

Q1 2021/22 Pre-close brief – December 2021

Prior to entering our close period on December 20, 2021, ahead of reporting our Q1 results on January 25, 2022 for the period ending December 31, 2021, we would like to bring the following highlights to your attention:

Atos Medical acquisition

- On November 8, Coloplast announced an agreement to acquire Atos Medical, the global market leader in laryngectomy, to be run as a separate strategic business unit, operating on shared Coloplast infrastructure.
- With the acquisition, Coloplast gains access to a new chronic care segment with long-term growth potential.
- 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 transaction is expected to be increasingly EPS accretive from FY 2022/23.
- The acquisition price is EUR 2,155 million (around DKK 16 billion), financed through 100% debt financing.
- Closing of the transaction is subject to customary regulatory approvals and is anticipated in Q2 2021/22.
- 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 including legal fees, advisory fees and insurance costs etc., expected to amount to around DKK 100m in FY 2021/22, to be handled as special items (of which ~30% expected in Q1 2021/22).
- Integration costs of up to DKK 200m split over the next 2-3 years, of which the vast majority will be IT CAPEX; the P&L costs will be treated as special items.
- One-off financing costs of around DKK 100m in FY 2021/22 (bank and underwriting fees), to be included in net financial items (of which ~25% expected in Q1 2021/22).
- The interest rate on the debt is expected to be around 1%.
- Around 75% of the purchase value will be treated as goodwill, and the rest 25% as intangibles, to be amortised over 10-15 years.

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

(DKK guidance is based on spot rates as of October 29, 2021)

- We expect organic revenue growth of around 7% at constant exchange rates and a reported growth in DKK of around 8%.
 - 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 the emergence of new variants, which add 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.
 - US – continued improvement in growth, as a result of a gradual normalisation of growth in new patients, especially in Continence Care.
 - Emerging markets – broad-based double-digit growth; China expected to remain impacted by COVID-19 and economic uncertainty.
 - 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.
 - Phasing: slower start of the year in Q1 due to a tougher baseline in the European and US Chronic businesses, as well as Interventional Urology; growth expected to accelerate in the following quarters, driven by normalisation of growth in the US Continence Care business and China.
 - 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.
 - Up to 1%-point negative price pressure annually, no current knowledge of significant healthcare reforms.
- We expect a reported EBIT margin of around 32%. The reported margin in DKK is positively impacted by the appreciation of mainly the US dollar and the British pound.

- 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)
- The EBIT margin will be impacted by an increase in operating costs, which are expected to grow faster than topline due to a 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 commercial initiatives (Interventional Urology, Asia, US Ostomy Care, digital and sustainability).
- Gross margin for 2021/22 is expected to be in line with long-term Strive25 expectations of around 68%.
 - Gross margin is expected to be positively impacted by operating leverage and efficiency gains from Global Operations Plan 5, offset by negative impact from double-digit wage inflation in Hungary (high-teens) and low single-digit raw material price increases, as well as ramp-up costs in Costa Rica.
- CAPEX guidance for 2021/22 is around DKK 1,200m
 - CAPEX includes investments in more capacity for existing and new products, a second volume manufacturing site in Costa Rica (expected to be ready in H2 2021/22), automation investments at volume sites in Hungary and China as part of GOP5, IT investments and sustainability investments.
- We expect net financials for the financial year 2021/22 to be around DKK -150m, based on spot rates as of October 29, 2021.
- Effective tax rate expected to be 22-23% (Danish corporate tax rate 22%). We pay ~80% of our taxes in Denmark.

Foreign exchange rates

- In connection with our consensus survey, we will send an updated spot rate overview based on spot rates at the end of December. Please also see our FX slide on page 46 in our latest roadshow presentation.

Currency	Average exchange rate for FY 2020/21 ¹⁾	Spot rate, Dec 7 2021	Change in spot rates compared to the average exchange rate for 2020/21	Average exchange rate for YTD 2021/22 (Oct 1, 2021 to Dec 7, 2021)	Change in average exchange rates compared to average exchange rate for FY 2020/21
Key currencies:					
USD	622	659	6%	626	-1%
GBP	852	875	3%	856	0%
HUF	2.08	2.04	-2%	2.08	0%
Other selected currencies:					
CNY	96	103	8%	97	-1%
JPY	5.79	5.80	0%	5.78	0%
AUD	468	467	0%	469	0%
BRL	117	116	-1%	117	0%
ARS	6.49 ²⁾	6.51	0%	6.51 ²⁾	0%

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 30 September 2021 and DKK 6.51 per ARS 100.00 at 7 December 2021.

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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