

Conference call presentation

9M 2020/21

# Making life easier\_

**STRIVE25: SUSTAINABLE GROWTH  
LEADERSHIP**



'I love taking my boat out and I do so whenever I can. Sometimes the weather stops me. But I won't let my condition stop me.'

Flemming

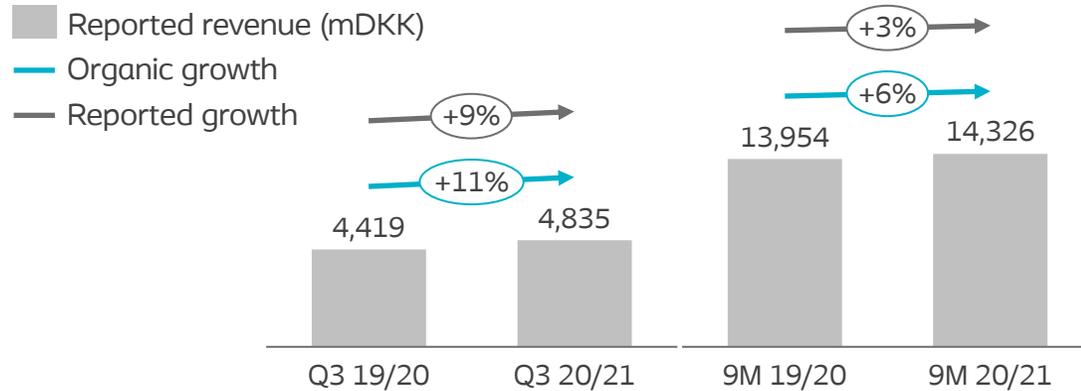
# Forward-looking statements

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.

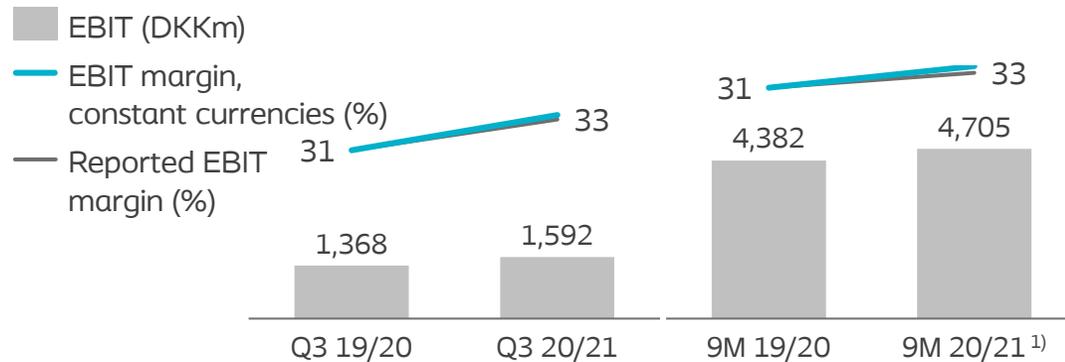
Heavy fluctuations in the exchange rates of important currencies, significant changes in the healthcare sector or major changes in the world economy may impact Coloplast's possibilities of achieving the long-term objectives set as well as for fulfilling expectations and may affect the company's financial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

# Q3 organic growth of 11% and EBIT margin of 33% – financial guidance for FY 2020/21 narrowed

## REVENUE GROWTH



## EBIT



<sup>1)</sup> Before special items of DKK 200m in Q2 20/21 related to the existing lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products

## Q3 Highlights

- Organic growth of 11% and 9% reported growth in DKK
- Organic growth rates by business area: Ostomy Care 4%, Continence Care 5%, Interventional Urology 82% and Wound & Skin Care 17%
- Chronic Care was positively impacted by improving underlying growth in Europe as well as a lower baseline. Growth was partly offset by lower growth in new patients in the US due to COVID-19, in especially Continence Care, as well as distributor destocking
- Ostomy Care delivered a softer quarter in Emerging markets due to tender phasing in the Middle East and Russia. The tenders are confirmed for delivery in Q4
- Growth in new patients within Ostomy Care normalized towards pre-COVID levels during Q3. Continence Care is taking longer to normalize, but the trend during Q3 was positive
- Interventional Urology growth was driven by broad-based recovery in elective procedures, led by the Men's Health portfolio in the US and a low baseline
- Wound Care in isolation grew 20%, growth was driven by Europe and China, helped by a weaker comparison period
- Reported EBIT margin of 33% against 31% in Q3 last year, positively impacted by efficiency gains and lower level of commercial activities, partly offset by continued investments
- ROIC after tax was 42%
- 2020/21 financial guidance narrowed
  - Organic revenue growth now expected in the lower end of the 7-8% range. Reported growth in DKK is still expected to be 4-5%
  - Reported EBIT margin before special items now expected in the upper end of the 32-33% range. After special items, the reported EBIT margin is now expected to be in the upper end of the 31-32% range
- Unchanged capex of around DKK 1.1bn and effective tax rate of around 23%

# We have made significant progress across the Clinical Performance Program

Status October 2020

Digital ostomy solution

Pilot studies conducted with successful results



New ostomy platform

Initial pilot studies indicated positive outcomes



Pivotal study showed non-significant results



New catheter platform

Pilot studies conducted with successful results



Status June 2021

- CE mark has been granted
- Payer pilot studies in Germany and the UK to be initiated in Q4 2021

Product launch expected in **first half** of strategy period

- Optimized product design
- New pivotal study to be initiated towards the end of 2021

Product launch expected in **second half** of strategy period

- Solid progress on product design and performance
- Pivotal study design in progress

Product launch expected in **first half** of strategy period

Simultaneously, continue our launch cadence into existing categories within ostomy care and continence care

# Q3 growth was driven by a recovery in Interventional Urology led by Men's Health and improving underlying growth in Europe

Q3 20/21 revenue by business area

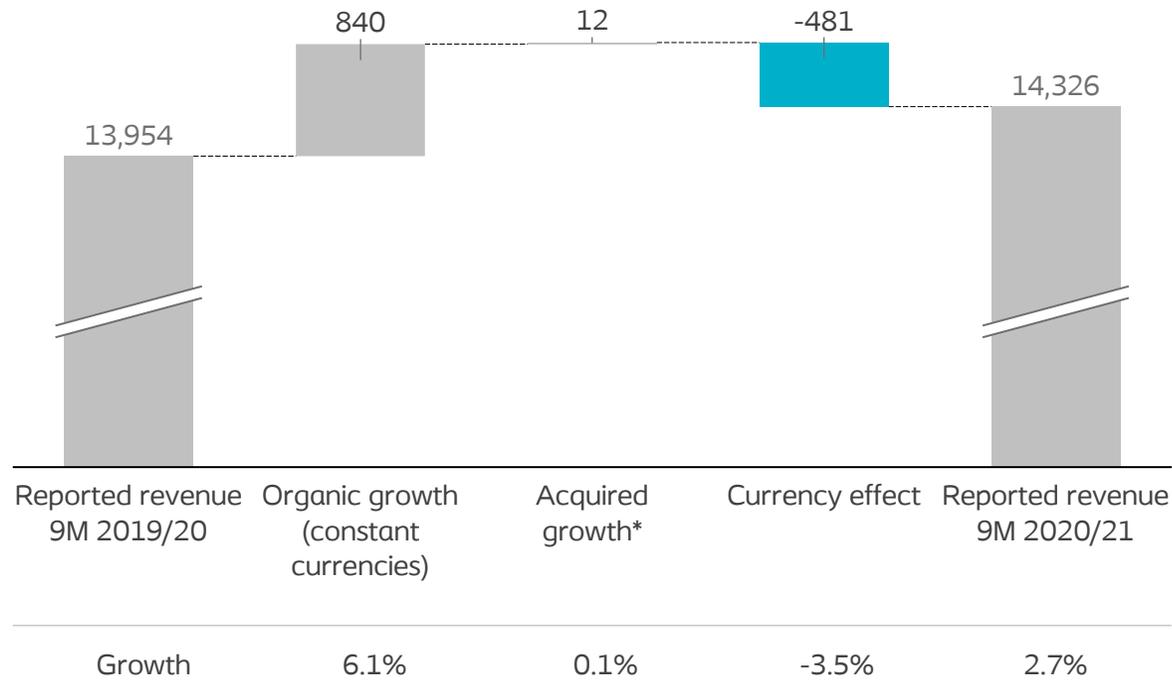
Business area	Reported revenue Q3 DKKm	Organic growth Q3	Organic growth 9M
Ostomy Care	1,915	4%	5%
Continence Care	1,744	5%	4%
Interventional Urology	542	82%	22%
Wound & Skin Care	634	17%	6%
<b>Coloplast Group</b>	<b>4,835</b>	<b>11%</b>	<b>6%</b>

Q3 20/21 revenue by geography

Geographic area	Reported revenue Q3 DKKm	Organic growth Q3	Organic growth 9M
European markets	2,844	10%	3%
Other developed markets	1,183	17%	9%
Emerging markets	808	8%	13%
<b>Coloplast Group</b>	<b>4,835</b>	<b>11%</b>	<b>6%</b>

# 9M 2020/21 reported revenue was up 3%, impacted by depreciation in the USD, GBP and Emerging market currencies

## 9M Revenue development (DKKm)



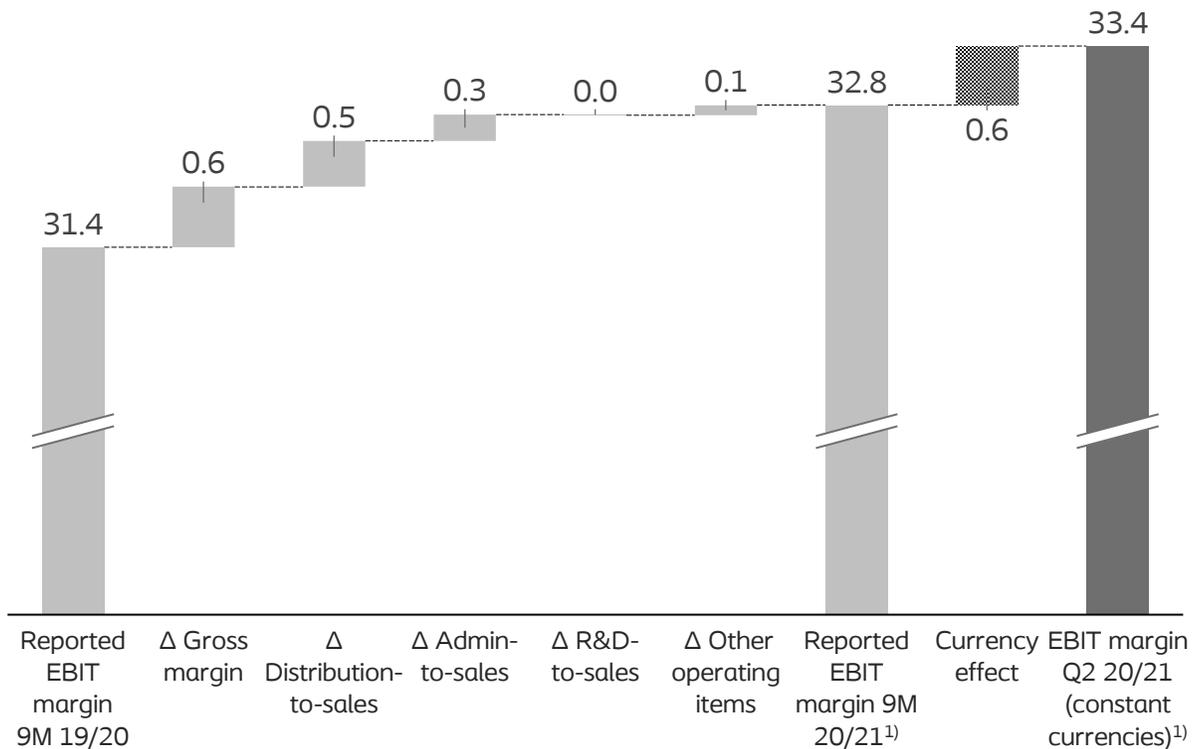
\*Acquisitions of three US Durable Medical Equipment (DME) dealers in Q2 and Q3 FY 20/21

## Highlights

- 9M 2020/21 reported revenue increased by DKK 372 million compared to 9M 2019/20
- 9M organic growth was 6% or DKK 840 million
- Main drivers of 9M performance
  - The European and the US Chronic Care businesses are negatively impacted by continued lower growth in new patients. Growth in new patients increased during Q3 2020/21, with Ostomy Care recovery ahead of Continence Care, as the more acute patient groups have been prioritized
  - Solid growth in EM within Ostomy Care led by China and LATAM, partly offset by tender phasing in Q3 in the Middle East and Russia
  - Resumption in elective procedures in Interventional Urology driven by Men's Health in US
  - Wound Care delivered solid growth, driven by Europe, China and the Biatain Silicone® portfolio
- Foreign exchange rates had a negative impact of DKK 481 million or -3.5%-points on reported revenue primarily due to negative development of the USD, GBP and Emerging markets currencies against the Danish kroner

# 9M 2020/21 reported EBIT margin of 33% driven by efficiency gains and lower commercial spending due to COVID-19

## 9M EBIT margin development (%)



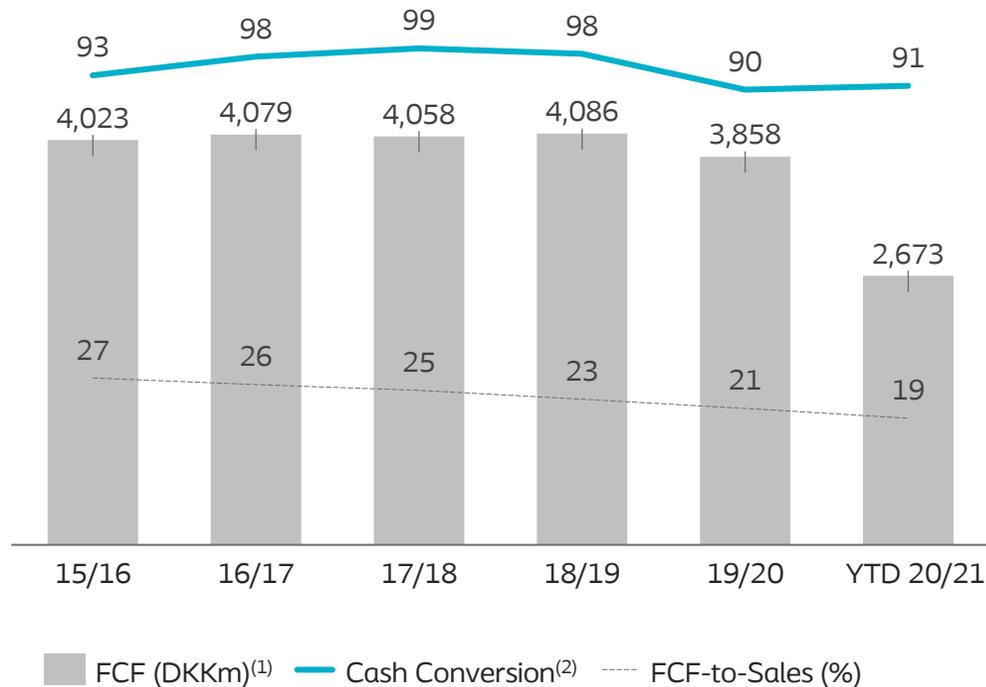
<sup>1)</sup> Before special items of DKK 200m related to the existing lawsuits in the US alleging injury resulting from the use of transvaginal surgical mesh products

## Highlights

- 9M gross margin was 68%, on par with last year
  - Positive impact from leverage on production costs and efficiency gains from Global Operations Plan 4 and 5, partly offset by wage inflation and labor shortages in Hungary and extraordinary costs related to COVID-19 safety measures
  - Negative FX impact on gross margin of 40 bps
- Distribution-to-sales at 28% vs. 29% for 9M last year
  - Distribution costs increased by 1% or DKK 40m against last year reflecting commercial investments, partly offset by lower travel and sales & marketing expenses due to COVID-19
- R&D costs were 4% of sales, on par with comparison period
- EBIT before special items was DKK 4,705 million, a 7% increase vs last year. Reported margin before special items of 33%, an increase of 140 bps vs. 9M last year (negative impact of 60 bps from FX)

# FCF driven by solid underlying development in earnings

## FCF development



## Highlights

- Free cash flow for 9M 2020/21 was DKK 1,626 million compared to DKK 2,436 million in 9M 2019/20
  - Adjusting for acquisitions, mainly Nine Continents Medical, the free cash flow for 9M 2020/21 was DKK 2,673 million, up 10% vs. comparison period
- Operating cash flow for 9M 2020/21 was up 9% to DKK 3,336 million compared to DKK 3,072 million last year, positively impacted by higher reported operating profit and a gain on financial items, partly offset by a one-off tax payment related the Nine Continents Medical acquisition (around DKK 400 million)
  - Reported EBIT before special items DKK 323 million higher than 9M 19/20
  - NWC-to-sales of 26% for 9M 2020/21. NWC-to-sales for FY 2020/21 is expected to be around 24%
- CAPEX-to-sales of 5%, on par with last year
  - The increase in CAPEX was mainly linked to the new factory in Costa Rica and investments in automation and IT

1) FCF in 2015/16 and 2018/19 adjusted for Mesh payments. FCF in 2016/17 and 2017/18 adjusted for Mesh payments and acquisitions. FCF in 2020/21 adjusted for acquisitions (mostly Nine Continents Medical) and Mesh payments of DKK 200m

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

# Organic growth guidance for FY 2020/21 narrowed

	GUIDANCE 2020/21	GUIDANCE 2020/21 (DKK)*	KEY ASSUMPTIONS
SALES GROWTH	Lower end of 7-8% range	Unchanged 4-5% range	<ul style="list-style-type: none"> <li>• Double-digit growth in the second half of 2020/21</li> <li>• Continued resumption of elective procedures and hospital activity across business areas as vaccines are rolled out</li> <li>• No current knowledge of significant health care reforms</li> <li>• Stable supply and distribution of products across the company</li> </ul>
EBIT MARGIN		Upper end of 32-33% range before special items  Upper end of 31-32% range after special items	<ul style="list-style-type: none"> <li>• Leverage effect on fixed costs e.g. distribution, admin and R&amp;D costs</li> <li>• Global Operations Plan 4 (savings of 50bps) and GOP5 partly offset by negative impact from wage inflation and labour shortages in Hungary and ramp-up costs in Costa Rica</li> <li>• Incremental investments of up to 2% of revenue in Interventional Urology, Asia and consumer &amp; digital initiatives</li> <li>• Prudent approach to costs and lower travel &amp; marketing spend due to COVID-19</li> <li>• EBIT is impacted by a further provision of DKK 200m in special items in Q2 related to the US Mesh litigation</li> </ul>
CAPEX (DKKm)		~1.1bn	<ul style="list-style-type: none"> <li>• Investments in automation initiatives at volume sites in Hungary and China as part of GOP5</li> <li>• Establishment of new volume site in Costa Rica</li> <li>• Investments in new machines for existing and new products</li> <li>• IT investments</li> </ul>
TAX RATE		~23%	<ul style="list-style-type: none"> <li>• Reduction of around 0.5%-point due to a temporary increase in the tax-deductible value of R&amp;D expenses in Denmark, offset in 2020/21 by one-time expense related to the inclusion of Nine Continents Medical in Coloplast's global tax model</li> </ul>

\*DKK guidance is based on spot rates as of August 17 2021

## 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