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Coloplast A/S (CLPBY.DK)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Coloplast Financial Statement for the Full-Year 2024/2025 and Annual Report 2024/2025 Conference Call. I am Sandra, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode, and the conference is being recorded. The presentation will be followed by a Q&A session. [Operator Instructions] The conference must not be recorded for publication or 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

Thank you, and good morning. And welcome to our full-year 2024/2025 conference call. I'm Lars Rasmussen, Interim CEO of Coloplast, and I'm joined by Anders Lonning-Skovgaard, our CFO, and by 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. We delivered 7% organic growth and a reported EBIT margin before special items of 28% for this financial year. That is in line with our revised guidance, but below the 8% to 9% organic growth expectations that we set forth at the beginning of the year. The adjusted return on invested capital after tax and before special items was 15%, on par with last year.

Chronic Care, including Voice & Respiratory Care and excluding China, delivered a solid year, while we faced performance challenges in Interventional Urology and Advanced Wound Dressings. Both businesses were impacted by product recalls with significant negative impact on performance. We also saw increased volatility in the biologics markets, driven by the postponement of the final LCD policy, which led to a slowdown in the momentum for Kerecis in the second half of the year. In many ways, 2024/2025 did not become the year we had anticipated. It became a significantly more turbulent year and one that forced us to take decisive actions.

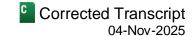
In the year, we restructured our business in China. Performance during Strive25 was muted. And while we remain committed to serving the Chinese market, we have streamlined our organization to align with the new market reality and ensure a sustainable, focused presence. Secondly, we initiated several profitability initiatives in Wound Care, among others, the divestment of our Skin Care business in December 2024. These initiatives are aimed at simplifying our business operations and improving profitability.

Thirdly, we took important steps toward optimizing our cost base in Interventional Urology, both to protect our profitability in the light of recent performance challenges, but also to ensure that we have the capacity to invest in new growth initiatives, including Intibia, our implantable tibial nerve stimulator, expected to launch in 2026/2027, assuming we obtain FDA approval.

At a group level, we have also made significant changes, which I'm confident will be vital for a strong strategy execution towards 2030. By structuring our business into two distinct units, Chronic and Acute Care, we will, to an even larger extent, be able to honor the differences in market dynamics, customer needs, patients pathways and business models. And with a new and strengthened executive leadership team, we now have a balanced mix of commercial and technical expertise and a strong team to lead Coloplast into the next strategy period.

Please turn to slide number 4. Looking ahead, I believe the investments we have made in Strive25, combined with the structural changes that we've made this year, provides Coloplast with a strong foundation and key

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building blocks for the future value creation. Our addressable market for chronic care and acute care has a combined value of more than DKK 120 billion, and we have the strongest product portfolio that we have ever had. There's ample opportunity to go for, and we are well positioned to capture it.

With our new strategy, Impact4, we will utilize our solid foundation, while setting a new direction for the company with a strong focus on customers and value creation. The Impact4 focuses on four priorities: growth through innovative offerings; unlock next level efficiency gains; embrace technology, including AI to elevate our user experience and scale; and finally, cultivate a winning and sustainable company.

And these promises are supported by clear financial targets. The first is to deliver an organic revenue CAGR of 7% to 8% through 2029/2030; then to grow EBIT in line with or above revenue growth; and finally, to achieve a return on invested capital above 20% by 2029/2030.

By putting customers at the center, we aim to deliver best-in-class products, services and support reinforcing our ambition to double our impact and reach 4 million people long term. In this strategic period, we will also maintain a strong focus on sustainability, and we have set clear targets to reduce our environmental impact through emissions reductions and less materials used in our products and packaging. Finally, we aim to positively impact society by improving reimbursement, ensuring access for users and healthcare professionals to the best products and services, as well as investing in initiatives that benefits people and communities.

Now, let's shift gears for a moment and look at today's results in more detail. Please turn to slide number 5. In Ostomy Care, organic growth was 6% for the full year and growth in Danish krone was 4%. Organic growth in Q4 was 7% and growth in Danish krone was 1%. Our SenSura Mio portfolio continues to be the main driver – growth driver, followed by Brava range of supporting products. Our SenSura and Assura/Alterna portfolios continued to contribute to growth in emerging markets.

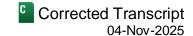
From a geographical perspective, growth in the quarter was broad based across regions, with good growth in Europe, a high baseline in the US due to the resolution of the supply disruptions in Q4 last year, and strong growth in Emerging markets driven by increased tender activity. Sales in China declined, reflecting weaker consumer sentiment and competitive pressures.

In Continence Care, organic growth was 8% for the full year and growth in Danish krone was 5%. In Q4, organic growth was 9% and growth in Danish krone was 3%. Luja, our new intermittent catheter with Micro-hole Zone Technology was the main growth contributor in the quarter, especially the female version, driven by solid contribution from Europe and the US. From a geographical perspective, all regions contributed to growth. Growth in Europe was driven by France, the UK, and Italy. In Emerging markets, growth was led by LatAm.

Voice & Respiratory Care posted 9% organic growth for the full year with growth in Danish krone of 8%. In Q4, organic growth was 9% and growth in Danish krone was 7%. The good performance in Voice & Respiratory Care continues to be driven by broad-based contributions from both Laryngectomy and Tracheostomy, with high single-digit growth in Laryngectomy and double-digit growth in Tracheostomy.

In Wound & Tissue Repair, organic growth was 8% for the full year and growth in Danish krone was minus 3%, which reflects 8 percentage points negative impact from the Skin Care divestment. Organic growth in Q4 was 5% and growth in Danish krone was minus 11%, which includes 11% negative impact from the Skin Care divestment. The Advanced Wound Dressings business in isolation declined 6% in the quarter as China detracted significantly from growth due to the product return initiatives in Q3.

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From a product perspective, Biatain Superabsorber and Biatain Fiber continued to perform well. Revenue from Kerecis amounted to around DKK 1.3 billion in the full year, of which DKK 339 million was in Q4. The organic growth in the quarter was 20% and an improvement compared to Q3, as expected. The inpatient setting continued to deliver solid growth and was the main growth contributor. The outpatient setting saw an improved momentum in Q4. This was in line with our expectations that the impact from our LCD postponement and the resulting market shift to higher-priced products would be most pronounced in Q3.

In Interventional Urology, organic growth was 2% for the full year and growth in Danish krone was flat. In Q4, organic growth was 2% and reported growth in Danish krone was minus 2%. Growth in the quarter was driven by good momentum in the Men's Health business. Our flagship product within Men's Health, the Titan penile implant, continued to perform well, with the patient funnel positively impacted by our patient support program, targeted at prospective patients.

The Women's Health business also contributed to growth in the quarter. Within Kidney & Bladder Health, the thulium fiber laser drive continued to deliver solid growth contribution, but the segment overall detracted from growth due to the impact from the product recall. We have begun to see early signs of recovery across key accounts, but expect some negative impacts to persist into Q1.

With this, I'll now hand over to Anders, who will take you through the financials and outlook in more detail. Please turn to slide number 6.

Anders Lonning-Skovgaard

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

Thank you, Lars, and good morning, everyone. Reported revenue for the full year increased by DKK 844 million or 3% compared to last year. Organic growth contributed DKK 1.8 billion or around 7% to reported revenue. Divested businesses, mostly related to the Skin Care divestment in December 2024, reduced reported revenue by DKK 352 million or around 1%. Foreign exchange rates had a negative impact of DKK 587 million on reported revenue, or around 2%, mainly related to the depreciation of the US dollar and the basket of Emerging markets currencies against the Danish krone.

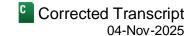
Please turn to slide number 7. Gross profit for the full year amounted to DKK 18.9 billion, corresponding to a gross margin of 68%, on par with last year. The gross margin was positively impacted by a favorable development in the input cost pricing increases in country and product mix, partly offset 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 20 basis points.

Operating expenses for the full year amounted to around DKK 11.3 billion, a 3% increase from last year. The distribution-to-sales ratio for the full year was 33%, on par with last year. The increase in distribution costs was driven by continued commercial investments in Kerecis and higher sales activities across business areas.

The admin to sales ratio for the full year was 5%, on par with last year. The R&D to sales ratio for the full year was 3% on sales, also on par with last year. The special items expenses were extraordinary high in 2024, 2025 and amounted to DKK 469 million. The special items were related to profitability improvement initiatives, including the Skin Care divestment, management restructuring, and the integration of Atos Medical.

Overall, this was solid and operating profit before special items of DKK 7.7 billion in the full year and a 5% increase compared to last year. The EBIT margin before special items for the year was 28%, compared to 27% last year. The EBIT margin included negative impact of around 110 basis points from the inclusion of Kerecis,

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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.

Currencies had a small negative impact on the reported EBIT margin of around 30 basis points related to the depreciation of the US dollar and the basket of emerging market currencies against the Danish krone. In constant currencies, EBIT before special items grew 6% in full year 2024, 2025. Financial items in the full year were a net expense of DKK 1.044 billion, compared to a net expense of DKK 925 million last year. The increase in net expenses was mostly due to a non-cash effect from currency exchange rate adjustments, which includes losses on balance sheet items driven by the depreciation of the US dollar against the Danish krone.

The ordinary tax expense for the full year was DKK 1.4 billion, with an ordinary tax rate of 22%, on par with last year. The total tax expense for the full year was DKK 2.5 billion impacted by the transfer of Kerecis' intellectual property from Iceland to Denmark. As a result of the extraordinary tax expense, the effective tax rate amounted to 41%. As a result, net profit before special items for the full year was DKK 4 billion, compared to DKK 5 billion last year.

Diluted earnings per share before special items decreased by 21% to DKK 17.76. Adjusted for the extraordinary tax expenses related to Kerecis' IP transfer, the net profit before special items was DKK 5.1 billion, DKK 123 million increase compared to last year. Adjusted diluted earnings per share before special items increased by 2% to DKK 22.84.

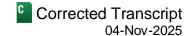
Please turn to slide number 8. Operating cash flow for the full year was an inflow of DKK 6.6 billion, compared to an inflow of DKK 2.8 billion last year. The positive development in cash flows was mostly driven by lower income tax paid as 2023, 2024 included DKK 2.5 billion, extraordinary impact from the transfer of Atos Medical intellectual property. Changes in working capital and adjustment of non-cash operating items also had a positive impact on the cash flow from operating activities.

Cash flow from investing activities was an outflow of DKK 1.25 million, compared to an outflow of DKK 1.336 billion and include a positive impact from the divestment of Skin Care business of DKK 192 million. CapEx for the full year amounted to around 5% of sales, on par with last year, and includes around DKK 450 million related to the new manufacturing site in Portugal, expected to be operational in 2025, 2026. As a result, the free cash flow for the full year was an inflow of DKK 5.4 billion, compared to an inflow of DKK 1.4 billion last year.

The adjusted free cash flow for the full year was DKK 5.2 billion, compared with DKK 3.9 billion last year or a 32% increase. The trailing 12-month cash conversion was 82%, while the adjusted free cash flow to sales was 19% compared to 15% last year. Net working capital amounted to around 26% of sales, compared to 25% last year, impacted by increased inventories and decreased trade and payables.

Now let's look at the guidance for 2025/2026 financial year. Please turn to slide number 9. For the 2025/2026 financial year, we expect organic revenue growth of around 7% and around 7% EBIT growth in constant currencies before special items. We also expect a return on invested capital of around 16%, up around 1-percentage-point from 15% adjusted last year. The organic revenue growth guidance of around 7% assumes continued good momentum in Chronic Care, including Voice & Respiratory Care, and improvement in momentum in both Wound & Tissue Repair and Interventional Urology. In Chronic Care, we expect good contribution from our recent product innovation. In Continence Care, we expect Luja to continue driving the momentum in intermittent catheters. In Ostomy Care, we expect the recent line extensions such as SenSura Mio backpacks and the new two-piece SenSura Mio offering to continue their good launch trajectory and support growth.

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In Wound & Tissue Repair, we expect an improved momentum driven by Kerecis, which is expected to deliver growth of around 25%, partly offset by the negative impact from the product return in Advanced Wound Dressings in China from Q1 to Q3. On Kerecis performance, it's subject to a higher degree of volatility due to the expected changes to the skin substitutes coverage and payments in the outpatient setting as of January 1, 2026.

In Interventional Urology, we expect growth to improve to around mid single-digit in 2025/2026, up from low single-digit last year. We expect continued strong momentum in our Men's Health business, driven by the Titan penile implant, and stable performance in our Women's Health business. In Kidney & Bladder Health, we expect to see a recovery, as the impact from the product recall relapse in December 2025, after which we're up against an easier baseline.

Reported revenue growth in Danish kroner is expected at 4% to 5% and assumes 2 percentage points to 3 percentage points negative impact from currencies, especially the US dollar, and to a smaller extent, the British pound and the Chinese yuan, as well as two months negative impact from the Skin Care divestment. The EBIT growth in constant currencies of around 7% assumes stable inflation levels and continued ramp-up in Costa Rica and Portugal.

The EBIT growth also assumes that Kerecis will deliver an EBIT margin uplift to around 20%, driven by scalability in non-sales functions and sales force efficiency improvements, enabled by a good top line momentum and a high gross profit margin of around 90%. Furthermore, the EBIT growth guidance includes the initiation of Impact4 investments, including global technology investments and AI, investments towards the new Bowel Care opportunity in the US, and investments related to Intibia.

In terms of phasing, we expect the organic revenue growth to be second half-weighted, with a soft start in Q1, where we will have the impact from the product recalls in both Advanced Wound Dressings and Interventional Urology. Furthermore, we expect a soft start in Ostomy Care due to a high baseline in the US and order phasing in Emerging Markets. For 2025/2026, we expect around DKK 50 million in special items from acquisition-related integration costs. The integration of Atos Medical is progressing according to plan and will be finalized during the year.

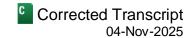
The net financial expenses for 2025/2026 are expected at around minus DKK 500 million, down from around DKK 1 billion in 2024/2025, mostly driven by a more favorable outlook on net exchange rate adjustments based on spot rates as of October 31, and to a smaller extent, lower net interest expenses due to lower net interest-bearing debt and lower interest rates. The effective tax rate for 2025/2026 is expected to be around 22%.

Net profit is expected to significantly increase year-over-year, as 2024/2025 has been impacted by extraordinarily high special items, high financial items due to negative exchange rate adjustment and the extraordinary tax expense related to the transfer of Kerecis' intellectual property. The CapEx-to-sales ratio is expected at around 5% and includes investments to complete the new manufacturing site in Portugal, investments in new machines for existing and new products, and IT and sustainability investments.

On net working capital, we expect a net working capital-to-sales ratio in 2025/2026 of around 25%, down from 26% in 2024/2025. Our guidance is based on the knowledge we have today and [ph] assumes (00:22:02) immaterial impact from tariffs, as we expect our products to remain exempted, and no impact from healthcare reforms in the year.

On October 31, 2025, the Centers for Medicare & Medicaid Services in the US issued a final rule on the Medicare Physician Fee Schedule for calendar year 2026, with a fixed payment of \$127 per square centimeter for all

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products in the physicians' private office in the outpatient setting. We consider both this rule as well as the final LCD policy as positive for the market and Kerecis in the long-term, and we will closely monitor market developments in relation to these initiatives.

With this, I will hand it over to Lars for final remarks. Please turn to slide number 10.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

Thank you, Anders. Coloplast is now entering an exciting phase, as we begin to [ph] unfurl (00:23:03) the potential of our new Impact4 strategy, and I look forward to continue leading this work until a new CEO takes office. As we move into Impact4, we do so from a position of strength, with a strong product offering, a clear structure, a strengthened leadership team and an ambitious strategy towards 2030.

I'd like to thank our customers, my colleagues and our investors for your trust and support in 2024/2025. Your engagement and partnership have been instrumental in advancing our mission, making a positive impact for patients, healthcare systems and society. Coloplast is well-positioned to set the standard of care at scale, create lasting value for all stakeholders and continue making life easier for people with intimate healthcare needs.

Thank you very much. And operator, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Hassan Al-Wakeel from Barclays. Please go ahead.

Hassan Al-Wakeel

in 2026?

Analyst, Barclays Capital Securities Ltd.

Good morning. Thank you for taking my questions. I'm going to try and sneak in three, please. Firstly, can you talk about the China Ostomy business and the increased competition in the community channel, and whether consumer sentiment is getting worse given the decline here and how you're thinking about business development

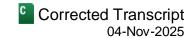
Secondly, if you can expand on the drivers for the Kerecis margin ramp this year and the phasing of that improvement, given some of the volatility you've observed around reimbursement changes. And then finally, Lars, when we met recently, you talked about slower volume uptake in the UK for Heylo. How is this trending and to what extent are you shelving potential launches elsewhere? And in hindsight, what went wrong? Thank you.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

That was a good opening, Hassan. So, the China situation first. So, it's more or less a flat growth that we are seeing. We actually see that we are quite competitive in the market. So, in that specific part of the market, we don't see that we're losing traction. But we have a consumer sentiment which is super important, because it's out-of-pocket in the Chinese market in the community market. We have a consumer sentiment which is negative, and that basically reflects on how much consumers are willing to spend. We don't have an increased number of competitors. We still have a lot of competitors in the market, but their total market share is still super low. So, we

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feel that our competitiveness is intact, but that the market sentiment basically is the reason why we don't grow in China.

On the Kerecis margin, yes, we expect to have a significantly better margin this year than we had in the year that we're coming out of, and it is basically due to scale. So, now we start to be a little bit more of a mature business. It's not that we're not investing, but we do have more sales per head in the organization. And we don't need to scale to the same extent all over the place when we are growing, and that is basically what is sitting in the increased margin for Kerecis. And yes, there's volatility as we go into this year. And as you all know, Friday night, we received the news on the LCD and the Physician Fee Schedule changes. And I expect that we'll also talk to that a little bit later. But that means that there's some turbulence as we go into the year. But I would like to say from the get-go, we consider the changes to be positive for us. But of course, it also means that we will have a bit of volatility as we go into the year.

And then, for Heylo, what went wrong? Super good question. We are addressing the most pronounced problem that any ostomy patient has to understand how much of the adhesive that are still intact at this given point in time and how much of it have given up, and we can show that by the mobile phone. We haven't found a way to settle this where we get the uptake that we expect to have. We give it still a chance to do that in what we consider to be the most advanced market in the world for Ostomy Care in Great Britain, and we are not going to go anywhere else until we have found a way to solve that in that market.

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Analyst, Barclays Capital Securities Ltd.

Thank you very much.

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

Jack Reynolds-Clark

Analyst, RBC Capital Markets

Hi, there. Thank you for taking the questions. My first one was on the Atos integration. You mentioned that you're expecting that to be completed next year. I guess, what's left to do on that and when do you expect the benefits to start to kind of come through meaningfully there? Then, the next question was on Tracheostomy. I think for the last couple of quarters, growth here has been a bit lower than it has been in the past. Is this a function of a higher base or is there something else kind of going on here? And how should we think about this going forwards? Thanks.

Anders Lonning-Skovgaard

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

Hi, Jack. Let me take the first one. So, we are finalizing the integration of Atos into our IT infrastructure and into our processes, our shared services, and all of that here during this financial year. And what we are – it's basically some of the bigger markets that are left. So, it's the US, the UK that we're currently focusing on. And then, the integration will be finished, and we will also reap the synergies of around the DKK 100 million that we have communicated when we acquired Atos some years ago.

In terms of Tracheostomy, yes, we have seen a little bit of a slowdown recently. It's also because we're up against a high baseline. So, last year – or the year before, we had a quite significant sales uptake due to forward integration. When that is set, the Tracheostomy business is developing very well also compared to the acquisition case we did some years ago. And we actually expect that our Tracheostomy will support our growth within Atos

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quite significantly towards 2030. We are currently sitting with a market share of around 10%, and we actually feel we have an okay product platform, and this will be one of the key focus areas towards the 2030 and also an area we will invest further in. So, the Tracheostomy business is an area that we are very optimistic about going forward.

Jack Reynolds-Clark

Analyst, RBC Capital Markets

That's great. Thanks very much.

Operator: The next question comes from Martin Parkhøi from SEB. Please go ahead.

Martin Parkhøi

Analyst, Skandinaviska Enskilda Banken AB

Yes. Martin Parkhøi, SEB. Two – I don't know. Two questions, I guess. Just on your guidance, I just want to get your confidence level, because you're starting the year saying that it'll be back end-loaded, and that gave me some kind of déjà vu for the last couple of years. How are your confident level this year if this actually will materialize? Do you think you have been more prudent this year than you have been in previous year? Are there buffer for potential hiccups which you have faced the last couple of years? And then, second question just on the ASP development. What kind of ASP development have you assumed in your guidance for this year and maybe you can talk a little bit to that across your business areas?

Anders Lonning-Skovgaard

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

Yes. Martin, let me take your two questions. On the guidance side, as we have communicated today, we expect organic growth to be around 7% for the year. We are, as I also said, seeing some headwinds here in Q1 due to the product recalls that we had last year. So, the Urology recall will – we will lap that in December, and the recalls we have in China on the Dressings part will still impact us in Q1, but also Q2, Q3.

But overall, we are very confident that – we are able to deliver on our organic growth guidance also back – on back of a very challenging year last year, where we also had some challenges that we did not expect, back to the product recalls, but also back to, as Lars said earlier, our Chinese momentum did not play out as we anticipated. So, that's how we see it. And I would also highlight that the Continence business, the Atos business, is strong, and we also expect those to continue as well as the Kerecis business throughout the year. So, then your second question around – that was ASP?

Martin Parkhøi

Analyst, Skandinaviska Enskilda Banken AB

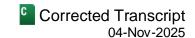
Yes.

Anders Lonning-Skovgaard

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

We are expecting a small positive on ASP development. We are not expecting any bigger healthcare reforms. So, we are expecting small positive impact from ASP, especially within Urology. We're also expecting some on the Chronic side, and that is, again, primarily in Emerging Markets. And then we get the yearly inflation adjustment in the UK. So those are some of the main reasons for us being positive on the ASP.

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Martin Parkhøi

Analyst, Skandinaviska Enskilda Banken AB

Thank you.

Operator: The next question comes from Martin Brenøe from Nordea. Please go ahead.

Martin Brenge

Analyst, Nordea Bank Abp (Denmark)

Hi, Lars and Anders, thank you for taking my questions. I'll build a bit on the other Martin's question here. We learned at the CMD that you held earlier in the year that you have quite normally two or three recalls during the year. And I just wonder how much you have baked into potential recalls in this year and how you have - if you have a financial buffer for that potential outcome.

Then secondly, on Kerecis, it would be interesting to hear how you expect to re-accelerate 500 basis points. A few words on what is going to drive it in terms of product launches, new geographies, anything like that. Thank you.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

So when you produce products in a numbers of billions, then of course there can be from time-to-time recalls. What we saw from Urology primarily is something which we see very, very rarely. And I would like to take this opportunity to remind everybody that the product returns that we have seen in China has nothing to do with products that doesn't work or complaint rates or anything like that. So that was - the reason for that was actually reasons that we have never seen before and that we could not have done anything internally to avoid, I would say.

So therefore, we do not have a buffer for very large recalls and it is something that we don't see. What we have seen of real events over the last couple of years has been the distribution center event that led to difficulties in delivering and then what we saw in IU, and it was completely unexpected and to a very large extent, internally driven. So we could have avoided them. And that's what we have tightened the system to make sure that we don't get into that situation. Having said that, you can't run a business and never have issues, but that we do have significant or not significant but realistic buffers for.

On Kerecis, your question is how we are going to get the uptick on the EBIT margin?

Martin Brenøe

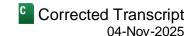
Analyst, Nordea Bank Abp (Denmark)

Sorry. No, on organic growth.

Lars Søren Rasmussen Interim Chief Executive Officer & Director, Coloplast A/S

Ah, okay. So, as we – so I'll start this by saying we actually consider this to be the changes to the physician fee schedule to be positive for us. And we also see that we have strong momentum. We are not in a situation where we have fully utilized our sales model, so to speak. So, we are, of course, still hiring sales reps to – just to go to the markets. But we see it as get more access with what is happening now because there will be fewer - there will be fewer companies to serve the same customer group as we had before. And that is definitely going to help

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us. We just need to see it played fully out before we start to become too positive. But we think that with where we are now, we can have an uptick because the turmoil that we saw in Q3 is not going to come back.

Martin Brenøe
Analyst, Nordea Bank Abp (Denmark)
Thank you, Lars.

Operator: The next question from Aisyah Noor from Morgan Stanley. Please go ahead.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Hi. Good morning. Thanks for taking my question. My first one is on the competitive bidding program in the US for Chronic Care products. You mentioned in the press release that any changes would take effect in 2028 at the earliest. But your peers are flagging that this could even be a bit later, so 2029. Just curious what your internal assessments involved towards this timeline and whether you have any renewed thoughts on the potential magnitude of the sales impact for you.

My second question is just a quick one on the Wound recall impact in China. Could you help us quantify the negative impact that you were calling out in Q1, Q2 and Q3 for 2026? Thank you.

Anders Lonning-Skovgaard

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

Yeah. Let me take the competitive bidding question. So as you all are aware, this is something that is currently going on and we expect some kind of an outcome as we understand it during this quarter. We, however, believe that if there will be an impact and that is still highly uncertain, that it will not impact us until 2028 at the earliest. So that's the information we are currently sitting with.

In terms of the Wound recall in China, as we have said a number of times now, we expect that to have an impact to Q1, Q2, Q3. And my estimate per quarter is something around DKK 25 million based on the knowledge we have.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Thank you very much.

Anders Lonning-Skovgaard

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

DKK 25 million per quarter.

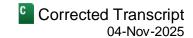
Operator: The next question comes from Anchal Verma from JPMorgan. Please go ahead.

Anchal Verma

Analyst, JPMorgan Securities Plc

Hi. Good morning. Thanks for taking my questions. The first question is just on gross margins. How should we think of gross margin development over FY 2026? Can you provide your assumptions around cost inflation, Hungary wage inflation, and the other moving parts?

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And then the second one was just around, if you could provide us an update on how the search for the new CEO is going or is the expectations still for having announced a replacement by spring next year?

Anders Lonning-Skovgaard

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

A

Yeah. Thanks for your question. Let me take the first one. So our gross margin, and my high level assumptions are that we are looking into a year with pretty stable inflation levels. That also means that our raw material prices, utility costs, freight, etcetera, are pretty flattish compared to last year. But we will also have some headwind still from high salary inflation in Hungary. We are still seeing a very intense labor market. And then we are investing in ramping up our facilities, still some ramp up in Costa Rica. But next year, we will really start to ramp up in Portugal, and we are expecting Portugal to be in operation in Q4 of 2025/2026. So those are the main moving parts on our gross margin into 2026.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S



And on the CEO search, so in a sense, what I have said before, the search is going on. It's like a funnel, right? You start to broaden then you – then the field is narrowing down. And that's, of course, where we are now. We haven't signed any contracts at this point in time, but we have a number of qualified candidates. And once we have a signature, you will be the first to know. And then, of course, it depends then on what kind of [ph] Garden leave or other terms does (00:42:53) that person have. And that will then put a date on when a person can start. And until then, it will be the team that you are meeting today that will be running the company together with the rest of the business in Coloplast.

Anchal Verma

Analyst, JPMorgan Securities Plc



Yeah. Thanks, Anders and Lars. And maybe just a quick follow-up on margins, please. Are you able to provide or quantify the FX headwind to margin for FY 2026 – to EBIT margins, I mean?

Anders Lonning-Skovgaard

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



Yeah. So, what we are saying is that on the top line, we will be expecting a reported growth in the level of 4% to 5%. And that is also again driven by the US dollar to a large extent. On the EBIT growth, we will see some headwind also coming from the US dollar, also some on the British pound and the Hungarian HUF.

Anchal Verma

Analyst, JPMorgan Securities Plc



That's very clear. Thank you.

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

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.



Hi. Good morning, Lars and Anders. Thank you for taking my questions. I'll keep it to two, please. One, obviously, looking at the revenue growth and the EBIT growth guidance, and I appreciate, Anders, you don't want to talk about gross margin guidance, but it does seem to me that there is a fairly large amount of investments going into

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the business, obviously, year-on-year, especially stripping out Kerecis, which is delivering a nice little tailwind to profitability. I was just hoping you could maybe talk about what are some of the areas of the business where you are investing meaningfully with this high-single-digit kind of OpEx growth guidance. That would be super helpful.

And then, I just want to circle back on the China competition answer, because it wasn't clear to me, Lars, from your comments at the beginning. If I look at the press release, you are calling out competition in China for the first time. It wasn't in the prior releases. So, just trying to understand what really has changed, what has prompted you to put it into the release, and I guess, is that competition from local players or is it from other multinationals that are becoming more focused in the market? Thank you so much.

Anders Lonning-Skovgaard

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

A

Thanks a lot, Veronika. Let me take the first one in terms of the investments. So, now we are entering into the first year of our Impact4 strategy. And as we also said at the Capital Markets Day, we are going to invest into new initiatives, both to drive the top line growth, but also to support our EBIT growth ambition. And what we will initiate this year is investments primarily into our US chronic business. We see quite a few opportunities also with the new opportunity within Bowel Care.

We will also initiate investments in Urology to support the launch of Intibia. We are expecting, when we get approval from the FDA, that we will launch Intibia into 2026/2027. So, we will also initiate investments here. And then, we will initiate quite a bit of investments into technology and AI, both to support improvement in our user experience, but definitely also to support activities to automate and optimize back-office activities, especially order management, prescription management through AI. So, those are some of the things that we will initiate basically to support our long-term growth and value creation agenda.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S



And for China, yeah, that – I think it's actually a very appropriate follow-up, Veronika. Thank you for that. That gives me the opportunity to say that we have – our community market share in Ostomy Care is very, very high in China. And we are not – yeah, well, more than 60%, so – and as we are not seeing growth like we used to, it is primarily because we have a consumer sentiment that is not super positive. But of course, we also feel the pressure every single day that somebody would like to take away some of the market shares that we are having. We are seeing very able competitors in China.

But having said that, the fact still is that we have a very, very – even though, we have many local competitors, they have a very, very small market share – very low-single-digit, I would say. And therefore, it is – maybe just the way that we are writing it. It's not because we see an increased local competition, but of course, we feel local competition also in China, but it has not worsened. So, that's not how you should read it.

Veron	ıka l	Du	bajo	va	
Analyst,	Citigro	оир	Global	Markets	Ltd.

Very clear. Thank you.



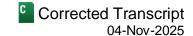
Operator: The next question comes from Oliver Metzger from ODDO BHF. Please go ahead.

Oliver Metzger

Analyst, ODDO BHF AG



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Yes. Good afternoon. Thanks for taking my questions. First question is also on prices and you mentioned this market shift towards for higher priced products. Can you just elaborate a little bit more about the dynamics and how sustainable you regard this shift?

And the second question is about – still also the operating cost development. So, follow-up on Veronika. So, if I do the math and calculate a stable gross margin and let's say also a stable EBIT margin, and still the amount of operating leverage you should have. It would be great to see if you can dive deeper into respective costs and, yeah, you mentioned the ramp up in Intibia, but I calculate still a quite significant operating leverage, which is, according to your argumentation, even up. So, it would be great to have a little bit more transparency regarding the cost positions and how the math works. Thank you.

Anders Lonning-Skovgaard

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

So, on your first one, Oliver, so the physician fee schedule changes to the payments. As you know, we are running right now with an average price of \$110 per square centimeter, and the new fixed price is \$127.3 per square centimeter from 1st of January 2026. That is, of course, positive on an average basis. There will also be fewer competitors we expect that has not been – that's not come out yet, but we expect before 1st of January that we will have a full list of who has coverage. And that dynamic altogether means that as the year progresses and as the stocks that have been built, they are being consumed, that we will be in a better position to compete than

we are at this point in time, because there are fewer competitors and what we compete with would have a higher average price. That's how we see it. That's also why we think that this, at the end of the day, is a positive change

seen from our point of view.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

And Oliver, to your second question around our cost element, I think I talked to the gross margin moving parts earlier. I also talked to where we are going to invest back to Veronika's question, and you should – as I also said earlier, you should expect our inflation levels or the inflation levels, salary regulation, et cetera, are to be pretty stable also compared to last year. So, we are really – the leverage effect we have, we really invest that back into new initiatives, and I explained those initiatives earlier. So, it's in US, it's Intibia, and then also invest into technology, AI to support long-term growth and long-term value creation.

Oliver Metzger

Analyst, ODDO BHF AG

Okay. Thank you.

Operator: The next question comes from Julien Dormois from Jefferies. Please go ahead.

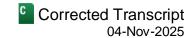
Julien Dormois

Analyst, Jefferies GmbH (FR)

Hi. Good morning, Lars. Good morning, Anders. Thanks for taking my questions. The first one relates to Continence. We should have the coding change taking effect in January of 2026. So, just curious what are your latest thoughts on this and how you ambition to make the most of that coding change, and whether we should see any positive impact in 2026 or is it more a mid- to long-term benefit we should observe.

And the second question is trying to dissect a little more into the guidance for 2026, particularly in Chronic Care. You have highlighted continued momentum in the business, but is it fair to assume that Continence will continue

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to outperform Ostomy as it has in the recent past, and also considering the regulatory changes, the recent product launches and so on? So, just curious whether Ostomy should remain slightly subdued compared to Continence into the next year. Thank you.

Lars Søren Rasmussen

А

Interim Chief Executive Officer & Director, Coloplast A/S

Thanks a lot, Julien. Let me start with the US coding. Yes. It's going to have effect here from January, but we also are aware that there will be quite a lot of operational activities going on in moving the coding from the previous way or the previous reimbursement codes and now to specific hydrophilic codes. So, there will be quite a big operational activities in our US business to get that fully implemented and it is still far too early to call out the impact, but over time, we expect this to be positive.

In terms – to your second question around guidance on the Chronic side. As have seen also last year, we have a good momentum within Continence driven by our intermittent catheters, driven by the Luja launch, but we are also seeing good momentum within our Bowel Care business, and we see that momentum also continue into 2025/2026. And remember, the Ostomy franchise, as Lars also has mentioned a number of times now, are also impacted by low growth or flattish growth in China. So, that is the main headwind, OC versus CC. But overall, we are expecting that the chronic business will continue with good momentum also into 2025/2026.

Julien Dormois

Analyst, Jefferies GmbH (FR)

Thank you.

Operator: The next question comes from Sam England from Berenberg. Please go ahead.

Sam England



Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Hi. Thanks for taking the questions. So, the first one is just a follow-up on the investment and margins piece. Can you talk a bit about how the Impact4 investment evolves over the plan period to understand how margins might trend from here? Is it pretty much frontend weighted, or are there areas like AI and most of the multiyear investments throughout the plan period?

And then in Voice & Respiratory Care, just wondering if you're expecting any more positive momentum on reimbursement during 2026 following the improved reimbursement that you saw in France for [indiscernible] (00:55:32) earlier this year? And then are you expecting any other new markets in Voice & Respiratory Care to open reimbursement in 2026 like we saw with Poland this year? Thanks.

Lars Søren Rasmussen

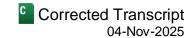


Interim Chief Executive Officer & Director, Coloplast A/S

Yeah. So thanks, Sam. To your first question around investments during the Impact4 period, the ones we have talked about today that is frontloading some of the activities to support the growth and also value creation over the period. So, we are – yeah, as I said a couple of times now, frontloading activities within the US Intibia and technology AI to reap the benefits later in the strategic period.

On Voice & Respiratory Care, we expect the momentum we have seen in recent years to continue. We have seen some reimbursement openings in some of our smaller emerging markets, but also in France. But you should not expect any bigger ones, at least not in short term.

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Sam England

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Great. Thanks very much.

Operator: The next question comes from Graham Doyle from UBS. Please go ahead.

Graham Doyle

Analyst, UBS AG (London Branch)

Morning, guys. Thanks for taking my questions. I've just one for Anders and one for Lars. Anders, just in terms of the Q4, it looked like there was a fairly sizable step-up in other operating income, which seems to be related to a transition services agreement. And it was kind of like 2%, 3% of EBIT. How sustainable is that and when should we expect to sort of run off?

And then, just a point on reimbursement, for Lars here, when you look at the skin subs, is there not a danger if the ceiling reimbursement, i.e., what a doctor receives, is capped at \$127? Why would there not be a race to the bottom to products for like \$20, \$30, \$40 where you make this spread? So just to understand how you think doctors balance patient outcomes with, I suppose, financial incentives would be helpful. Thank you.

Anders Lonning-Skovgaard

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

So, thanks a lot, Graham. Let me take the first one. Yes. We have a step-up in other operating income throughout the year. And this is really related to our TSA or our services to the buyer of our skin business in the US. But actually, the cost to do these services are sitting in the individual cost items. So, when I netted up in our P&L, it's actually a neutral effect. You should expect the other operating income also to continue into 2025/2026, and we expect to be done with the services towards the end of the year. But for the total EBIT, it's a neutral impact.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

So, on the Kerecis, I think you know at least as much as I do about the dynamics, the financial dynamics of the skin care market in the US. The way I see this change is that for most vendors, they will get into a space where they have a significantly lower pay per square centimeter than they had before. And we come into a space where we have more. The vendors that are left in that space now, they can only be there when they have a good quality clinical data. And the clinical data that you have to obtain to be in that market, you can only get those when you have a certain investment in the quality of those data. And I think that it's hard to see, with the kind of investments that you have to do to both create these products, but also to document them, that it's going to be a substantial race to the bottom.

On the contrary, I think that it's going to be a market that for some of the vendors will be hard to compete in. We just happened to be set up in a way where we have extremely strong clinical data. We also have a very competitive setup when it comes to the cost on this. So, we, of course, prepared to compete, but we just don't think that we are in a space where — what you described there is there's a logic that that will just be the right or the first thing that happens. But we might be proven wrong on this, of course. But I really think that what happens, the steps that have been taken here, that gives a choice for the society to offer very, very strong products at a reasonable price. And those who would like to compete on that is in that space. That's how I see it.

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Graham Doyle

Analyst, UBS AG (London Branch)

No, I completely hear you. Just – it was just something I thought about as we looked at how some of the higher priced products are trending today. Thanks a lot for that.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

Thanks. Okay. I think that we have to end with the next question because we are overtime. But could we take one more?

Operator: The next question comes from Carsten Lønborg Madsen from Danske Bank. Please go ahead.

Carsten Lønborg Madsen

Analyst, Danske Bank A/S

Excellent. Thank you very much for squeezing me in. I was just hoping that you could talk a little bit about the scenarios for the LCD. There is, of course, a sort of continuous rumors about it not being implemented and maybe being canceled. So, what will actually happen with your organic revenue growth guidance for next financial year, and if it should be in a situation that the LCD is not being implemented?

Anders Lonning-Skovgaard

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

Carsten, let me take that one. Our assumption around Kerecis for the coming year is a growth of around 25%. And remember, around 70% of our business, that's the hospital business, and the hospital business, we have a very strong growth quarter over quarter, and it's really the outpatient setting when we discuss the LCD and the price levels, where we have some volatility. But we expect to deliver growth of around 25% for our Kerecis business 2025/2026.

Carsten Lønborg Madsen

Analyst, Danske Bank A/S

Okay. And then maybe a quick follow-up to this one in terms of the venous leg ulcers. I cannot completely remember your plans for submitting data and maybe potentially getting onto that list as well. Could you help me remember it?

Anders Lonning-Skovgaard

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

Yeah. So we are in the process of doing clinical studies, and we expect those to finish sometime next year. So, that's the current assumption.

Carsten Lønborg Madsen

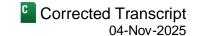
Analyst, Danske Bank A/S

Thank you.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

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Okay. So, I actually – I changed my mind. That happens sometimes in life. So, Jesper, if you're still online, you can ask your questions because you're the last one who's left. So that would be like almost personal, if we leave you out here.

Operator: The next question comes from Jesper Ingildsen from DNB Carnegie. Please go ahead.

Jesper Ingildsen

Analyst, DNB Carnegie

Thanks for taking the time. And just maybe on the Bowel Care opportunity that you mentioned in regards to your increased investments into the next financial year, could you just elaborate a bit on that opportunity and what kind of contribution you expect to get from that?

And then, lastly, on Heylo and the special items that you have specified, to my understanding, you don't do capitalization of your R&D. I'm just trying to understand what's specifically driving that and, to some extent, how big that cost is? Thanks.

Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

Thanks a lot, Jesper. Let me take your questions. When we had the CMD back in September and described our Impact4 ambition also for the US, we also talked to an opportunity we are seeing in the US for our Bowel Care business. So, the good news are that we are now getting reimbursement for Bowel Care in the US, and that's why we are now initiating investments into this specific area. And that's what we have been planning for during this year.

In terms of your second question, related to the Heylo, yes, we have evaluated the value of Heylo also as a consequence of the current sales in the UK. And our plan is not to launch in other markets. And therefore, we have included a quite significant amount in our special items. And it's related to the IT investments we have done, so to develop the solution and to develop the app. And therefore, we have reassessed the – basically the depreciation for the Heylo solution. And that's what we have included in special items.

Jesper Ingildsen

Analyst, DNB Carnegie

Thank you.

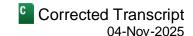
Lars Søren Rasmussen

Interim Chief Executive Officer & Director, Coloplast A/S

Thank you very much, guys, and looking forward to seeing many of you over the next period. Thank you.



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