

Coloplast to acquire Kerecis

Coloplast has signed an agreement to acquire Kerecis, an innovative, fast-growing company in the biologics wound care segment, for up to USD 1.3 billion

July 7, 2023



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With the addition of Kerecis, Coloplast aims to reach many more patients in need of wound treatment, accelerating growth to 8-10%

kerecis[®]

Mission:

To become the world leader in tissue regeneration by sustainably harnessing nature's own remedies

 **Coloplast**

Mission:

Making life easier for people with intimate healthcare needs

Long-term financial guidance



8-10%
organic growth
p.a.



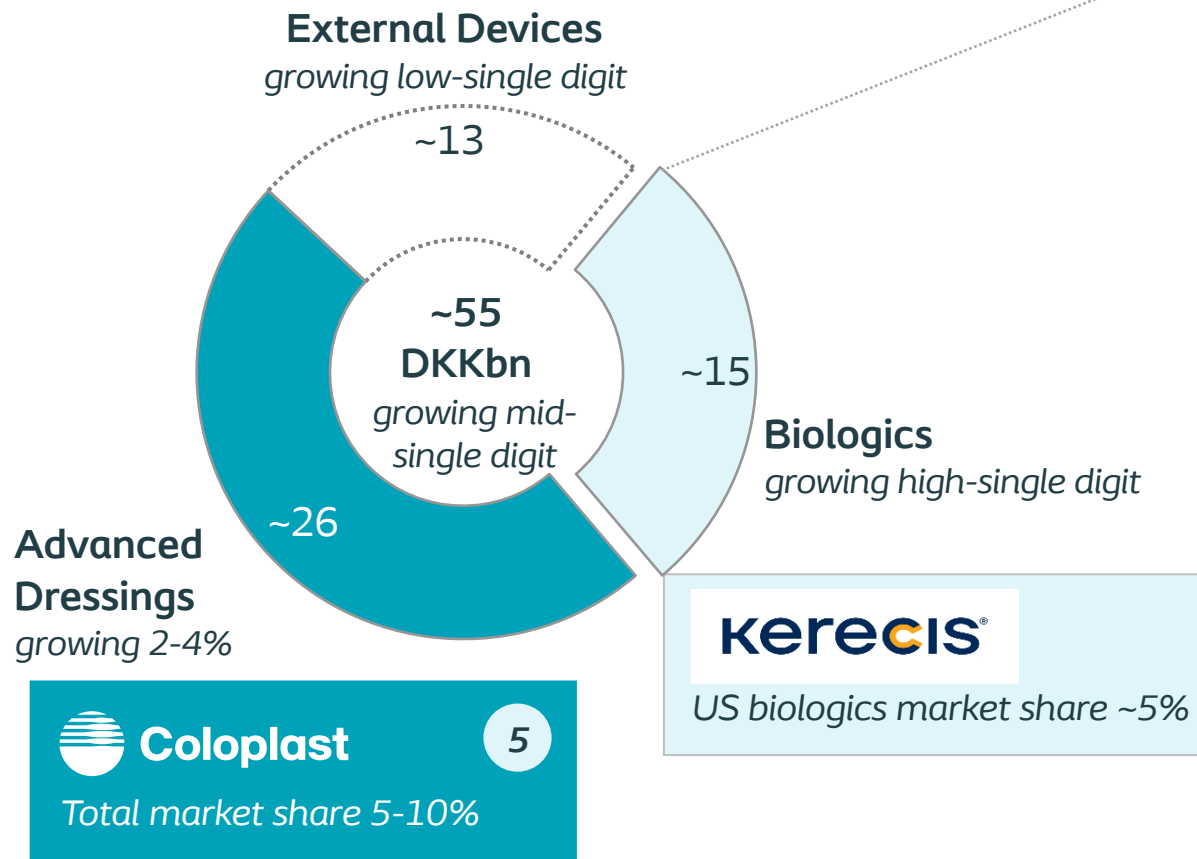
more than **30%**
EBIT margin
beyond 2024/25¹

¹ For the remaining Strive25 strategic period running until end 2024/25, the EBIT margin is now expected to remain below 30%, and assumes dilution of around 100 basis points p.a. from Kerecis (including PPA amortisation)

The US-centric biologics segment is the fastest growing advanced wound care segment, expected to reach DKK 20+ billion by 2028

The advanced wound care market

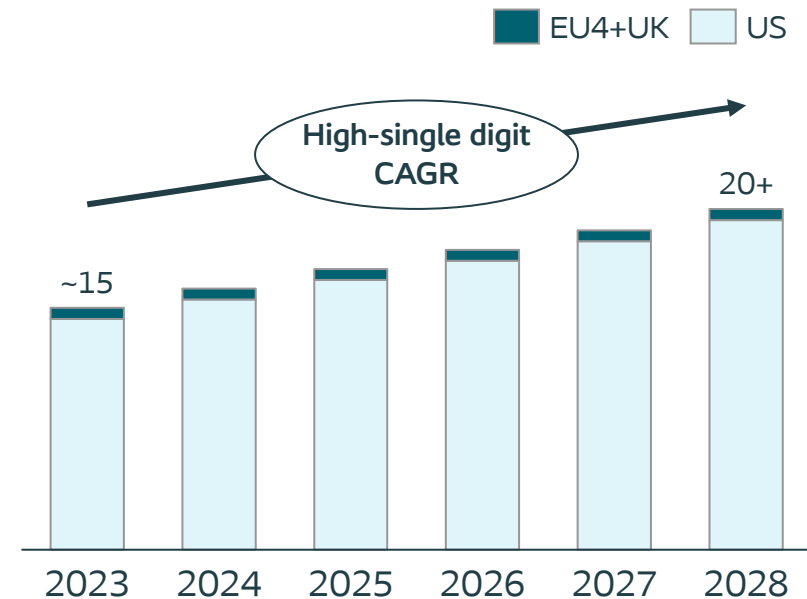
Size in DKKbn, growth in %



The biologics wound care market

ILLUSTRATIVE

DKKbn



Source: Market data, market growth and competitive position are estimates based on internal analysis and publicly available information

With the acquisition, Coloplast adds a long-term growth compounder and enters the attractive biologics segment

Kerecis – a sustainable business with a clinically differentiated technology and a great fit to Coloplast...



...well-positioned for long-term value creation

Growth outlook:

- **Accretive to Coloplast group organic growth** with ~1%-point as of FY 2024/25
- CAGR of ~30% expected over the next three years until FY 2025/26

Profitability outlook:

- **Strong potential for profitability expansion**, driven by continued growth and scalability. **Gross margin accretive**
- EBIT margin of around 20% expected in FY 2025/26. In the following years, the margin is expected to be in line with Coloplast's long-term guidance of more than 30%

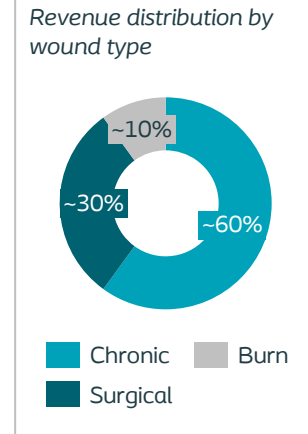
Increasingly **EPS accretive** from FY 2026/27

Kerecis is transforming wound healing with its clinically differentiated technology platform based on gently processed fish skin

Started in 2009, with headquarters and manufacturing in Iceland
 Proprietary product platform based on cod fish skin
 Only FDA-approved manufacturer of patented fish-skin technology
 Fastest growing company in the biologics wound care segment with strong US presence
 Sustainable business with a unique waste-to-value proposition, minimal processing, and production run on 100% green energy
 Core values rooted in Nordic heritage: compassion, curiosity and integrity

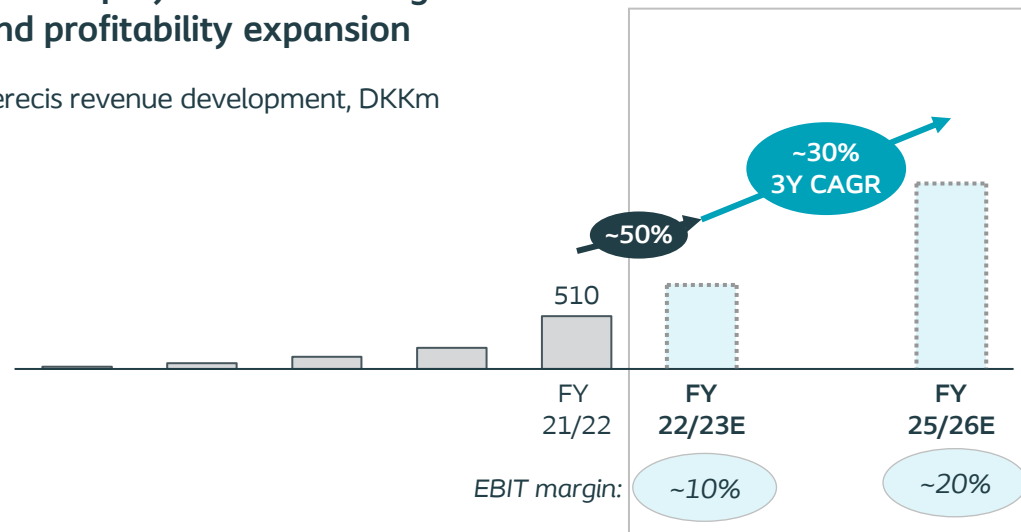
Kerecis key business highlights

DKK 510m Revenue for FY 2021/22
 DKK 1m EBIT FY 2021/22
 98% of sales within the US
 ~5% market share in the US biologics segment
 ~500 employees globally
 >2/3 of employees in the US
 >20.000 patients globally treated with the novel fish skin technology

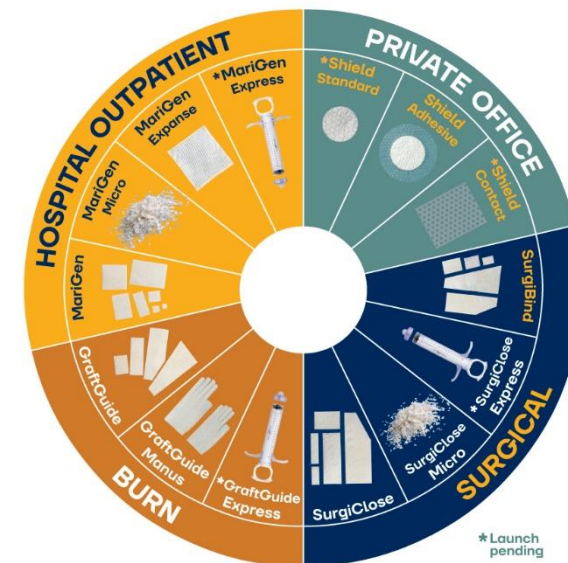


Kerecis projected revenue growth and profitability expansion

Kerecis revenue development, DKKm



Kerecis product portfolio



The gently processed fish skin supports effective wound healing and has a sustainable and cost-efficient production setup

Production and logistics:

Minimal and gentle processing of the fish skin

- **No known disease transmission** from cold water fish to human allows for gentle processing
- Fish skin is a **by-product** of Icelandic fisheries and therefore **highly sustainable**
- **Abundant supply**, with less than 1% of Icelandic cod fish supply utilized today
- **Patented production** method
- **Simple, cost-efficient and scalable** production setup
- **Simple logistics**, with products readily available - products stored at room-temperature with long shelf-life

Product portfolio:

Unique benefits of the technology platform

- **Technology allowing for intact structure of the fish skin:**
 - A structure similar to human skin that enables cellular ingrowth
 - Key ingredients needed for wound healing (proteins, elastin, glycans and lipids) are preserved in the process
 - Intact structure supporting new tissue growth and effective wound healing
- **Evidence based efficacy** – performance of technology backed by multiple randomized controlled clinical studies
- **Cost effective and scalable technology platform** – full product portfolio from same processed skin, with various forms and sizes to address different clinical needs

With a high growth profile and profitability expansion potential, Kerecis is uniquely positioned to support Coloplast's long-term value creation

Kerecis - financial assumptions

kerecis

- FY 2022/23 revenue growth of around 50%
- Three-year revenue CAGR of around 30% until FY 2025/26
- Attractive gross margin level, accretive to Coloplast, due to a cost-efficient production setup
- EBIT margin of around 10% in FY 2022/23 and around 20% in FY 2025/26. In the following years, the EBIT margin is expected to be in line with Coloplast's long-term guidance of more than 30%

 **Coloplast**

- **Accretive to Coloplast group organic growth** with ~1%-point as of FY 2024/25
- **Short-term dilutive** to the EBIT margin, with around 100 basis points impact p.a. (including PPA amortisation) in the Strive25 strategic period
- Transaction **increasingly EPS accretive** from FY 2026/27
- Assumptions on long-term CAPEX ratio, NWC-to-sales, and tax rate are unchanged

Our updated long-term financial guidance will drive continued long-term value creation through revenue and earnings growth



8-10%
organic growth
p.a.



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Transaction price is up to USD 1.3 billion (around DKK 8.9 billion) with closing expected during Q4 2022/23

Structure and valuation

- Coloplast acquires Kerecis for an enterprise value of up to USD 1.3 billion (around DKK 8.9 billion)
- Total price for 100% of the share capital is USD 1.2 billion (around DKK 8.2 billion), on a cash and debt free basis
- Additional earnout potential of maximum USD 100 million (around DKK 680 million) dependent on financial performance in FY 2023/24

Financing

- The transaction is expected to be financed through an equity issue*, with anticipated completion in Q4 2022/23
- Coloplast's largest existing shareholder, Niels Peter Louis-Hansen, and family are supportive of the acquisition and expect to participate in the equity capital raise
- An equity bridge facility matching the total price for 100% of the share capital has been provided by Danske Bank and Nordea

Capital allocation policy

- No changes to Coloplast's capital allocation and dividend policy to return excess liquidity to shareholders through dividends and share buy-backs
- Unchanged target pay-out ratio of 60-80% of net profit
- Unchanged leverage expectations - target range of 1-2x NIBD/EBITDA by the end of the Strive25 period

Transaction costs

- Transaction related costs (advisory fees) are expected to be around DKK 50 million, included under special items in FY 2022/23

Deal certainty and timing

- Subject to customary regulatory approvals and an acceptance threshold of at least 90%. As of July 7, 77% of Kerecis' shareholders have committed to sell their shares to Coloplast
- Closing of the transaction is anticipated in Q4 2022/23

*Equity issue via an accelerated bookbuilding without pre-emption rights for existing shareholders

Kerecis is a strong fit to Coloplast's investment case and a growth asset that will support long-term value creation

Coloplast investment case:

- **Category leadership** positions in a long-term growth industry
- Strong **culture of innovation** dedicated to improving patient outcomes through products and services to benefit users, healthcare professionals, and payers
- **Operational excellence** based on efficiency, scalability, and simplicity
- **Financial strength** characterized by earnings growth, strong cash flow generation, and solid return on invested capital
- **Experienced management team** and a purpose driven organisation
- Unique combination of **high growth** with stable and predictable return through **dividend payout**



Mission

Making life easier for people with intimate healthcare needs

Values

Closeness... to better understand

Passion... to make a difference

Respect and responsibility... to guide us

Vision

Setting the global standard for listening and responding