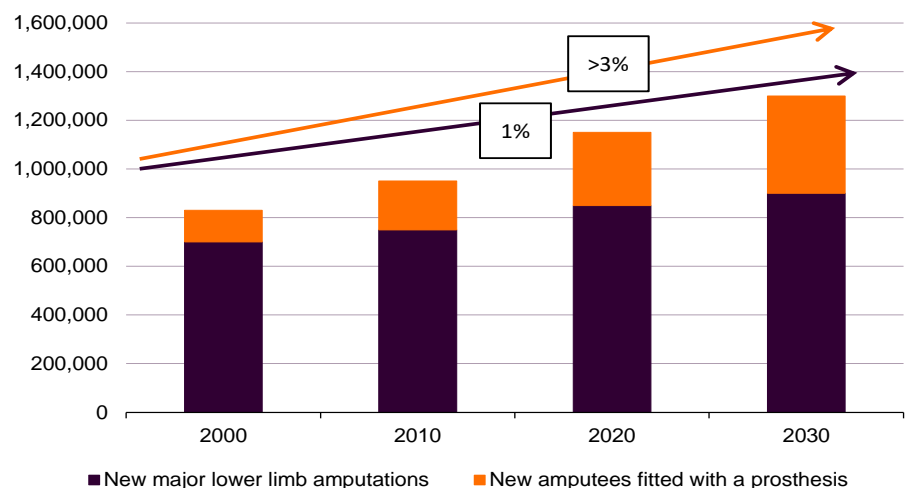
Segment	% of Group revenue (2029)	Revenue CAGR (2024-2029)	Key Growth Drivers and Forecasts
Prosthetics & Neuro Orthotics (P&NO)	55%	9%	<p>Mechanical Prosthetics: 6% CAGR to \$420M largely driven by expansion into emerging markets, particularly in EMEA</p> <p>Bionics: 16% CAGR to \$227M (11% excluding K2 patient expansion). Growth is primarily driven by the Medicare K2 policy shift and anticipated commercial payor alignment by 2027, presenting a significant 23% tailwind to Bionics revenue by 2029</p> <p>Neuro Orthotics: 16% CAGR to \$54M, with strong growth in ex-Germany markets peaking at 32% YoY in 2026, leveraging Embla's global O&P infrastructure</p>
Bracing & Supports (B&S)	14%	3%	Growth aligned with projected 2-3% market growth, supported by aging demographics, and Embla's price integrity from its 'Bracing Simplified' strategy
Patient Care	31%	6%	Product mix shift towards bionics and market share gains from centralized offerings

Source: Intron Health estimates

Favourable Demographics for Prosthetics Demand

Demographic and epidemiological trends are driving robust growth in the ~\$1.7bn global prosthetics market. An ageing global population and rising diabetes (537m cases in 2021, forecast to reach 643m by '30) are key growth drivers, particularly given the average amputee age of 65-70 years and diabetes accounting for 50-70% of non-traumatic amputations. These factors, combined with the high prevalence of peripheral artery disease (~200m cases globally) and a growing prosthetic fitting rate among new amputees, underpins market growth of ~5%. Expanding healthcare infrastructure and reimbursement systems in developing markets further augments this.

Chart 2: A growing number of amputees receiving prosthetics



Source: Company reports, Intron Health estimates



Emerging Market Opportunity for Prosthetics

Embla holds top-four market share positions across all three divisions globally, driven by its extensive global distribution network and portfolio of technologically advanced products. ~90% of its sales volume is generated through direct sales channels in 22 developed countries, despite these markets constituting only ~20% of the global amputee population. This disparity largely reflects the absence of well-established reimbursement systems in many emerging markets (private pay represents >70% of these markets). Prosthetic fitting rates for lower-limb amputees are 40-60% in developed regions but fall to just 10-30% in emerging markets. A critical growth strategy for Embla involves tapping into underserved markets where the demand for cost-effective mechanical prosthetic devices is strong.

Mechanical Prosthetics vs Bionics

Historically, mechanical prosthetics, utilising simple hinges, springs, and locks, were the standard devices adopted by amputees, offering lower costs and broader accessibility. However, bionic limbs are gaining traction in O&P clinics for their clinically proven health-economic benefits, especially for lower-limb amputees. They are substantially more expensive (manufacturer price of ~\$15k for a microprocessor knee vs ~\$3k for a basic mechanical knee), so adoption is highly dependent on established reimbursement systems. In 2013, bionics represented 13% of the company's prosthetics revenue, but this share expanded by 1100bps to 24% by 2023. We forecast Bionics (excluding K2 policy shift) and Mechanical prosthetics to grow at 2024-2029 CAGR of 11% and 6%, reaching \$185m and \$420m, respectively.

K2 Patient Policy Shift Adds 4% to 2029 Sales

Medicare K-levels classify lower-limb amputees based on their functional abilities and expected mobility outcomes, from K0 (non-ambulatory) to K4 (highly active), and guide the selection of an appropriate prosthetic device. In Q324, the Centres for Medicare & Medicaid Services (CMS) expanded coverage for eligible K2 patients to include high-end bionics (MPKs and bionic feet) - previously restricted to K3/K4 patients. We forecast that the Medicare policy alone adds ~1.5% to 2029 revenue, with a material contribution starting from 2025. However, the real long-term value should come in the likely event that commercial payors (cover ~50% of O&P claims in the US) follow Medicare's suit. They typically review policies every 1-2 years and we forecast that they start to update policies from 2027. By 2029, we forecast a 4% uplift in revenue from the combined K2 patient expansion.



Entry into Neuro Orthotics Presents Synergies

Embla first entered the neuro orthotics market in Q124 by acquiring Fior & Gentz, a German leader in custom knee and ankle orthotics for neurological patients. Neuro orthoses have been clinically proven to improve mobility and function in these patients, yet only an estimated 5-15% of those in need have access. We forecast revenue to grow at a CAGR of 16%, largely driven by strong double digit growth ex-Germany, peaking at 32% in 2026. We note that this growth is from a low base of \$26m in 2024e (i.e. 3% FY24 group revenue).

B&S: Lower Margin, Diminishing Contributor

The Bracing & Supports market has become increasingly commoditised due to minimal IP protection and limited clinical innovation, forcing many companies to pivot strategies. Pricing pressures remain significant, particularly from Medicare's Competitive Bidding Program (CBP), which currently affects off-the-shelf bracing with the potential for it to be extended to higher-end, customised braces. Embla has responded by streamlining its portfolio to ~90 products and is focusing on premium service offerings to preserve pricing integrity and reinforce its competitive edge in a challenging market. This should help grow margins from what we assume (based on the broader sector) to be ~10% (EBIT) and support low single digit revenue growth. We forecast a sales CAGR of 3% from 2024-2029, in line with the bracing market.

Patient Care: A Growing Share of Group Revenue

Embla entered the Patient Care market in 2013 with the acquisition of O&P clinics from TeamOlmed and OCH, launching an ongoing consolidation strategy supplemented by organic clinic openings. We forecast revenue growth at a CAGR of 6% from 2024-2029, reflecting a favourable product mix shift toward bionics within Patient Care, driving up overall revenue per unit. Additionally, Embla's unified brand and centralized product offering are anticipated to support market share gains, allowing the company to outperform the market growth rate of 3-4% p.a.

Growth 2027 Strategy

At its 2023 Capital Markets Day, Embla outlined 5-year targets averaging 7-10% revenue growth (5-7% organic, 2-3% acquisitive) over 2023-27. We do not forecast any growth from M&A and thus our projected organic CAGR of 7% is at the upper end of the company's target. A large proportion of our forecasted growth stems from the K2 Bionic policy shift which was announced post-CMD (excluding this our forecasts point to a CAGR of 6%). The company targets net leverage of 2-3x. Their ambition to grow EBITDA margins (the company have not stated a target) is achievable in our view through cost synergy realisation, mix shift toward



higher-margin prosthetics, and patient care consolidation, even amid continued M&A activity.

We Forecast 300bps of Margin Expansion

We forecast 300bps of EBITDA margin expansion over 2024-29, driven by operational leverage and portfolio optimisation. This improvement reflects anticipated cost efficiencies as fixed G&A expenses scale at a rate below revenue growth, particularly across head office functions, IT infrastructure, and administrative operations. Further margin accretion should stem from an accelerating mix shift toward premium bionic solutions, coupled with the reduction in lower-margin bracing segment contribution.

Table 3: Margin development: 2023-2029

\$m	2023	2024	2025	2026	2027	2028	2029
Revenue	786	854	911	975	1,048	1,123	1,199
EBIT	89	114	126	143	164	185	205
EBIT margin	11.4%	13.4%	13.8%	14.6%	15.6%	16.4%	17.1%
Adjusted EBITDA	139	172	190	210	233	255	277
Adjusted EBITDA margin	17.7%	20.1%	20.9%	21.5%	22.2%	22.7%	23.1%

Source: Intron Health estimates

Valuation: DKK56/share Implies ~50% Upside

We value Embla using our DCF, which uses a WACC of 8% and terminal growth rate of 3.5% from 2036, despite a 7% topline CAGR 24-29 and likely ongoing growth tailwinds for several decades as product and geographic penetration continue to expand. We assume that the margin expands from 23.1% in 2029 to 25.0% by 2032, after which it remains flat. With a 24% tax rate and maintenance capex of 3% of sales, our DCF gives rise to our target price of DKK56/share, implying 52% upside.

Our valuation is supported by a comps analysis, with Embla trading at a 38% EV/EBITDA premium to the sector in 2025, with an EPS CAGR of 18% 24-29 vs just 13% for the sector. Currently, Embla trades on a ~5% EV/EBITDA discount to the sector next year.

We provide a sensitivity table below to show how the valuation varies by flexing the WACC and terminal growth rate. Even at a WACC of 9% and terminal growth rate of 2%, we show that the current share price can be supported.

Table 1: Valuation Sensitivities (DKK/share)

		Terminal growth rate (%)				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC (%)	9.0%	37.0	39.0	41.2	43.9	47.1
	8.5%	40.9	43.2	46.0	49.4	53.5
	8.0%	45.3	48.3	51.9	56.2	61.6
	7.5%	50.7	54.4	59.0	64.7	72.0
	7.0%	57.1	61.9	67.9	75.6	85.9

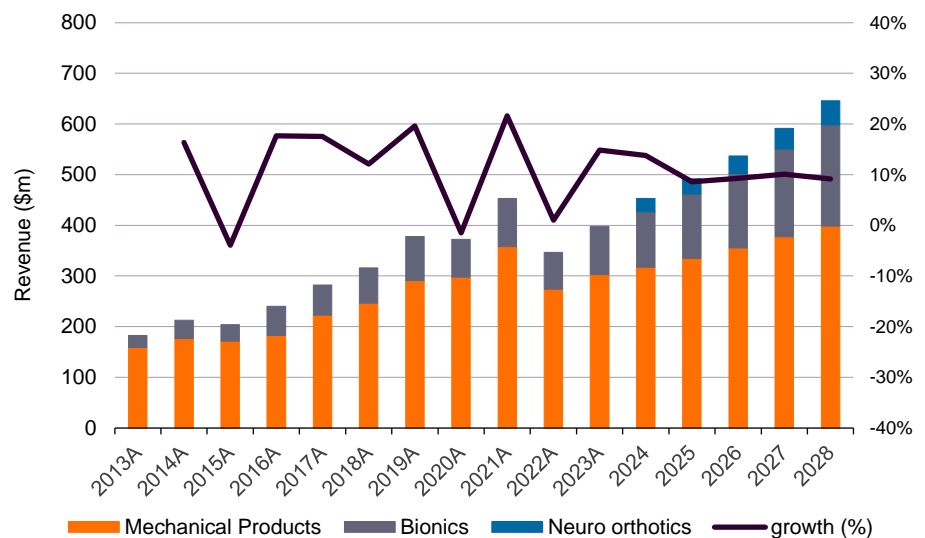
Source: Intron Health estimates



Prosthetics & Neuro-Orthotics (50% Sales)

Embla’s P&NO division is strategically positioned to be a key driver of revenue and margin expansion, benefiting from a favourable mix shift towards its advanced bionic devices, which have demonstrated superior efficacy in reducing fall rates vs mechanical alternatives. We forecast bionics to grow at a CAGR of 16% from 2024 to 2029, largely fuelled by Medicare policy shifts and the likely alignment with commercial payors that will expand Embla’s addressable US market and alone present a ~6% tailwind to P&NO revenue by 2029. In addition, Embla’s acquisition of Fior & Gentz in January marks its entry into neuro-orthotics, presenting valuable synergies which should facilitate double-digit growth in underserved international markets. Overall, we forecast this division to deliver a topline CAGR of 9% from 2024 to 2029, reaching \$700m.

Chart 3: Prosthetics revenue: 2013-2028



Source: Intron Health estimates Note: Growth shown is USD reported growth. The Prosthetics revenue figure in 2022 reflects the inclusion of the newly introduced Patient Care segment (a pro forma adjustment implemented in 2023). Excluding this, Prosthetics revenue in FY22 amounted to \$456m (hence 1% USD growth).

Prosthetics: Support for Amputee Population

Prostheses are artificial devices designed to replace absent limbs or body parts, primarily serving individuals who have undergone amputations due to trauma or vascular diseases such as diabetes. These devices range from basic mechanical limbs to advanced bionics equipped with microprocessors, sensors and motorised components that meticulously mimic natural limb mobility. Prostheses can greatly improve ambulation of individuals and concomitant quality of life. According to WHO, ~40m people worldwide require prosthetic and orthotic devices,

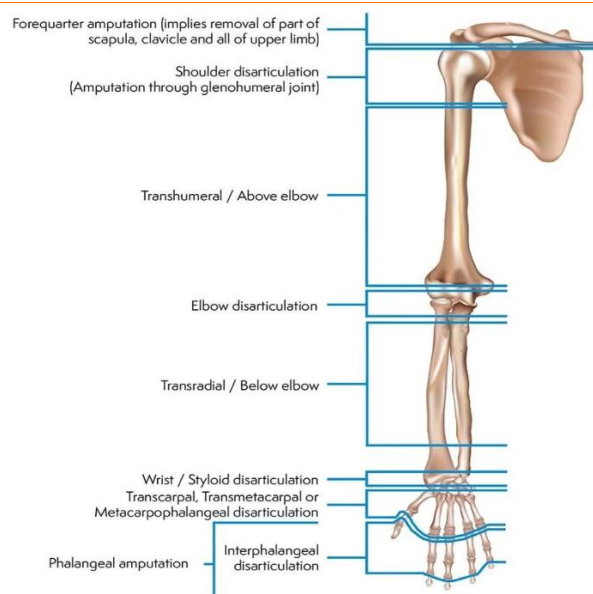
yet ~80% of developing countries do not have medical access to the appropriate support.

Differentiated by Upper or Lower Limb Amputations

Prosthetic devices are broadly categorized into upper-limb and lower-limb devices, each engineered to address the distinct biomechanical and functional requirements associated with specific types of amputations. Both prosthetic categories are vital in mitigating the functional losses from limb amputation, with lower-limb prostheses prioritizing dynamic locomotion, while upper-limb solutions aim at precise motor tasks and functional independence.

- Upper-limb prostheses**, designed for the replacement of hand, wrist, elbow, or shoulder segments, focus on restoring fine motor control and dexterous manipulation. These devices often incorporate myoelectric or body-powered technologies to replicate complex movements such as grasping, pinching, and rotating, essential for daily activities. Of the ~20% of amputations that are upper limb, ~80% are trans-phalangeal (the removal of fingers or digits at various levels such as distal interphalangeal, proximal interphalangeal, metacarpophalangeal, or any level in between) with primary causation being trauma.

Chart 4: Upper Limb Amputations



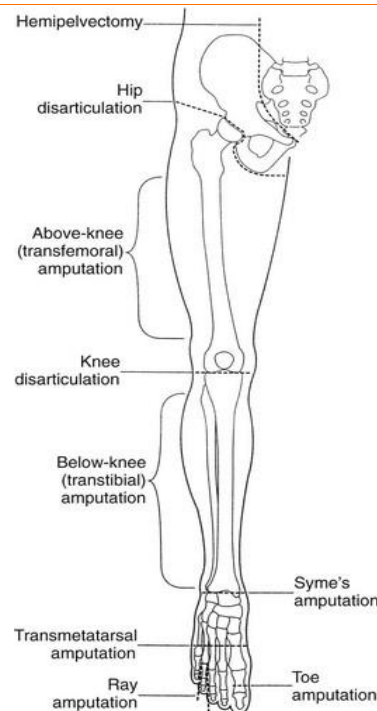
Source: ArmDynamics

- Lower-limb prostheses** address amputations at the foot, ankle, knee, or hip, with the primary goal of re-establishing mobility and load-bearing function. They can be split into two primary subsegments; (1) transtibial (below-knee) and transfemoral (above-knee). These systems integrate advanced mechanical or microprocessor-controlled



joints to mimic the natural gait cycle, enhance stability, and improve energy efficiency during ambulation. Lower-limb amputations dominate in prevalence, accounting for ~80% of all amputation cases. Among these, an estimated 75% are transtibial, primarily driven by vascular diseases, particularly peripheral artery disease (PAD) and diabetes, which often lead to poor circulation and necrosis in the lower extremities, necessitating surgical intervention.

Chart 5: Lower Limb Amputations



Source: Cameron MH, Monroe LG: *Physical rehabilitation: evidence-based examination, evaluation, and intervention*, St Louis, 2007, Saunders.

Two Types: Mechanical Prosthetics & Bionics

Embla holds a prominent position among the top two leaders in the prosthetics market, excelling in both traditional mechanical devices and cutting-edge bionic technologies. Its diverse portfolio effectively addresses the needs of a wide spectrum of amputee patients, catering to various levels of limb loss and activity profiles, from upper to lower extremities, bolstered by continuous innovation and adaptability. ~70% of Embla's prosthetic component sales are reoccurring to existing patients, serving a population that requires maintenance, renewals and upgrades. A key consideration for Embla's prosthetics revenue is that it extends beyond the prosthetic limb component. These devices must be integrated with essential elements such as liners and sockets. The company's extensive portfolio, particularly in liners where Embla commands a leadership position, plays a critical role in ensuring prosthetic suspension and patient safety.



Bionic Prostheses (24% of 2024e P&NO Revenue)

Bionic prostheses are advanced, electronically controlled devices that often use myoelectric signals, sensors, and microprocessors to mimic natural limb movement and gait. These prostheses enable complex motor functions in response to the user's muscle signals, such as rotating the wrist, or even moving individual fingers. They are particularly well suited for individuals with higher functional needs and those looking for a more natural and integrated prosthetic experience, as they can restore fine motor skills, while conventional prosthetics are designed to replicate basic functions. Unsurprisingly they come with a higher price point and require more maintenance and regular charging due to their electronic components. Bionic limbs typically need replacing every 3-4 years.

Chart 6: Össur's Power Knee



Source: Company reports

Chart 7: Össur's Proprio Foot



Source: Company reports

Chart 8: Össur's i-Limb Quantum



Source: Company reports

Mechanical Prostheses (70%)

Unlike bionic or electronically powered prosthetics, mechanical prosthetics rely on simple mechanical structures, such as hinges, springs, and locking systems, to mimic the movement of natural limbs. These devices are often manually operated by the user, using residual limb strength or external means like body movements to control motion. They are commonly used by individuals with lower levels of amputation (e.g., below-knee or below-elbow amputations) who require durable, low-maintenance, more affordable solutions for mobility and basic everyday activities. These devices continue to dominate in terms of volume, driven by their lower cost, broader accessibility, and comparatively straightforward nature of their reimbursement processes. Mechanical limbs typically need replacing every 3-5 years.



Chart 9: Össur's Pro-Flex XC Torsion



Source: Company website

Chart 10: College Park's Truststep



Source: Company website

Chart 11: Össur's Total Knee 2100



Source: Company website

Liners & Sockets: An Essential Role in Prosthetics

Prosthetics portfolios extend far beyond the core limb component, encompassing essential elements such as liners and sockets, which play a critical role in patient comfort and device functionality. Both mechanical and bionic prostheses must be integrated with these components to ensure optimal performance. Embla differentiates itself through its expertise in customizing sockets and liners, significantly enhancing patient comfort, which reinforces its global leadership position in liners. As an example, a [study](#) showed that ~63% of lower-limb amputees experience skin-related issues, the majority of which are caused by perspiration. Recognizing this, Embla has developed the world's first 3D-printed breathable liner and socket (AeroFit Solution), designed to mitigate sweat buildup and enhance the overall patient experience with [proven efficacy](#). Sockets and liners typically need replacing every 6-12 months.

- **Prosthetic sockets:** Custom-made sleeves that fit around the residual limb. The socket creates a suction seal to help the prosthesis distribute weight and enable movement
- **Prosthetic liner:** A cushioning layer that goes between the residual limb and the socket. Liners help reduce friction and chafing, and protect the skin from abrasion and breakdown

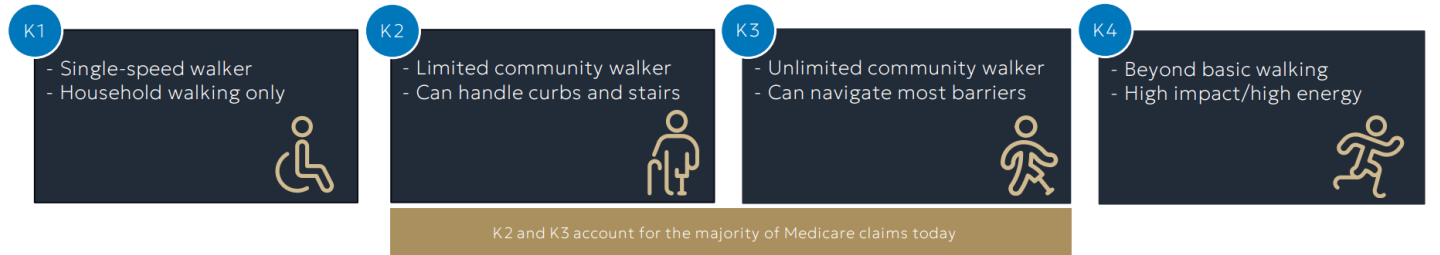
Medicare's Lower-Limb K-Functionality Levels

K-levels, defined by Medicare in the US, classify lower-limb amputees based on their functional abilities and expected mobility outcomes. These levels guide the selection of appropriate prosthetic devices by determining the level of functionality required. The five K-levels, ranging from K0 to K4, represent increasing mobility, with K0 denoting individuals who are non-ambulatory and K4 encompassing those capable of high-impact activities, such as sports. Embla's portfolio of mechanical and



bionic prostheses is tailored to meet the needs of individuals within the K1-K4 range, as K0 patients are not candidates for prosthetics due to their inability to ambulate or transfer safely, meaning a prosthesis would not enhance mobility or quality of life.

Chart 12: K-levels determine access to different types of prosthetic knees and feet



Source: Company reports

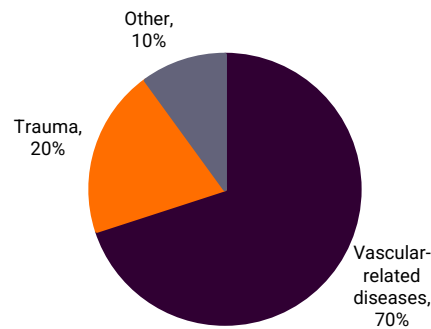
- **K1 (3%)**: Ability to transfer or ambulate on even surfaces at a fixed cadence with the help of prosthesis (household ambulator).
- **K2 (37%)**: Ability to navigate low-level environmental obstacles (curbs, steps or uneven floors), potentially coping with limited walking distances at low speeds with the help of mechanical prosthesis (community ambulator). This population is now eligible to gain access to bionic knee and foot technology following a recent Medicare policy shift, mentioned in detail later.
- **K3 (51%)**: Ability to ambulate with variable cadence and navigate most environmental barriers and to move freely on different types of terrain with the help of prosthesis. They may be able to pursue therapeutic, occupational, recreational or exercise activities without overstressing their prosthesis (active ambulator).
- **K4 (9%)**: Ability to perform high-impact, high-energy activities with the help of prosthesis (athletes or highly active individuals).

Demographic Shifts Driving Need For Prosthetics

The global prosthetics market is estimated to be approximately valued at \$1.7bn by Embla, with a range of sources estimating that North America accounts for nearly 40% of the total market share. The rising incidence of diabetes and vascular diseases, ageing populations, and expanding healthcare infrastructure in developing markets are expected to drive future growth, with the global prosthetics market projected to grow at a CAGR of ~5%. As the population ages, susceptibility to conditions like peripheral artery disease (PAD, affects ~200m people globally), which frequently necessitates limb amputations, increases significantly. According to WHO, 1 in 6 people globally will be aged 60 years or over by 2030, further amplifying the demand for prosthetic devices as the average age of the amputee population is 65-70 and 30-40% of new amputees are fitted with prosthetic solutions.

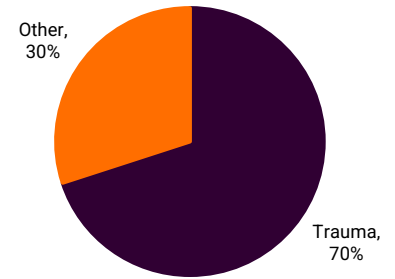


Chart 13: Causes of lower limb amputations



Source: Company reports

Chart 14: Causes of upper limb amputations

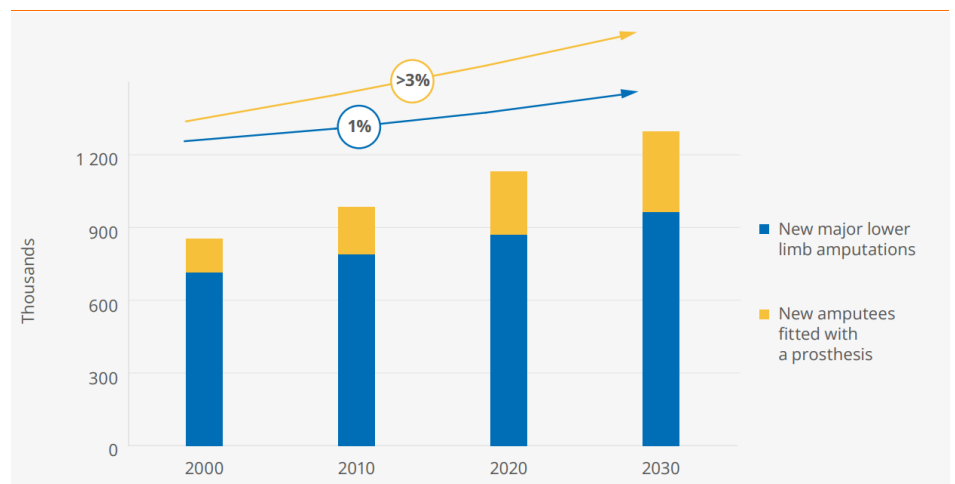


Source: Company reports

~60% of Non-Traumatic Amputations Occur in Diabetic Patients

Diabetes continues to be a critical driver of the growing demand for prosthetics, with the International Diabetes Federation estimating 537m adults living with the disease as of 2021, projected to increase by 20% to 643m in 2030. Elevated blood glucose levels accelerate atherosclerosis, exacerbating the risk of PAD. In addition, diabetic neuropathy reduces sensation to extremities, making it difficult for patients to feel injuries or infections. Without adequate blood flow due to vascular damage, wounds may not heal properly, increasing the risk of serious complications like gangrene, often resulting in amputation. It has been estimated that ~50-70% of all non-traumatic amputations each year are performed on individuals with diabetes; this equates to ~30% of all amputations. Given that diabetes and associated vascular complications are leading causes of lower-limb amputations, the surge in these conditions is fuelling the demand for innovative and advanced prosthetic solutions.

Chart 15: Growing number of amputees receiving prosthetics

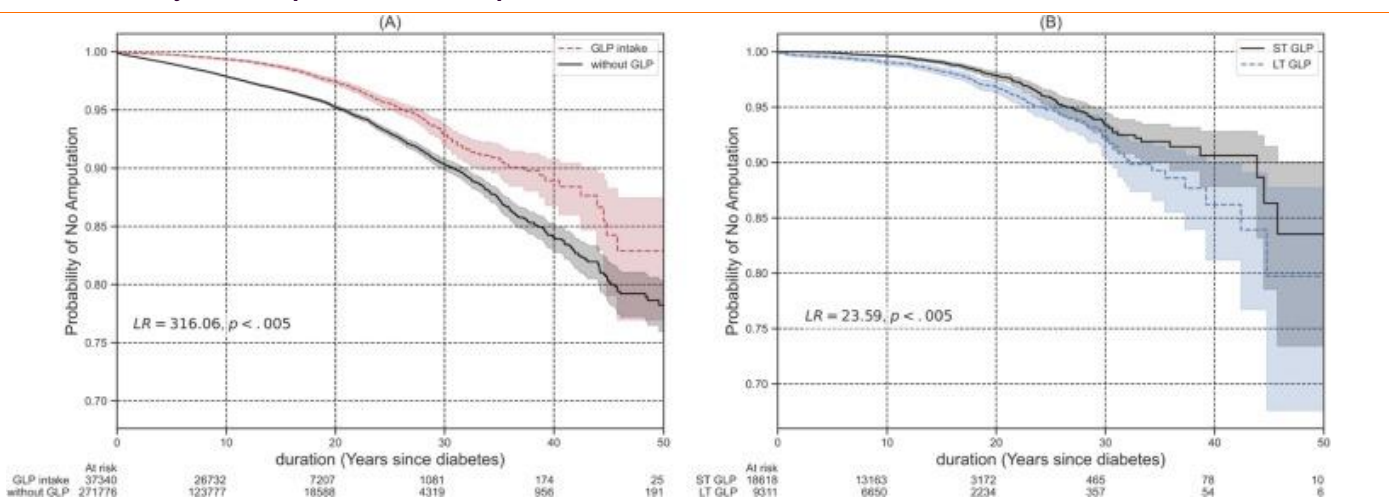


Source: Company reports

... Though GLP-1s Present a Potential Headwind to Growth

A potential challenge for prosthetic companies in capitalising on the rising rates of diabetes and associated increases in amputations could be GLP-1s. These have shown significant efficacy in managing Type 2 diabetes (T2D) by improving glycaemic control and promoting weight loss, which can reduce the risk of complications such as PAD and diabetic foot ulcers, both leading causes of lower limb amputations. A [study](#) of ~300k patients with T2D showed that GLP-1 treatment reduced the risk of amputation with a hazard ratio of 0.5 ($p < 0.005$). At 50 years after diabetes onset, the cumulative probability of avoiding amputation was ~0.83 in patients receiving GLP-1 treatment, compared to ~0.78 in untreated patients. These findings are corroborated by other studies. As GLP-1s gain wider adoption, the incidence of amputations among T2D patients could decline, acting as a slight headwind to the prosthetics market's projected growth rates.

Chart 16: Probability of no amputation between patients on GLP-1 treatment versus those without treatment



Source: Schäfer, Zeinab et al. *Diabetes Research and Clinical Practice*, Volume 202, 110799 (A) Cumulative probability of no amputation between patients on GLP-1 treatment vs those without treatment over different diabetes durations, (B) Cumulative probability of amputation for patients on a short-term and long-term GLP-1 treatment.

Fragmented Market, High Barriers to Entry

The prosthetics industry is characterised by significant barriers to entry, which restricts competition to a few key global players and smaller regional players. Each prosthetic product must be tailored to the specific needs of individual amputees, a process that is highly manual and limits opportunities for achieving economics of scale. The technologies that prosthetics implement are highly advanced, often integrating proprietary software and necessitating substantial R&D investment. The regulatory landscape is also technical and complex, further adding to the challenges.

Pricing Relatively Stable With Regional Fluctuations

Pricing within the industry has remained relatively stable, albeit with modest inflation-linked adjustments. It can fluctuate based on regional



developments in reimbursement policies. For example, Medicare, which accounts for approximately 30% of O&P claims in the US, frequently raises reimbursement rates, which we expect provides manufacturers like Embla with additional pricing flexibility. In 2023, Medicare's Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) fee schedule saw an 8.7% increase, followed by a further 2.6% rise in 2024.

Table 5: CMS DMEPOS fee schedule uplifts

	2020	2021	2022	2023	2024
Fee Schedule Update Factor	0.9%	0.2%	5.1%	8.7%	2.6%

Source: CMS.gov

Rigorous Trial Process Heightens Barriers to Entry

The trial process for prostheses is designed to ensure that devices are safe, durable, and effective for amputees. Akin to pharmaceutical products, it involves a combination of pre-clinical testing, clinical trials on human subjects, and regulatory reviews. The time from initial development to market approval can vary depending on the complexity of the prosthetic device. For standard mechanical prosthetics, the process typically takes 1.5-3 years, while more advanced devices, such as those with electronic components or bionic features, may take 4-5 years due to the more extensive PMA process and clinical trials required. Total R&D costs (ex-capex) for prosthetic components also vary vastly from ~\$600k-\$10m, the former being mechanical products based on existing technology, and the latter first in class, high tech bionics. Patents are typically 20 years (~15 years by time product is marketed), with Embla actively dynamic in bringing out a new generation of product prior to expiry. The simplified clinical process is as follows:

- **R&D:** Design and prototype development focusing on durability, weight and biomechanics. Selection of materials like carbon fibre or titanium based on performance testing
- **Pre-clinical testing:** Bench tests durability, weight-bearing capacity, impact resistance and repeated-use performance
- **Clinical trials:** Human trials with volunteer amputees to assess safety, functionality and mobility. Gait analysis, user satisfaction and long-term wear are typical evaluation metrics
- **Regulatory approval:**
 - **FDA approval (US):** (1)510(k)- faster approval for devices substantially equivalent to existing ones, (2)PMA pathway- required for more advanced or higher-risk devices, involving more extensive clinical trial data
 - **CE marking (Europe):** Compliance with EU Medical Device Regulations (MDR) for entry into the European market. CE mark signifies that the device meets safety and performance standards



- **Post-market surveillance:** Continuous monitoring of device performance after launch. Collect user feedback, report adverse events and conduct long-term studies if needed

Neuro Orthotics: Synergistic, Embryonic Stage

Neuro orthoses are custom-fitted devices designed to address motor impairments arising from neurological conditions such as stroke, cerebral palsy, multiple sclerosis. Often used in conjunction with physiotherapy and gait training, these devices aim to mitigate or correct motor dysfunction. In the US it has been estimated that ~800,000 people experience a new or recurrent stroke annually with ~80% of the survivors experiencing mobility challenges. Early intervention is crucial, as unaddressed spasticity and motor dysfunction can lead to complications like muscle stiffness and contractures, severely affecting quality of life. While neuro orthotics have been clinically proven to improve mobility and functionality, it has been estimated that a strikingly **low 5-15%** of people in need currently have access to these devices. Addressing this gap represents a significant growth opportunity, as increasing awareness and accessibility could dramatically expand the market for these vital products.

Chart 17: Neuro-orthotic solutions to address lower extremity muscle weakness



Source: Company reports

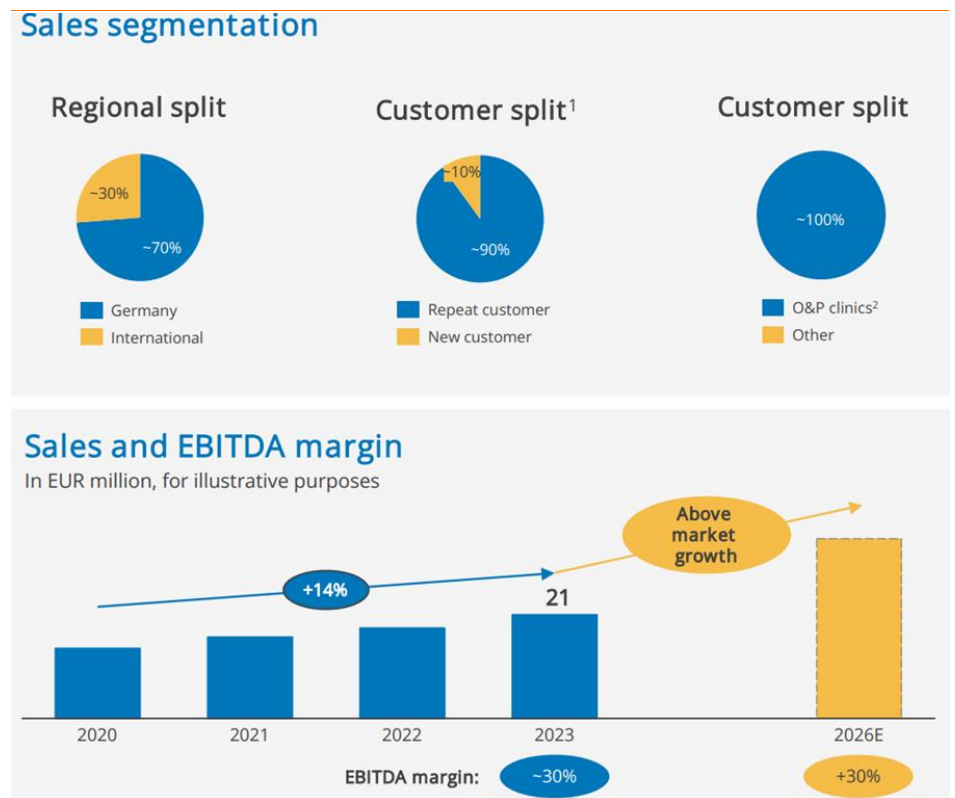
Highly Complementary Addition to Embla's Portfolio

Embla first penetrated the neuro orthotics market in January 2024, through its acquisition of Fior & Gentz, a leading developer of custom knee and ankle orthotic joints for patients with neurological conditions. Although currently ~70% of Fior & Gentz's revenue is concentrated in



Germany, the natural synergies between orthotic and prosthetic appointments in O&P clinics, where Embla already has a well-established global presence, creates significant potential for international expansion. Since joining Embla, Fior & Gentz has already expanded into seven additional countries. With burgeoning awareness of the benefits of orthotics for neurological patients, the market is likely to see a new pool of treatable patients emerge. Had Fior & Gentz been integrated into Embla in 2023, it would have contributed 5% to the company's prosthetics revenue, albeit boasting a strong 30% EBITDA margin.

Chart 18: Fior & Gentz Overview



Source: Company reports

Fior & Gentz: A Pioneer in Neuro Orthotics

Fior & Gentz's product portfolio is predominantly comprised of customizable orthotic joints. These are mechanical or bionic components integrated into orthotic devices, such as ankle foot orthoses (AFOs) and knee-ankle-foot orthoses (KAFOs), designed to replicate or augment the function of human joints. They facilitate controlled movement, stability, and proper alignment in patients with musculoskeletal or neurological impairments. What distinctly positions Fior & Gentz ahead of competitors, notably Ottobock, is its innovative 'Orthosis Configurator'. This digital platform empowers healthcare professionals and patients alike to tailor orthotic devices to individual specifications at no additional cost. By considering unique anatomical measurements and mobility challenges, the software system leverages an intuitive interface to



enhance customization. It improves workflow efficiency by minimizing the time required for designing and ordering bespoke orthotic solutions, which can result in expedited delivery for patients requiring immediate assistance. Furthermore, the orthosis configurator enables the sales teams to provide consistent recommendations for selecting AFOs and KAFOs. This streamlined approach is likely to foster greater product adoption, as clinicians are more inclined to integrate accessible, patient-collaborative systems into their practice.

Varying Reimbursement Systems

Reimbursement structures in the neuro orthotics market vary significantly by country, shaping the strategies of companies operating in this space. For instance, Germany relies heavily on public reimbursement, with minimal private market involvement. This has enabled Fior & Gentz to solidify its presence in Germany. However, outside of Germany, the reimbursement landscape is more fragmented, combining both public and private payers. The US orthotics market remains strikingly underdeveloped, with a significant portion of patients still dependent on basic bracing or crutches. Despite these limitations, Ottobock- the largest player in the sector- has successfully achieved global market penetration, providing a valuable precedent for Embla Medical's expansion strategy. Notably, Ottobock's C-Leg brace for neurological patients has secured reimbursement in the US, signalling positive prospects for Fior & Gentz's product portfolio as it seeks to enter and scale within this thus far unpenetrated market.

Barriers to Access for Eligible Orthotic Patients

Access to orthotic devices among neurological patients facing mobility challenges remains critically limited due to a combination of factors, including lack of awareness, inconsistent reimbursement policies, and underdeveloped healthcare infrastructure in many regions. According to Embla, <10% of stroke patients globally are fitted for orthotics despite ~80% of stroke survivors experience mobility challenges. Many patients continue to rely on outdated solutions such as crutches or standard bracing. This gap reflects both a lack of education among healthcare providers and restrictive insurance coverage in certain regions. As part of the Embla umbrella, Fior & Gentz has the opportunity to leverage its globally renown brand to enhance education and expand access to modern orthotic solutions.



Table 6: Examples of neurological conditions with concurrent mobility problems

Neurological Disorder	Global prevalence	US prevalence	Average annual economic cost in US (per patient)*	Cause of mobility problems	Mobility statistics	Mobility support
Multiple Sclerosis	2.9m	1m	~\$90k	Immune-mediated damage to the myelin sheath and axons in the CNS lead to disrupted nerve signal transmission. This demyelination and subsequent neurodegeneration impair muscle control, strength and coordination, resulting in gait disturbances and other motor dysfunctions	Within 10-15 years of disease onset, 80% of patients report gait disturbance. 50-70% of MS pts report falls within 6-month period.	Gait training, physical therapy, functional electrical stimulation, canes/crutches, orthoses
Stroke	1 in 4 adults over the age of 25 will have a stroke in their life.	~800,000 people have a stroke each year	~\$60k	Interruption of blood flow to specific brain regions leads to neuronal cell death and damage to motor pathways. This impairs the brain's ability to control muscle movements, resulting in weakness, spasticity, or paralysis, typically on one side of the body	~2/3 of stroke pts initially suffer from impaired mobility. Hemiparesis affects ~80% of people with stroke, with 60% developing joint contracture within the first year.	Canes/crutches, wheelchairs, physiotherapy, balance training, orthoses
Cerebral Palsy	18m	1m	~\$60k	Aberrant brain development or perinatal brain injury affects the motor cortex, basal ganglia, or cerebellum, which regulate voluntary muscle control and coordination. This often leads to spastic hypertonia, dystonia, and ataxia, manifesting in gait abnormalities, reduced muscle strength, and compromised postural stability.	At least 25% of adults with CP report deterioration in walking. Adults with CP experience 6x as many falls as healthy adults	Braces, canes/crutches, wheelchairs, orthoses

Source: Intron Health, NIH, National Multiple Sclerosis Society, World Stroke Organisation *Note: direct and indirect costs

Mechanical Prosthetics (70% of 2024e P&NO Sales)

Mechanical prosthetics serve as the bedrock of Embla’s prosthetics segment, driving the bulk of volume growth while contributing the largest share of overall P&NO revenue (2024e:70%). These products are priced significantly lower than their bionic counterparts, reflecting their more accessible market positioning. Embla’s broad range of mechanical prosthetics- spanning knee, ankle, and foot systems- addresses a wide variety of patient needs, primarily within the K1-K4 mobility levels. We anticipate modest revenue growth of these products, with a projected CAGR of 6% from 2024 to 2030, aligning with the overall market growth rate. This growth is expected to be driven by sustained demand for affordable and durable solutions, particularly in emerging markets where reimbursement for advanced devices remains limited.

Tailored Prosthetics for Diverse Activity Needs

Embla offers a wide range of mechanical prosthetics and components through its Össur and College Park brands, catering to users seeking reliable and durable limb replacement solutions. These products leverage advanced materials, including lightweight carbon fibre and titanium, and offer a high degree of customizability to meet the individual needs of users across K1-K4 functionalities. Embla’s commitment to combining cutting-edge mechanical engineering with user comfort distinguishes its mechanical prosthetics from more basic, off-the-shelf alternatives.



Table 7: Mechanical Prosthetic Solutions- High-End vs Standard Mechanical Feet

Feature	High-End Mechanical Feet (e.g. Pro-Flex XC, TruStep)	Standard Mechanical Feet (e.g. Balance Foot S, Accent)
Activity Level	High-activity (sports, hiking, running)	Low to moderate (everyday walking, occasional activity)
Multi-axial Motion	Yes (tri-axial or multi-axial flexibility)	No (single-axis or limited flexibility)
Energy Return	Moderate to high	Low to moderate
Shock Absorption	High	Low to moderate
Durability	Designed for high-impact activities	Durable for everyday use
Cost*	~\$8,000	~\$2,000
Customisability (e.g. Heel)	Adjustable heel options (e.g. Pro-Flex LP Align)	Basic or limited adjustability

Source: Intron Health, Company reports *Manufacturer sales price indicators

Examples of Mechanical Products

Highlighted below are examples from Embla’s portfolio of mechanical prosthetic limbs, which are seamlessly integrated with the company’s extensive range of high-performance sockets and industry-leading liners. With most prosthetic devices requiring replacement every 3-5 years, this portfolio generates a robust recurring revenue stream. Continuous enhancements and technological advancements to existing products ahead of patent expirations further ensure Embla remains at the forefront of innovation in the prosthetics space.

Chart 19: Pro-Flex XC Torsion



Source: Company reports

Chart 20: Total Knee 2100



Source: Company reports

Pro-Flex XC Torsion (Össur)

Össur’s Pro-Flex XC Torsion is a high-performance prosthetic foot designed to cater to active lower-limb amputees (both transfemoral and transtibial), particularly those classified as K3 and K4 level users. It integrates a dynamic carbon fibre footplate with an advanced shock absorption system, featuring a vertical shock pylon that mitigates the impact on the residual limb during movement. The split toe design for enhances ground compliance and stability across uneven surfaces. It provides superior energy return and impact absorption, making it ideal for high-activity individuals.

Total Knee 2100 (Össur)

Össur’s Total Knee 2100 is a sophisticated polycentric knee with 3-phase hydraulic swing designed primarily for more active lower-limb amputees. The adjustable stance flexion capability improves shock absorption, reducing impact on the residual limb while walking on various terrains. It features a 25% increased fluid capacity over its predecessor with cooling fins, allowing for better temperature distribution.



Chart 21: Össur's Balance Foot S



Source: Company reports

Chart 22: College Park's Guardian Knee



Source: Company reports

Balance Foot S (Össur)

Össur's Balance Foot S is a lightweight, waterproof prosthetic foot tailored for low-activity K1/K2 amputees. Its cushioning heel foam, paired with a gradually stiffening structure and a wide sole blade, enhances stability perception and ensures a smooth rollover. The anatomical foot cover includes a steady-grip sole and an integrated sandal toe, offering compatibility with a variety of footwear options. With a full-length toe lever and a multi-axial design, the Balance Foot S provides a seamless transition from heel strike to toe-off, supporting fluid movement and adaptability on uneven surfaces while minimising strain on the residual limb. These features make it an excellent choice for individuals prioritizing comfort and reliability over the dynamic performance required by higher-activity users.

Guardian (College Park)

College Park's Guardian Knee is a lightweight mechanical knee designed for K2-level amputees who require enhanced stability and security during daily activities. It's stance control mechanism, which automatically locks when weight is applied, prevents unwanted buckling and improves confidence on uneven surfaces. It provides a full 145° of anatomical motion. Built with a robust aluminium frame, it is ideal for low-activity users who prioritize safety and reliability in their prosthetic knee for everyday walking.

Competition From Ottobock & Regional Players

As one half of a duopoly alongside Ottobock, Embla's strong position in the mechanical prosthetics market is underpinned by its legacy brands and expansive global reach. Its competitive advantage stems from its ability to scale operations efficiently through a vast distribution network, while harnessing advanced manufacturing capabilities to sustain cost leadership. However, with minimal differentiation in its core offerings compared to Ottobock, and strong competition from regional players, Embla's current strategy involves pivoting towards underserved emerging markets, where the demand for affordable, durable solutions presents a critical avenue for growth. To reinforce its market position, Embla must also navigate the dual challenges of pricing pressures and the industry's gradual transition towards bionic technologies, ensuring its mechanical products continue to meet the evolving needs of lower-income and underserved patient populations.

Targeting Emerging Mkts:~80% Amputee Population

Currently ~90% of Embla's sales volume is generated through direct sales channels in 22 developed countries, despite these markets constituting only ~20% of the global amputee population. This disparity largely reflects the absence of well-established reimbursement systems



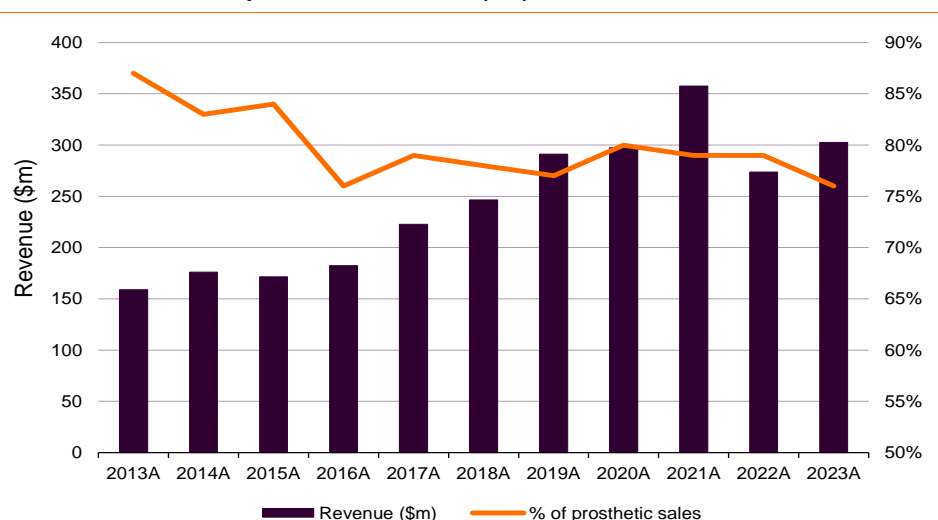
in many emerging markets (private pay represents >70% of these markets). A critical growth strategy for Embla involves tapping into underserved emerging markets where demand for cost-effective prosthetics is strong. Fitting rates for lower-limb amputees are 40-60% in developed regions but fall to just 10-30% in emerging markets, despite the latter seeing ~650,000 new lower-limb amputees annually, compared to ~200,000 in the Western World. Mechanical prosthetics are poised to retain a competitive edge in these emerging markets due to cost sensitivity and constrained healthcare budgets, which limit access to bionic solutions. Pricing to private payors is comparable to that of reimbursement systems so we do not expect this strategy to be margin dilutive. In 2021 Embla went direct in seven new emerging markets in Eastern Europe and has continued to invest in selected emerging markets since.

Revenue CAGR of ~10% from 2013-2020

Over the past decade, mechanical prosthetics have delivered consistent revenue growth for the company, with a CAGR of 10% from 2013 to 2021. This growth has been driven by strategic geographic expansion and bolt-on acquisitions, supported by relatively stable pricing dynamics that have benefited from inflation-linked adjustments tied to regional reimbursement developments. Key acquisitions include College Park in 2019, which facilitated Embla's entry into the more affordable prosthetics solutions market, and Naked Prosthetics in 2022, a market leader in prostheses for finger and partial-hand amputees- a demographic that represents more than 50% of the upper limb amputee population. This acquisition has significantly strengthened Embla's position in the upper limb segment, an area where the company previously had limited exposure compared to its legacy lower-limb portfolio.

We note that the substantial decrease in 2022 revenue in Chart 26 is due to a 2023 pro forma adjustment that reclassified ~24% of mechanical prosthetics revenue into the newly introduced Patient Care segment; without this adjustment, mechanical prosthetics revenue in 2022 increased by 1% to \$360m, impacted by supply chain disruptions (shortages of raw materials and components) and COVID-19 lockdowns affecting Australia and China in particular.

Chart 23: Mechanical prosthetics revenue (\$m)



Source: Company reports, Intron Health



Diminishing Contributor to Prosthetics Revenue

Lower-end mechanical prosthetics have become a declining contributor to overall prosthetics revenue, driven by the increasing adoption of high-end bionic devices in developed markets with established reimbursement systems, which account for ~90% of Embla's sales. In 2013, mechanical prosthetics represented 87% of the company's prosthetics revenue, but this share contracted by 900bps to 76% by 2023. Despite the growing prominence of bionics, supported by their proven health economic benefits and thus increasing government receptiveness to broader reimbursement, mechanical prosthetics have sustained stable growth. This is underpinned by a well-established reimbursement framework. Additionally, independent prosthetists may have financial incentives to diffuse mechanical prosthetics due to the lower initial capital outlay required when bulk ordering, fitting patients and submitting paperwork to the health insurer suggesting that bionics are unlikely to significantly erode the demand for mechanical solutions in the near term.

~6% CAGR to 2030 Driven by Emerging Markets

Embla has strategically invested in select emerging markets over the past three years, which we believe now represents a growing share of its mechanical prosthetics sales. We therefore model regional growth across the Americas, EMEA, and APAC separately. We project mechanical prosthetics revenue to increase from \$317m in 2024 to \$442m in 2030, a 6% CAGR, in line with the prosthetics market and primarily driven by market penetration in EMEA and APAC through newly acquired distribution networks.

Table 8: Mechanical prosthetics revenue forecasts (\$m)

	2023A	2024	2025	2026	2027	2028	2029	2030
Revenue (\$m)	302	317	335	355	377	399	420	442
<i>growth</i>	11%	5%	6%	6%	6%	6%	5%	5%
Americas	148	150	153	157	164	170	177	184
<i>growth</i>		1%	2%	3%	4%	4%	4%	4%
EMEA	130	140	152	164	175	186	195	205
<i>growth</i>		8%	8%	8%	7%	6%	5%	5%
APAC	24	27	30	34	38	43	48	53
<i>growth</i>		12%	12%	12%	12%	12%	12%	12%

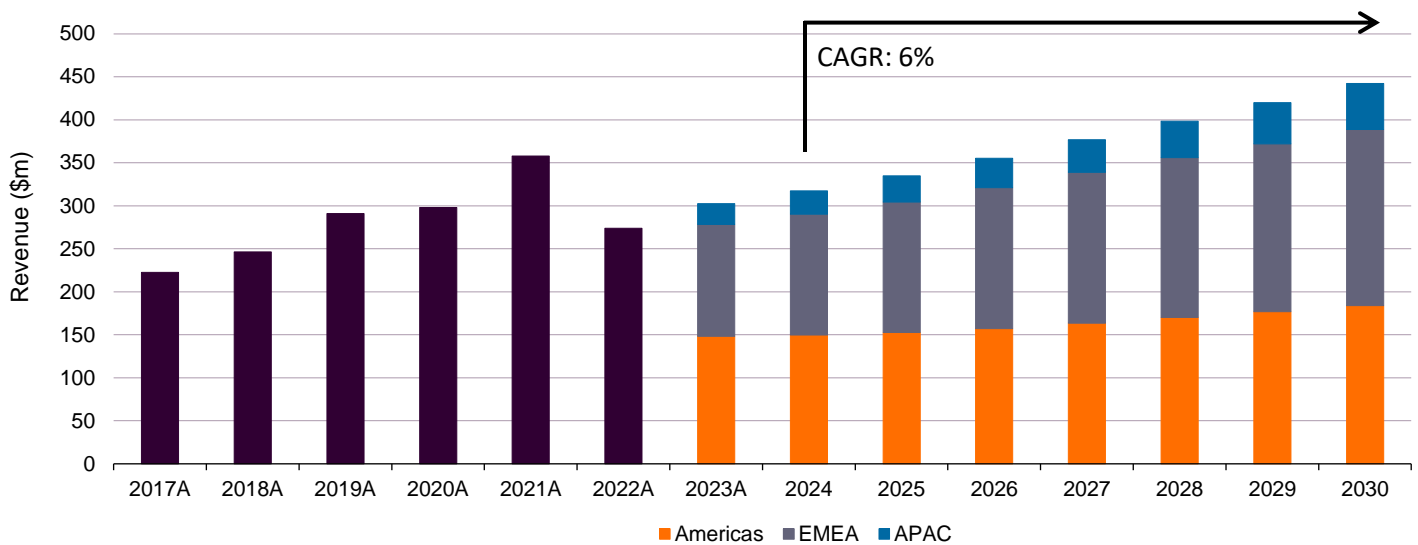
Source: Intron Health estimates Note: 2023 geographical breakdown for mechanical prosthetics is an estimate based on Embla's total revenue breakdown

- Americas:** Prosthetics sales in the Americas have shown sluggish LSD organic growth in the first three quarters of 2024. We anticipate that the majority of this growth stems from high-end bionic products. For 2024, we forecast mechanical prosthetics growth at just 1%, gradually increasing to 4% YoY from 2027 onwards, as K2-patients get access to high-end mechanical prosthetic feet post-Medicare policy shift. This modest growth trajectory reflects the mature nature of the US market, where demand is increasingly shifting towards more advanced bionic solutions.



- **EMEA:** This region has demonstrated strong performance in 2024, likely buoyed by Embla's expansion into key emerging markets such as Eastern Europe. We forecast revenue growth of 8% YoY between 2024 and 2026, with EMEA expected to surpass the Americas in revenue by 2026. We expect growth in this region to taper to 5% by 2029, as market saturation in early-stage expansion territories is reached. This region constitutes the primary driver of mechanical prosthetics revenue growth through 2030.
- **APAC:** Starting from a relatively low revenue base of \$24m, the APAC region represents a significant growth opportunity for Embla. We project annual growth of 12% from 2024 to 2030 as the company scales its mechanical prosthetics portfolio across emerging markets in the region. Increased awareness of prosthetic solutions will be crucial to sustaining this double-digit growth.

Chart 24: Mechanical prosthetics revenue progression: 2013-2030E



Source: Intron Health estimates Note: FY22 revenue reflects the inclusion of the newly introduced Patient Care segment (a pro forma adjustment implemented in 2023). Excluding Patient Care sales, mechanical prosthetics revenue grew by 1%, impacted by COVID-19 lockdowns and supply chain disruptions



Bionics (24% of P&NO Sales)

Bionics are becoming an increasingly large proportion of Embla's prosthetics revenue, despite only contributing ~3-4% to volumes. The technological innovation in these products significantly raises barriers to entry and enables companies like Embla to command a much higher list price, driving high-margin growth. The proven health economic benefits of these devices vs lower-end mechanical prosthetics has sparked the accelerated adoption of these devices in O&P clinics in developed countries. We expect one of the largest drivers of growth to be the recent Medicare policy shift which enables eligible K2 patients (a significant proportion of lower-limb amputees) under Medicare coverage, likely followed by commercial payers, to access these high-tech devices. We model this as presenting a 23% tailwind to Bionics revenue by 2029. Overall, we forecast bionics revenue to grow at a CAGR of 16% from 2024 to 2029, reaching \$227m (~30% of 2030e P&NO revenue).

A Leader in a Vastly Dynamic Industry

Operating within a niche segment characterized by limited competition, Embla has solidified its status as one of the leading global players, positioned alongside Ottobock. This dual leadership is indicative of the significant barriers to entry that exist in this specialized market, including high R&D costs and the complexities associated with regulatory approvals. As the industry shifts towards increasingly sophisticated and integrated bionic technologies, Embla is well-equipped to leverage its technological expertise and extensive product range.

Technologically Advanced Portfolio

Below we highlight a few key examples of Embla's bionics portfolio. Embla has significantly increased its R&D investments in bionic solutions, with a strategic emphasis on developing innovative technological products. This focus is exemplified by the upcoming full launch of two new MPKs in 2025: the NAVii knee and the ICON knee. These additions not only expand the existing portfolio but also cater to the varied needs of amputees, offering tailored solutions for different patient subsets within specific K-levels.



Chart 25: Össur's Power Knee



Source: Company reports

Power Knee (Össur)

Össur's Power Knee is the world's first motor-powered MPK, which utilises motorised assistance for flexion and extension to mimic concentric (muscle shortening) and eccentric (muscle lengthening) activity. Equipped with advanced sensors and AI, it adapts to user motion, ensuring both a consistent stance phase and a free swing phase. Importantly, the knee facilitates symmetrical weight distribution and natural gait. It is ideally paired with Össur's Pro-Flex feet range and Seal-In X liners and is particularly suited for K3 users with shorter residual limbs and lacking their full above-the-knee musculature. The total reimbursement price, which includes the prosthetic foot, socket and all prosthetist fees is ~\$80,000. We note that this reflects the overall cost covered by payers, and not the price charged by Embla to clinics, which is typically ~50% of the reimbursement price.

Chart 26: Össur's i-Limb Quantum



Source: Company reports

i-Limb Quantum (Össur)

Össur's i-Limb Quantum was the first multi-articulating myoelectric prosthetic hand that can be controlled by gesture-recognition microprocessor technology. It was acquired through the Touch Bionic acquisition in 2016. Engineered with titanium digits, it offers a 50% increase in carrying capacity, up to a 30% enhancement in grip force and a 30% improvement in speed, which bolster smoother, more natural movements. It features 5 independently motorised fingers and an electronically rotating thumb, which enable superior dexterity and coordination. Users can personalise grip settings and other features via the My i-Limb™ apps. Its reimbursement price is generally ~\$50,000.

Chart 27: Össur's Proprio Foot



Source: Company reports

Proprio Foot (Össur)

A microprocessor-controlled ankle that is customised for each user's unique gait. It is designed to reduce the risk of falls as the prosthesis' 4° of active swing phase dorsiflexion provides increased minimum toe clearance, making it more comparable with anatomical feet. It also automatically detects the level of terrain inclination and adjusts the ankle position appropriately. Field testing has shown a 70% reduction in reported falls. Its reimbursement price is generally priced at ~\$25,000 including prosthetist fees.



Chart 28: Össur's Rheo Knee



Source: Company reports

Rheo Knee (Össur)

MPK that is particularly good at initiating swing phase release for smoother gait, which is ideal for patients' first step to prevent loss of balance and subsequently increase confidence. It uses magnetorheological fluid (MRF) technology, unique to the industry (vs standard hydraulic/pneumatic systems in other MPKs), to control joint resistance and ensure an immediate response from the knee, and has an automatic stumble recovery feature. This features together make it likely beneficial for the K2 population. The reimbursement price stands at ~\$30,000.

Proven Benefits of MPKs vs Mechanical Prosthetics

Over the past decade, substantial research efforts have been dedicated to evaluating the comparative efficacy of MPKs versus non-microprocessor-controlled knees (NMPKs) in individuals with lower limb amputations. The body of evidence overwhelmingly supports the superiority of MPKs across nearly every measurable dimension. Studies consistently demonstrate that MPKs contribute to significantly reduced fall rates and enhance the overall quality of life, particularly in terms of economic efficiency and long-term mobility outcomes.

MPKs Show Positive Cost-Benefit Analysis

An [article](#) published in 2022 investigated the impact of MPKs on mobility and the quality of life in patients with lower limb amputations using data from a range of different studies, some including Embla's Rheo Knee. One of the studies in the US comparing MPK users to NMPK users over a 10-year period showed that for every 100 patients, MPKs resulted in 82 fewer major injurious falls (and 62 fewer minor injurious falls), in addition to 11 lives saved. Furthermore, the authors concluded that MPKs had an incremental cost-effectiveness ratio of ~\$12,000 per quality adjusted life year, which has been corroborated by several other analyses.

Chart 29: Injurious Falls and Fall-related Deaths Among MPK and NMPK Users



Source: Chen C, Hanson M, Chaturvedi R, Mattke S, Hillestad R, Liu HH. Economic benefits of microprocessor controlled prosthetic knees: a modeling study. J Neuroeng Rehabil. 2018 Sep 5;15(Suppl 1):62



Reduced Injurious Fall Rate for MPKs vs NMPKs

Another [study](#) compared the 4 most commonly used MPKs in 2020 in the US; the C-Leg (Ottobock), Orion (Blatchford), Plié (Freedom Innovations), and Rheo (Ossur). Outcomes from 602 K3/K4 individuals were included. Data indicated relative parity among the 4 MPKs with regard to functional mobility and satisfaction. However, when compared to NMPKs, significant reductions of injurious falls were observed. Over a 6-month period, 10% of MPK patients reported an injurious fall vs 16.3% for NMPKs (rates of ~27% have been recorded for this cohort in a 12 month period).

~50% of K2 Users Upgraded to K3 Following MPK Uptake

[Hahn et al.](#) conducted a meta-analysis comparing MPKs to NMPs across 15 publications with ~2,500 patients (30% of which were K2). MPK users showed significant improvements in walking speed, slope and uneven terrain mobility, stair navigation, and multitasking ability. ~50% of K2 users upgraded to K3 after switching to MPKs. MPK use was also associated with reduced falls ($p < 0.01$), lower fear of falling ($p < 0.01$), faster walking speed ($p < 0.01$), and enhanced patient-reported ambulation PEQ ($p < 0.01$).

Improved Mobility in MPK Patient Population vs NMPKs

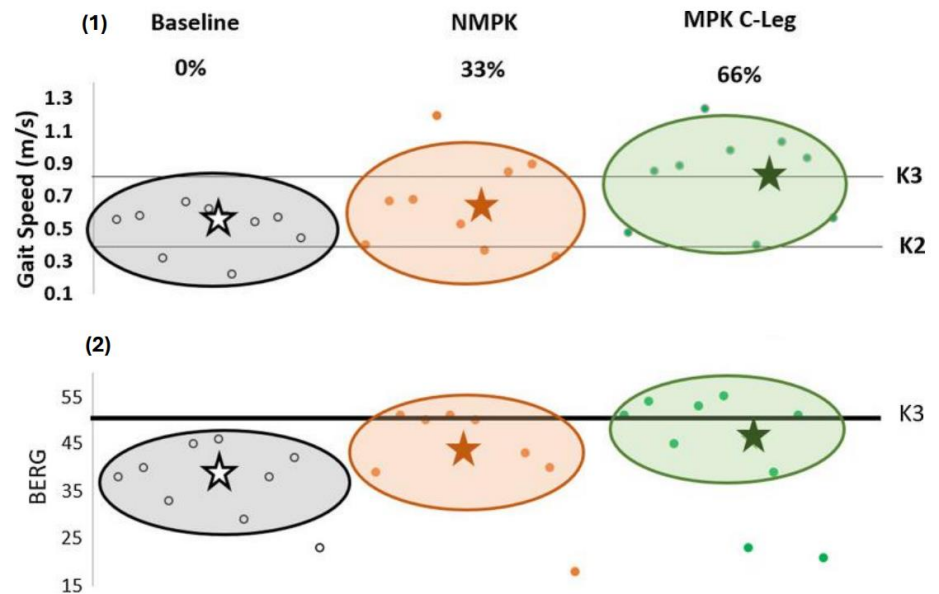
[Hahn et al.](#) conducted a retrospective, multi-centre analysis of 1,013 data sets to evaluate the functional benefits of MPKs compared to NMPKs in K2 amputees based on a 1-day trial fitting. The study found significant improvements in harmonization of gait pattern (95% of pts), ability to vary gait speed (93%), and reduced walking effort (88%) with MPK use. Notably, 82-87% of participants reported decreased fear of falling, and 83% perceived increased safety. Importantly, no correlation was found between age or amputation cause and the ability to benefit from MPKs, highlighting their broad applicability. However, the commercial setting and reliance on self-reported outcomes may limit the generalisability of the results to daily use.

Majority of K2 MPK Pts Exceeded Typical K3 Gait Speed

[Jayaraman et al.](#) conducted a 13-month study comparing MPKs to NMPKs in 10 K2 amputees. The trial demonstrated significant gains in walking speed, balance, and confidence when using MPKs, as evidenced by the 10-metre walk test (10MWT) and Modified Falls Efficacy Scale (MFES). Participants using MPKs showed statistically significant improvements in both speed and safety compared to baseline, while NMPKs showed no such benefits. 66% of participants exceeded the typical gait speed of K3 ambulators with MPK use. Patient-reported outcomes also favoured MPKs, with higher satisfaction and perceived safety.



Chart 30: Performance improvement of K2 group's gait speed and BERG balance scores in C-Leg MPK patients vs NMPK



Source: Jayaraman C, Mummidisetty CK, Albert MV, Lipschutz R, Hoppe-Ludwig S, Mathur G, Jayaraman A. Using a microprocessor knee (C-Leg) with appropriate foot transitioned individuals with dysvascular transfemoral amputations to higher performance levels: a longitudinal randomized clinical trial.

Ottobock Remains the Largest Competitor

Embla has the second highest global market share in the high-end segment of bionics, previously with products tailored further towards the more active subset of lower-limb amputees vs competitors. Ottobock is traditionally viewed as the market leader; the C-Leg is the most widely used MPK in the world with over 100,000 fittings worldwide and can adapt to a variety of everyday situations, including walking backward, navigating uneven terrain, and descending stairs and ramps, controlled via an app. However, it is for slower, less-active patients and so it is certainly not a case of one MPK fits all. According to an [article](#), the top 4 most commonly used MPKs in the US are C-leg (Ottobock), Orion (Blatchford), Plié (Freedom Innovations), and Rheo (Ossur). In this study, all four MPKs presented relative parity in mobility improvements. They all function via a variety of different mechanisms and have strengths for varying subsets of K2 to K4 patients.

Table 9: Top 4 MPK Products

MPK	Company	K-Level	Weight (kg)	Mechanism	Weatherproof
Rheo	Össur	High K2- Low K4	1.6	Incorporates a microprocessor-controlled magnetorheological fluid chamber which allows continuous control of knee flexion and extension.	Yes
C-Leg 4	Ottobock	High K2- Low K4	1.2	Generates knee joint resistances hydraulically with two separate microprocessor-controlled, motorized valves. This enables continuous variations in the hydraulic resistance to be set for both movement directions.	Yes
Orion3	Blatchford	High K2- Low K4	1.5	Utilizes a microprocessor-controlled hydraulic system with pneumatic swing phase control, enabling real-time adjustments to knee flexion and extension for smooth, adaptive motion.	Yes
Plié 3	Freedom Innovations	High K2-Low K4	1.2	Generates knee joint resistances hydraulically with two manually adjustable valves and pneumatically with a manually adjustable air spring system, which also provides extension assistance.	Yes

Source: Intron Health



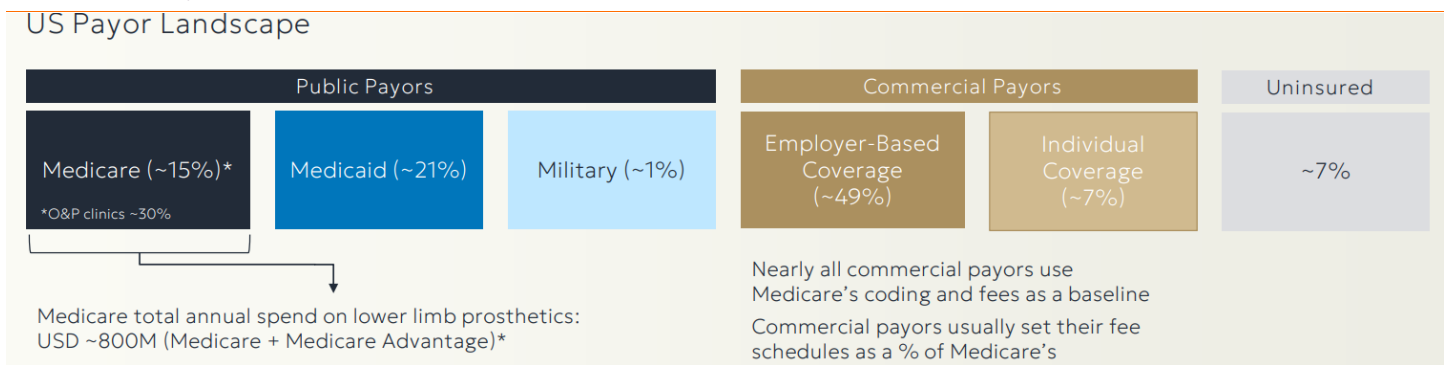
Price Codes Necessary For Product Uptake

Obtaining a reimbursement price code, such as the Healthcare Common Procedure Coding System (HCPCS) L code in the US, is critical for the widespread adoption of prosthetic devices, particularly advanced bionic products. This code facilitates coverage and reimbursement from both private insurers and government programs, effectively reducing financial barriers for patients and healthcare providers alike. A case in point is Össur's Power Knee, which saw limited traction until 2012 when it received an L code (fee schedule published in 2013). This not only enhanced the product's appeal to independent practitioners- offering #them a greater incentive to recommend it over mechanical alternatives- but also enabled healthcare providers to submit claims for reimbursement through Medicare and other insurers. The Power Knee was relaunched in 2022 with lower COGs and at a more affordable price.

Medicare Policy Shift: K2 Pts Eligible For MPKs

In September 2024, the Centres for Medicare & Medicaid Services (CMS) expanded coverage to include high-end, advanced bionics, including MPKs and bionic feet, for eligible K2 patients- previously restricted to K3/K4 patients. This could meaningfully enlarge Embla's addressable market, as Medicare accounts for ~30% of US O&P claims. Historically, K2 and K3 patients represented a roughly equal share of prosthetic claims, though 90% of value was concentrated in the K3 segment due to their access to more sophisticated prosthetics. Embla's key products positioned to benefit include the Rheo, ICON and NAVii MPKs, alongside the Proprio foot, all which could bolster the company's proprietary patient care services revenue. The ultimate impact hinges on factors such as K2 patient adoption rates, the pace of policy implementation, and Embla's market share capture. Substantial upside could emerge if private insurers follow Medicare's precedent, as they typically reassess policies every 1-2 years, potentially driving further market impact over the next 2-3 years.

Chart 31: US payor landscape



Source: Company reports



- It is important to note that after a patient meets the Medicare Part B deductible (\$240), they are required to pay 20% of the Medicare-approved amount which could be ~\$6k for an MPK

Medicare Opportunity Alone: Peak Sales of \$24m

Medicare’s policy shift marks the most significant change in US reimbursement for prosthetics in two decades, with the decision based on robust health economic data demonstrating the substantial benefits of MPKs for the K2 population. We model this opportunity based on the following assumptions:

- 1.84m lower-limb amputees in the US (80% of the 2.3m people living with limb loss), increasing at 3% annually (~150,000 new lower-limb amputations per year, and assuming a ~5% mortality rate).
- K2 patients represent 37% of lower-limb amputees
- Medicare accounts for 30% of claims from lower-limb amputees
- We project peak penetration of 8% of eligible K2 patients are fitted with MPKs/bionic feet by 2030, with an initial uptake of just 0.2% in Q424 due to delays from the assessment process and administrative procedures
- We expect Embla to supply 25% of these bionic products (competition with Ottobock’s C-leg and two other MPKs)
- The assumed average price is \$15k, including the socket and prosthetist fees, and a product replacement cycle of 3-4 years

Table 10: Embla Medicare opportunity

	2024	2025	2026	2027	2028	2029	2030
No. lower-limb amputees	1,840,000	1,895,200	1,952,056	2,010,618	2,070,936	2,133,064	2,197,056
growth (%)		3%	3%	3%	3%	3%	3%
K2 (%)	37%	37%	37%	37%	37%	37%	37%
Medicare coverage	30%	30%	30%	30%	30%	30%	30%
Eligible Pts	204,240	210,367	216,678	223,179	229,874	236,770	243,873
Fitted with MPKs (%)	0.2%	0.5%	1.0%	1.5%	1.7%	1.9%	1.9%
Cumulative pts fitted	0	408	1,458	3,610	6,904	10,694	14,990
Penetration	0.2%	0.7%	1.7%	3.1%	4.7%	6.3%	7.9%
New MPK pts fitted	408	1,050	2,152	3,294	3,790	4,295	4,349
Embla share (%)	25%	25%	25%	25%	25%	25%	25%
Embla new Medicare pts	102	262	538	823	948	1,074	1,087
Embla replacement pts					102	262	538
Embla Medicare revenue (\$m)	2	4	8	12	16	20	24

Source: Intron Health estimates

...Private Insurers Likely to be Key Revenue Driver

Medicare often sets the precedent for private insurers in the US, suggesting that the adoption of high-end prosthetic products for K2 patients will likely extend to those covered by private insurance, albeit with a time lag. Reflecting this in our forecasts, we assume commercial payers will begin offering K2 patients access to MPKs and bionic feet from 2027. As commercial insurers account for ~50% of claims



(compared to 30% for Medicare), this represents a significant revenue tailwind. Our patient eligibility and pricing assumptions mirror those applied to Medicare. We project that by 2030, 5% of K2 lower-limb amputees under private insurance will receive bionic products, which could eventually reach a peak of ~8%, consistent with our Medicare projections.

Table 21: Embla commercial payor opportunity from K2 pts

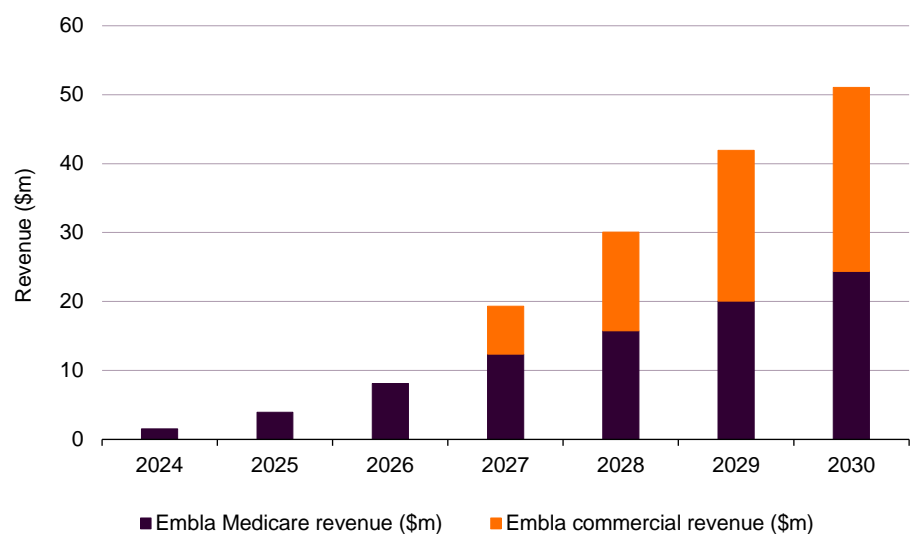
	2024	2025	2026	2027	2028	2029	2030
No. lower-limb amputees	1,840,000	1,895,200	1,952,056	2,010,618	2,070,936	2,133,064	2,197,056
growth (%)		3%	3%	3%	3%	3%	3%
K2 (%)	37%	37%	37%	37%	37%	37%	37%
Commercial payor coverage	50%	50%	50%	50%	50%	50%	50%
Eligible Pts	340,400	350,612	361,130	371,964	383,123	394,617	406,455
Fitted with MPKs	0.0%	0.0%	0.0%	0.5%	1.0%	1.5%	1.8%
Cumulative pts fitted	0	0	0	0	1,860	5,672	11,507
Penetration	0%	0%	0%	0.5%	1.5%	2.9%	4.6%
New MPK pts fitted	0	0	0	1,860	3,813	5,834	7,109
Embla share (%)	25%	25%	25%	25%	25%	25%	25%
Embla commercial pts	0	0	0	465	953	1,459	1,777
Embla commercial revenue (\$m)	0	0	0	7	14	22	27

Source: Intron Health estimates

K2 Opportunity Adds 7% to 2030 P&NO Revenue

Our assumptions project peak Medicare-driven revenue of \$24m for Embla by 2030. However, we view the more substantial opportunity stemming from commercial channels, which we forecast to contribute \$27m by 2030, resulting in a total peak K2 patient revenue opportunity of \$51m. This adds 7% to overall prosthetics & neuro orthotics revenue in 2030, with the shift in product mix toward bionics likely to drive further margin expansion.

Chart 32: K2 Patient Opportunity: 2024-2030



Source: Intron Health estimates

- Additional upside exists from (1) if Embla's yet to be fully launched MPKs, NAVii and ICON, gain more traction than that of competitors,



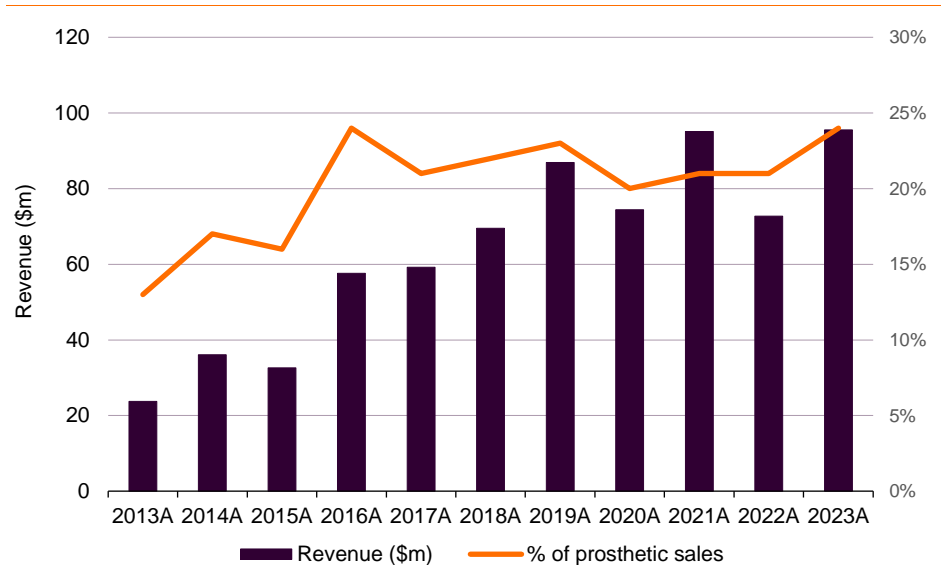
and (2) if the % of lower-limb amputees given bionic devices increases beyond our peak penetration assumption of 8%.

Bionics Revenue CAGR of ~20% from 2013-2021

Over the past decade, the Bionics segment has emerged as a key growth driver for Embla, bolstered by improving reimbursement frameworks across developing markets. Clinical evidence strongly favours bionics over mechanical prosthetics for patients who can afford these advanced devices, contributing to this transition. From 2013 to 2021, Bionics revenue expanded at a 19% CAGR (including Touch Bionics acquisition)- nearly double the growth rate of mechanical prosthetics. Since 2016, bionics have accounted for 20-25% of prosthetics sales, albeit representing only LSD (2-4%) volumes, highlighting its high-margin potential. We anticipate that these devices will increasingly become the standard of care for amputees in developed markets as additional clinical data supports adoption and clinician familiarity with these devices accelerates. The industry’s ongoing consolidation should further facilitate more streamlined reimbursement processes.

Note: the substantial decrease in 2022 revenue in Chart 36 is due to a 2023 pro forma adjustment that reclassified ~24% of bionics revenue into the newly introduced Patient Care segment. Without this adjustment, mechanical prosthetics revenue in 2022 increased by 1% to \$96m, impacted by supply chain disruptions (shortages of raw materials and components) and COVID-19 lockdowns affecting Australia and China in particular

Chart 33: Bionics revenue (\$m)



Source: Company reports

Innovation & New Launches to Spur Growth

The full-scale launch of two of Embla’s most advanced MPKs- the NAVii Knee (Össur) and the ICON Knee (College Park)- is slated for early 2025, both of which are optimally positioned to serve the K2/K3 mobility population. Early feedback from the limited rollout has been optimistic. The NAVii Knee, a next-generation evolution of the Rheo Knee, integrates waterproof technology and features a robust actuator designed to ensure consistent performance during stair and ramp descents. Meanwhile, the ICON Knee offers a versatile solution for low-

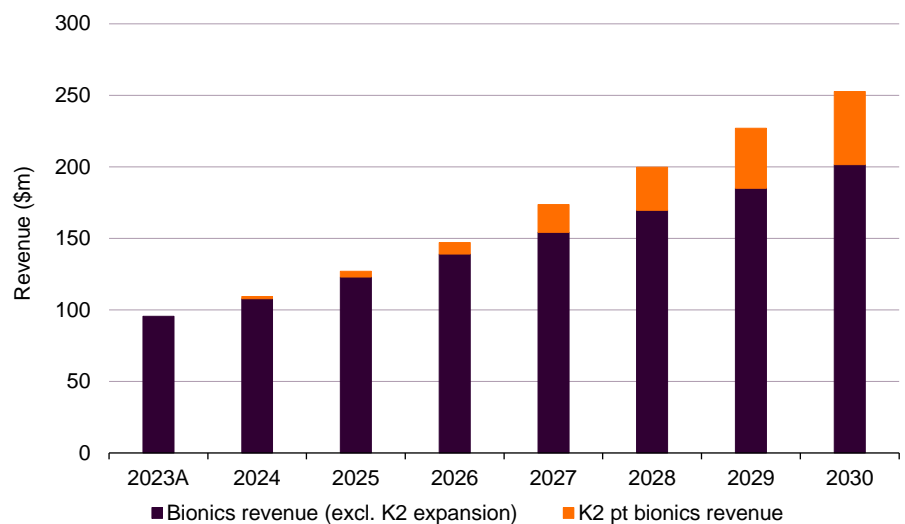


to-high activity users, with responsive sensors, a streamlined setup, and a user-friendly Stride Studio app. Transitioning to these more technologically sophisticated products should not only be ASP-accretive, but also reinforce barriers to entry within this fragmented market.

Bionics Revenue (ex-Medicare) to Grow at ~10% CAGR to 2030

Driven by robust volume growth in bionics across EMEA and APAC, alongside the recovery in reimbursement approval delays in Australia as of Q3, we believe that the Bionics segment contributed significantly to the strong organic growth observed in Prosthetics in 2024, which averaged ~8% growth/quarter. As a result, we project double-digit growth of 13% in 2024, marginally below the 5-year average normalized growth rate of ~17% YoY in Bionics. This growth jumps to 14% in 2025, underpinned by demand for the two newly launched MPKs and then tapers down to 9% from 2029, albeit still outpacing the broader prosthetics industry growth rate of 5-7%. The premium pricing and higher margins inherent to bionic prosthetics relative to traditional mechanical alternatives reinforce the importance of this segment in driving future profitability, with bionic knees commanding list (manufacturer) prices of up to ~\$15,000, vs \$3,000-\$4,000 for conventional devices.

Chart 34: Total Bionics Revenue (\$m)



Source: Intron Health estimates

- By 2030, our projected K2 patient policy expansion revenue makes up 20% of Bionics revenue (and 7% of P&NO revenue), reflecting our expectation that this initiative will significantly broaden the eligibility pool for high-end bionics and catalyse substantial volume growth



Neuro Orthotics (6% P&NO Sales)

In January 2024, Embla acquired Fior & Gentz, precipitating its entry into the neuro orthotics market. Pre-acquisition, For & Gentz derived 70% of its 2023 revenue from Germany, but Embla's extensive global network of O&P clinics, combined with its targeted clinician education strategy, has the potential to significantly expand this geographic reach. We anticipate international expansion to primarily drive revenue growth, at a projected CAGR of 16% from 2024 to 2029, reaching \$53m (2023: \$23m). This segment is also likely to be margin accretive, with current EBITDA margins of ~30% and further upside driven by R&D synergies with prosthetics.

Access to a New, Underserved Population

Embla's acquisition of Fior & Gentz marks its strategic entry into the neuro-orthotics market, unlocking access to an underserved population with neurological conditions such as cerebral palsy, multiple sclerosis, and stroke. Neuro-orthotic devices provide essential support to improve mobility and functionality in these patients, yet coverage and availability have historically been limited, leaving many individuals without access to advanced solutions. By integrating Fior & Gentz into its portfolio, Embla can expand its offerings to this growing patient population, leveraging its expertise in reimbursement and established healthcare relationships.

Specialising in Orthotic Joints with Bionic Potential

Founded in 1997 in Germany, Fior & Gentz has evolved to specialise in advanced lower extremity orthotic solutions, particularly for patients with neurological conditions like CP, stroke, and MS, and concomitant mobility issues. The company's modular system joints are engineered for a high degree of customization, allowing for a tailored approach where functional components- such as joints, anchors, and sidebars- can be interchanged and combined to address each patient's unique biomechanical needs. With multiple system widths available, these components accommodate varying load requirements, providing a level of individualised treatment that conventional orthotics often lack. Fior & Gentz's focus on innovation and quality has cemented its reputation as a leader in the German orthotics market, with the potential to expand globally into underserved patient segments.

Ankle-Foot Orthosis (AFO)

Fior & Gentz has developed a wide range of orthotic joint options for their AFOs, each designed to provide customised support for patients with different levels of mobility impairment. These joints vary in their ability to control ankle movement, with a range of both dorsiflexion and plantar flexion stop joints available. If the patient's plantar flexors are weak, the

orthosis provides compensatory stability during standing and walking, enhancing safety and preventing falls. In cases of dorsiflexor weakness, the orthosis assists by lifting the forefoot during the swing phase, reducing the risk of tripping. The AFO joint is usually embedded within the orthotic's thermoplastic or carbon-fibre shell, which is designed to interface with the skin via padding or liners to minimise friction. Examples of system ankle joints divided according to the type of dorsiflexion stop are below:

Chart 35: Neuro Classic AFO Joint



Source: Company reports

- **No Dorsiflexion Stop:** Permits unrestricted dorsiflexion, enabling a full range of motion for patients with sufficient muscle strength and control. It is suitable for those who do not exhibit significant dorsiflexor weakness or spasticity but require stabilization of the foot during the stance phase.
- **Static Dorsiflexion Stop:** A static stop limits dorsiflexion to a preset angle, effectively preventing excessive upward foot movement that could destabilise gait. This is particularly suited for patients with moderate to severe spasticity or muscle weakness, where unregulated dorsiflexion might cause instability or toe clearance issues during swing phase. This joint enhances postural stability and contributes to more efficient, balanced ambulation.
- **Dynamic Dorsiflexion Stop:** This joint allows controlled dorsiflexion with adjustable resistance, offering a balance between flexibility and support, using pre-compressed spring units. It is ideal for patients who benefit from some ankle movement for a more physiological gait but require control to prevent excessive foot drop or instability. The dynamic stop accommodates varying degrees of muscle weakness and helps with smoother foot clearance during walking.

Knee-Ankle-Foot Orthosis (KAFO)

KAFOs provide critical support for patients with paralysis or muscle weakness affecting the knee, ankle, and foot. They are typically prescribed when AFOs or knee orthoses (KOs) fail to adequately control knee instability, often due to quadriceps weakness or laxity, as seen in post-stroke recovery. Biomechanical challenges can arise, such as abnormal gait patterns, particularly when locked knee joints hinder sufficient foot clearance during swing phase. Fior & Gentz develops KAFOs with 3 primary types of knee joints- free moving, locked and automatic- each suited to specific clinical needs:



Chart 36: Neuro Classic Carbon



Source: Company reports

- **Free moving joints:** These joints allow the knee to move freely during both the stance and swing phases, promoting a natural gait for patients with moderate to strong knee muscle function. In swing phase, the knee flexion reaches $\sim 60^\circ$, which corresponds to a physiological angle. They are available with or without posterior offset; (1) without posterior offset, knee control is entirely reliant on muscle strength; (2) with posterior offset, the mechanical joint supports the muscular control stance phase control by positioning the mechanical knee axis behind the anatomical axis.
- **Locked joints:** Designed for patients with little to no residual muscle function, these joints immobilise the knee during both stance and swing phases. While this ensures maximum stability, it results in a less natural gait, requiring compensatory movements like circumduction (circular swinging motion of the orthotic-fitted leg) or hip hiking (lifting of hip on orthotic-fitted side), which result in increased energy usage.
- **Automatic joints:** These joints lock during the stance phase to prevent the knee from giving way and unlock during swing, allowing for natural flexion and extension. This technology is ideal for patients with severe muscle weakness, enabling a physiological gait and reducing the long-term health issues associated with traditional locked joints (preferred for severe paralysis).

Clinical Benefits of Neuro Orthotics

Limited large-scale clinical studies have evaluated the impact of orthotic devices on mobility in neurological patients. However, promising data on AFOs and KAFOs from various smaller studies in stroke patients are presented below:

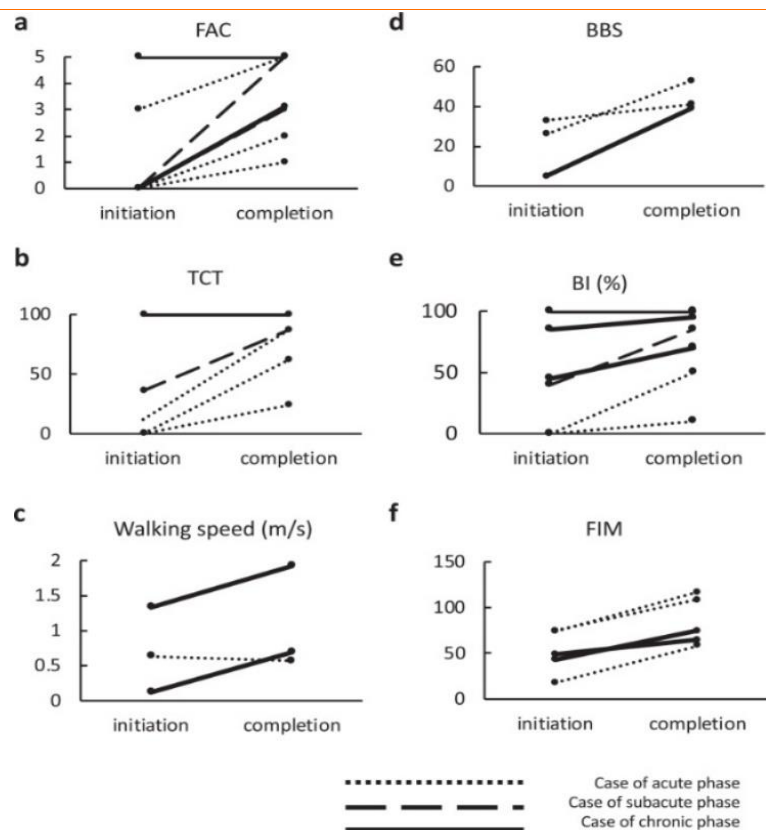
- **Improvements during swing phase:** A kinematic analysis [study](#) involving 24 pts with hemiparesis due to stroke demonstrated that the use of AFOs significantly increased toe clearance ($p=0.038$) and limb shortening ($p<0.0001$) during the swing phase, while reducing compensatory movements, such as hip elevation resulting from pelvic obliquity ($p=0.003$)
- **More balanced gait:** A [study](#) involving 21 hemiparetic patients demonstrated that the use of AFOs vs barefoot was associated with a more dynamic and balanced gait, characterised by longer relative single-stance duration of the paretic lower limb (+31.6%), better swing symmetry (+19.1%), and better angle excursions ($p<0.05$). There was no significant difference in gait speed or stride length between walking barefoot vs using AFO.
- **Improved balance and fall risk reduction:** A [study](#) involving 25 chronic post-stroke hemiparetic patients with independent ambulation demonstrated that the use of an AFO significantly improved balance



and reduced fall risk. Outcomes were measured using the Berg Balance Scale (BERG) and fall risk test (FRT). The BERG scores improved from 42.12 ± 9.05 without the AFO to 47.52 ± 7.77 with the AFO, while FRT stability scores decreased from 3.35 ± 1.97 to 2.69 ± 1.65 , indicating a notable reduction in fall risk ($p < 0.001$).

- **Improved functional mobility and ADL:** [15 patient case reports](#) were analysed and divided into 3 groups: acute phase (<1 month after stroke), subacute phase (1-6 months after stroke), and chronic phase (>6 months after stroke). Clinically meaningful improvement in functional mobility and in activities of daily living (ADL) were reported in 10 and 9 patients, respectively (see image 40).

Chart 37: Changes in outcome measures on functional mobility and ADLs due to KAFO



Source: Kobayashi E, Hiratsuka K, Haruna H, Kojima N, Himuro N. Efficacy of Knee-Ankle-Foot Orthosis on Functional Mobility and Activities of Daily Living in Patients with Stroke: A Systematic Review of Case Reports. *J Rehabil Med.* 2022 *Note: Functional mobility measured by Functional Ambulatory Category (FAC), Trunk Control Test (TCT), Berg balance scale (BBS). ADL measured by Barthel Index (BI) and Functional Independence Measure (FIM)

- **Improved standard of living:** A cohort of [64 patients](#) with neuromuscular disorders using AFOs (19), stance-control KAFOs (22), and locked KAFOs (23) was evaluated for personal goal attainment (GAS), as well as comfortable walking speed (m/s) and net energy cost (J/kg/m) during a 6-minute walk test. Clinically meaningful improvement in GAS scores was observed in 61% of patients, alongside enhanced perceived stability and reduced fear of falling



($p \leq 0.002$). While no significant changes in walking speed or overall net energy cost were noted, specialist care AFOs reduced net energy cost by 9.5% compared to standard care orthoses, from 3.81 to 3.45 J/kg/m ($p = 0.004$).

Ottobock Releasing Highly Advanced Products

The neuro-orthotics market, though moderately crowded, is dominated by a few major global players, with smaller, specialized firms holding significant regional shares. Ottobock remains the global leader, offering a diverse portfolio of advanced orthotic solutions for neurological impairments including its C-Brace KAFO, launched in 2015. This bionic brace, featuring microprocessor sensor technology, enables dynamic gait adjustments including mode-switching for activities like cycling, and allows users with leg paralysis to navigate uneven terrain and stairs safely. The C-Brace's primary indications include incomplete spinal cord injury and post-polio syndrome. Ottobock's global expansion, while competitive, raises awareness of these treatments, indirectly benefiting Fior & Gentz, in our view. With Embla Medical's extensive global distribution network and Fior & Gentz's specialized product line and unique Orthosis Configurator, we believe that Fior is poised for significant growth beyond Germany, potentially expanding into Ottobock's established markets, much like Embla's success in prosthetics.

Embla Already Penetrating New Markets

Neuro orthotic devices still show depressed prescription rates, exemplified by a [6-month study](#) published in 2018. Of 54 patients who were admitted as inpatients in a mixed neurorehabilitation cohort (40% had suffered a stroke), only 25 (46%) were referred to the orthotic service for assessment, 19 of which were subsequently discharged using either an AFO or KAFO following significant improvements with device usage, using FIM and FAM measures. As mentioned previously, these devices show proven efficacy in a highly prevalent population of stroke, CP and MS patients who suffer life-changing mobility challenges, but a lack of awareness is holding back penetration. Fior & Gentz's vision, post-Embla acquisition, is to train orthopaedic clinicians worldwide on how to use these devices in patient care to support a large unmet medical need, utilising Embla's legacy branding and global sales infrastructure. Embla has already rolled out neuro orthoses into 7 new markets including UK and Australia in Q324.

Multiple Drivers of Growth

We expect that Fior & Gentz's key markets will grow at a 10-12% CAGR, with potential to exceed this through leveraging Embla's global O&P infrastructure. The key growth drivers are:



- **Synergies in O&P clinics:** Patients who visit O&P clinics for prostheses may also require orthoses. This natural overlap should foster cross-selling opportunities, boosting revenue across both product lines. With only one sales representative ex-Germany pre-acquisition, this is an obvious benefit of the deal.
- **Global expansion via Ottobock:** Ottobock’s global presence amplifies awareness of these treatments, indirectly benefiting Fior & Gentz by fostering a more receptive market environment, particularly in the US, a region where Fior & Gentz previously lacked penetration.
- **Recurring revenue from chronic patients:** Chronic orthoses users require annual maintenance, periodic upgrades, and replacements approximately every 2.5 years, creating a steady revenue stream.
- **‘Orthosis Configurator’ for clinicians:** This system simplifies orthotic customisation for clinicians, potentially accelerating product adoption through ease-of-use in O&P clinics.
- **R&D crossover with prosthetics:** Shared R&D across orthotics and prosthetics drives innovation, enhancing patient care and improving margins across both product lines.
- **Technology upgrades:** Mechanical orthotics are priced in the hundreds, but advanced bionics, like Ottobock’s C-brace for stroke patients are priced at ~\$60k (with US reimbursement). As technology advances, patient upgrades to bionic devices will likely increase. Considering the neuro-orthotics market is a decade behind prosthetics, this trade-up trajectory is highly probable.

Revenue Forecasts: 16% CAGR to 2028

We forecast a a 16% revenues CAGR in neuro orthotics from 2024 to 2028, driven by international expansion. Currently 70% of Fior & Gentz’s revenue is derived from the German market; however, by 2027, we project an equal split between domestic and international markets, with ex-Germany revenues leading growth through 2030.

Table 12: Neuro orthotics revenue forecasts

	2022A	2023A	2024	2025	2026	2027	2028	2029	2030
Revenue (\$m)	20	23	26.0	29.8	34.8	40.7	47.0	53.5	59.6
<i>growth</i>		16%	13%	15%	17%	17%	16%	14%	11%
Germany	13.9	16.1	17.2	18.4	19.7	21.1	22.6	24.2	25.9
<i>growth</i>			7%	7%	7%	7%	7%	7%	7%
ex-Germany	5.9	6.9	8.8	11.4	15.0	19.5	24.4	29.3	33.7
<i>growth</i>			27%	30%	32%	30%	25%	20%	15%

Source: Intron Health estimates Note: For FY22 we have assumed that the Germany/ex-Germany split is the same as reported in FY23 i.e. 70% in Germany

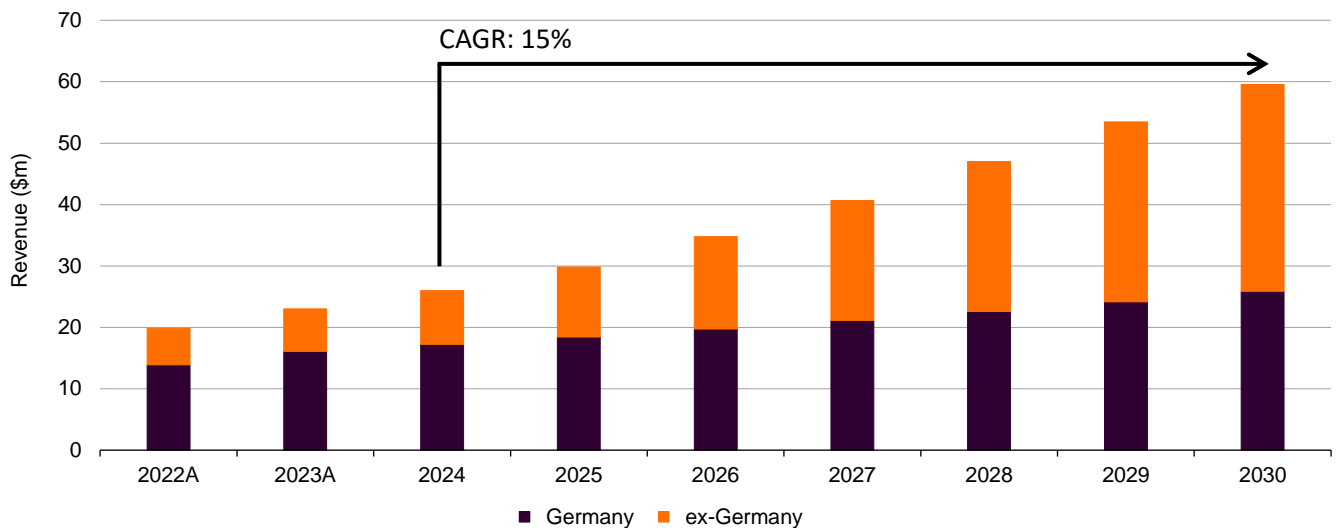
- **Ex-Germany Growth (2024-2028 CAGR of 29%):** We forecast robust double-digit growth in these regions starting in 2024, following the introduction of Fior & Gentz’s products to seven additional countries post-acquisition. Growth is expected to accelerate from 27%



to 32% by 2026, driven by extensive clinician education initiatives and concomitant product uptake. While double-digit growth is anticipated through 2030, it will gradually taper from 32% to 15% as these markets mature and the initial expansion phase naturally subsides.

- **Germany Growth (CAGR of 7%):** In Germany, where Fior & Gentz already holds a leading position in a relatively mature market, we forecast a more moderate 7% annual growth from 2024 to 2030. Capturing incremental gains would likely be from technology upgrades and consistent product adoption rather than market expansion.
- **Upside is Plausible:** (1) Functional trade up to more advanced bionic neuro orthotic joints could start to unravel in mature markets with reimbursement models, such as Germany, which could offer significant pricing leverage. (2) Potential for further growth from additional consolidation with bolt-on M&A

Chart 38: Neuro orthotics revenue forecasts: 2022-2030E



Source: Intron Health estimates Note: For FY22 we have assumed that the Germany/ex-Germany split is the same as reported in FY23 i.e. 70% in Germany

Bracing & Supports (17% Sales)

Embla's Bracing & Supports (B&S) segment offers a now streamlined portfolio of ~90 products, including cervical collars, back and knee braces, addressing osteoarthritis and acute injury needs. Following a strategic 2020 restructuring, the business is now better positioned for sustainable low single-digit growth and margin expansion, despite ongoing challenges such as Medicare's competitive bidding program and fierce competition in a fragmented, less IP-driven market. We project a revenue CAGR of 3% from 2025 to 2030, at the upper end of the market's 2-3% range, supported by rising demand from an aging population and Embla's focus on price integrity and operational efficiency through product



rationalisation. However, as Embla's higher-margin Prosthetics and Patient Care divisions capture stronger growth, B&S is expected to contribute just 13% of group revenue by 2030 (down from 18% in 2023), reflecting its decreasing significance within the broader portfolio.

Support for Chronic and Acute Care Patients

Bracing and supports are essential medical devices designed to stabilise, protect, and assist joints and muscles, playing a critical role in both acute injury care and chronic condition management. For acute injuries, such as sprains, fractures, or post-surgical recovery, these devices offer immediate pain relief and promote accelerated healing by limiting harmful movements. In chronic conditions, particularly osteoarthritis (OA), bracing helps alleviate joint pain, improve mobility, and slow joint degeneration. Specifically, knee braces reduce the load on affected joints and can serve as a non-invasive treatment alternative to knee replacement surgery for patients with mild to moderate OA, significantly enhancing their quality of life.

Table 13: B&S subsegments

Sub segment	End-User Profile	Improving Mobility	Product Examples
Injury Solutions	People recovering from fractures, ligament injuries or need post-operative treatment	Products stabilising joints and improving healing	Formfit Pro Ankle (compressive sleeve for people suffering from mild strains and sprains) and Rebound Diabetic Walker (support in treatment of plantar foot ulcers)
OA Solutions	People living with Osteoarthritis (OA)	Non-surgical treatment by unloading affected joint with braces	Unloader One range of knee braces (relieve pain from knee OA) and Unloader Hip (optimises load dispersion for pts suffering from mild to moderate hip OA)

Source: Company reports

Rising OA Prevalence & Injury Rates Drive Demand

Embla estimates the global Bracing & Supports market size at \$2.7-3.0bn, with annual growth of 2-3%. The underlying structural growth drivers largely mirror those of the prosthetics market, driven by ageing populations and rising obesity rates, further bolstered by factors such as increasing injuries, surgeries and prevalence of OA. OA, a degenerative joint condition that causes pain, swelling and stiffness, affected ~530m people worldwide in 2019, more than doubling since 1990. ~70% of OA patients are over 55 years old, with the knee being the most affected joint (>60%), followed by the hip and hand. The WHO estimates that over 300m people with OA experience moderate to severe levels and could benefit from rehabilitation. With ageing populations and rising obesity and injury rates, OA prevalence is expected to continue to increase, which should drive demand for bracing solutions- one of the most common non-invasive treatments alongside exercise and NSAIDs. In severe cases patients can undergo joint replacement surgery.



Low Barriers to Entry and Little Product Innovation

The B&S market faces lower barriers to entry compared to the more technologically advanced prosthetics sector, making it highly competitive. Historically, B&S (via the Össur brand) was the company's largest source of revenue, constituting over 50% of sales before 2018 (Note: this includes Patient Care revenue, now reported separately). However, persistent price erosion due to reimbursement pressures in core markets like the US has weighed on margins and competitiveness and prompted divestments. Today, B&S accounts for ~20% of Embla's total business. In 2020, Embla strategically divested from its French B&S brand, Gibaud, which mainly focused on non-core compression sockets, and exited two US distribution channels. Post-streamlining, Embla now holds an average 4th position across various B&S submarkets, with a 5-7% global market share. The competitive landscape has intensified, with the presence of strong local players and limited product innovation. Most competitors now offer OA solutions (Embla's largest subsegment). Key competitors in the US and Europe include Enovis (~25% market share), Medi, Bauerfeind, Ottobock, Aspen, Breg and DeRoyal.

Pressure From Medicare's CBP

The introduction of Medicare's [competitive bidding program](#) (CBP) in 2021 has exerted downward pressure on US pricing for off-the-shelf bracing, particularly in the knee and back categories. This has accelerated a transition towards these less customised products, which command lower prices. This shift favours durable medical equipment (DME) suppliers over O&P clinics. There is a risk that Medicare could further extend the range of products affected by competitive bidding to include higher-end, customised braces. While Medicare reimbursement rates have remained relatively stable since, wholesale prices to clinics continue to decline due to intense competition and the influx of low-cost suppliers, often sourcing from Asia. This commoditization, driven by minimal IP protection and a lack of clinical innovation in the bracing market, has forced many companies to destock inventory or pivot strategies.

...Competition Also High in Europe

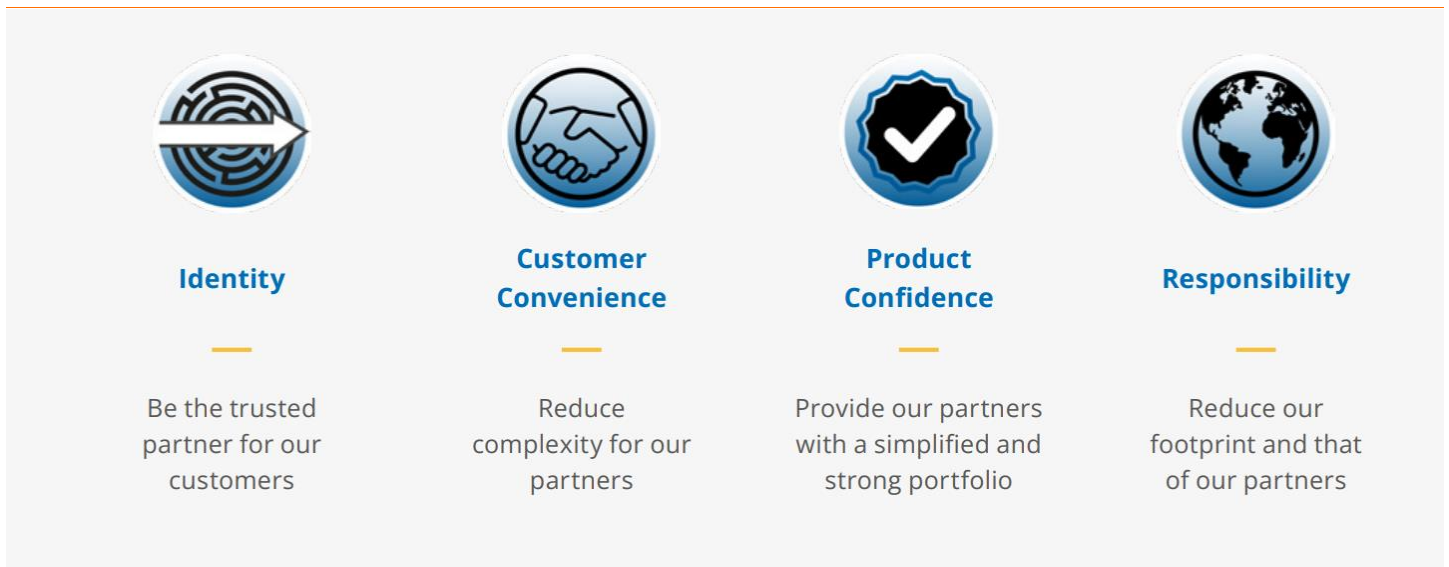
In Europe, the trend of price erosion is lagging behind the US but lower-cost competitors are increasingly undercutting established players like Embla by as much as €200-300 per brace. As a result, Embla is doubling down on service differentiation to retain market share. The overall combination of commoditization and aggressive competition has created a challenging environment, with bracing companies relying heavily on service offerings and channel control to avoid further margin compression.



Bracing Simplified Should Bolster Market Share

Following the 2020 divestments, Embla launched its 'Bracing Simplified' strategy in 2021, focused on providing a differentiated customer experience and service, coupled with maintaining price integrity. Central to the strategy is the importance of channel control, focusing on long-term relationships rather than one-off product sales. One of the services offered is a digital education platform that enables rapid production of high quality, co-branded content tailored to customer-specific bracing protocols. In addition, Embla's EmpowerX automated practice management solution is offered to orthopaedic clinics in the US, which provides customers with efficient inventory oversight and automated product procurement. Embla has streamlined its product variants and components to be more manageable and beneficial from a cost-perspective, which should be margin accretive in the long run. As a leaner operation, it is now more agile and optimally positioned to navigate the current market environment.

Chart 39: Bracing Simplified Strategy



Source: Company reports

New Launches Can Differentiate Products

Embla's vast but streamlined range of products continue to be primarily sold through reimbursement channels in both the public and private markets. Despite little product innovation in the B&S sector, Embla has continued to launch new products in key categories over the last 5 years, including Unloader One X in 2019, which costs ~£600 off-the-shelf and £800 custom (including fitting fees). It is an upgraded version of Embla's flagship Unloader One knee brace. This features a unique, patented 3-Point Leverage System which been clinically proven to provide pain relief and functional improvements to people suffering from unicompartamental



OA of the knee and degenerative meniscal tears. According to Embla, it remains the most clinically studied arthritic knee support on the market.

Chart 40: Össur's Unloader One X



Source: Company reports

Chart 41: Össur's Hip



Source: Company reports

Chart 42: Össur's Rebound Diabetic Walker



Source: Company reports

Clinically Proven Efficacy For a Flagship Product

An [8-year study \(N=63\)](#) following patients with end-stage knee OA using the Unloader One brace, showed that 40% did not require surgery at the final follow-up, with longer brace use linked to a significantly lower likelihood of surgery. Patients who wore the brace for over two years avoided surgery entirely, while wearing it for six months halved the chance of needing surgery compared to shorter-term use. Another study (N=80) investigating patients with medial knee OA using the Unloader knee brace found significant improvements in pain severity, walking distance and knee function after six months, with reduced reliance on painkillers. The brace has also been shown in other studies to be more effective compared to alternative OA braces.

Other Braces For a Wide Range of Conditions

Embla offers a comprehensive portfolio of products tailored to address a variety of musculoskeletal injuries and degenerative conditions. Below are key examples that illustrate the breadth of Embla's offerings and their targeted applications in clinical practice:

- **Rebound Diabetic Walker (Walking boot)** is engineered for effective plantar foot ulcer treatment, providing superior offloading to reduce pressure on the ulcer site while enhancing patient mobility during healing. It offers significant advantages over diabetic shoes and total contact casting through its advanced tri-laminate insole design for optimal pressure distribution. Its list price is ~£400.



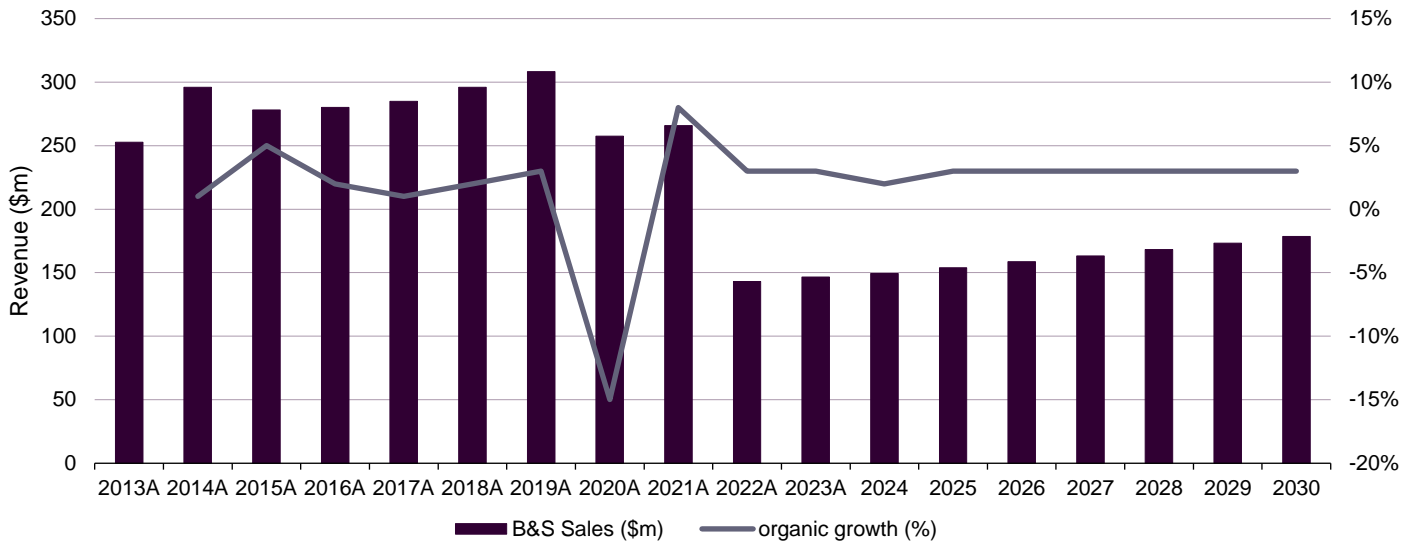
- **Rebound Cartilage Custom (Knee brace)** protects healing tissue from overload in prehabilitation, and rehabilitation of cartilage injuries and meniscal lesions post-operation. Its list price is ~£1.2k.
- **Miami J (Neck collar)** provides superior immobilisation for patients with cervical spine injuries. Its design minimises pressure points on critical areas like the chin, occiput, and clavicle, and its Sorbatex (anti-bacterial) padding inhibits microbial growth to ensure patient comfort and compliance. The collar also allows for safe imaging (X-ray, CT, MRI) and features customizable comfort adjustments for optimal fit and functionality during pre- and post-surgical care or cervical spine trauma management. Its list price is ~£60.
- **Unloader Hip (Hip brace)** is designed to enhance daily function and mobility in patients with mild to moderate hip osteoarthritis by optimising load distribution and stabilising the joint. It provides proprioceptive support through compression during the gait cycle and can reduce internal rotation and adduction forces with its clinically proven Dynamic Rotation Straps. Its list price is ~£2k.

Stable LSD Growth in Line with Market

The B&S segment has delivered stable LSD annual organic growth, averaging 3% from 2013 to 2023 (excluding the anomalous 2020, which was impacted by COVID-19 and several divestments), closely aligning with the projected market growth rate of 2-3%. Overall, the market remains less compelling compared to the prosthetics business, characterized by slower growth, shorter innovation cycles, and heightened competitive intensity. The company has also alluded to substantially lower margins for this division (based on our knowledge of the sector we assume ~10% at the EBIT level), owing to significant price pressures and competitive reimbursement systems. In response, Embla has strategically repositioned the B&S segment by streamlining its product portfolio and focusing on premium offerings, aimed at preserving pricing integrity and reinforcing its competitive edge in this challenging market.



Chart 43: B&S: Revenue Progression from 2013-2030E



Source: Intron Health estimates

- We note that the substantial decrease in 2022 B&S revenue in Chart 46 is due to a 2023 *pro forma* adjustment that reclassified 43% of B&S revenue into the newly introduced Patient Care segment; without this adjustment, B&S revenue in 2022 decreased by only 1% to \$263m.

FY20 Impacted by COVID-19 and Divestments

The COVID-19 pandemic had a pronounced impact on B&S revenues in 2020, with double-digit declines in product demand attributable to reduced levels of sports-related injuries and postponement of elective surgeries. In addition, Embla divested Gibaud SAS, a French bracing and compression therapy company, to Innothera. Acquired for ~€100m in 2006, Gibaud was sold for an EV of €21m (partly performance-based), reflecting its non-core product base and low 1.4% EBITDA margin in 2019. This marked Embla's exit from the French pharmacy channel to focus on its core O&P business. Additionally, Embla completed the sale of its US-based B&S sales entities, originally acquired in 2008 and 2010, which had shifted focus away from Embla's products due to product rationalization and reimbursement changes, reporting negative EBIT. These divestments shifted Embla's market share and position from 6-8% to 5-7%, and 2nd to 4th, respectively, but streamline its B&S portfolio, which in our view should bolster margins in the long run and enable Embla to prioritise its higher margin prosthetics division and accelerate expansion of its O&P clinic base.

More Sustainable, Streamlined Product Offering

Embla's 'Bracing Simplified' strategy is focused on creating a more sustainable B&S offering with improved function, comfort and ease of use. This initiative has driven significant efficiencies in material sourcing

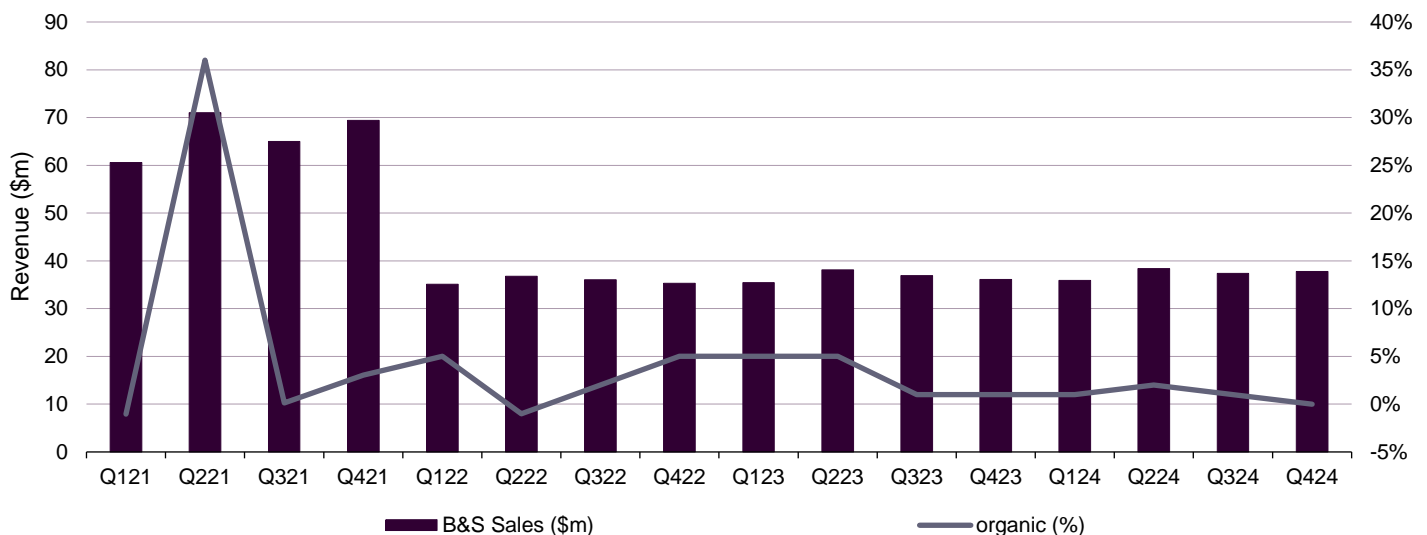


and manufacturing, including a 45% reduction in stock keeping units. Combined with Embla's premium service offerings (mentioned previously), these efforts have reinforced the company's fourth-place market leadership while safeguarding price integrity in an increasingly competitive market.

Forecasted Revenue CAGR of 3% to 2030

With a leaner B&S business, we anticipate a shift in focus towards pursuing more profitable growth, rather than sustaining a low-margin, stable business. The recent restructuring has strengthened the division's prospects, and we expect Embla to maintain its market share in a competitive market while achieving growth in line with the broader 2-3% market rate over the near to mid-term. Our Q424 revenue estimate of \$37.8m, aligned with the previous three quarters' average, brings projected FY24 revenue to \$149m, reflecting YoY growth of 2%. Looking ahead, we forecast 3% annual growth from 2025-2030. The company's ongoing cost reduction initiatives should drive margin expansion, but by 2030, we forecast the B&S segment to contribute to just 13% of group revenue (down from 18% in 2023). This reflects the significantly stronger growth trajectory of the Prosthetics division and concomitant strategic expansion of O&P clinics, both which are poised to drive substantial long-term value across the broader portfolio.

Chart 44: B&S quarterly revenue progression (\$m): Q121-Q424



Source: Company reports, Intron Health estimates. Note: Quarterly revenue figures in 2022 reflect the inclusion of the newly introduced Patient Care segment (a pro forma adjustment implemented in 2023). Excluding Patient Care sales, B&S revenue in Q122, Q222, Q322 and Q422 grew by 5%, -4%, -3% and -1%, respectively.



Patient Care (33% Sales)

Embla's Patient Care division operates a global network of ~200 O&P clinics across 11 countries, offering personalised fitting of prostheses, orthoses, and assistive devices. Set to be unified under the ForMotion brand, this segment, officially introduced in 2023, plays a critical role in Embla's vertical integration strategy. Patient Care revenues are largely driven by volume growth, product mix, and a recurring renewal and maintenance cycle, benefitting from the trade up to bionic devices. ~70-80% of revenue in this lower-margin segment (EBITDA margin ~10%) is recurring, and we forecast stable high single digit expansion of 6% YoY from 2024 to 2030, in line with market growth for Prosthetics. Stronger margins should be supported by increased efficiency through operational synergies and clinical process optimization.

Vertically Integrated Through Its O&P Clinics

Embla first entered Patient Care in 2013 when it acquired O&P clinics from TeamOlmed and OCH. Since then, Embla has actively consolidated O&P clinics, as well as opened new stores organically. The division focuses on providing both off-the-shelf and customized solutions for patients with chronic mobility challenges, fostering strong relationships between patients and Certified Prosthetists & Orthotists (CPOs). Set to be united under the common ForMotion brand identity, the Patient Care segment now operates a network of ~200 O&P clinics across 11 countries and has grown from 16% to 36% of group sales since 2018, with ~70-80% of revenue recurring. As the third-largest player in this fragmented market, Embla is well-positioned to capitalize on its scale and partnerships for future growth. Additional sales growth can be achieved by reaching more patients through clinical process optimization and innovative solutions with the ability to realise cost optimisation by means such as centralising sourcing and manufacturing, which could strengthen margins.

2-3% Share in a Fragmented \$14-15bn Market

Embla estimates the global Patient Care market generates ~\$14-15bn revenues per year and is growing at a CAGR of 3-4%. Despite being the third-largest player in this market, Embla's current market share remains modest at 2-3%. The high fragmentation of this market stems from its inherently localised and specialised nature. O&P clinics are typically regionally focused, requiring close patient relationships and specialised expertise, which leads to a proliferation of small, independent operators. Regulatory complexity, diverse payer systems, and varying healthcare standards across regions present significant barriers to large-scale consolidation. The influence of public and private payers on







reimbursement rates constrains pricing power, making it difficult for smaller operators to scale effectively and putting pressure on margins.

Centralising the Business With ForMotion Brand

Earlier this year, Embla announced its initiative to centralize its patient care services under the unified brand identity, ForMotion, which will be progressively launched across its global O&P clinics. The full rebranding effort is anticipated to take ~2 years, with initial successes seen in the Netherlands during Q3, followed by an expansion to the US and other smaller European locations by Q4 2024. Historically, prosthetic fitting and production have been highly manual and resource-intensive processes. Through centralisation and the new ForMotion brand, Embla aims to simplify the prosthetic workflow - from guided ordering through a user-friendly portal to the delivery of complete prosthetic solutions - enabling a fully integrated, end-to-end product suite.

Chart 45: O&P services

Service offering	Key benefit	Service offering	Key benefit
 <p>Outsourced fabrication</p> <ul style="list-style-type: none"> Central fabrication Össur Leg 	<p>Reduced need for manpower and floor space</p>	 <p>Patient outcomes</p> <ul style="list-style-type: none"> PRO App Outcomes mgmt. 	<p>Reimbursement justification and optimal product selection</p>
 <p>Practice management</p> <ul style="list-style-type: none"> Business IT solution Claims mgmt. 	<p>Management software to increase efficiency</p>	 <p>Business support</p> <ul style="list-style-type: none"> Compliance audit Reimbursement Regulatory Partner network 	<p>Support to accelerate sales growth</p>

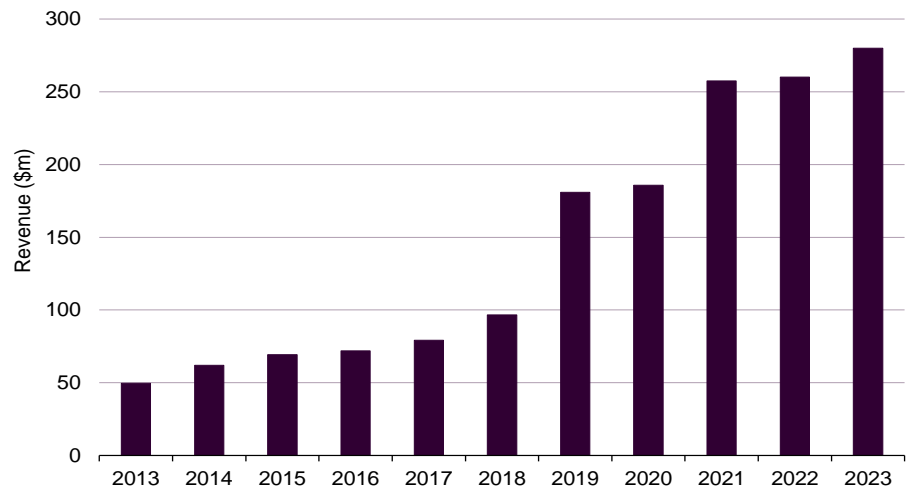
Source: Company reports

Patient Care Revenue Growth Driven by M&A

Patient Care revenue has demonstrated robust growth, with an estimated CAGR of 19% from 2013 - when the company first began acquiring O&P clinics - through to 2023. The division experienced ~90% growth in 2019, driven by a series of strategic O&P clinic acquisitions across the US, Denmark, France, and the Netherlands. By 2021, Patient Care revenue rose another ~40%, bolstered by increasing international presence through brand expansions (e.g. College Park acquisition). While Embla's acquisition-driven expansion in Patient Care has contributed margin dilution, averaging ~10% at EBITDA level, the company's centralization strategy is expected to generate efficiencies, particularly by reducing COGS and employee-related costs. Over time, these efficiencies should enhance margins for the division, bringing them more in line with Embla's other segments.



Chart 46: Patient Care revenue



Source: Intron Health estimates Note: Patient Care revenue from 2013-2021 is estimated based on company charts that don't include exact figures

Forecasting HSD Long-Term Growth

Based on Embla's performance in the first three quarters of 2024, we project full-year revenue growth of 6%, reaching \$297m. We expect this growth rate to be sustained in the foreseeable future, driven by a favourable product mix shift toward bionics within Patient Care, along with Embla's unified brand and centralised product offering. These factors should support market share gains, allowing the company to outperform the projected market growth rate of 3-4% annually. Upside to these projections could arise from M&A activity, should Embla continue to expand its global O&P clinic network.

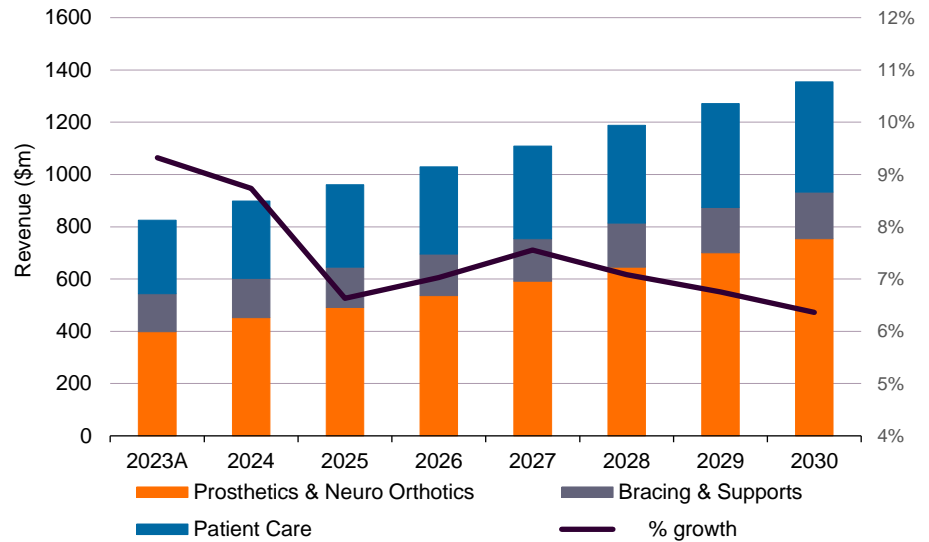
Group Revenues to Grow at a 7% CAGR

Integrating our bottom-up forecasts for each of the divisions, we find that sales are expected to grow at a 7% CAGR over 2024-2029. This is largely driven by (1) sustained expansion in the bionics segment, further bolstered by Medicare's policy shift and anticipated alignment from commercial payors, thereby markedly broadening Embla's addressable US market; (2) enhanced vertical integration with Embla's O&P clinics, where a rising bionics product mix is expected to further boost Patient Care revenue; (3) increased penetration of Embla's mechanical product line into developing, underserved markets; and (4) strategic entry into the neuro-orthotics market, offering substantial global growth potential, particularly through synergies from Embla's established revenue base.

At the 2023 CMD, Embla introduced its Growth'27 strategy, targeting revenue growth of 7-10% LCY pa average growth (5-7% organic + 2-3% acquisitive). This 5-year strategy was established before the Medicare shift and the acquisition of Fior & Gentz. Consequently, we consider a 7% organic CAGR to 2029 to be highly plausible. While we do strictly forecast any acquisitions, given the company's track record, they remain a strong possibility in the medium-term.



Chart 45: Group revenue forecasts: 2023-2030



Source: Intron Health estimates Note: This chart excludes minor annual revenue deductions related to internal sales

Margin Analysis Shows +300bps upside

Through operational leverage, we forecast adjusted EBITDA margin to expand from 20.1% in 2024 to 23.1% by 2029. As Embla scales, we expect certain fixed costs, particularly within G&A, to grow at a slower rate than revenue, allowing for greater cost efficiency across head office, centralized IT, and administrative functions. Additionally, synergies from recent acquisitions- such as Fior & Gentz and smaller O&P clinic purchases- enable cost streamlining; integrating sales teams, consolidating marketing, and aligning back-office and research functions should further reduce redundancies.

Table 14: Group cost and margin development over 2023-29

\$000s	2023A	2024	2025	2026	2027	2028	2029
Revenues	786	854	911	975	1,048	1,123	1,199
COGs	-300	-319	-339	-361	-386	-411	-436
growth		6%	6%	6%	7%	7%	6%
as % of sales	-38.2%	-37.4%	-37.2%	-37.0%	-36.8%	-36.6%	-36.4%
S&M	-293	-312	-331	-351	-372	-395	-418
growth		7%	6%	6%	6%	6%	6%
as % of sales	-37.3%	-36.5%	-36.4%	-36.0%	-35.5%	-35.2%	-34.9%
G&A	-67	-69	-72	-75	-78	-81	-84
growth		3%	4%	4%	4%	4%	4%
as % of sales	-8.5%	-8.1%	-7.9%	-7.6%	-7.4%	-7.2%	-7.0%
R&D	-38	-40	-43	-46	-49	-52	-55
growth		6%	7%	7%	7%	7%	7%
as % of sales	-4.9%	-4.7%	-4.7%	-4.7%	-4.6%	-4.6%	-4.6%
EBIT	89	114	126	143	164	185	205
EBIT margin	11.4%	13.4%	13.8%	14.6%	15.6%	16.4%	17.1%
Adjusted EBITDA	139	172	190	210	233	255	277
Adjusted EBITDA margin	17.7%	20.1%	20.9%	21.5%	22.2%	22.7%	23.1%
Expansion / contraction		+238bps	+79bps	+62bps	+69bps	+51bps	+39bps

Source: Intron Health estimates



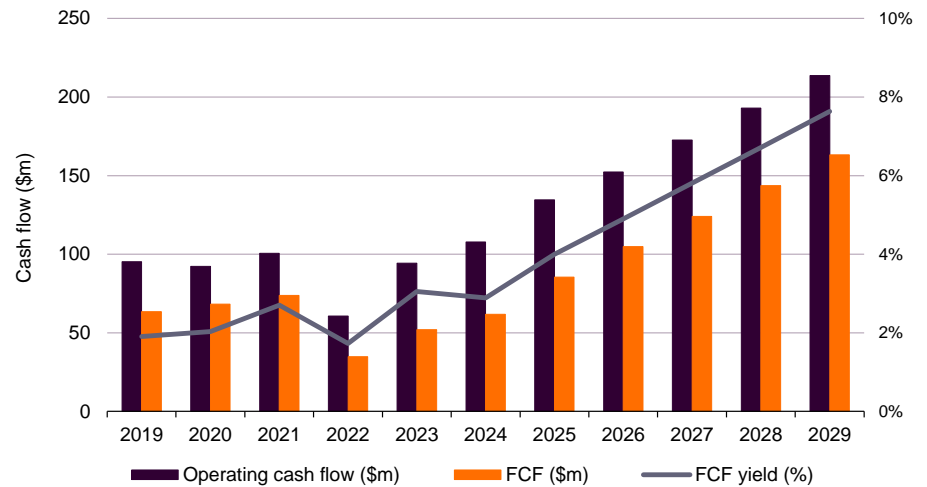
- **COGs:** We model a gradual reduction in COGs as a percentage of sales from 2024, driven by centralised sourcing and manufacturing optimisations initiated in Q1, including workforce reductions to decrease unit costs. Consequently, we forecast gross margins to improve from 62.6% in 2024 to 63.6% by 2029.
- **S&M:** We forecast S&M costs to grow below sales, driven by scalability from prior investments in core markets, enhancing operating leverage. By 2029, S&M costs are projected to be 35% of sales, reflecting a 160bps reduction from 2024.
- **G&A:** We forecast G&A costs to grow modestly at 4% YoY, as Embla's completed foundational investments provide operational leverage to limit fixed cost growth relative to sales. By 2029, G&A is expected to reach 7.0% of sales, a 110bps reduction from 2024.
- **R&D:** We forecast R&D as a percentage of revenue from 2024 to 2029 to remain stable at ~4.7%.

Cash generative; FCF yield to reach 8%

Embla has a track record of strong positive operating cash flows, a trend we anticipate will persist over the short-to-medium term as EBITDA continues to grow. We project substantial FCF progression from 2025 onward, aided by capex normalisation following peak investments in FY23 and FY24 as facility upgrades near completion (tapering from 4.0% 2024e sales to 2.6% 2028e sales). Our 2024 forecasts provide an FCF yield of 3%, consistent with the prior year, with gradual expansion to 8% by 2029, supported by an FCF/EBIT conversion rate of 80%. This growth should enhance Embla's flexibility for potential shareholder returns through its buyback program, aimed at maintaining leverage at the 2-3x range, while also providing resources for strategic reinvestment to support long-term growth.



Chart 46: Group operating cash flow and FCF: 2019A-2029



Source: Intron Health estimates

Balance Sheet on Road to Recovery

Embla historically targeted leverage in the range of 2-3x, using share buyback programmes when leverage fell below 2x. These buybacks were paused in 2022 and 2023 as leverage escalated significantly due to an inventory buildup and COVID-19 headwinds (YE22: 3.5x). Stock levels have since been reduced and as of Q324, Embla saw net debt/EBITDA of 2.8x (incl. leases), influenced by the recent Fior & Gentz acquisition, but still within the target range. Our projections indicate a decrease in leverage to 2.6x in 2024, continuing to trend down YoY as cash reserves accumulate, reaching 2.0x by 2025. While we do not directly forecast any share buybacks in the immediate term, it remains plausible that Embla may reinstate its programme in the coming years.

Intron Health Vs Consensus

When forecasting, we have been careful to make conservative assumptions, particularly with regard to the K2 opportunity. Therefore, we are not surprised to find we slightly below consensus on the top line, but our work on the margin means that we are broadly in line on adjusted EBITDA. If the K2 rollout proceeds faster than we forecast, we could see material upgrades to these estimates, in our view.



Table 15: Summary P&L- Intron Health vs Consensus

\$000s	2024	2025	2026	2027
Revenues				
Intron Health	854,212	910,859	974,852	1,048,478
Consensus	863,200	933,000	1,007,000	1,083,600
Difference	-1%	-2%	-3%	-3%
Adj. EBITDA				
Intron Health	171,750	190,298	209,690	232,715
Consensus	171,500	193,800	212,300	227,800
Difference	0%	-2%	-1%	2%
Adj. EBITDA margin				
Intron Health	20.1%	20.9%	21.5%	22.2%
Consensus	19.9%	20.8%	21.1%	21.0%
Difference	+24bps	+12bps	+43bps	+117bps

Source: Intron Health estimates, Bloomberg

Note: 2028/2029 consensus only includes two sources

Table 16: Divisional revenues- Intron Health vs Consensus

\$000s	2024	2025	2026	2027
P&NO- Intron Health	452,731	491,566	536,992	591,273
P&NO- Consensus	454,400	498,200	546,300	595,700
Difference	0%	-1%	-2%	-1%
B&S- Intron Health	149,430	153,913	158,530	163,286
B&S- Consensus	149,500	155,200	161,000	166,900
Difference	0%	-1%	-2%	-2%
Patient Care- Intron Health	296,902	314,716	333,599	353,615
Patient Care- Consensus	300,200	322,400	344,400	367,600
Difference	-1%	-2%	-3%	-4%

Source: Intron Health estimates, Bloomberg

Valuation Supports TP of DKK56/Share

We value Embla using our DCF, which uses a WACC of 8% and terminal growth rate of 3.5% from 2036, based on a 7% topline CAGR 24-29 and likely ongoing growth tailwinds for several decades as product and geographic penetration continue to expand. We assume that the margin expands from 23.1% in 2029 to 25.0% by 2032, after which it remains flat. With a 24% tax rate and maintenance capex of 3% of sales, our DCF gives rise to our target price of DKK56/share, implying 52% upside.

Our valuation is supported by a comps analysis, which would put Embla on a 38% EV/EBITDA premium to the sector in 2025, with an EPS CAGR of 18% 24-29 vs just 13% for the sector. Currently, Embla trades on a ~5% EV/EBITDA discount to the sector next year.

We provide a sensitivity table below to show how the valuation varies by flexing the WACC and terminal growth rate. Even at a WACC of 9% and terminal growth rate of 2%, we show that the current share price can be supported.



Table 17: Valuation Sensitivities (DKK/share)

		Terminal growth rate (%)				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC (%)	9.0%	37.0	39.0	41.2	43.9	47.1
	8.5%	40.9	43.2	46.0	49.4	53.5
	8.0%	45.3	48.3	51.9	56.2	61.6
	7.5%	50.7	54.4	59.0	64.7	72.0
	7.0%	57.1	61.9	67.9	75.6	85.9

Source: Intron Health estimates

Company History

Embla Medical, originally founded as Össur in 1971 by amputee and prosthetist Össur Kristinsson, was established in the wake of his pioneering development of the world's first silicone prosthetic liner. Following its 1999 IPO on the Iceland Stock Exchange, Össur rapidly expanded via strategic acquisitions and revolutionary product developments, including the Cheetah running prosthesis and the world's first AI-powered bionic prostheses. The 2016 acquisition of Touch Bionics marked Össur's entry into the bionics upper limb market. The company rebranded as Embla Medical in 2024 to reflect its evolution into a global provider of comprehensive mobility solutions, spanning prosthetics, neuro orthotics, bracing, and O&P patient care. Today, Embla employs over 4,000 people and operates in 36 countries.

Management

CEO: Sveinn Sölvason has served as CEO of Embla Medical since 2022, following his role as CFO, which he held from 2013. He joined Embla in 2009, bringing valuable experience from his prior position as Manager of Corporate Development at Marel, and earlier roles with Kaupthing Bank, Goldman Sachs, and HSH Nordbank. Mr. Sölvason holds a Master's degree in Finance and Accounting, as well as a Bachelor's degree in International Business, both from Copenhagen Business School.

CFO: Gudný Arna Sveinsdóttir was appointed CFO of Embla Medical in 2022, bringing extensive financial leadership experience. Prior to joining Embla, she held senior finance roles at Kvika Bank and its subsidiaries and spent a decade with Teva Pharmaceuticals/Actavis, including as CFO for Teva Pharmaceutical Generic R&D. Prior to that, she served as an independent consultant to financial institutions in Iceland and held multiple finance positions at Kaupthing Bank from 2001 to 2008, including CFO. Her earlier career includes roles with Eimskip in Iceland and PwC in Stockholm. Gudný holds a Master's degree in Accounting and Finance from the University of Uppsala, Sweden, and a Cand.oecon. degree from the University of Iceland.

President Americas: Christian Robson joined Embla Medical in 2012 and has held multiple leadership roles, including VP of Finance & General Counsel for the Americas, and Legal Counsel. Prior to Embla,



he practiced corporate and transactional law at Paul Hastings. Christian serves on the board of the National Association for the Advancement of Orthotics and Prosthetics (NAAOP). He holds a Juris Doctorate from Harvard Law School and a Bachelor's degree in English Literature from Brigham Young University.

EVP of Research and Development: Hildur Einarsdóttir joined Embla Medical in 2009, holding various roles across R&D and Sales & Marketing. She began as an engineer for the Bionic portfolio, advancing to Global Product Manager for Bionics, and later served as Director of Global Product Management for Prosthetics. She was appointed VP of Global Marketing before rejoining R&D in 2018 as VP of Strategy & Operations. Before joining Embla, Hildur worked with UK-based biotech company deltaDOT. She holds a Master's degree in Biomedical Engineering from Imperial College, London, as well as a Bachelor's degree in Electrical Engineering from the University of Iceland.

Chief Commercial Officer: Ólafur Gylfason was appointed Chief Commercial Officer in 2022. He joined Embla Medical in 1997 as Sales Manager for emerging markets. In 2000, he relocated to the Netherlands to establish and lead the European region as a member of the executive team, and in 2013 transitioned to oversee operations in the Americas. Ólafur served for six years as EVP of Global Sales & Marketing and Prosthetics before being appointed CCO. He holds a Master's degree in International Business Economics from Alborg University, Denmark, and a Bachelor's degree in Business Administration from Bifrost School of Business, Iceland.

EVP of People, Strategy & Sustainability: Margrét Lára Fridriksdóttir started at Embla Medical in 2000 and throughout her time has numerous positions across finance, corporate strategy and human resources. She served as VP of Corporate Strategy prior to joining Executive Management. Margrét holds a Master's degree in Management and Strategy and a Bachelor's degree in Business Administration, both from the University of Iceland.

COO: Lukas Märklin joined Embla Medical in 2023 after a distinguished 20-year career at Straumann, the global dental implant leader, where he most recently served as Senior Vice President of Operations. He holds a Master's degree in Mechanical Engineering from ETHZ Swiss Federal Institute of Technology.



Financial Statements

P&L

Table 18: Embla Medical P&L

\$ (000s)	2024	2025	2026	2027	2028	2029
Revenues	854,212	910,859	974,852	1,048,478	1,122,772	1,198,581
<i>growth</i>	8.7%	6.6%	7.0%	7.6%	7.1%	6.8%
Cost of goods	-319,475	-338,840	-360,695	-385,840	-410,934	-436,283
<i>growth</i>	6.5%	6.1%	6.5%	7.0%	6.5%	6.2%
as % of sales	-37.4%	-37.2%	-37.0%	-36.8%	-36.6%	-36.4%
Gross profit	534,737	572,020	614,157	662,638	711,837	762,297
Gross margin	62.6%	62.8%	63.0%	63.2%	63.4%	63.6%
S&M	-312,130	-331,482	-351,371	-372,453	-394,801	-418,489
<i>growth</i>	6.5%	6.2%	6.0%	6.0%	6.0%	6.0%
as % of sales	-36.5%	-36.4%	-36.0%	-35.5%	-35.2%	-34.9%
G&A	-68,898	-71,654	-74,520	-77,501	-80,601	-83,825
<i>growth</i>	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%
as % of sales	-8.1%	-7.9%	-7.6%	-7.4%	-7.2%	-7.0%
R&D	-40,240	-42,855	-45,641	-48,608	-51,767	-55,132
<i>growth</i>	5.5%	6.5%	6.5%	6.5%	6.5%	6.5%
as % of sales	-4.7%	-4.7%	-4.7%	-4.6%	-4.6%	-4.6%
OOI/OOE	598	0	0	0	0	0
as % of sales	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	114,067	126,028	142,625	164,076	184,669	204,852
EBIT margin	13.4%	13.8%	14.6%	15.6%	16.4%	17.1%
<i>growth</i>	27.6%	10.5%	13.2%	15.0%	12.6%	10.9%
Adjusted EBITDA	171,750	190,298	209,690	232,715	254,920	276,755
Adj. EBITDA margin (%)	20.1%	20.9%	21.5%	22.2%	22.7%	23.1%
Special items	-4,000	0	0	0	0	0
EBITDA	167,750	190,298	209,690	232,715	254,920	276,755
EBITDA margin (%)	19.6%	20.9%	21.5%	22.2%	22.7%	23.1%
Interest expense	-25,384	-23,748	-21,109	-18,471	-18,471	-18,471
Interest received	3,229	5,354	7,842	11,071	15,164	20,096
Associates/JVs	3,000	3,240	3,499	3,779	4,081	4,408
Net FX difference	-1,258	0	0	0	0	0
Pre-tax profit	93,653	110,874	132,857	160,456	185,443	210,885
Tax	-22,477	-26,610	-31,886	-38,509	-44,506	-50,612
Effective tax rate	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%
Net profit	71,177	84,265	100,971	121,947	140,937	160,273
Minorities	-412	-412	-412	-412	-412	-412
Net income	70,765	83,853	100,559	121,535	140,525	159,861
Number of shares (basic)	427,636	427,636	427,636	427,636	427,636	427,636
EPS	0.17	0.20	0.24	0.28	0.33	0.37
<i>growth</i>	19.1%	18.5%	19.9%	20.9%	15.6%	13.8%

Source: Intron Health estimates



Balance Sheet

Table 19: Embla Medical balance sheet

\$ (000s)	2024	2025	2026	2027	2028	2029
Intangible assets	100,078	102,080	104,121	106,204	108,328	110,495
Goodwill	816,408	816,408	816,408	816,408	816,408	816,408
PP&E	77,875	83,326	84,993	86,692	88,426	90,195
Associates	20,532	20,532	20,532	20,532	20,532	20,532
Right-of-use assets	125,323	129,083	132,955	136,944	141,052	145,284
Other non-current assets	46,418	46,418	46,418	46,418	46,418	46,418
Non-current assets	1,186,634	1,197,847	1,205,427	1,213,198	1,221,164	1,229,331
Inventories	147,779	157,579	168,649	181,387	194,239	207,354
Trade receivables	136,674	145,737	155,976	167,757	179,643	191,773
Other current assets	39,253	39,253	39,253	39,253	39,253	39,253
Cash & cash equivalents	91,101	149,376	209,192	304,447	418,265	550,780
Current assets	414,807	491,945	573,070	692,843	831,401	989,161
Total assets	1,601,441	1,689,792	1,778,498	1,906,042	2,052,565	2,218,492
Borrowings	371,802	371,802	371,802	371,802	371,802	371,802
Lease liabilities	112,605	112,605	112,605	112,605	112,605	112,605
Other non-current liabilities	111,071	111,071	94,071	94,071	94,071	94,071
Non-current liabilities	595,478	595,478	578,478	578,478	578,478	578,478
Borrowings	21,533	21,533	21,533	21,533	21,533	21,533
Trade payables	31,948	33,884	36,070	38,584	41,093	43,628
Provisions	11,322	11,322	11,322	11,322	11,322	11,322
Lease liabilities	21,793	21,793	21,793	21,793	21,793	21,793
Accrued salaries	51,253	54,652	58,491	62,909	67,366	71,915
Other current liabilities	60,733	60,733	60,733	60,733	60,733	60,733
Current liabilities	198,581	203,917	209,942	216,874	223,841	230,924
Total liabilities	794,059	799,395	788,420	795,352	802,319	809,402
Shared capital and premium	93,220	93,220	93,220	93,220	93,220	93,220
Reserves	-64,045	-64,045	-64,045	-64,045	-64,045	-64,045
Retained earnings (losses)	778,207	861,222	960,903	1,081,515	1,221,071	1,379,915
Non-controlling interest	3,123	3,123	3,123	3,123	3,123	3,123
Total equity	807,382	890,397	990,078	1,110,690	1,250,246	1,409,090
Total liabilities and equity	1,601,441	1,689,792	1,778,498	1,906,042	2,052,565	2,218,492

Source: Intron Health estimates



Cash Flow

Table 30: Embla Medical cash flow

\$ (000s)	2024	2025	2026	2027	2028	2029
Net income	70,765	83,853	100,559	121,535	140,525	159,861
Adjustments - finance costs & tax	43,303	42,176	42,065	42,542	44,144	44,991
D&A	53,683	64,269	67,065	68,639	70,251	71,903
Change in inventories	-11,553	-9,800	-11,071	-12,737	-12,853	-13,115
Change in trade receivables	-8,830	-9,064	-10,239	-11,780	-11,887	-12,129
Change in trade payables	1,199	1,936	2,186	2,514	2,509	2,535
Other working capital movements	1,185	3,399	3,840	4,418	4,458	4,549
Net Interest paid	-22,156	-18,394	-13,267	-7,400	-3,307	1,625
Tax paid	-22,477	-26,610	-31,886	-38,509	-44,506	-50,612
Other movements	2,588	2,828	3,087	3,367	3,669	3,996
Cash flow from operations	107,706	134,594	152,340	172,588	193,003	213,602
Purchase of PP&E	-34,125	-31,150	-29,164	-29,747	-30,342	-30,949
Disposals of PP&E	0	0	0	0	0	0
Purchase of intangibles	-11,851	-18,014	-18,374	-18,742	-19,117	-19,499
Disposals of intangibles	0	0	0	0	0	0
Acquisitions	-76,934	0	-17,000	0	0	0
Other	0	0	0	0	0	0
Cash flow from investment	-122,910	-49,164	-64,539	-48,489	-49,459	-50,448
Non-current debt proceeds	60,000	0	0	0	0	0
Non-current debt repayments	0	0	0	0	0	0
Changes in revolving credit facility	0	0	0	0	0	0
Dividends from minorities	-797	-837	-879	-923	-969	-1,017
Lease liabilities payments	-25,551	-26,318	-27,107	-27,921	-28,758	-29,621
Cash flow from financing	33,652	-27,155	-27,986	-28,843	-29,727	-30,638
Beginning cash & cash equivalents	72,653	91,101	149,376	209,192	304,447	418,265
Change in cash	18,448	58,275	59,816	95,256	113,817	132,516
FX impact	0	0	0	0	0	0
Ending cash & cash equivalents	91,101	149,376	209,192	304,447	418,265	550,780

Source: Intron Health estimates



General Disclosures and Disclaimer

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Full 12-month historical recommendation changes are available on request

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