

60  
years of care

Forward  
together

# Value creation through profitable growth

Berenberg European Conference 2017, Pennyhill

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Coloplast A/S - Ostomy Care / Continence Care / Wound & Skin Care / Urology Care



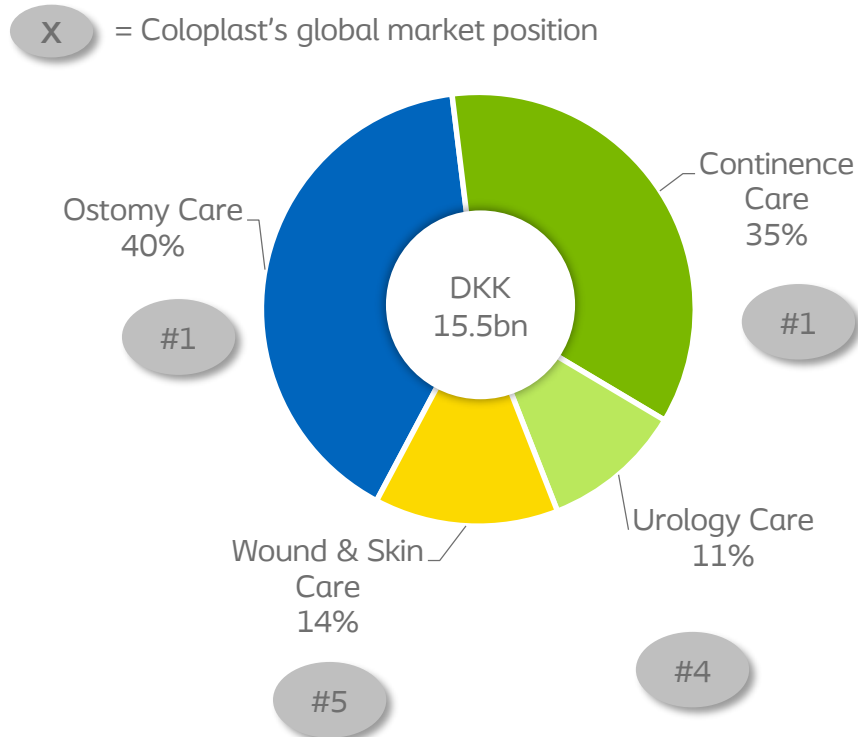
# Forward-looking statements

The forward-looking statements contained in this presentation, including forecasts of sales and earnings performance, are not guarantees of future results and are subject to risks, uncertainties and assumptions that are difficult to predict. The forward-looking statements are based on Coloplast's current expectations, estimates and assumptions and based on the information available to Coloplast at this time.

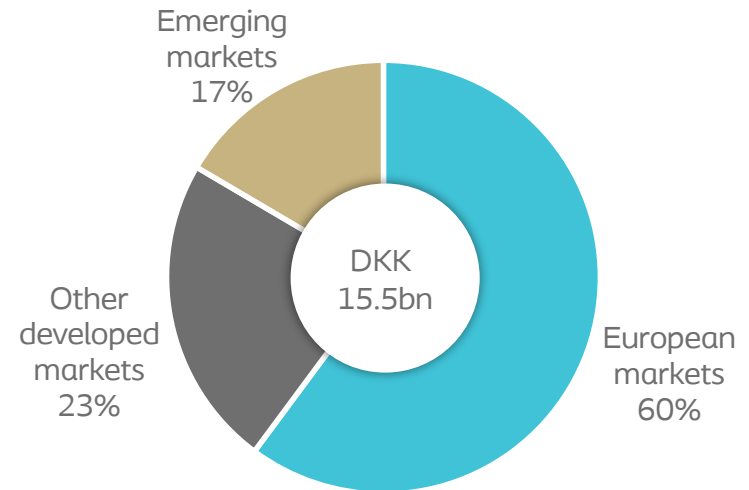
Heavy fluctuations in the exchange rates of important currencies, significant changes in the healthcare sector or major changes in the world economy may impact Coloplast's possibilities of achieving the long-term objectives set as well as for fulfilling expectations and may affect the company's financial outcomes.

# Coloplast has four business areas all with global sales presence

Group revenue 2016/17 by segment



Group revenue 2016/17 by geography



# Coloplast specializes in intimate healthcare needs

## Who are our typical users

## How do we help them?

### Ostomy Care

People who have had their intestine redirected to an opening in the abdominal wall

**SenSura® Mio**  
Ostomy bag



### Continence Care

People in need of bladder or bowel management

**SpeediCath®**  
Flexible male  
urinary catheter



### Urology Care

People with dysfunctional urinary and reproductive systems

**Titan® OTR**  
Penile implant



### Wound Care

People with difficult-to-heal wounds

**Biatain® Silicone**  
Foam wound dressing



# Intimate healthcare is characterized by stable industry trends

## Drivers

1

### Demographics

Growing **elderly population** increases customer base for Coloplast products

2

### Emerging markets

Expanding healthcare coverage for populations in emerging markets **increases addressable market**

## Limiters

1

### Surgical and medical trends

**Earlier detection and cure**, eventually reduces addressable market for Coloplast treatment products

2

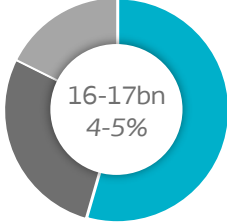
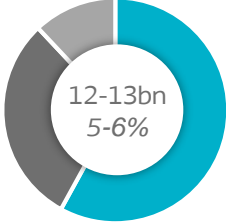
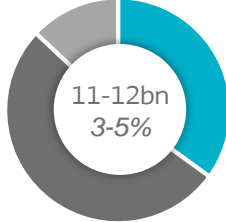
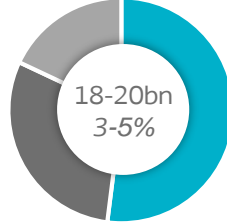




### Healthcare reforms

**Economic restraints** drive reimbursement reforms, **introduction of tenders**, and lower treatment cost

Coloplast addressable market growth is 4-5%

# Coloplast has strong market positions in Europe and great commercial potential outside Europe



	Ostomy	Continenence	Urology	Wound Care
<b>Addressable market</b>  Size in DKK Growth in %				
<b>Coloplast regional market shares</b>	40 - 50% 15 - 25% 35 - 45%	45 - 55% 20 - 30% 20 - 30%	10 - 20% 5 - 15% 5 - 10%	5 - 15% 0 - 10% 10 - 20%
<b>Coloplast total market share</b>	35-40%	~40%	~15%	7-9%
<b>Key competitors</b>				
<b>Key drivers and limiters</b>	<ul style="list-style-type: none"> <li>• Ageing population</li> <li>• Increasing access to healthcare</li> <li>• Health care reforms</li> <li>• Re-use of products outside Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Ageing population</li> <li>• IC penetration potential</li> <li>• Up-selling</li> <li>• Health care reforms</li> <li>• Commoditization</li> </ul>	<ul style="list-style-type: none"> <li>• Ageing, obesity</li> <li>• Underpenetration</li> <li>• Cost consciousness</li> <li>• Clinical requirements</li> <li>• Less invasive/office procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Ageing, obesity, diabetes</li> <li>• New technologies</li> <li>• Healthcare reforms</li> <li>• Competition</li> <li>• Community treatment</li> </ul>

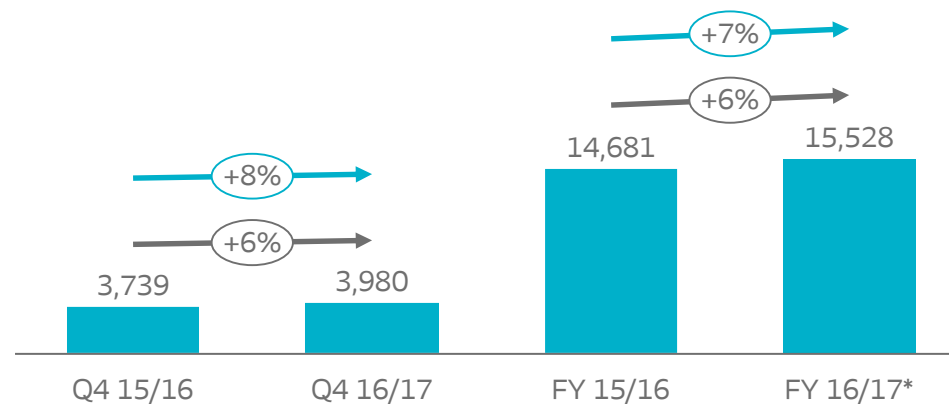
# Coloplast delivered full year organic growth of 7% and an EBIT margin of 33% in constant exchange rates

## Full year highlights

- FY organic growth of 7% (6% reported growth). Q4 organic growth of 8% (6% reported growth)
- FY Gross margin of 68% in constant exchange rates and 68% in DKK
- FY EBIT margin of 33% in constant exchange rates and 32% in DKK
- Total dividend of DKK 15.0 per share for 2016/17 (DKK 10.5 per share to be proposed at 2017 AGM)
- ROIC after tax before special items of 47%
- Financial guidance for 2017/18:
  - Organic revenue growth of ~7% and 5-6% in reported growth
    - Assumes DKK 100m negative impact from patent expiry and pricing pressure of more than 1% due to DKK 100m negative impact from healthcare reforms in Greece
  - EBIT margin of 31-32% in constant currencies and ~31% in reported EBIT

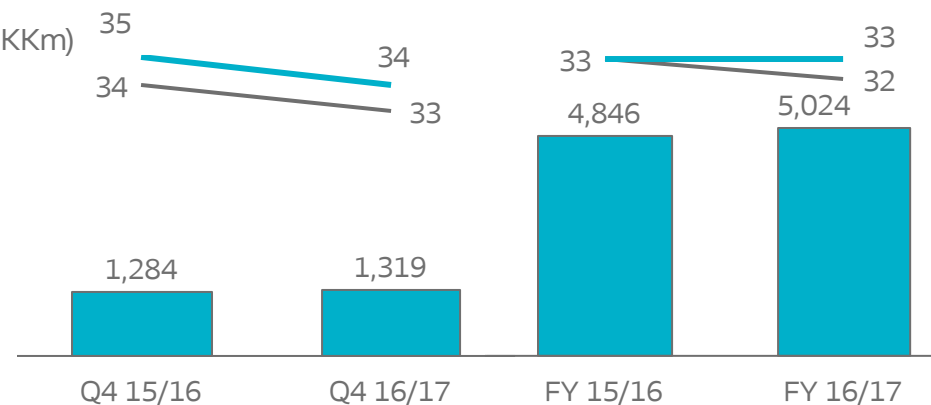
### Revenue growth

- Reported revenue (DKK m)
- Organic growth
- Reported growth



### EBIT

- EBIT before special items (DKK m)
- EBIT margin in constant currencies (%)
- Reported EBIT margin (%)



\* Coloplast has identified the incorrect management of a 2009 agreement with the U.S. Veterans Affairs. The matter relates to Continence Care products and is treated as a one-off adjustment of DKK 90m recognized directly in the Q3 revenue. The matter has not affected the organic growth rate for the reporting period.



# New long-term guidance for the LEAD20 strategy period aimed at accelerating growth and long-term value creation

**Revenue growth**  
annual organic

**7–9%**

**EBIT margin**  
constant currencies

**>30%**



# Growth acceleration to be driven through two key pillars and GOP4 will continue to drive unparalleled efficiency



## Two pillars to drive growth

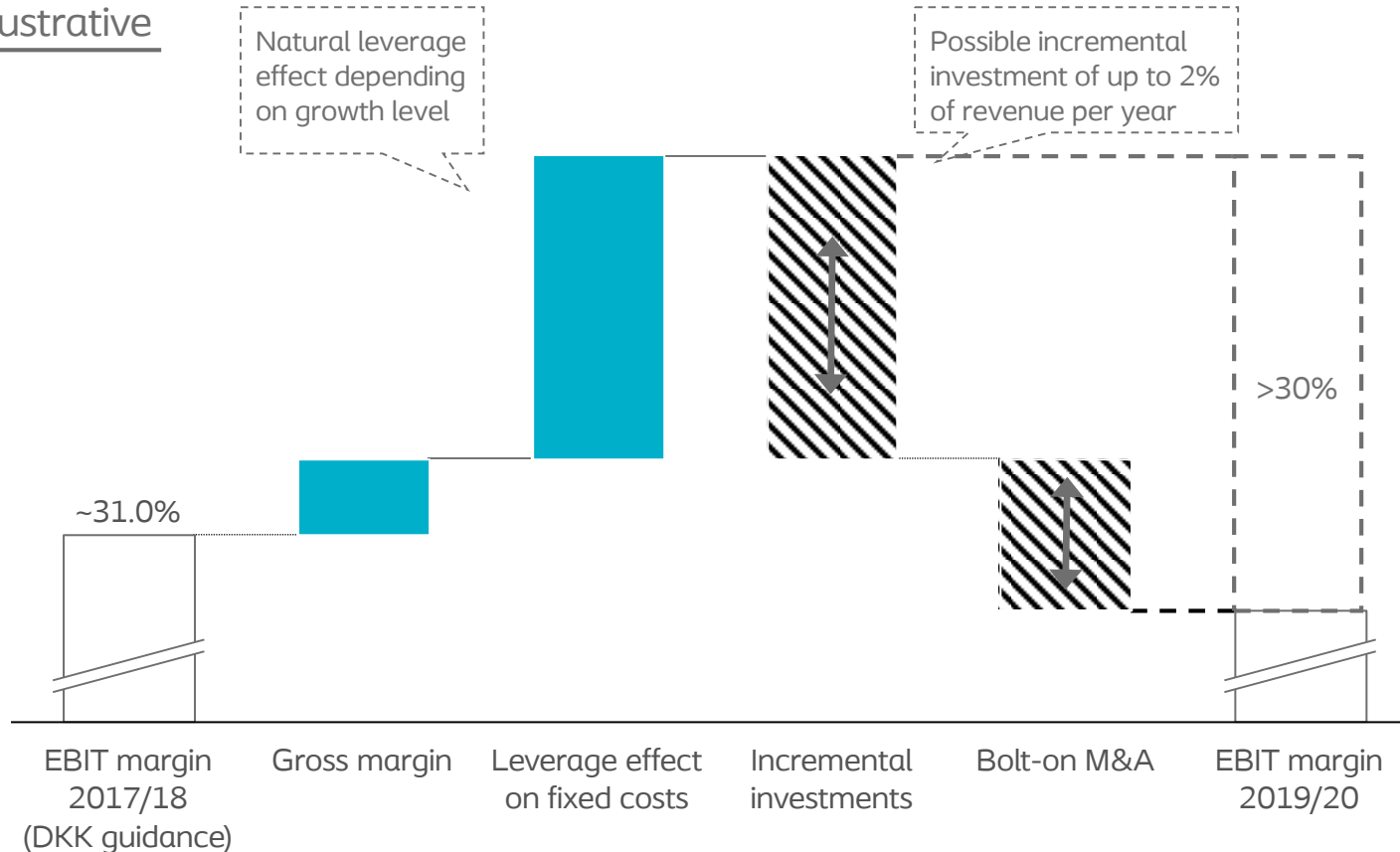
- I. Accelerated organic investments
  - I. Invest up to 2% of topline p.a. in new incremental investment cases
  - II. Emerging markets, US, selected countries in Europe
- II. Active pursuit of inorganic opportunities to strengthen our service offering towards consumers

## Unparalleled efficiency

- I. Global Operations Plan 4 to improve EBIT margin by 150bp with full effect from 2020/21

# EBIT margin development is a function of scalability, cost discipline, investments and M&A

Illustrative



## Future drivers of EBIT margin

EBIT will be positively impacted by:

- + Leverage effect on fixed costs e.g. distribution, admin and R&D costs
- + Innovation Excellence – savings of DKK 80-100m with full effect in 18/19
- + Global Operations Plan 4 – savings of 150bps with full effect in 20/21
- + Utilisation of Business Centre in Poland

EBIT will be negatively impacted by:

- ÷ Investments in P/L (Commercial & R&D)
- ÷ Product mix in production
- ÷ Wage increases in Hungary
- ÷ Restructuring costs
- ÷ Additional bolt-on acquisitions

# For 17/18 we are committing up to 2% of revenue in incremental commercial investments



Innovation  
R&D 3-4% of sales



Consumer



# Global Operation Plan IV aims to support LEAD20 through continued unparalleled efficiency and financial discipline

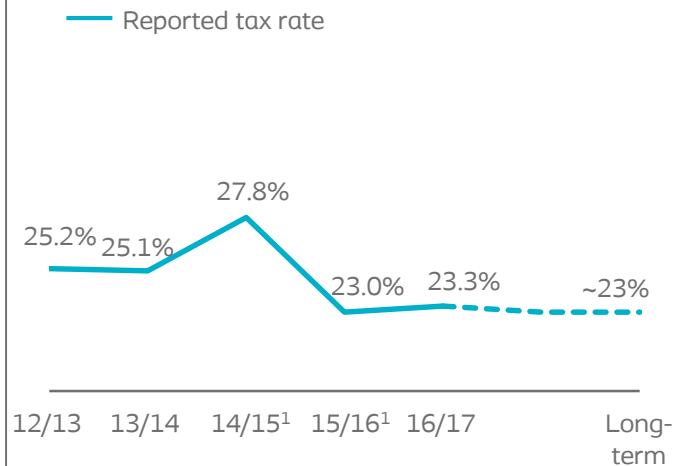


## GOP4 Highlights

- Deliver 150 basis points in EBIT margin improvements with full effect from 2020/21
  - Driven primarily by continued cost efficiency, procurement savings and reduction of production employees in Denmark by 200 by end 2019/20
- Next new volume factories will be located in Central America
- GOP4 will require expansion of the organisation in Hungary and building an organisation in Central America
- GOP4 will further strengthen ramp-up capabilities in low-cost countries and consolidate pilot production in Mørdrup, Denmark
  - Aim to close factory in Thisted, Denmark by the end of 2019/20
  - The closure of Thisted will require restructuring costs of DKK 50m split over 2018/19 and 2019/20
- Before 2020/21 the savings that are realised can be reinvested and are therefore included in the minimum 30%

# We will continue to deliver strong and attractive free cash flows ...

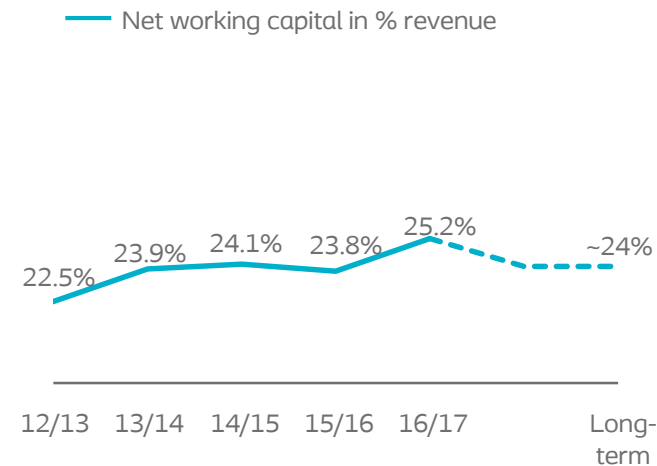
## Taxation



- DK statutory corporate tax rate lowered to 22% in 2016
- Coloplast tax rate expected to be ~23% going forward

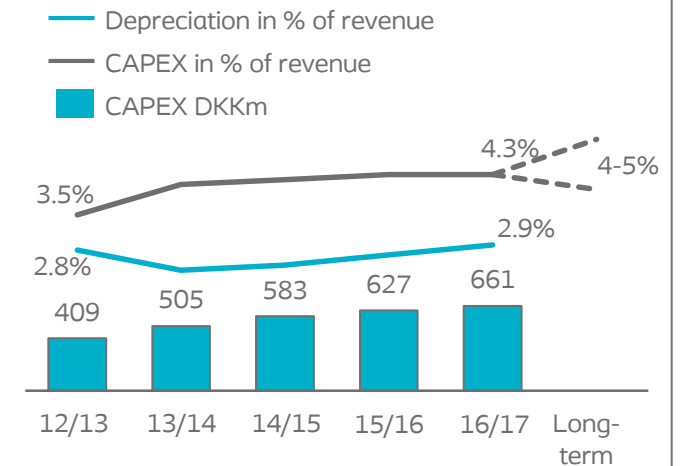
1) Impacted by provision for Mesh litigation  
2) Gross investments in PPE

## Net working capital



- Net working capital expected to be stable at ~24% of revenue
- Improve debtor policy in Emerging markets
- Maintaining stable inventory levels going forward

## CAPEX<sup>2</sup>



- Continued investment in machines and capacity expansion
- Widen factory footprint – factory extensions and/or greenfield investments
  - Next factory extension to be opened in Hungary in 2017/18
  - Next new factories planned to be in Central America

# Coloplast's strategy will drive revenue and earnings growth across 4 major themes

1

Superior products & innovation

2

Unique user focused market approach

3

Unparalleled efficiency

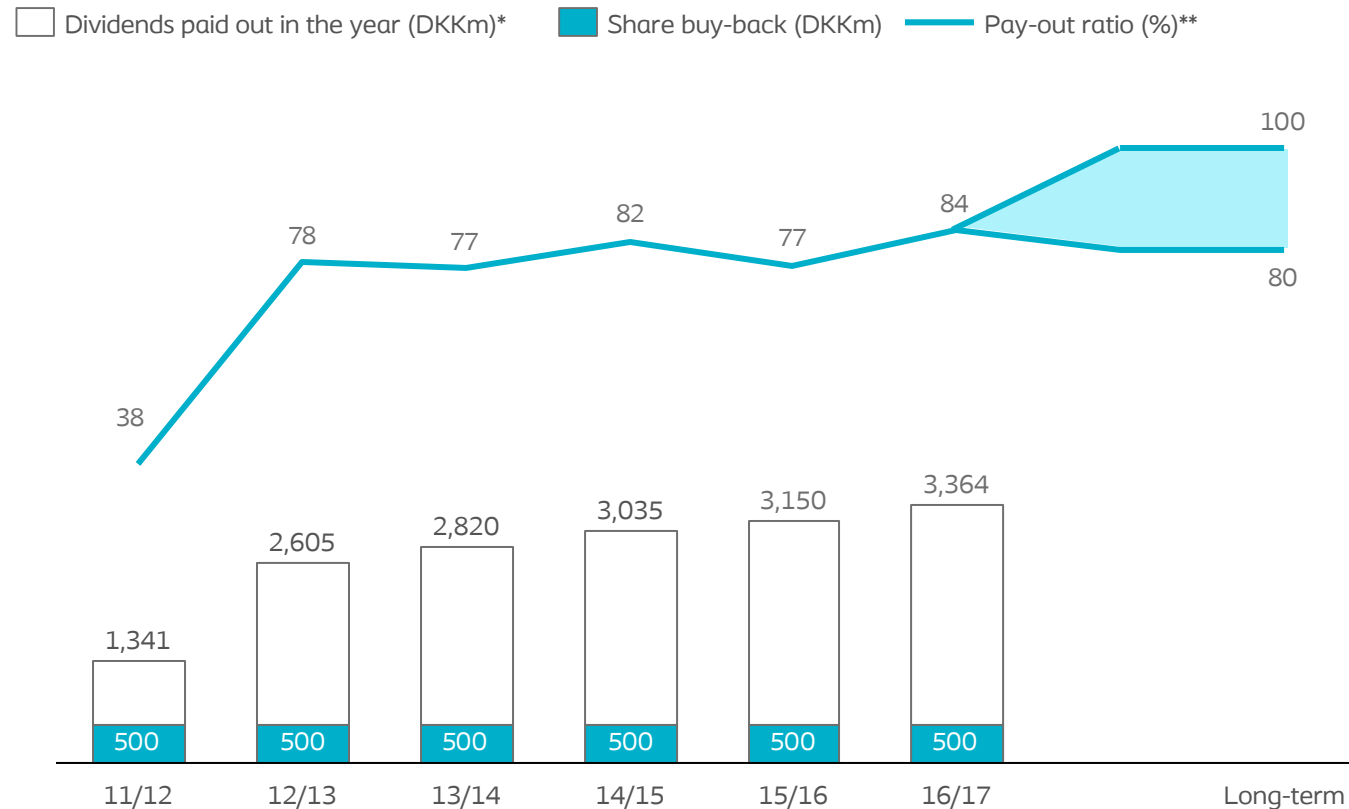
4

Strong leadership development



# ...and continue to provide attractive cash returns despite large investments in commercial and expansion activities

## Coloplast cash distribution to investors



\* Dividends paid out in the year are the actual cash payments of which the majority relates to dividend proposed in the previous financial year

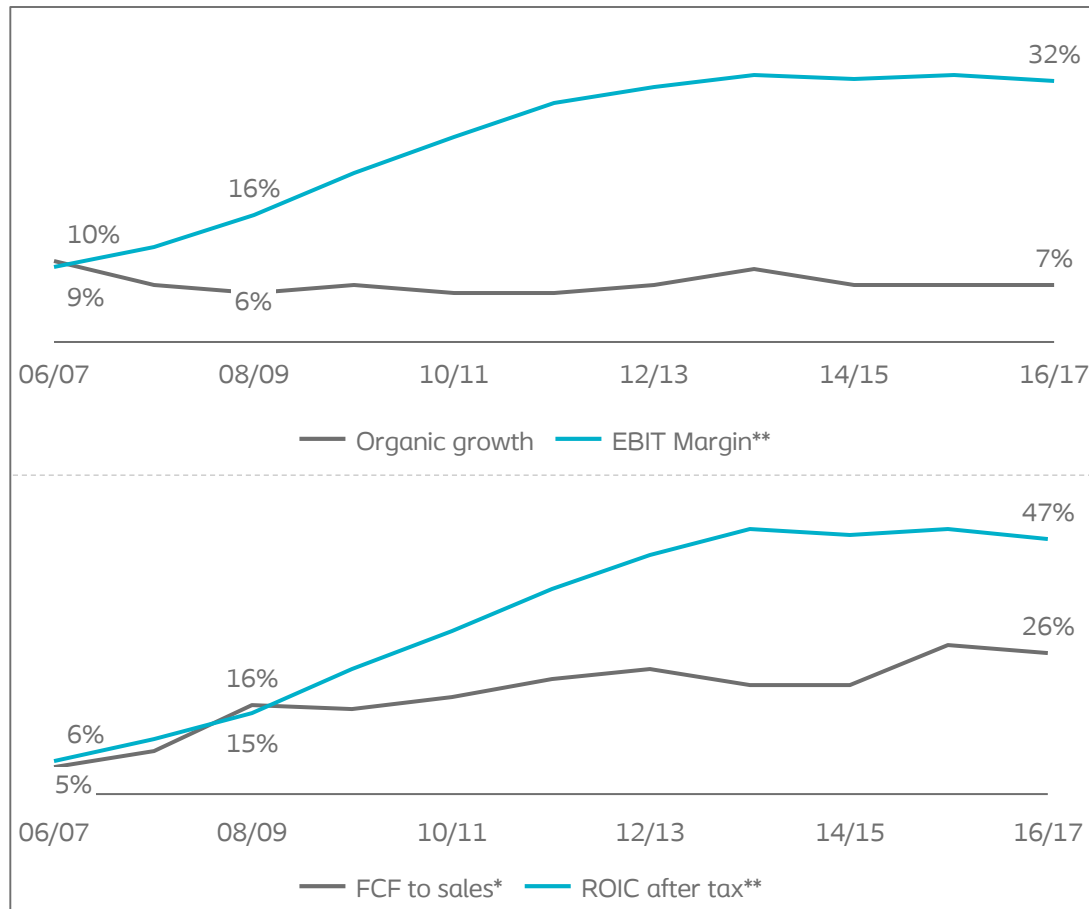
\*\* Pay-out ratio calculated as dividend proposed in the financial year/Net profit for the financial year. Pay-out ratio for 2013/14, 2014/15 and 2015/16 is before special items related to Mesh litigation

## Comments

- Coloplast returns excess liquidity to shareholders in the form of dividends and share buy-backs
- Dividend is paid twice a year – after the half-year and full-year financial reporting
- Total dividend of DKK 15.0 per share for 2016/17 (DKK 10.5 per share to be proposed at 2017 AGM)
- DKK 1bn share buy-back was completed in 2016/17



# In sum, we believe Coloplast can continue to deliver stable shareholder returns through ...



## Comments

- Stable market trends in our Chronic Care business
- Strong retention program and innovative DtC activities
- Increased focus on growing the business outside Europe
- Additional improvements in manufacturing by leveraging on global operations footprint
- European leverage will provide funds for further investments in sales initiatives
- Resulting in strong free cash flow generation and high return on invested capital

\*FCF adjusted for Mesh payments in 2013/14, 2014/15, 2015/16, 2016/17 and acquisition of Comfort Medical in 2016/17. Adjustment for Mesh payments includes DKK 500m insurance coverage in 2013/14 and 2014/15 combined.

\*\* Before special items. Special items Q2 2013/14 includes DKK 1bn net provision. Special items Q4 2014/15 includes DKK 3bn provision. Special items Q4 2015/16 includes DKK 0.75bn provision.

# Guidance for 17/18

	Guidance 17/18	Guidance 17/18 (DKK)	Key assumptions
<b>Sales growth</b>	~7% (organic)	5-6%	<ul style="list-style-type: none"> <li>• DKK 100m patent expiry</li> <li>• More than 1% negative price pressure of which DKK 100m from price reform in Greece</li> <li>• DKK guidance includes Comfort Medical in Q1/ VA one-off adjustment</li> <li>• Does not include acquisitions</li> </ul>
<b>EBIT margin</b>	31-32% (constant exchange rates)	~31%	<ul style="list-style-type: none"> <li>• Impact from patent expiry and Greece</li> <li>• Incremental investments of up to 2% of revenue</li> <li>• DKK 20m from reduction in DK production employees</li> <li>• Does not include acquisitions</li> </ul>
<b>CAPEX (DKKm)</b>		~700	<ul style="list-style-type: none"> <li>• Factory expansion in Nyirbator</li> <li>• New machines for new and existing products</li> </ul>
<b>Tax rate</b>		~23%	

## Our mission

Making life easier for people  
with intimate healthcare needs

## Our values

Closeness... to better understand  
Passion... to make a difference  
Respect and responsibility... to guide us

## Our vision

Setting the global standard  
for listening and responding