

FY 2023/24 Pre-close brief – September 2024

Prior to entering our close period on 7 October 2024 and ahead of reporting our FY results on 5 November 2024 for the period ending 30 September 2024, we would like to bring the following highlights to your attention:

Product updates

- Luja™, Coloplast's new intermittent catheter with a Micro-hole Zone Technology, is available in a male and a female variant. The launch of Luja for men was concluded in April 2024 and the product is available in 13 markets. The launch of Luja for women* is ongoing and the product is currently available in five markets.
- Heylo™*, a new digital leakage notification device, was launched in the UK in July 2024, after receiving national reimbursement. Work to obtain reimbursement in the second launch market, Germany, is ongoing.
- The launch of SenSura® Mio ostomy bags in black* was initiated in May 2024 and the first black bags variants are now available in eight markets.

Draft Local Coverage Determination (LCD) policy for skin substitutes

- Impact from the draft LCD policy (announced on 25 April 2024) on Kerecis' sales is so far immaterial. Kerecis submitted a rich portfolio of clinical evidence and feedback from clinicians as part of the consultation period, ended on 8 June 2024, to support getting back on the covered list of products. We continue to expect a final LCD policy to be announced in 2024.

Financial guidance for FY 2023/24

(DKK guidance is based on spot rates as of 15 August 2024)

- Current macroeconomic and industry-specific trends are continuously monitored and evaluated, and result in a higher degree of uncertainty.
- Organic revenue growth is expected around 8% in constant exchange rates. Reported growth in DKK is expected to be 10-11%, with around 4%-points contribution from the Kerecis acquisition (11 months) and around 1-2%-points negative impact from currencies. Revenue growth assumptions are as follows:
 - Chronic Care – continued solid momentum in Europe and Emerging markets, in line with the Strive25 ambitions. Improvement in growth in China, however, China is not expected to return to the Strive25 ambitions of double-digit growth due to continued impact from consumer sentiment.
 - US Chronic Care – growth expected to be H2 weighted, due to impact from order phasing in the US ostomy care business in H1 2023/24. The short-term supply disruptions impacting the US Chronic Care business in Q3, which emerged from the establishment of a new distribution centre for the US market, are expected to be largely resolved by the end of Q4.
 - Advanced Wound Care is expected to deliver growth above the market.
 - Interventional Urology is expected to deliver mid-single digit growth, impacted by softer momentum in the Women's Health business.
 - Voice & Respiratory Care is expected to grow at 8-10%.
 - Positive pricing impact expected, however, at a lower level compared to FY 2022/23.
 - Phasing – organic growth in Q4 is expected to be in line with FY 2023/24 guidance of around 8%.
 - Contribution from Kerecis to reported growth is expected to be at a similar level across the quarters. In Q4, contribution from Kerecis to reported growth covers two months, with one month contribution to organic growth as Kerecis became part of organic growth as of 1 September 2024.
 - The organic growth by quarter for FY 2022/23 was: Q1 6.8%, Q2 8.2%, Q3 7.7%, Q4 7.8%.
- The gross margin for FY 2023/24 is expected to be around 68% and includes the following assumptions:
 - Raw materials – mid single-digit price increase (around 52% of costs of goods sold in FY 2022/23¹).
 - Energy cost – tailwind from total energy costs of around DKK 100 million (around 4% of costs of goods sold in FY 2022/23¹).
 - Freight costs – expected to be a tailwind (around 6% of costs of goods sold in FY 2022/23¹).
 - Wages in Hungary – double-digit increase, similar to FY 2022/23 (direct salaries were around 8% of costs of goods sold in FY 2022/23¹, majority of which in Hungary).
 - Italian payback reform – one-off baseline benefit of around 40 basis points from 2022/23 provision.
 - Kerecis – positive contribution of around 100 basis points.

- Negative impact from currencies.
- The reported EBIT margin before special items is expected at 27-28% and assumes:
 - Prudent management of operating costs (expected to grow below reported revenue growth, excl. acquired growth). 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).
 - Incremental investments at the lower end of the Strive25 guidance of up to 2% of sales.
 - Benefit from operational synergies related to integration of Atos Medical on Coloplast infrastructure.
 - Kerecis – negative impact of around 100 basis points (incl. PPA amortisation of around DKK 100 million).
 - Currencies – negative impact of around 70 basis points.
 - Phasing – the EBIT margin in Q4 is expected to be in line with the FY 2023/24 guidance of 27-28%. The EBIT margin in Q4 is expected to be impacted by extraordinary costs of around DKK 35 million related to the establishment of the new US distribution centre.
- Special items of around DKK 80m expected in FY 2023/24, related to the integration of Atos Medical.
- CAPEX for 2023/24 expected to be around DKK 1.3bn, which includes investments in the new manufacturing site in Portugal, investments in new machines for existing and new products, IT and sustainability investments, as well as Atos Medical integration capex.
- FY 2023/24 net financial expenses are expected around DKK -850m (based on spot rates as of 15 August).
- The effective tax rate is expected to be around 22%, positively impacted by the transfer of Atos Medical intellectual property. Following the IP transfer, an extraordinary net tax payment was made in Q2, with a net impact of DKK 2.5 billion. The payment will be offset by reduced tax payments the following years.
- Net working capital for the year is expected to be around 26% of revenue.

Moving parts into FY 2024/25²

- Organic revenue growth:
 - Growth across business areas and geographies is expected to be largely in line with the Strive25 expectations, with the exception of China Chronic Care and Interventional Urology.
 - China Chronic Care – growth below Strive25 expectations of double-digit, with continued impact from consumer sentiment.
 - Interventional Urology – mid single-digit growth due to continued slower momentum in the Women's Health business, impacted by competitive pressure.
 - Kerecis is expected to contribute around 1%-point to Group organic growth, which assumes that Kerecis will be added back to the list of covered products in the final LCD policy.
- EBIT margin:
 - Favourable development across key input cost categories as inflationary pressure has come down, partly offset by ramp-up activities in Costa Rica and Portugal.
 - Around 100 basis points dilution from Kerecis (incl. PPA amortisation of around DKK 100 million).
 - Continued prudent management of operating costs and leverage effect on fixed costs e.g., distribution, admin and R&D costs.
 - Negative impact from currencies mostly driven by the depreciation of the USD against the DKK (based on current spot rates).

Foreign exchange rates

Please see below an updated spot rate overview based on spot rates as of 23 September. Exchange rate exposure and hedging policy are available on page 64 in our latest roadshow presentation ([Roadshow presentation](#)).

Currency	Average exchange rate FY 2022/23 ¹⁾	Spot rate, September 23, 2024	Spot rate vs. avg. exchange rate FY 2022/23	Average exchange rate YTD 2023/24 (Oct 1, 2023 to Sep 23, 2024)	Change in average exchange rate
Key currencies:					
USD	698	672	-4%	689	-1%
GBP	855	891	4%	872	2%
HUF	1.92	1.89	-2%	1.92	0%
Other selected currencies:					
CNY	99	95	-4%	96	-3%
JPY	5.03	4.68	-7%	4.58	-9%
AUD	465	457	-2%	454	-2%
BRL	138	122	-12%	134	-3%
ARS ²⁾	2.02	0.69	-66%	0.69	-66%

1) Average exchange rate from October 1 2022 to September 30 2023.

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 2.02 per ARS 100.00 at 30 September 2023 and DKK 0.69 per ARS 100.00 at 23 September 2024.

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

Best regards,

Aleksandra Dimovska
Vice President, Investor Relations
Tel. +45 4911 1800 / 4911 2458
E-mail: dkadim@coloplast.com

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

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