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Coloplast A/S (CLPBY.DK)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Coloplast Interim Financial Statement for Q1 2025/2026 Conference Call. I am Maria, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode, and the conference has been recorded. The presentation will be followed by a Q&A session. [Operator Instructions] The conference must not be recorded for publication or broadcast.

At this time, it's my pleasure to hand over to Lars Rasmussen, Interim CEO. Please go ahead.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

Thank you and good morning, and welcome to our Q1 2025/2026 conference call. I'm Lars Rasmussen, the Interim CEO of Coloplast. And I'm joined by our CFO, Anders Lonning-Skovgaard, and our Investor Relations team. We will start with a short presentation by Anders and myself and then open up for questions. And please turn to slide number 3.

We delivered 6% organic revenue growth and 3% EBIT growth in constant currencies before special items. Return on invested capital after tax and before special items landed at 15%, on par with last year's adjusted figure. We had a soft start to the year as expected however with a significant, more turbulent quarter in Kerecis than we would have anticipated. I'll get back to that in a moment. For the year, we maintained our guidance of around 7% organic growth. We lower our growth expectations for Kerecis to around 10% amidst significant market uncertainty in the outpatient setting, but raised our outlook for Interventional Urology to high-single digits

following a strong start and improved outlook for the year. Before we dive further into the quarterly performance and outlook for the year, let me begin with a brief comment on our leadership team.

In December, we announced two important changes to the executive leadership team. EVP of People & Culture, Dorthe Rønnau, has decided to leave Coloplast to pursue the next chapter in her career, and Tommy Johns, Executive Vice President of Interventional Urology, has decided to retire after more than a decade in Coloplast and more than three decades in the global life science industry. An external search is currently ongoing to identify a new leader for the Global People & Culture function while Kevin Hardage will step into the role of EVP, Interventional Urology on February 9. Kevin brings extensive experience from the global medtech industry, including senior leadership experience from Teleflex in the urology space. And I look forward to welcoming Kevin to Coloplast.

Dorthe and Tommy have both played key roles in ensuring a smooth leadership transition. I want to thank them for the continuity and stability they have provided throughout this period, and wish them all the best in their future endeavors. Additionally, I would like to mention that the search for Coloplast new CEO is progressing well and remains on track. I would also like to put a few words to key developments in Q1.

Interventional Urology delivered a strong start to the year with 8% organic growth driven by the Men's Health business. The product recall in Kidney & Bladder Health is now behind us, and we are looking at a very healthy business expected to deliver high-single-digit growth in 2025/2026.

During the quarter, we reached the important milestone of submitting Intibia, our investigational tibial nerve stimulation device, to the FDA. This marks an important advancement towards a future launch of the device and our goal of bringing innovative and clinically-differentiated solutions closer to the patients. Intibia plays an important role in delivering on our Impact4 strategy for Interventional Urology. And I'm encouraged by the fact that we continue to see clear external confirmation of the relevance of the implantable tibial nerve stimulation space.

Industry activity and investments in implantable tibial nerve stimulation continues to increase, indicating broader confidence in this therapy area and the role it may play in the future management of overactive bladder. These developments reinforce our long-term view of the opportunity within this segment. I would also like to highlight that we are further strengthening our product portfolio in Interventional Urology through an agreement to purchase the outstanding shares of Uromedica, a commercial stage company with a minimally-invasive solution for treating stress urinary incontinence, complementary to our existing Men's Health business.

The transaction is expected to close here in February. And we have an initial impact on the group financial performance in 2025/2026 while being accretive to Interventional Urology's financial metrics in the second half of the Impact4 strategic period. Finally, I would like to spend a moment addressing the development we have seen in Kerecis in Q1.

Kerecis delivered 10% organic growth in the quarter with an EBIT margin of only 1%. While we continued to see a healthy momentum in the in-patient setting in Q1, Kerecis' overall performance was subdued due to significant sales disruption from Medicare reimbursement changes in the outpatient setting, which resulted in negative growth in the outpatient setting. Effective January 1, 2026, Medicare has introduced a single fixed payment of \$127 per square centimeter for all products in the outpatient setting covered by Medicare. At the same time, Medicare has withdrawn the already announced LCD also set to go into effect January 1. Combined, this has triggered significant uncertainty in the skin substitute market as the channel adjusts. And we expect the heightened market uncertainty to persist throughout the year.

As part of the shift towards a fixed payment rate, the Shield product brand will be phased out of the Medicare market and replaced by a renewed portfolio of the product brand, MariGen, which is well-positioned to take market shares under the new fixed rate. This shift will create a negative mix effect as MariGen volumes are scaling. There is no doubt that the many unprecedented changes by CMS and the recent pivot with regards to the LCD in fiscal Q1 has made the operating environment increasingly difficult to navigate as a manufacturer. Similarly, we have seen an increased level of customer hesitancy to place large orders amid the significant market uncertainty. However, we're looking ahead. We remain optimistic about the outlook for the category and Kerecis long term. We support CMS's efforts to clean up the market. And we see both the now cancelled LCD and the fixed payments rate as evidence that Kerecis remains well-positioned to compete and win in the skin substitutes market.

Only 18 out of more than 300 products were in the final LCD. And of these, two were Kerecis products. That is a clear testament to the clinical efficacy and differentiation of Kerecis products offerings. Kerecis is the only product in the market based on intact fish-skin. It has a high resemblance to human skin and is proven to be more effective than the standard of care in healing severe wounds. In addition to being incredibly potent, the technology is also highly scalable based on its unique ways to value proposition, allowing for highly-efficient production setup. No other products in the markets share the unique characteristics of the fish-skin, and we have moved quickly in response to the changes. We have enhanced our go-to-market model to align with the new requirements, and will roll out a series of product launches during the year or during this year to support this updated approach. I'm deeply impressed by the agility, ingenuity, and the grit of the Kerecis team and the way that they handled the situation. Long term, we therefore continue to believe Kerecis will see continued strengthening of its competitive position relative to peers due to its unique technology and strong clinical documentation. With this, let's now take a closer look at the details by business area.

In Ostomy Care, organic growth was 4% and growth in Danish krone was flat in the first quarter. Ostomy Care delivered a soft start to the year, as expected, due to negative growth in China, a high baseline in the US, and order phasing in emerging markets. The rest of the year, we expect the growth momentum to pick up.

In the US business, the underlying performance continues to be strong. And in Q1, Premier has renewed Coloplast Group's purchasing agreement. The contract remains multi-source and effective for three years starting April 1, 2026. In China, sales declined in the quarter impacted by a continued weak consumer sentiment and competitive pressures from domestic players in the community channel, further amplified by a high baseline last year. From a product perspective, the SenSura Mio portfolio was the main contributor to growth followed by the Brava range of supporting products. The latest product launches within SenSura Mio, the black bags and the new two-piece offering both continue to perform well. Additional variants of the black bags were launched in Q1, and further variants are expected throughout 2025/2026.

In Continence Care, organic growth was 7% and growth in Danish krone was 2% for Q1. The Luja portfolio was the main growth contributor in the quarter driven by both the male and female catheters in Europe, most notably in the UK, France, and Germany, and also in the US. Growth in the SpeediCath portfolio was driven by flexible catheters in the US and LatAm. Within our two smaller segments in Continence Care, Bowel Care made a strong contribution to growth while Collecting Devices saw a slight decline in the quarter. From a geographical perspective, growth was driven by Europe and the US while growth in emerging markets was impacted by order phasing.

Voice & Respiratory Care posted 8% organic growth for Q1 with growth in Danish krone, 5%. Laryngectomy delivered high-single-digit growth in the first quarter driven by an increase in the number of patients served in existing and new markets and an increase in patient value driven by the Provox Life portfolio. Tracheostomy

delivered mid-single-digit growth driven by solid underlying demand, partly offset by phasing in distributor markets. Growth in Tracheostomy is expected to be back-end loaded and will pick up momentum in the second half of the year.

In Wound & Tissue Repair, organic growth were 5% for Q1. In Danish krone, sales declined 8 percentage points or 8% due to 8 percentage points negative impact from the Skin Care divestment in December 2024. As mentioned earlier, Kerecis delivered a soft quarter with 10% organic growth due to the significant sales disruption from the Medicare reimbursement changes in the outpatient setting. The Advanced Wound Dressings business declined 3% in Q1. China detracted significantly from growth impacted by the product return initiated last year with a negative revenue impact of around DKK 25 million in the first quarter. From a product perspective, Biatain Superabsorber was the main growth contributor. The contract manufacturing business posted solid double-digit growth in the first quarter, reflecting a front-end loaded year.

In Interventional Urology, organic growth was 8% and growth in Danish krone was 3% for Q1. As mentioned earlier, the Men's Health business in the US delivered a strong first quarter and was the main contributor to growth. Our flagship products within Men's Health, the Titan penile implant, continue to perform well with the patient funnel positively impacted by our patient support program targeted at prospective patients. The Women's Health business and the Kidney & Bladder Health business also contributed to growth.

With this, I'll now hand over to Anders who will take you through the financials and outlook in more detail. Please turn to slide number 5.

Anders Lønning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

Thank you, Lars, and good morning, everyone. Reported revenue for Q1 increased by DKK 17 million or 0% compared to last year. Organic growth contributed around DKK 393 million or around 6% to reported revenue. Divested businesses related to Skin Care in December 2024 reduced reported revenue by DKK 77 million or around 1%. Foreign exchange rates reduced reported revenue by DKK 299 million or around 4%, mostly related to the depreciation of the US dollar, the British pound, and the basket of emerging market currencies against the Danish krone. Please turn to slide number 6.

Gross profit for Q1 amounted to DKK 4.7 billion corresponding to a gross margin of 67% compared to 68% last year. The gross margin was negatively impacted by currencies of around 30 basis points and ramp-up cost in Costa Rica and Portugal. This was partly offset by favorable impact from lower inflation on raw materials, freight, and utilities. Country and product mix also had a positive impact.

Operating expenses for Q1 amounted to around DKK 2.9 billion or 2% increase compared to last year. The distribution to sales ratio for Q1 was 33%, on par with last year. In absolute terms, the distribution costs were also in line with last year. The flat development in distribution cost reflects DKK 20 million in one-off logistics cost in Q1 related to the new distribution center and lower sales cost in China following the organizational restructuring in Q1 last year. This was partly offset by one-off cost to enhance Kerecis' go-to-market model under the new Medicare reimbursement model. The development in distribution costs were also positively impacted by the depreciation of the US dollar against the Danish krone.

The admin to sales ratio for Q1 was 5% compared to 4% last year and includes around DKK 15 million in one-off advisory cost incurred by Kerecis in connection with the recent CMS regulatory changes in the US outpatient setting. The R&D to sales ratio for Q1 was 4% compared to 3% last year, reflecting phasing of costs within Chronic Care R&D and higher activity levels in Kerecis. Overall, this resulted in operating profit before special

items of DKK 1.9 billion in Q1. In constant currencies, EBIT grew 3% compared to last year while reported EBIT declined 3%. The EBIT margin before special items for Q1 was 26% compared to 27% last year, negatively impacted by the significantly reduced EBIT margin in Kerecis due to low organic growth and large one-off costs.

Currencies also had a negative impact on the reported EBIT margin of around 30 basis points, mostly related to the depreciation of the US dollar, the British pound, and the basket of emerging markets currencies against the Danish krone, as well as appreciation of the Hungarian forint against the Danish krone. Financial items in Q1 were a net expense of DKK 24 million compared to a net expense of DKK 69 million in Q1 last year, reflecting low interest expenses and gains on exchange rate adjustments, mostly related to the US dollar. The blended interest rate was around 2.6% in Q1, down from around 3.1% in Q1 last year.

The tax expense in Q1 was DKK 394 million compared to an ordinary tax expense of DKK 389 million last year and the total tax expense of DKK 725 million last year due to a nonrecurring expense of DKK 336 million related to the transfer of Kerecis' intellectual property from Iceland to Denmark. The tax rate was 22%, on par with ordinary tax rate last year. As a result, the net profit before special items and adjusted for the nonrecurring tax expense last year, decreased by DKK 14 million in Q1 and adjusted diluted earnings per share before special items decreased by 1%.

Please turn to slide 7. Operating cash flow for Q1 was an inflow of DKK 2.2 billion compared to an inflow of DKK 2 billion in Q1 last year. The positive development in cash flows was mostly driven by lower financial items, partly offset by higher income tax paid. Cash flow from investing activities was an outflow of DKK 412 million compared to an outflow of DKK 133 million last year. The increase partly reflects a low baseline due to the DKK 192 million impact from the divestment of Skin Care business last year.

CapEx in Q1 amounted to DKK 414 million with a CapEx to sales ratio of 6% compared to 4% last year. CapEx in Q1 includes around DKK 97 million related to the new manufacturing site in Portugal, which is expected to be in operations in Q4 this year. As a result, the free cash flow for Q1 was an inflow of DKK 1.8 billion compared to an inflow of DKK 1.9 billion last year. Excluding benefit from the divestment last year, the free cash flow increase in the first quarter was 8%. The free cash flow-to-sales ratio was 26% compared to 24% last year, and the trailing 12-month cash conversion was 82%. Net working capital amounted to around 25% of sales, on par with last year. Finally, the return on invested capital after tax and before special items was 15%, on par with last year, adjusted for the impact from the Kerecis IP transfer last year.

In January, we refinanced our €800 million credit facility, retaining the facility's existing terms and conditions. The structure remains a standard credit facility and the facility now matures in January 2029. Now, let's look at the guidance for the 2025/2026 financial year. Please turn to slide number 8.

For the 2025/2026 financial year, we continue to expect organic revenue growth of around 7% and around 7% EBIT growth in constant currencies before special items. We also continue to expect a return on invested capital of around 16%, up around 1 percentage points from 15% adjusted last year. The organic revenue growth guidance of around 7% assumes continued good momentum in Chronic Care. In Interventional Urology, we now expect high-single-digit growth versus mid-single-digit growth previously following a strong quarter.

In Wound & Tissue repair, we now expect Kerecis to deliver growth of around 10% versus around 20% previously, reflecting the significant sales disruption from Medicare reimbursement changes in the outpatient setting and the high uncertainty around the timing of the recovery. Within Advanced Wound Dressings, we continue to expect negative impact from the product return in China in the first nine month of the year. Reported revenue growth in Danish krone is now expected at around 4% from around 4% to 5% previously and assumes

around 3 percentage points negative impact from currencies, up from around 2 to 3 percentage points previously. The [ph] present (00:30:38) currency outlook is mostly driven by the further depreciation of the US dollar. For the year, we continue to expect the negative currency impact to be driven primarily by the US dollar and, to a small extent, the British pound, the Chinese yuan, and now also the Japanese yen.

The EBIT growth in constant currencies of around 7% assumes stable inflation levels and continued ramp-up cost related to our manufacturing sites in Costa Rica and Portugal. The EBIT growth guidance also includes the initiation of Impact4 investments, including global technology investments and AI investments towards the new Bowel Care opportunity in the US and investments related to Intibia.

For Kerecis, we expect a significant EBIT margin uplift the rest of the year with Kerecis full year EBIT margin around double digit compared to 1% in Q1. We expect currencies to have a negative impact on the reported EBIT margin of around 50 basis points driven by the depreciation of the US dollar and the British pound against the Danish krone, and the appreciation of the Hungarian forint against the Danish krone. In terms of phasing, we expect the organic revenue growth and EBIT growth in constant currencies to be second half weighted following a soft start here in the Q1, as expected.

For 2025/2026, we continue to expect around DKK 50 million in special items. And we also continue to expect net financial expenses of around minus DKK 500 million based on spot rates as of February 4, down from around DKK 1 billion in 2024/2025. The effective tax rate for 2025/2026 is still expected to be around 22%. Net profit is expected to significantly increase year-over-year as 2024/2025 was impacted by extraordinary high special items, high financial items due to negative exchange rate adjustments, and finally the extraordinary tax expense related to the transfer of Kerecis' intellectual property. The CapEx to sales ratio is still expected at around 5%, and net working capital is still expected at around 25%. Our guidance is based on the knowledge we have today and assumes immaterial impact from tariffs as we expect our products to remain exempted.

Thank you very much. Operator, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Hassan Al-Wakeel from Barclays. Please go ahead.

Hassan Al-Wakeel

Analyst, Barclays Capital Securities Ltd.

Q

Good morning. Thank you for taking my questions. Three please. Firstly, just on the reiterated guidance, can you talk us through the offsets you see given the Kerecis lower growth and margin expectations for the full year, and how they should be a headwind to group profitability?

Secondly, can you help us unpack the further weakness you're seeing in skin substitutes, and why you expect this to persist over the course of the year? And you've obviously noted more favorable pricing versus peers. What is the level of growth you're seeing in the inpatient setting, and how do you see this over the course of the year? And if you can put all of this into context with your longer-term ambition for Kerecis, that would be helpful.

And then thirdly, if you can walk us through the confidence that you have in terms of the raised Interventional Urology guide where you see Women's Health and Men's Health growing in the first quarter and expectations for the full year? Are we past the risks from bulking agents to the Women's Health business? Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yes. Hello, Hassan, and thanks for your questions. I will start with the first one. As I understood your question, that was the moving parts on our organic growth and EBIT growth guidance. So, as I just mentioned, we are keeping our organic growth and EBIT growth guidance in fixed currencies of around 7%. We are expecting our Urology business to improve after a good first quarter, but also due to the fact that we have now the recall of the product we made last year behind us. The underlying Men's Health business continue to be strong. So, that is an important assumption.

Secondly, we see good growth in the rest of the year for our Chronic business. And that is then offset by the adjustment in terms of the Kerecis' outlook for the year. As I just mentioned, we have reduced our outlook for Kerecis to now around the 10%. In terms of the EBIT growth guidance, I also just mentioned that. We are expecting the rest of the year that the EBIT growth will improve as a result of higher growth, but also as a result of significantly improvement in the underlying Kerecis margin. We had in Q1 quite significant one-offs related to Kerecis, and we expect that to be fully behind us. So, that's the other key element. So, we are expecting the Kerecis underlying margin to improve to double-digit levels. So, that's some of the key moving parts. Lars?

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

Yes. So, on the Kerecis side, this is a really strange situation to be in because we have known for such a long time now that there would be an LCD that was finally announced on the 16th of December. So, I can't even imagine what kind of situation we would be in if we had not been on the short list of 18 products when we were having this discussion. So, we are very satisfied to see that, out of 340 products, we had two of the products that were mentioned on the list of 18 products that were covered by the LCD, and we had two products in the market. So, therefore, it's everything that we had in the market that was covered by that.

There was also a time or a price, a price point on this, on \$127 per square centimeter. And one of the products could pass that one, and that is the MariGen product. So, we have immediately also taken steps to enlarge that portfolio of products to be more competitive, even more competitive in this space in the future. We also see that there are pretty large number of competitors that would not be able to meet the price criteria. So, therefore, we actually see this movement in, you could say, the 20% of the total sales of Kerecis that are the outpatient Medicare covered part of the portfolio. We actually see that as a positive future omen, so to speak.

The other positive part about this is that, more or less, the rest of the portfolio we have is in inpatient. And that is an environment where clinical data historically have been much more important. And now, we basically have Medicare's own verdict that the clinical efficacy of our products [ph] are stellar (00:39:08). So, in that sense, we see this really as a short-term disruption. And the disruption is that the payers or the offices, the private offices that are using our products, they don't have clarity at this point in time of what is covered by Medicare and what is not. And that is – therefore we see – we basically see some hesitancy from the professionals to buy the products right now. But the fact of the matter is that there are fewer products available in the market to cover the same number of [ph] rooms (00:40:01) that we had before. So, we see this as positive. And then, we have question number three.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. Your question number three, Hassan, that was related to Urology, as I remember. And I think actually I talked a bit to it earlier. But, overall, the Urology business, as I said, is off to a good start in Q1. We had or continue to have a good Men's Health development in Q1 actually as we had last year in the second half as well. So, we expect that to continue. And then, the other important factor is that now the recall of the product we had last year is now fully behind us. So, we're actually seeing a good underlying development within our Urology business. And that's also why we see that business to deliver high-single-digit growth for this financial year.

Hassan Al-Wakeel

Analyst, Barclays Capital Securities Ltd.

Q

Very helpful. Thank you, both.

Operator: The next question comes from the line of Jesper Ingildsen from DNB Carnegie. Please go ahead.

Jesper Ingildsen

Analyst, DNB Carnegie

Q

Yeah. Hi. Thanks for taking my questions. I'm curious. So, you mentioned in the outpatient setting, those are declining in Q1. I was curious to hear what you have seen here at the beginning of the year after the implementation of the fixed price cap. And then, maybe also if you could specify how much of a one-off effect you had in Kerecis EBIT margin here in Q1 just to understand where the underlying margin would be? And then also if you could just give us indication of what it will take to end up in a situation where you would have to write-off this asset?

Thanks.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

So, in terms of your questions, Jesper, thank you for that. Lars now just talked about Kerecis. We expected the Kerecis growth for this financial year to be around the double digit. And we are still expecting some turmoil in Q2 before it's starting to improve in the second half. But overall for the year, we are looking at growth with the current knowledge of around double digit. In terms of EBIT margin, as I mentioned, we have included some one-offs in the first quarter related to advisory in relation to the reimbursement changes. And we have also included one-offs related to our go-to-market model. And in total it is around DKK 30 million. So, that is fully behind us. And that's also why we now expect from this quarter and onwards that the underlying Kerecis margin will improve, but it will not improve to the levels we had anticipated when we started the year. So, right now, I'm expecting the underlying Kerecis margin to be around the double digit.

And the last question, can you just repeat that?

Jesper Ingildsen

Analyst, DNB Carnegie

Q

I mean, clearly, the growth actually accelerated than margins, to some extent, compared to what you expected from when you originally bought the asset. So, I'm just wondering if this doesn't improve will you now be in a situation where you'll have to do a write-off of the total value of the asset.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Okay. Thanks.

Jesper Ingildsen

Analyst, DNB Carnegie

Q

And what scenario will [indiscernible] (00:43:40) – what will require to get to that?

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. So, it's clearly that this year, so the third year where – after we acquired the Kerecis, due to the turmoil that Lars described earlier, is not developing as we had anticipated. But we see this as a temporary dip. We are still focusing a lot on delivering on the case, and we also see that the case is intact long term. But short term, we have some challenges this year related to the growth and the margin.

In terms of your other question, the impairment, it's something we are evaluating on an annual basis. But, again, we are looking at a business that we believe will deliver the long-term expectations that we also communicated at the Impact4 strategy back in September last year where we said that the overall Wound & Tissue Repair business would grow around double digit.

Jesper Ingildsen

Analyst, DNB Carnegie

Q

Thanks.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Thank you.

Operator: The next question comes from the line of Jack Reynolds-Clark from RBC Capital Markets. Please go ahead.

Jack Reynolds-Clark

Analyst, RBC Capital Markets

Q

Hi there. Thanks for taking the questions. I have three also, please. The first is on Kerecis profitability. So, thinking longer term given the new environment, have your assumptions changed around where [ph] each (00:45:16) profitability for Kerecis could be in terms of EBIT margin? The next question on Wound, on Dressing, so excluding the recall and obviously the contract manufacturing business growth here still looks challenged, what drove this and was this in line with your expectations? What are your expectations for the remainder of the year? And then, my last question was on Intibia. So, now that this is submitted for PMA approval, can you share any data on clinical performance? When do you expect approval and can you talk about your expectations for launch? Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. So, thanks a lot, Jack. Your question around the Kerecis EBIT margin, yes, as I mentioned earlier, we had anticipated that the EBIT margin would improve further this year originally, as I explained earlier, to a level of around 20%. Now, it is sitting, that's at least our expectation, around 10% including the one-offs in the first quarter. But I'm still expecting that over the Impact4 strategy, we will improve also the underlying EBIT margin of Kerecis to a level of around the group margin as we have said when we acquired the Kerecis business 2.5 years ago.

Lars, number two?

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

Yeah. On the wound care, well, yes, technically it is a recall. I would say that it's maybe a kind of – it's basically a consequence of the long-term plan for China to be self-supplying inside of pharma and medical devices. And there are no product loss on the product that we have taken out. But it is basically just been replaced with a Chinese product in the markets. And that was of course unexpected when it came last year. But we can say that we have not heard that this is a movement that happens in that country. And many other industries and also other competitors have experienced the same. However, we have still a very large business in China that we are protecting to the best of our abilities. But it means that our growth have temporarily been setback. And it also means that we don't foresee that we will have growth in China, which is more than low-single digit in the strategic period that we are in. And we still expect that that will be the case.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. And your final question, Jack, related to Intibia. It is following the plan. We have submitted it to FDA and we are still expecting that we will be able to launch next financial year, 2026/2027. And we still have high expectations for this technology to support our long-term growth ambition for the Urology business to be in the high-single-digit level. So, that is tracking as planned.

Jack Reynolds-Clark

Analyst, RBC Capital Markets

Q

Thanks very much.

Operator: The next question comes from Oliver Metzger from ODDO BHF. Please go ahead.

Oliver Metzger

Analyst, ODDO BHF AG

Q

Yeah. Good morning. Thanks a lot for taking my questions. First one is also on Kerecis. So, you described well also the positive dynamics. So, according to your statement, the inpatient settings should be pretty fine. But if outpatient is just 20% of Kerecis and you reduce your segmental guidance for Kerecis by 10 percentage points, it means mathematically that the outpatient [indiscernible] (00:49:25) a very hard stop? Could you therefore also comment about some inpatients dynamics, whether you see there any underlying growth deterioration? And the second question is on Ostomy Care. So, you said about a pretty harsh headwind coming from China. So, can you comment how Ostomy Care growth would have been excluding this China effect, please?

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

So, on Kerecis, in a sense, the inpatient part of the sales should be completely unchanged. There is a little bit of effect on it because some of the vendors that has only participated in the outpatient setting, they are now testing their products of course in the inpatient setting. So, that gives a little bit of turmoil there. But prices and everything else is completely unchanged on the inpatient side. And as also said, it is a very clinically-driven environment. And we have just gotten sort of a very strong underlying testament to the fact that our products they really have strong clinical efficacy. So, we actually see that as an opportunity. But it is a strong growth environment also in the inpatient clinic. So, of course, over time, that is also covering for what is happening now on the outpatient side. The whole reform's aim and purpose was to take value out of the outpatient segment seen from a Medicare point of view, and that is definitely happening. But as I said before, we see this as potential upside for us. So, longer term, we definitely see this as a positive development. We understand the actions that the government are taking, and we see ourselves even better positioned than we would have hoped for in this situation.

On the Ostomy side, I don't think we give a number when we take China out. But, of course, we are market leaders in China. We have a very, very high market share in the community market. So, the fact that we have this part not growing, that impacts the numbers. But we are going to see much better numbers in Ostomy in the rest of the year. We are basically just having a very low first quarter due to comparison numbers. So, we see that going up.

Oliver Metzger

Analyst, ODDO BHF AG

Q

Okay. Thank you. Just a very quick follow-up. So, for the inpatient setting at Kerecis, so would you describe a 20% growth momentum still as valid?

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

So, I don't have any comments to the exact number there. But it's definitely a very healthy double-digit growth.

Oliver Metzger

Analyst, ODDO BHF AG

Q

Okay. Thank you.

Operator: The next question comes from the line of Aisyah Noor from Morgan Stanley. Please go ahead.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Q

Hi. Good morning. Thanks for taking my question. My first one is on the Uromedica acquisition or agreement to acquire. Can you talk a bit about the competitive KPIs of this product versus bulk of it or the standard of care, and why you think this product could take share? And then, my second question is on the MariGen phaseout. So, what's the mix of the MariGen versus Shield product in your outpatient sales today? And why do you think those customers will shift over to your new MariGen products? And will this come with new cost embedded in the double-digit-digit margin guide for Kerecis? Thank you.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

So, on Uromedica side, as I said, this is complementing our portfolio in the Men's Health. So, today, in Men's Health, we have the penile implants for erectile dysfunction and we basically have one competitor in that space. And they also address urinary incontinence in men in the same space, and that's also what we do with this device. The difference is that this is minimally invasive. And therefore, we see it as a very good way to complement our product portfolio and increase our competitiveness in this specific market segment. So, those are really the benefits. We know it works. It is in the market already. It is accepted by the professionals. And now, we can put effort behind it and thereby also help getting it into the market and educating much more doctors to use it.

Could you take the second question, Anders, I didn't write it down?

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

So, the second question was around MariGen and Shield. So, we have not really disclosed the split between these two from a revenue point of view. We have said that the Shield product price was above the cap of \$127 per square centimeter and the MariGen is lower and then the cap. And the whole work is now about to convert from the Shield to the MariGen. And that's what we have initiated and that's the focus we are having the rest of the year, including launching a new products within the MariGen portfolio. So, that's really the focus we are having.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Q

Thank you. And if I could follow-up with Lars on the Uromedica comment. I know you mentioned the impact on financials is immaterial, but do you anticipate having to ramp up the sales force for this business or can your existing Urology sales force sell this product? Thank you.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

So, it fits directly into the existing sales force that we have, because it's the same call points that we're having. But, of course, when [ph] we see this take off (00:56:12), we also are going to step up accordingly. But from the beginning, it's going to be in the hands of us and we have significantly higher sales pressure in the market than the former owner.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Q

Okay. Thank you so much.

Operator: The next question comes from the line of Veronika Dubajova from Citi. Please go ahead.

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.

Q

Thank you, guys. Good morning and thank you for taking my questions. I apologize but I'm going to go back to Kerecis, and I want to ask a couple questions here. The first one, I think, Lars, you've described the disruption at the moment is temporary. I guess, I'm curious to hear what gives you the confidence. In conversations we've had with physicians, many of them are simply discontinuing the use of skin substitutes and switching instead to traditional wound care dressings. So, I'd love to kind of get your perspective as to why you think this issue is temporary and why you think the market will recover. And I guess that sort of also feeds into my sort of second question, which is would your expectation be that Kerecis can be back at sort of around 20% growth rate as we move into fiscal 2027? And if it's not, what implications does that have on your midterm guidance? So, that's my first question. And then, I have a follow-up, but maybe I'll let you answer this one first.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

Yes. So, I think that's a super good question, Veronika, because we are talking about the outpatient clinic here. And as I said, of our total sales in Kerecis, the 20% comes from the Medicare reimbursed outpatient setting. And there's no doubt that that has been an exceptionally fast-growing market. So, if you see the market data on it, you just see that it's literally exploding within the last three years. So, it makes a lot of sense that it's being addressed, of course, by the payers.

So, for some doctors, of course, they would discontinue using it because the financial incentive to use it is simply too low compared to what they have been used to. And I don't know the price of the products that they are shifting to. But you also know that these are real businesses that we are selling into. These kind of wounds they don't go away. So, there's still be lots of need for these kind of products, but it's of course a different price level. It is however a price level that we have been used to living with. That's what we have been making most of our sales on. And therefore, we don't see that the need goes away.

But of course since it's both a doctor and a business person, they will find a way to try to substitute in the most – sort of with a good fit between what is helpful for the patient and what is a good financial outcome also for the doctor. With the prices that we are having and the efficacy of MariGen, we think that we are super well-positioned. So, that's the reason why we think that we're in that position.

This whole change is they're not affecting the biggest part of our business, which is the inpatient part. That goes on as it was before. We just think that we have a better position or we have a better – potentially have a better position than we had before because we have Medicare's own assessment of all the clinical data they have received. And we simply have super strong clinical data that we can take to these payers and users, and that puts us in a better position. And that is such a big part of the business, and it's growing so fast that it is also covering parts of the downside that we see in the outpatient clinic on the short term on the outpatient segment. But we see the outpatient segment will have a healthy growth going forward after we have sort of having this [ph] take up (01:00:45) and we think that we are super well-positioned for that.

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.

Q

Okay. Thank you. And then, my second question is for Anders, it's about financial in nature. But just obviously looking at the year, I know you always said to us we'd start below the full-year guide. But especially on EBIT

growth, we still have quite a ways to go to get to the full year. So, I don't know, Anders, if you can give us a little bit of color on how you'd expect the growth phasing both from an organic sales perspective and from an adjusted EBIT perspective to look like through the remainder of the year. Thank you, guys.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. Thanks a lot, Veronika, for your second question. So, for the rest of the year, first and foremost, we are expecting growth will improve from this quarter and onwards driven by the factors we have been discussing. So, we are expecting Ostomy/the Chronic business to improve. We are expecting the Urology business to continue at the levels we have seen in Q1. And then, we have been talking about the Kerecis quite a few times during the call that we are expecting that business to sit around the double digit.

So, overall, we are expecting growth to improve versus Q1. So, that's an important factor.

Secondly, gross margin ballpark at the levels we had anticipated for Q1. However, the FX impact is, yeah, real also due to the Hungarian forint. But I'm expecting the gross margin to develop as we have said previously. And then, on the cost side, I have or we have talked quite a bit now to the one-off cost related to Kerecis. That is behind us. We are expecting the underlying Kerecis margin to improve. We will continue to also run a prudent cost across the business. But we have also agreed to initiate the Impact4 investments, especially related to some of the opportunities we see in the US. We have this Bowel Care opportunity. We are initiating investments in technology, AI. And then, when we are ready, we will also initiate the investment to support the Intibia launch. So, overall, we are expecting both the top line growth but also the EBIT growth to improve from this quarter versus Q1 to deliver the full year of around 7% organic growth and 7% EBIT growth in constant currencies. Okay?

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.

[ph] Got it (01:03:26).

A

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

Yeah.

A

Operator: The next question comes from the line of Julien Dormois from Jefferies. Please go ahead.

Julien Dormois

Analyst, Jefferies GmbH (FR)

Q

Hi. Good morning, Lars. Good morning, Anders. Thanks for taking my questions. I have three and I'm going to give you a break from Kerecis. The first one relates to Voice & Respiratory Care. You have indicated that Tracheostomy was a little weaker in Q1, and you ascribed that to the phasing in distributor markets. So, just curious, what's your visibility on the pickup in the back half of the year? And just remind us a bit, what is the proportion of sales in Tracheostomy that are made in the distributor markets? That would be helpful.

And the second and third question relates to the Wound & Tissue Repair. So, the first one is just would love to know what was the growth in the business overall if you exclude Kerecis and you exclude the China recall effect. Just wondering whether the underlying business was growing when you exclude those two elements. And the last one still in Wound & Tissue Repair. You have also commented that contract manufacturing business helped a lot in Q1. You had double-digit growth. So, I just can't recall what's the proportion of sales you make in the contract

manufacturing business just to get a sense of how this could impact the remainder of the year. Thank you very much.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Thanks a lot, Julien. Let me start with the first one related to our Voice & Respiratory Care business. So, we delivered 8% growth in the first quarter. Our Laryngectomy business continue to develop really well with high-single-digit growth. We continue to see our Laryngectomy business to perform well here in Europe, but also in the US and across our distributor markets, also supported by the Provox Life launch that is still ongoing in a few markets as well. The Tracheostomy business was a little bit more softer than we also anticipated. So, it was growing mid-single digit, but it's really due to some order phasing in our emerging markets. And we expect that to improve rest of the year. But, overall, 8% growth in Q1 was okay. But we also expect the total Voice & Respiratory Care business to improve, is basically driven by the Tracheostomy business the rest of the year.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

And on the Wound & Tissue Repair, so we don't break it down to that level where we take the growth when we have taken out a couple of the more problematic areas. But actually, when we take them out, it's actually quite positive. And then, the contract manufacturing, it's double-digit growth in Q1. But we don't have a lot of visibility on it to be honest. So, therefore, we believe it to be flat for the year, but that can vary. We don't expect it to be more negative than that. But we keep it in our own books there that we keep it just neutral.

Operator: The next question comes from the line of Tobias Berg Nissen from Danske Bank. Please go ahead.

Tobias Berg Nissen

Analyst, Danske Bank A/S

Q

Thank you for taking my question. I have a few also this time going back to Kerecis. If you can add a little bit more to the assumed timeline for stabilization here in the Medicare outpatient challenge and what the really key drivers of this. And what visibility you have at this point, and what like the key risks are for driving growth for Kerecis below the 10% you're guiding for the full year? Are we looking into like an inflection in the second half of the year or is it likely to remain heavily disrupted?

And then also just on potentially spillover to the inpatient segment here, how confident are you that we will not see like a downward pricing pressure over to this area, which is still like 70% of Kerecis revenue? And then, just the last one on Urology, like 8% organic growth this quarter, very strong. Can you talk to how much, if any, was due to some one-off factors related after this you can say, post-recall catchup, and how much of this growth is sustainable for the rest of the year? Thanks.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

A

Yes. I would love to have the answer to the timeline on this. Also, we have not tried this before to be quite honest. I don't think that the market have seen anything like this before. So, what we do know is that the change – that Medicare is changing their prices. It shouldn't be hard because there is a limit to what you can get now, the \$127. But we have asked what is the normal timeline when Medicare is changing their pricing. And they have a database with all the prices in them, and that's normally three months. So, that's at least what we anticipate will happen. And it's important that the price list is updated for people who are using Medicare or using products that are covered by Medicare. So, it is within three months.

That's also why we say that we expect that the effect will be the hardest in this quarter. Any sort of effect on the inpatient side, it's a very different market dynamic. It's also different products that you have inside or in the inpatient setting and in the outpatient setting. So, we don't anticipate a lot of turmoil going in that direction from it. What the government have been addressing here is the cost, explosive cost, so to say, in the outpatient setting. And it's not the same picture internally in the hospitals or in the inpatient setting. So, we don't assume anything there. I don't know if it's a help to you. But what I can do here is I can share with you what we know. And, of course, we're also guessing how long time does it take for us to be on the safe side. But we expect, in the way that we see it right now, that this is bottoming out in this current quarter.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. And, Tobias, let me take...

Tobias Berg Nissen

Analyst, Danske Bank A/S

Q

Thanks, Lars.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. The second one that was again the Urology business. So, no, there was no one-offs in Q1. And, again, the Men's Health business has actually been looking very solid from a growth point of view for quite a number of quarters in a row now. So, I just want to remind you that last year, both Q3 but also Q4, so last year second half was also at a double-digit level and we saw that again in Q1. So, the underlying momentum in Men's Health is strong, and we are expecting that to continue for the rest of the year. And on top of that, we had this recall last year that we have now fully behind us. So, that's why the underlying momentum within Urology we have increased to now high-single digit versus mid-single digit when we started the year.

Lars Søren Rasmussen

Interim President and Chief Executive Officer & Director, Coloplast A/S

And we are a couple of minutes after the hour. So, that was unfortunately the last question, but we will have a chance to catch up in the near future. Thank you very much everybody.

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