

## Q4 2021/22 Pre-close brief – September 2022

Prior to entering our close period on October 10, 2022, ahead of reporting our full year results on November 7, 2022 for the period ending September 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, with a blended interest rate of around 1.25% (the interest rate on the 2-year bond of EUR 650 million is variable and linked to the 3-months EURIBOR, and will be regulated in November).
- 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.

### 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.
- The new catheter platform, Luja™ is expected to be launched in the second half of FY 2022/23. The new digital ostomy tool, Heylo™, is expected to be launched during FY 2022/23 as well.
- 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 2021/22 (including impact from the Atos Medical acquisition)

*(DKK guidance is based on spot rates as of August 16, 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.
  - 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 to pre-COVID levels.
    - Emerging markets ex. China – broad-based double-digit growth. China is expected to remain impacted by COVID-19 related restrictions, which have resulted in a decline in procedural volumes and sales in the hospital channel within Ostomy Care.
  - 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. China is expected to remain impacted by COVID-19 related restrictions, which have resulted in a decline in hospital procedures and sales.

- Q4 growth in Continence Care expected to be impacted by continued backorders in Collecting Devices (around -1%-p impact on Continence Care growth).
- 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; positive pricing impact expected.
- 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 (as a rule of thumb the leverage effect kicks in at around 5% organic growth).
  - An increase in operating costs, expected to grow slightly above 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 around 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 the 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 (~7%), headwind from freight and energy costs, and ramp-up costs in Costa Rica.
- CAPEX guidance for 2021/22 is around DKK 1,200m, including around DKK 100m related to Atos Medical CAPEX and integration CAPEX
  - CAPEX includes investments in more capacity for existing and new products, a second volume manufacturing site in Costa Rica (opened in May 2022), 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 in total around DKK -300m (including Atos Medical), based on spot rates as of August 16, 2022.
- 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.

### Moving parts into FY 2022/23

- The high inflationary environment and the impact of COVID-19 are continuously monitored and evaluated, and result in a higher degree of uncertainty.
- Organic revenue growth:
  - High level of uncertainty in China Ostomy Care and Wound Care due to COVID-19.
  - Outside of China, all regions and business areas are expected to perform in line with the Strive25 expectations, assuming growth in new patients and hospital activity remain at a normalized level.
  - Voice & Respiratory Care on track to deliver growth in the 8-10% range; to become part of organic growth in February 2023.
  - Continued uncertainty in Russia due to the ongoing war in Ukraine. Revenue exposure in Russia and Ukraine combined is around 1% of group revenues (FY 2021/22), the vast majority in Russia.
  - No current knowledge of significant healthcare reforms; positive pricing impact expected.
- EBIT margin:
  - The gross margin is expected to be negatively impacted by increasing energy prices, inflationary pressure on raw materials, freight, and blue-collar wages in Hungary.
  - High level of uncertainty on energy price development; ~70% of Q1 22/23 is hedged, rest of FY 22/23 currently unhedged. Current forward electricity prices for 2023 are above 500 EUR/MWh.

- Positive impact from efficiency gains from the Automation program, part of the Global Operations Plan 5 and scale on global functions.
- Prudent cost management, prioritization of investments and return on existing investments (US, Interventional Urology, Innovation).
- Negative impact from wage inflation on white-collar salaries.

## Foreign exchange rates

- Please see below an updated spot rate overview based on spot rates as of September 29. Please also see our FX slide on page 54 in our latest roadshow presentation.

Currency	Average exchange rate for FY 2020/21 <sup>1)</sup>	Spot rate, September 29 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 Sep 29, 2022)	Change in average exchange rates compared with average exchange rate for FY 2020/21
Key currencies:					
USD	622	770	24%	688	10%
GBP	852	830	-3%	878	3%
HUF	2.08	1.78	-14%	1.97	-5%
Other selected currencies:					
CNY	96	107	12%	105	10%
JPY	5.79	5.32	-8%	5.54	-4%
AUD	468	496	6%	490	5%
BRL	117	143	22%	132	13%
RUB	8.35	8.32	0%	8.32	0%
ARS	6.49	5.20	-20%	5.20	-20%

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 5.20 per ARS 100.00 at September 29 2022.

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

Best regards,

Aleksandra Dimovska  
Director, Investor Relations  
Tel. +45 4911 1800 / 4911 2458  
E-mail: [dkadim@coloplast.com](mailto:dkadim@coloplast.com)

Kristine Husted Munk  
Senior Manager, Investor Relations  
Tel. +45 4911 1800 / +45 4911 3266  
E-mail: [dkkhu@coloplast.com](mailto:dkkhu@coloplast.com)

### Forward-looking statements

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