

19-Aug-2025

# Coloplast A/S (CLPBY.DK)

Q3 2025 Earnings Call

## CORPORATE PARTICIPANTS

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

---

## OTHER PARTICIPANTS

**Hassan Al-Wakeel**

*Analyst, Barclays Capital Securities Ltd.*

**Martin Parkhøj**

*Analyst, Skandinaviska Enskilda Banken AB (Denmark)*

**Graham Doyle**

*Analyst, UBS AG (London Branch)*

**Jack Reynolds-Clark**

*Analyst, RBC Capital Markets*

**Aisyah Noor**

*Analyst, Morgan Stanley & Co. International Plc*

**Anchal Verma**

*Analyst, JPMorgan Securities Plc*

**Maja Pataki**

*Analyst, Kepler Cheuvreux SA (Switzerland)*

**Martin Brenøe**

*Analyst, Nordea Bank Abp (Denmark)*

**Veronika Dubajova**

*Analyst, Citigroup Global Markets Ltd.*

---

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and welcome to the Coloplast Interim Financial Statements for the First Nine Months 2024/2025. My name is Yousef, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode, and that this conference will be recorded. The presentation will be followed by a question-and-answer session. [Operator Instructions] The conference must not be recorded for publication or for broadcast.

At this time, it's my pleasure to hand over to Lars Rasmussen, Interim CEO. Please go ahead.

---

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

Good morning, and welcome to our nine months 2024/2025 conference call. I'm Lars Rasmussen, Interim CEO of Coloplast, and I'm joined by our CFO, Anders Lonning-Skovgaard; and our Investor Relations team. We will start with a short presentation by Anders and myself, and then open up for questions.

Please turn to slide number 3. It has now been three months since I took over as Interim CEO, and my focus during this period has been to continue the work on preparing the new company strategy. With our new strategy, we are reinvigorating the focus on delivering the best customer experience by putting the customer at the center of everything we do. This also means delivering a step change in innovation to solidify our position as the innovation leader in our industry. I firmly believe our new strategy will create value for all of our stakeholders,

customers, shareholders, employees and partners. And I look forward to sharing more at our Capital Markets Day on the 2nd of September.

To support the successful execution of the new Coloplast strategy and to simplify our organizational structure, we have decided to organize ourselves differently with a number of changes to the executive leadership team effective immediately. Going forward, our commercial organization will be divided into two business units, Chronic Care and Acute Care. This structure allows us to respect the differences in market dynamics, customer needs and patient pathways.

As part of Chronic Care, we are establishing a new Chronic Care commercial organization and a new Chronic Care R&D function. The Chronic Care commercial organization combines our Ostomy, Continence, and Voice & Respiratory Care sales and commercial organizations under one leader, as these businesses share the same market and customer dynamics. Caroline Vagner Rosenstand, currently Executive VP of Voice & Respiratory Care, will step into the role of Executive Vice President of Chronic Care Commercial.

We are establishing the standalone Chronic Care R&D function with the goal of creating a step change within innovation, bringing new products faster to the market, and building further R&D competencies that will strengthen Coloplast's ability to drive value from our products. The leader of the new Chronic Care R&D organization will be Rasmus Just, who will rejoin Coloplast in November and will be part of the ELT and report to the CEO.

The new Acute Care area includes Interventional Urology, Advanced Wound Dressings, and Kerecis. These treatment areas are characterized by premium products like Coloplast penile implants, the Kerecis fish skin portfolio, and our wound dressings. Most of the products and technologies in these businesses are used in the hospital setting or in specialized private clinics, where innovation and clinical outcomes are critical.

Effective immediately, we are merging Advanced Wound Dressings and Kerecis into a new Wound & Tissue Repair organization within Acute Care. The goal is to become an innovation leader in this area to create a strong global footprint by merging these two complementary businesses, and ultimately transform the business into a stronger value-creation contributor for the group. Wound & Tissue Repair will be led by Executive Vice President, Fertram Sigurjonsson. Fertram will report to the CEO and be part of the ELT.

There are no changes to the Interventional Urology business, which will continue under the leadership of Executive Vice President, Thomas Johns.

I'd like to congratulate Caroline, Fertram, and Rasmus on their new roles, and I'd also like to thank Nicolai Buhl, who leave Coloplast for his dedication and contributions to the company through many years. And finally, I'd also like to mention the search for Coloplast's new CEO is progressing well and remains on track.

Please turn to slide number 4. We delivered 7% organic growth and a reported EBIT margin before special items of 28% in our third quarter, as expected. Adjusted return on invested capital after tax and before special items was 15%, on par with last year.

Before we look at the details on performance, let me speak to two significant proposals that were made over the summer by the US Centers for Medicare & Medicaid Services. Please turn to slide number 5.

The first proposed rule announced on the 30th of June is related to our Chronic Care business in the US, where the CMS proposed that medical equipment, such as ostomy, tracheostomy, and urological supplies should be included in the list of items that CMS may subject to competitive bidding. This means that the categories can be

considered to be eligible for competitive bidding, but it does not necessarily mean that they will be subject to competitive bidding.

The size of our total US Chronic Care business is around 12% of group sales, and we are primarily present in the market as a manufacturer. Given the complexity of the matter and the US market, we are unable to provide an estimation of potential financial impact at this point in time. If the competitive bidding is implemented, we expect potential financial impact in 2027 at the earliest.

The second proposed rule announced on the 14th of July is related to skin substitutes. The CMS has proposed a fixed payment of \$125 per square centimeter to be applied to all skin substitute in 2026 in the outpatient setting. Around 20% of total Kerecis sales are derived from the outpatient setting and covered by Medicare.

Kerecis currently has two product brands in the outpatient setting, MariGen and Shield, with an average price of \$110 per square centimeter. We perceive this sales as positive, both for Kerecis and also for the patients, and we welcome the effort by the authorities to increase quality of care for Medicare recipients with the policy changes. Both policies are currently in the commencing period, and we expect an update on both to be published in late 2025.

And now let's take a closer look at today's results. Please turn to slide number 6. Our Q3 performance was driven by broad based growth across our Chronic Care businesses, which I'm very satisfied with. On the other hand, our Advanced Wound Care business fell short of expectations, impacted by preventative and voluntary product return in the Chinese Wound Dressing business, as well as a quarter with lower-than-expected growth for Kerecis, which I'll cover more in detail.

Let's look at the performance by business areas. In Ostomy Care, organic growth was 6% for the first nine months and growth in Danish kroner was 5%. In Q3, organic growth was 6% with a growth in Danish kroner of 2%. On our SenSura Mio portfolio, it continues to be the main growth driver, followed by the Brava supporting products. Our SenSura and Assura/Alterna portfolios continue to post solid growth in Emerging markets.

From a geographical perspective, growth in the quarter was broad based in Europe. The UK, Germany, and Italy were the main contributors. The US continued its solid momentum in Q3. Contribution from Emerging markets, excluding China improved in the quarter, driven by an increase in the level of tender activity. And China posted low-single digit growth, in line with expectations.

In Continence Care, organic growth was 8% for the first nine months, while growth in Danish kroner was 6%. The organic Q3 growth was 8%, while growth in Danish kroner was 3%. Growth in the quarter was driven by the male Luja catheter, which performed strongly across the key European markets. The launch of Luja for women concluded in April, and the product also performed well and contributed to growth. SpeediCath, our previous generation of catheters, also contributed to growth, driven primarily by the Emerging markets region.

Our Bowel Care business also made a solid contribution to growth, driven by Peristeen Plus in Europe, while Collecting Devices made a modest contribution to growth.

From a geographical perspective, all regions contributed to growth. Markets were reimbursed, where reimbursement has been recently established or improved, such as Poland continue to perform well and grew double digits.

Voice & Respiratory Care posted 9% organic growth for the first nine months, with growth in Danish kroner of also 9%. In Q3, organic growth was 9%, while growth in Danish kroner was 8%. Growth in Laryngectomy in Q3 was double digit and driven by an increase in the number of patients served in existing and new markets, as well as an increase in patient value, driven by the Provox Life portfolio. Growth in Tracheostomy in Q3 was high-single digit and driven by continued solid demand. And from a geographical perspective, all regions contributed to growth, driven by Europe and the US.

In Advanced Wound Care, organic growth was 9% for the first nine months and growth in Danish kroner was negative 1%, impacted by the divestment of the Skin Care business in December 2024. In Q3, organic growth was 4% and growth in Danish kroner was negative, minus 8%. Kerecis was the main growth contributor in Advanced Wound Care, with growth of 26% in the first nine months.

In Q3, Kerecis posted 17% growth, impacted by a slowdown in the outpatient setting at the end of the quarter. The slowdown was a consequence of the LCD delayed announced in mid-April, which caused a market shift to high-priced products.

The in-patient setting continued to deliver solid growth and was the main contributor in Q3. We expect the growth momentum in Kerecis to improve in Q4 following the shift in the market in Q3, and we had a good start to the quarter in July.

Kerecis' operating profit margin, excluding PPA amortizations, was 12% in the first nine months and 13% in Q3.

The Advanced Wound Dressings business grew 1% organically in the first nine months. In Q3, the business posted negative 2% growth, impacted by a preventative and voluntary product return in China, which detracted significantly from growth.

During the quarter, we decided to initiate a product return of all Biatain Adhesive foam dressings in China, following a sampling inspection by the authorities on three product lots, which found that the products do not meet the local technical requirement. The safety of the products is not compromised and the products continue to comply with the technical standards elsewhere. The negative impact from this product return was around DKK 20 million in the third quarter, and we expect an additional negative impact of around DKK 60 million in Q4.

Our European Dressings business was up against a high baseline due to the timing of orders in Germany last year and provided limited offsets to the impact of the product return in China.

In Interventional Urology, organic growth was 1% for the first nine months and growth in Danish kroner was also 1%. In Q3, organic growth was 4% and reported growth in Danish kroner was 1%. Growth in Q3 was driven by good momentum in the US Men's Health business. The Women's Health business also contributed to growth, driven by improved momentum and lower baseline last year.

The Bladder Health and Surgery segment continue to detract from growth, with around DKK 10 million negative impact in the quarter. The segment is showing early signs of recovery across key accounts. However, the timeline for full recovery remains uncertain.

From a geographical perspective, the US was the main growth contributor in Q3, while Europe detracted from growth due to the product recall.

Before I hand over to Anders to take us through the financials, I would like to provide a brief update on the status of the clinical study for Intibia. The 12 months patient follow-up, which is required by the FDA for our premarket approval submission, is completed and we now continue preparing for the dossier for the FDA submission. Launch of Intibia is expected to be in the first half of the next strategic period, with exact timing dependent on receiving clearance from the FDA.

Over to you, Anders. Please turn to slide number 7.

---

## Anders Lønning-Skovgaard

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

Thank you, Lars, and good morning, everyone. Reported revenue for the first nine month increased by DKK 836 million or 4% compared to last year. Organic growth contributed DKK 1.3 billion or around 7% to reported revenue. Revenue from divested operations, mostly related to the divestment of the Skin Care business in December 2024, reduced reported revenue by DKK 237 million or around 1%. Foreign exchange rates had a negative impact of DKK 252 million on reported revenue or around 1%, mainly related to the depreciation of the US dollar and a basket of Emerging markets currencies against the Danish kroner.

Please turn to slide 8. Gross profit for the first nine month amounted to DKK 14.2 billion, corresponding to a gross margin of 68%, on par with last year. The gross margin was positively impacted by a favorable development in input costs, price increases, and country and product mix, partly offset by ramp-up costs at our manufacturing sites in Costa Rica and Portugal. The gross margin also include a small negative impact from currencies of around 10 basis points.

Operating expenses for the first nine month amounted to DKK 8.5 billion, a 4% increase from last year. The distribution-to-sales ratio for the first nine month was 33%, on par with last year. The increase in distribution cost was driven by continued commercial investments in Kerecis and higher sales activities across markets. The distribution cost also included around DKK 30 million extraordinary cost related to the new distribution center in the US in the first half of the year.

The admin-to-sales ratio for the first nine month was 4% compared to 5% last year and includes positive impact from a high baseline in the first half of the year as well as benefit from synergies from the Atos Medical integration. The R&D-to-sales ratio for the first nine month was 3% of sales, on par with last year.

Overall, this resulted in an operating profit before special items of DKK 5.7 billion in the first nine month and a 4% increase compared to last year. The EBIT margin before special items in the period was 27%, on par with last year. The EBIT margin in the first nine month continues to include negative impact of around 100 basis points from the inclusion of Kerecis, including PPA amortization costs, in line with the expectations, as well as around 30 basis points benefit from the divestment of the Skin Care business.

Currency had a small negative impact on the reported EBIT margin of around 10 basis points in the first nine month.

Financial items in the first nine month were a net expense of DKK 875 million, compared to a net expense of DKK 621 million last year. The increase in net financial expenses was mostly driven by non-cash impact from loss and balance sheet items in Q3, primarily related to the depreciation of the US dollar against the Danish kroner.

The ordinary tax expense in the first nine month was DKK 1 billion, with an ordinary tax rate of 22%, on par with last year. The total tax expense in the first nine month was DKK 1.8 billion, impacted by the transfer of the Kerecis

intellectual property from Iceland to Denmark. As a result of the extraordinary tax expense, the effective tax rate in the first nine months amounted to 40%.

Adjusted for the Kerecis IP transfer, net profit before special items in the first nine month was DKK 3.8 billion, a DKK 15 million decrease compared to last year, impacted by the higher level of net financial expenses. Adjusted diluted earnings per share before special items decreased by 1% to DKK 16.76.

Please turn to slide number 9. Operating cash flow for the first nine month was an inflow of DKK 4.4 billion, compared to an inflow of DKK 718 million last year, impacted by the tax payment related to the Atos Medical Intellectual Property transfer. The underlying development in operating cash flow was positive, driven mostly by lower income tax paid and an increase in operating profit. Cash flow from investing activities was an outflow of DKK 861 million, compared to an outflow of DKK 904 million last year. CapEx in the first nine month was 5% of sales against 4% last year.

As a result, the free cash flow for the first nine month was an inflow of DKK 3.5 billion, compared to an outflow of DKK 186 million last year. Excluding the positive impact from the Skin Care divestment and the negative impact from the tax payment related to the Atos Medical IP transfer last year, the adjusted free cash flow for the first nine month was an inflow of DKK 3.3 billion, or a 44% increase compared to the adjusted free cash flow from last year.

The trailing 12-month cash conversion was 83%, while the free cash flow-to-sales ratio was 16%. Net working capital amounted to around 26% of sales, impacted primarily by decreasing trade payables.

Now, let's look at the financial guidance for the year. Please turn to slide number 10. We continue to expect organic revenue growth for the year to be around 7%, with the following updated assumptions. In Advanced Wound Dressings, we have now included the negative impact from the product return in China, which will have a total impact of around DKK 80 million in the year, of which DKK 60 million in Q4.

We expect this negative impact to be offset by good performance in the other business areas in Q4. We expect a pickup in momentum in our Chronic Care businesses into Q4, supported by Emerging markets tender phasing. As already mentioned, the growth momentum for Kerecis in Q4 is also expected to pick up.

Finally, in Interventional Urology, we continue to expect a flattish growth rate for the year, with continued uncertainty in the recovery of the Bladder Health and Surgery business.

Next, the reported revenue growth in Danish kroner is now expected to be between 3% and 4% from previously around 4%. Reported revenue growth continues to assume around 2 percentage points negative impact from currencies and around 1.5 percentage points negative impact from the Skin Care divestment.

The EBIT margin before special items is still expected to be 27% to 28%. And the assumptions laid out in May are largely unchanged. We expected strong into the year in terms of the EBIT margin, enabled by prudent management of OpEx and scale effects. Currencies are expected to have around neutral impact on the EBIT margin.

For 2024/2025, I still expect around DKK 450 million in special items. In Q4, we'll have a significant level of special items, partly related to organizational restructuring in China and cost optimization across the Interventional Urology business, both of which we have a positive impact on the profitability and value creation beyond this financial year.



The net financial expenses for 2024/2025 are now expected at around minus DKK 950 million, impacted by the weaker US dollar in Q3. To be partly offset by the recent improvements in – yeah. And there are no changes to the assumptions on the ordinary and effective tax rate and CapEx.

On net working capital, I now expect the net working capital ratio to be around 25%, impacted by the lower level of absolute sales. Our long-term expectations of around 24% are unchanged.

Finally, a brief update on tariffs. Our products in the Chronic Care categories continue to be exempt from tariffs. And as such, the financial impact on Coloplast from the US tariffs is still expected to be immaterial.

Thank you very much. Operator, we're now ready to take questions.

## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] In the interest of time, please limit yourself to two questions. [Operator Instructions] Our first question comes from Hassan Al-Wakeel, Barclays. Please go ahead.

**Hassan Al-Wakeel**

*Analyst, Barclays Capital Securities Ltd.*

Q

Good morning, and thank you for taking my questions. I have three, please. Firstly, Lars, we've seen a couple of impactful product recalls lately as well as execution issues, which you've talked about and are addressing. Can you talk about some of the proactive steps you are taking on product quality to prevent some of these recalls from recurring? Should we expect to hear more about recalls as part of any deep-dive exercise?

Secondly, related to this, what are your expectations on recovering lost sales given the recent experience with the recall in Bladder Health, where European hospitals sourced Chinese alternatives? Do you see a similar risk here in China for Biatain Adhesives?

[audio gap] (00:24:02) the Bladder Health and Surgery showing some early signs of recovery across key accounts. Do you expect this better-than-expected performance in IU for FY 2025 given the better year-to-date performance versus guidance?

And if you could also talk about the improvement in Women's Health and whether you view this as a stabilization or recovery in the slings business. Really trying to get a sense on your thoughts for 2026 for Interventional Urology. Thank you.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

So, I will take your first question, Hassan, and Anders will take the two other. So, I think that the situation that we have with the recall of the urological products, where we had a breach of the stabilization barrier, was something that everybody who has been in this business for some years have faced in some shape or form. Now, this was a pretty big one, of course, for urology. And therefore, it was also so noticeable.

But what we experienced in China is something that we've never tried before. And there's absolutely no comparison between the two because we have no customer complaints on the Biatain foam products. The



products works perfectly fine. We observed no changes to what we normally see. But this is a special technical specification for China that only exists in China. And to top it off, then if the authorities find – they take a batch and then they take a sample from the batch. If they find something up against the specification that doesn't match, then we will get a fine on top of that with factors bigger than the value of what they take out.

So we don't remove it from the market because there any quality issues, but there is a specification which is super special that we cannot live up to. And I mean, of course, we have opened discussions with the market about this because there are absolutely no safety concerns, but this is just a very slow-moving train.

We have also issued access – sort of we try to get access for our new products or for substitute products to the market, which is also just moving very slowly. So, I think that this is something that does have an effect, both this year and next year on Wound Care because of the character of how this works. I think this is what you can expect in the current market environment, unfortunately, but it has absolutely nothing to do with the quality.

---

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

Yeah. So, Hassan, in relation to your urology question, yes, we had a good Q3 with 4% growth, really driven by a good growth within Men's Health, Women's Health, and to some extent also early recovery within the Bladder Health. We continue to expect Men's and Women's Health with good growth rates into Q4, but we still have some uncertainty in terms of the recovery after the recall we did back in December.

And the moving parts into next year, of course, we continue to expect Men's and Women's Health at the current rates, and then we will be up against an easier baseline, especially from Q2 due to the recall. So we are expecting that our IU business will pick up in terms of growth into 2025/2026.

---

**Hassan Al-Wakeel**

*Analyst, Barclays Capital Securities Ltd.*

Q

Perfect. Thank you.

---

**Operator:** Our next question comes from Martin Parkhøi, SEB. Please go ahead.

---

**Martin Parkhøi**

*Analyst, Skandinaviska Enskilda Banken AB (Denmark)*

Q

Yes. Martin Parkhøi, SEB, and I will limit myself to two questions, so others also have time. Just on Intibia, can you maybe elaborate a little bit about that? Now you're filing, we will not get any results right now. So, how comfortable are you with regulatory acceptance of the product?

And then, secondly, Lars, of course, appreciate that two weeks from now, so you will come with new long-term targets. But if you just can, broad-based look at the two divisions you've now made, the Chronic Care business and the Acute Care.

Chronic Care, very stable growth, highly predictable. Acute Care, should we see that as a little bit more of organic rollercoaster growth with very different growth rates. So, how do you see the growth trajectory for these two business uses with respect to stability?

---

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

So, Martin, let me start with the Intibia update. So, as we just mentioned, we are on plan and we are still very comfortable that we are getting it through the FDA process in the US. And we still expect that we're able to launch a solution in the first part of the next strategic process. So overall, we are on plan with the Intibia launch.

And Lars...

---

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

Yeah. So, on the question that you have on Chronic and on Acute Care. So, there is a reason why we divided the company into two business units now. First, we have the size and scale now for the two parts of the business for them to, in a sense, have their own home. So we will have Chronic Care with approximately DKK 20 billion in annual sales and then the Acute Care with approximately DKK 8 billion.

We recognize and have done that for many years that there is a distinct difference in the market environment, whether you are in Chronic Care or you are in Acute Care. And Chronic Care is in the nature, of course, significantly more chronic and stable than what we see on the other side. So that's no change to what it was beforehand.

But what we try to do with this move is that we're also giving things that are not Chronic Care inside of Coloplast a home where they have some that are like them, and where we give freedom to operate in a different way than they've had if – or when they have been part of the Chronic Care organization.

So now, we finally have the size to do that. And with Fertram, we also have a leader that can take a big part of that organization and put some innovation into it because this is a market where we're even more dependent on innovation than on the Chronic Care side because of the type of business that it is.

So the core of your question is – or to the core of your question, yes, the Acute Care is different and more volatile, and that's expressed also with just the movements that we saw just this quarter on Kerecis and where we, as we also said for July, just saw a pickup immediately. So, it's two different parts of our business.

---

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

Yes?

---

**Operator:** Our next question comes from Graham Doyle, UBS. Please go ahead.

---

**Graham Doyle**

*Analyst, UBS AG (London Branch)*

Q

Morning, guys. Thanks for taking my questions. Just two, please. So firstly on Kerecis, could you just give us a sense for how growth was in the non-physician office setting? And maybe just explain a little bit more as to like what are the intentions for physicians within the physician office setting to go to higher-priced products?

And then the second point, a strong competitive bidding. If you could give us a little bit more color on what is US Chronic in theory, but is it possible to capture sort of split-out of that 12% of sales what's Medicare and maybe even what's Medicare Advantage? Just to get a little bit of color there would be fantastic. Thank you.

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

Thanks a lot, Graham. Let me take the first question in relation to Kerecis. So, in Q3, we saw some pretty specific dynamics, especially towards the end of the quarter. As you know, the LCD that was previously announced, was again delayed. And we saw, towards the end of the quarter, that there are some high-priced products re-entered the market and that had some impact on our sales, especially in June. And we see those as a one-off and we already saw a bounce back in our growth already in July. So we are expecting that our Kerecis sales in Q4 will be better than in Q3 due to these bounce backs.

In terms of the whole reimbursement, as you have noticed and that we also said earlier, there has been a new skin substitute price communicated over the summer, and that is now being discussed and we're putting our inputs into this. And we expect it will be implemented from January 2026, combined with the new coverage policy, the LCD policy as well. So that is quite a few of moving parts impacting the Kerecis sales.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

And on your second question, so I'm – actually, there's a little bit – your line is a little bit blurred. So what I think that I picked up was that you want a comment on the proposal for competitive bidding for the Chronic part of the business. And as we also said at the presentation, it's hard for us to give an estimation of the impact of it right now. But at least we think that when we look at the ability to do competitive bidding on a product area, for example, like Ostomy Care, you would tend to think that if you do competitive bidding, it's because the product range would be something which is close to generic. And what we've learned over the years is that that is the absolute contrary when we talk about the Ostomy Care products.

We have more than 2,000 different SKUs on the base level inside of Ostomy Care because it's so specialized. So we think that if you want to make competitive bidding on this and force people over on something which is different than what they use today, you're going to spend multiple factors of what you spend today with all the healthcare professionals that are trying to help this out afterwards.

But, of course, this is also a picture of the negotiations that will go on if that becomes a reality. But it doesn't seem like a logical step for something to do competitive bidding on. That's not the same as it doesn't happen, but we're just wondering how would that play out?

**Graham Doyle**

*Analyst, UBS AG (London Branch)*

Q

Thank you. Apologies. My line might have been unclear here. Just of the 12 – and the release stated 12% of sales is US Chronic Care, which, in theory, could be roughly broadly captured by this. Just of that 12%, do you know how much is Medicare? I appreciate it may not be very clear.

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

So Graham, our estimation, it is quite difficult to estimate because most of our revenue is part of our manufacturing business. But a high-level estimate is around 50%.

**Graham Doyle**

*Analyst, UBS AG (London Branch)*

Q

Super clear. Thank you very much.

**Operator:** Our next question comes from Jack Reynolds-Clark, RBC Capital Markets. Please go ahead.

**Jack Reynolds-Clark**

*Analyst, RBC Capital Markets*

Q

Thanks for the questions. Two for me also. Can you talk through the rationale behind [indiscernible] (00:37:19) growth in the R&D franchises within [audio gap] (00:37:23) Chronic Care? Kind of where are the synergies there? What are the benefits that you are expecting to be able to realize?

And then the second question on the CEO process. So, you mentioned that the search is on track. So, kind of what does this mean and when do you expect to have finished the recruitment process and having kind of new, more permanent CEO in place? Thank you.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

So, on the R&D changes, first, innovation matters in a market like ours. And you just see it whenever you bring relevant innovation to the market. You also see it more or less immediately on the gross numbers. So that's never going out of fashion.

We want to have an even stronger pipeline. That's also why we elevate this to the executive leadership team.

But there's another reason for it and that also is that as we move into the next strategy period, we are also super focused on our bottom line. And there's no doubt that the closer collaboration we have between R&D and our manufacturing part, we – or we need as close as possible collaboration between those two parties to also make sure that on top of being a super innovative product to the customers, that we also develop the products in a way where we are able to derive maximum value off them when it comes to both gross margin, but also what is the cost of establishing manufacturing for them and so on. And that's a step change that we want to pursue and that is why it becomes part of the executive leadership team so that we make sure it doesn't become a silo of its own.

On the CEO search, first, we expect – we are searching for a CEO externally. That's why we have a search. Secondly, we have a search company conducting the search. Coloplast is the largest EU medical device company. So there's definitely both attention and interest for the position. It is a global search that we're conducting.

So, it takes time to speak to the different people who are on the shortlist, and that is when we say it's progressing as planned. That is, we have the interest that we expected and more so. We have very good candidates that are in process, but it takes the time it takes to get to a handshake and what the time is, is super hard to put a fixed deadline on because you know how it is. You have somebody who is ready to take the position or you have somebody who is in a competitive environment where they need to go on a garden leave. That, of course, all would put different timelines on this. And we're not at a point in time where I can be more precise than this.

**Jack Reynolds-Clark**

*Analyst, RBC Capital Markets*

Q

That's great. Thank you.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

Thanks.

A

**Operator:** Our next question comes from Aisyah Noor, Morgan Stanley. Please go ahead.

**Aisyah Noor**

*Analyst, Morgan Stanley & Co. International Plc*

Good morning. Thanks for taking my questions. I have two as well. The first one is on Kerecis. If I assume your outpatient segment didn't decline, so let's say flattish for the quarter, it would imply your in-patient segment grew 20% or so, which is below your mid-term target of 30%. Is this consistent with your expectations or was there a slowdown in demand in the in-patient setting as well?

Second question on the competitive bidding program, I appreciate the complexity in estimating that impact for you, but do you at least share your competitors' view that this would largely be negative for a distributors, not manufacturers, and that the pricing reductions could be in the range of 30%? Thank you.

Q

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

So, thanks a lot for your questions. In terms of Kerecis, in the outpatient setting, as I mentioned earlier, we had a negative growth in the Q3, but the underlying on the in-patient was positive.

In terms of the competitive bidding, can you just repeat that?

**Aisyah Noor**

*Analyst, Morgan Stanley & Co. International Plc*

Yeah. So, just appreciate the complexity in estimating because you didn't provide a guidance as to how this would impact your sales or earnings for 2026 or 2027 when you expect it to be implemented. But do you at least share your competitors' view that this would be largely negative for distributors and that the pricing reductions could be in the range of 30%?

Q

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

Yeah. So, we mentioned that impact for us is around the 12% – or impacting around 12% of group revenue. I said earlier that the Medicare percentage of our total sales in the US is around 50%. It is super difficult for us to estimate what is going to be the price.

Now, we're moving into the hearing process and that is going on for some time. And then we expect a conclusion during autumn. We are expecting, if there will be an impact, it will be in – from 2027 and onwards.

A

**Aisyah Noor**

*Analyst, Morgan Stanley & Co. International Plc*

Okay. Thank you.

Q

**Operator:** Our next question comes from Anchal Verma, JPMorgan. Please go ahead.

**Anchal Verma**

*Analyst, JPMorgan Securities Plc*

Q

Hi. Good morning. Two questions from me as well, please. The first one is just on Kerecis again. Do you expect the LCD to still go ahead or is it likely that the payment proposals take over? So essentially, is it an either-or scenario or do we expect both the LCD and the new pricing to go through? If it is an either-or scenario, how would your assumptions change next year for Kerecis given competitive products may still remain on the market obviously at a lower price?

And then the second question is around your full year top line guide, which has been reiterated despite the headwinds in Wound Care. And as I appreciate you briefly touched upon the potential offsets on other parts of the business. So, could I please push you on some more granularity on where you expect the business will perform better than expected in Q4 versus your assumptions at Q2 and the guidance of that?

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

So, I think that if I take the first one then on the Kerecis, we cannot assume by anything else than the LCD moves on, and that would be from 1st of January. That is what we know at this point in time. That it's pretty visible what is going on in the market.

So you can find tons of data in there. And what we could see was that here in June, when the LCD was announced to be postponed, we saw that [ph] for the (00:44:41) competitors as they came back in.

So that also means that we would expect that as the LCD is in force from the 1st of January, that a high number of competitors, they are then leaving the area again because there are dressings that are so much higher priced than what is the current suggestion. And we also know that some of the competitors, they will have cost prices that are higher than the current or the new reimbursement price would be.

So, in that sense, we have a pretty good idea that there will be more wounds per player. But, of course, everything is – the proof is in the pudding. And we're also then able to pick our fair share of that [ph] op (00:45:26). That's, of course, to be seen.

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

And in relation to your second question, the full year/Q4 assumptions. Yes, we are expecting a strong Q4 across our Chronic business, driven especially by Emerging markets and the tenders we have talked about all year that is coming through. And we also expect the continued impact from innovation, especially here in Europe. And we expect, as I said earlier, a strong Kerecis growth in Q4 better than Q3. And that is then offset by the China product return, as we talked about. So, we are expecting the full year growth to be around the guidance of 7%.

**Anchal Verma**

*Analyst, JPMorgan Securities Plc*

Q

Perfect. Thank you very much. That's clear.

**Operator:** Our next question comes from Maja Stephanie Pataki, Kepler Cheuvreux. Please go ahead.



**Maja Pataki**

*Analyst, Kepler Cheuvreux SA (Switzerland)*

Q

Yes. Good morning. Thank you very much for taking my questions. I would like to start with the reorganization of the business. And Lars, specifically getting back to the establishment of an R&D organization within Chronic Care. Based on what you said earlier to the question, I'm wondering, is it that you want products faster in the market or do you want to have products in the market that are profitable? Because if we look back to the previous strategic period, I mean, we had the clinical performance programs which were specifically focusing on bringing meaningful innovation to the market. Now, unfortunately, that did not yield the growth acceleration that you were hoping for. I'm just trying to understand, what is it really? Is it a timing? Is it the cost? Is it products that are likely to get reimbursement? Any color on that would be very helpful.

And then, Anders, also with regards to the guidance, you have reiterated the guidance on organic growth and on FX and the impact on Skin Care. And maybe that's very tedious to ask, but your Danish kroner growth has moved from 4% to 3% to 4%. Is it the uncertainty on the organic side of the business or is it a question more of FX impact? Thank you.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

So, Maja, the reason for – or the expectations, the targets that we're putting on R&D is actually we asked for more. So, yes, we want to get new products faster to the market. And as you know, there's been a whole reset of the quality management system over the last many years. So, demands have gone up. So, we would take a second look at the way that we are organizing our product development so that we can get products to the market faster. That's the one thing.

The second thing is that we also think that there is an opportunity to get more value out of the products that we are having in the markets. And that goes both for gross margin, but also for the CapEx that you need to put into establishing manufacturing for new products to the market.

So those are the goals. That's the whole reason for this change. It is a step-up of, you could say, the technological ambition in the company in this strategic period as we are also stepping up our ambition on what should the customers experience when they are having business with Coloplast. But it's very evident, of course, that innovation is a major growth driver in all medical device companies. So, it's the next level that we're after here.

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

And then, Maja, in relation to your second question, it's FX. So, it's specifically the US dollar that has impacted us to guide now 3% to 4% reported growth.

**Maja Pataki**

*Analyst, Kepler Cheuvreux SA (Switzerland)*

Q

Thank you.

**Operator:** Our next question comes from Martin Brenøe, Nordea. Please go ahead.

**Martin Brenøe**

*Analyst, Nordea Bank Abp (Denmark)*

Q



Hi, Lars and Anders. Thank you for taking my questions. I have two questions, please. The first one is on the reorganization of the Chronic Care and the dedicated R&D to Chronic Care, which I guess makes sense given the limited successful launches in recent years. Could you maybe help us understand, first of all, will you provide an updated pipeline on the CMD to help us with the building blocks on where you see improvements on the R&D side in Chronic Care?

And can you maybe also – now you are making the announcement of a new Head of R&D in Chronic Care, what will be the first area to look at, whether that's Atos Medical, Ostomy, or Continence Care? Where do you see the most potential? That's the first question. And then I'll take the one after that, a second one after that.

---

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

Ah, okay. So we're not going to present you with a pipeline on the Capital Market Day. And maybe just to take a step back, Martin, right now, we are in the process of launching Luja. That is what is driving the very nice growth that we have on Continence Care. We also have the black bag and SenSura Mio with the two-piece coupling in the market now, which means that we have so much to work right now in the first period of this strategic period. And so, there, I'm very optimistic about the growth for the two big businesses in Coloplast.

What we talk about with the R&D reorg is that we think that there are more opportunities when we look into the speed to market, which is super important year-on-year going forward. And we, as also said to Maja and I think one time earlier, that we think that we can definitely drive more value out of what we have.

And if you look at our EBIT margin over the last strategic period and also our gross margin development, we think that there's something that we can work on there. And there's simply [ph] a gear extra (00:52:24) and that is what we're releasing here. So, that's the whole work, but it's not like we have something which is broken. It is something that works really well and we want to take it one notch up.

---

**Martin Brenøe**

*Analyst, Nordea Bank Abp (Denmark)*

Q

That's very clear. Thank you. Then just a second question, which would also be on Kerecis. It's mainly also on the reorg, because I think that the philosophy earlier was to keep Kerecis separate from the, what you could maybe call, the legacy business. And there would be no synergies between the two at least in the short term. So, what has driven the change behind this and what does it mean in terms of consolidating the organization? Do you see a redundancy in the organization? And are we going to see fewer employees to drive each sale from here on?

And can you maybe just – there's been so many news out on Kerecis. Also, the price cap was probably not a part of the business case in the beginning. Do you still think that the case of Kerecis is intact? Is it still the same in your view or has there actually been any changes to the structural case of Kerecis?

---

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

So, I think that we can all agree that this is a very dynamic market and just within the last quarter, there has been several news on how this is going to be reimbursed. I must say that if they play out like they are being told to us now, this is positive, because this gives more people access to much better treatment in a much more affordable way. And actually, it also turns out that, for us, there's an upside on the prices for this. So there would be fewer competitors and there would be, for us, better prices. That is positive.

It's why do we do this reorg? So, we just have to admit that Fertram and the team that he has created is kind of almost like a force of nature when it comes to innovativeness. They are so super innovative and we simply don't have that level of innovativeness in our current Wound Care business. So the sort of expected sort of [ph] wrap-up (00:55:06) effect of that is something that we would like have.

It's also very important to say that Fertram, who is now the new EVP for this, he is a very energetic person. So he also, since day one, have asked us, can I do more? And of course, we think that this is just the heavy merits of Fertram's ambition and also a need for our current Wound Care business.

We are super aware, of course, that there's a big difference between normal wound care dressings and biologic dressings, and that will also be reflected in the organization under Fertram. But, of course, it's a major step-up also for Fertram in a big organization. So he gets significantly more resources to work with than he has ever tried before in his current position.

But we think that this is a very, very, very positive story. Most times, when smaller companies are being acquired by bigger companies, you will see that the founder of the small company will leave the new company in frustration because it's hard to work together and they can get it their way and so on. This is a super nice collaboration and we are growing from this. So, I see it as all upside.

---

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

And then, Martin, our focus on delivering on the business case of a growth of 30% CAGR over three years and improve the EBIT margin for Kerecis before amortization of 20%, that is still intact. We are still focusing on delivering those numbers.

---

**Martin Brenøe**

*Analyst, Nordea Bank Abp (Denmark)*

Q

Makes sense. Thank you so much for answering my questions.

---

**Operator:** The next question comes from Veronika Dubajova, Citi. Please go ahead.

---

**Veronika Dubajova**

*Analyst, Citigroup Global Markets Ltd.*

Q

Hi, Lars. Hi, Anders. And thank you for taking my questions. I will also keep it to two. Apologies to circle back to the same things. But on R&D reorganization, just curious whether we should expect this to drive the higher growth in R&D spending going forward.

And just maybe a conceptual question. I mean, I think the old Coloplast often used to spend between 4%, sometimes even, let's say, around 4% of sales. This has come down a lot to around 3% now. Just curious if you think this level of spend is appropriate as you look to the next strategic period. Appreciate the business has changed in terms of composition, but if you can maybe talk through that, that would be helpful.

And then my second question is just a follow-up on the impact in China. I just want to understand whether the DKK 60 million is the quarterly revenue run rate. Is it more or less? And I guess, Lars, you said you expect this to be a headwind also for fiscal 2026. So, should we take the DKK 60 million that you're guiding for in the fourth quarter and multiply that by two, by three for next year? Kind of what's the sort of thing that we should be plugging into our model for that? Thank you, guys.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

A

So, thank you, Veronika. And you were the lucky one because you got the last questions in here for this session. So on R&D, I would now reiterate what I think have been said many times, and I know that I've said it myself many times, we don't have a fixed number on what we want to spend on R&D. We don't put a pot of gold on the table and then invite people to see how they can spend it.

We go the other way around. So we challenge the organization to bring us more growth, more profitable growth. And if we can find very good business cases in this, this is what we are funding, because, as I said a couple of times also during this presentation, innovation drives top line growth and value creation in this business environment that we are part of. And therefore, we would welcome if we had to spend more, because that was also because we were convinced that we have more, you could say, profitable growth underway than we have today.

So I can't give you a number, but we only invest in things where we think this is going to knock the ball out of the field, so to speak.

**Anders Lonning-Skovgaard**

*Chief Financial Officer & Executive Vice President, Coloplast A/S*

A

Yes. And to the second, Veronika, in terms of the product return in Wound Care China, you should expect that our Q4 estimate of around DKK 60 million, that is the peak, because that includes also inventory reduction, product return, etcetera. But we will see an impact into next year as well. And that is something we are currently evaluating. It's also depending on how fast we are converting to other products in our portfolio, but we will have an impact Q1, Q2, Q3 before we are up against an easier baseline in Q4 of next year. But the overall impact, that's something we are currently assessing.

**Veronika Dubajova**

*Analyst, Citigroup Global Markets Ltd.*

Q

Okay. That's really helpful. Thank you, both.

**Lars Søren Rasmussen**

*Interim Chief Executive Officer & Director, Coloplast A/S*

All right. With that, we would like to thank all of you for listening in and for all of your questions. And we're looking forward to seeing you in the next period. Thank you very much.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.