

# *Sustainable growth leadership*

Danske Bank Winter Seminar

CFO & EVP, Anders Lonning-Skovgaard

1 December 2020

Making life easier

Ostomy Care, Continence Care, Wound & Skin Care and Interventional Urology



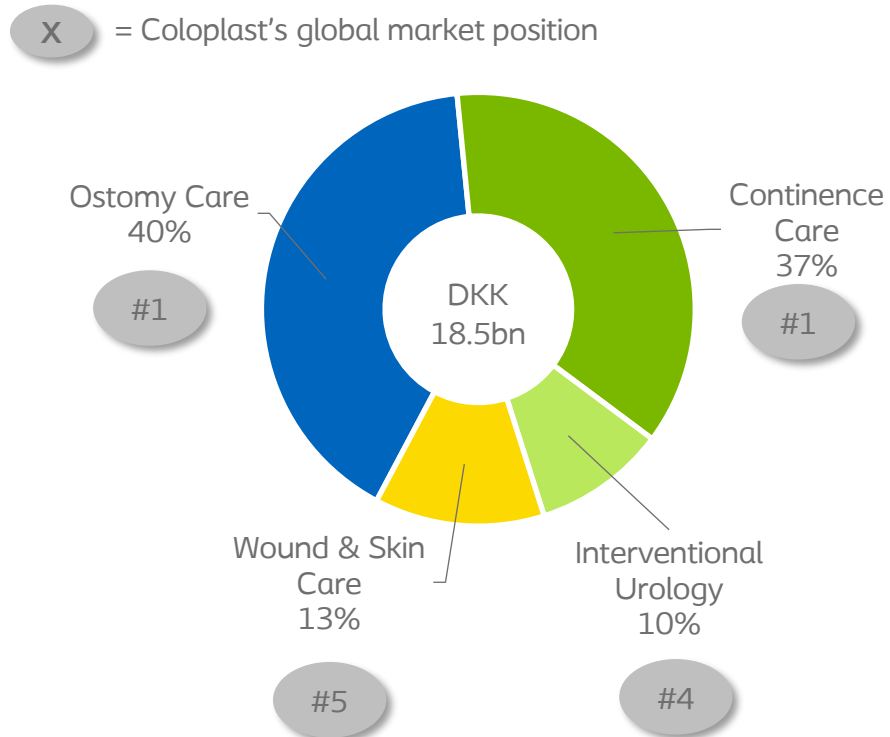
# Forward-looking statements

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.

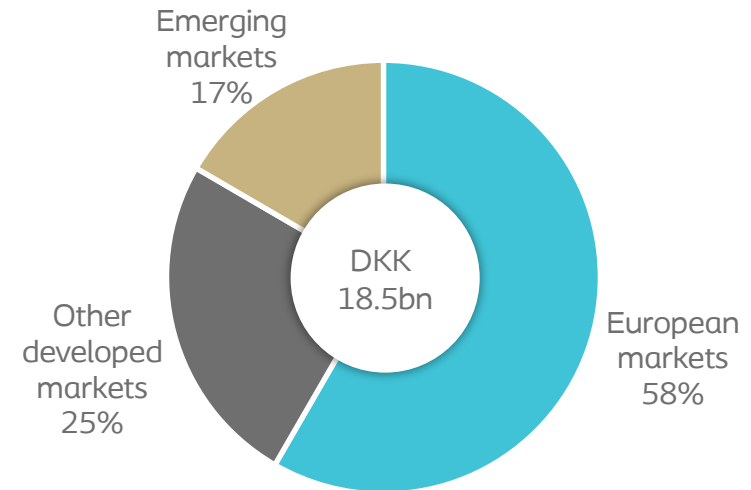
Heavy fluctuations in the exchange rates of important currencies, significant changes in the healthcare sector or major changes in the world economy may impact Coloplast's possibilities of achieving the long-term objectives set as well as for fulfilling expectations and may affect the company's financial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

# Coloplast has four business areas all with global sales presence

Group revenue 2019/20 by segment



Group revenue 2019/20 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



### Interventional Urology

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%\*

\* Excluding any short-term impact from COVID-19



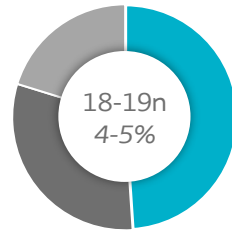
# Coloplast has strong market positions in Europe and great commercial potential outside Europe

■ Europe  
■ Developed  
■ Emerging

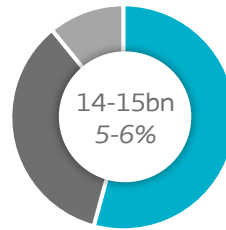
**Addressable market**

Size in DKK  
Growth in %

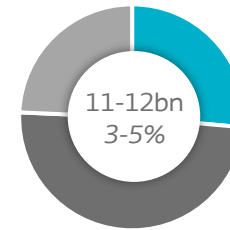
## Ostomy



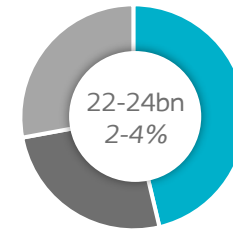
## Continence



## Urology



## Wound Care



**Coloplast regional market shares**

40 - 50%  
 15 - 25%  
 45 - 55%

45 - 55%  
 25 - 35%  
 35 - 45%

20 - 25%  
 15 - 20%  
 5 - 10%

5 - 10%  
 0 - 5%  
 5 - 10%

**Coloplast total market share**

35-40%

40-45%

~15%

5-10%

**Key competitors**



**Key drivers and limiters**

- Ageing population
- Increasing access to healthcare
- Health care reforms
- Re-use of products outside Europe

- Ageing population
- IC penetration potential
- Up-selling
- Health care reforms
- Commoditization

- Ageing, obesity
- Underpenetration
- Cost consciousness
- Clinical requirements
- Less invasive/office procedures

- Ageing, obesity, diabetes
- New technologies
- Healthcare reforms
- Competition
- Community treatment

# Our new strategy will drive continued long-term value creation through revenue and earnings growth



1) Constant currencies, based on FX rate as of September 29, 2020

# We will continue to support organic growth by yearly incremental investments of up to 2% of revenue

## Key Investment Decision Drivers



Economics & Government





Market Attractiveness





Leadership & Organization





Case Financials






Time horizon






## Key Investment Areas


We expect to invest **up to 2%** of revenue in incremental OPEX investments




Innovation




Chronic Care




Interventional Urology



Consumer & Digital



Sustainability



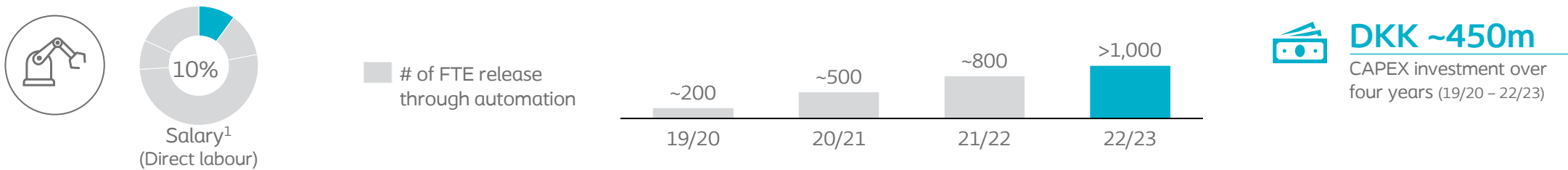
USA

Emerging markets incl. China

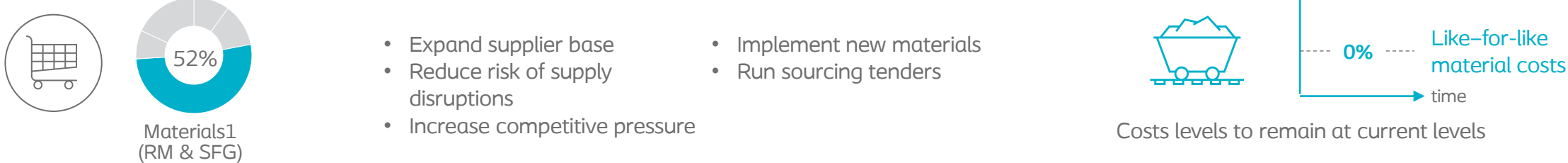


# Automation, procurement and scale are key to bringing Global Operations to the next level

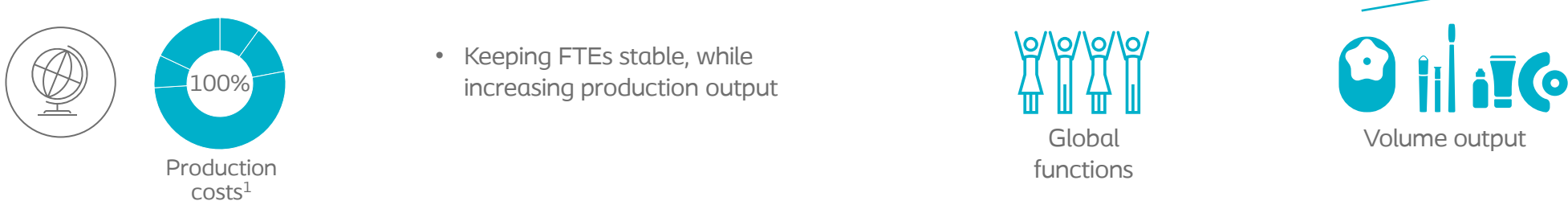
## 1. Automation to mitigate growth in blue-collar FTE



## 2. Continuously work with procurement costs and supply risk mitigation



## 3. Efficiency and scale on global functions



1) FY 2019/20 Cost of goods sold, DKK 5,932m

# Supporting sustainable development with a strong emphasis on improving our environmental performance

Our mission

**Making life easier for people with intimate healthcare needs**



Our 2025 priority

**Reducing emissions**



0 emissions from scope 1&2  
100% renewable energy

Our 2025 priority

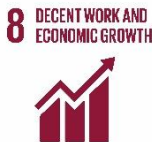
**Improving products and packaging**



80% packaging made from renewable materials  
50% production waste recycled

Our on-going commitment

**Responsible operations**



DKK 250m<sup>1</sup> in investments allocated to sustainability efforts during Strive25 period

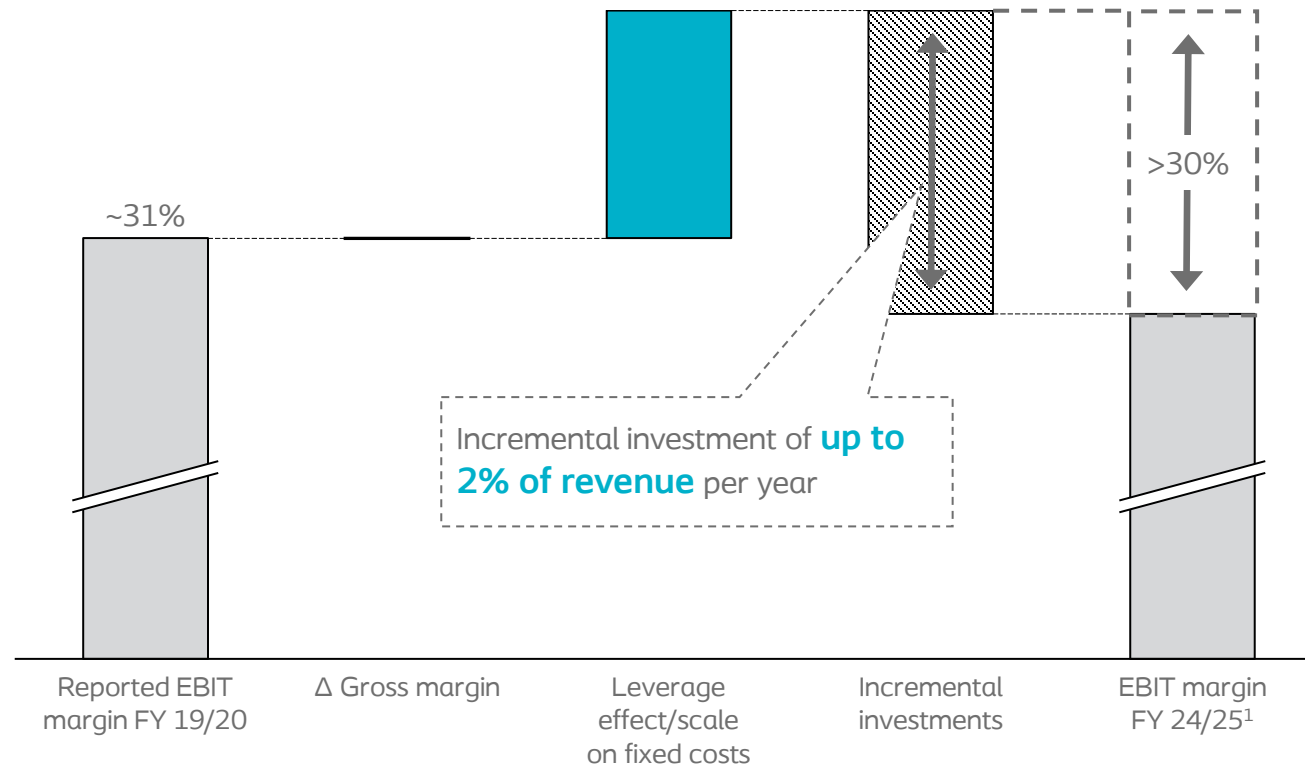
1) of which DKK 100m in capex and DKK 150m in operating expenses

# EBIT margin development continues to be a function of growth, scalability, cost discipline and investment activity

EBIT margin (%)

Future drivers of EBIT margin

ILLUSTRATIVE



EBIT will be positively impacted by:

- + Leverage effect on fixed costs e.g. distribution, admin and R&D costs especially driven by Europe

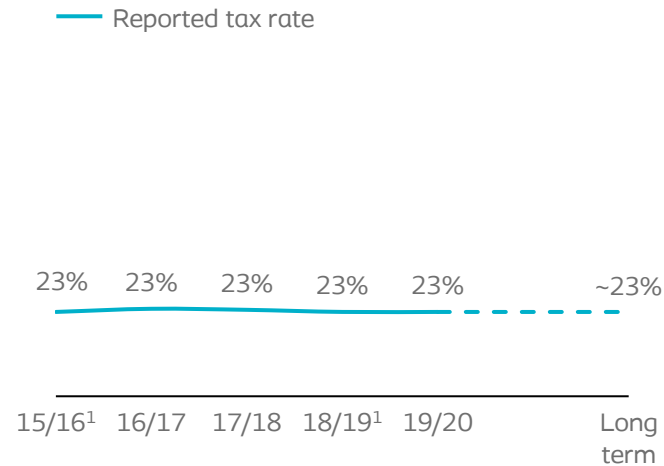
EBIT will be negatively impacted by:

- ÷ Investments in P/L (Commercial & R&D)

1) Constant exchange rates

# Continued strong development in free cash flow during the Strive25 strategy period

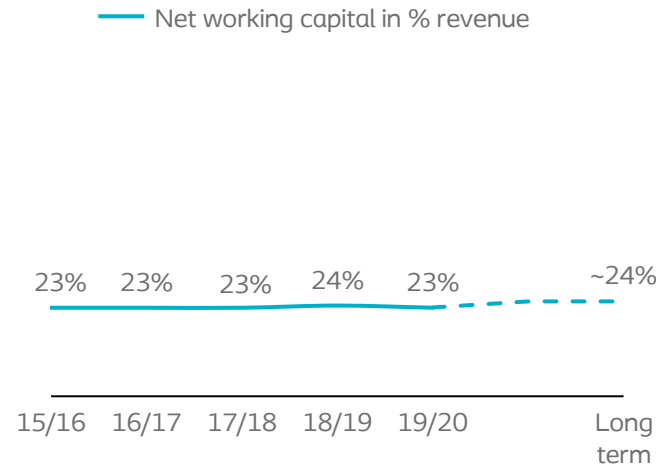
## Taxation



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

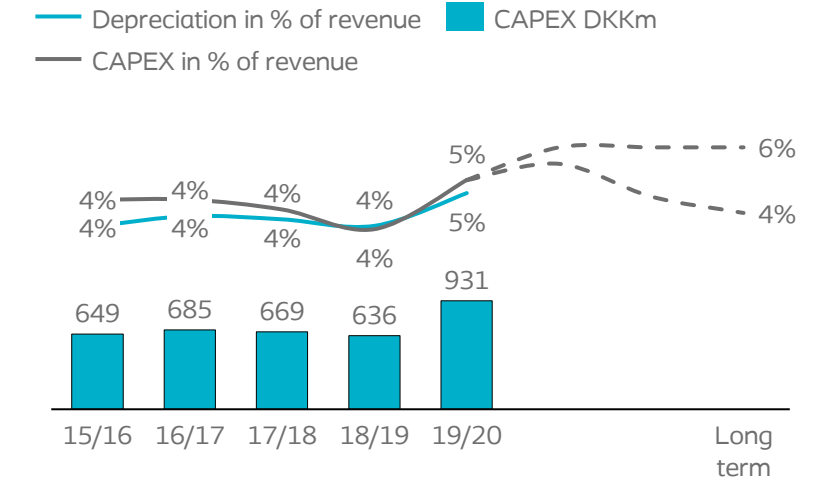
1) Impacted by provision for Mesh litigation  
2) Gross investments in PPE & intangibles

## Net working capital



- Net working capital expected to be stable, impacted by:
  - Growth in mature markets
  - Growth in Emerging markets which have long credit times
  - Increasing inventory levels on strategic products and raw materials

## CAPEX<sup>(2)</sup>

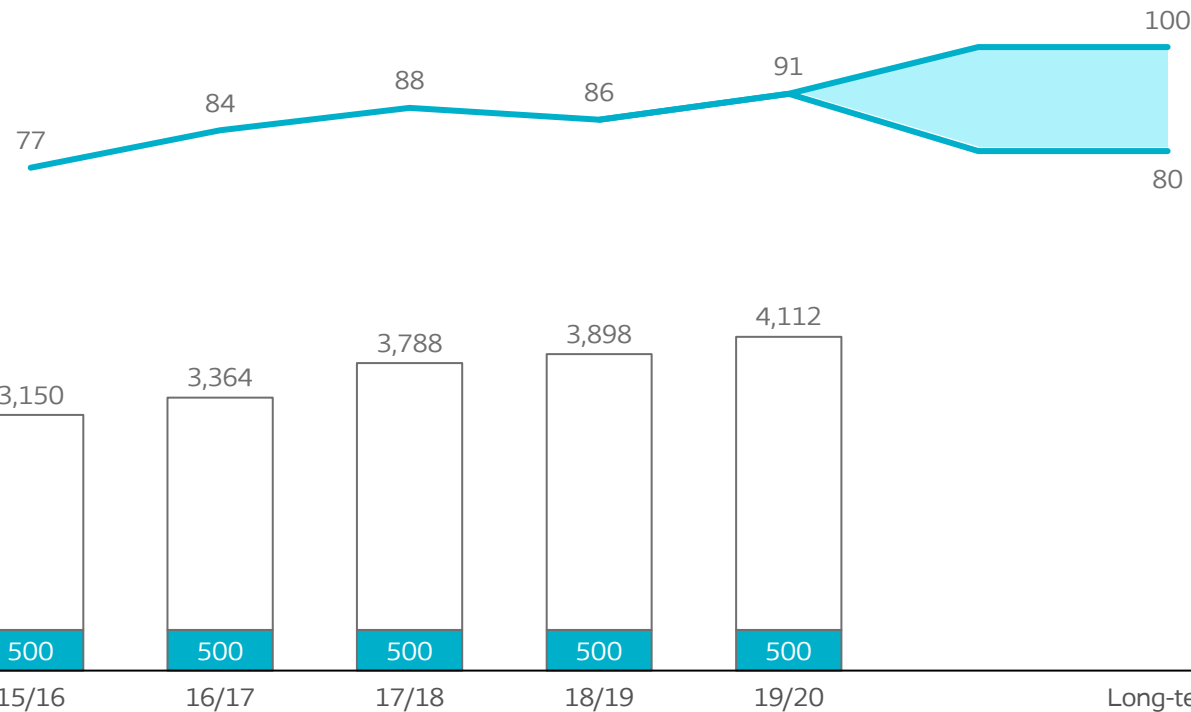


- Continued investment in machines and capacity expansion
- Widen factory footprint – 2 factories planned in Costa Rica
- GOP5 investments – focus on Automation
- IT investments
- Sustainability investments

# We will 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 (mDKK) <sup>(1)</sup> ■ Share buy-back (DKKm) — Pay-out ratio (%) <sup>(2)</sup>



1) Dividends paid out in the year are the actual cash payments of which the majority relates to dividend proposed in the previous financial year.

2) Pay-out ratio calculated as dividend proposed in the financial year/Net profit for the financial year. Pay-out ratio for 2018/19, 2015/16, 2014/15 and 2013/14 is before special items related to Mesh litigation.

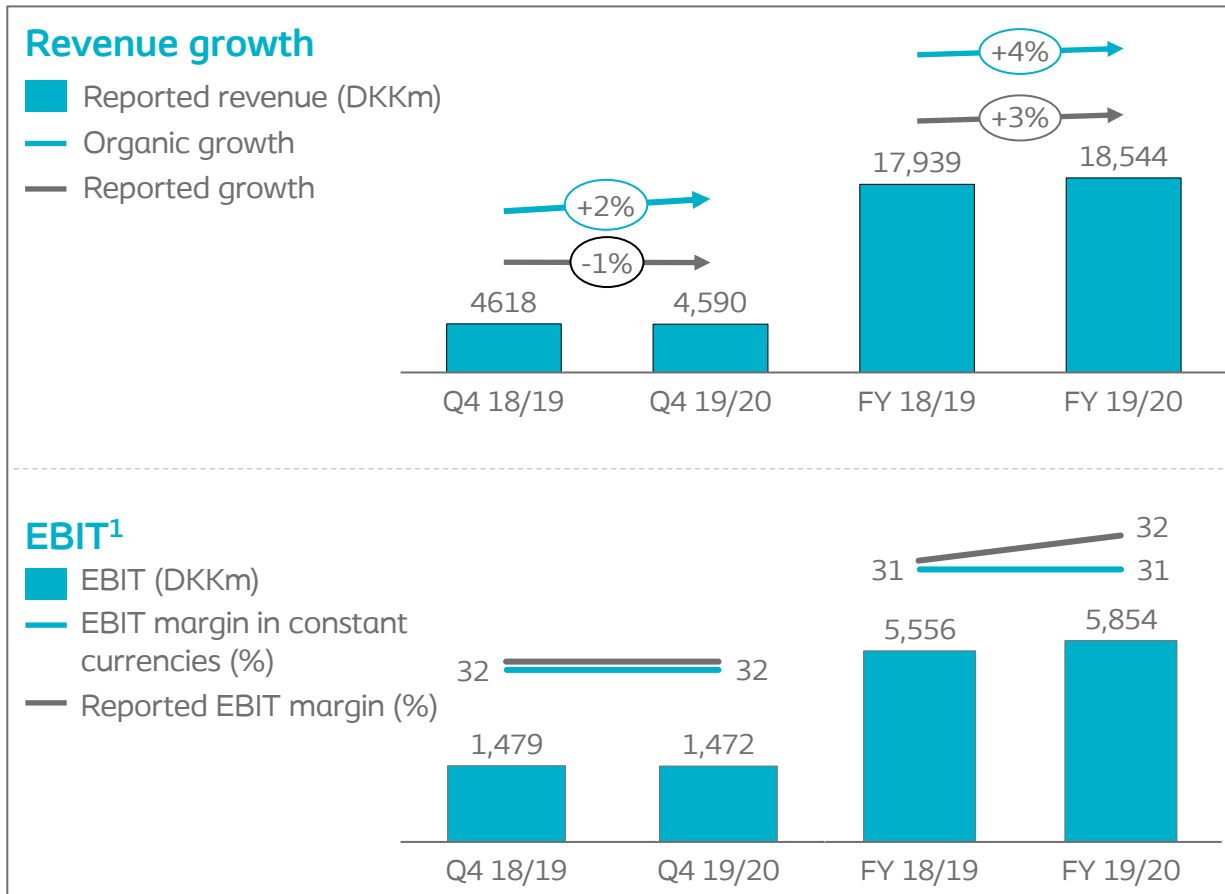
## Comments

- 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 18 per share for 2019/20 compared to DKK 17 per share for 2018/19
  - Interim dividend of DKK 5.0 per share for a total interim dividend of DKK 1,064m
  - Dividend of DKK 13.0 per share to be proposed at 2020 AGM
- Share buy-back program of DKK 500m was launched in Q2 19/20 and completed in Q4 19/20

# Back to organic growth in Q4. Solid results for FY 2019/20 despite challenging year due to COVID-19 pandemic

## 2019/20 Highlights

- Organic growth of 4% and 3% reported growth in DKK
- FY organic growth negatively impacted by COVID-19, particularly the cancellation of elective procedures in Interventional Urology, WC in China and UK Chronic Care
- Chronic Care business in the US and Emerging markets delivered largely stable underlying growth throughout the year
  - Q4 was negatively impacted by flat growth in several countries in Europe due to limited growth in new patients, in particular in the UK Chronic business. Weak quarter in EM due to baseline.
- EBIT before special items grew 5% to DKK 5,854m, corresponding to an EBIT margin of 32% against 31% last year. This reflects strong cost control but also sustained investments in growth opportunities and innovation.
- ROIC after tax before special items<sup>1</sup> of 46%<sup>2</sup>
- Year-end dividend of DKK 13.0 per share proposed bringing total dividend for the year to DKK 18.0 per share
- New "Strive25" strategy presented in September with unchanged long-term financial guidance of 7-9% organic growth p.a and >30% EBIT margin
- Financial guidance for 2020/21:
  - Organic revenue growth of 7-8% and 4-5% reported growth in DKK
  - Reported EBIT margin of 31-32% in DKK
  - Capex of around DKK 1.1bn, effective tax rate of around 23%



(1) Special items refers to balance sheet items related to the provision in connection with settlements in lawsuits in the USA alleging injury resulting from the use of trans-vaginal surgical mesh products. In Q4 2018/19 special items of DKK 400m included.  
 (2) Excluding the impact from IFRS 16, ROIC after tax before special items would have been 48% - on par with last year.



# Coloplast acquires Nine Continents Medical Inc, an early stage company in the large over-active bladder segment

## Over-active bladder market

- Over-active bladder (OAB) is a condition that causes a frequent and sudden urge to urinate
- +80 million people globally suffer from OAB symptoms
- ~40% of the OAB patient population seek treatment and of those about 3 million patients globally are candidates for 3<sup>rd</sup> line therapies
- 3<sup>rd</sup> line therapies include Botox, Percutaneous Tibial Nerve Stimulation (PTNS), and Sacral Nerve Stimulation (SNS)
- Today, the market for 3<sup>rd</sup> line therapies is approx. USD 1bn in size growing mid-single digits
- ITNS (Implantable Tibial Nerve Stimulator) is an innovative 3<sup>rd</sup> therapy that provides neurostimulation for the treatment of OAB but is not in the market yet
- ITNS builds on the clinically proven mode of action of PTNS

## Company and product description

- Nine Continents Medical Inc is an early stage company pioneering an implantable tibial nerve stimulation treatment for over-active bladder
- The device is an implantable tibial nerve stimulator (ITNS), a miniaturized, self-powered unit placed in the lower leg under local anesthesia during a short, minimally invasive procedure
- The device automatically stimulates the tibial nerve, with no patient activation or recharging or doctor visits
- Coloplast expects to begin pivotal studies in 2021, with the ambition to obtain pre-market approval for a Class III device in the US and EU market approvals in the 2024-2025 timeframe



## Transaction

- The acquisition price consists of a USD 145 million upfront cash payment and an additional contingent future milestone payment
- The acquisition is debt financed using existing credit facilities and has no impact on Coloplast's dividend policy or long-term financial guidance

Source: Coloplast, clinical publications, industry reports

## 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