

COLOPLAST

Moderator: Lars Rasmussen
June 24, 2014
01:30 GMT

Operator: Thank you for standing by and welcome to the Coloplast (Inaudible) Executive Management Conference Call. At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session at which time, if you wish to ask a question, you will need to press star one on your telephone.

I must advise you that this conference is being recorded today, Tuesday, the 24th of June at (12:30) U.K. time.

I would now like to hand over the conference to your speaker today, Mr. Lars Rasmussen, President and CEO. Please go ahead, sir.

Lars Rasmussen: Yes, and thank you, and hello, and good afternoon. Lars Rasmussen here and I am joined by Ian Christensen on this conference call. Today, or today, we announced that as of July 1st, we are expanding our executive management team from two to four persons.

And the reason for this call is that I want to tell you some background about the new setup and the rationale behind it. Could I by the way have the operator to turn the page to slide number one; which is the one starting with Coloplast (Inaudible) Executive Management.

The change – the change that we're doing is driven by the growth strategy; which we have pursued since 2012. And the whole idea about the widening, and the strengthening of the executive management team is to have at both the (energy) level and the resources available to be able to drive the – all of the initiatives that we need. To drive in order to pursue a growth that is more or

less (doubled) up compared to the market growth which we think is very exciting, and also a very challenging ambition.

Sometime back, I, I began a, a discussion with the Board of Directors about how to – how to organize the executive management for this task going forward. And we agreed that that it was correct to strengthen the executive management team. And then as a follow-up to that, I had the same discussion and conversations with Lene.

And Lene, she appreciates the rationale behind it. And she supports – and she supports it. However, she, she found that it was not as interesting to continue in the executive management once it was expanded from two persons to four persons. As it would also mean that her role would be a different one than the one that she had been (doing) up until now.

And then simultaneously, there was an option coming up. And she had accepted the position as CEO of The Lundbeck Foundation. Of course, I would rightly now like to thank Lene for her many years of strong Coloplast leadership in Coloplast. And for the very, very good cooperation that Lene and I had there together. And I wish her the best of luck in her new role.

The new members of the executive management team will be Anders Skovgaard as CFO, and Allan Rasmussen as Executive Vice President for Operations. And Kristian Villumsen, who will be leading the Chronic Care part of the ostomy and continence care part of the portfolio. Could you please turn to the next slides, operator?

And just to put a few more words on it. Then, I think that we have had a bit of an extraordinary setup in Coloplast since 2008 because 80 percent of our business is ostomy and continence care. And I have been daily operational leader of the business areas – area over the years. And together with my task has been the CEO of the Company.

With the growth that we have had and with the – with the – with all of the activities and initiatives that we have in front of us, it was I think an appropriate point and time to say that somebody else is taking over running the Chronic Care business so that we now have Kristian running the Chronic

Care business. We have (Nicolai) running and reporting to me, and running the Wound Care business; and Steffen Hovard running the Urology business; and also reporting to me. And then, I become a CEO of a more traditional kind as you will see it in other similar companies.

So, that's and that's the background for the announcement that we came out yesterday. And I think that, that would be a good point and time to – for me to hand it back to you so that you can ask questions that you have in connection to this change of management.

Operator: Thank you, sir. As a reminder, if you wish to ask a question, please press star on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound and the hash key.

Once again, if you do have any question or comment, please press star followed by a one on your telephone. Your first questions come from Ian Douglas-Pennant. Please ask your question.

Ian Douglas-Pennant: Hi, it's Ian Douglas-Pennant. (I'll limit) to two and then jump back in the queue. How long has this been in planning, please? And why did you not feel that the need to do this 12, or maybe even 24 months ago? I mean, it seems odd timing especially this close to the capital markets there that you had?

Lars Rasmussen: Yes, well in a sense it's hard to make things match up when you – when you talk about capital market space. And then changes in the executive management. The capital market, they have been planned for a year or so.

And as you do know, you have an ongoing dialogue between the executive management and maybe especially between the CEO and the (inaudible) about do we have the right setup to pursue the strategy that we – that we're having going forward. And that's, you know – and this came up. And it's been a discussion for a while. But it's not a discussion where you, you know, and we don't feel that we have anything which is broken.

We actually feel that the company is running pretty well. But we also appreciate that, that it is – it is a very different task, we have today compared to when we were doing the turnaround of the Company where we were

extremely focused on the bottom line from the outset. Then more and more now, we have a job which is to steer all of the investments that we are putting into growing the Company. So, I think it's a very appropriate point in time to take onboard people to strengthen the commercial side of the executive management now because we have seen that we are able to invest and also get the traction from our investments and we have quite some investments to go.

Ian Douglas-Pennant: OK, great. And then – and then just on the – on the cost side of the business, obviously, your margins are, are very high. And I think obviously quite a lot higher than maybe some people would expect.

Lars Rasmussen: Yes.

Ian Douglas-Pennant: And how can you ensure that, that you keep the same focused on cost control without that highly centralized power structure?

Lars Rasmussen: Yes. And that's right. We have been and will continue to be extremely centralized when it comes to cost control. And if there's something where you could say that (Anders Skovgaard), he really – an area where he had excelled over the years, that's definitely within that area just to mention what he did in his last job. He took on board an IT department. He had managed to increase the customer satisfaction significantly, the employee satisfaction significantly. And he has at the same point in time brought on board everything that we need in order to run our direct to consumer journey, which is a quite big setup. And he has cut the cost of running that department more or less in half. So, I'm not – I'm not too concerned about that because it's been what we had been driving at for the last few years. And the people that we take on board in the organization or in the executive management now, they are people who have shown that they're able to handle both sides. Otherwise, we will not be able to go with this.

Ian Douglas-Pennant: Great, that's very helpful, thanks.

Operator: The next question comes from the line of Veronika Dubajova. Please ask your question.

Veronika Dubajova: Good afternoon, Veronika Dubajova here from Goldman. Lars, two questions, one I guess. This seems to be signaling a changing focus in the organization from efficiency driven growth to top line driven growth. And maybe you can just help us understand in terms of the targets that you have set out for yourselves over the next three to five years? What proportion of the margin improvement was driven by efficiencies versus what was driven by growth and leverage? So that, you know, we can have a certain degree of confidence in the outlook that you have outlined a few weeks ago. And the second question I have is did you look at any external candidates to fill the CFO role? And thank you.

Lars Rasmussen: Yes, thank you, Veronika. Yes, I think, I think we signaled the change in focus back in 2012. That was when you started to invest more to get growth. I also think it's very, very clear that we would not be able to keep expanding our margins, our (EBITs) if we – if we do not have a strong topline growth.

Because we need that in order to handle – in order to handle or to get economy of scale in the – in the company. So nothing had changed since we had the capital market day. We need to growth in order to finance the extraordinary (state) initiatives. We are still and will stay committed to increasing our gross margin. And we actually have our plan in place for what we want to do over the next three to five years to keep – and to keep expanding gross margin also. So, I think – I think it is – it is a balance that we need to strike, which I think we've been really good at up until now where we have been able to grow at the topline more and still expanding the bottom line.

We need to do more of that. And to do more of that, that would only happen if we are really good at growing the topline at the same point and time because that's where we get the scale from.

We have, of course, discussed going externally for candidates. But I think that if you have candidates inside that can take the job and that have a growth opportunity there, we should pursue that. And that's what we have done. And that, of course, have a pretty big knock-on effect in the organization also. So this is, of course, extremely motivating, both for the people who are joining

the executive management but also for a number of people outside of executive management.

Veronika Dubajova: Very clear, thank you very much.

Operator: The next question comes from the line of Niels Leth. Please ask your question.

Niels Leth: Good afternoon. To what extent would you expect these management changes to trigger changes in the layer below the executive management level?

Lars Rasmussen: It will trigger some changes in parts of the organization. But just to be a bit more precise on it. Then Allan Rasmussen who was running operations, he will – he will still be doing that when he's entering the executive management. But he will also take onboard procurement and quality of environmental affairs. So in that sense this will not open up for many different positions under him that would be marginal. When it comes to the role that Kristian takes, he is in a sense sliding into a role that I had before. But Kristian is today running the emerging markets. And he will have to find a solution for how he's handling that longer term.

So we made (inaudible) a part of his new setup together with – so Kristian will have his (reportees) will be the emerging markets (inaudible) from the U.S. and (along) from the region in Europe. And then (Nicolai) from Global Marketing and Oliver Johansen from Global Research and Development who is – which is research and development for the Chronic Care business. So those would be his new reports. And he'll have to handle them while he's also handling emerging markets until further notice.

And, of course, when you put all of that under one person who's not at the same point and time also running the company as a CEO, then there are options for streamlining, and so on. And that is what Kristian; he'll have to work with. But, you know, it's not – it's not a setup which is broken. So, it will be tweaks that we're doing. And for (Anders Skovgaard), part of it – a number of the staff (options) would report to me going forward. So, (Anders) will have the corporate finance, and corporate IT, and that is – that is what his

– and what he would be sitting with at this point and time. So, it's a – it's a pretty, you know, a very focused role that he would have as the new CFO.

Niels Leth: So, all regional managers will be reporting to Kristian Villumsen.

Lars Rasmussen: I'm sorry?

Niels Leth: All regional managers will be reporting to Kristian Villumsen.

Niels Leth: Yes, well, we have – we have a – we have a, a dedicated (setup) for Urology care with Steffen Hovard. And if that's unchanged for him, we have a dedicated setup for Wound Care, which will be unchanged for (Nicolai). And then some, some of the Wound Care business is handled by the Chronic Care sales force in some of the countries. And that is unchanged in this setup.

Niels Leth: OK.

Lars Rasmussen: So, yes. Yes.

Niels Leth: In this reorganization, has it been considered already now to name a crown prince for Coloplast similar to what we have seen a few other Danish companies and big companies do in the past year?

Lars Rasmussen: No, that has not been considered.

Niels Leth: OK, and thank you.

Operator: Your next questions come from the line of Alex Kleban. Please ask your question.

Alexander Kleban: Yes, hi, I would just first quickly; I mean I'm sorry, if you covered this already, I got on late. But how soon will we hear from (Andrews) in an investor facing capacity in terms of either road shows or conferences?

Lars Rasmussen: Yes, say and say that again, please? I didn't hear.

Alexander Kleban: Just how soon will we hear from (Andrews) at the, you know, road shows, conferences, and, or results?

Lars Rasmussen: Yes, well you will see him at Q3.

Alexander Kleban: OK. And in between them, any investor meetings, or conferences, or no?

Lars Rasmussen: No, I don't think so.

Alexander Kleban: OK, OK. And then, I guess a second question maybe just a more, a broader one, and which you touched on earlier. But, and just in terms of succession planning, can you talk about your process around that? How robust it is? How frequently you're looking into it? And how far down on your organization you have succession planning put in place?

Lars Rasmussen: Yes, we actually are running a quite comprehensive people cycle in the Company. And just to give you a little bit of a background on this. For example, I have – I have, in the old setup I had nine direct (reportees) and now I actually also have that in the new setup. And in another year, I will conduct more than a hundred interviews with people who work for – my direct reports (inaudible) together with them. And that means that that I have a very good background for scoring the people working for me and for giving them feedback. And that process is actually going all the way through the company.

And that means that at the end, you know, and once a year, we will – we are actually – we are actually putting you could say a grade on every person. And if you get below a certain grade, you are – you will definitely be talking about how to improve. And if you are at a certain level, you are considered for a promotion. And that has – that is something we have done for quite some years. And that's also why we have been able to in many, many positions in the Company to take people up. And that's also what we're doing now with the executive management.

And I don't think it's (trivial) to fill positions in an executive management team. And I'm really, really pleased with the fact that we have such strong candidates, that we can go with them for an expansion of the – of the executive management. And that's what we're doing right now.

Alexander Kleban: OK, thanks, and very clear.

Operator: Your next questions come from the line of Justin Smith. Please ask your question.

Justin Smith: Yes, thanks very much for taking my question, Lars. I just wondered if you could – it might be too early to ask this. But just any qualitative comments on how the exposure of your newly promoted sort of candidates and how their exposure to the equity of the company will change in their new roles in terms of stock options, et cetera?

Lars Rasmussen: You know, well, yes, I must be sitting on a – on a little bit of a – of a bad line. I was not really getting the question.

Justin Smith: Sorry, Lars, yes, yes. I just wondered if you could make any qualitative comments about how Anders, Allan, and Kristian's sort of stock options and programs might change now that after their promotions.

Lars Rasmussen: OK. I know and I think that's a bit too premature to get into that now. But, of course, that will be quite (feasible).

Justin Smith: But we should assume that. But we should assume that their exposure would increase sort of quite substantially. Is that a fair comment?

Lars Rasmussen: You know the level that I have been running at and Lene had been running at. And, you know, I think that's probably the level that we're talking about. But it's a bit early for me to talk about that.

Justin Smith: That's still helpful and I thank you very much.

Operator: Your next questions come from the line of Scott Bardo. Please ask your question.

Scott Bardo: Yes, thank you very much. Just a couple of quick questions, please. Nicolas Nemery has been taking quite a front role certainly to the public markets in the company over the last few years, attending various conferences and on the sell side also. Can you just help explain the structure now with Nicolas being before senior vice president of global marketing? Will he now report directly

to Kristian, or is his role now redundant within the – within the firm? If you could just clarify that, please?

Lars Rasmussen: Yes. It's actually, you know, the way you should think about it is that, that nothing has changed in essence. And what has changed is that I'm no longer the operational daily leader of the Chronic Care organization. That is now Kristian.

So Kristian in that capacity will have the exact team (reportees) as I had in that capacity. So, that means that it will be – it will be (Ed Viong) the U.S., it will be (Helen Mohan) from (the region in) Europe. It will be Oliver Johansen who is in R&D. And it will be Nicolas Nemery who is in Global Marketing. And so the structure is completely unchanged. The only things that have changed in that respect is that, that I am now more of a normal CEO. So, I'm doing what, and what CEOs normally do. And I don't have an operational and daily responsibility of running one of our – one of our bigger businesses as, you know, as a – as a leader.

Scott Bardo: OK, and thank you very much. We're clearer now. And just a couple of very quick follow-ons please. Now that Anders will take the CFO position, have there been any initial discussions about changing the sort of structural role of his position. And I think in particular reference to the potential for a future audit committee for Coloplast. Or, do you – do you expect him to maintain the status quo?

Lars Rasmussen: Well, it's probably a bit early to say. But of course, (Anders') role is quite different to the role of that Lene had. Because Lene and I was two persons in the executive management and we had split it so that I had the line responsibility and Lene had the staff.

So now Anders is starting out in a – in a more narrow and traditional CFO role and that is what he'll be pursuing. But apart from that, I don't have any comments to that specific question.

Scott Bardo: Thank you. And a very last and quick question from me, just with respect to Lundbeck, I appreciate Lars, you're also on the Board of Directors to

Lundbeck. I just wonder whether you consider that position changing at all given now that Lene takes over her CEO of the Foundation.

Lars Rasmussen: No, I don't – I don't think so. Well, what are you thinking about?

Scott Bardo: No, no, I just wonder whether, whether your affiliation with Lundbeck changes at all as a result of obviously a major change in their management structure. And but, it doesn't sound like that's going to be the case.

Lars Rasmussen: OK. But, you know, I think it's very, very important to say that the whole process that we have had leading up to this change in Coloplast has been very open. So after I have agreed with the Board what we wanted to do, I had that discussion with Lene about changing and expanding the management team or the executive management team. And she 100 percent agreed to the rationale behind that. She was just, you know, feeling that, that it was a very different role for her. And that was why she actually, you know, simultaneously, this opportunity in Lundbeck came up and she could become the CEO of the Foundation there. And she felt that, that was – that was really what she wanted to do in this specific situation. But she is completely behind this. And I can only say that that this is – this is 100 percent amicable.

Scott Bardo: Right, thanks very much for answering the questions.

Operator: We have a follow-up question from the line of Ian Douglas. Please ask your question.

Ian Douglas-Pennant: Hi, sorry just one quick question. I assume Lene isn't on the call. Has she now left Coloplast officially now?

Lars Rasmussen: No, this change will – this change will take place on the 1st of July.

Ian Douglas-Pennant: OK.

Lars Rasmussen: But, but, you know, as, as soon as you have announced this, since mostly (here) in the capacity of Lundbeck (and) Coloplast that therefore, we felt that, that this is more appropriate.

Ian Douglas-Pennant: OK. That's good, thank you.

Operator: There are no further questions at this time, sir. Please continue.

Lars Rasmussen: OK. But that's fine. Thank you very much for listening in and have a great afternoon. Bye-bye.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect your lines. Thank you.

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