Coloplast Q1 Financial Statement
Wednesday, 26th January 2011
11:30 Hrs UK time
Chaired by Lars Rasmussen

Lars Rasmussen

Thank you. Well, good afternoon, and welcome to this Q1 2010/11 conference call. Before I even start, I think I might need to explain why we were early with our release for the Q1 and the reason was that when the Board of Directors were, I would say, working with the press release and we came through it, there were actually very few questions that we needed clarified afterwards. In that sense, we were ready early and the rules that we are working under simply states that we need to issue the press release for the result as soon as the Board have approved them. So in that sense, I just guess that it's easier to work with good news than anything else. Today I am joined by CFO, Lene Skole, and the Investor Relations Team. As usual, we have scheduled about an hour for the call. Lene and I will start by giving a short presentation and then open up for questions. Now, please turn to slide number three.

We realised a 6% growth organically and 11% in Danish Krone, which is within our guidance to the market. The growth was driven by satisfactory performance within ostomy and continent care, whereas growth is still to come from our wound care business area. We continue to drive improvements on gross margins compared with last year, so we can report an EBIT margin of 24% for the first quarter of 2010/11. Our guidance for 2010/11 remains unchanged, but currency changes have prompted an upwards adjustment on our guidance in Danish Krone for reported growth.

We expect an organic growth rate of 6% to 8%, and now an 8% to 10% growth in Danish Krone. The EBIT margin guidance remains in the range of 23% to 25%. As Lene will provide more detailed comments on the full guidance for 2010/11 later in this presentation. Please turn to slide number four. In Danish Krone, revenues were up by 11% to 2.5 billion Danish Krone, and the organic growth was 6%, just within our guidance. Within ostomy care, we saw satisfactory organic sales growth of 6%, the biggest growth driver in this business segment continues to SenSura, the SenSura product line, but this quarter also saw very good growth within our older MC/PC ostomy bag assortment, directed against emerging markets.

On the first of February, we will start the prelaunch of our new SenSura products, the SenSura Miull [?] which is the first in a series of new launches of ostomy bags that are being created with a particular focus on better body fits. It is the first tangible results of our new and more structured innovation method. I will update you further ass the prelaunch activities unfolds. In urology and continent care, organic growth was 9%. Growth was again driven by intermittent catheters, especially SpeediCath in Europe and SelfCath in the US. Even though market growth rates for intermittent catheters in the US are slowly returning to normal after the impact of the improved reimbursements. Also our Conveen bags and urisheath as well as Peristeen performed well during the quarter. SpeediCath Compact Male was launched in January in seven European markets.

Reception of the product has been great, and we expect the product to contribute significantly to growth next year. The US and European urology business both continue their good performance. Our men's health business continues to take market share whereas our women's health business remains negatively impacted by the move towards mini [unclear] technology. We have successfully integrated Empathy Medical Devices during this quarter to strengthen our women's health franchise. Our wound and skin care saw a negative sales growth of 2% this quarter. The restructurings in our wound care business are now fully implemented and we remain committed to returning this business to market growth rates towards the end of this financial year.

Greece impacted growth negatively by the Greek government's tougher budget restrictions on public procurements and also skin care saw negative growth in this quarter from very strong hand cleanser sales last year. If we turn to the geographies, sales in Europe ended at 4% organic growth, growth was impacted by the performance and situation in Greece as well as by negative growth in Germany due to a particularly high comparison quarter.

Organic revenue in the Americas improved by 12%. Underneath the12%, we saw lower sales growth in the US, partly impacted by the now almost full effects of the reimbursement change in 2008. This development was more than offset by the strong growth in Argentina and Brazil. Finally, revenues in the rest of the world improved by 19% organically. The positive trend continues with China and Japan leading the way. That concludes my part of the presentation and Lene will now offer more details on the financials, so please turn to slide number five.

Lene Skole

Thank you Lars, and we are now on slide number five. First a few words on the currency impact we have seen this quarter. The growth rates are positively impacted by five percentage points. This is caused mainly by appreciation of the US dollar and the British pound sterling against the Danish Krone of 9% and 5% respectively. Other currencies, such as the Australian dollar and the Japanese Yen, appreciated with approximately 18% against Danish Krone when comparing the average rates for the first three months against the same period last year.

And now to gross profit. Gross profit amounted to 1.6 billion Danish Krone, equal to a growth margin of 63%. This is an improvement of four percentage points compared to the same period last year. Increased efficiency in the production economy from transfer of production continues to drive the positive gross margin development. The gross profit includes redundancy costs of 10 million Danish Krone related to the transfer of production to Hungary and China.

On a like for like basis, the gross margin is at the same level as Q4 last year. The SG&E to sales ratio was unchanged at 35%, the SG&A included close to 20 million Krone, increased investments in sales activities in wound care, as well as in China. The R&D to sales came in at 4% in line with previous spend. This results in a reported EBIT margin of 24%, net of currency impact, the EBIT margin was 23%. Our EBIT margin is in line with the underlying EBIT margin in Q4 last year. Free cash flow was negative by 233 million Danish Krone compared with positive 174 million in Danish Krone last year due to higher tax payments, dividends payment, and finally, the acquisition of Empathy Medical Devices.

Net interest bearing debt to EBITDA ended at 0.7, slightly higher than at the end of 2009/10. Our net debt to EBITDA target remains suspended. Capex amounted to 71 million Danish Krone corresponding to a capex to sales ratio of only 3%, and reflects continued discipline in this matter. Now, please turn to slide number six.

For 2010/11, we expected an organic growth of 6% to 8%, and 8% to 10% in Danish Krone, especially developments in the US dollar and the British pound sterling has prompted this change. Empathy is expected to contribute 40 basis points to the recorded growth and is included in the 8% to 10% growth guidance. We are in the process of finalising the plans for SKU reductions in the company, and we are currently targeting up to 50% of the existing, approximately 7500 SKUs. In revenue terms, this corresponds to approximately 2% of our revenue. We will, to the extent possible, convert users to other Coloplast products by a potential impact on revenue of up to 50 million Danish Krone is included in our growth guidance for the year. Over time, this project will contribute positively to the fulfilment of our long term aspirations. For 2010/11, we continue to expect an EBIT margin in the range of 23 to 25% in fixed currencies as well as in Danish Krone. The positive change compared to last year is driven by improvements from transfer of production to low cost countries. As mentioned previously, we still expect to complete the transfer in March 2011.

Our capex guidance for 2010/11 remains between 300 and 400 million Danish Krone, as almost in line with last year. Finally, our effective tax rate is expected to remain around 26%. This concludes our presentation, thank you very much, and operator, we are now ready to take questions.

Questions and Answers

Stefan Gastheige – Jeffries [?]

Hello, thank you very much for taking my question. I was wondering if you have seen anything more than what you've seen in the Greek market when it comes to product mixed duration, if you have seen more of that as well in other countries, especially in southern Europe. And then I was wondering if you could give us an update on the price cut situation in Spain and if you have more clarity on how much of the price cuts you are actually bearing yourself.

It's actually an unchanged situation compared to what we reported last quarter, so the downward pressure on the budgets is still in force in Greece, and we expect that to be there for quite some years. That means that the spending, especially in the hospitals, are impacting our sales of products, because they either use nothing, or they downgrade to products that we don't carry. With regards to the Spanish situation, there is no change either in the situation, so I can't fill you in with any new numbers on that one. Apart from that, we don't see anything other than what we previously reported to you and we haven't seen any development in the prices, we have no further negative to report and the positive one, that we can talk about, is that we had a price increase in the UK and the 1st of January, to the tune of 1.5%, and that's basically the picture.

Great, thank you very much.

Karl Bradshaw – Morgan Stanley

Hi, thanks for taking my questions, I have two. So, firstly on the ostomy business, so if you would sort of adjust for weak or stronger comps from the previous year, then clearly there was a slight decline in Q1 versus Q4, could you, you've talked about some weakness in Germany, was there any weakness in the US market and could you also give us an update on how you're going in terms of winning GPO contracts? Second question, it relates to the wound and skin care division, clearly there's a lot of moving parts within this quarter. Could you give us a sense of what the underlying growth is in your sort of, restructured business, for Germany, France and UK and how that compared to the fourth quarter, thank you very much.

As to the ostomy business, what we first and foremost do on that one, because it is really a chronic business and the nature of it is it's something which is moving, in a way, with, I would say in a very slow way. So for us, I would say the most important thing is to stay on top with what is happening on the new patient discharge front, and we take stock of that and I guess we all know that we don't reveal these numbers, but if you take the overall picture, it is very positive, and it is in many quarters now that it has been positive. If you are looking at the growth rates that you see in ostomy, and you just take a 24 months horizon which I think is fair to do when you are looking at a business with this nature, you actually see that we are now growing, almost if you take a [unclear] annual total, we are growing almost twice as fast as we did. So it's definitely moving in the right direction, and since it's only one quarter we talk about, we should be very careful with the numbers because suddenly a million means a lot. So we feel very confident that we are on the right track with what we do in ostomy and I can say that same for the development that we see in the US on ostomy.

We don't have any GPO contracts on ostomy in the US, to be very direct on your question with that. When it comes to wound care, I would not like to break the habit that we have had, that we don't comment specifically on development for one country for one business area. But what I can say about the development in the wound care area is that the performance that we've shown in our first quarter is not a surprise to us. Things are working according to the plans that we have put in force, we have taken out the cost that we embarked on taking out, we have put the pressure in the market that we wanted to put in the markets, we see that the number of calls, sales calls that we were doing was significantly over what we did 12 months ago, and also the number of sales calls that we do this quarter is over what we did last quarter, and that's also why we are confident enough to say in the presentation that we expect to go back to market growth rates at the end of this year.

Would you say that the growth trend from Q4 to Q1 is positive, in those sorts of key regions?

I would say that we are spot on when it comes to the forecast that we have put out for those regions, so we are following the plan, but you know, you don't sell just because you make one sales call. We also do know that you need a number of calls before you see the uptake coming, because people have to write the name of your products when they send people out of their office, I mean the GPs. So in that sense, we have not in any way expected that we would see an uptake from the first call that we have. So things are working the way, the plans that we are implementing are almost to the letter of what we expected.

Okay that's great, thank you very much.

Michael Knarf – SEB and Skillab

Yes, hello, thanks for taking my questions, I have a couple of questions. First of all, again regarding this Greece situation you have mentioned and in your report. How large amount of the receivables is related to Greece? I suppose that it's a larger relationship compared to your sales in the country, and do you somehow have these receivables from Greece insured, so that you know you will receive them sooner or later? That's the first question, and then I have a question regarding these SKU reductions that you are supposed to start bringing down in the following years, how is this affecting the different divisions, I mean, should we expect more effect in one division than another? That was my two questions, thanks.

If we start with your last question first, because it's not something that we have been very vocal about earlier on. It's a very strange business that we are in, because we do have products on the market that we invented back in the 70s, and they are still selling quite well, so in that sense we have many different versions of a product on the market. Because we don't market directly, we are not able, in many countries, to market directly to the end user, so once people are satisfied, they just keep buying the product, and that is how we ended up in a situation where we have a very long tail of products, which is complicating our business and making it more expensive to run than it need be. That's why we have been courageous enough to start talking about it, because it is actually a small amount of our sales that we touching, but it's a very big amount of the stock keeping units, the SKUs that we are touching. So in that sense, we think that it's the right thing to do, and it's slightly more than we do in continence care than we do in ostomy care, because we have a longer tail in continence care. So that's how you should view it, but I think for you, the most important thing to know is that it might have an effect on our top line, and that's also what Lene was talking about before, and the longer term, it's vitally important for us that we sort of clean up, so it's as simple as possible to run our business, because that's how you create transparency and that's also how you create a foundation for further market improvements.

When it comes to the Greece situation, I would like to take it to a little bit broader perspective, because when you look at the numbers you can see that our working capital relative to sales has deteriorated slightly and apart from the fact that currencies obviously also hit us there, then the receivables is the part that has deteriorated, you could say, compared to what it has been. It is not actually Greece that is making that difference, because in Greece we work with one distributor, and only one distributor, where we have, you know, set contract for how we do payments, so that's working according to contract, so there's no change in Greece when it comes to receivables. Where we see the slight deterioration is actually in Spain and Italy, and some of you may recall that I previously mentioned that we had a project running a couple of years ago where we actually managed to reduce significantly our outstandings in Spain and Italy. I am actually today very very pleased that we did, because even though today we are now seeing an increase, and we will work of course towards getting that back to more normal levels, then we are still better off than we were when we started the project a few years ago.

Okay thank you.

Klaus Madsen – Handelsbanken [?]

Yes, hello, thanks for taking my question. My first question relates to your launch of SenSura Miull, could you comment on when you expect to roll this out in a volume launch, what kind of indications you have from reimbursement authorities on pricing, and how we should see this product contribute to growth, I assume given the slow dynamics of the business, it will take quite a few quarters before it come a growth accelerator.

Yes, it's going to be launched in April. It is a big launch that we do, it's being prelaunched as we speak, which means that many nurses will have it in their hands and will try it on patients before it's launched in what you call a volume launch, so it is something which starts already now. You are right when you are pointing towards the steadiness of the business, because this is what we do to get a better new patient discharge. This is not something which we are at first introducing to all, you know, current patients in the market, this is a way for us to make sure that the nurses have the best possible products to work with, and it's a ultra flexible product that we have, and therefore we know its something which is requested, and we have, I would say, quite positive feedback on it. So in that sense, I would expect it to have a nice impact on the NPD, but it takes a while before you see the impact on the sales growth. But for us, the most important thing is, as long as we are adding to our NPD, we also know that we, in the future, are increasing our growth rates, and that's the whole idea about the number of launches that we have. So we have this, but it's also safe for me to say that we have a very good pipeline of new products that will be following this and will be, this is not a stand alone thing, this is the first of a product in a series.

And on pricing, do you have any confirmed or preliminary indications on how well this will be priced to previous generations of SenSura?

This is a product that fits into the current categories, it is not a product where we expect to be able to raise the prices further on it.

Then on your product pruning, if I understood your correctly, you anticipate 50 million negative revenue impact for fiscal 2010/11, but would this pruning also in 2010/11, or going forward, imply the risk of basically write down on obsolete products?

Yes, definitely, and this is also included in the guidance. Of course, we are in a situation when we have very small products and old products, you have very few vendors that you have contracts with, and to get just a reasonable price for when you buy the quantities that you need for these small products, then you have to buy in quite large volumes compared to the consumption that we have, so in that sense there might be a risk that we have to write off some raw materials. There might be a risk that we will also have to write off finished goods that we have in stock. There is no risk that we have to write off equipment and machinery because it's not something that we've had in capex for many many years. But it is part of the guidance that we have given to you.

Could you disclose the total risk on inventories of finished goods and raw materials, and what you have made in terms of reservations for fiscal 2010/11?

I know it might sound very strange, but we can't, we even cannot make those numbers completely, because with what we are telling you, that 50% of our total SKU base is only 2% of our sales, then we also explain to you that we don't have any previous history for taking out volumes like this, therefore we are not able to do the math completely on it. So this is also a bit where we just know that by simplifying our business, we will be much better at executing on a number of things that we need to execute on to be even more efficient.

Could you indicate what you see in terms of time horizon for the complete reduction process, are we talking about several years?

No, it is done within the next 24 months.

Thank you very much.

David Adlington – JP Morgan

Hi guys, thanks for taking the questions, a couple of questions. Firstly, can you just, I think you mentioned the capital markets that you valued around a hundred reps in the last quarter, I just wondered if they had managed to make any contribution in terms of sales in this quarter and when you might expect the sales contribution from those reps to increase going forward.

Sorry, what market or product are you talking about?

Wound care. Or generally, how many reps you've added in the quarter in general, if you wouldn't mind giving me that information.

They haven't actually contributed to any significant degree yet, because a lot of them are being trained, and it takes a while, first of all to train them, and then as Lars mentioned earlier on, we don't normally get a sale on the very first call, it takes a little while. There is increased sales pressure, there is of course a cost that we will continue to have, you know, in this quarter, then you can say we have had the cost without actually having the corresponding revenue.

Of course, we do know the number of reps that we have employed of course, but you also know that this is a very competitive market, so it's not something you like to broadcast, but it's a significant increase in number of calls that we do, as I mentioned, to 12 months ago, and we are even increasing as we speak.

Good. Just one question follow up on the restructuring on the product portfolio, have you been running up stocks of products in anticipation of that restructuring?

No.

No, you haven't at all, so there's no impact on the gross margin this quarter.

No.

Okay, thank you.

Christian Meterdal - Nordia [?]

Yes, good afternoon ladies and gentlemen, this is Christian Meterdal from Nordia Markets. Three questions, the first relates to your organic growth guidance, what do you perceive as the greatest risk factors for not delivering at the higher end of your guidance? Then secondly, how do you view the current competitive environment, have you experienced any changes lately? Then my third question relates to your M&A considerations and your priorities, would you prioritise one larger acquisition or would you prefer a number of smaller build on, thank you.

I will start with the M&A one first, and Christian, without in any way sounding wrong here, I think it's a very fair question that you ask, but then we don't as much look for something of a specific size, as we do for something where we feel it really adds value. I mean, you saw us recently acquire a very small business within urology, this is not a signal that we're trying to send that we will only acquire smaller businesses, but that was actually what fit very well into our strategy. So as such, there is no preference to the size, but we will look very much on, you know, which area it is and whether we feel it is something that makes strategic sense for us.

When it comes to the guidance question, I think what you try to do with us, is that you like us to narrow down our guidance from 23 to 25 … is it maybe early days after a quarter to just start doing that, so in that sense we can't do much about it, but at least for once we had tailwind on the currencies, so at least you have got a set of guidance numbers when it comes to that part of it.

On the competitive side, we see little changed behaviour, it's very much like it used to be. We hear some rumours that it is, you know, it's a bit tough in the UK market because silver products on wound care is no longer really prescribed, for those who had a high market share, they are suffering from it, because the silver products had a very high price compared to the normal products, and that's one of the few examples where its not just great to be the market leader. Apart from that, everybody is fighting very hard in the big markets.

Okay thank you.

Scott Bardow – Beremburg Bank

Thanks very much for taking my question, I've got one question for each of the divisions and then a further question on the SKU reduction. Based on the wound business, obviously there's some ambitions to accelerate towards industry growth by the end of the year, you talked a little bit about increasing competition from some of the other players as you launch your products, I just wonder whether, given that some of the incumbents are already established whether you started to see some price decreases for some of the key products that have just had some impact to you, and whether you could also comment on when you expect to get to industry profitability for the wound business. For ostomy, I noticed in the release, there was a discussion that Russia was a major contributor to the ostomy growth for the quarter. I just wondered if you could quantify that, just so that we can get a better sense of how sustainable that contribution is going forwards. The last *question on the divisions, in terms of continence care, obviously you discussed that SpeediCath Compact Male will, you know, have an impact as of next year, I wonder, given that we're getting some slowing growth rates in the US, and from SelfCath, whether it's unrealistic to assume this current 10% growth rate, you know, throughout the remainder of the year, or we should see some sort of gradual tapering down of that growth rate until 2011. Thank you.*

On the wound care side, I don't think that the competition is harder than it was a year ago, I think it is very stiff competition that we do face on the wound care market. There have been, I would even say, maybe less price erosion, due to competition this year than we have seen previously, so I don't see that that is used as the primary weapon, it was for a couple of years, but it is no longer. So that speaks to the fact that it might be that prices have come down to where they should be. You know, I'm not suggesting in any sense that it is worse or I'm not putting a risk to what we already have been saying earlier on, that we expect to return to something which is like market growth later on this year, it's just a fact that it is a very competitive area. It's also a fact that it is one of the areas where we are able to lose a lot and also gain a lot in a shorter period of time than what we see on continence care. When it comes to the SpeediCath Compact Male and the situation in the UK, it's, if you try to narrow us down still in the guidance, but still we feel very confident about the momentum that we are seeing in the continence care business overall and in that sense, with the launches that we are doing and also with the momentum that we see, by the way we also have a very good grip on what is going on in the new patient discharge basis within this area, we definitely feel confident that we have a very strong momentum to build on. For Russia, you know, it's hard to comment on Russia because it fluctuates a lot. It is not a reimbursement system like the one you know from many other markets where it's stable and if you have a niche, you are taken care of, to put it in a populist way, if there is money, the people can get their products, and if there is no money, nobody gets any products. Therefore sometimes Russia makes an impact on a quarter. But the magnitude we are talking about, it's not something that sends you in ten points in one quarter and minus ten in another quarter, it's definitely something which is medical. I think it was mentioned among other countries that have contributed nicely to the growth.

It was just there was a point that it was a major contributor to the growth, and I wondered whether that was some indication that in western Europe growth is pretty benign.

No, it wasn't, what we saw, we saw Germany, as you know, because we already mentioned it, where we actually didn't have, because they had a very tough comparison quarter, that first quarter last year our customers bought significantly more than they normally do because of a certain rebate structure, where they filled up their stock levels. So that was a negative, and then it was of course good that we had the positive in Russia, and I think that's the way it normally goes, that there are some things that are good and some things that are bad, so I don't think you should read this as us seeing an underlying softening of our growth, because that's not the case. Just like on the continence care, as Lars commented we are quite confident also, because we have the best products and we have the newly launched Miull Compact Male that we really feel very confident about, then I think you should also remember that for us, the media now, coming with new and very good product, the SenSura Miull as Lars mentioned. So in general, we are quite confident about the underlying growth in those businesses.

Thanks, so from those comments, the stocking in Germany in Q4, you believe is essentially wound down this quarter and should return to normalised rates going forward?

Yes. We are quite relaxed, seems the wrong word to use, but nevertheless, there are two things you could think, you could think, is this Germany going back to being a problem, or is this just sort of, a mathematical thing and it is the last part, is it the comparison we can see that Germany is working hard and continuing to underline and improve what they are doing, so we are not less confident about Germany, we are confident that they are improving.

Okay, and just one clarification on SKU reduction if I can Lene. So you mentioned that you'd provisioned for sort of, 50 million Danish Krone impact to group revenues this year, but you also discussed that the SKU reductions are about 2% of group revenues, which by my calculation is about 200 million Danish Krone. So I just wondered whether this is phasing, and the bigger impact is to come in the fiscal year 2012. Just on the potential write downs of inventory and what have you, would this come in other operating expense, maybe, you weren't sure to the degree of this, and if it did come sort of above the EBIT line, I wasn't sure how you could factor that it to your current guidance?

First of all, with regards to the impact, the 50 million that I also mentioned, yes, it's 2% of revenue, but as I also mentioned, we certainly expect that to a large extent we can get people over to other products, you can't just say it's 2% we're going to lose, because that is definitely not our expectation, so it's a combination of saying we will expect people to use other Coloplast products and as Lars also mentioned, we expect this to be about a 24 month process, so obviously there is also some that will spill into next year. With regards to the write downs, we will have that above the EBIT line, its part of our EBIT guidance, above our EBIT line, and you are absolutely right, as we just said, its difficult to estimate exactly how much, but again to reiterate, we don't have any write down of machinery, we have some stock levels and obviously they are at the production cost, is what they're booked at, so in reality it's not that huge an amount.

Basically your upside though, which we haven't spoken about, is that we have a number of machines sitting in our factories that are only running maybe two times per month, or one time per month, and as we take those out, it also means that we can get more space for new products. It also means that when we are cutting down on other SKUs, we will have fewer machine changes and we can run bigger series, so it's not all just downsides, but it's hard for us to quantify the upsides. Of course, it will mean that it will take longer before we need to expand our factories for example, further than what we believe today.

I believe the real upside is the reduction of complexity throughout the organisation that will not be seen from day one, but as we grow, will actually have an impact and help us achieve our targets, or our ambitions, so there is definitely a lot more upside than downside, that's obviously also why we are doing it.

Just a small commercial from Ian, we have a capital markets day in Hungary and Ian, I think he will promise to put a yellow tag on the machines that will be redundant as part of this product pruning, so you might come and see for yourself how much extra space we get.

I will certainly be there, thanks for your detailed answers.

Guida Wang – Deutsche Bank [?]

Thanks very much. Just a quick one on the SKUs hopefully, that will finish that subject. Basically, have you actually started that?

Yes.

When did you start, and should we expect the negative impact, certainly on the revenue side, to be more front end loaded or back loaded over that 24 month period?

I think we have been working on this for the last year.

So you started a year ago.

We started out in wound care first, and just to make sure that we are not misread here, it is not the product pruning on the product SKU side that have had a negative impact, it has been much more what we have been doing in terms of not putting sales pressure on the markets. So don't expect to see that we are going to lose all of our sales, that's very important for me to stress. We have been working on this, but the big chunk is ahead of this.

I think what we can say, and we mentioned this at the capital markets dinner, is that SKU reduction is something that we will be part of improvements going forward and its something we feel comfortable about, because we have done a specific project on SKU reduction, already on wound care, which was really part of starting the restructuring of the wound care, so that's why we say we've done it, and we're in the planning stages still, because it's wound care, and then the rest of the business.

Okay, I mean, so over the next 24 months, should we expect the majority of that to occurring the next 12 months?

It's really hard to say, we don't have the detailed plans to that level because the fact is that the faster you can do it, the better, because it's not really a positive thing to work with in the sales ops, and therefore once we find the way to do this in sort of, the most value creating way, you know, then we will speed up as much as possible, because we don't want to spend time talking about the old products, we want to spend time talking about the new ones.

You said that its quite difficult for you to estimate the benefits, because there are so many areas that you could actually benefit from given this initiative, can you at least give us, you know, what the benefits would be to your gross margin, clearly that's much more measureable, compared to maybe some of the other benefits. Is that possible at this stage?

No, it's not possible, but you do know that we have stated we want to be among the very best medical device companies in the world, and to go from where we are now, to be in that league, we have to do a number of things on our growth rates and on the total cost base of the company, and we are working in many areas, but this is one of the areas, we think that is the right and logical next step, after the move out of manufacturing, because we did not have room for that complexity in the whole mix of activities we were running when we were doing the Miull, but now we have the ability, after the Miull have finished, to also do this physical change of number of SKUs. So we think that's a very important element of us reaching higher gross margins and higher EBITs.

Okay, great, and then the other question I had was on your male and female health portfolio, can you just give us a sense of how complete they are, are you missing any significant products that we could see coming to market over the next year or two that we should be aware of?

It's primarily the Minsling [?] technology that we need to bring to markets to be more competitive and that has been, as you know, we do have a request with FDA to also get it into the US markets, and right now there's just running in the Canadian markets, but that is really what we need to get on board.

Closing Comments

Lars Rasmussen

All right, but then we say thank you very much for joining the conference and have a great day.