Coloplast North America

Coloplast Capital Markets Day 2016

Edmond Veome, SVP Chronic Care Management, NA

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

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Agenda for this afternoon – Delivering +10% growth in the US over a 3-5 years horizon

- How we navigate the complex US healthcare system
- How to win in the Acute Channel and build clinical preference
- How to be the preferred partner in community for patients and trade
- Our ambitions and performance in the US over the next 3-5 years

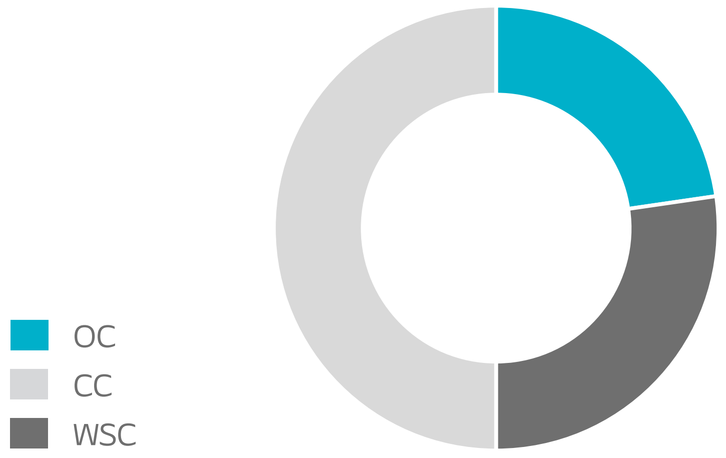
North America is the most attractive healthcare market in the world

North America

- The US is the world leader in healthcare spending with 17% of GDP
- Canada spends 11% of GDP
- Ageing and educated consumers
- Advanced healthcare and reimbursement
- Focus on using technology to improve health outcomes
- Shifting focus from fee for service to total cost of care episode

Region North America at a glance

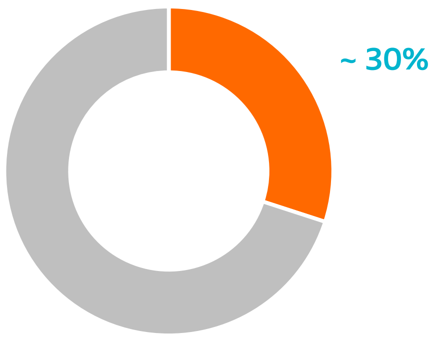
- Consists of USA and Canada
- 400 Coloplast employees
- Headquarter in Minneapolis and Toronto
- Revenue distribution by BA:



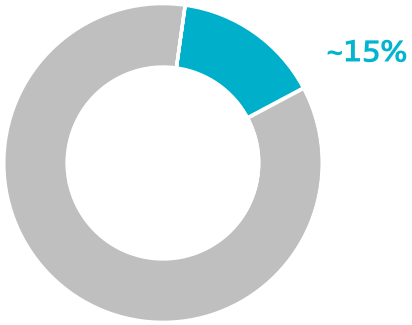
Coloplast has tremendous potential as we still have a low market share

Coloplast US market share
In percent

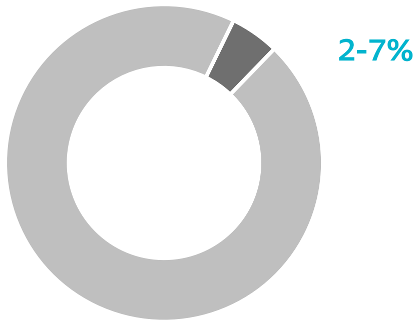
Continence Care



Ostomy Care



Wound & Skin Care



Market Comments

Continence Care

- Large market with intense competitive price pressure
- Market growing ~6%
- Some prescribers and consumers still reuse catheters
- Large and growing demand for hydrophilic catheters

Ostomy Care

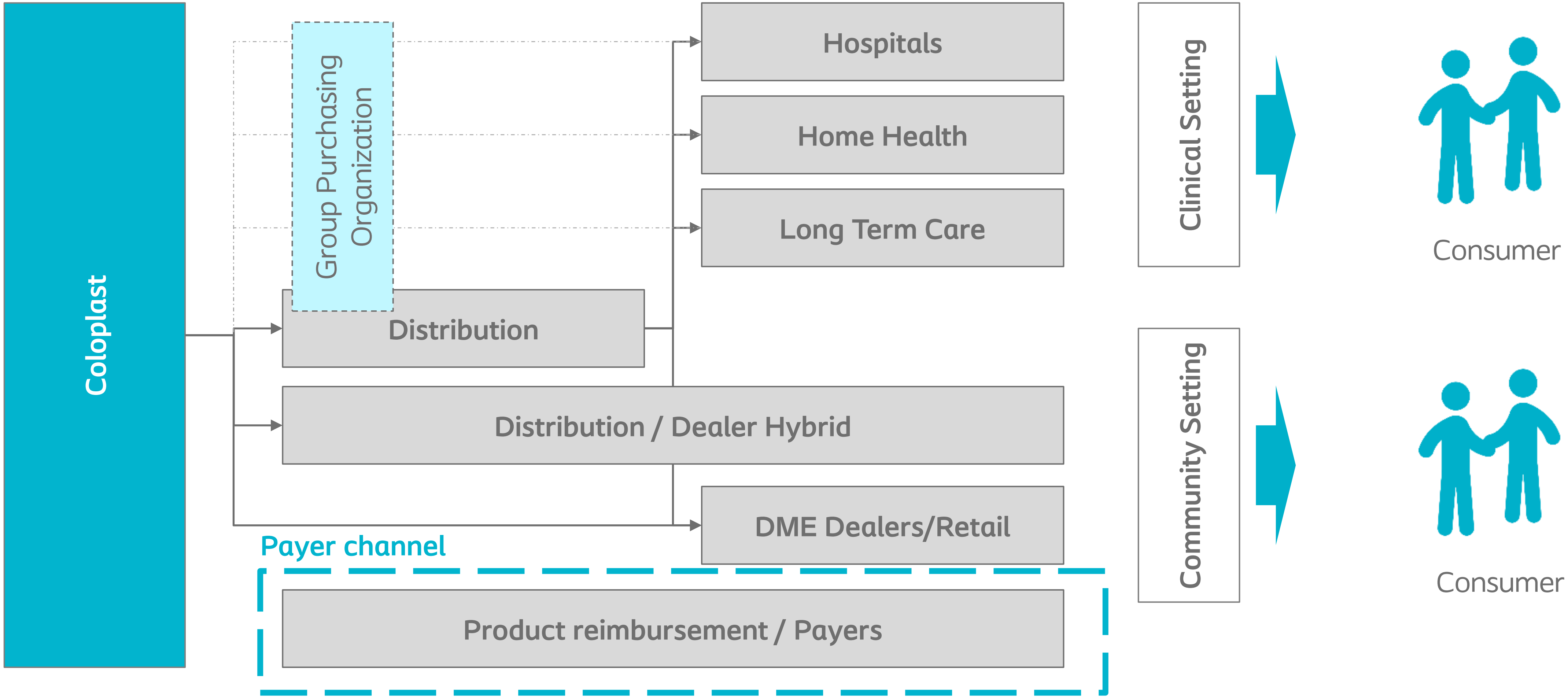
- ~120,000 new surgeries each year
- Market revenue growth of ~4% impacted by:
  - (+) Demographics
  - (-) Reversal of stomas
  - (-) Reimbursement price pressure
  - (+) Increase accessories use

Wound & Skin Care

Skin Care
- Demand for programs to lower system cost
- Medicare no longer paying for Hospital Acquired Complications

Wound Care
- Steady growth from Foam and Silver
- Increasing demand to standardize patient protocols to treat wounds

The US market is complex to navigate with several influential stakeholders



US Healthcare System and Reimbursement

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Mark Draper, Head of Public Affairs

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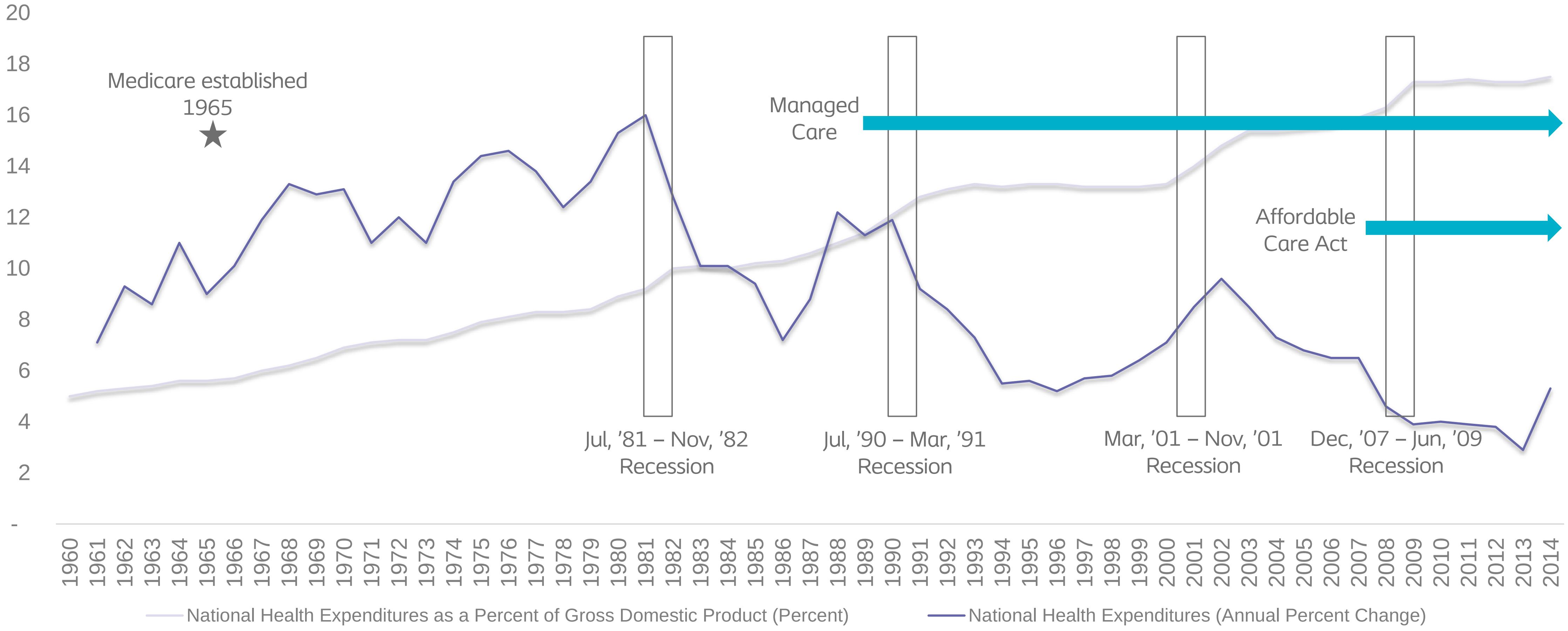
Three key dynamics drive US reimbursement and influence Coloplast's commercial landscape …

The mission to "bend the healthcare cost curve"

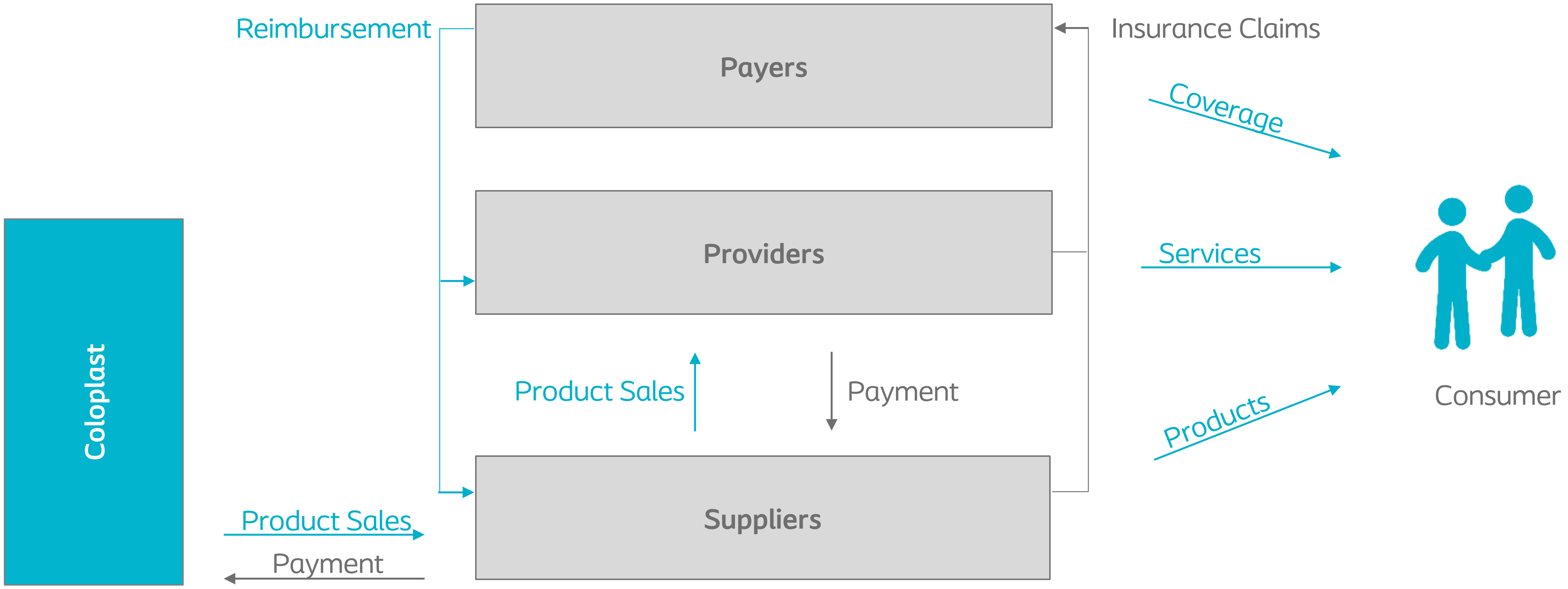
The shift to alternative payment models

The quest for value- vs. volume-based care

Recessions, reforms have slowed, but not stopped, spending growth



In one of the world's most complex healthcare systems, who drives reimbursement decision making?



A complex payer environment, where US government programs play an increasingly important role

Covered lives (millions)

	2008	2014
Employment-based insurance (private payers)	174.8	175.0
Direct purchase/Individual market (private payers)	26.8	46.2
Medicare	40.2	50.5
Medicaid	38.1	61.6
Military healthcare coverage	11.2	14.1
Uninsured	46.6	32.9

Key segment expenditures	
	USDbn, 2014
Private	1,020.3
Medicare	616.8
Medicaid	503.3

Private insurers are still the largest payers, and also administer some government spending

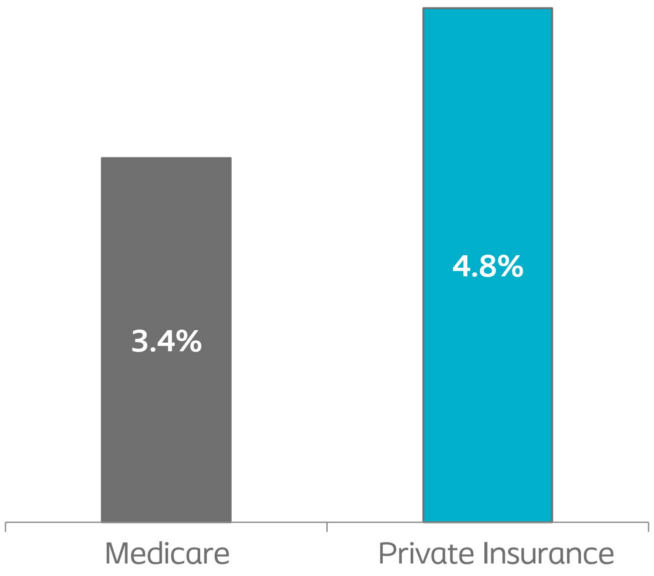
- How most Americans still receive care
- Purchased from private insurers
- Employers negotiate coverage and rates directly with insurers
- Loss of job can mean loss of coverage

Largest private insurers*

UnitedHealthcare	USD 112.7bn
Anthem	USD 41bn
Aetna	USD 38bn
Cigna	USD 33.8bn

*Market value, 2014

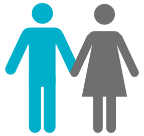
Projected average annual increase in per capita spending, 2013-2023



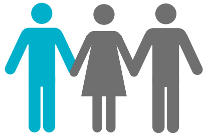
Medicare is the most important government payer in the US

- Age 65+ (and some disabled)
- Different categories for inpatient, outpatient, drugs, etc.
- Often provides only partial coverage
- Administered by CMS – the Center for Medicare and Medicaid Services
- Often acts as a reference for private payers

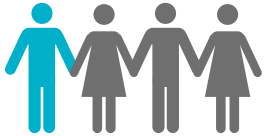
1 in 2 beneficiaries with incomes of < $23,500



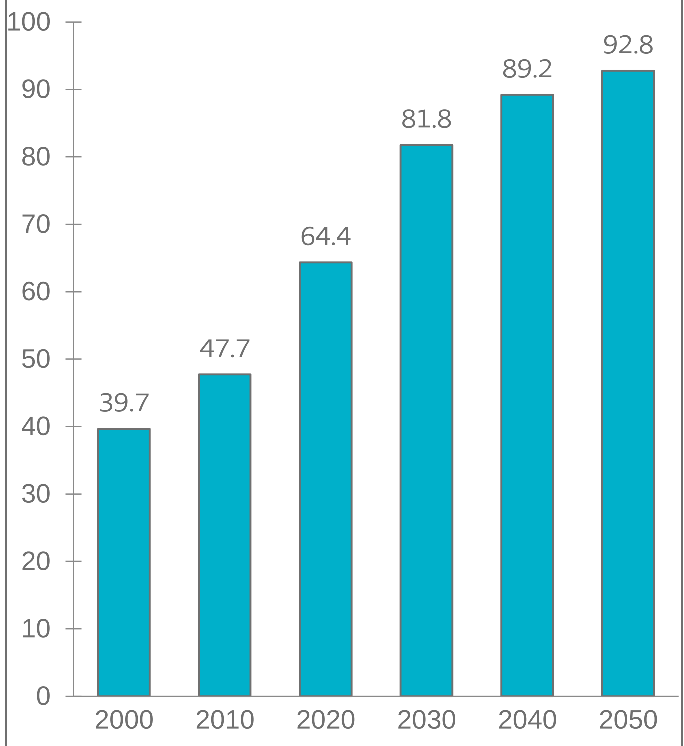
1 in 3 beneficiaries with 5+ chronic conditions



1 in 4 beneficiaries with fair/poor health status



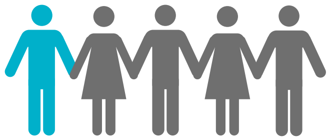
Beneficiaries (millions)



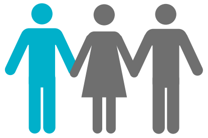
Medicaid has expanded under the Affordable Care Act

- Low income and disabled
- Jointly financed by federal and state governments
- Expanded under Affordable Care Act

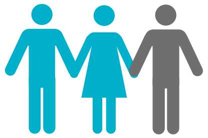
1 in 5 Americans < 65 years of age



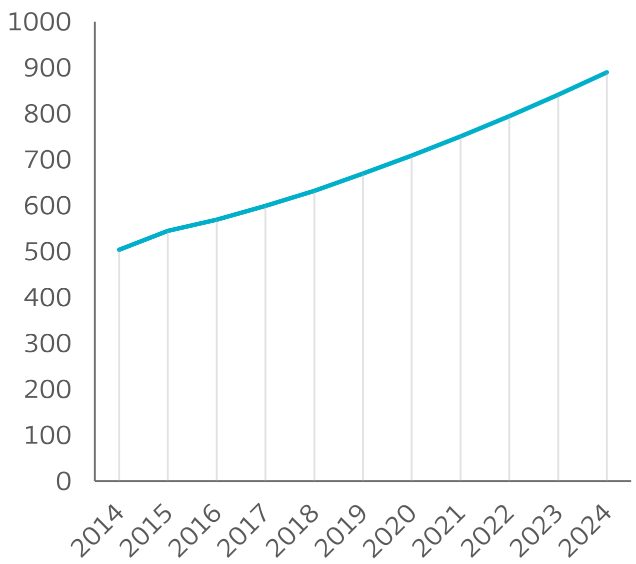
1 in 3 children



2 in 3 nursing home residents



Federal Medicaid spending (USDbn)



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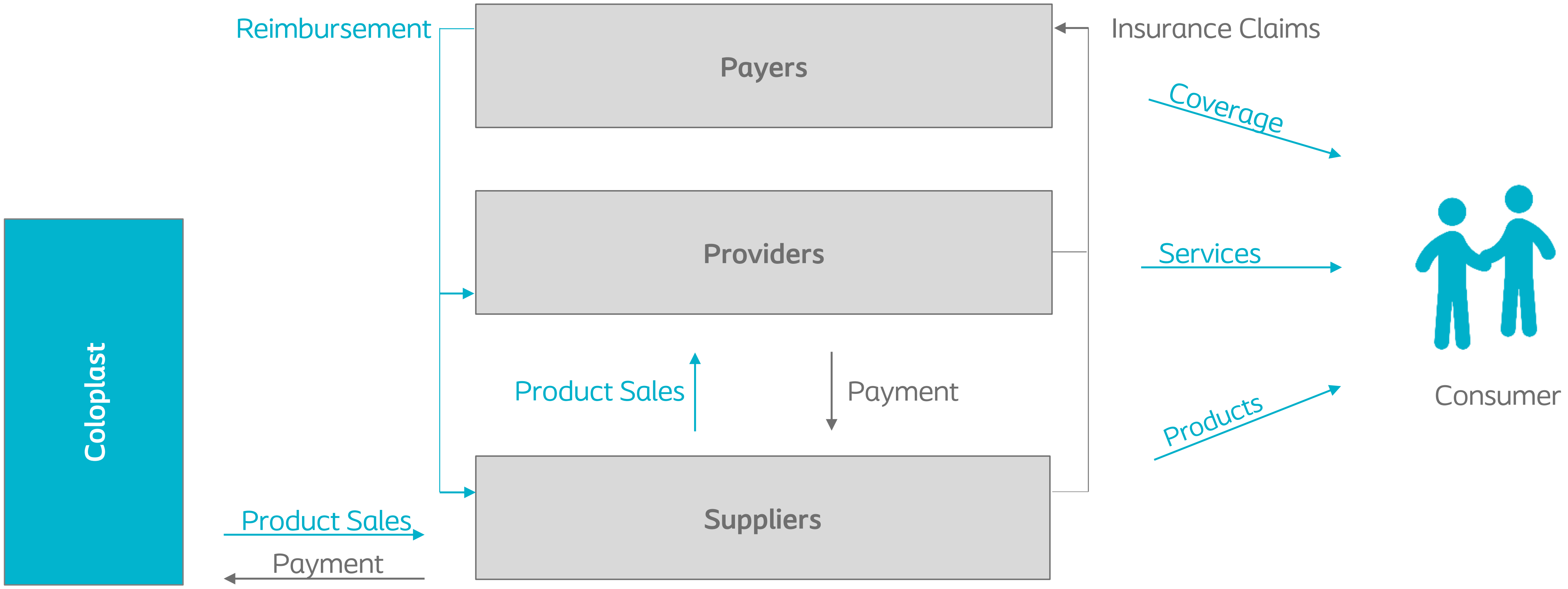
So where is this system heading...?



Complexity in the US payer landscape is mirrored in the mechanics of reimbursement

- **Coverage**: defines what conditions, services, technologies are paid for
- **Coding**: system designed to classify medical services, supplies and diagnostic categories; used for filing insurance claims with payers
- **Payment**: made via defined payment systems and contracts; what type of payment is driven by coding on insurance claim

Coloplast product examples:

Product	HCPCS Code	Rate	Utilization
Ostomy pouch, drainable	A4427	$3.09	Max. 20 /month
Intermittent urinary catheter	A4351	$1.71-2.01	Max. 200 /month
Foam Dressing, <= 4" x 4"	A6209	$8.26	3 changes /week

Two important drivers:

- A reimbursement rate that allows for supplier margin
- A utilization rate that reflects accepted clinical practice (defined by coverage policies)

US healthcare payment models continue to evolve…

Fee for service

- Consumers choose provider
- Providers deliver a service and/or product
- Each service/product reimbursed at pre-determined rate

Managed care

- Payers and providers create restricted networks
- Contracted providers deliver service/product for negotiated price
- Cost and utilization are controlled

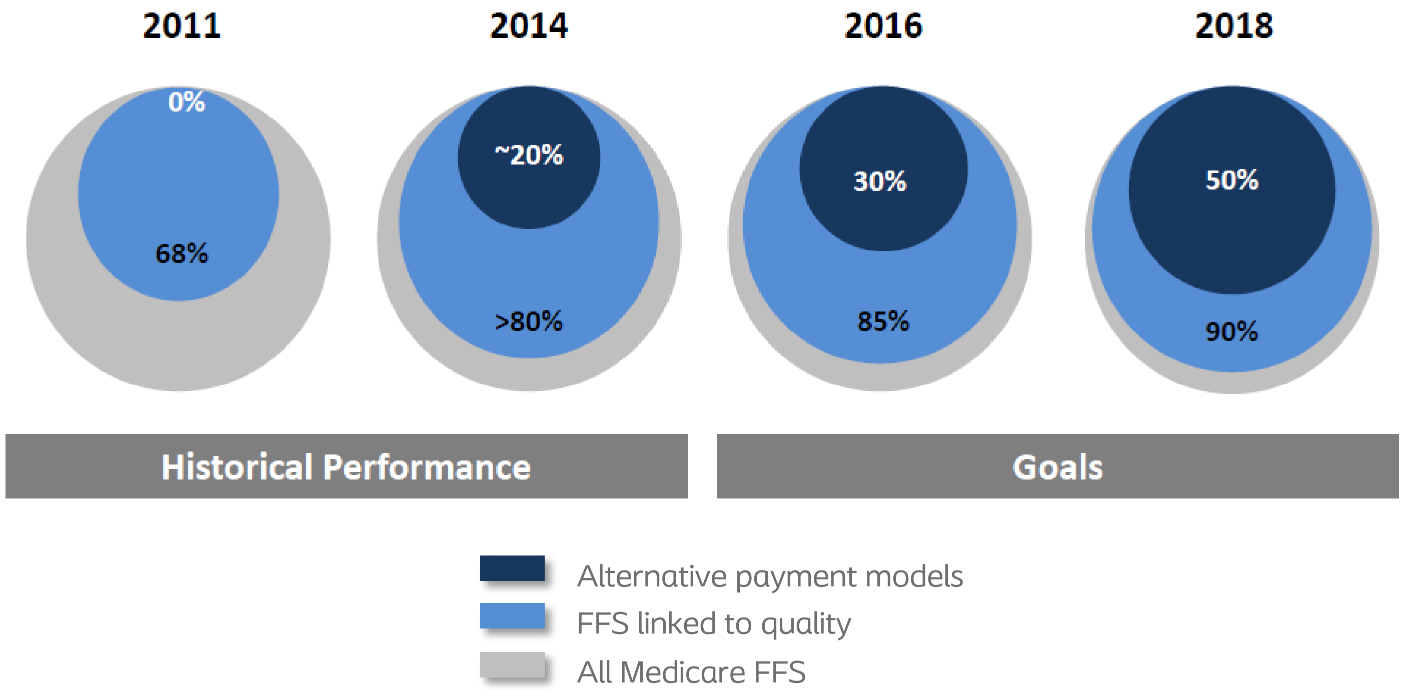
Value-based payment

- Payers contract with providers to care for defined population
- Providers negotiate price and outcomes
- Providers incentivized by outcomes

The future? More spending, more pressure, more reform

- **The Affordable Care Act**
  - Medicaid Expansion
- **Alternative Payment Models**
  - Value-based payment
  - Coding and evidence
- **Private Payer Trends**
  - Out-of-pocket spending
  - Increasing role in Medicare/Medicaid

Target percentage of payments in FFS linked to quality/alternative payment models by 2016 & 2018



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US Acute Market Structure

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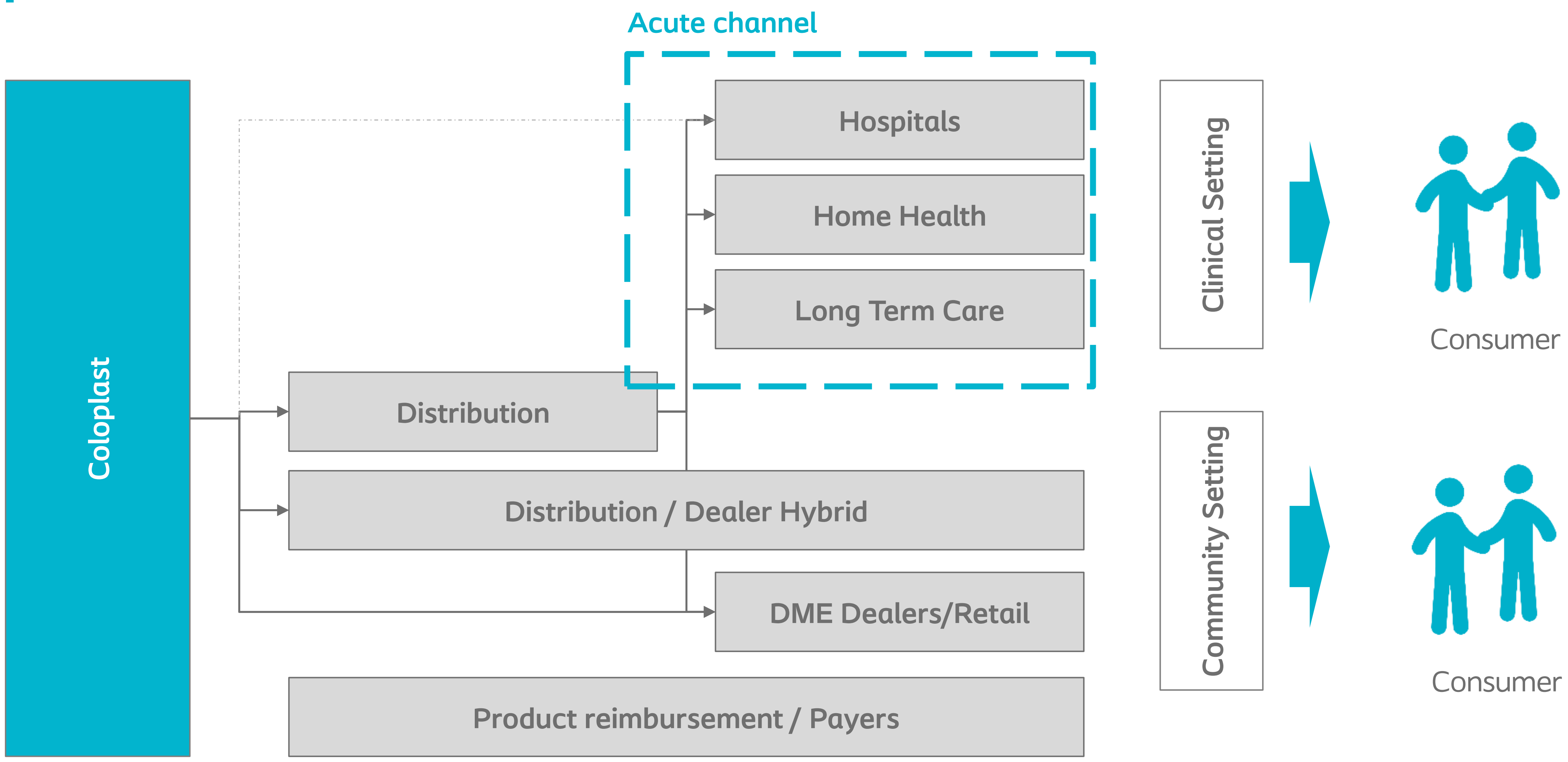
Richard McEnroe, Director Chronic Care National Accounts, US

The Acute Channel contains several key stakeholders to product access



Key customers in the Acute Channel are the large hospital systems or integrated delivery networks (IDNs)

Top 10 IDNs in the US

IDN / System	Acute Facilities	Acute Beds (Licensed)
Hospital Corporation of America	180	43,000
Community Health Systems	250+	36,000
Tenet Healthcare Corporation	85	21,000
Ascension Health	100	19,000
Trinity Health	75	15,000
Catholic Health Initiatives	100	15,000
Dignity Health	40	10,000
Kaiser Permanente	40	8,000
LifePoint Hospitals	60	8,000
Adventist Health System	40	7,000

Source: IMS National Healthcare Database

IDN decision making process

Demand for product change

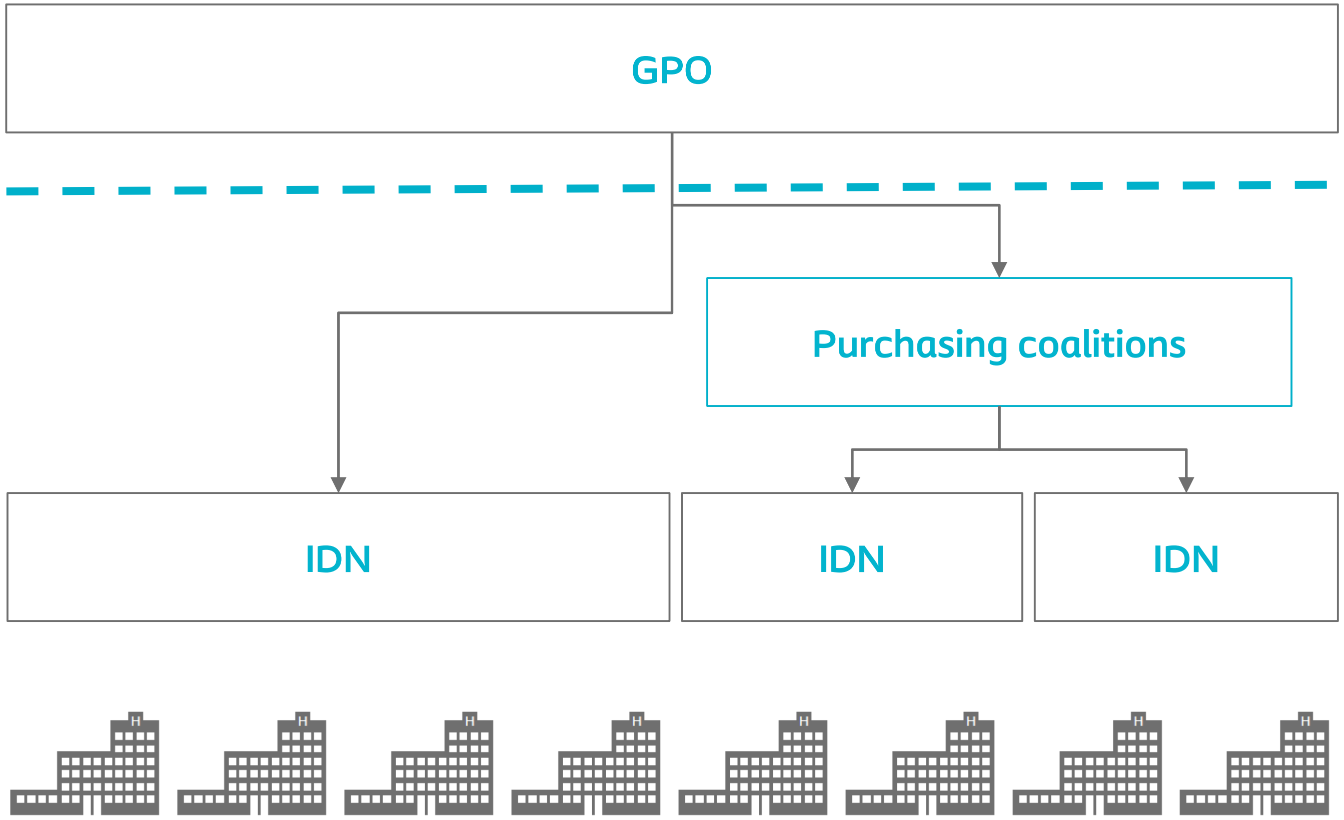
Value Analysis Committee (example of members)

- Clinical
- Materials Management
- Infection Control
- Education

Key decision parameters (examples)

- Impact on hospital KPIs
- Clinical preference for the hospital
- GPO contract
- Local contracts

The US acute landscape has four main layers of decision makers



Enter into purchase agreements for members with key vendors to leverage scale across hospitals

Group of IDNs that consolidate volume for purchasing power

Group of hospitals that make decisions together on what product to use

Facilities where the product is used and decision is made every day based on contract terms and clinical needs

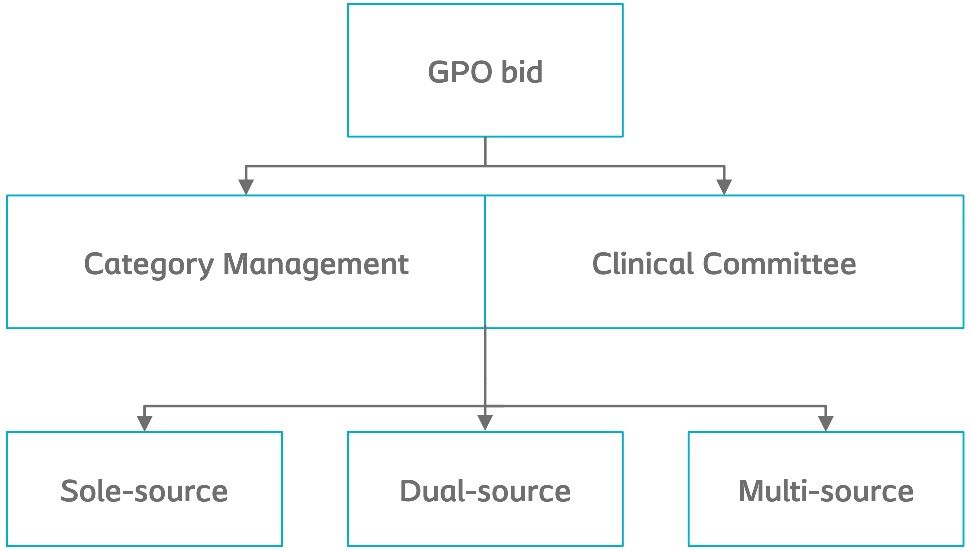
Purchases are made either directly or through GPO contracts

Four large GPOs cover majority of the market

GPO	Acute Members[1]	Acute OC share[2]	Acute WSC share[2]
Novation	3,000	~35%	~25%
Premier	3,600	~25%	~25%
MedAssets	4,500	~15%	~20%
HealthTrust	1,400	~15%	~15%
Other	na	~10%	~15%

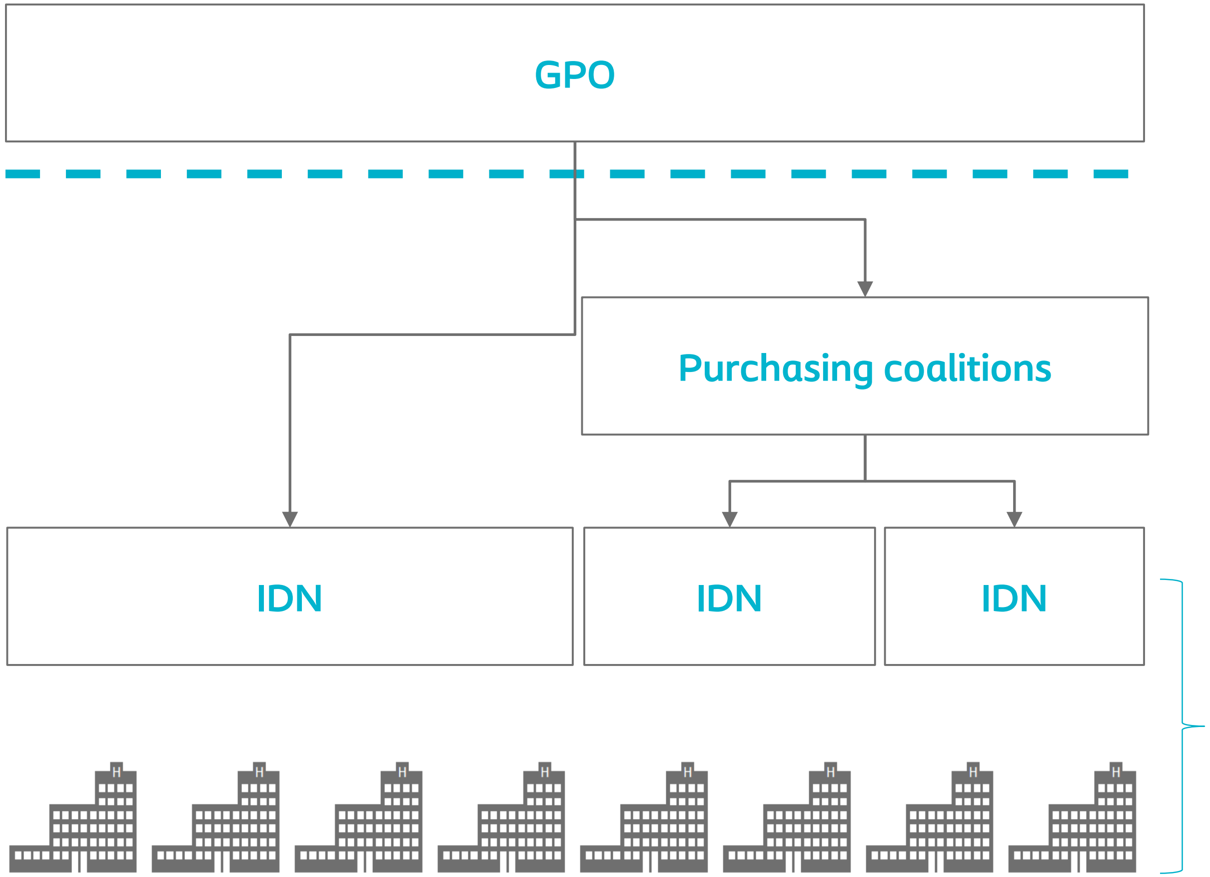
1. Acute members can be part of more than one GPO
2. Coloplast estimates based on Primary GPO affiliation

Example of a bidding process



Compliance varies by GPO and most hospitals are members of more than one GPO

GPO contracts make it easier to sell to hospitals …



Three main reasons for using GPO

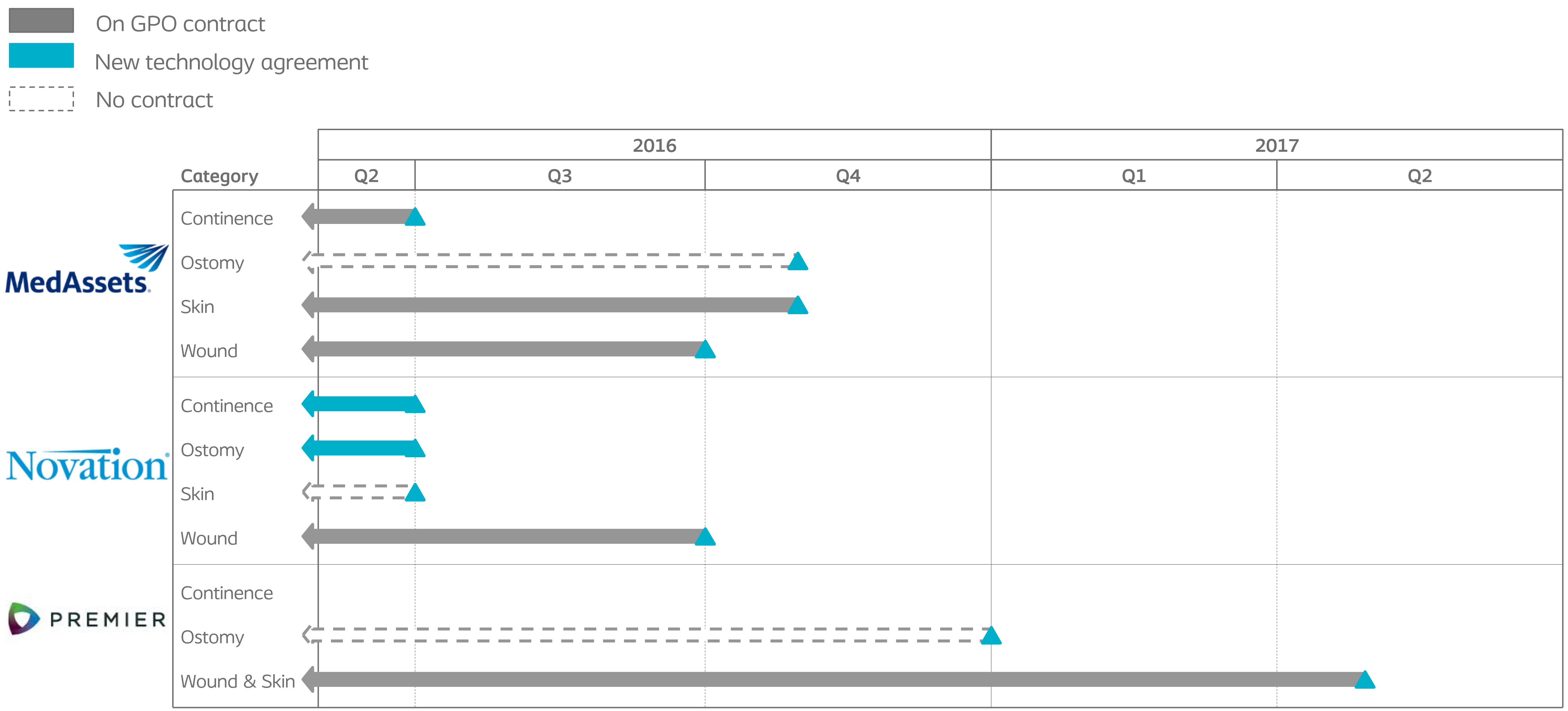
- Pricing structure already in place
- Pre-negotiated T&C
- Other incentives to use GPO contracted vendors

Two main decisions for IDNs/Hospitals:

“What product do we prefer to use at our IDN/Hospital?”

“Is there a compliance requirement for our GPO?”

… and there are GPO contracts up for renegotiation in 2016



But IDNs drive purchase decisions, so Coloplast has access to win business in the majority of acute care accounts

We are challenged where there is contract compliance…

90% 85% 80% 90%

80% 95% 85%

- Category has a standardization requirement
- Compliance driven by strong financial incentive
- Hospital ownership in GPO
- Example: HealthTrust

…but we estimate over 50% can buy off-contract

90% 85% 75% 50%

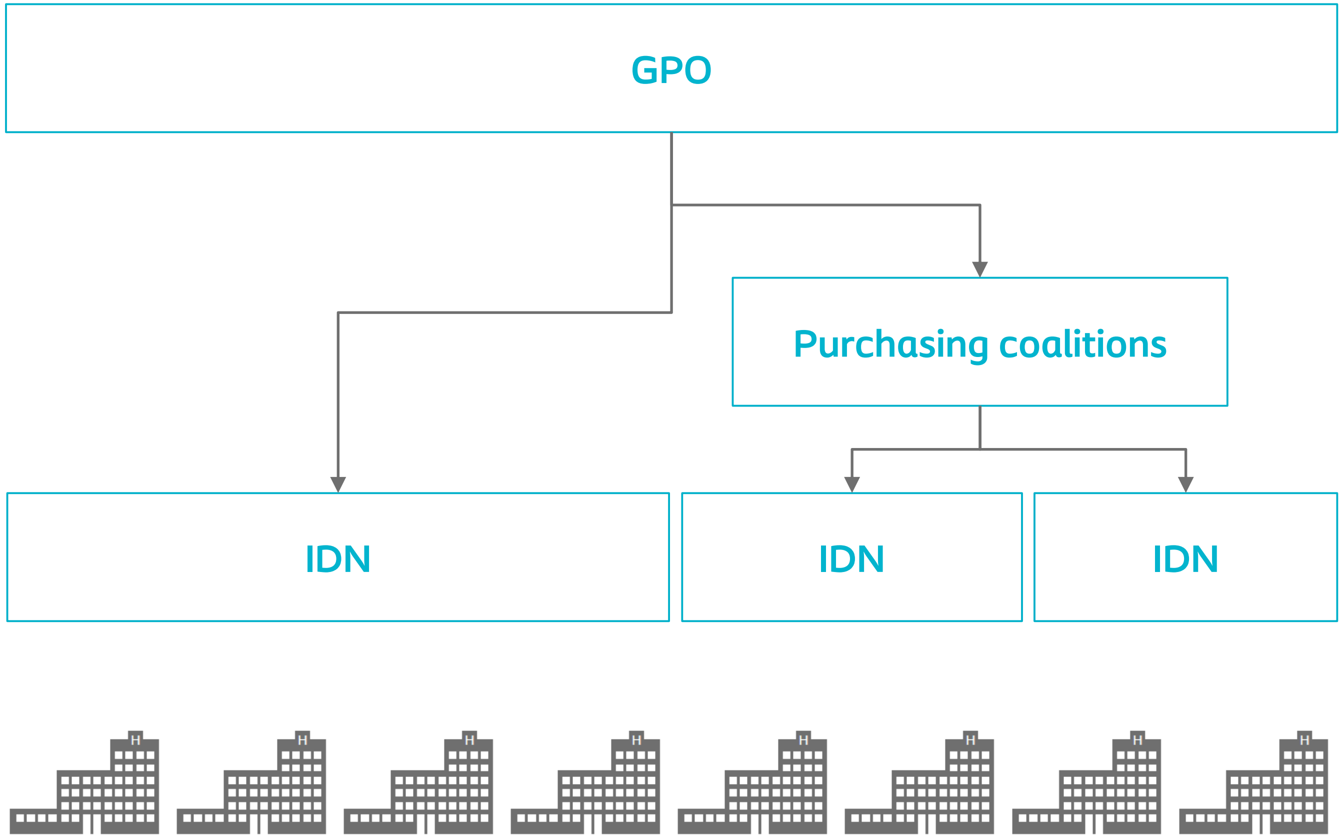
0% 20% 10%

- Clinical preference for non-contracted products
- Innovative products
- Superior pricing/value to current contracted manufacturers
- Example: Novation/MedAssets

We target key stakeholders across the acute landscape with a dedicated sales force

National Accounts team

Dedicated sales teams (OC, CC, WSC)



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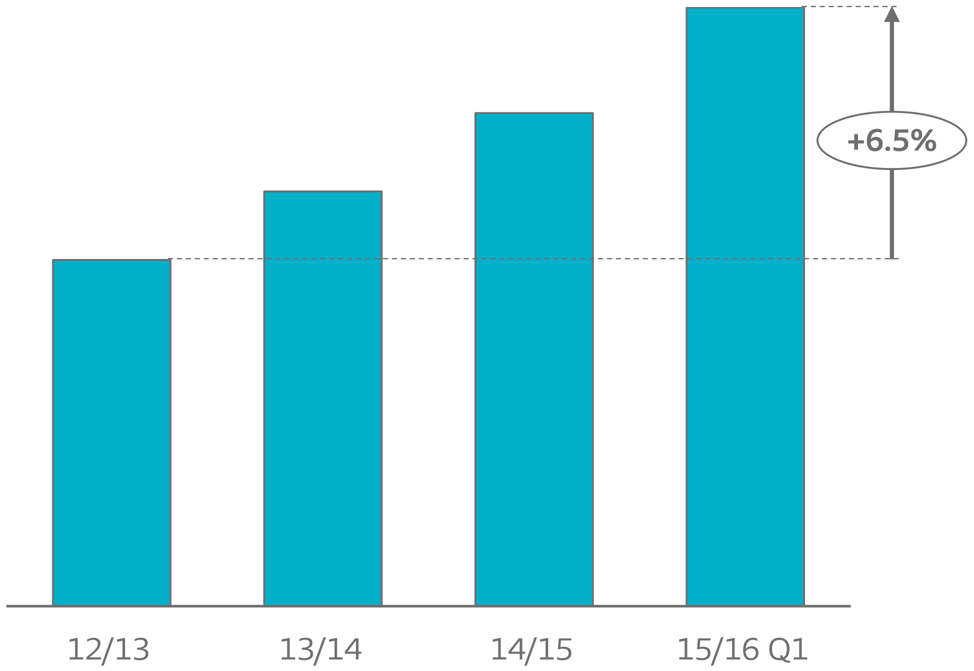
Key trends influencing the Acute market in the US will provide further business for Coloplast

Trends	Key driver	Examples
IDNs more influential	Exerting more influence on product decision. IDNs have scale and structure to get attractive pricing	Several large systems go off GPO contract • Excelerate (Novation) • CCG (Premier) • MSHA (Premier)
Focus on system costs	Reimbursement system is changing from fee for service to value-based	Prevention of "never events" (e.g. hospital acquired infection, readmissions)
Consumer centric	Patient satisfaction affects reimbursement and reputation	Hospitals are benchmarked on patient satisfaction and looking to ensure a positive patient experience across the continuum of care

Coloplast has strong growth in US Acute Care sales and is well positioned for further growth

We have strong growth in Acute

Coloplast Acute market share development



Growth driven by a couple of factors

- Launch of SenSura® Mio
- Dedicated OC sales force

US Community Market Structure

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Morten Hansen, VP Sales and Marketing, US

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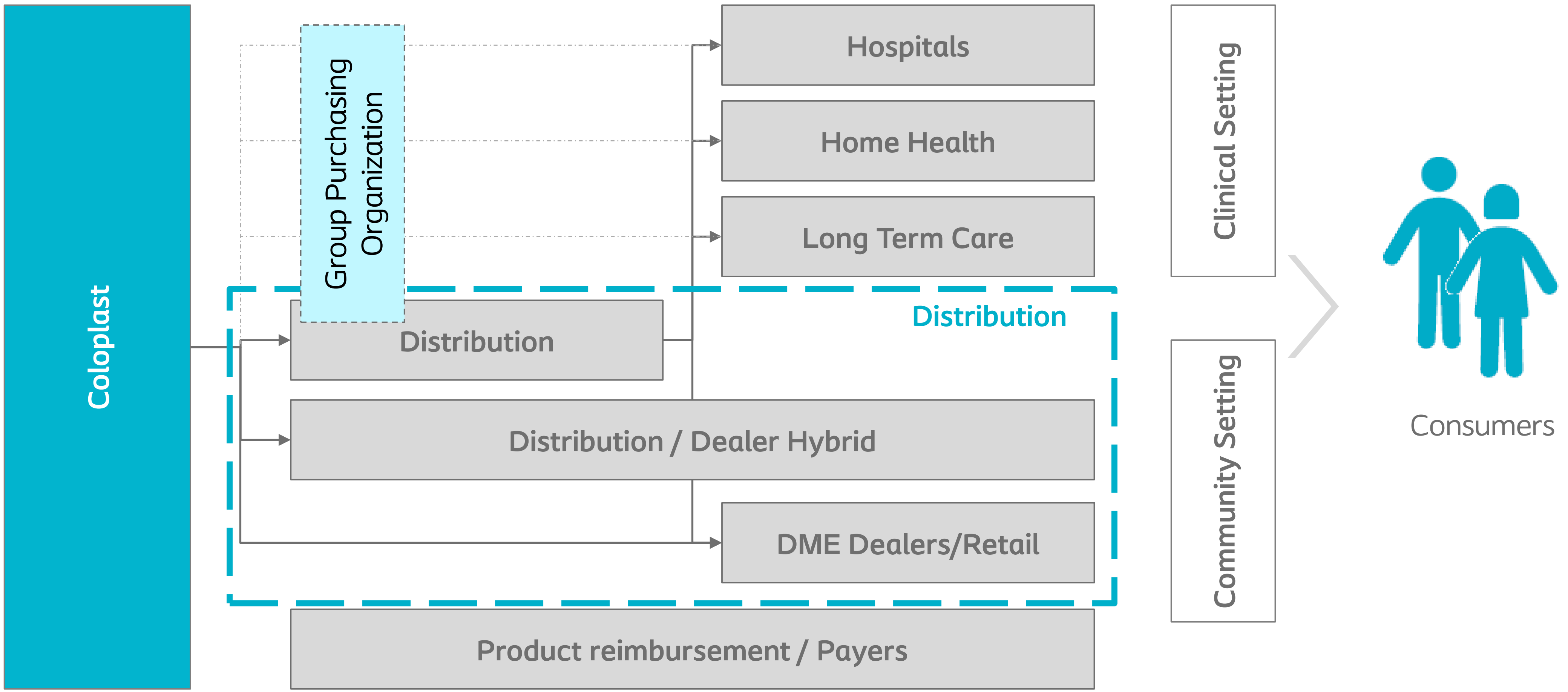
Distribution is a cornerstone of product delivery in US healthcare



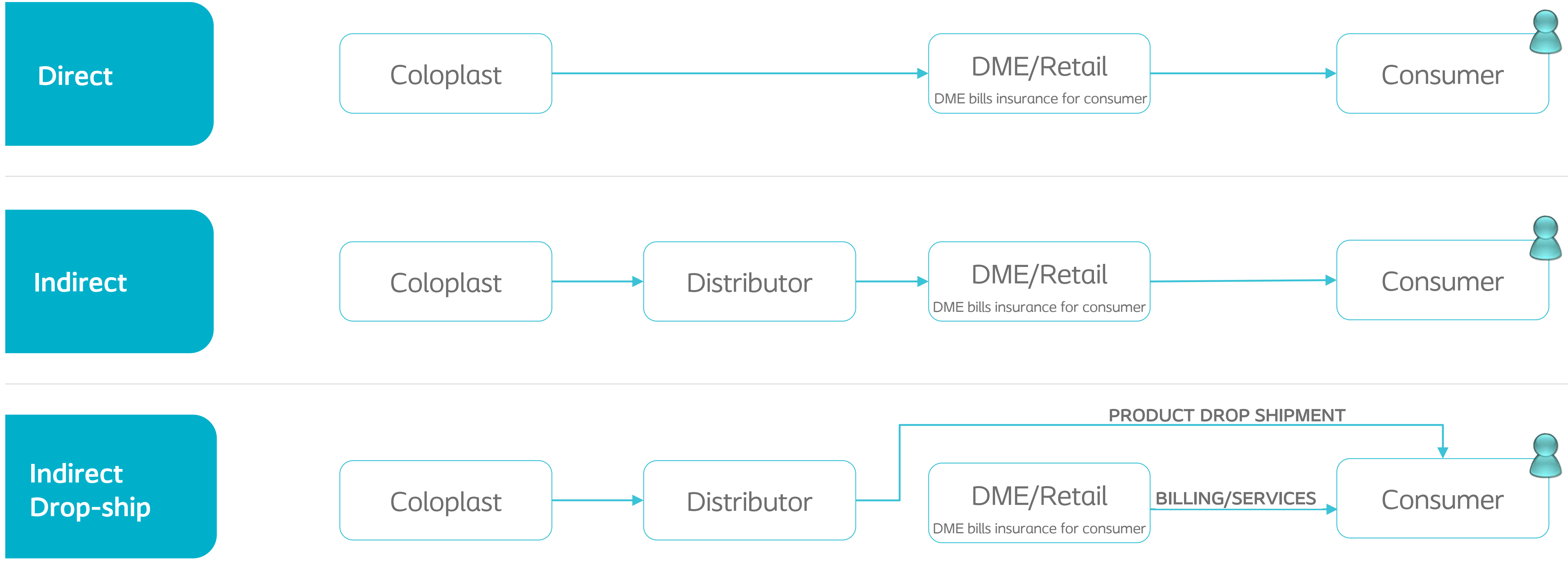
Distribution operates in three main channels

Channel	Acute	Alternate Site	DME dealers/retailers
	• Product distribution to Acute facilities across multiple product categories	• Product distribution in non-Acute care settings across multiple product categories	• Some distributors compete directly in DME space; does billing • Some offer drop ship services

Examples

- Owens & Minor ($10B)
- Cardinal Health ($103B) — AssuraMed (Edgepark/Independence Medical)
- Medline ($8B)
- McKesson ($175B) — National Rehab/Sterling
- Byram Healthcare
- Retail stores

Three core modes of delivery to end users in US marketplace



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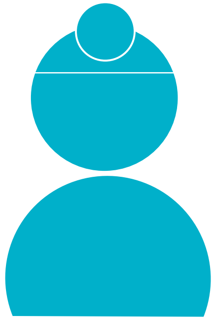
Coloplast value proposition consistent across channels but collaboration activities differ

Clinical setting
Distributors



Innovative
products

Clinical
Preference

Education
& Support

Community setting
Dealers/DMEs

Joint Marketing
Activities

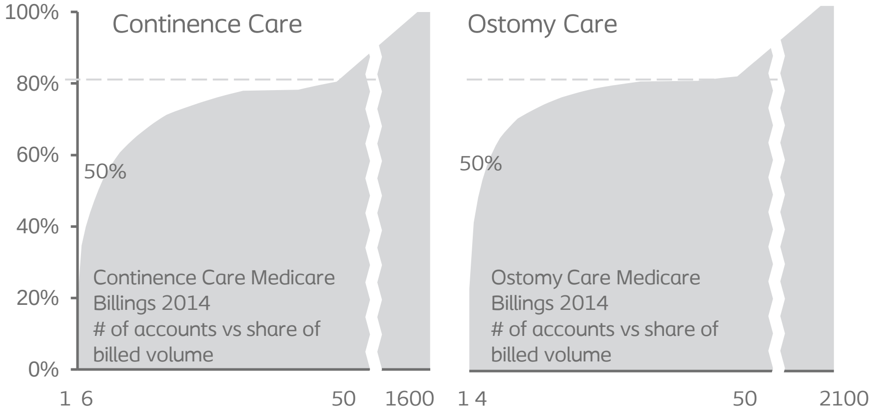
Education & Support
through field presence

Innovative
products

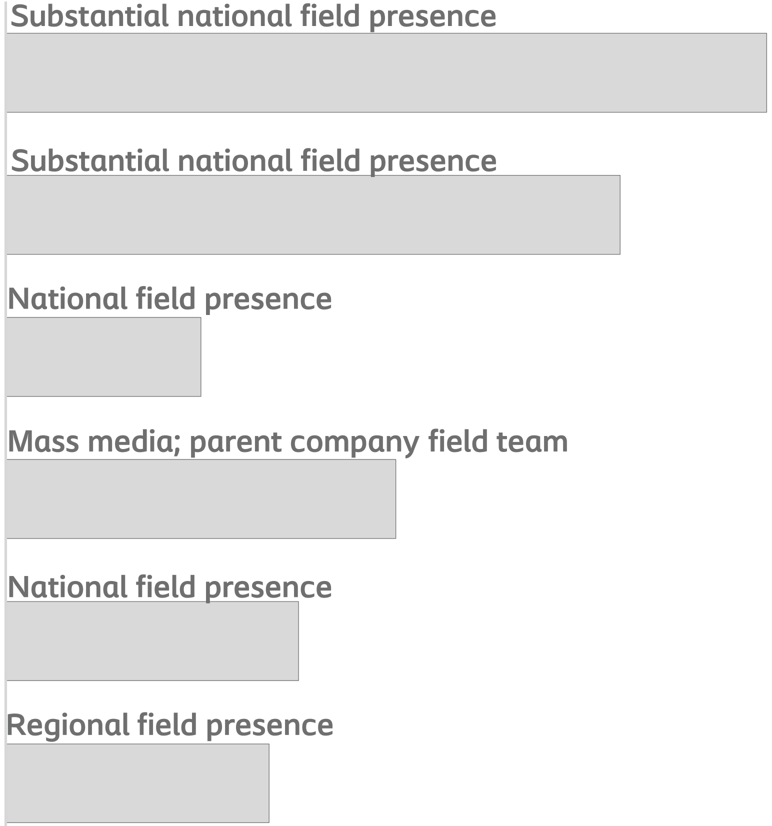
DME dealers manage delivery and billing of products to consumers

Facts about the DME market

- More than 15,000 DME/retailers in US market
  - Approx. 2,000 bill Medicare in IC and/or OC
- Highly concentrated market, Medicare volume example:
  - IC – 50% billed by 6 DMEs; 50 bill 80%
  - OC – 50% billed by 4 DMEs; 40 bill 80%
- Ongoing consolidation (10% biller reduction since 2012)
- Increased auditing by CMS, insurance providers



Company	Market approach*
180 Medical	Substantial national field presence
Byram Healthcare	Substantial national field presence
edgepark Medical Supplies	National field presence
Liberator Medical Supply, Inc.	Mass media; parent company field team
McKesson	National field presence
Shield HealthCare	Regional field presence



* Bars indicate field based sales team size (Coloplast estimate)

We work actively to ensure product access and patient education

DME
dealer/retailer

Key account management

- Manage core business relationship, contracts, and performance
- Identify growth opportunities
- Facilitate field level collaboration

Coloplast Care

- Tips and tricks that can help make life easier
- Product education
- The latest medical advances

Consumer interaction is critical for product access in challenging reimbursement environment

Illustrative example of catheter reimbursement

Straight Tip: A4351

Coudé Tip: A4352

Closed or no touch system: A4353

Most intermittent catheters fall into one of these groups.

	Red rubber/Uncoated	SpeediCath®
Allowed payment	$1.91	$1.91
Reimbursed by insurance	Insurance pays dealer directly – $1.53	Insurance pays dealer directly – $1.53
Patient “out of pocket” expense	$ .38	$ .38
DME product cost	$	$$$

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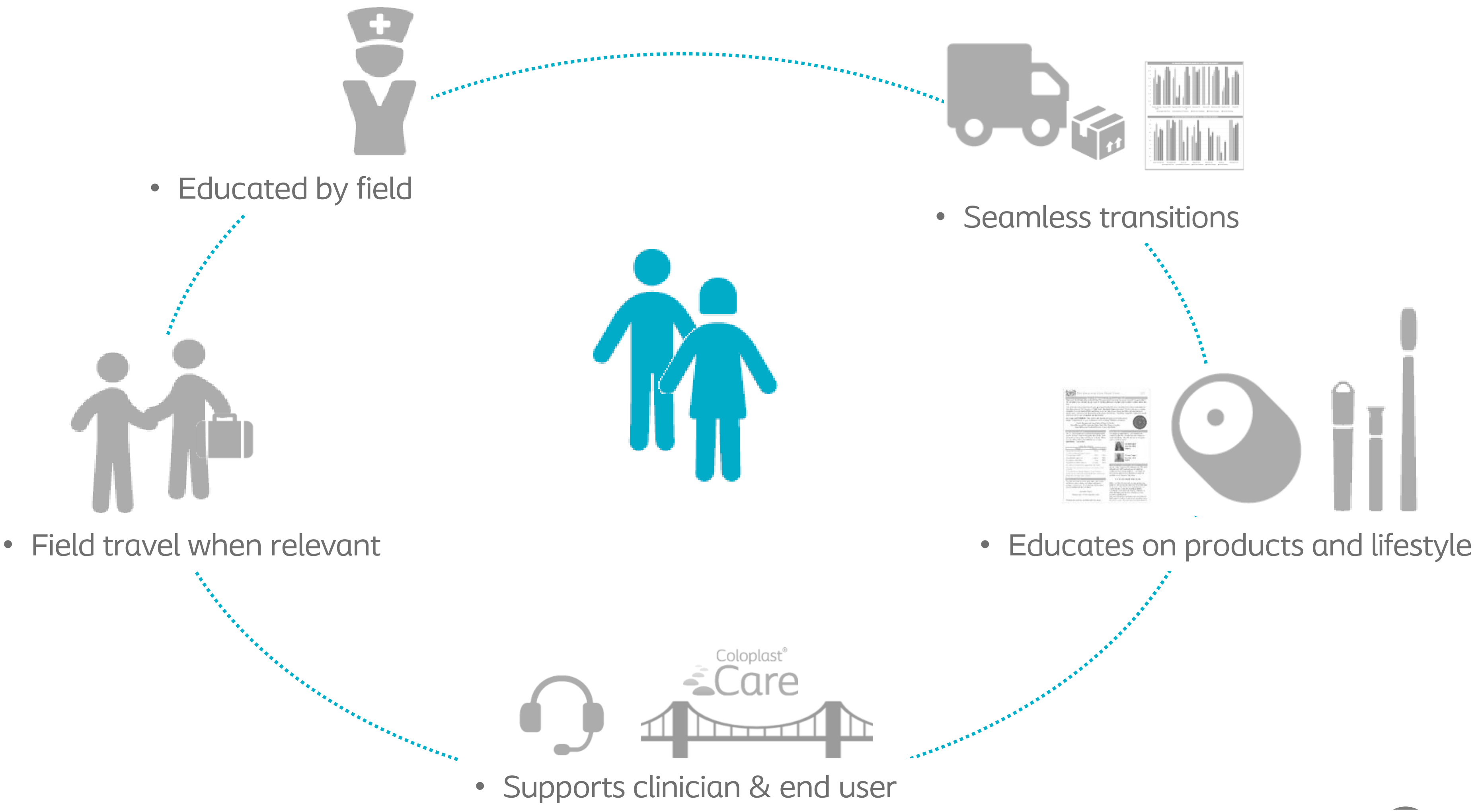
The Coloplast Care Ecosystem – everything starts with the consumer



Coloplast Care began as an offline program – now the program includes much more

Key benefits to the upgraded program

One size fits all	→	Personalized support
One-way dialogue	→	Interactive & on-demand
Limited support	→	Lifelong support
Static flow	→	Interactive & dynamic

Our Coloplast Care offering has been revised to ensure we deliver two core promises …

1 Provide Reliable Advice

2 Identify Struggling Users

Clinically validated content

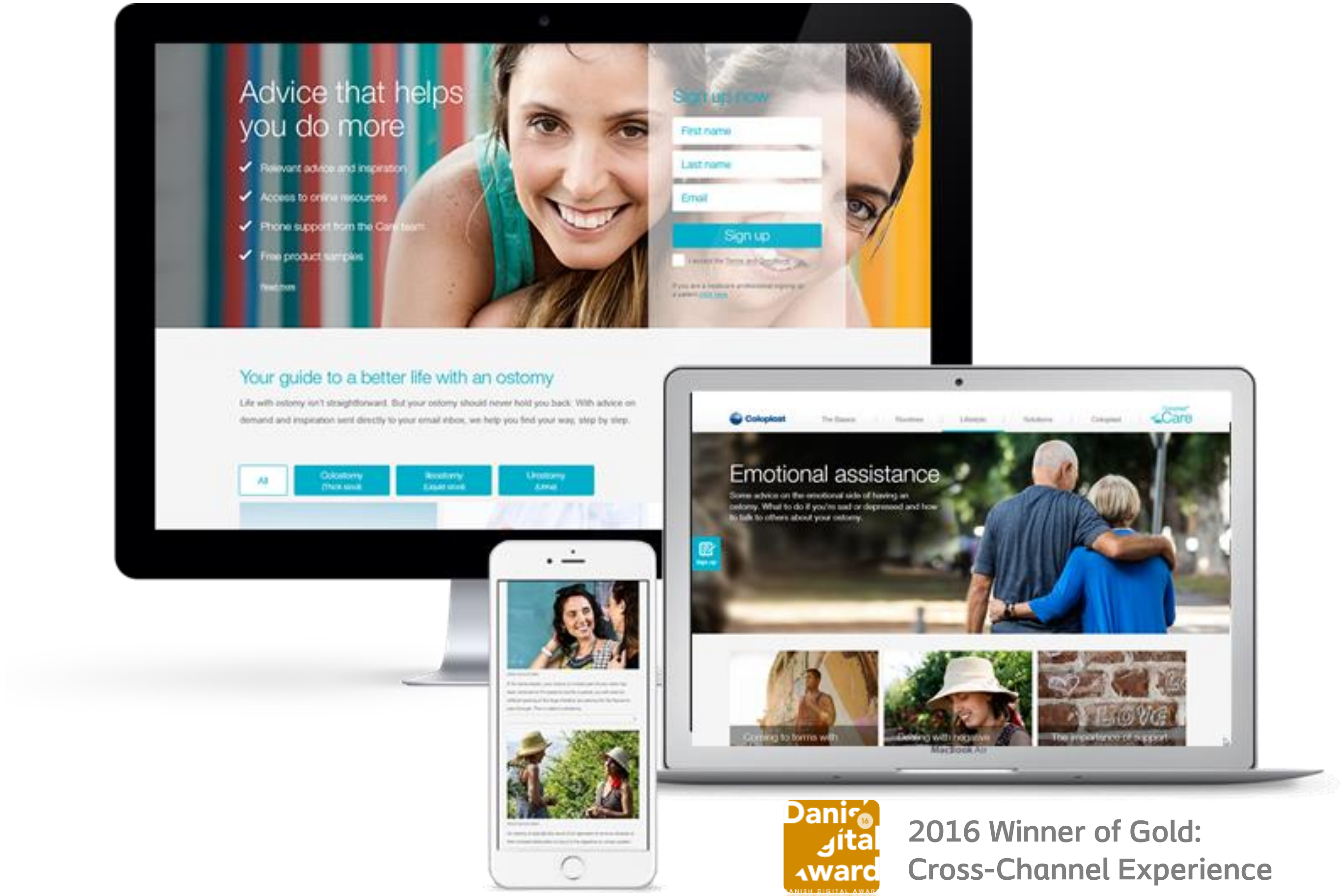
Clinically validated advice decision trees

Self-Assessments

Tailored content driven by data

Coloplast

… while also being data-driven, providing a consistent experience across all channels



2016 Winner of Gold: Cross-Channel Experience

With DtC we capture the community through direct and cooperative marketing programs with dealers

We operate in numerous channels to expose our content, service and product offering…

…and with the reach we get several benefits

Expose
innovative products

Ensure
product accessibility

Ensure
successful experience

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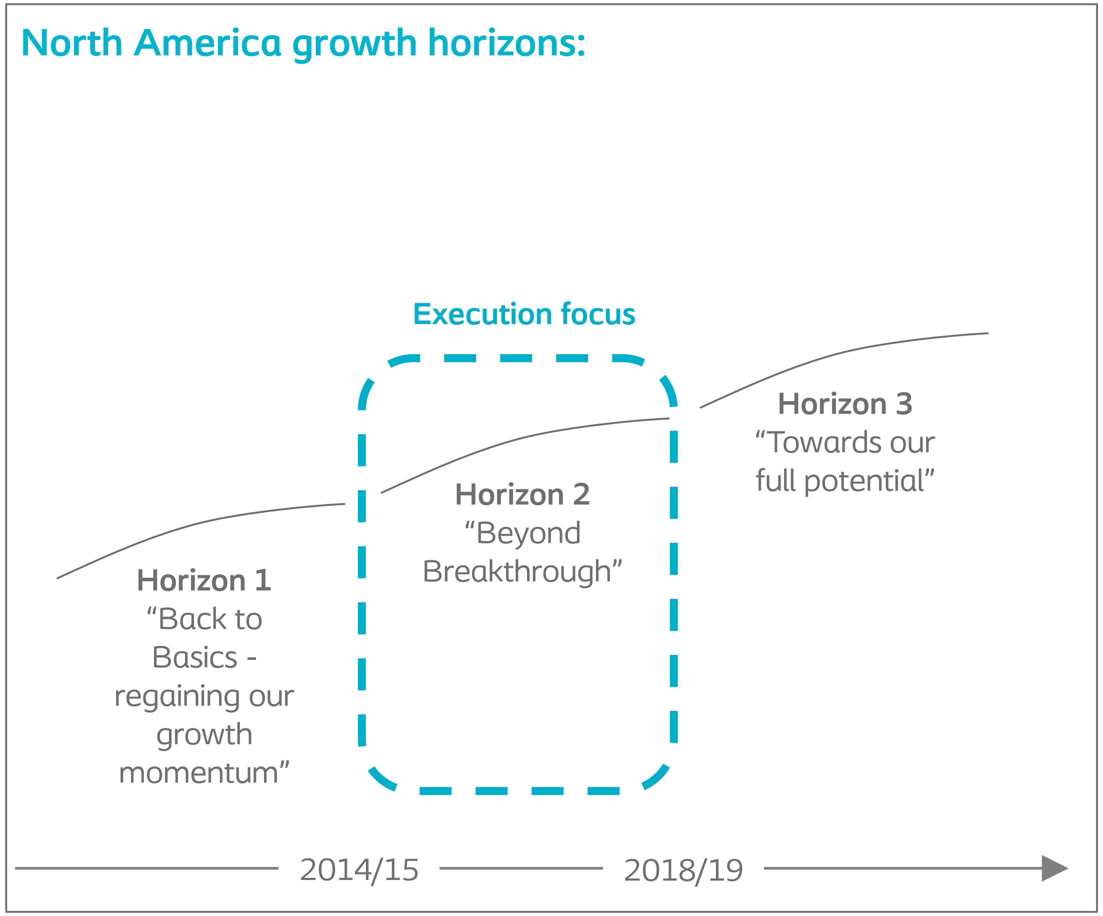
We have successfully been executing on a long-term strategy with several ambitious milestones



Since 2012 we have delivered profitable double digit revenue growth while encountering some challenges

Financial performance, NA region

Revenue growth

CAGR 11/12-14/15

+ 11%

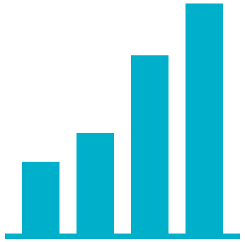
Challenges

- Department of Justice investigation
- Wholesaler buying patterns
- Inventory reductions resulting from contract changes with key distributors implemented in 14/15
- Dealer consolidation

Our current "Beyond Breakthrough" strategy will deliver on an ambition of double digit growth in the US

Strategic themes

1. Challenge the Market Leader in Ostomy Care
2. Make SpeediCath® and Peristeen® the Standard
3. Become a Tier 1 Skin-Integrity Player
4. Drive Community Preference through Consumer Efforts
5. Build Muscle and Excellence in Pricing & Contracts



Ambition

Double digit growth

+ 10%

We continue to grow our market share and enroll consumers in CARE driving above market performance

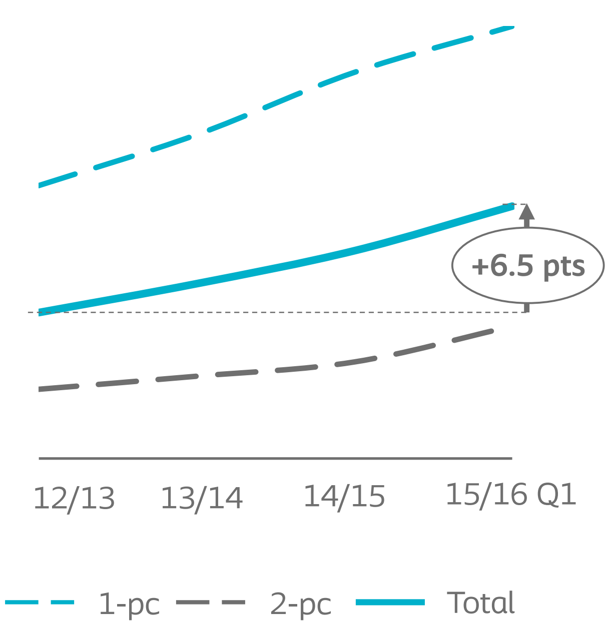
Progress

- Acute growth 3-5X market
- Brava® continues to deliver high growth in the community
- Launch of SenSura® Mio (flat and convex) will drive both acute and community wins
- Gaining app 1/3 of all NPDs into Coloplast Care

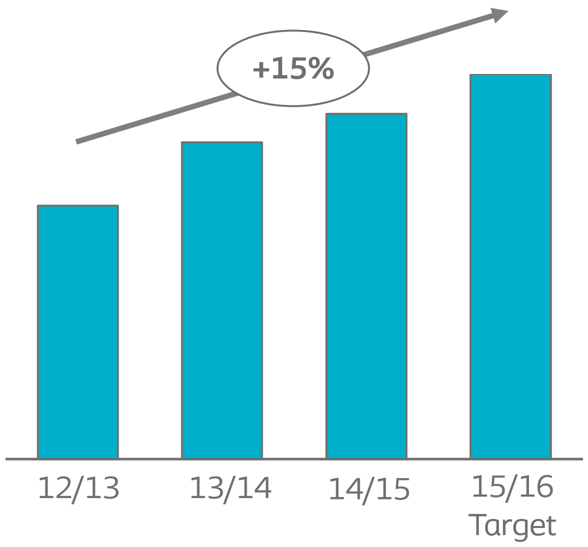
Recent wins

- Memorial Hermann, Cedars Sinai, Allina, Mountain State, Cleveland Clinic, Dignity, CCG, IHC, BayCare

Acute market share (B&P units)



CARE enrollments



In Continence Care, hydrophilic catheters are gaining momentum due to increased sales force pressure

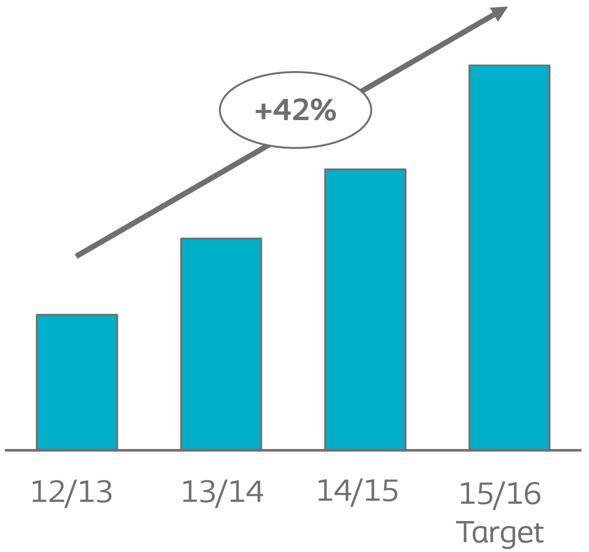
Progress

- Sales force expansion in Q1
- Demand for hydrophilic growing as awareness is increasing
- Launch of compact products are key growth drivers: SCCM, SCCS
- Care enrollments by clinicians gaining momentum
- More states covering Peristeen®

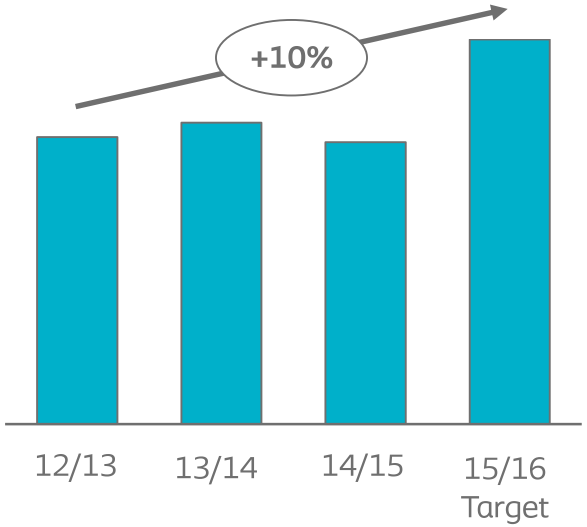
Recent wins

- Mayo Clinic, Hershey, Spaulding, U of M, Scripps, Dartmouth

Hydrophilic sales by HCPC



CARE enrollments



Coloplast

We are now the second largest skin care player in the US but we have yet to unfold the full potential of this business

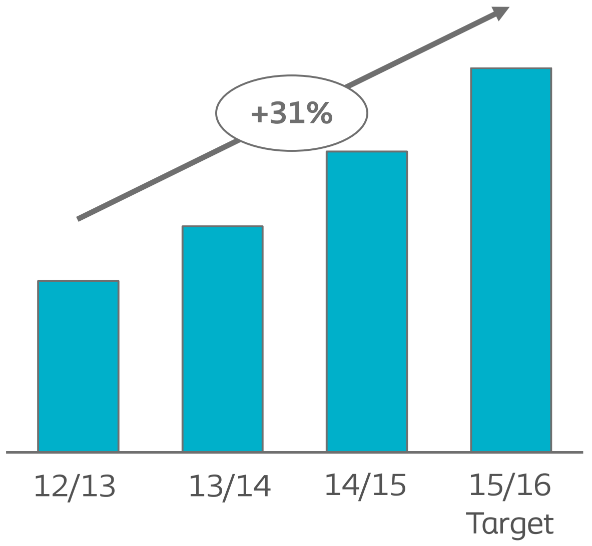
Progress

- Increased leadership position in Skin care
- Winning IDNs seeking a manufacturer partner that supports total cost improvement
- Increased demand for InterDry®
- Large increase in demand for new patient size packaging for bathing

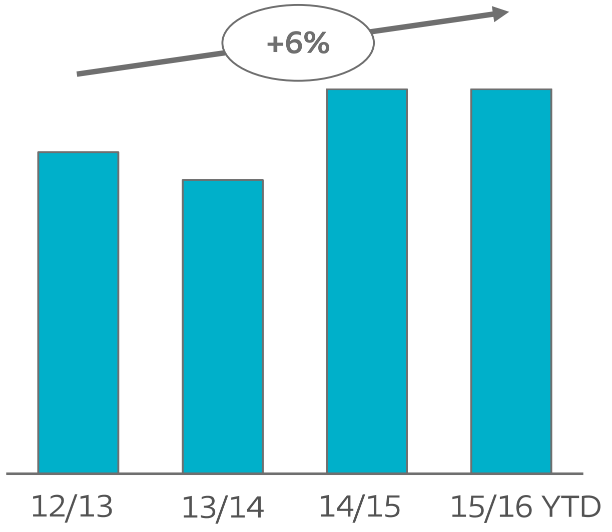
Recent wins

- Dignity, Memorial Hermann, Henry Ford, Piedmont

Focus product sales



Number of skin integrity accounts



Coloplast

We continue to expand our efforts to meet consumer demand for better products in the community

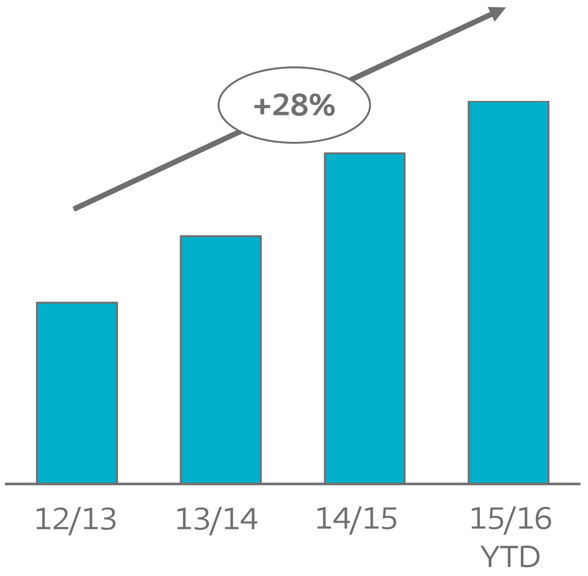
Progress

- Created a unique consumer support setup
- Coloplast Care launched as online platform
- Significant expansion of community campaigns
- Exploring new consumer channels

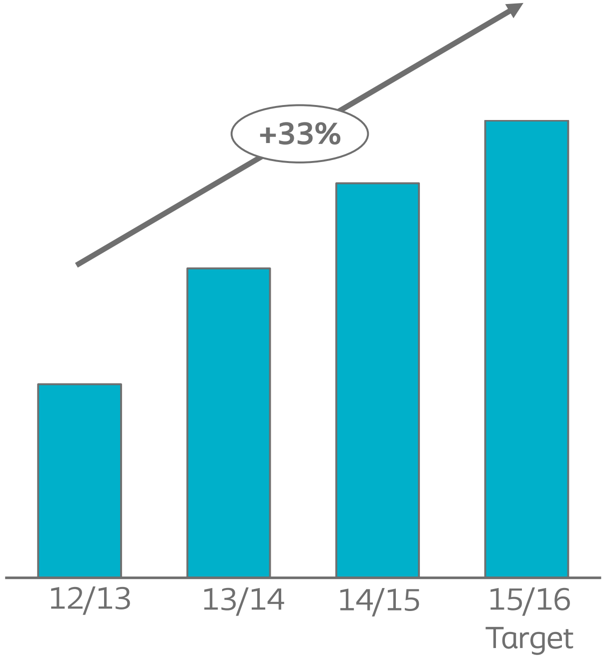
Recent win

- Improved HCAHPS scores at large OC IDN

Size of end user Database



Number of consumer FTEs



We will continue to invest in better partnership programs with customers and expand our sales force

Current investment focus

- Continence sales force expansion
- Consumer Programs
- TV Pilot

Future investment focus

- Ostomy sales force expansion
- Wound/Skin sales force expansion
- Consumer Programs incl. TV scale

Innovation will be a key driver for our growth in the US as both hospitals and consumers have innovation preference

Several innovative products in the US...

SenSura® Mio

Brava®

The SpeediCath® family

Peristeen®

...and new product launches in 2015/16

SenSura® Mio Convex

SpeediCath® Compact Male

Coloplast

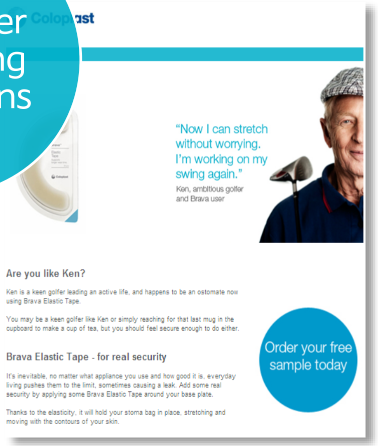
… combined with significant investments to interact with consumers in the community

Pilot TV and other new channels

Continued focus on delivering a better experience

Website with support and solutions

Consumer marketing campaigns

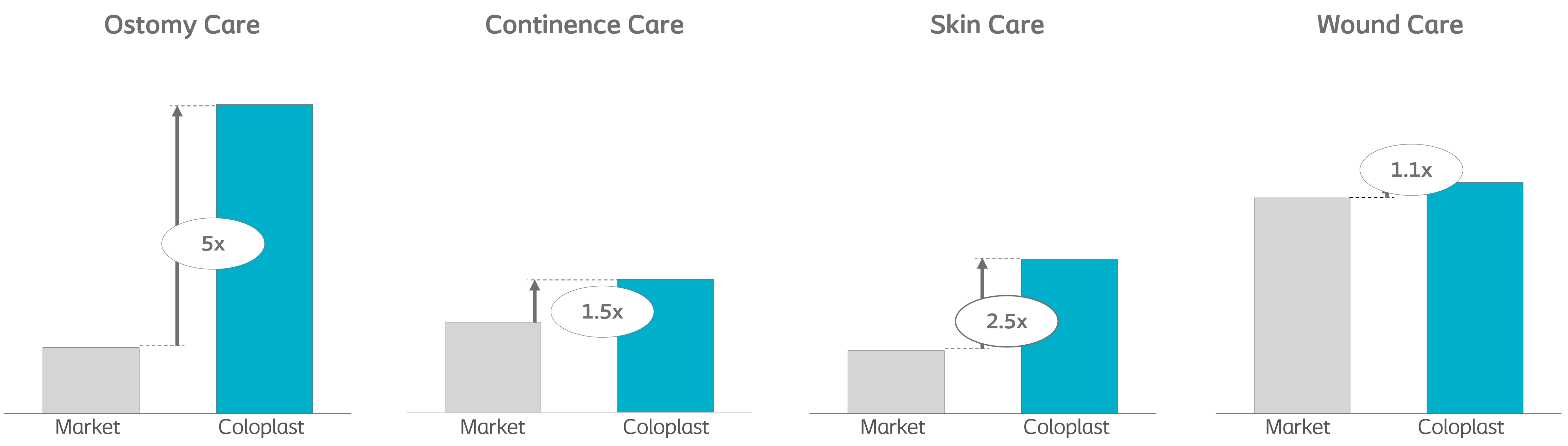


Patient support

Coloplast® Care

We have taken significant market share and we will continue to outperform the market

Sales Out and Market growth; FY15/16 MAT (Dec-15)



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