A Tortoise and a Hare of Medical Equipment: A Financial Statement Analysis of Two Companies During the COVID-19 Pandemic

Masks and Endoscopy Equipment Producers
Finding Increased Demand During COVID

"3M profit jumps as world masks up for coronavirus" -Reuter.com

"Endoscopy works during the pandemic of coronavirus COVID-19: recommendations by the Chinese Society of Digestive Endoscopy" -U.S. National Library of Medicine

Intro

During COVID, most companies were struggling to endure the many hardships brought on by the disease. However, companies fortunate enough to have already been producing face masks and endoscopy equipment found themselves in a favorable situation with increased demand for their products. Two such companies are Ambu A/S and Alpha Pro Tech. Ambu A/S is a Denmark-based company who produces medical equipment in the visualization, anesthesia, and patient monitoring categories. Alpha Pro Tech is an American-based company that produces building supply and face masks, often for construction purposes. Although each of these companies experienced increased demand and sales, the way they responded was very different. In the center graphic, we explore some of the different decisions that Ambu and Alpha Pro Tech made, while on the right side we explore some of the short-term consequences of these decisions.

Methods

We selected Alpha Pro Tech and Ambu A/S for our examination for a few reasons. Each of these companies produce a relatively small variety of products, making it easier to identify which products were affected by COVID and establish a positive correlation between COVID and their increased profits. After we had decided to investigate these companies further, we took a close look at their financial statements, specifically their 2020 10-Ks, where we focused on their income statements, balance sheets, and management discussion notes. From these financial statements, we gathered data on revenue and profitability, especially in operations, and examined special expenses incurred for COVID-related reasons. We also utilized horizontal and vertical analysis to compare data surrounding revenue growth, operating income, and to perform an RNAO disaggregation.

Conclusion

- APT made much greater short-term profits
- Ambu focused spending on improving their post-COVID condition

Both could be the right answer for their respective products. However, the effectiveness of Alpha Pro Tech’s short-term focus is hard to argue. We’ll have to wait until post-pandemic times to see whether Ambu was a wise tortoise or missed out on its best chance to win.

References


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