

A photograph of a man and a woman smiling and embracing. The man is in the foreground, wearing a dark sweater, and the woman is behind him, wearing a red sweater. They are in a room with large gold letters on the wall. A teal banner is overlaid on the bottom half of the image.

Financial Outlook

Coloplast Capital Markets Day 2016

Anders Lonning-Skovgaard, CFO

Coloplast A/S - Ostomy Care / Continence Care / Wound & Skin Care / Urology Care



Our ambitious long-term guidance reflects strong organic growth and profitability expansion

Revenue growth
annual organic

7–9%

EBIT margin
annual improvement

50–100 bps

Organic growth is primarily driven by market share gains and value upgrades

Revenue growth
annual organic

7–9%

Revenue growth drivers/limiters

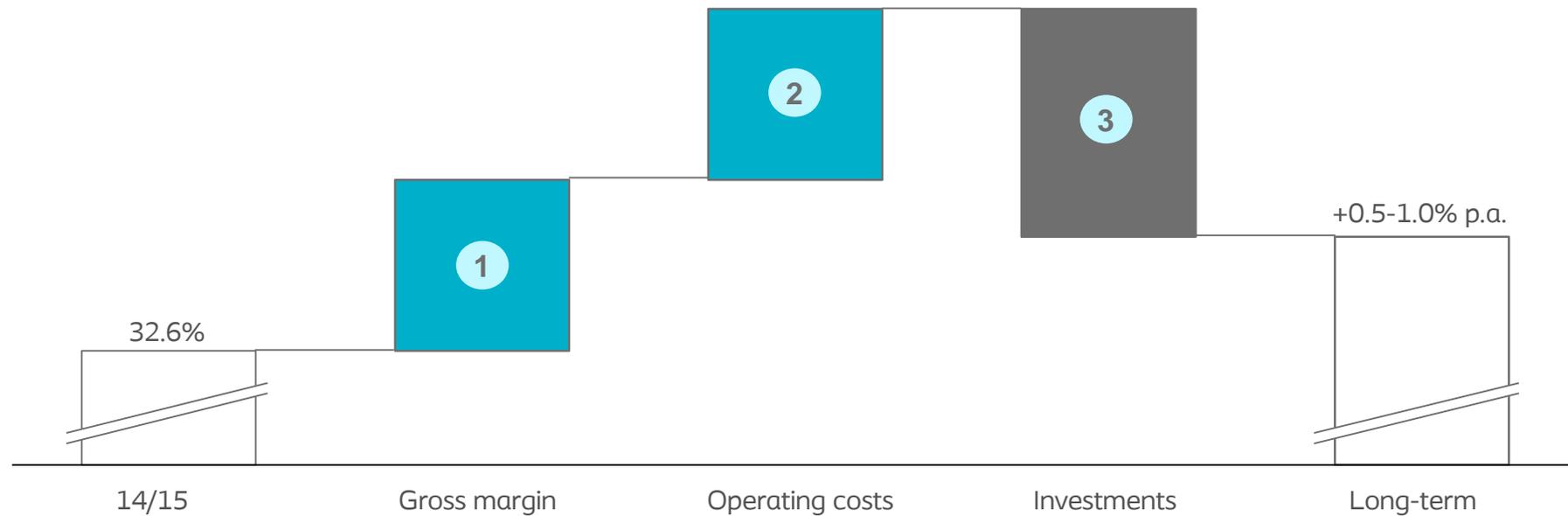
- + Market growth of 4-5%
- + Market share gains across all business areas and regions
- + New product launches
- + Price optimisation efforts
- + Value upgrades

- ÷ Current macroeconomic environment in Emerging Markets
- ÷ ~1% global annual price pressure
- ÷ Patent expiry

The EBIT margin improvement is a function of scalability and continued cost discipline

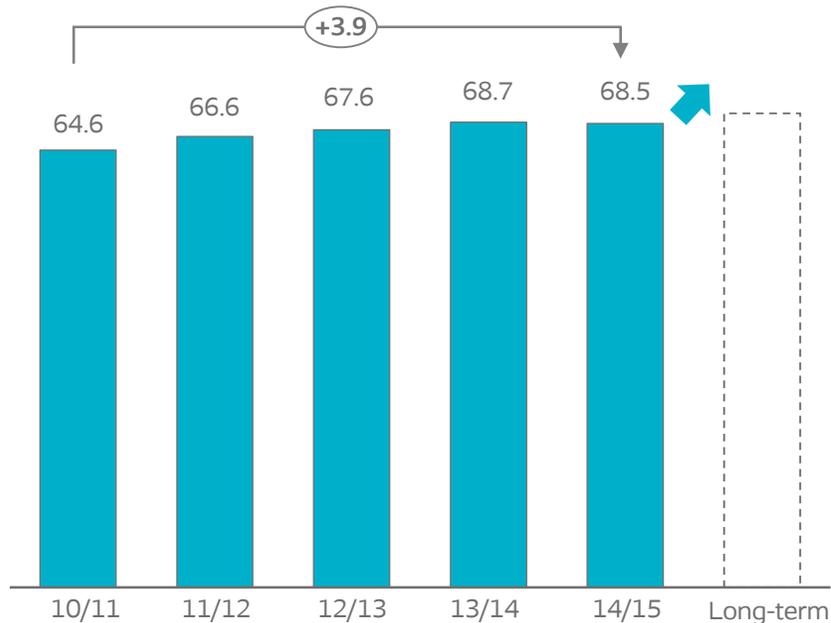
EBIT margin development

For illustrative purposes only



Gross margin uplift to be driven by scalability and efficiency improvements

Gross margin development, in % of revenue



Gross margin drivers/limiters

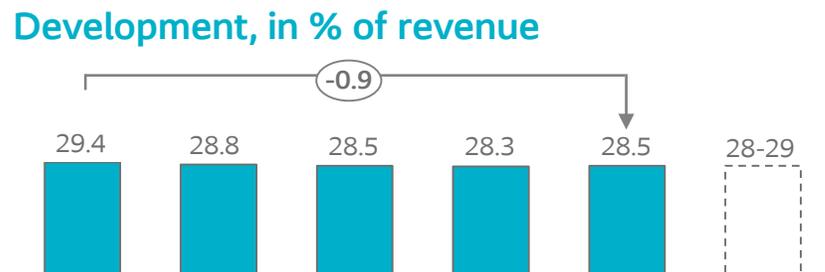
- + Relocation of production to Hungary including reduction of ~300 production FTEs in Denmark
- + Scalability in central functions and factory setup
- + Continued focus on efficiency improvements in supply chain, production and distribution
- + Innovation Excellence – ramp up faster
- + Product mix

- ÷ Negative product mix impact from products produced in Denmark
- ÷ Increase in depreciations
- ÷ Transfer costs related to relocation of production to Hungary
- ÷ Emerging markets costs (e.g import duties)

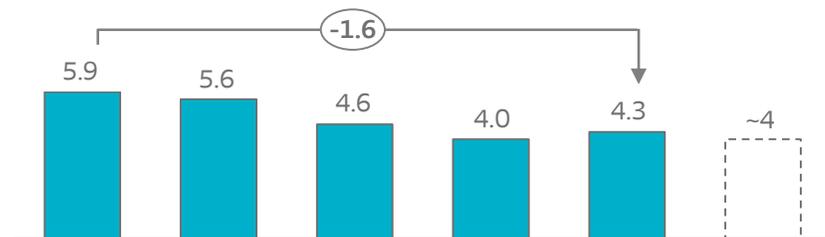
We will continue to drive unparalleled efficiency in our cost functions and ...

Cost item

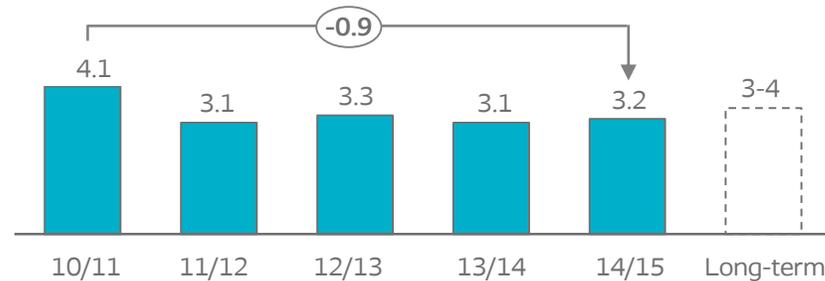
Distribution



Admin



R&D



Comments

- Scale effects in logistics, sales, and marketing reinvested in growth initiatives

- Scalable business support setup
- Further leverage efficient Business Centre setup in Poland

- Increase in absolute spend to maintain strong pipeline based on clinical differentiation
- Innovation Excellence

... invest up to DKK 2bn in solid investment cases in order to lift our growth momentum

Key types of investment cases



Sales Force Expansion



Innovation



Direct-to-Consumer



New markets/geographies



Segment investment

Strong framework for investment cases in place ...

- New investment framework is embedded in how we run the business
- Investment approvals are based on a mix of financial and strategic considerations
- We track investments on an ongoing basis and adjust investment levels accordingly

A rigorous investment process in place ...

1. Background/strategic rationale
2. Investment proposal
3. Risks & opportunities
4. Organisational chart
5. Profit & Loss
6. Implementation
7. KPIs tracking & follow-up

Key investment criteria

- NPV (Year 3)
- ROIC %
- Payback (Year)
- KPIs related to specific investment case

We have provisioned DKK 4.5bn for the US Mesh litigation and continue to make good settlement progress

P&L

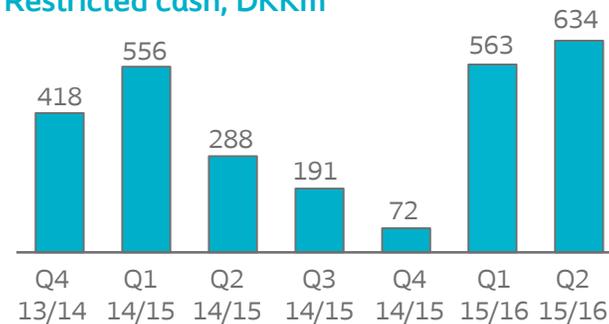
	FY 13/14	FY 14/15
EBIT (before special items)	4,147	4,535
Special items	1,000	3,000
EBIT	3,147	1,535
EBIT % (before special items)	33	33
EBIT %	25	11

- A total of DKK 4.5bn (DKK 4bn net of insurance coverage) has been provisioned in FY 13/14 and 14/15 and is currently considered sufficient

Balance

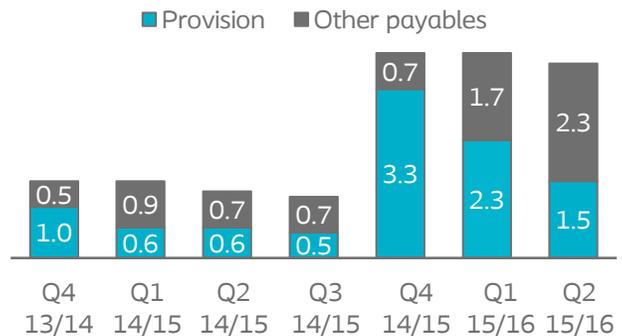
Assets

Restricted cash, DKKm



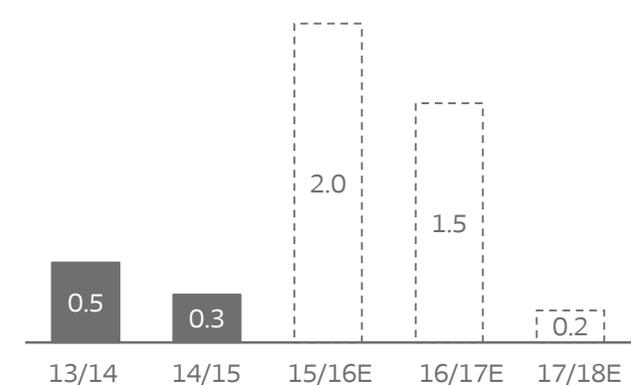
Liabilities

Total liability, DKKbn



Cash flow

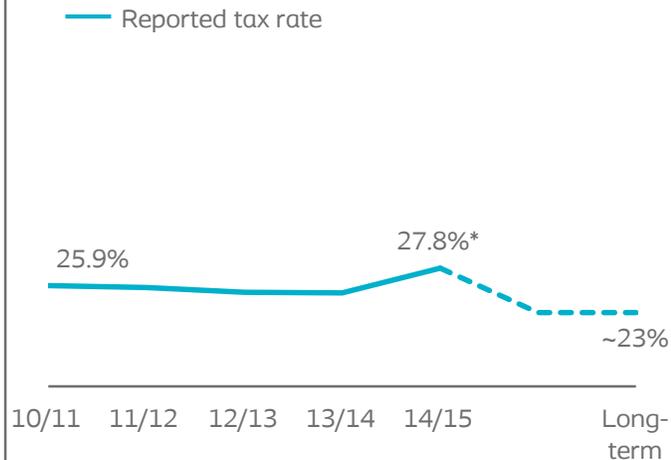
Actual/Expected cash flow, DKKbn



- Settlements expected to be finalised within the next 1-2 years based on the length of the Multidistrict Litigation
- Cash flow impact to continue for several years
- DKK 500m insurance coverage received in FY 13/14 and 14/15
- DKK 1.5bn loan facility (2-3yrs)

We will continue to deliver strong and attractive free cash flows ...

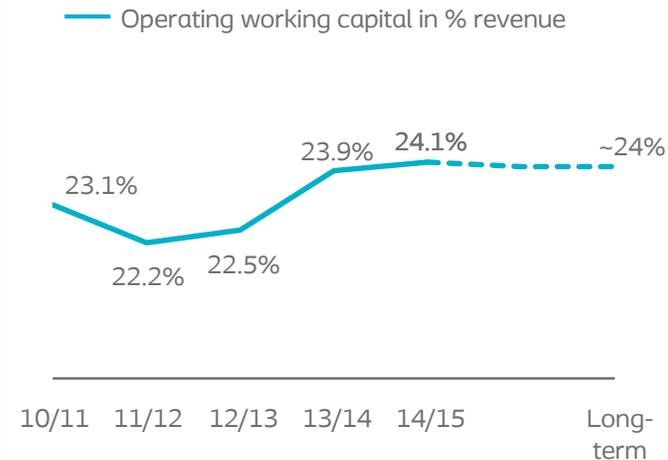
Taxation



- DK statutory corporate tax rate lowered to 22% in 2016
- Coloplast tax rate expected to be ~23% going forward

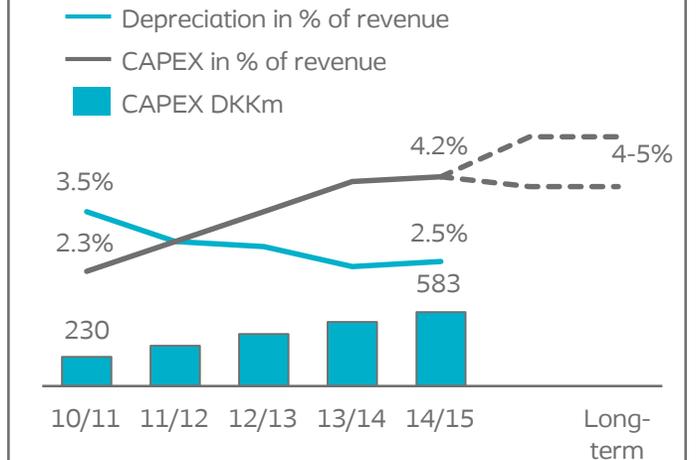
* Impacted by provision for Mesh litigation

Net working capital



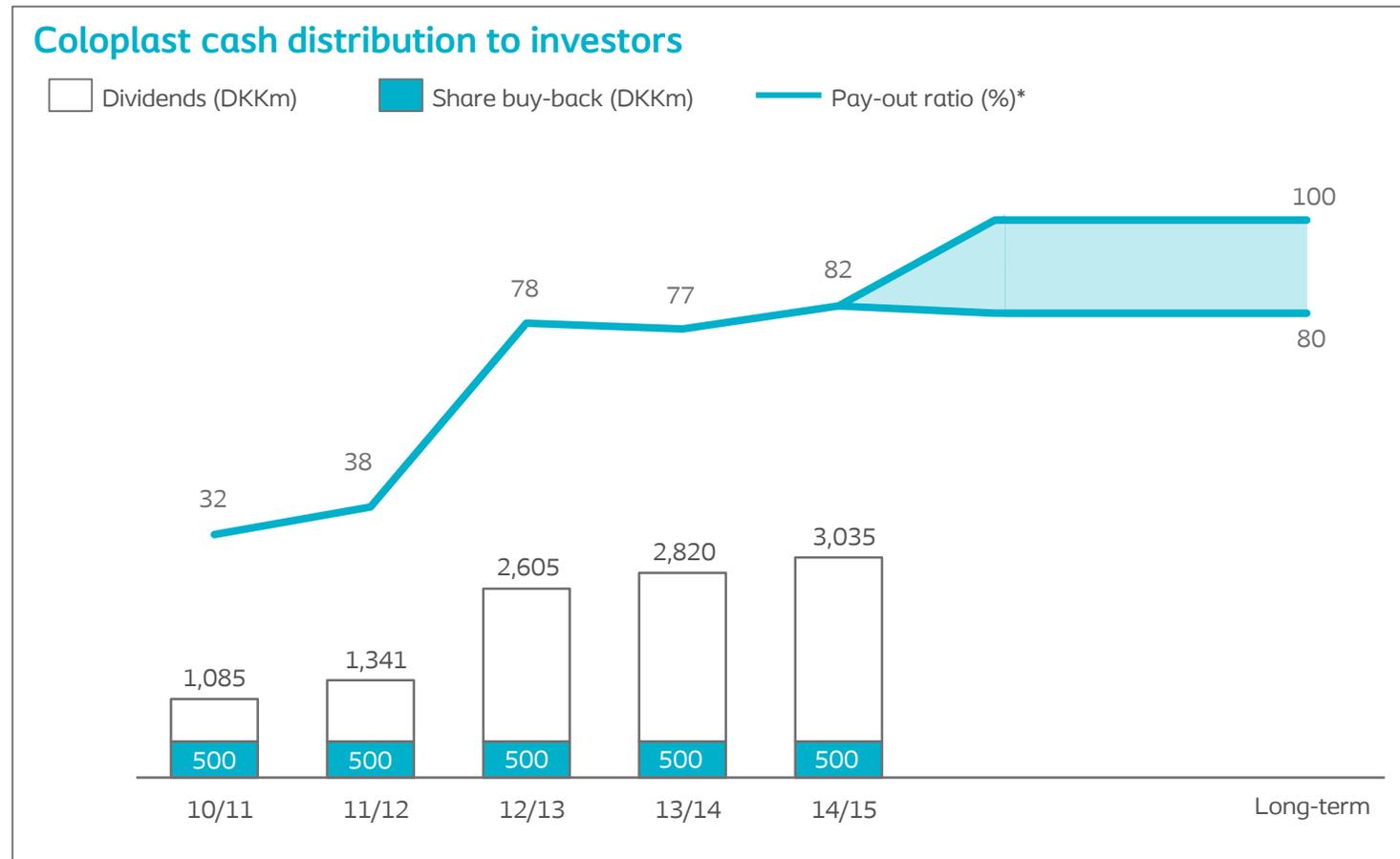
- Working capital expected to be stable at ~24%
- Improve debtor policy in Emerging markets
- Stable inventory levels going forward

CAPEX



- Continued investment in machines and capacity expansion
- Widen factory footprint – factory extensions and/or greenfield investments

... and attractive cash returns despite large investments in commercial and expansion activities



We will continue to return excess cash to shareholders

* Pay-out ratio for 2013/14 and 2014/15 is before special items related to Mesh litigation

In sum, Coloplast offers...



...continued **value creation**

...stable **cash returns**

...attractive **risk profile**

Our mission

Making life easier for people
with intimate healthcare needs

Our values

Closeness... to better understand
Passion... to make a difference
Respect and responsibility... to guide us

Our vision

Setting the global standard
for listening and responding