

Q1 2023/24 Pre-close brief – December 2023

Prior to entering our close period on 23 December 2023, ahead of reporting our Q1 results on 9 February 2024 for the period ending 31 December 2023, we would like to bring the following highlights to your attention:

Product updates

- Luja™, Coloplast's new male intermittent catheter with a Micro-hole Zone Technology, has been launched in eight markets. The UK is the latest launch market, with launches in other key markets in Q2 2023/24¹.
- Heylo™, the new digital ostomy tool, is expected to be launched in the first half of 2024.

Financial guidance for FY 2023/24

(DKK guidance is based on spot rates as of 7 November 2023)

- Current macroeconomic and industry-specific trends, including an ongoing widespread anti-corruption campaign in China, are continuously monitored and evaluated and result in a higher degree of uncertainty.
- Organic revenue growth is expected to be around 8% in constant exchange rates. Reported growth in DKK is expected to be around 12% and assumes around 4%-points contribution from the Kerecis acquisition (11 months impact) and limited negative impact from currencies.
 - The guidance assumes growth across business areas and regions to be largely in line with the Strive25 ambitions, except for China.
 - China Ostomy Care growth is expected to improve, however, China is not expected to return to the Strive25 ambitions of double-digit growth due to continued impact from average value per patient which remains below pre-COVID levels, impacted by consumer sentiment.
 - Advanced Wound Care is expected to deliver growth above the market.
 - Interventional Urology is expected to deliver high-single digit growth.
 - Voice & Respiratory Care is expected to grow at 8-10%.
 - Positive pricing impact expected, however, at a lower level compared to FY 2022/23.
 - Phasing – organic growth in H1 is expected to be in the lower end of the guidance, accelerating to the upper end of the guidance in H2. The contribution from Kerecis to reported growth is expected to be at a similar level across the quarters.
 - The organic growth by quarter for FY 2022/23 was: Q1 6.8%, Q2 8.2%, Q3 7.7%, Q4 7.8%.
- The gross margin for FY 2023/24 is expected to be around 68% and includes the following assumptions:
 - Raw materials – mid single-digit price increase (around 52% of costs of goods sold in FY 2022/23²).
 - Energy cost – tailwind from total energy costs of around DKK 100 million (around 4% of costs of goods sold in FY 2022/23²).
 - Freight costs – expected to be a tailwind (around 6% of costs of goods sold in FY 2022/23²).
 - Wages in Hungary – double-digit increase, similar to 2022/23 (direct salaries were around 8% of costs of goods sold in FY 2022/23², majority of which in Hungary).
 - Italian payback reform – one-off baseline benefit of around 40 basis points from provision made in FY 2022/23.
 - Kerecis – positive contribution of around 100 basis points.
 - Negative impact from currencies.
- The reported EBIT margin before special items is expected at 27-28% and assumes:
 - Prudent management of operating costs (expected to grow below reported revenue growth, excl. acquired growth). 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).
 - Incremental investments at the lower end of the Strive25 guidance of up to 2% of sales.
 - Benefit from operational synergies related to integration of Atos Medical on Coloplast infrastructure.
 - Kerecis – negative impact of around 100 basis points (incl. PPA amortisation of around DKK 100 million).
 - Currencies – negative impact of around 50 basis points.

- Phasing of currencies impact – significant negative impact on both the reported growth and the EBIT margin in Q1, mostly impacted by the US Dollar. As a result, the EBIT margin in H1 is expected to be in the lower end of the guidance, accelerating to the upper end of the guidance in H2.
- Special items of around DKK 50m expected in FY 2023/24, related to the integration of Atos Medical.
- CAPEX for 2023/24 expected to be around DKK 1.4bn which includes investments in the new manufacturing site in Portugal, investments in new machines for existing and new products, IT and sustainability investments, as well as Atos Medical integration capex.
- Net financials for FY 2023/24 are expected around DKK -700m, based on spot rates as of 7 November 2023, and include impact from the financing of the Atos Medical acquisition, with a blended interest rate of around 3.3%.
- The effective tax rate is expected to be around 22%, positively impacted by the transfer of Atos Medical intellectual property. Following the IP transfer there will be an extraordinary net tax payment of DKK 2.5 billion in Q2 2023/24; the payment will be offset by reduced tax payments the following years.
- Net working capital for the year is expected to be around 25% of revenue.

Foreign exchange rates

Please see below an updated spot rate overview based on spot rates as of 12 December. Exchange rate exposure and hedging policy are available on page 65 in our latest roadshow presentation ([Roadshow presentation](#)).

Currency	Average exchange rate FY 2022/23 ¹⁾	Spot rate, Dec 12, 2023	Change in spot rate vs. avg. exchange rate	Average exchange rate YTD Q1 2022/23 (Oct 1, 2022 to Dec 31, 2022)	Average exchange rate YTD 2023/24 (Oct 1, 2023 to Dec 12, 2023)	Change in average exchange rate
Key currencies:						
USD	698	692	-1%	729	698	-4%
GBP	855	869	2%	855	856	0%
HUF	1.92	1.95	2%	1.81	1.92	6%
Other selected currencies:						
CNY	99	96	-3%	102	98	-4%
JPY	5.03	4.76	-5%	5.16	4.97	-4%
AUD	465	456	-2%	479	462	-4%
BRL	138	140	2%	138	138	0%
ARS ²⁾	2.02	1.89	-6%	3.94	1.89	-52%

1) Average exchange rate from October 1 2022 to September 30 2023.

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 2.02 per ARS 100.00 at 30 September 2023 and DKK 1.89 per ARS 100.00 at 12 December 2023.

3) Estimated average exchange rate is calculated as the average exchange rate year to date combined with the spot rates at 12 December 2023.

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

Best regards,

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Forward-looking statement:

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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