

# Making it easier to be yourself

Clothes are a part of my identity,  
so I worried about what I could  
wear after my operation. Today,  
I still dress the way I want.

Stina



Coloplast Earnings Conference Call 9M 2019/20

18 August 2020

Making life easier

Ostomy Care, Contenance Care, Wound & Skin Care and Interventional Urology



# Forward-looking statements

The forward-looking statements contained in this presentation, including forecasts of sales and earnings performance, are not guarantees of future results and are subject to risks, uncertainties and assumptions that are difficult to predict. The forward-looking statements are based on Coloplast's current expectations, estimates and assumptions and based on the information available to Coloplast at this time.

Heavy fluctuations in the exchange rates of important currencies, significant changes in the healthcare sector or major changes in the world economy may impact Coloplast's possibilities of achieving the long-term objectives set as well as for fulfilling expectations and may affect the company's financial outcomes.

# Coloplast strengthens Executive Management

- Coloplast Executive Leadership Team is expanded from four to six people in order to deliver on upcoming 2025 strategy centred around Innovation and Growth, which will be presented at the Capital Markets Day on September 29<sup>th</sup>



**Kristian Villumsen**  
remains President and CEO



New role EVP Innovation with responsibility for commercial offering overseeing global functions incl. R&D and Marketing led by **Nicolai Buhl Andersen**, who is promoted into the Executive Leadership team



**Anders Lonning-Skovgaard**  
remains EVP & CFO



New role EVP Growth with responsibility for Chronic Care and Wound & Skin Care sales organisation led by EVP **Paul Marcun**

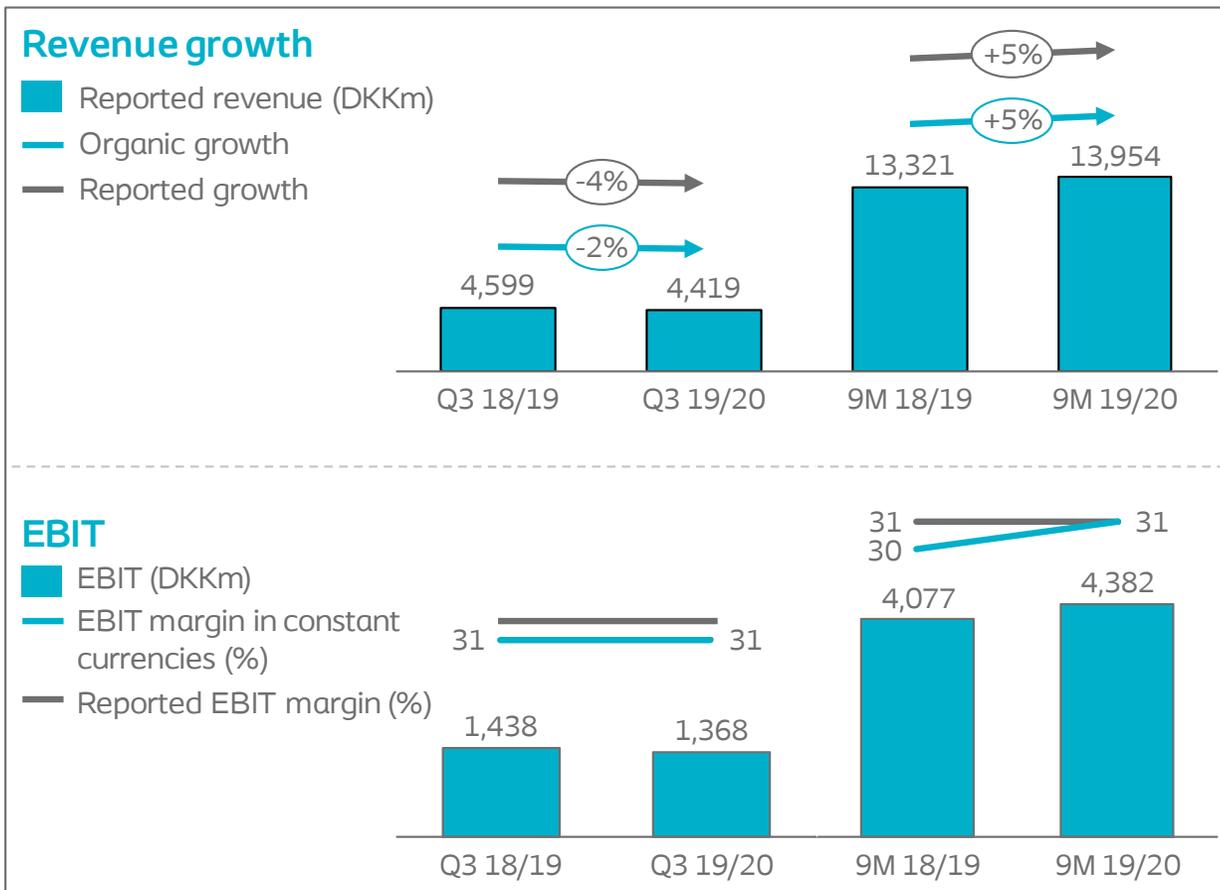


**Allan Rasmussen**  
remains EVP Operations



HR renamed People & Culture and elevated to Executive Leadership led by SVP **Camilla G. Møhl**, who is promoted into the Executive Leadership team

# Q3 negatively impacted by decline in elective procedures in Interventional Urology and reversal of stock building in EU

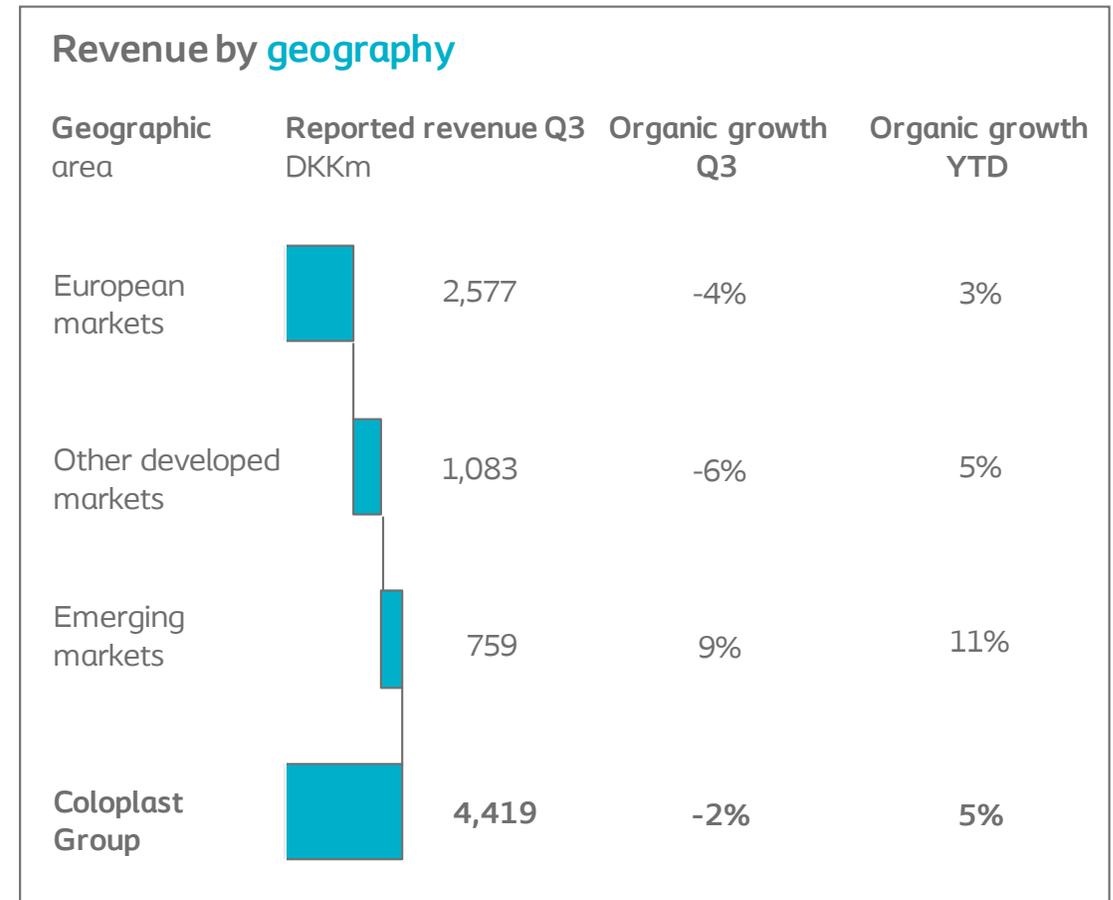
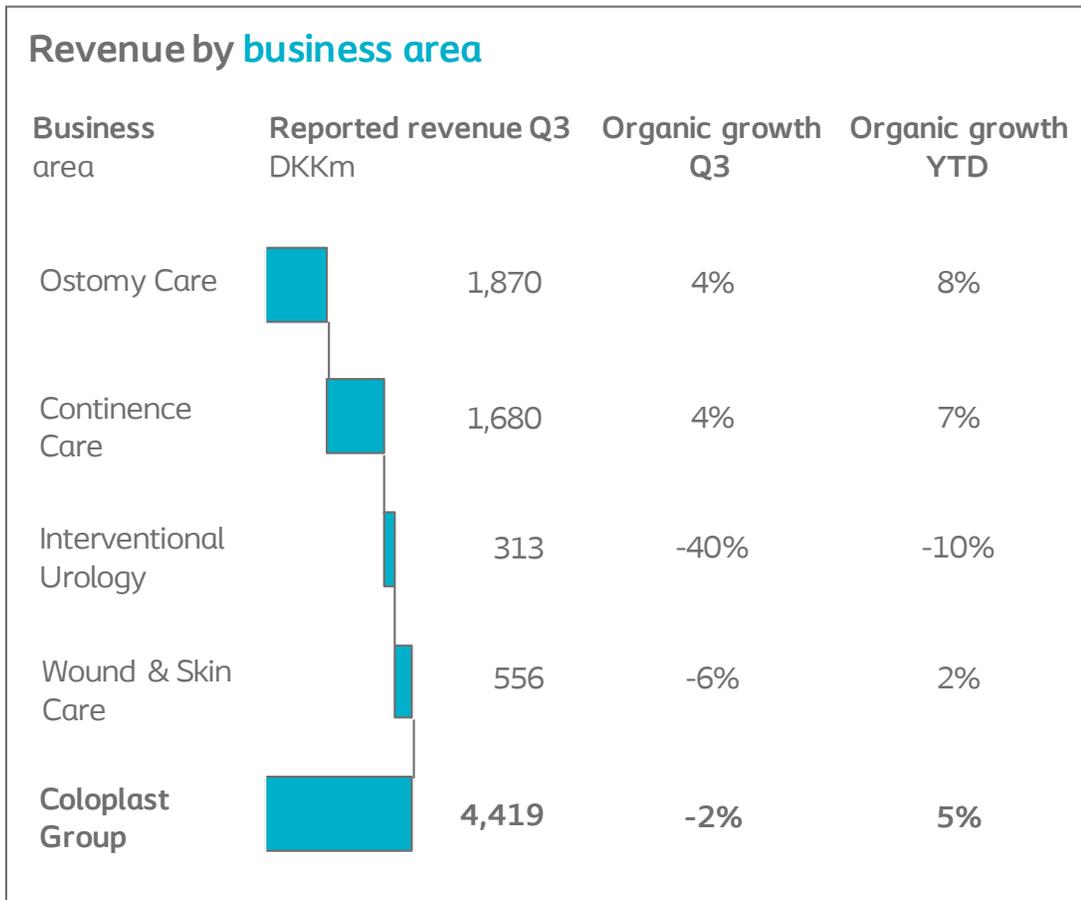


## Q3 Highlights

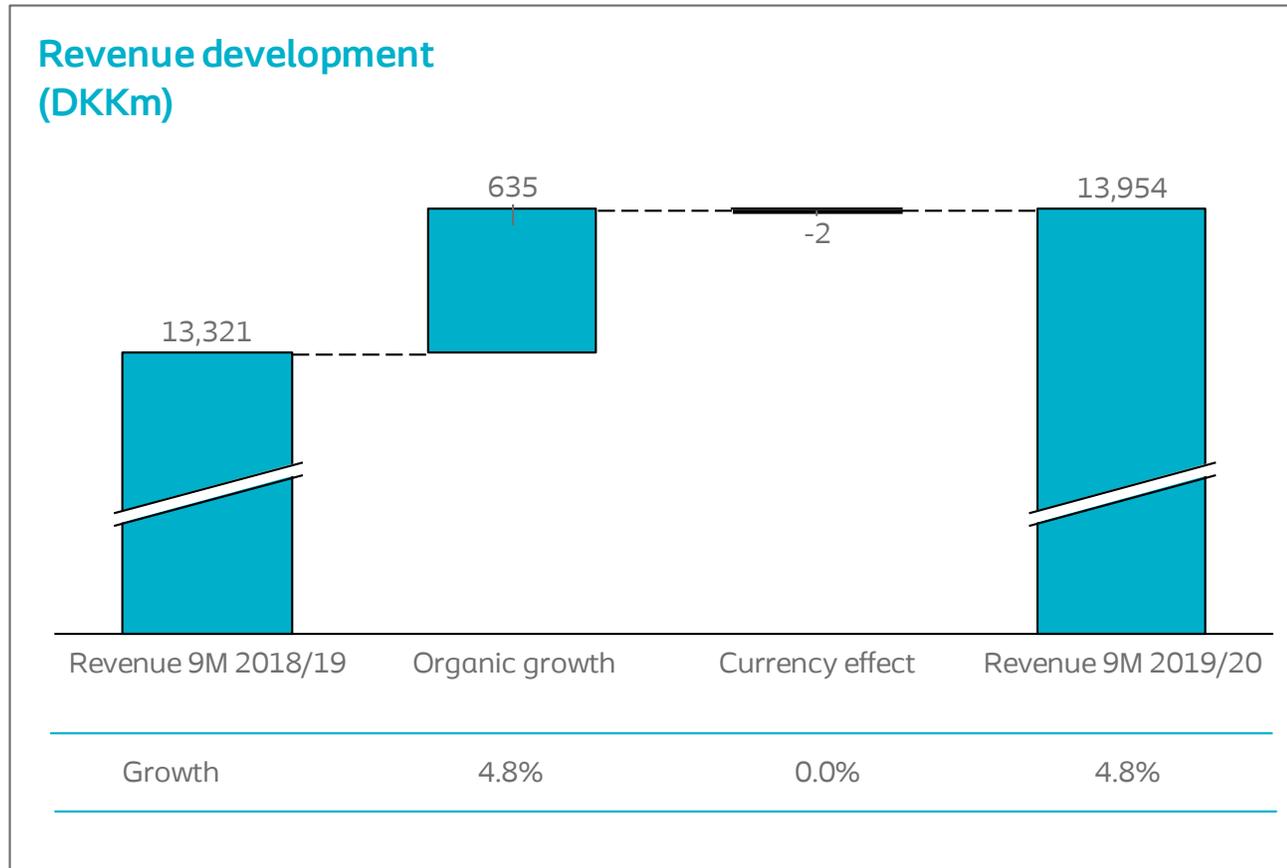
- Negative organic growth of -2% and -4% reported decline in DKK
- Chronic Care delivered a stable underlying growth in Q3, adversely impacted by the reversal of the majority of the positive DKK ~150m impact from the previous stock building
- Interventional Urology reported -40% in Q3 due to decline in elective procedures in primarily the US. Performance improved during Q3 with April, May and June down 70%, 45%, 3% respectively
- In Q3, Wound and Skin Care delivered -6% organic primarily due to a decline in hospital procedures resulting in lower sales in China, Europe and US Skin Care
- EBIT declined 5% to DKK 1,368m negatively impacted by the drop in revenue and despite cost saving initiatives but also reflecting sustained investments in growth opportunities and innovation as well as IT
- ROIC after tax before special items<sup>(1)</sup> of 40%
- Financial guidance for 2019/20 narrowed:
  - Organic revenue growth of ~4% from previously 4-6% and a reported growth in DKK of 3-4% from previously 4-6% due to weaker outlook for Wound & Skin Care and UK Chronic Care
  - EBIT margin of ~31% from previously 30-31% in constant exchange rates and in reported EBIT margin in DKK of ~31% from previously 30-31%
  - Capex of DKK 950m

(1) Special items: Balance sheet items related to the provision in connection with settlements in lawsuits in the USA alleging injury resulting from the use of trans-vaginal surgical mesh products.

# Q3 significantly impacted across all business areas and regions by COVID-19



# 9M 2019/20 reported revenue grew 5% driven by organic growth of 5%



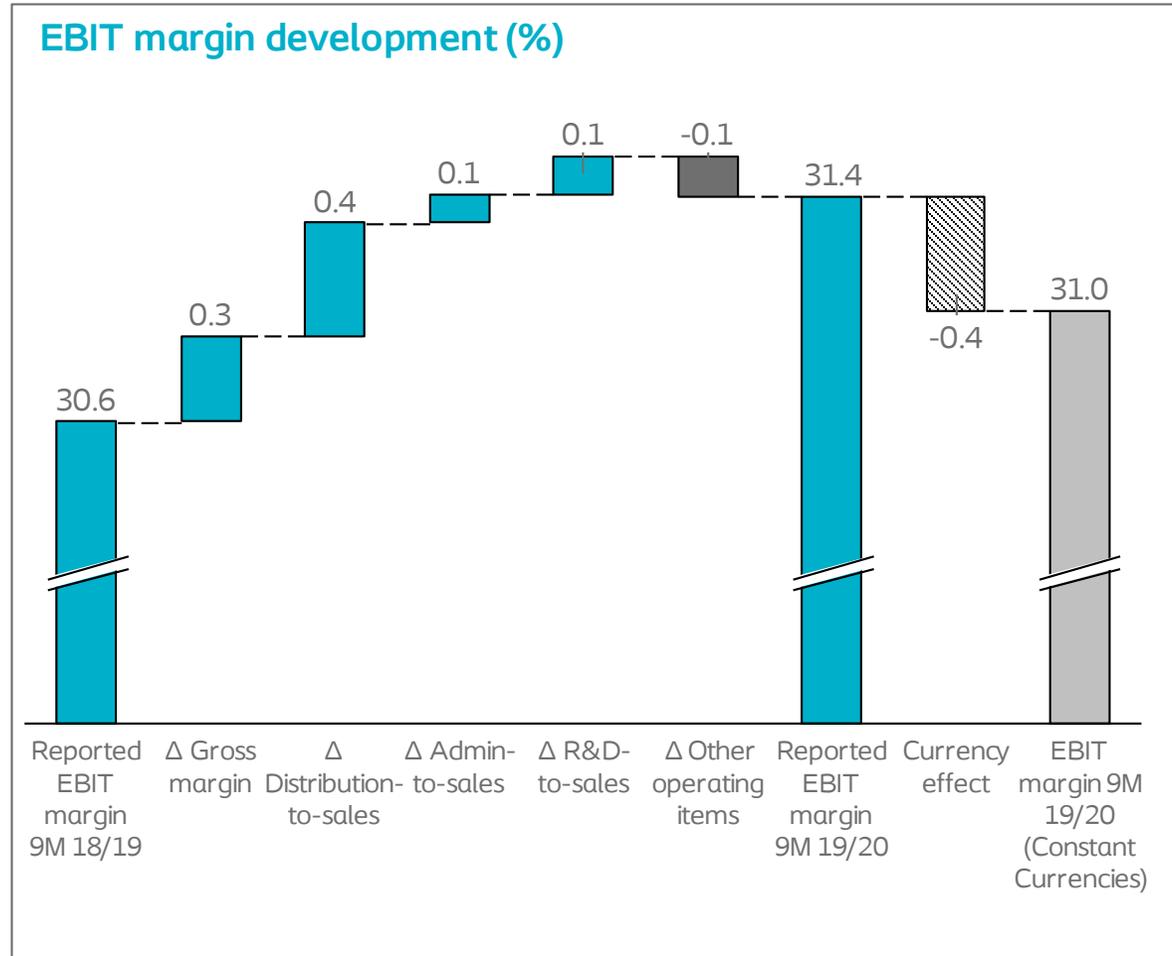
## Comments

- 9M 2019/20 reported revenue increased by DKK 633m or 5% compared to 9M 2018/19
- The majority of growth was driven by organic growth contributing DKK 635m or 5% to reported revenue
- Positive and negative drivers related to COVID-19
  - + Solid growth in EM ex. China and US
  - ÷ Negative impact from Interventional Urology
  - ÷ Negative impact from Ostomy Care and Wound Care in China
  - ÷ Negative impact from Wound Care in Europe and US Skin Care
- The net effect from foreign exchange rates was neutral on reported revenue

# EBIT grew 7% in 9M 2019/20 reflecting strong cost control during COVID-19 outbreak as well as sustained investments

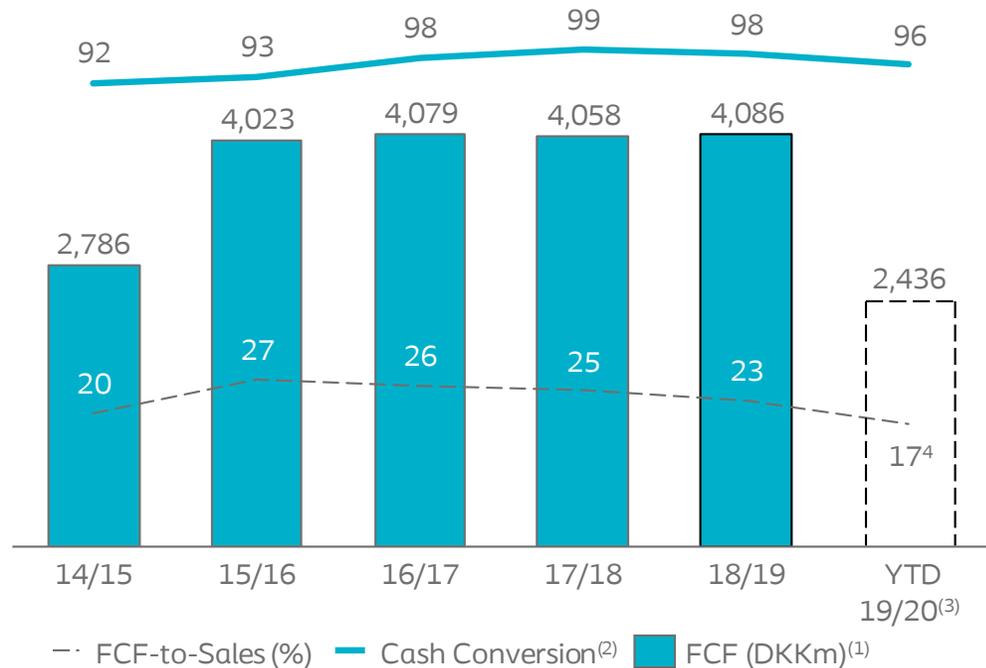
## Comments

- Gross margin of 68% in DKK compared to 67% last year
  - Positive impact driven by GOP4 and the closure of the Thisted factory in June 2019 and positive impact of 50 bps from FX
  - Negative impact from product mix due to decline in sales in Interventional Urology, salary inflation and labour shortages in Hungary and extraordinary costs due to COVID-19
- No restructuring costs vs. DKK 43m in restructuring costs in 9M 18/19 related to reduction of production employees in DK
- Extraordinary costs related to COVID-19
- Distribution-to-sales of 29% vs. 29% last year
  - Incremental investments of up to 2% of revenue into sales and marketing initiatives across multiple markets and business areas including China and other emerging markets, US and UK
  - In absolute terms, distribution costs increased by DKK 128m or 3% against 9M last year. Development reflects reduced commercial activities and expenses during the COVID-19 outbreak
- R&D-to-sales at 4% and on par with last year
- Other operating income declined DKK 18m to DKK 26m due to a DKK 16m gain on the sale of former production facilities in Q2 last year
- EBIT increased 7% to DKK 4,382m with a reported margin of 31%, 80 bps higher than last year (positive impact of 40 bps from FX)



# FCF driven by positive underlying development in earnings

## FCF development



## Comments

- Free cash flow in 9M 2019/20 was DKK 2,436m, up 10% compared to DKK 2,215m in 9M 2018/19
  - Adjusted for the positive impact of DKK 144m related to the reclassification of lease payments following the adoption of IFRS 16, the free cash flow was up 3%
- Operating cash flow was up 19% to DKK 3,072m compared to DKK 2,587m last year including the abovementioned DKK 144m positive IFRS 16 adjustment.
  - Reported EBIT DKK 305m higher than in 9M 2018/19
  - NWC-to-sales of 24% on par with last year. Closely monitoring receivables in particular in Emerging Markets
- CAPEX-to-sales of 5% vs. 3% in 9M 2018/19. The increase was mainly linked to investments in automation, IT and the new factory in Costa Rica

1) FCF in 2014/15, 2015/16 and 2018/19 adjusted for Mesh payments. FCF in 2016/17 and 2017/18 adjusted for Mesh payments and acquisitions. Adjustment for Mesh payments includes DKK 500m insurance coverage in 2014/15.

2) Cash Conversion calculated as FCF ex. Mesh payments, interest payments, tax payments, M&A and marketable securities relative to EBIT before special items.

3) Cash Conversion is trailing twelve months

4) FCF-to-Sales YTD 2018/19: 12%

# Financial guidance for FY 2019/20 – guidance range narrowed

**Sales growth**

**EBIT margin**

**CAPEX (DKKm)**

**Tax rate**

Guidance 2019/20	Guidance 2019/20 (DKK)*	Key assumptions
~4% from previously 4-6% (organic)	3-4% from previously 4-6%	<ul style="list-style-type: none"> <li>The situation in Interventional Urology gradually normalises in Q4</li> <li>Majority of 150m stock building from Q2 reversed in Q3 – expected to fully reverse in Q4</li> <li>Lower growth in the UK chronic care business driven by a decline in new patients due to COVID-19</li> <li>Larger negative impact on Wound &amp; Skin Care business in H2 19/20 than previously anticipated. China WC expected to normalise in Q4</li> <li>Stable supply and distribution of products across the company</li> </ul>
~31% from previously 30-31% (constant exchange rates)	~31% from previously 30-31%	<ul style="list-style-type: none"> <li>Global Operations Plan 4 – savings of 100bps partly offset by negative impact from wage inflation and labour shortages in Hungary</li> <li>Incremental investments of up to 2% of revenue in China, other EM countries, US and UK</li> <li>No restructuring costs</li> <li>Prudent approach to costs due to COVID-19 situation</li> <li>Extraordinary costs related to COVID-19</li> </ul>
	~950m	<ul style="list-style-type: none"> <li>New machines for new and existing products, establishment of volume site in Costa Rica, investments into automation at volumes sites and IT investments</li> </ul>
	~23%	

\*DKK guidance is based on spot rates as of August 14<sup>th</sup> 2020



# Capital Markets Day 2020

## Sign up for Coloplast's Capital Markets Day

Tuesday 29 September 2020

14.00 pm - 17.00 pm CEST

13.00 pm - 16.00 pm BST

08.00 am - 11.00 am EDT

Join us **virtually** or at our venue in Humlebaek, north of Copenhagen.

This event is intended to give institutional investors and equity analysts an introduction to the new long-term strategy.

More information can be found on our [website](#), including the programme for the day and registration.



## 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