



# Financial outlook

Coloplast Capital Markets Day 2018

**Anders Lonning-Skovgaard, Executive Vice President & CFO**

Coloplast Group – Ostomy Care / Continence Care / Wound & Skin Care / Urology Care



# Our long-term guidance for the LEAD20 strategy period is aimed at accelerating growth and long-term value creation

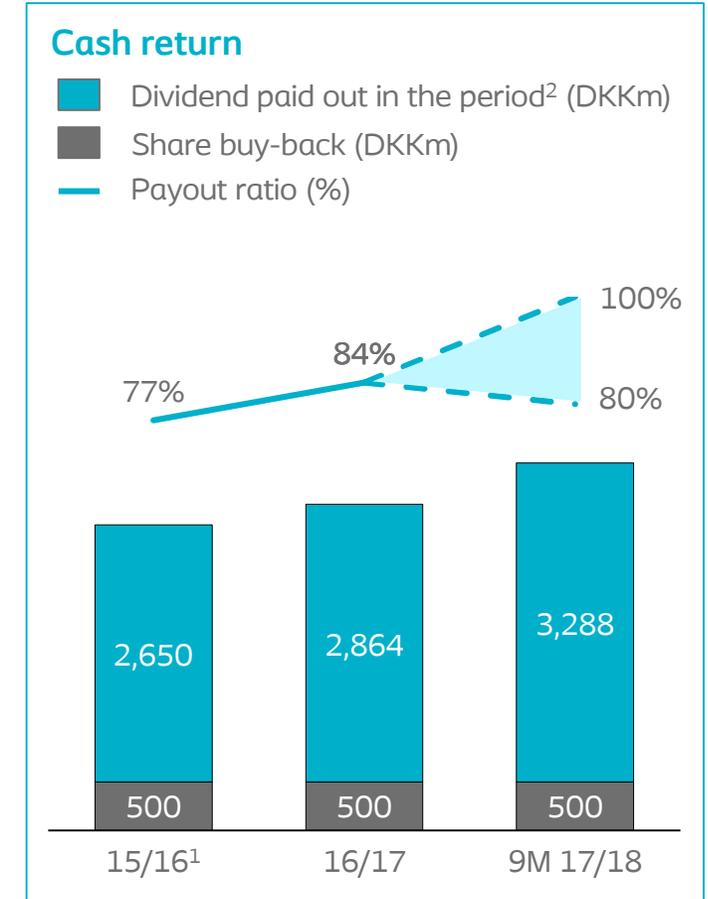
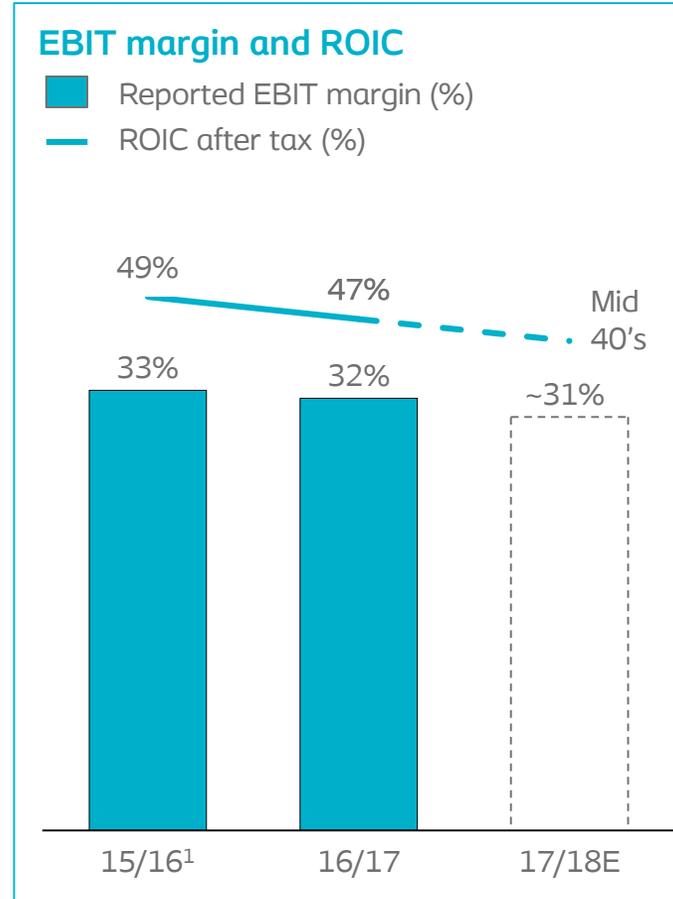
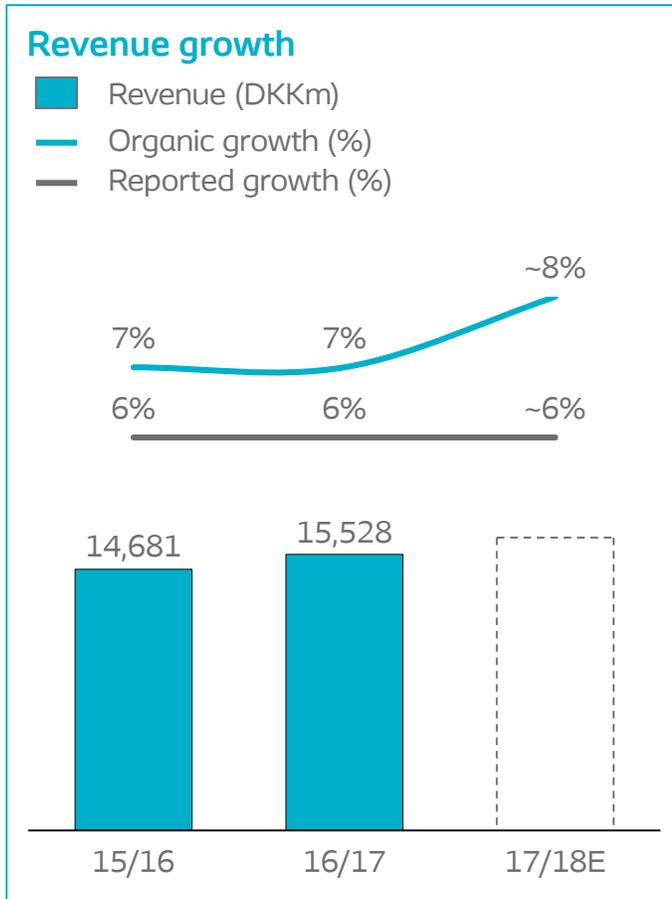
**Revenue growth**  
annual organic

**7–9%**

**EBIT margin**  
constant currencies

**>30%**

# Since 2015 we have delivered strong revenue growth and profitability coupled with significant cash returns



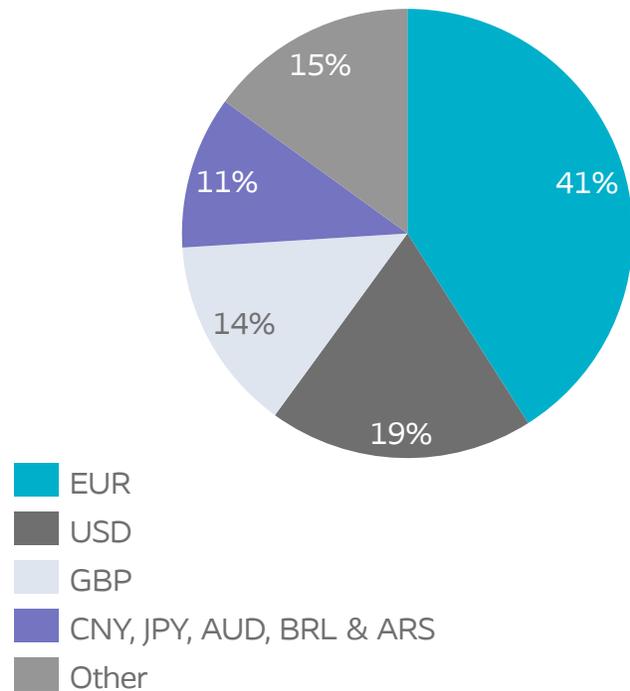
1) 2015/16 is before special items

2) Dividends paid out in the period are the actual cash payments of which the majority relates to dividend proposed in the previous financial year

# Currently, Emerging market currencies continue to impact negatively

## Revenue FX exposure

Guidance 2017/18<sup>1</sup>



-29%  
drop in ARS<sup>2</sup>

-13%  
drop in BRL<sup>2</sup>

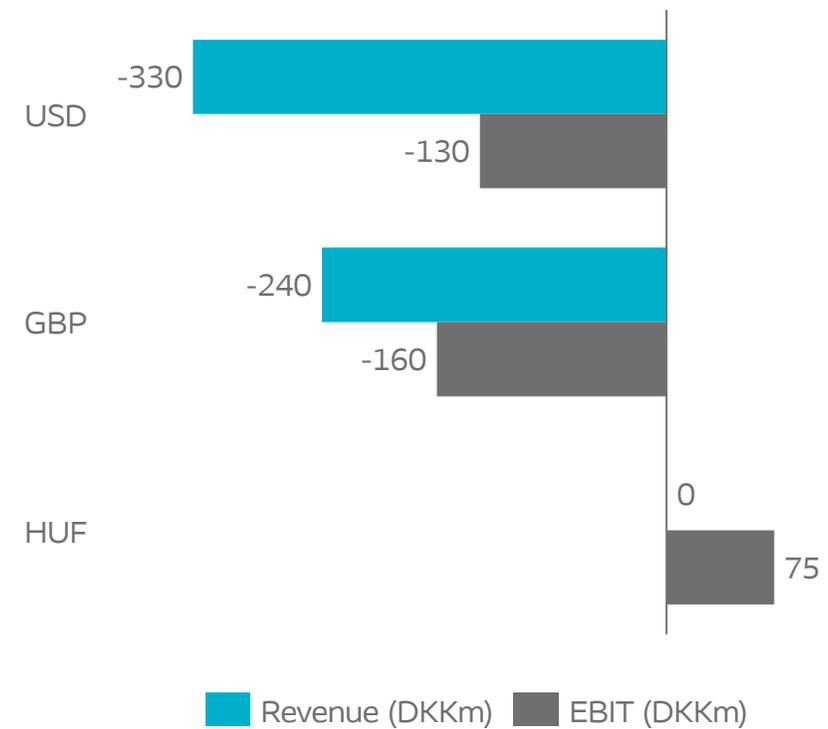
-10%  
drop in USD<sup>2</sup>

-9%  
drop in JPY<sup>2</sup>

-2%  
drop in GBP<sup>2</sup>

## 12 months exposure from 10% initial exchange rate drop<sup>1</sup>

Guidance 2017/18<sup>1</sup>



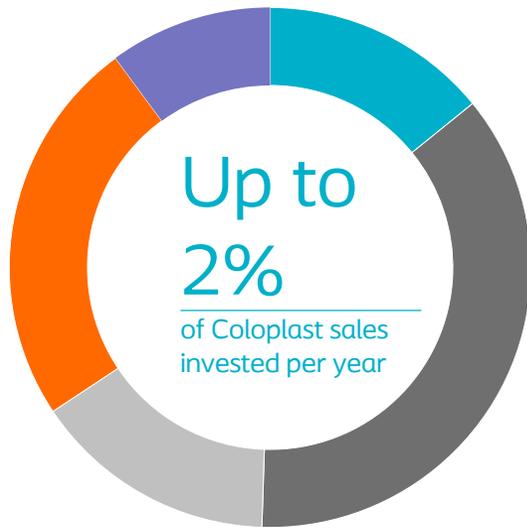
1) Average exchange rate from 1 October 2016 to 30 September 2017 as applied in the annual report 2016/17  
 2) Change in avg. FX rates for 9M 17/18 vs. 9M 16/17

1 DELIVERING ANNUAL ORGANIC REVENUE GROWTH OF 7-9%

# We have increased our investments into R&D and commercial opportunities in the US and Emerging markets

## Investment allocation

FY 15/16 to 9M 17/18

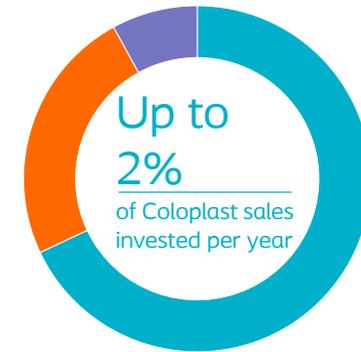


- European markets
- Other developed markets
- Emerging markets
- R&D
- Other (HQ, IT, etc.)

Source: Coloplast

## Investment allocation by type

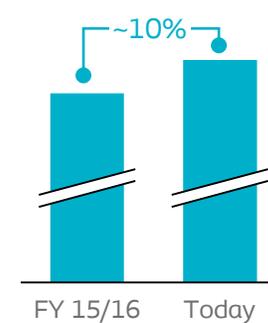
FY 15/16 to 9M 17/18



- Sales & marketing expansion
- R&D
- Other (IT, Admin, etc.)

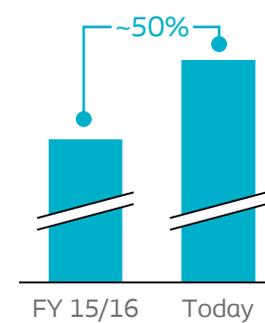
### Salesforce

# of sales reps



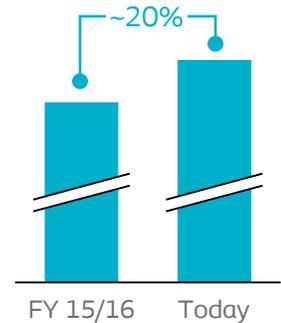
### Market access

# of market access FTEs



### R&D

# of R&D/Pilot FTEs

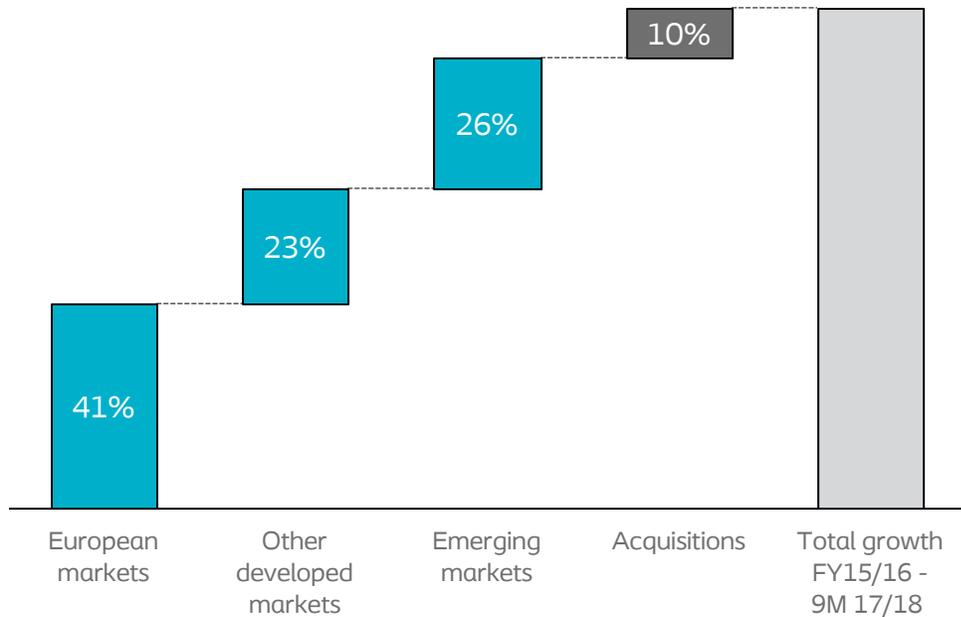


Source: Coloplast

# The increased investment level is fuelling our growth momentum across regions and business areas

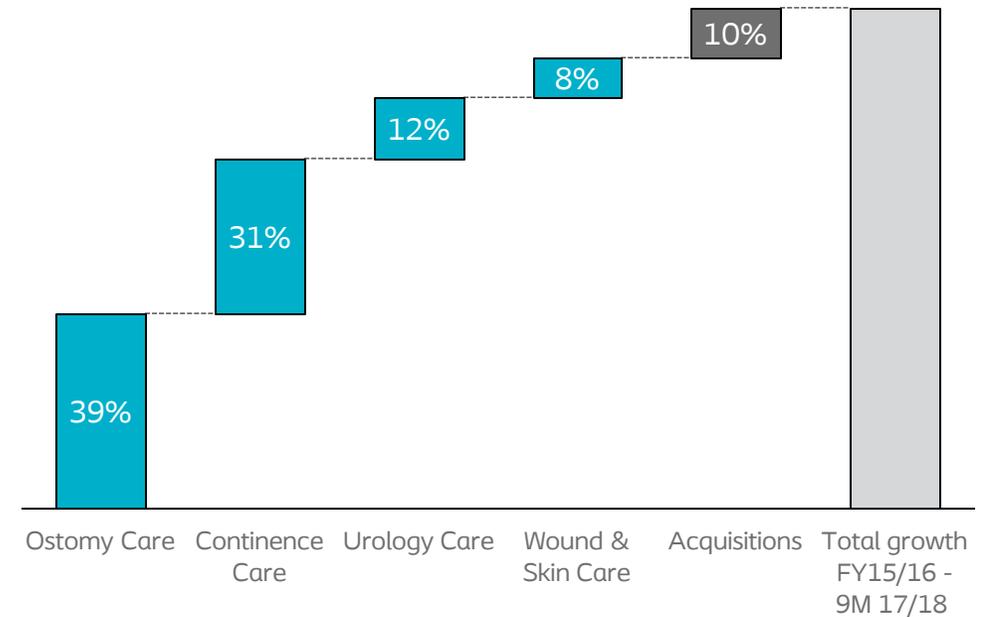
## Organic growth contribution per region

Organic growth FY 15/16 to 9M 17/18 (DKK m)



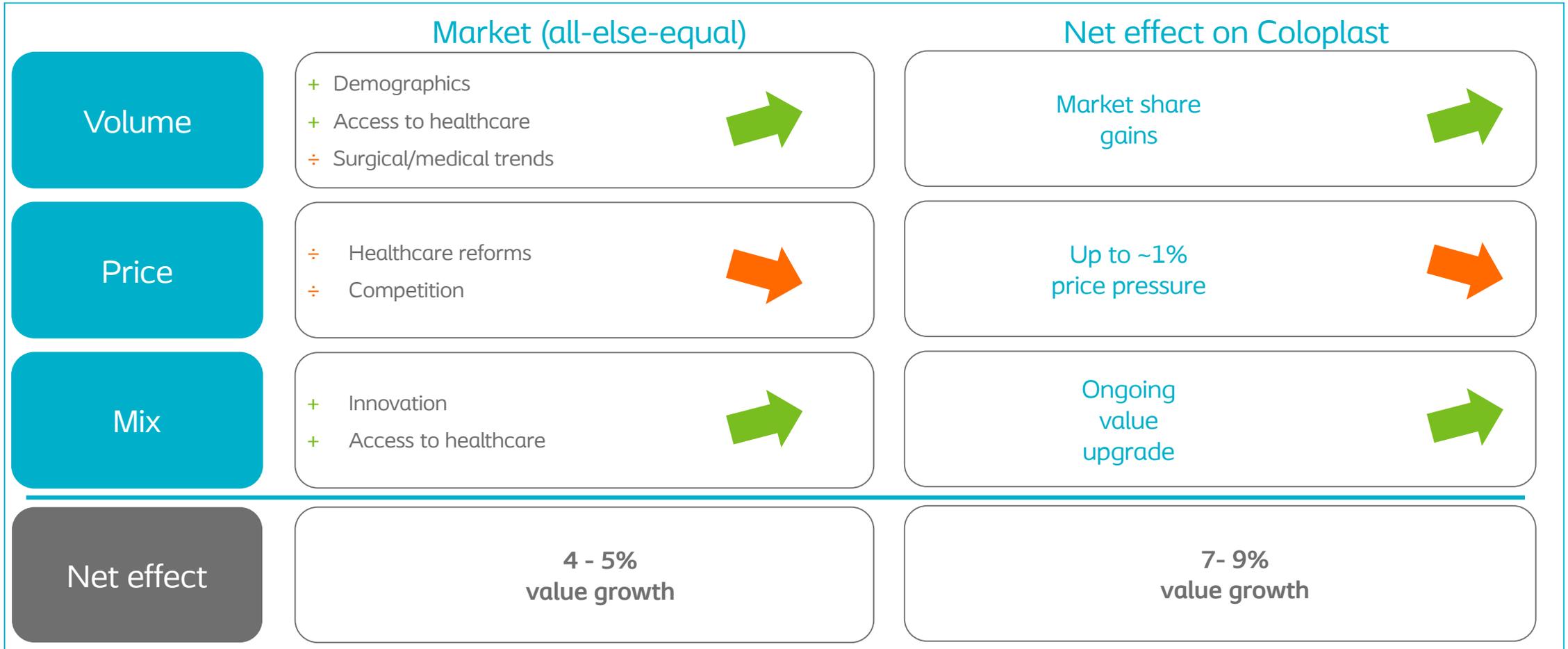
## Organic growth contribution per business area

Organic growth FY 15/16 to 9M 17/18 (DKK m)



Source: Coloplast

# We can accelerate volume growth while managing price pressure



Source: Coloplast estimates

# We continue to see pricing pressure of up to negative 1% per year driven by healthcare reforms

## Healthcare reform in Greece causing majority of price pressure in 2017/18



- Healthcare reform introduced by the Greek ministry of health on October 23<sup>rd</sup> 2017
- ~25% price reduction across:
  - Wound Care
  - Ostomy Care
  - Continence Care
- Up to DKK 100m negative revenue impact in 2017/18



## Chronic care reimbursement review expected in France during 2018/19



- Expected reimbursement review by the French Economic Committee (CEPS\*) of Ostomy and Continence product categories during 2018/19



\*CEPS (Comite Economique des Produits de Sante)

1 DELIVERING ANNUAL ORGANIC REVENUE GROWTH OF 7-9%

# Our ASPs are positively impacted by continued innovation and upselling/upgrade opportunities

## New innovation in mature markets

### SenSura® Mio Convex/Concave



Convex and Concave appliances are on average **reimbursed with a 50% premium** compared to flat appliances

### SpeediCath® Flex/Compact



Advanced catheters such as Flex and Compact are the **preferred solutions in Europe**

## Portfolio upgrade in Emerging markets

### SenSura®



In markets with older product platforms there is an **opportunity to upgrade** to higher priced product platforms



Portfolio upgrade

### Assura®



**Standard portfolio in Emerging markets** launched in 80s/90s

## Hydrophilic upgrade in US

### SpeediCath® Family



Hydrophilic catheters **taking share from lower priced uncoated catheters**



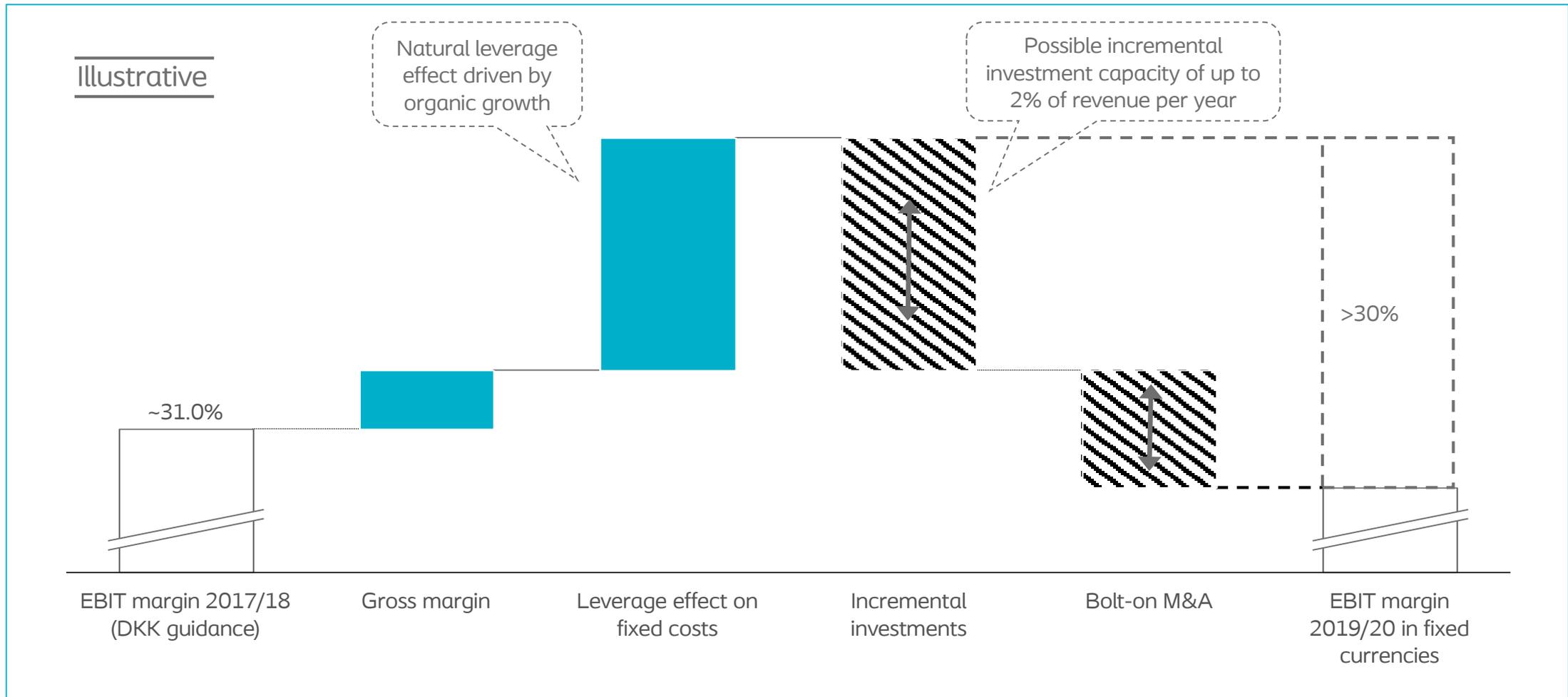
Product upgrade

### Self-Cath®



**~70% of US IC users** are using uncoated catheters

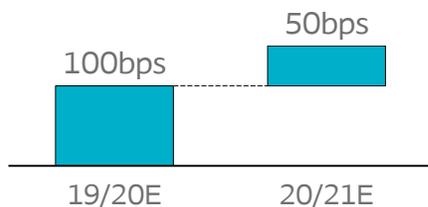
# EBIT margin development is a function of scalability, cost discipline, investments and M&A



# Global Operations Plan 4 will continue to contribute to gross margin accretion

## Global Operations Plan 4

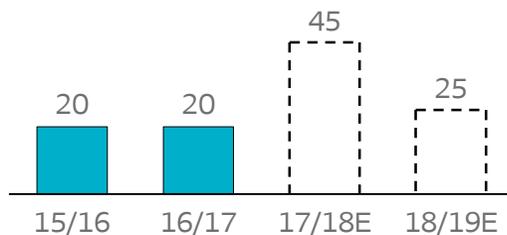
EBIT margin contribution, bps



3 drivers to drive 150bps EBIT margin contribution

## Restructuring costs (GOP 3 & 4)

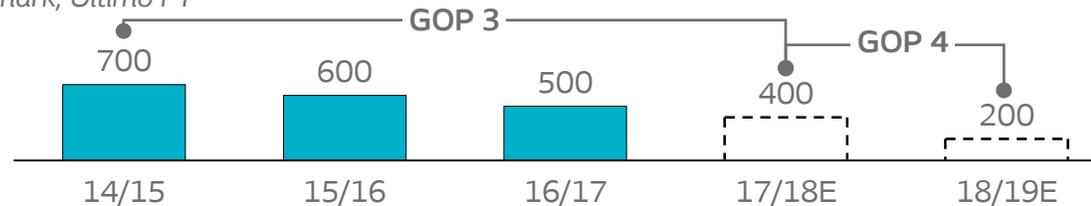
DKKm



Source: Coloplast

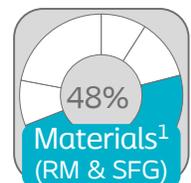
## 1. Reduction of manufacturing in Denmark

Manufacturing FTE's in Denmark, Ultimo FY



## 2. Procurement savings

Materials (Raw materials & Semi-finished goods)



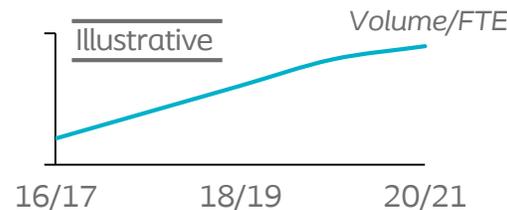
- Expand supplier base
- Reduce risk of supply
  - Increase competitive pressure



- Improve processes
- Implement new materials
  - Run sourcing tenders

## 3. Efficiency gains at volume sites through cost focus and automation

Volume per. FTE

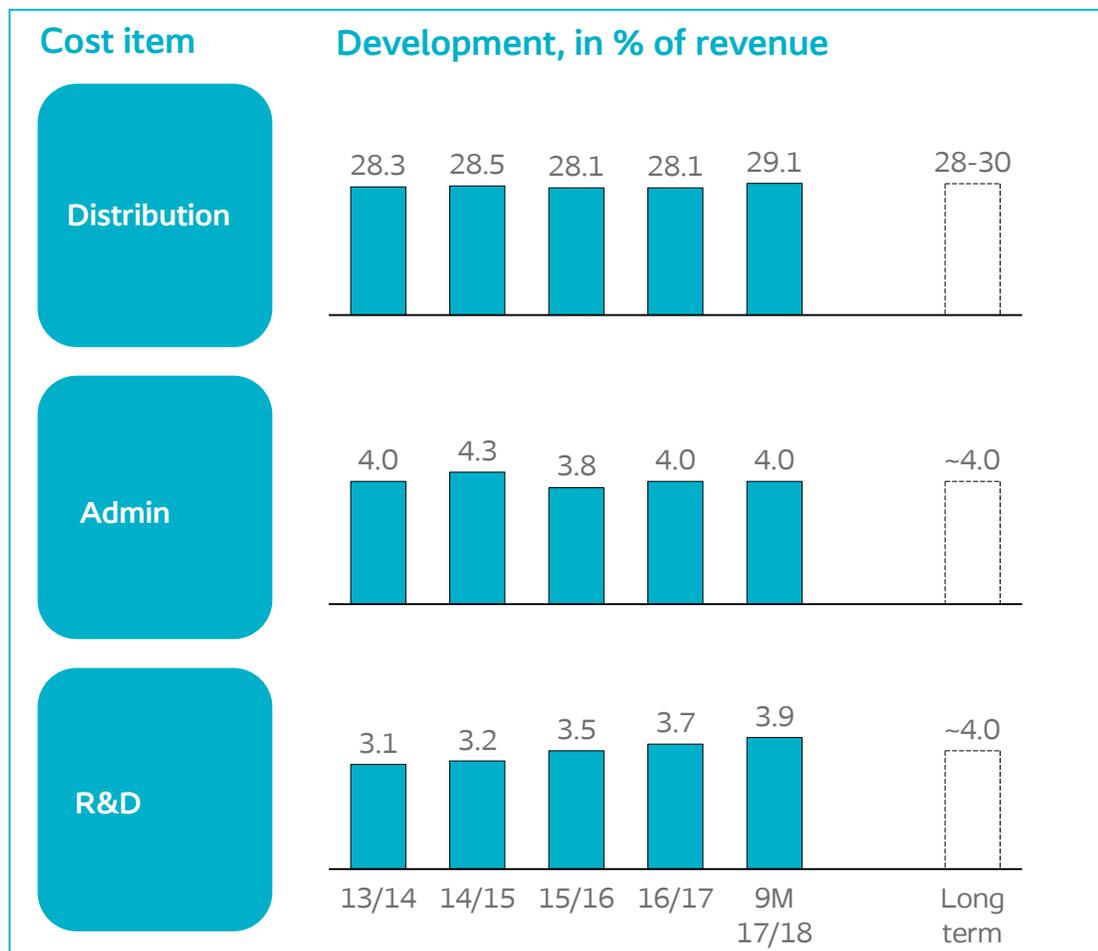


- Cost focus e.g.:
- Improve processes
  - Reduce waste

- Automation e.g.:
- Packaging
  - Visual control

1) FY 2016/17 Production costs, DKK 4,957m

# Continued leverage effect in SG&A drives further commercial investments

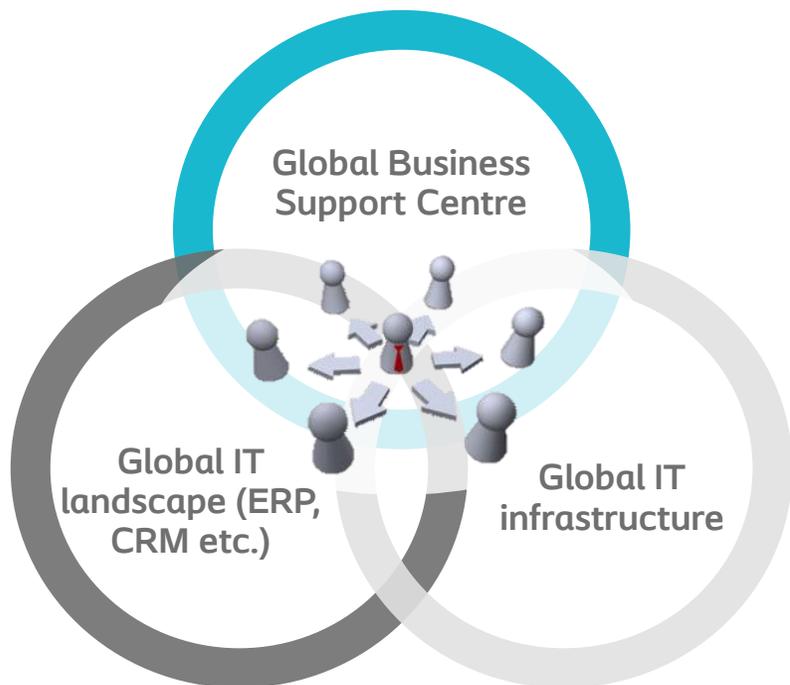


## Future drivers of cost ratios

- + Leverage effect on distribution costs in Europe driven by growth in existing products as well as new product launches
  - ÷ Increased investments in sales reps and marketing initiatives
- 
- + Further utilization of Business Support Center in Poland and leverage effect on the existing fixed cost base in administration
  - ÷ Increasing admin costs driven by IT investments (e.g. implementation of Salesforce), legal costs
- 
- + Leverage effect on R&D driven by group revenue growth
  - ÷ Increased investments in innovation
  - ÷ Preparation for the European Medical Device Regulation

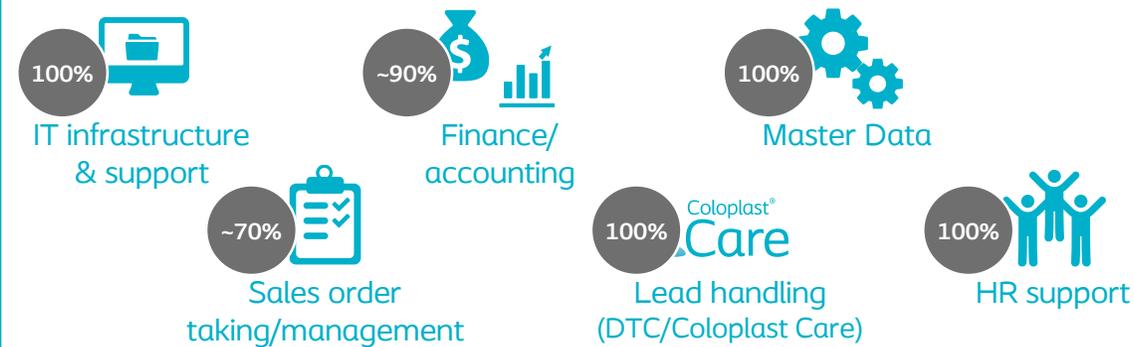
# A global Business Support and IT landscape enables Coloplast to scale much faster and more efficiently

## Global Business Services



## Global business services handle the majority of all global support

% of group processes



## Examples of current implementation cases

Sales subsidiary (Portugal)



New manufacturing (Costa Rica)



M&A/Direct



Source: Coloplast

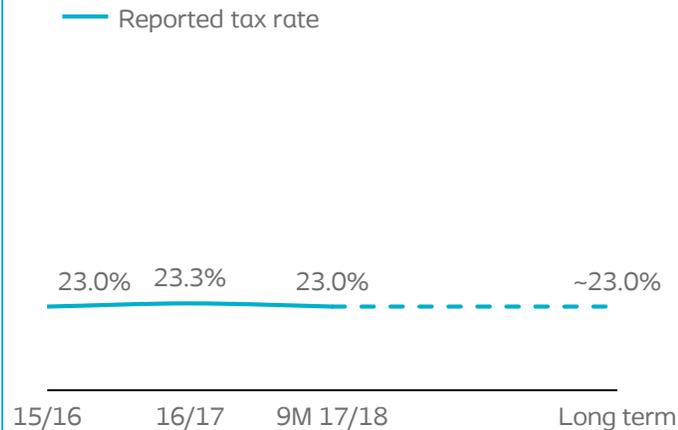
# For 18/19 we will commit up to 2% of revenue in incremental commercial investments

The diagram is contained within a light blue border and is organized into several columns and rows:

- Column 1:** A lightbulb icon representing Innovation, with the text "Innovation R&D ~4% of sales" below it.
- Column 2:** The Coloplast Care logo, with the word "Consumer" centered below it. Below "Consumer" is the Charter Care logo with the tagline "Care Delivered".
- Column 3:** A stylized eye icon, a circular flag of the United States, a globe icon, and another circular flag of the United States.
- Column 4:** A bar chart icon, a circular flag of the United States, a circular flag of South Korea, a circular flag of Japan, and a circular flag of Australia.
- Column 5:** A square icon with a smaller square inside, a circular flag of the United States, and a globe icon.
- Column 6:** A stylized signature icon, a circular flag of the United States, and a globe icon.

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

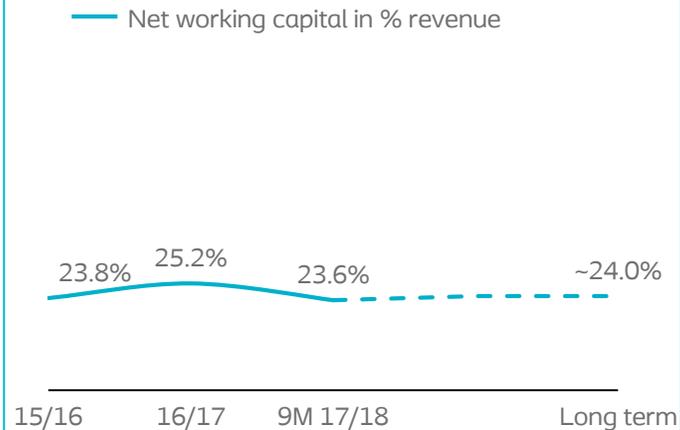
## Taxation



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

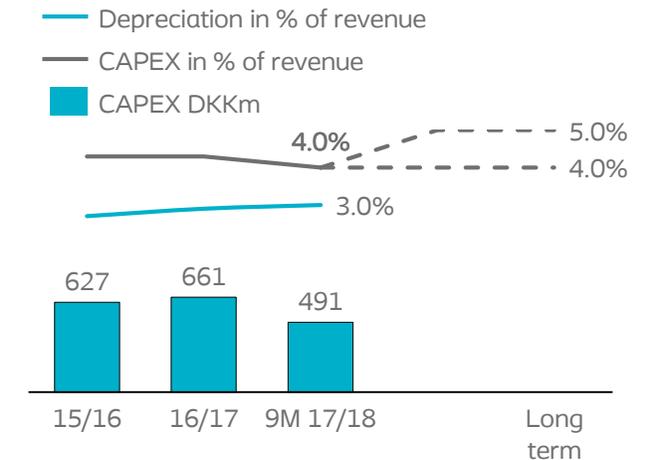
1) Impacted by provision for Mesh litigation  
2) Gross investments in PPE

## Net working capital



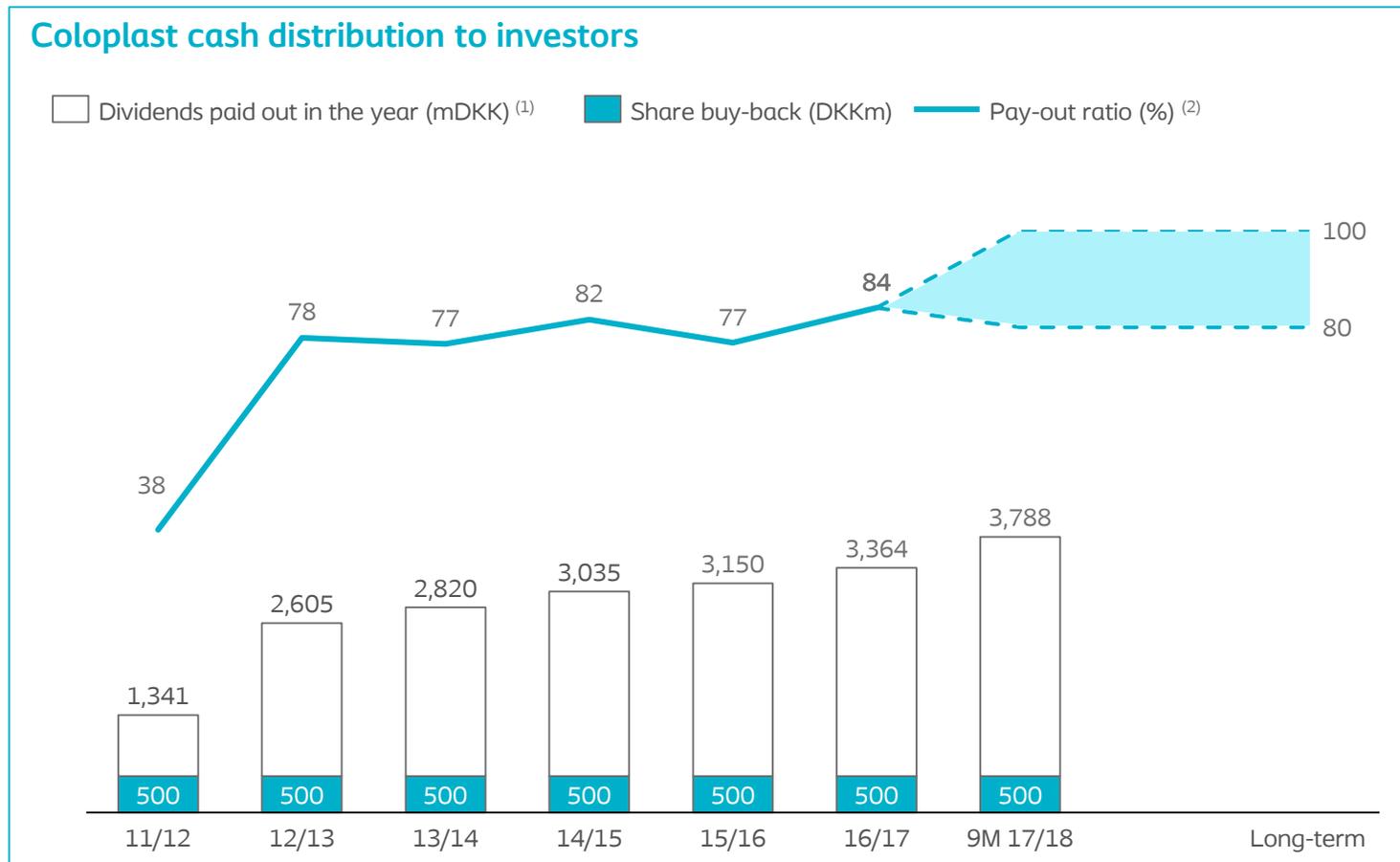
- Net working capital expected to be stable at ~24% of revenue
- Improve debtor policy in Emerging markets
- Maintaining stable inventory levels going forward

## CAPEX<sup>(2)</sup>



- Continued investment in machines and capacity expansion
- Widen factory footprint – factory extensions and greenfield investments
  - Factory extension opened in Hungary in Q3 2017/18
  - Next volume factory to be built in Costa Rica by 2020
    - Est. CAPEX of DKK ~300m

# ...and continue to provide attractive cash returns despite large investments in commercial activities



*We will continue to return excess cash to shareholders*

*Targeted pay-out ratio of 80-100%*

1) Dividends paid out in the year are the actual cash payments of which the majority relates to dividend proposed in the previous financial year

2) Pay-out ratio calculated as dividend proposed in the financial year/Net profit for the financial year. Pay-out ratio for 2013/14, 2014/15 and 2015/16 is before special items related to Mesh litigation

## 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