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Coloplast continues solid performance in Q2 with 9% organic growth

Coloplast delivered 9% organic growth and EBIT increased by 15% to DKK 1,542m, corresponding to an EBIT margin of 32%, in the second quarter of the 2019/20 financial year. The company maintains its financial guidance for 2019/20.

Coloplast delivered 9% organic revenue growth in the second quarter of the 2019/20 financial year, while reported growth in Danish kroner was up by 10% to DKK 4,823m. The organic revenue growth was positively impacted by stock building in primarily Europe due to the COVID-19 outbreak. Year to date organic growth was 8% and reported revenue in Danish kroner was up by 9% to DKK 9,535m.

EBIT in the second quarter amounted to DKK 1,542m, a 15% increase, corresponding to an EBIT-margin of 32% against 30% last year. ROIC after tax and before special items in the second quarter was 46% against 44% last year.

- "In these extraordinary times, our priorities at Coloplast are clear. We want to keep our employees safe, while continuing to serve our customers. Our customers rely on our help and support, so they can continue to manage their conditions. We have implemented a multitude of new guidelines and safety measures across our company to ensure a safe and stable supply of products for users and healthcare professionals, and I am very proud of the work that is being done by our many teams across the world," says Coloplast CEO Kristian Villumsen and continues:
- "Looking at our results, we deliver a solid Q2. Our organic revenue growth continues to be twice the market growth, and we continue to invest in innovation and commercial initiatives to drive future market share gains and raise the standard of care for our users."
- "The Chronic Care business ex-China delivered solid underlying performance in Q2. We also saw a large positive impact from stock building in primarily Europe due to the COVID-19 outbreak. This is expected to gradually reverse once the situation normalises. As communicated in our revised financial guidance on 18 March 2020, the COVID-19 outbreak is also expected to have a material negative impact on the Interventional Urology business and elective procedures in primarily the US. The global outlook for Ostomy Care, Continence Care and Wound & Skin Care remains largely intact."

In the second quarter of the 2019/20 financial year, organic growth rates by business area were 10% in Ostomy Care, 12% in Continence Care, 3% in Interventional Urology, and 4% in Wound & Skin Care.

The COVID-19 outbreak adversely affected the growth performance in Ostomy Care and Wound Care in China as well as the Interventional Urology business primarily in the US.

Looking at sales by geography for Q2, the European markets contributed with 9% growth, Other developed markets delivered 11% revenue growth, while Emerging Markets provided a 7% increase. Growth in Europe was driven by solid underlying momentum as well as stock building due to the COVID-19 outbreak.

Coloplast develops products and services that make life easier for people with very personal and private medical conditions. Working closely with the people who use our products, we create solutions that are sensitive to their special needs. We call this intimate healthcare. Our business includes Ostomy Care, Continence Care, Wound and Skin Care and Interventional Urology. We operate globally and employ about 12,000 employees.

COVID-19 outbreak

During the COVID-19 outbreak, the health and safety of the company's employees and continuity of service to customers continue to be the key priorities.

Coloplast's global production and distribution sites continue to operate at normal levels and the company is able to fully meet demand. Coloplast continues to take all necessary precautionary measures globally and will continue to comply with and support local, national and global guidelines from healthcare authorities.

The company has donated Comfeel products, cash and medical personal protective equipment across several markets to local authorities and NGOs.

Financial guidance for 2019/20

Coloplast continues to expect organic revenue growth of 4-6% at constant exchange rates and a reported growth in DKK of 4-6%. Coloplast continues to expect an EBIT margin of 30-31% at constant exchange rates and a reported EBIT margin of 30-31% in DKK. Capital expenditure is now expected to be DKK ~950m vs. ~850m previously. The effective tax rate is still expected to be about ~23%

The company will pay a half-year interim dividend of DKK 5.00 per share, for a total of dividend payout of DKK 1,064m.

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Financial highlights and key ratios (DKK m)	2019/20 Q2	2018/19 Q2	Change
Revenue	4,823	4,401	10%
EBIT	1,542	1,342	15%
EBIT margin	32%	30%	
Profit for the period	1,067	1,021	5%

Sales performance by business area (DKK m)	2019/20 Q2	2018/19 Q2	Organic growth	Reported growth
Ostomy Care	1,920	1,742	10%	10%
Contenance Care	1,776	1,584	12%	12%
Interventional Urology	507	484	3%	5%
Wound & Skin Care	620	591	4%	5%
Revenue	4,823	4,401	9%	10%

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Financial guidance	Guidance for 2019/20	Guidance for 2019/20 (DKK)
Sales growth	4-6% (organic)	4-6%
EBIT margin	30-31% (at constant exchange rates)	30-31%
Capital expenditure	-	~950m
Tax rate	-	~23%

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