Coloplast

Q4 2022/23 Pre-close brief – September 2023

Prior to entering our close period on October 11, 2023, ahead of reporting our FY results on November 9, 2023 for the period ending September 30, 2023, we would like to bring the following highlights to your attention:

Acquisition of Kerecis

- On August 31, 2023, Coloplast completed the acquisition of Kerecis, announced on July 7, 2023. The terms of the transaction and the financial assumptions stated in Coloplast's stock exchange announcement no. 03/2023 regarding the acquisition of Kerecis are unchanged.
- With the acquisition, Coloplast obtains a long-term growth business with strong profitability expansion potential, well-positioned for long-term value creation.
- The financial assumptions for Kerecis are as follows:
  - Revenue growth: FY 2022/23 growth is expected around 50% (revenues in FY 2021/22 were around DKK 510 million). Continued strong growth trajectory beyond FY 2022/23, with an estimated three-year CAGR of around 30% until FY 2025/26.
  - EBIT margin (excluding PPA amortization): expected to be around 10% in FY 2022/23 and to continue expanding to around 20% in FY 2025/26. In the following years, the EBIT margin is expected to be in line with Coloplast's long-term guidance of more than 30%.
- As a result of the acquisition, Coloplast raised its long-term organic growth guidance to 8-10%, from previously 7-9%. The long-term EBIT margin guidance was maintained at above 30% beyond FY 2024/25.
  - Kerecis is expected to be growth accretive, contributing around 1%-point to group organic growth as of FY 2024/25. Revenue impact in the first 12 months after closing will be treated as acquired growth.
  - The EBIT margin during the Strive25 period is expected to remain below 30% and assumes dilution of around 100 basis points p.a. from Kerecis (incl. impact from PPA amortisation of around DKK 100 million).
- The transaction is expected to be increasingly EPS accretive from FY 2026/27.
- Kerecis will be included in the financials for FY 2022/23 with 1 month of impact. Revenue contribution will be included as acquired growth under the existing Wound and Skin Care business area, which will be renamed to Advanced Wound Care.
- Special items impact from Kerecis for FY 2022/23 is expected around DKK 50 million due to transaction related costs (advisory fees).
- The total enterprise value for Kerecis amounts to USD 1.3 billion (around DKK 8.9 billion), consisting of USD 1.2 billion (around DKK 8.2 billion) upfront cash payment and an earnout potential of maximum USD 100 million (around DKK 680 million) related to financial performance in FY 2023/24. The transaction was financed through an equity capital raise, which was completed on August 30, 2023.
- For further details on the acquisition of Kerecis, please refer to stock exchange announcement no. 03/2023 from July 7, 2023 (Coloplast announces agreement to acquire Kerecis).

Product updates

- Coloplast is launching Luja™, the new male intermittent catheter with a Micro-hole Zone Technology. Luja has been launched in five markets, with launch in key markets expected over the next 5 months[1)].
- The new digital ostomy tool, Heylo™, is expected to be launched in 2023.
- 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 August 15, 2023)

- The high inflationary environment and the re-opening in China are continuously monitored and evaluated, and result in a higher degree of uncertainty.
- Organic revenue growth is expected at around 8% in constant exchange rates. Reported growth in DKK is expected to be 8-9% and assumes negative impact of around 2%-points from currencies. The Atos Medical and the Kerecis acquisitions are expected to contribute to reported growth with around 3%-points.
  - In Chronic Care, the guidance assumes:

1) Luja is a medical device for which CE-mark has been affixed. Product availability is subject to regulatory process of individual countries and is not guaranteed

    - Europe – continued good momentum.
    - US – sustained good momentum in Ostomy Care and improvement in growth in Continence Care.
    - Emerging markets ex. China – broad-based double-digit growth.
    - China – impact from COVID-19 in H1 2022/23 and improvement in growth in H2 2022/23, driven mainly by a lower baseline last year and a normalisation in inflow of new patients to pre-COVID levels, following the normalisation in hospital access and procedural volumes in Q3. The average value per patient is expected to remain below pre-COVID levels, impacted by consumer sentiment.
  - Wound & Skin Care is expected to deliver in line with the Strive25 ambition of above market growth.
    - China Wound Care – impact from COVID-19 in H1 and an improvement in growth in H2 2022/23, driven by a lower baseline in 2021/22 and normalised hospital access and procedural volumes.
    - The resolution of the backorder situation is progressing as expected and backorder impact in Q4 is expected to be limited.
  - Interventional Urology is expected to deliver growth of around 10%.
  - Voice & Respiratory Care is expected to grow at 8-10%, with 8 months impact on Group organic growth in FY 2022/23.
  - Phasing – Q4 organic growth is expected to be at a similar level to 9M.
  - The organic growth by quarter for FY 2021/22 was: Q1 6.1%, Q2 6.8%, Q3 7.5%, Q4 4.8%.
  - Positive pricing impact expected, at a similar level to FY 2021/22.
  - Continued uncertainty in Russia due to the ongoing war in Ukraine. Revenue exposure is expected to be on par with FY 2021/22, around 1% of group revenues, with a negative growth contribution in FY 2022/23.
- The gross margin for FY 2022/23 is expected to be 66-67%, 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[2)]).
  - Energy cost expected to be around double compared to FY 2021/22 (around 2% of costs of goods sold in FY 2021/22[2)]), driven by significant increases in electricity prices in Hungary, where electricity price hedges of around 400EUR/MWh took effect as of January 1, 2023. Electricity is expected to be a tailwind in Q4, as a result of a price cap of 200 EUR/MWh imposed by the Hungarian government.
  - Double-digit wage inflation in Hungary (direct salaries were around 9% of costs of goods sold in FY 2021/22[2)], majority of which in Hungary).
  - Freight cost expected to be at a similar absolute level as in FY 2021/22 (around 6% of costs of goods sold in FY 2021/22[2)]), with a tailwind in H2 as a result of a decline in sea freight rates.
  - Positive impact from operating leverage and efficiency gains from the Global Operations Plan 5, positive contribution from Atos Medical, and positive pricing impact.
  - Currencies expected to impact the gross margin negatively.
- The reported EBIT margin before special items is expected at 28-29% and assumes:
  - Negative contribution from currencies, based on spot rates as of August 15, 2023.
  - 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 assumes additional incremental investments at the lower end of the Strive25 guidance of up to 2% of sales.
  - The EBIT margin assumes around DKK 220m in amortisation charges related to the Atos Medical acquisition.
- Italian payback system implementation – financial impact expected to be managed within the given EBIT margin guidance before special items for FY 2022/23.
- Special items of around DKK 50m expected in FY 2022/23.
- CAPEX guidance for 2022/23 is around DKK 1.3bn 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.

2) Costs of goods sold were DKK 7,050 million in FY 2021/22

- The net financials for the FY 2022/23 are expected around DKK -700m, based on spot rates as of August 15, 2023, and include impact from the financing of the Atos Medical acquisition, with a blended interest rate around 3.2% in FY 2022/23 (based on fixing of the interest rate on the 2-year bond as of May 16, 2023).
- The effective tax rate is expected to be around 21%, positively impacted by the transfer of Atos Medical intellectual property.
- Net working capital for the year is expected to be around 25% of revenue.

Moving parts into FY 2023/24

- Organic revenue growth:
  - China – an improvement in growth, following the normalization of patient inflow. However, the average value per patient is expected to remain below pre-COVID levels.
  - Outside of China, all regions and business areas are expected to perform largely in line with the Strive25 expectations. Voice and Respiratory Care is expected to deliver growth in the 8-10% range.
  - Continued uncertainty in Russia with negative growth contribution expected for FY 2023/24.
  - No current knowledge of significant healthcare reforms; positive pricing impact expected.
- Kerecis is expected to continue the strong growth momentum. Growth contribution from Kerecis will be included as acquired growth for the period October 2023 – August 2024, with one month of impact on organic growth (September 2024).
- EBIT margin:
  - The assumptions on the gross margin include:
    - Mid-single digit price increase on raw materials.
    - Around 80% of electricity consumption for FY 2023/24 is hedged at an average price of around 150 EUR/MWh, resulting in a tailwind compared to FY 2022/23.
    - Wage inflation in Hungary expected to be at a similar, double-digit level, as in FY 2022/23.
    - Tailwind from freight cost, as a result of a decline in sea freight rates.
    - Positive impact from operating leverage and efficiency gains from the Global Operations Plan 5, positive contribution from Atos Medical and Kerecis, and positive pricing impact.
  - Continued prudent management of operating costs. The guidance assumes additional incremental investments at the lower end of the Strive25 guidance of up to 2% of sales.
  - 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).
  - White-collar wage increases at a similar level to FY 2022/23 of mid-single digit.
  - Around 100bps dilution from Kerecis, including around 100m DKK in PPA amortisation.

Foreign exchange rates

Please see below an updated spot rate overview based on spot rates as of September 28. You can also find the exchange rate exposure and our hedging policy on page 69 in our latest roadshow presentation (Coloplast roadshow presentation).

Currency	Average exchange rate for FY 2021/221)	Spot rate, September 28 2023	Change in spot rates compared with the average exchange rate for 2021/22	Average exchange rate for YTD 2022/23 (Oct 1, 2022 to September 28, 2023)	Change in average exchange rates compared with average exchange rate for FY 2021/22
Key currencies:					
USD	688	710	3%	698	1%
GBP	878	862	-2%	855	-3%
HUF	1.97	1.90	-4%	1.92	-3%
Other selected currencies:					
CNY	105	97	-7%	99	-6%
JPY	5.54	4.75	-14%	5.03	-9%
AUD	490	452	-8%	465	-5%
BRL	132	141	7%	138	5%
ARS2)	5.16	2.03	-61%	2.03	-61%

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

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

Best regards,

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Forward-looking statements

Any forward-looking statements included herein do not constitute a guarantee of future results and are subject to risk, uncertainty and assumptions, the consequence of which are difficult to predict. The forward-looking statements are based on our current expectations, estimates and assumptions and are provided on the basis of information available to us at the present time but actual results may differ significantly from any forward-looking statement.

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