

H1 2022/23 Pre-close brief – March 2023

Prior to entering our close period on April 11, 2023, ahead of reporting our H1 results on May 11, 2023 for the period ending March 31, 2023, we would like to bring the following highlights to your attention:

Product updates

- Coloplast is launching Luja™, the new male intermittent catheter with a Micro-hole Zone Technology. The product is expected to be available in key markets over the next 12 months, starting with Denmark and Finland in February.
- The new digital ostomy tool, Heylo™, is expected to be launched during FY 2022/23.
- Thulium Fiber Laser (TFL) Drive, the first laser equipment in the Interventional Urology portfolio is being launched in key markets during 2022 and 2023.

Financial guidance for FY 2022/23

(DKK guidance is based on spot rates as of January 31, 2023)

- The high inflationary environment and the re-opening in China are continuously monitored and evaluated, and result in a higher degree of uncertainty.
- Organic revenue growth is expected at 7-8% in constant exchange rates. Reported growth in DKK is expected to be 9-10% and includes contribution from the Atos Medical acquisition of around 3%-points (4 months), and impact from currencies of around -1%-point.
 - The guidance assumes limited impact from COVID-19 on hospital activity across markets, ex. China.
 - In China, despite the re-opening and lifting of restrictions, hospital access and procedural volumes remain below pre-COVID levels and are expected to continue to hamper sales growth. Average value per patient in Ostomy Care is also expected to remain below pre-COVID levels, impacted by consumer sentiment.
 - In Chronic Care, the guidance assumes:
 - Europe – continued good momentum.
 - US – sustained good momentum in Ostomy Care and improvement in growth in Continence Care.
 - Emerging markets ex. China – broad-based double-digit growth.
 - Interventional Urology is expected to deliver in line with the Strive25 ambition of high single-digit growth.
 - Wound & Skin Care is expected to deliver in line with the Strive25 ambition of above market growth.
 - Voice & Respiratory Care is expected to grow at 8-10% and became a part of the group organic growth as of February 1, 2023 (8 months impact on organic growth in FY 2022/23).
 - Phasing – a slower start of the year in H1 2022/23, due to baseline impact in China and impact from backorders in Collecting Devices and Wound Care. Impact from backorders in Q2 is expected at a similar level as in Q1 for both Collecting Devices and Wound Care.
 - The organic growth by quarter for FY 2021/22 was: Q1 6.1%, Q2 6.8%, Q3 7.5%, Q4 4.8%.
 - Positive pricing impact expected, at a similar level to FY 2021/22.
 - Continued uncertainty in Russia due to the ongoing war in Ukraine. Revenue exposure is expected to be on par with FY 2021/22, around 1% of group revenues, with a flat growth rate in FY 2022/23.
- The gross margin for FY 2022/23 is expected to be 66-68%, impacted by inflationary headwinds across cost categories:
 - Double-digit price increase on raw materials (around 55% of costs of goods sold* in FY 2021/22).
 - Energy cost expected to be around double compared to FY 2021/22 (around 2% of costs of goods sold in FY 2021/22), driven by significant increases in electricity prices in Hungary. Around 70% of Q1 2022/23 electricity consumption was hedged at around 200 EUR/MWh and 60% for Q2-Q4 2022/23 is hedged at around 400 EUR/MWh, compared to an average price paid in FY 2021/22 of around 200 EUR/MWh.
 - Double-digit wage inflation in Hungary (direct salaries were around 9% of costs of goods sold in FY 2021/22, majority of which in Hungary).

*Costs of goods sold were DKK 7,050 million in FY 2021/22

- Freight cost expected to be at a similar absolute level as in FY 2021/22 (around 6% of costs of goods sold in FY 2021/22).
- Positive impact from operating leverage and efficiency gains from the Global Operations Plan 5, as well as positive contribution from Atos Medical, pricing, and currencies.
- The reported EBIT margin before special items is expected at 28-30% and assumes:
 - Leverage effect on fixed costs e.g., distribution, admin, and R&D costs (as a rule of thumb the leverage effect kicks in at around 5% organic growth).
 - Prudent management of operating costs, expected to grow below reported revenue growth, excluding acquired growth. The guidance assumes additional incremental investments at the lower end of the Strive25 guidance of up to 2% of sales.
 - The EBIT margin includes around DKK 230m in amortisation charges related to the Atos Medical acquisition.
 - Limited positive contribution from currencies to the EBIT margin, based on spot rates as of January 31, 2023.
- Italian payback system implementation – financial impact expected to be managed within the given EBIT margin guidance before special items for FY 2022/23.
- Special items of around DKK 50m expected in FY 2022/23, related to integration costs from the Atos Medical acquisition.
- CAPEX guidance for 2022/23 is around DKK 1.4bn and includes:
 - Investments in automation at volume sites in Hungary and China as part of GOP5, investments in new machines for existing and new products, IT and sustainability investments, as well as Atos Medical capex and integration capex.
- The net financials for the FY 2022/23 are expected around DKK -600m, based on spot rates as of January 31, 2023, and include impact from the financing of the Atos Medical acquisition, where the blended interest rate is expected around 2.6% in FY 2022/23 (based on fixing of the interest rate on the 2-year bond as of 17.11.2022).
- The effective tax rate is expected to be around 21%, positively impacted by the transfer of Atos Medical intellectual property.

Foreign exchange rates

- Please see below an updated spot rate overview based on spot rates as of March 27. You can also find the exchange rate exposure and our hedging policy on page 57 in our latest roadshow presentation ([Coloplast roadshow presentation](#)).

Currency	Average exchange rate for FY 2021/22 ¹⁾	Spot rate, Mar 27, 2023	Change in spot rates compared with the average exchange rate for FY 2021/22	Average exchange rate for YTD 2022/23 (Oct 1, 2022 to Mar 27, 2023)	Change in average exchange rates YTD compared with the average exchange rate for FY 2021/22
Key currencies:					
USD	688	693	1%	712	4%
GBP	878	848	-3%	849	-3%
HUF	1.97	1.93	-2%	1.86	-6%
Other selected currencies:					
CNY	105	101	-4%	102	-3%
JPY	5.54	5.29	-5%	5.20	-6%
AUD	490	460	-6%	477	-3%
BRL	132	130	-1%	136	3%
ARS ²⁾	5.16	3.34	-35%	3.34	-35%

1) Average exchange rate from October 1 2021 to September 30 2022

2) The hyperinflationary economy in Argentina entails that results denominated in Argentinian Peso must be adjusted for inflation and be translated at the exchange rate of the balance sheet day which was DKK 5.16 per ARS 100.00 at 30 September 2022 and DKK 3.34 per ARS 100.00 at 27 March 2023.

Please do not hesitate to reach out to Investor Relations if you have any questions.

Best regards,

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Forward-looking statements

Any forward-looking statements included herein do not constitute a guarantee of future results and are subject to risk, uncertainty and assumptions, the consequence of which are difficult to predict. The forward-looking statements are based on our current expectations, estimates and assumptions and are provided on the basis of information available to us at the present time but actual results may differ significantly from any forward-looking statement.

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