

Q3 2021/22 Pre-close brief – June 2022

Prior to entering our close period on July 4, 2022, ahead of reporting our 9M results on August 17, 2022 for the period ending June 30, 2022, we would like to bring the following highlights to your attention:

Atos Medical acquisition

- On January 31, 2022 Coloplast completed the acquisition of Atos Medical announced on November 8, 2021. The transaction adds a new chronic business segment, which will be run as a separate strategic business unit, Voice & Respiratory Care, operating on shared Coloplast infrastructure.
- Atos Medical is expected to grow 8-10% organically, with an EBITDA margin in the mid-30s level, and contribute to Coloplast's Strive25 financial guidance of 7-9% organic growth and +30% EBIT margin.
- The acquisition price is EUR 2,155m (around DKK 16bn), financed through 100% debt financing.
- The bond issue related to the financing of the Atos Medical acquisition was completed on May 11, 2022.
- The blended interest rate for the debt financing package of the Atos Medical acquisition is around 1.25%, and has been achieved through the bond issuance, hedges put in place in January on the 8-year tranche and the 5-year tranche as well as the secured interest rate on the credit facility.
- The transaction is expected to be increasingly EPS accretive from FY 2022/23.
- Estimated run-rate operational synergies of up to DKK 100m from utilising Coloplast infrastructure, with full impact estimated from FY 2023/24.
- One-off transaction costs (legal fees, advisory fees and insurance costs etc.), and P&L integration costs are expected to amount to around DKK 150m in FY 2021/22, to be handled as special items.
- CAPEX integration costs (of which vast majority IT CAPEX) of up to DKK 150m split over FY 2021/22-2023/24.
- Around 75% of the purchase value will be treated as goodwill, and the remaining 25% as intangibles, to be amortised over approximately 15 years.

War in Ukraine

- Coloplast is monitoring the war in Ukraine closely. Our primary focus is to keep our people safe as well as to ensure that our users in Ukraine and Russia have access to products to manage their chronic conditions.
- Coloplast is present in Russia with a sales subsidiary of around 70 employees. In Ukraine, we have a representative office with 7 employees and we primarily sell products through two Ukrainian distributors.
- Revenue exposure in Russia and Ukraine combined is around 1% of group revenues in FY 2021/22, of which majority is in Russia. Around 85% of the expected sales for FY 2021/22 have already been delivered.

Product update

- Coloplast launches SpeediCath® Flex Set, expanding the flexible catheters portfolio with a set solution.
- The new product range will be launched in key markets during 2022 and 2023.

Financial guidance for FY 2021/22 (including impact from the Atos Medical acquisition)

(DKK guidance is based on spot rates as of May 4, 2022)

- Organic revenue growth is expected at 6-7% at constant exchange rates. Reported growth in DKK excluding Atos Medical is expected to be around 9% due to FX movements. The impact of the Atos Medical acquisition is expected to be around 6%-points (8 months impact). In total, reported growth in DKK is expected to be around 15%.
 - The guidance assumes continued resumption of hospital activity across all business areas.
 - We are continuously monitoring and evaluating the impact of the spread of COVID-19 and emergence of new variants, which adds higher uncertainty to the financial guidance.
 - In Chronic Care, the guidance assumes the following:
 - Europe – continued improvement in growth, as a result of a normalised growth in new patients in line with pre-COVID levels.
 - US – continued improvement in growth, as a result of the normalisation of growth in new patients in Continence Care during Q2 to pre-COVID levels.

- Emerging markets ex. China – broad-based double-digit growth. China is expected to remain impacted by COVID-19 and lockdowns, which have resulted in a decline in procedural volumes and sales in the hospital channel within Ostomy Care, and a revised outlook for the year.
 - Interventional Urology expected to deliver in line with Strive25 ambition of high single-digit growth.
 - Wound & Skin Care expected to deliver in line with Strive25 ambition of above market growth, however the COVID-19 related lockdowns in China have resulted in a decline in hospital procedures and sales, and a revised outlook for China for the year.
 - Phasing: growth in H2 is expected to be at a similar level as H1.
 - The quarterly phasing of organic growth for FY 20/21 was Q1 5.2%, Q2 2.1%, Q3 11.2%, Q4 9.9%.
 - Currency impact: tailwind from appreciation of mainly the US dollar and the British pound, and several emerging market currencies against the Danish kroner.
 - No current knowledge of significant healthcare reforms in FY 2021/22; the expectation of long-term price pressure of up to -1% annually is unchanged.
- We expect a reported EBIT margin before special items of around 31%. The reported margin in DKK is positively impacted by the appreciation of mainly the US dollar and the British pound. EBIT margin after special items is expected at 28-29%. The EBIT margin guidance assumes:
 - Leverage effect on fixed costs e.g. distribution, admin and R&D costs (our rule of thumb is that the leverage effect kicks in at around 5% organic growth)
 - An increase in operating costs, expected to grow in line with reported growth excluding Atos Medical, due to the resumption of business activity, as the impact of COVID-19 recedes. The guidance also assumes additional incremental investments of up to 2% of revenue for innovation and sales & marketing initiatives.
 - The EBIT margin will also be impacted by around DKK 150m amortization charges related to the Atos Medical acquisition.
 - Special items of DKK 450m, of which DKK 300m related to Mesh provisions. The remaining DKK 150m are related to the Atos Medical acquisition (one-off transaction and integration costs).
- The gross margin for 2021/22 is expected to be in line with long-term Strive25 expectations of around 68%, including Atos Medical.
 - Positive impact from operating leverage and efficiency gains from the Global Operations Plan 5, offset by negative impact from double-digit wage inflation in Hungary (high teens) and raw material price increases (mid-single digit), headwind from freight and energy costs, as well as ramp-up costs in Costa Rica.
- CAPEX guidance for 2021/22 is around DKK 1,300m, including Atos Medical
 - CAPEX includes investments in more capacity for existing and new products, a second volume manufacturing site in Costa Rica (expected to be operational in H2 2021/22), automation investments at volume sites in Hungary and China as part of GOP5, IT investments and sustainability investments.
 - The impact of Atos Medical CAPEX and integration CAPEX related to the acquisition is around DKK 100m.
- We expect net financials for the financial year 2021/22 to be in total around DKK -350m, based on spot rates as of May 4, 2022 and including Atos Medical.
 - Net financial items excluding Atos Medical are expected to be around DKK -200m.
 - The remaining net financial items are related to the debt financing of the Atos Medical acquisition, where the blended interest rate is around 1.25%.
- Effective tax rate expected to be 23%, inclusive of the Atos Medical acquisition (Danish corporate tax rate 22%). We pay ~80% of our taxes in Denmark.

Foreign exchange rates

- Please see below an updated spot rate overview based on spot rates as of June 20. Please also see our FX slide on page 55 in our latest roadshow presentation.

Currency	Average exchange rate for FY 2020/21 ¹⁾	Spot rate, June 20 2022	Change in spot rates compared with the average exchange rate for 2020/21	Average exchange rate for YTD 2021/22 (Oct 1, 2021 to June 20, 2022)	Change in average exchange rates compared with average exchange rate for FY 2020/21
Key currencies:					
USD	622	707	14%	669	8%
GBP	852	865	1%	882	4%
HUF	2.08	1.86	-11%	2.01	-3%
Other selected currencies:					
CNY	96	106	11%	104	9%
JPY	5.79	5.25	-9%	5.62	-3%
AUD	468	494	6%	484	4%
BRL	117	137	18%	128	10%
RUB	8.35	8.32	0%	8.32	0%
ARS	6.49	5.72	-12%	5.72	-12%

1) Average exchange rate from October 1 2020 to September 30 2021

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 6.49 per ARS 100.00 at September 30 2021 and DKK 5.72 per ARS 100.00 at June 20 2022.

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

Best regards,

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Forward-looking statements

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