

Q1 2022/23 Pre-close brief – December 2022

Prior to entering our close period on December 27, 2022, ahead of reporting our Q1 results on February 3, 2023 for the period ending December 31, 2022, we would like to bring the following highlights to your attention:

Atos Medical acquisition

- On January 31, 2022 Coloplast completed the acquisition of Atos Medical announced on November 8, 2021. The transaction adds a new chronic business segment, run as a separate strategic business unit, Voice & Respiratory Care, operating on shared Coloplast infrastructure.
- Atos Medical is expected to grow 8-10% organically, with an EBITDA margin in the mid-30s level, and contribute to Coloplast's Strive25 financial guidance of 7-9% organic growth and +30% EBIT margin.
- The acquisition price was EUR 2,155m (around DKK 16bn), financed through 100% debt financing. The blended interest rate is expected around 1.95% in FY 2022/23.
- The transaction is expected to be increasingly EPS accretive from FY 2022/23.
- Estimated run-rate operational synergies of up to DKK 100m from utilising Coloplast infrastructure, with full impact estimated from FY 2023/24.
- CAPEX integration costs (vast majority IT CAPEX) of up to DKK 150m split over FY 2021/22-2023/24.
- Around 25% of the purchase value is treated as intangibles, amortised over approximately 15 years.
- One-off integration costs of around DKK 50m expected in FY 2022/23, to be handled as special items.

Product update

- Coloplast is launching SpeediCath® Flex Set in key markets during 2022 and 2023, expanding the flexible catheters portfolio with a set solution.
- The new catheter platform, Luja™ is expected to be launched in the second half of FY 2022/23. The new digital ostomy tool, Heylo™, is expected to be launched during FY 2022/23 as well.
- Thulium Fiber Laser (TFL) Drive, the first laser equipment in the Interventional Urology portfolio is being launched in key markets during 2022 and 2023.

Financial guidance for FY 2022/23

(DKK guidance is based on spot rates as of November 4, 2022)

- The high inflationary environment and the impact of COVID-19 in China are continuously monitored and evaluated, and result in a higher degree of uncertainty.
- Organic revenue growth is expected at 7-8% in constant exchange rates. Reported growth in DKK is expected to be at 11-12% and includes contribution from the Atos Medical acquisition of around 3%-points (4 months), and favorable FX movements of around 1%-point.
- The guidance assumes limited impact from COVID-19 on hospital activity across markets, except for China.
- The Chinese Ostomy Care and Wound Care businesses are expected to remain impacted by COVID-19 restrictions, impacting hospital access and procedural volumes. Average value per patient in Ostomy Care is also expected to remain below pre-COVID levels, impacted by consumer sentiment.
 - In Chronic Care, the guidance assumes the following:
 - Continued good momentum in Europe.
 - US – sustained good momentum in Ostomy Care and improvement in growth in Continence Care.
 - Emerging markets ex. China – broad-based double-digit growth.
 - Interventional Urology is expected to deliver in line with the Strive25 ambition of high single-digit growth.
 - Wound & Skin Care is expected to deliver in line with the Strive25 ambition of above market growth.
 - Voice & Respiratory Care is expected to grow at 8-10% and will become a part of the group organic growth as of February 1, 2023 (8 months impact on organic growth).
 - Phasing – a slower start of the year in H1 2022/23, due to baseline impact in China and impact from backorders in Collecting Devices and Wound Care (similar level as in Q4).
 - The organic growth by quarter for FY 2021/22 was: Q1 6.1%, Q2 6.8%, Q3 7.5%, Q4 4.8%.

- No current knowledge of significant healthcare reforms in FY 2022/23; positive pricing impact expected, at a similar level to FY 2021/22.
- Continued uncertainty in Russia due to the ongoing war in Ukraine. The revenue exposure is expected to be on par with FY 2021/22, around 1% of group revenues, with a flat growth rate in FY 2022/23.
- The gross margin for 2022/23 is expected to be 66-68%, impacted by inflationary headwinds across cost categories:
 - Double-digit price increase on raw materials (around 55% of costs of goods sold in FY 2021/22).
 - Energy cost expected to double (around 2% of costs of goods sold in FY 2021/22), driven by significant increases in electricity prices in Hungary. Around 70% of Q1 2022/23 electricity consumption is hedged at around 200 EUR/MWh and 60% for Q2-Q4 2022/23 is hedged at around 400 EUR/MWh, compared to an average price paid in FY 2021/22 of around 200 EUR/MWh.
 - Double-digit wage inflation in Hungary (direct salaries were around 9% of costs of goods sold in FY 2021/22, majority of which in Hungary).
 - Positive impact from operating leverage and efficiency gains from the Global Operations Plan 5, as well as positive contribution from Atos Medical and currencies.
- The reported EBIT margin before special items is expected at 28-30% and assumes:
 - Leverage effect on fixed costs e.g., distribution, admin, and R&D costs (as a rule of thumb the leverage effect kicks in at around 5% organic growth).
 - Prudent management of operating costs, expected to grow below reported revenue growth, excluding acquired growth. The guidance also assumes additional incremental investments, at the lower end of the Strive25 guidance of up to 2% of sales.
 - The EBIT margin will also be impacted by around DKK 230m amortization charges related to the Atos Medical acquisition.
 - Currency effect is expected to contribute positively to the EBIT margin.
- CAPEX guidance for 2022/23 is around DKK 1.4bn and includes:
 - Investments in automation at volume sites in Hungary and China as part of GOP5, investments in new machines for existing and new products, IT and sustainability investments, as well as Atos Medical capex and integration capex.
- The net financials for the FY 2022/23 are expected around DKK -450m, based on spot rates as of November 4, 2022, and include impact from the financing of the Atos Medical acquisition.
- The effective tax rate is expected to be around 21%, positively impacted by the transfer of Atos Medical intellectual property.

Foreign exchange rates

- Please see below an updated spot rate overview based on spot rates as of December 9. You can also find the exchange rate exposure and our hedging policy on page 61 in our latest roadshow presentation.

Currency	Average exchange rate FY 2021/22 ¹⁾	Spot rate, Dec 9, 2022	Change in spot rates compared with the average exchange rate for 2021/22	Average exchange rate YTD 2022/23 (Oct 1, 2022 to Dec 9, 2022)	Change in average exchange rate compared to average exchange rate FY 2021/22
Key currencies:					
USD	688	704	2%	738	7%
GBP	878	863	-2%	856	-2%
HUF	1.97	1.78	-10%	1.81	-8%
Other selected currencies:					
CNY	105	101	-4%	103	-2%
JPY	5.54	5.16	-7%	5.14	-7%
AUD	490	477	-3%	481	-2%
BRL	132	135	3%	140	6%
ARS ²⁾	5.16	4.16	-19%	4.16	-19%

1) Average exchange rate from 1 October 2021 to 30 September 2022.

2) The hyperinflationary economy in Argentina entails that results denominated in Argentinian Peso must be adjusted for inflation and be translated at the exchange rate of the balance sheet day which was DKK 5.16 per ARS 100.00 at 30 September 2022, DKK 4.16 per ARS 100.00 at 9 December 2022.

Please do not hesitate to reach out to Investor Relations if you have any questions.

Best regards,

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Forward-looking statements

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