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Coloplast A/S (CLPBY.DK)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the Coloplast Interim Financial Statement for H1 2025-2026 Conference Call. I'm Lorenzo, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode and the conference is being recorded. The presentation will be followed by a Q&A session. [Operator Instructions]

The conference must not be recorded for publication or broadcast. At this time, it's my pleasure to hand over to Anders Lonning-Skovgaard, Executive Vice President and CFO. Please go ahead, sir.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

...our Q2 2025-2026 conference call. I'm Anders Lonning-Skovgaard, CFO of Coloplast, and I'm very happy to introduce our new President and CEO, Gavin Wood, who joined the company on May 1. Please turn to slide number 3.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

Thank you, Anders, and good morning, everyone. As Anders mentioned, I joined Coloplast on May 1, and this is my first opportunity to speak with many of you. So let me briefly introduce myself and share what excites me about joining Coloplast for this next chapter.

I've spent more than two decades in global medtech, leading commercial organizations and multibillion-dollar businesses across different regions and therapeutic areas. Most recently, I served as Company Group Chair of Johnson & Johnson MedTech EMEA with an organization of more than 7,000 employees and ownership across surgery, orthopedics and cardiovascular solutions.

Prior to this, I was the Worldwide President of Ethicon's Wound Closure & Healing business; and before that, the Executive Vice President of Global Commercial at Mölnlycke. I started my medtech career as a sales rep at Ethicon Endo-Surgery, followed by a series of traditional roles across sales and sales management. It was there that I first saw the impact a medical device can have when it's used by a physician on a patient or a customer, and that experience is what really attracted me to the medtech industry and has motivated me to stay.

A bit of context on me personally. I'm Canadian by birth, currently living in Switzerland, and relocating to Denmark. My career has come across multiple geographies and is shaped by a global mindset and a strong appreciation for different cultures and ways of working. As I begin this new chapter, I want to put a few words to why Coloplast and why now? First, the deep sense of purpose. Coloplast was born because a nurse saw her sister suffering and refused to accept it, and an engineer committed to bringing her idea to life. It was about solving a human problem.

Second, the people. The people behind the business. Every conversation I've had has confirmed that Coloplast is full of great talent, passion and commitment, and I can feel that. And as in any company, it's the quality of the people that ultimately determines what's possible.

Third, the ambition. Coloplast wants to write its next chapter to become even more impactful towards users, customers and communities; helping 4 million people long term, about twice as many as we serve today. Our 2030 strategy, Impact4, is designed to build that future by setting the standard of care at scale, anchored in deep customer centricity, and that resonates with me deeply. I'm a builder at heart, and I see something meaningful that we can achieve together.

The company has a strong legacy built over many years, and as I approach this role with curiosity and genuine respect for that history. At this stage, for me, it's all about building a perspective, forming a clear view of where the future growth opportunities may lie, and where the organization may need to challenge itself as we look ahead. At its core, this is about continuing what Coloplast has done well for many years converting investment, focus, and execution into strong and sustainable returns over time.

The way I lead is grounded in a few simple beliefs. I believe value is created when ambition is translated into a number of clear priorities when decisions are made as close to the customers as possible. And when teams are empowered with accountability for outcomes, that's how consistency and momentum are built over time, and ultimately, I believe focus drives results. And this all starts with people. I place a strong emphasis on developing leaders and creating the environment where teams can perform at their best because the culture, people, and strength of an organization ultimately determines what's possible and what we can deliver together.

As I start my new role, I will be spending time close to the business, engaging across the organization and in our key markets, deepening my understanding of the Impact4 and focusing on strong commercial execution from day one. This is about seeing how Coloplast operates in practice, how decisions are made and how our teams deliver for impact for our customers each and every day.

My focus is simple: building best-in-class talent to drive performance and results. And I'm looking forward to meeting many of you on the road in the coming months. Coloplast was built by listening closely to our users and

our customers, and I'm excited to keep learning, listening and building the next chapter of this company together with the people who make it possible.

With that, I'll hand back to Anders, who will take us through the financial results for the quarter. Please turn to slide number 4.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

Thank you, Gavin, and once again, a warm welcome to Coloplast. On April 23, we revised our guidance for full-year 2025-2026 and preannounced our results for the first half of 2025-2026. We delivered a very strong second quarter, excluding Wound & Tissue Repair, with solid underlying performance across the majority of the group.

Now, let's take a closer look at today's results. Please turn to slide number 5. In Ostomy Care, organic growth was 5% for the first six months and growth in Danish krone was 1%. In Q2, organic growth was 7%, with growth in Danish krone of 3%. Following a soft start in Q1, we saw the anticipated pickup in momentum in Q2, and we expect this good momentum and continued market share gains to continue into the second half of the year.

From a product perspective, our SenSura Mio portfolio continues to be the main growth driver followed by the Brava supporting products. From a geographical perspective, growth in the quarter was broad based across regions with solid contribution from Europe, led by the UK and Germany. I would also like to call out the US, which delivered double-digit growth and continues to deliver strong underlying momentum from Q1.

Our US business is in a great shape. In H1, both Vizient and Premier, the two largest GPOs in the US, renewed Coloplast's national group purchasing agreements for Ostomy Care. And we are seeing good uptake of our latest SenSura Mio launches, the black bags and the new 2-piece offering, which has been well received in the market.

Our main challenge in Ostomy Care remains China, which saw another quarter with subdued growth due to the continued weak consumer sentiment and competitive pressures from domestic players in the community channel. For the full year, we now expect sales in China to decline slightly year-over-year. Outside China, the rest of our emerging markets contributed nicely to growth.

In Continence Care, organic growth was 7% for the first six months, and growth in Danish krone was 3%. In Q2, organic growth was 8% and growth in Danish krone was 4%. Growth in the quarter was driven by the Luja catheter portfolio, which performed strongly across key European markets and the US. The male catheter continued to perform well, while the female catheter saw a strong uptake in the quarter driven by Europe.

Luja is our most important innovation in Continence Care in a decade, and it's encouraging to see how Luja continues to pick up momentum, becoming an increasingly larger share of our growth contribution within intermittent catheters. It's a great example of how customer-centric innovation backed by compelling clinical evidence is setting a new standard of care in the market. Our Bowel Care business also continued its good momentum and made a strong contribution to growth in the quarter driven by the Peristeen portfolio in Europe.

Voice & Respiratory Care posted 8% organic growth for the first six months, with growth in Danish krone of 5%. In Q2, organic growth was also 8% and growth in Danish krone was also 5%. Growth in Laryngectomy in Q2 was high-single-digit and driven by an increase in the number of patients served in existing and new markets, as well as increase in patient value, driven by the Provox Life portfolio. Growth in Tracheostomy in Q2 was mid-single-digit, driven by continued solid underlying demand, partly offset by phasing in distributor markets. From a geographical perspective, all regions contributed to growth driven by Europe and the US.

In Wound & Tissue Repair, organic growth was 1% for the first six months, and growth in Danish krone was minus 7% with 3 percentage points negative impact from the Skin Care divestment in December 2024. In Q2, organic growth was minus 2% and growth in Danish krone was minus 6%. Q2 revenue from Biologics amounted to DKK 283 million Danish with 0% organic growth and 0% operating profit margin, excluding the PPA amortization.

As also mentioned on the extraordinary conference call three weeks ago, we continued to see a healthy inpatient business with growth that remains at a healthy double-digit level, despite a slight easing of momentum in Q2. On the other hand, our outpatient business is challenged with significant sales decline in line with the rest of the market.

In Advanced Wound Dressings, sales declined 2% in Q2 and 3% in the first half of the year. China detracted from growth due to the product return initiated in Q3 last year with a negative revenue impact of around DKK 25 million in the quarter similar to the impact in Q1. Outside China, Europe had a soft quarter across markets.

In Interventional Urology, organic growth was 8% for the first six months and growth in Danish krone was 3%. In Q2, organic growth was 8% and reported growth in Danish krone was 2%. Growth in Q2 was mainly driven by continued strong momentum in the US Men's Health business, driven by the Titan penile implants.

From a geographical perspective, the US continued to be the main contributor, followed by Europe. On February 18, 2026, Coloplast completed the acquisition of all shares and voting rights of Uromedica, a commercial stage medical technology company specializing in the treatment of stress urinary incontinence with a solution highly complementary to our existing Men's Health business. The integration of Uromedica is progressing well and the acquisition has been well received by our existing Men's Health customers.

Before turning to the H1 financials, let me make one final remark on organic growth. While performance in the Wound & Tissue Repair franchise remains below our expectations, this reflects a set of external headwinds that we are actively addressing. Importantly, more than 80% of our business continues to perform well with solid growth and market share gains.

Now, with this, let's look at our H1 financials. Please turn to slide 6. Reported revenue for the first six months increased by DKK 171 million or 1% compared to last year. Organic growth contributed DKK 789 million, or around 6% to reported revenue. Inorganic revenue mostly related to the divestment of the Skin Care business in December 2024 reduced reported revenue by DKK 70 million or around 50 basis points. Foreign exchange rates had a negative impact of DKK 548 million or 4 percentage points on reported revenue, mainly related to the depreciation of the US dollar, the British pound and the basket of emerging markets currencies against the Danish krone.

Please turn to slide 7. Gross profit for the first six months amounted to DKK 9.5 billion, corresponding to a gross margin of 67%, compared to 68% last year. The gross margin was negatively impacted by currencies of around 60 basis points, mostly related to the depreciation of the US dollar, the British sterling, and a basket of emerging markets currencies against the Danish kroner, and appreciation of the Hungarian forint against the Danish krone. Ramp-up costs in Costa Rica and Portugal also impacted the gross margin negatively. The negative impact was partly offset by lower inflation on freight compared to last year.

Operating expenses for the first six months amounted to DKK 5.8 billion, a 2% increase from last year. The distribution-to-sales ratio for the first six months was 33%, on par with last year. The growth in distribution costs were flat year-over-year, reflecting one-off logistics costs in the US last year and lower sales costs in China this

year, partly offset by Kerecis one-off costs this year. The development in distribution costs were also positively impacted by the depreciation of the US dollar against the Danish krone.

The admin-to-sales ratio for the first six months was 5% compared to 4% last year and includes around DKK 15 million in one-off advisory costs incurred by Kerecis in Q1 in connection with the recent CMS regulatory changes in the US outpatient setting.

The R&D-to-sales ratio for the first six months was 4% of sales compared to 3% last year. The increase was driven by higher activity levels in Chronic Care and Biologics. Overall, this resulted in an operating profit before special items of DKK 3.7 billion in the first six months, or a 3% decrease compared to last year. The EBIT margin before special items in the period was 26%, compared with 27% last year, reflecting around 70 basis points negative impact from currencies, and around 40 basis points negative impact from Kerecis. In constant currencies, EBIT grew 5% compared to last year.

Coloplast incurred special items expenses of DKK 3.1 billion in the first half of the year, of which DKK 3 billion relates to the Kerecis impairment loss. Financial items in the first six months were a net expense of DKK 63 million, compared to a net expense of DKK 385 million last year, driven mostly by interest expenses related to the financing of the Atos Medical acquisition, which were largely offset by gains on exchange rate adjustments mostly related to the US dollar, Hungarian forint and the Costa Rican colón.

The tax expense in the first six months was DKK 121 million, compared to an ordinary tax expense of DKK 717 million last year. The tax rate was 22%, on par with the ordinary tax rate last year. Net profit before special items in the first six months was DKK 2.8 billion, or 6% increase from last year when adjusted for the non-recurring tax expenses last year. Adjusted diluted earnings per share before special items increased by 5%.

Please turn to slide number 8. Operating cash flow for the first six months was an inflow of DKK 3.7 billion, compared to an inflow of DKK 2.7 billion last year. The positive development in cash flows from operating activities was mostly driven by favorable development in working capital. Lower financial items also had a positive impact on cash flows, while higher income tax paid had a negative impact.

Cash flow from investing activities was an outflow of DKK 1 billion, compared to an outflow of DKK 442 million last year. CapEx in the first six months was 6% of sales, compared with 4% last year and includes investments related to the new manufacturing site in Portugal expected to be in operation in Q4 2025-2026. As a result, the free cash flow for the first six months was an inflow of DKK 2.7 billion, compared to an inflow of DKK 2.3 billion last year, or a 16% increase.

Excluding acquisition costs this year and benefits from the divestment last year. The free cash flow increased 33% in the first half 2025-2026 with a free cash flow-to-sales ratio of 20% compared to 15% last year. The trailing 12-month cash conversion was 89% and net working capital amounted to around 25% of sales. Lastly, the board of directors approved a half-year interim dividend of DKK 5 per share, corresponding to a total interim dividend payout of approximately DKK 1.1 billion.

Now, let's take a brief look at the financial guidance for the year. Please turn to slide number 9. As I mentioned earlier, we revised our guidance for full-year 2025-2026 on April 23. For the revised guidance, we now expect full-year organic revenue growth of 5% to 6%, EBIT growth in constant currencies before special items of around 5%, and return on invested capital after tax before special items of around 15%.

We continue to expect negative impact from currencies with around 2 to 3 percentage points, negative impact on reported revenue growth, and around 80 basis points negative impact on the reported EBIT margin. We are especially seeing negative impact from the Hungarian forint, which has appreciated 6% against the Danish krone since the Hungarian election on April 12.

In terms of phasing, we expect both organic growth and EBIT growth in constant currencies in the second half of the year to be similar level to the first half of the year. We continue to expect net financial items of around minus DKK 500 million based on spot rates as of May 8, down from around DKK 1 billion in 2024-2025.

Thank you very much. Operator, we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Julien Dormois from Jefferies. Please go ahead.

Julien, we cannot hear you. Maybe your line is on mute.

Julien Dormois

Analyst, Jefferies GmbH (FR)

Q

Sorry, guys. That should be better now. Apologies. Good morning. Good morning, Gavin, and welcome to the company. And thanks, Anders, for taking the call. Two questions from my side, please.

The first one relates – would probably for Gavin and relates to your arrival as new CEO of the company. So, maybe just to help investors, if you maybe had to name your top three strategic priorities for the first 12, 18 months at the firm, what would they be? And maybe also which part of the impact for strategic plan do you think might need a revision, if any?

And the second question is more on the current trends in Wound & Tissue Repair, which obviously has been hurt in Q2. What have you seen into the third quarter? [ph] How do you see (00:22:27) maybe the difference in the performance for either Kerecis or for the rest of the business in especially in Europe? Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Julien, thanks a lot for your two questions. Let me take the second question and then Gavin will come back on question number one. So, to your second question around the current trend on our Wound & Tissue Repair, so as we have been talking about at length, we revised our full-year guidance to the organic growth of 5% to 6%, and that was driven by the Biologics business in the US as we delivered around 0% growth here in the second quarter.

We are expecting to be at that level or slightly below the 0% for the rest of the year. So that is the main driver of the revised guidance that we did two to three weeks ago. We have also, as I just mentioned, seen some slowdown here in Europe on the dressing side, in particular, in France and to some extent also in Germany, driven by price reforms. So that's how we see it, and that's what we are looking into for the second half of this financial year. So, Gavin?

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

A

Yeah. So, thank you, Julien, for the kind welcome and my first question. So maybe let me start by sharing a little bit about some of the things that I will bring to Coloplast. Then I'll answer your question about priorities and my perspective on Impact4.

I think the first thing for all investors and analysts that are listening, I come from a lot of broad medtech experience, leading large multi – global multibillion dollar medtech businesses. I've had the opportunity to see all the various priorities across medtech and I've operated at scale across multiple franchises and geographies and organizations where we tend to focus on consistency, clarity and accountability matters each and every day. And this experience has helped shaped how I think about driving leadership at scale, and how to keep priorities really, really clear with decision-making that's disciplined, in execution that's predictable as organizations grow and become larger.

I also bring a background in wound care from my days at Mölnlycke across the other areas that I mentioned. The second area, Julien, is really around leadership and talent. I think, in large organizations, outcomes ultimately depend on the leaders that you put in critical roles and the standards that you set for them. So I'm going to be spending a lot of time here. I've spent many years building leadership teams and developing talent, which I'm incredibly passionate about, and creating environments where people are both empowered, but also held accountable for clear expectations and results. And I think it's ultimately about instilling an ownership mindset across your entire leadership organization.

I think that the third thing is I'm bringing deep experience across both Europe and US. So I've spent a lot of my career in both continents, North America and Europe, and having the opportunity to lead innovation and a lot of global execution roles. I think that this is something that I bring that also reinforces the speed of execution, being able to see multiple geographies and different ways of doing things, sustain commercial intensity and credibility, building credibility with clinicians over time, and working in different environments and environments that establish a very clear benchmark for urgency, so focus and leadership. And that's something I'm going to be looking towards.

And the last thing I just want to share on background, and then I'm going to get into a few of your specific questions is, I think commercial experience that's grounded in the front line is something that's needed at this point. I started my career in sales, and I've stayed close to the field throughout. So this matters to me because it always gives you a very direct understanding of how trust is built with customers, how adoption really happens with products and technology, and what makes execution work in practice. And I genuinely enjoy spending time with the frontline teams and customers because that's where you really truly learn how an organization's working. And I'm going to be doing a lot more of that.

Now, to answer your question directly on my approach then for priorities, I'm really on a listening tour. So, right now, like, my focus is getting closer to the business, getting to know our teams, our people, our users, our customers, and then I'm going to form my perspective on the value drivers that will enable us to deliver on our ambition. And you can think of that as a listening tour. If I think of the direction of Impact4, what you asked specifically, it's really more my role is to create the environment to unlock the potential for our teams to really excel and execute.

And so, if you look at Impact4, it's founded on four principles driving growth through innovative customer offerings. That's innovation. That resonates with me. Driving – unlocking next level efficiency gains and operational efficiency, that's super important to keep a company strong long term. And embracing technology through tech

and AI is going to be a key enabler for all medtech companies over the next 5 to 10 years to transform. And then, finally, cultivating a winning and sustainable company. This is really about driving culture and the talent engine.

So, if there's one area that I'm probably going to particularly lean into, not change, I'm going to spend a lot of time on really understanding the culture and the talent and the high performance across Coloplast because I believe that organizations that win long term in medtech, they win because they have a winning culture and a talent engine built for the future. Thank you for the question.

Julien Dormois

Analyst, Jefferies GmbH (FR)



Thank you very much and good luck.

Operator: The next question comes from the line of Doyle Graham (sic) [Graham Doyle] (00:29:08) from UBS. Please go ahead.

Graham Doyle

Analyst, UBS AG (London Branch)



Good morning. Thanks, guys. Thanks for taking my questions. Gavin, maybe just a couple for you, which is – firstly, just on – a sort of follow-up to Julien's question, but maybe a little bit more specific, which, if you look at the Coloplast share price, it's obviously been a disappointing share price for the last two, three years. And when you think about what creates the most value of the things that you can do, so what metrics specifically are you focused on just holistically, regardless, whether it's Coloplast just when you look at the business and your current experience? Is it organic growth? Is it return on invested capital? Is it margin? EPS? What do you think is the one metric that you're kind of most focused on that can kind of move the dial? And maybe secondly, you talked about being in sort of prospected gathering mode, how long would you anticipate that taking? Thank you.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson



Thank you for the question. So, just for context, I just want to be very direct with everyone. I'm less than two weeks in the role. And clearly, I'm still forming opinions and it's going to take me some time to learn. And I think, pragmatically, I'm going to need 90 days to really do this listening tour and learn and start to form some opinions where I can come back and share thoughts. But this is what I can share right now.

I think Coloplast has this admirable company and a great legacy that is incredibly strong. This is what attracted me to the organization. And I'm really looking forward to getting into the business and getting to know the company at a deeper level. I'm getting to know the people, the leadership teams, the users, the customers. And over these next 90 days, this is going to help me to form my perspective on the value drivers that will enable us to deliver on our ambition.

I think, to be fair to you, the one area that I always think you lean in on is people. It's talent. So, like, if you're saying, what's the one metric, you have to get the teams right. So that to me is going to be the unlock in the future for everything. If you get the right people in the right roles, you get them engaged and motivated, you get them believing in the strategy, you get them believing in a winning culture, anything is possible. Thank you for the question.

Graham Doyle

Analyst, UBS AG (London Branch)



If I maybe just follow up then [indiscernible] (00:31:44) I think people would like maybe something more concrete about which – it's not just about [indiscernible] (00:31:50), but again, it seems pretty reasonable just to – when you come in to look at business, any business, what do you think is the best signifier of value creation?

It's going to be hard to measure culture, but we can measure return on invested capital, we can measure organic growth. And obviously, over the last years, [ph] Coloplast has seen (00:32:07) different focuses. So, it's just generally to get a sense as to when you come in, when you assess the business to start with, which were the things financially that you thought were attractive and could be enhanced.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

A

So, for me, if I give something more concrete, it would be focusing on value creation. And if there's one area that I typically look at from a strong commercial background, it's commercial execution.

Graham Doyle

Analyst, UBS AG (London Branch)

Q

Okay. Okay. That's all right. Thank you.

Operator: The next question comes from the line of Aisyah Noor from Morgan Stanley. Please go ahead.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Q

Hi. Good morning, everyone, and thanks for taking my question, and good to virtually meet you as well, Gavin. My first question as well is also for Gavin, and it relates to your approach to innovation and R&D. So, Coloplast as an organization has a lot of projects underway like Luja and Intibia. But, as you look at the organization today, do you see the current level of R&D investment as adequate, or do you think there's scope to raise that to kind of take the portfolio to a more competitive level? And then I have a financial follow-up for Anders after. Thank you.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

A

Thank you for the question. So, first, and I certainly don't want to keep repeating myself, I am less than two weeks in. What I can share is innovation is important. There's absolutely no question. And I'm very happy to be very open with you, with the innovation that Coloplast has started to put out, and I'm also very deeply committed to innovation going forward.

The reality is, it's still early days for me to give you a full assessment. And you know what I see in this organization is an organization that's innovation driven. It's been embedded in the company's DNA for a long time, has a strong purpose and mission. And it's clear when you meet our people and when I've met with the R&D teams, what makes people proud working at Coloplast is the difference that they make with innovative products that has a meaningful impact on users.

I think what's also clear is this has allowed Coloplast to maintain a number of number one global market leading positions in the products and innovation. And without those, we certainly wouldn't be where we are today. So, I will finish saying that as a newcomer to the company, I'm excited to start to build my own perspective on what the future holds for Coloplast.

I'm excited about where we can take innovation. And to answer your question, I'm really excited about some of the attractive assets that we have like Luja, like Intibia, like Biologics. And I think that what we're going to see is more innovation coming out in these lines in the years to come that's going to keep Coloplast strong and keep Coloplast innovative. Thank you for the question.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Q

Thanks a lot. And my follow-up for Anders is, I guess, one on profitability and margins. Can you just provide for us your assumptions on the cost inflation for raw materials in the second half and how much safety inventory you have before this inflation headwind starts to kick in? Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah, let me take that one. So, thanks. We also got this question at our call three weeks ago. So we are following the Middle East situation very closely. We – as you know, we have around 50% of our cost of goods sold that's raw materials. In the first half of this year, the inflation levels, raw material prices were around flattish. We have not seen any impact yet. But I am expecting some impact into the – towards the end of this year, so in Q4. And right now, I'm assuming around 1% impact on our raw materials.

And that is, of course, under the assumption that the conflict will end soon. We are also seeing a little bit of impact right now on our logistics costs. But, on the energy side, we are hedged and we are not expecting anything there. So, my assumption right now is around 1% increase coming into our Q4 based on the current knowledge about the Middle East.

Aisyah Noor

Analyst, Morgan Stanley & Co. International Plc

Q

Got it. Thank you so much.

Operator: The next question comes from the line of Anna Ractliffe from Bank of America. Please go ahead.

Anna Ractliffe

Analyst, Bank of America

Q

Hi. Good morning, and thank you for taking the questions. And Gavin, congratulations on the new role. Appreciate your commentary that you're only two weeks in. But I wanted to ask, as you get under the hood, what are your first impressions of the business? What drew you most to the role? And how are you thinking about the different strengths and opportunities?

And then maybe for Anders, I wanted to ask to dig a little bit into Interventional Urology and that high-single-digit growth for this year. How sustainable is that going forward? How much of that is driven by easy comps from the recall last year? And then any update you could give us on the Intibia launch timing would be helpful. Thanks again for taking the questions.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

A

Thanks, Anna. Thank you for the warm welcome. And maybe let me start with your question on why Coloplast and what excites me, and then what am I seeing in the first week and a half. Look, I'll reiterate what I shared earlier. I think the big thing is the purpose. It really excited me.

Coming from an organization like Johnson & Johnson, which has a strong credo, coming into an organization like Coloplast where you see something similar with this purpose-led organization where you're trying to develop solutions for users and patients that really need to find a technology. This was extremely motivating for me, especially when you're actually being able to combine innovation to improving patient outcomes.

The second, and I'll say it again, it's really the people. I had a chance through the process to meet more than just the board. People that work at Coloplast have a deep connection. There's something special about this company that it's not just about talent and passion. They're deeply committed. And this is something that motivated me. When you can work with an organization where people have a strong purpose, they put a lot of emphasis on building strong teams and they work together collaboratively, and where you feel there's a lot of talent that you can develop, I think that's something that you can make an organization a lot better long term.

And then the last thing was really around the ambition. I think Coloplast is very sincere. We want to write this next chapter, and part of that chapter is clear and in the Impact4, and part of that chapter is still to be written. And I think, as the new CEO, this is what makes me super motivated to be here, that you've got a balance of a great foundation of strength and opportunities to build for the future.

And I think maybe to answer your question about what I'm seeing, there's a lot of pride in this organization. And that's something that I saw even – I've been walking the halls now for six, seven days. People are proud here. They really believe in the purpose of Coloplast and that's a superpower to me. And I also feel that there's an excitement from the organization on what they can build for the future through Impact4 especially around innovation.

We talked a little bit about that. I think that there's going to be some great opportunities for us to innovate in the future. And finally, people want to be developed, and I think that that's in all organizations. And I came from an organization that was deeply committed to developing talent. I'm excited to be here, and I see that there is an organization that wants to be developed, and that's exceptionally important in the medtech organization. Thank you for the question.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

All right. Thanks, Gavin. And to your second question around the urology, and as mentioned earlier, our urology business is really off to a good start. So we have been growing around 8% in the two first quarters of this year. So it is actually better than we had anticipated and we are expecting to keep this momentum for the remaining part of this year. It's really driven by our Men's Health business in the US. So we continue to see a double-digit growth within our Men's Health. And so that's one thing.

The second thing is that, here in Europe, we are now recovering back from the recall we had last year. So that is also impacting our urology business, in particular, here in Europe. And to your question around Intibia that process is running. We are expecting to get approval later this year in order to launch the solution in the first six months of next financial year. So it's following the plan we have laid out. So that's the update on urology.

Operator: The next question comes from the line of Veronika Dubajova from Citi. Please go ahead.

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.



Good morning and thank you for taking my questions. I have two, please. First of all, Gavin, welcome and look forward to interacting with you going forward. My first question is for you and I guess I'm going to try to ask this a little bit differently. But I think Graham made a very important point.

Looking at the Coloplast share price, it has been a very meaningful underperformer versus the rest of the sector. Normally in situations like that, when a CEO is arriving, it is with the mandate to fix a bunch of problems. I'm curious whether you feel that this is a mandate that has been afforded to you by the board or not, and whether this is something that you are actively thinking about. And obviously, appreciate all the great things you've mentioned about Coloplast. But, clearly, sometimes even great companies need help. And so maybe if you can talk a little bit around how you're thinking about that, I think that would be super helpful for us to all understand.

My second question is a follow-up on Aisyah's question around inflation. And Anders, I just want to make sure I understood your comments there. So, are you assuming inflation ticks up in the fourth quarter in the fiscal or the calendar year? And I guess, 1% doesn't sound like a very big number to be blunt. If I go back to sort of the type of inflationary pressure that we saw back in 2022, 2023, it was running in the mid- to high-single digits. So just maybe help me contextualize that why you think this is much less severe this time around and maybe some sensitivity as we move to fiscal 2027, assuming the conflict is not resolved, might also be helpful. Thanks, guys.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S



Yeah. Thanks, Veronika. Let me take the second question, the inflation question first. So what we are looking into, as I mentioned earlier, is that with the knowledge I have right now, we are looking at an around 1% impact on our raw materials and that is going to impact us, as I said earlier here in Q3, but in particular in our Q4 of this year. And depending on when the conflict is going to finish, there will be an impact into next year.

When that is set, we are not at all looking into inflation levels at the levels we saw back in 2022 or 2023 with the knowledge I have today. So that is by far not the levels we are looking into currently. And the inflation is driven by, as you know, the higher oil price. Yes, we have some raw materials that are also impacted to some extent by the oil price, in particular, injection molding chemicals. But we are at least so far not looking into inflation levels as we saw in 2022. Gavin?

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson



Yes. So, Veronika, thank you for your question. So, maybe let me try to answer it slightly differently. I'm a big believer that focus drives results. And ultimately, moving forward, the best way to improve Coloplast long term is to execute our strategy. So the impact for strategy, it's all about setting the standard of care, and becoming even more impactful towards our users, customers and communities. A strategy that's anchored in deep customer centricity. And this is one that resonates with me deeply as I shared earlier.

I will say that I'm a builder at heart and I do see something meaningful that we can achieve together as a company going forward. And that direction has been set and my focus now is really identifying on how we can unlock the potential and create an environment for value creation going forward.

And I think that the last thing that I would share is, I need some time to form a clearer view. And I can sense also from the questions. It's too early. I need time to form a clear view of where the future growth opportunities may lie

and then likely where we need to challenge our self as we look ahead. And once I have that view, I'll be very open in sharing it.

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.

Q

Appreciate that, Gavin. I guess the question for all of us is, there is a strategy that doesn't seem to be yielding the results for a while now. And so I guess what all of us are trying to understand is to what extent are you ready to throw out the rule book and start from scratch. I'll put it bluntly, but that's really, I think, what we're all trying to understand. I don't know if you can comment on that.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

A

No, I think it's too early for me to comment on it. I think I'm going to stay the course and believe in the strategy that I have.

Veronika Dubajova

Analyst, Citigroup Global Markets Ltd.

Q

Got it. Thanks so much.

Operator: The next question comes from the line of Martin Brenøe from Nordea. Please go ahead.

Martin Brenøe

Analyst, Nordea Bank Abp

Q

Thank you very much for taking my questions, Anders and Gavin, and a warm welcome to you, Gavin. Veronika was asking most of my also pretty blunt questions here. But maybe just understanding, Gavin, on the wound care business, given your background that you have as an outsider looking at the Coloplast inside the wound industry, I would like to hear your early assessment of Coloplast's wound care business. What shape do you see it, and what level of investments are needed to bring it to a competitive state? And maybe also your view on skin substitutes category. How do you view that market and how do you see Kerecis playing a part of Coloplast going forward?

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

A

Great. Thank you for the questions. And yeah, actually, early days, but it's also exciting to be back in wound care. It is an area I know well. And for those of you that don't know my background, I spent 4.5 years at Mölnlycke and led this business. So I do know it well. And it's a complex area, as everyone knows. So that's something I think that we're all familiar with.

It is the largest market that Coloplast is present in from a market opportunity. There are many competitors. And I'm excited to be on the Coloplast side now to be able to drive our innovation. I think what I see early days and we're talking very early days, as I see some exciting developments that we can build on like just take one example, the new Biatain Silicone Fit innovative technology. We won the award by Vizient in the US. That's an important recognition and an important milestone as we attempt to build a stronger position in the US dressings business. I think, longer term, you have to be strong in the US market to win in advanced wound care.

And then you asked a question a little bit around Kerecis and my perspective on skin substitutes. I think that this is a very interesting area. And what I like about Kerecis is that we are underpinned with strong clinical data. I think that the market right now, it's a US market, and some of the changes in the outpatient setting are a little bit unprecedented at time. And I think it's going to take time for this segment to arrive to a new normal.

So, when you look forward, I think the intervention by the CMS in this sub-segment of the market was needed to remove some unhealthy incentives that have kind of driven prices and spending to really remarkably unsustainable levels. However, the inpatient setting is governed by a completely different set of dynamics, with strong emphasis on clinical evidence and efficacy, and lower more sustainable price levels.

And that's where Kerecis has a unique advantage with its proprietary fish-skin technology. Kerecis is the only product based on intact fish-skin. It comes with benefits from a sourcing production and logistics perspective. But, more importantly, the technology is remarkable in healing severe difficult-to-heal wounds. And these wounds are so severe that you're often at times looking at amputations as an alternative. And the clinical efficacy of fish-skin products are remarkable, and the clinical evidence really speaks for itself.

So, as we look ahead, inpatient in the US is becoming a larger share of our overall Biologics business. That's up from 70% today. This is where we feel really confident going forward and winning the inpatient setting is going to be critical to winning the overall category. So I'm still early into the role, as I've said a few times, and still learning about the business, but I'm already now encouraged by the clinical efficacy and evidence behind Kerecis. And I also like this balance between wound care and Kerecis together. So that's what I would say at this point. And I've got a lot of experience in both Europe and US. So, this is what I intend to leverage as I start to get deeper into the business segments.

Martin Brenøe

Analyst, Nordea Bank Abp

Q

Thank you, Gavin. That's very clear. Thank you for the question. If I can just squeeze one follow-up question to Anders regarding the inflation on the costs and plastic prices. Just wanted to be sure that I understand exactly how you forecast because I've spoken to distributors of plastic and they're talking about massive price increases over the summer. So it hasn't happened yet, but we are going to see it over the summer. So just want to be sure that when you talk about you haven't seen some of the impact yet, whether that is the prices that you are getting now or whether you have actually been in contact with distributors about the price increases that you expect in the coming months. Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah, Martin, so we are starting to see some of our raw material providers are contacting us, and that's also what I'm basing my assumption for, in particular, in Q4. But what I said earlier, so far this year, we have not seen any impact yet, but we are expecting some impact towards the end of this year, in particular, on some of the raw materials like injection molding, chemicals, films, so that's how we see it currently.

Martin Brenøe

Analyst, Nordea Bank Abp

Q

Thank you. And what's your opportunity to pass on the cost?

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

So, for this year, we have built that into the guidance we revised a few weeks ago, and it's not going to be that material. We are going to manage that within the guidance we have given.

Martin Brenøe

Analyst, Nordea Bank Abp

Q

Thank you very much for taking my questions.

Operator: The next question comes from the line of Jan Koch from Deutsche Bank. Please go ahead.

Jan Koch

Analyst, Deutsche Bank AG

Q

Good morning. Thanks for taking my two questions. The first one is regarding Kerecis and to better understand the growth potential for the upcoming fiscal year. Could you provide the projected share of the outpatient setting in your guidance by the end of this year?

And then secondly, it's more a clarification on your European wound care business. You recently mentioned reimbursement pressure in Germany due to announced price reforms. Are you referring to the broader healthcare reform aiming to reduce overall healthcare cost in Germany, or what kind of price reforms are you seeing in Germany? Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. So thanks for the questions. In terms of Kerecis, as we have been talking about at length, our inpatient business is around 70% to 80% of the total Kerecis business. And this year so far, we have been growing a solid at double digits, and we also are expecting that to continue. It's really in the outpatient setting where we have had a significant impact from the reimbursement changes in the US and that is really impacting us and we expect that to continue in the coming quarters. So we will be sitting around the 0% growth for the year.

And you should see this year, 2025-2026, as a reset. We have also talked quite a lot about that our focus is on inpatient. And as we have mentioned, a number times, we have a strong product portfolio based on fish-skin. We have good clinical documentation. We have actually just released some new clinical document. And therefore, we are expecting that our inpatient business will continue to outgrow the market and drive market share gains.

In terms of your second question about Germany, yes, there is a general healthcare reform going on in Germany. We are – it's still in progress. So there are no, you can say, conclusions yet, but we are just flagging that there might be an impact, in particular, on our dressings business, probably more into the coming year with the knowledge we have. However, it's based on what is the conclusions going to be.

Jan Koch

Analyst, Deutsche Bank AG

Q

Okay, great. Thank you. Just a quick follow-up on my first question. So, given that the outpatient channel has declined so significantly this year, how important is that for the upcoming, so for next fiscal year?

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

A

Yeah. So it's, of course, going to be less important and our focus will be on inpatient and that's also how we set ourselves up in our sales force.

Jan Koch

Analyst, Deutsche Bank AG

Got it. Thank you.

Q

Operator: The next question comes from the line of Martin Parkhøi from SEB. Please go ahead.

Martin Parkhøi

Analyst, Skandinaviska Enskilda Banken AB

Yes. It's Martin Parkhøi from SEB. I only have one question left and that's for Gavin, and also welcome to Coloplast. You are, of course, joining a great company with actually growth rates which many companies would envy. But I think that one of the problems which have been in the last many years has been the ability to deliver on both the short-term and long-term guidance. Maybe that has been a tad too high. So maybe you can share how have you been able to deliver on budgets in your former jobs? And what is your approach to making budgets and guidance? Are you more a conservative kind of guy or a bullish kind of guy? And how should we see that?

Q

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

So, first, Martin, thank you very much for the warm welcome and appreciate – just once again, just thrilled to be joining Coloplast and look forward to engaging with you in the future. I think – I can't comment on guidance, number one. It's too soon for me to kind of share a perspective here. And I think that when you look at the previous organizations I worked in, it would be a little bit unfair as well.

A

What I can share is I am deeply focused on a couple of things that I think will kind of give you an indication of the type of leader I am. I'm deeply focused on people developing talent. I'm deeply focused on execution and driving growth. I believe in being a builder, building something for the future. And I also believe that leaders should think like owners. And when you get a group of people around this that are empowered and held accountable and they have a common goal, I believe that you achieve really meaningful things together. But I'm going to reserve holding back on anything more specific at this time because it's just too new in my tenure. Thank you.

Anders Lonning-Skovgaard

Executive Vice President & Chief Financial Officer, Coloplast A/S

All right. Thanks, Martin. That was the last the questions. So we will conclude the conference call. Thanks a lot, Gavin, and again, a warm welcome to Coloplast. And we are looking forward to see you on the street. Thanks a lot.

Gavin Wood

President & Chief Executive Officer, Johnson & Johnson

Thank you.

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