Convatec Trading Update for the ten months ended 31st October 2024

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Jonny Mason

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Introduction

Good morning, everybody, and thank you for joining us for our 10-month trading update. I am here with Karim, our Chief Executive, and I am going to present a summary of our performance before Karim and I will together take any questions that you have.

Strong, broad-based performance

Organic sales growth for the first 10 months of the year was strong at 7.7%, driven by broad-based growth across our four categories. In each category, sales growth in the second half to date was stronger than the first half. We are going to talk about InnovaMatrix specifically in a few minutes. For now, it is important to note that organic sales growth from the rest of the business, excluding InnovaMatrix, was 6.6%.

By category, in Advanced Wound Care, organic growth was high single-digit. InnovaMatrix continued to perform strongly with sales up 40% year-to-date, which included winning new customers and higher growth in areas outside the scope of the draft LCDs. We now do not expect any negative impact in 2024 from the draft LCDs. Therefore, we do expect Advanced Wound Care to grow high single-digit for the year. Excluding InnovaMatrix, growth was mid-single-digit with good performance from our antimicrobials and foams portfolios, including Aquacel Ag+ Extra and ConvaFoam.

Growth in China recovered compared to the first half, but slower than we expected because the anti-bribery campaign is still continuing.

In Ostomy Care, organic growth was mid-single-digit led by global emerging markets, and with strong growth in China. The launch of Esteem Body, our new one-piece soft convex product, saw strong customer uptake in Europe, and sales in the US were supported by new patient referrals to our Home Services Group.

In Continence Care, organic growth was high single-digit, driven by our broadening product portfolio and strong customer service. In the U.S., our Home Services Group continued to grow market share with increased satisfaction scores and new patient starts. I am going to come back in a moment to the change announced for U.S. reimbursement codes and why we see that as an opportunity.

In Infusion Care, organic growth was high single-digit. Notably, the penetration of durable pumps in the insulin intensive population is accelerating, despite the growth in patch pumps, as a result of the high level of innovation in pump technology in the sector. Diversification of our products and customers progressed well, with strong underlying demand for our infusion sets in both diabetes and non-diabetes treatment, and we saw faster growth from new customers, new products and new therapies.

Strategic progress

Successfully launching new product

Strategically, we made further progress.

In new products for AWC, ConvaFoam delivered a very good win rate in evaluations of over 50% in US hospitals, and we have started to launch in the UK and Germany. In Ostomy Care, Esteem Body made a strong start in Europe, and has just been launched in the US as well. In Continence Care, GentleCath Air for Women continued to build sales in Europe, and had a positive start in the US. And in Infusion Care, Neria Guard sales increased for AbbVie's Parkinson's treatment in Japan, Europe, and it has recently been approved for launch in the US as well.

Each of these new products are examples of innovation to the benefit of our customers. Our new product pipeline is the strongest it has ever been, with seven more launches to come in 2025 and 2026.

Driving simplification and productivity

Now, moving to the simplification and productivity agenda, where our initiatives continued to progress well.

In operations, productivity is increasing as we roll out automation across the estate and optimise our factory network with the closure of another small site in Herlev, Denmark announced for later this year.

In commercial, our sales and marketing teams continued to streamline costs, and we made more progress in G&A, as we increased further the scope of our global business services function.

On-track to deliver another year of strong growth & continued margin progression

Here is the six-year history. We are on track to deliver another year of strong organic growth, the sixth consecutive year of accelerating growth, and we are on track to further expand our operating margin for the third year in a row. These are the results of our FISBE strategy in action.

Upgrading FY 2024 sales & margin guidance

So following the strong performance year-to-date, we are upgrading FY24 sales guidance to a range of 7.25% to 8% from previously 6% to 7%. We are also upgrading our constant currency margin guidance by 50 basis points to at least 21.5%. This is driven by improved gross margin from further operations productivity plus significantly lower inflation in the second half, as we said to expect. And we are on track to deliver double-digit growth in earnings per share and free cash flow to equity, as we said at our half-year results in August, and that remains unchanged.

Update to InnovaMatrix

Now, let me say a few words about the ongoing draft LCD proposal, and how that could impact InnovaMatrix in 2025.

InnovaMatrix is an excellent product, which is delivering strong real-world results for patients and is trusted by clinicians. We continue to believe that it should be included in Medicare coverage for venous leg ulcers and diabetic foot ulcer treatments. We will publish further real-world evidence imminently, and our randomised-controlled trials are well underway.

Year-to-date, InnovaMatrix sales growth was 40%, which added 1.1 percentage points to the Group's organic sales growth. In FY24, we expect total sales of around $100 million, with faster growth in indications and channels outside the scope of the LCDs. These areas now represent over 25% of year-to-date sales, up from 20% last year, and we expect further growth in FY25. However, we recognise there is a risk that InnovaMatrix may not be included in Medicare coverage for DFU and VLU in the final LCDs, which could be issued either in 2024 or 2025, and this could have a financial impact in 2025, the extent of which would depend on the timing of the announcement, the duration of any transition period, and what amendments to the draft LCDs are included.

With this uncertainty, we are not guiding on InnovaMatrix sales for 2025, but I will guide on the rest of the business in a moment. If InnovaMatrix is excluded from Medicare coverage, we believe that would only be temporary. We would expect to achieve full Medicare and expanded private payer coverage on successful delivery of additional clinical data. Therefore, we are confident that InnovaMatrix has a significant role to play in driving Convatec's medium-term performance.

Update on US catheter code changes

Opportunity, not threat

Now, a few words on the US Catheter reimbursement codes.

New codes are being introduced effective from 2026. This development will be an opportunity for Convatec. Let me explain why.

We are the clear market leader. Already, 60% of our sales are of hydrophilic catheters, well ahead of the market penetration of about 40%. And we expect the proportion of hydrophilic catheters to continue to increase for both Convatec and the rest of the market.

Now, two reasons why this is an opportunity for Convatec, not a threat, as some have suggested are first, we sell twice as many Convatec non-hydrophilic catheters to other distributors as we buy non-hydrophilic catheters from other manufacturers. In fact, only about 15% of our sales are from other manufacturers' non-hydrophilic catheters. So it is not big. Any reduction in margin that we would experience on the buy side would be offset on the sell side, and the margin effect would be neutral to positive.

And the second reason that this is an opportunity for Convatec is that we are continuing to expand our hydrophilic catheter product portfolio, based on our differentiated FeelClean technology, which has an FDA superiority claim for greater comfort and less stickiness. So this provides an attractive choice for any customers switching to a hydrophilic product. We expect the proportion of Convatec manufactured catheters, which is currently a bit over 50% of our sales, to continue to increase from those current levels, resulting in higher sales and higher margin.

2025 outlook

Let me finish with a few words on outlook for 2025.

I have said that we are not guiding on sales for InnovaMatrix, but for the remaining 96% of Group sales, we expect those to grow between 5% and 7%, based on the broadening and strengthening of the product portfolio. Then for the Group as a whole and irrespective of the outcome for InnovaMatrix, we will continue to expand operating margin, which will be underpinned by our ongoing simplification and productivity initiatives, our focused commercial execution and a continuation of lower inflation. And we will also deliver another year of double-digit growth in EPS and free cash flow to equity.

I am pleased to say that Convatec is performing strongly with broad-based growth across all of our categories. We remain on track to deliver our medium-term target of mid-20s operating margin in 2026 or 2027. And that will include positive margin progress every year.

Thank you very much. With that, I will now open up to Q&A.

Q&A

Graham Doyle (UBS): Morning, guys. Thanks a lot for taking my questions. Just two, please.

Firstly, on 2025, just to clarify, so when you say double-digit EPS growth, is it fair to assume that that is against the full 2024 comp? So whatever you print in adjusted EPS, you assume you can grow that double-digit even without LCD approval? Just to clarify that. And then just secondly, which indications are you growing fastest in then, outside of DFU and VLU? Just to get a sense of that. Thank you very much.

Karim Bitar: Hi, Graham, why do not we have Jonny answer the first question, and I will take the second question.

Jonny Mason: Yes, easy. First question is yes. So the double-digit growth in EPS for 2025 is based on the adjusted EPS for 2024, and is irrespective of the outcome on the LCDs. Yes.

Karim Bitar: Yes. Graham, in regards to where are we growing, what I would say is let me just remind everybody that about 55% of the US market is outside of DSU/VLU Medicare coverage. So over half. And then you say, well, specifically what are you referring to there in terms of indications and points of care? The types of indications where we have been growing a lot more rapidly and diversifying business would include things like pressure ulcers, it would include things like vascular ulcers, and also include things like Mohs surgery, which is a surgical technique carried out, for example, when you have skin cancer. And that point of care would frankly typically be, let us say, in a dermatology setting as opposed to a surgical setting. So hopefully, that gives you some colour to the different indications in different points of care, where we are being able to rapidly diversify our business beyond diabetic foot ulcers and venous leg ulcers.

Graham Doyle: That is super helpful. And maybe a quick one just on the NiOx, I think it is called now, when should we see that in 2025, do you think, in terms of first launch?

Karim Bitar: Yes, look, we are working through Conva NiOx. I would say is we are tracking very, very well. We are very, very excited about the potential that Conva NiOx presents. As you know, we have developed randomised clinical trial studies where we demonstrate that the wound healing rate is super rapid. And so you might be able to cut the wound healing rate, say from about 24 weeks to maybe down to eight, just to give you a sense of the dramatic impact that one might experience, along with having some very strong healing rates.

What I would say is, look, we are very much on track to go ahead and launch in the 2025-26 time frame period. We will provide more guidance, specifically one in Europe and one in the US, at our full-year results. However, I would say we are very much tracking for that 2025-26 launch time frame.

Graham Doyle: Great, thanks a lot, guys.

Hassan Al-Wakeel (Barclays): Thank you for taking my questions. And good morning. Three for me, please.

Firstly, on 2025, thank you for the helpful commentary here. Can you walk us through the building blocks to getting to net margin expansion and double-digit EPS growth in the case that you lose maybe 3% of your sales, and what offsets you have to prevent much of this dropping through to the bottom line?

Secondly, if you could talk about growth in InnovaMatrix at 40% year-to-date and whether this changed at all in the second half, and it would be great if you could quantify the stronger growth that you mentioned of business outside of the scope of LCD as well as the opportunity here, into 2025?

And then finally, on Ostomy, it would be great if you could talk us through the trend in new patient share in the US, and whether you think you are gaining share, particularly with Esteem Body. Thank you.

Karim Bitar: Yes. So Hassan, good to hear from you. Why do not we have maybe Jonny tackle the first two, building blocks to the double-digit EPS and operating margin expansion, and how did InnovaMatrix perform, and I will take the Esteem Body one and new patient starts? Does that work?

Jonny Mason: Yes. Okay, great. So first one, you mentioned 3% of sales dropping out because of InnovaMatrix. Look, I think important to note that is, I think a worst case. It might be true, and our guidance holds if it is. However, there are other scenarios. A later announcement, a delayed implementation whereby the reduction from InnovaMatrix would not be as, as significant as that. However, nevertheless, in that case, we have got a number of initiatives working to improve our operating margin, just dealing with that first, and that would lead us to expect the operating margin to increase irrespective of the InnovaMatrix sales.

It is a list that we have run through before. In particular, operations productivity is really starting to gain a bit of momentum. We are rolling out automation across the estate. We are rationalising our estate footprint with another small factory to close later this year, focusing on the bigger, more productive factories. And we have got a lot of continuous improvement projects running through operations, which is significantly improving productivity there. Noting also that inflation in the second half has now dropped back to pre-COVID-type levels, more like the 2-4% range rather than the 5-7% range we were seeing in recent years.

Taking those productivity improvements on top of a more normal inflationary base, gives you a strong operating margin improvement. Add that to the fact that we are continuing to deliver better efficiency in our commercial spend and our G&A spend, that is what gives us confidence that we will keep growing the operating margin next year. And we are still on track for mid-20s by 2026 or 2027.

Then dropping to double-digit EPS, the sales growth plus that operating margin expansion gives you most of it. And we also expect a small reduction in financing costs next year, based on strong cash flow and reducing market rates. So that is question one.

And then question two, InnovaMatrix sales, look, 40% growth. That is strong growth, but not very different from what we expected, absent any negative impact from LCDs, and very much in line with how we were performing in the first half of the year. Those, I mean, you can do the maths. The indications outside the scope of the LCDs have increased from 20% last year to 25% now. So clearly, that is growing significantly faster, and we expect it to continue to do so into 2025.

Karim Bitar: Super. Thanks, Jonny.

Yes, look on Esteem Body, we are very pleased. There is a strong uptake. What I can tell you here, and very evident that we are growing new patient starts, and I think that when customers and consumers are dissatisfied with skin irritation, leakage, they are wanting to go to a one-piece soft convex, Esteem Body. It has got outstanding properties in terms of adhesion with no skin irritation. And the leak defence mechanism of action, which basically says you are not going to leak, is performing very, very well.

And so, now as we have launched that product also in the United States, what we are seeing is that the uptake is very, very encouraging. It is still early days, but that clearly is contributing to new patient starts. So look, it is early days, but I am very encouraged by the performance of Esteem Body, and we are very, very committed launching across all of our FISBE markets. And we are very much on track to also go ahead and then launch Natura Body, which will be the two-piece version of Esteem Body, in the 2026 time frame period. So stay tuned. However, I would say clearly the Ostomy Care business is turning around and momentum is building.

Hassan Al-Wakeel: Perfect, thank you.

Lisa Clive (Bernstein): Hi there. Just a question on the Infusion Care business. Actually, a few.

Tandem Mobi has been a really interesting product, and my understanding is they actually have another iteration coming, which is called the Tobi, which does not have any tubing. Would you be manufacturing infusion steps for that, just without the tubes? Just wanted to kind of understand as these products continue to evolve, just to make sure you sort of are very much still a part of the ecosystem.

And then second question. I know both Medtronic and Tandem have been focused on their own patch pumps, but it is easier said than done. However, is that an area where, as a key manufacturing partner for them, if they do go that way, that you would be involved in those products? Thanks.

Karim Bitar: Yes. Hi, Lisa. What I would say is on Tandem, obviously, we are very involved with them on Mobi, and Mobi has doing very, very well. There is a plan to launch Mobi in Europe next year. That is public information that Tandem has disclosed. I think in regards to Tobi, which would be sort of the tubeless version, we are not involved in that, so just provide clarity on that.

And then in regards to patch pumps, again, for competitive reasons, it would not be appropriate for me to comment on specific players, but I think it is fair to say that we are making very good progress on that front. We clearly know all the players, and our technology can clearly be used in patch pump applications, and there is strong pull from various partners. So for us, the challenge, frankly, is to prioritise and focus where we can make a material contribution. And so, I would just say continue to stay tuned, but I am encouraged by the progress our R&D team is making.

Lisa Clive: Great, thanks very much.

Aisyah Noor (Morgan Stanley): Hi, good morning. Thanks for taking my questions. My first one is on the operating margin for the second half of 2024.

So the upgrade today implies a pretty steep improvement in the second half on a constant currency basis. Given the FX assumption is now higher, what was the biggest driver of that upgrade between InnovaMatrix doing better, inflation being lower than expected, operational improvement? If you could bucket those, that would be super helpful.

And my second question is just on the randomised clinical trials that you have initiated. Some colour on when you expect these trials to provide early readouts and for what years, if you were excluded from the LCD, would you expect to gain re-inclusion? That would be helpful, thank you.

Karim Bitar: Yes, maybe I will have Jonny take the one on the operating margin, and I will take the LCD one.

Jonny Mason: Yes, you are right. There is a significant step-up in margin in the second half. We indicated that there was going to be. The biggest driver of it is reducing inflation. If you remember the discussions we had at the half-year, we could see lower inflation takes time to work its way into our P&L. We could see that coming. It did not benefit us massively in the first half, but it was definitely coming in the second, and that has played out as expected. So we were confident at the half-year the operating margin would improve, and it has turned out to be the case.

The upgrade has been led by strong sales performance, giving us a little bit more operating leverage, and also, honestly, de-risking some of the simplification productivity initiatives that we had underway. Particularly in the operations area, we have got lots of activity, lots of plans, and as the year goes by, those are delivering nicely, and that is what has led us to give a 50-basis point upgrade on the margin at this stage.

Karim Bitar: Yes, look, Aisyah, on the randomised-controlled trial, what I would say is we are making very good progress. We now have randomised-controlled trials up and running, and those are both for venous leg ulcers and diabetic foot ulcers. And frankly, we are in the midst right now of actively recruiting patients in both cases. So I would say it is very encouraging.

Also, we are in the midst of getting ready to publish some real-world evidence data, and that is also very, very exciting. You may be aware that InnovaMatrix, in the Intellicure study that we shared at a recent symposium in the fall in the United States in October, that we were able to achieve a 53% healing rate. And this is a two-year retrospective study. And that is a pretty tremendous achievement, considering that standard of care typically would achieve a healing rate of less than 40%. And what is particularly notable is that InnovaMatrix was really very challenged in the sense that the cohort of patients we were dealing with, 44% of these patients were either in a life-threatening or limb-threatening situation. Normally, that would only be about 15%. So in a really tough cohort of patients, we delivered a 53% wound healing rate.

I think that bodes well. Obviously, we will need to see the outcomes of the RCTs. We would anticipate a readout on those RCTs in 2026. I think then what that does is it creates the basis, frankly, to further bolster our prospects with Medicare. However, it also provides a strong basis to securing broader and deeper coverage with all the various private payers in the United States. So that is very encouraging. The other thing I would say about the RCTs, it also will provide additional clinical evidence, will be of the leverage for InnovaMatrix as we launch InnovaMatrix in markets outside the United States. And so, I anticipate that you will see us launching here in 2025 in a series of markets outside the United States. And that is also encouraging.

Aisyah Noor: Very clear. Thank you.

Anshul Verma (JP Morgan): Hi, good morning. I have three questions, please.

The first one is on Continence Care. You have delivered very strong growth there. One of your competitors had distribution issues in that segment. Were you a beneficiary of that, and were you able to take share there, and how sticky do you believe these share gains will be?

And then the second one on is just to follow up on your margin guide for next year, trying to understand how much more is there to go from your simplification and productivity initiatives. Is it fair to assume that the H2 margins which you will end up with this year is a run-rate for next year?

And then lastly, can you just confirm your exposure to China is relatively low? So if there were any potential tariffs imposed, you would have very little impact, especially from a manufacturing point of view.

Karim Bitar: Yes. Why do not I take the first question on Continence Care, and let Jonny take questions two and three?

Jonny Mason: Yes.

Karim Bitar: Yes. So look, I think the Continence Care story is pretty straightforward. We have got a formidable business, particularly in the United States, where we really lead. As you know, we are vertically integrated, we are both a manufacturer of catheters, and we have got an outstanding home care presence.

I think what has happening there is that as consumers and health care providers are able to experience the outstanding customer service that we provide, and we measure this. We literally have world-class loyalty measures. What is happening is that we are being able to grow share. We are growing new patient starts. And so clearly, if competitors are challenged or are unable to compete effectively with us, we do benefit. And the reality is that normally when a consumer is really pleased with your offering, it is very, very rare that then they would maybe choose to sort of make a switch. So I would say it is a very sticky situation. And that is really the benefit of our overarching business. We really are chronic care-oriented, with +90% of our revenues being chronic care. I think Continence Care is a really good reflection of that.

On the next few questions, I will pass it on to Jonny.

Jonny Mason: Yes. Operating margin, how much more to go? Look, I think you are right to notice that in the second half of this year, margin will be significantly better than in the first half, and that serves as an opening run-rate for the new year. However, on that basis, we would expect to make some further improvement through next year. The initiatives will build as the year goes by. We have made a lot of progress on G&A to date, but there is a little bit more to go for.

And in operations, I think I have mentioned this a few times, improvements in operations are really starting to gain traction now. We have previously said only one of our big five factories is fully automated, and we are rolling out automation elsewhere now as we speak. So the benefits of that will build over the next few years, actually. It is not just next year. So there is more to go for in operating margin is the short answer.

And then on China, yes, you are right, our exposure is small. Single digits of our sales are represented by manufacturing in China. I must say, we have not seen tariffs applied to chronic care medical devices, disposable medical devices. However, even if it were to happen, it is a relatively small exposure for Convatec.

Aisyah Noor: Perfect. That is very clear. Thank you.

Sam England (Berenberg): Hi guys, thanks for taking the questions. And the first one is just around the midterm margin guide. I just wondered with inflation coming down, whether hitting the target in 2026 becomes any more likely and whether the matrix and the outcomes of the LCD has any impact on the midterm guide.

And then just on Infusion, can you just give us an update on progress in non-diabetes revenues in the second half, and what they have been contributing to growth? Thanks.

Karim Bitar: Sure. Maybe I will ask Jonny to take the first one. I will take the second one.

Jonny Mason: Yes. Look, we are not going to get more specific than 2026 or 2027 at this stage. There are still uncertainties out there in the world. Lower inflation is helpful, we have obviously noticed that in the second half. And if inflation drops even more or stays low for longer, as it were, that helps us get there sooner. You have got FX as well, as another one of the uncertainties.

So look, I think we are still on track. We have got some way to go still, but we are making good progress. And I think the main message is, we are still on track to get there in 2026 or 2027. We will guide a bit more precisely when we get closer.

Karim Bitar: Yes, look, Sam, what I would say on Infusion Care, the reality is you have two phenomena. The first one is that in diabetes, when it comes to insulin pumps being used as a substitute for multiple daily injections, those pumps, the penetration rate is growing and accelerating both for patch pumps and durable pumps. I think it is really important you realise that. And there is data out there now, third-party data, you can go and verify that. However, what has happened basically is that as these pumps are becoming smaller, are becoming easier to use, and you get some great glycaemic control, we are seeing that particularly in North America, particularly in Europe and some of the emerging markets, the slope of that curve is becoming steeper. So we think that the utilisation of automated insulin delivery is actually in the midst of accelerating, both for durable pumps and for patch problems.

Your question that was specific to say, hey, what has happening in the non-diabetes area? And that area also is growing tremendously. And so if you look at now with AbbVie, their L-Dopa, carbidopa dual-suspension, which is doing very well in Japan and Europe, they are getting ready now to launch in the United States. And so, I think that bodes very, very well.

However, frankly there is a whole series of other treatments and medications that can benefit from our infusion sets. Whether that be for example in immunoglobulin replacement therapy or frankly, other biologics, which we have not spoken about, but we are actively pursuing where we can leverage our technology.

I would say currently the non-diabetes arena is clearly growing in very robust double digits. We could start talking about is it teens or even maybe more than teens, frankly. And that also gives us further confidence that we will be delivering that high single-digit top-line growth year in and year out in Infusion Care, since we plan to basically support durable pumps, patch pumps and non-diabetes medications.

Sam England: Great, thanks very much.

Richard Felton (Goldman Sachs): Thank you very much. Two questions for me, please.

The first one is on inflation. Obviously, you mentioned inflation being significantly lower in H2. Could you maybe quantify the level of inflation on a year-on-year basis that you are currently seeing, and directionally, how should we think about that over the next six to 12 months, please?

Then second question on China. Jonny, I think you mentioned that China was below your expectations, but improving versus the first half. Did I hear that correctly? And if I did, could you comment more on what signs of improvement you are seeing? Thank you.

Jonny Mason: Yes. So on inflation, look, at the start of this year, we said we thought it was going to be 3-5% for the full year. It was 6% in the first half, and we are on track for 3-5% for the full year. Everyone can do the maths. That means the second half is down in the low single-digit, around 2% or thereabouts.

We are planning going forward on inflation being in the 2-4% zone, so a little bit higher than it was pre-COVID, but much lower than during the COVID and recent years. So around about in that 2-4% zone is our planning assumption for the next few years.

And then on China, the acceleration of the second half. Excuse me, I was just remembering the manufacturing question. So the comment, yes, I did say it is recovered from the first half because Wound Care growth in the first half was very low as a result of the anti-bribery campaign. Now, back at the beginning of the year, we had expected that that campaign might finish in June or July because it was initially announced as a 12-month campaign, but, in fact, it is still going on. So Wound Care has returned to growth. It is growing in the second half, and that is better than it was in the first half, but it is not back to pre-campaign levels. I think that is what I was trying to indicate.

Interestingly, those campaigns have had no discernible impact on Ostomy Care, and our Ostomy Care business in China is continuing to grow really strongly.

Richard Felton: Very clear. Thank you.

Kane Slutzkin (Deutsche Numis): Just on the indications outside of DFU/VLU, is there anything we need to know from sort of clinical evidence or RCT perspective? Just thinking with a sort of worst-case scenario if there was any sort of reform sort of contagion beyond DFUs and VLUs.

And just Jonny, you did not really talk about price and mix. I am just wondering is that still part of the margin bridge, or is that sort of in the simplification bucket? If I recall you did 50bps in the first half. If you could just give us comment on that?

And then just last one on China, sorry, just to follow up on that. We have obviously seen a few China-led profit warnings in recent weeks from some of the players in the market. You are saying nothing on Ostomy, and the Wound Care obviously has been well flagged on the anti bribery. However, just so we know, obviously it is a small percentage of revenue, but it can seem to have a big impact on some others. So I am just wondering, is there anything else that we should be aware about in terms of consumer sentiment in China that you are seeing? Thanks.

Karim Bitar: Yes. I will take the first one and the third one. Then I will let you maybe take the price mix one. Does that work?

Jonny Mason: Yes.

Karim Bitar: Kane, what I would say, is, look, we are very committed to InnovaMatrix as a platform. We have got 15 indications, we have gotten clearance from the FDA. And as you know, we are clearly a medical device. We are a 510k medical device, and that has a whole series of benefits to us.

What I would say that in terms of clinical evidence generation, we are very committed, and we are upping the ante on clinical evidence generation across the board. So that capability is an area where we have been investing very heavily in. And so whether it is clinical evidence generation for Ostomy Care or Wound Care, Infusion Care, it does not really matter. We firmly believe that to be a successful med tech company, it is not strictly about the device. You have got to be able to have clinical evidence, and then wrap that around with service and digital.

Then specifically on InnovaMatrix, what I would say is we do see a significant opportunity in areas such as pressure ulcers or maybe Mohs. And so there again, there is a lot of interest in generating clinical evidence, and we are assessing how do we go ahead and work with key thought leaders around the world to generate that clinical evidence? And we are very committed to going ahead and making those relevant investments.

I will take the China one and then come back to price and mix.

Look, we think China is still a very good opportunity for growth for us. I think it is important to realise that. We have been investing for many years, and we continue to grow that business both in Wound Care and in Ostomy Care. And I would say particularly in Ostomy Care, we see very strong demand for our product offering, and we have yet to frankly, introduce our new products in China. So that also bodes well. We had the question earlier, I think it was from Hassan as to Esteem Body. We definitely will be launching Esteem Body in a key market like China. So we are currently growing share without some of that new product portfolio in a place like China, and I think that bodes well for the future.

So I would say the bottom line is that China may not grow from a market perspective as much as maybe folks would have thought two or three years ago, but we still think that it can be an important contributor to global emerging markets for us. And when you look at our global emerging markets business, it has been consistently growing double-digit. It will continue to grow consistently double-digit. That is our view.

Let me pass the baton to Jonny to talk a bit about price and mix.

Jonny Mason: Yes, hi, Kane. Yes, we are still making good progress on price and mix. We have not broken it out today because it is just a trading update. We will break out at the full year as usual the components of the gross margin and the operating margin progression. We will show you price mix and operations productivity. However, they continue to add to margin progression, as they were doing at the half-year. No, nothing, has really changed on that front.

Kane Slutzkin: Great. Thanks, guys. Cheers.

Christian Glennie (Stifel): Okay, thank you. Good morning, guys. Yes, three, please.

I suppose on the guide for 2025, obviously, setting it out X in a variable matrix. I mean just to get a bit of a sense for maybe, assuming you are still in the coverage, there is some amendments, and you still continue to be covered through next year, what could growth be for next year?

And then related to that, the 25%, outside DFU/VLU shift from 20% last year, is that a sort of continued progression similar way this year, or are there some lower hanging fruits or some quick wins that have driven that, or should it be a similar progression for next year?

And then on maybe just on Infusion and just a sense check on the potential impact or benefit you could see from AbbVie rolling out their infusion Parkinson's product in the US next year. I think they called out the fact that Medicare reimbursement things will be second half next year. However, how should we think about that impacting Infusion Care?

Karim Bitar: Sure, maybe I will ask Jonny to take the first two related to InnovaMatrix, and I will take the one on the AbbVie benefit.

Jonny Mason: Yes. Okay, so if we are in an InnovaMatrix good outcome, which honestly we think is the right outcome. However, let us see. Look, we have got $100 million of sales expected for InnovaMatrix in 2024, and obviously, that is growing quickly. As the base gets bigger, one would naturally expect the growth rate to flatten off a bit. Would we expect 40% growth rate in InnovaMatrix next year? Probably not. It would be a bit less, but it would still, if included on the coverage lists, it would still grow very strongly. It is a wonderful product, and we are gaining new customers.

We are not guiding on InnovaMatrix sales right now. I think we would rather stick at that as our stance, until we see what this LCD says. However, it is 5-7% on the underlying portfolio, the 96% of Group sales. Whatever InnovaMatrix is, would be on top.

And then on the other indications, I do not think there is low-hanging fruit. No, it is almost the opposite. We have been training our sales forces and getting into gear to start selling for those other indications and in those other channels. So I think it is almost the opposite, which is that our momentum will pick up in those other indications and will continue to grow into 2025.

Karim Bitar: Yes. Look, Christian, good to hear you. I would say on the AbbVie situation, I think the first observation I would make is that the indication that was approved by The FDA for AbbVie in the US, is actually quite broad. And what I mean by that is that actually for severe Parkinson's patients, the L-Dopa carbidopa dual suspension is actually first-line treatment which is a little different than what you have in Europe. So it is a pretty broad indication.

The second thing I would say in terms of how does that impact us, I think what it does is it gives us even more confidence that we are going to see material growth outside of deep, and we are very committed to partnering and collaborating with AbbVie. And so, clearly, we will deliver, I would say at least the high single-digit growth rate, possibly more. And so, I think that the way to think about it, is that it just gives us more confidence that as we expand the number of applications, the number of customers that our Infusion share business unit is working on, it just makes for a more robust business. Even expanding the number of diabetes partners that we have, the number of non-diabetes partners that we have. And that is sort of a deliberate strategy of ours that we have been executing on, and will continue to execute on.

Christian Glennie: Okay, thank you guys.

Jack Reynolds-Clark (RBC): Hi there. Thank you for taking the questions. Two for me, please.

Firstly, on the revenue guide for next year outside of InnovaMatrix. Could you just talk us through what assumptions are baked into 5% versus 7% organic growth range, and what scenarios might make you come lower versus higher end of that?

And then just on the non-VLU/DFU InnovaMatrix sales, how much of that growth has come from market growth versus share gains or new wins from your perspective? You mentioned that you have really been kind of training that the sales team to sell this. Is that a shift in strategy, or was that kind of always within the plan? Thanks.

Karim Bitar: Sure. Maybe on a 2025 guide, Jonny, you take that, and I will take the second one.

Jonny Mason: Sure. Shall I will do that first? Yes. Look, 5-7% is our medium-term guidance range, as you know. And what we have said is that it will depend on the success of launching our new products. And when we launch them strongly and well, we are more likely to be at the top end of that range, and if it is a bit slower for some reason, we are more likely to be towards the bottom end of that range. Clearly, in 2024, we are getting towards the top of the range, and it is going very well. I think the same applies for 2025. We have got a bunch of new products rolling out in new markets across all four categories, even excluding InnovaMatrix. I think that is what will guide towards the top or the bottom of the range. It is how it goes through the year, and whether there are any market macro factors, such as we have had the anti-corruption campaign in China to deal with. Obviously, that has been a little bit of a drag on Wound Care this year. I think that is it, within the 5-7%, there are those variables that will play.

Karim Bitar: Look, on the non-DFU/VLU, I would say it is a big opportunity. It is 55% of the market. So we have always been very cognizant of that opportunity. And so, what obviously we have been doing is to focus on understanding how well can InnovaMatrix perform in other points of care and other indications. And what we are seeing is that actually performs very, very well in vascular ulcers and pressure ulcers, in areas such as Mohs, which I referred to earlier in skin cancer. And so, as we get new customers who want to use InnovaMatrix, get some very positive clinical results, that is encouraging for us, and it tells us that the InnovaMatrix platform has a broad opportunity for us.

Jack Reynolds-Clark: That is great. Thanks very much.

Giang Nguyen (Citi): Good morning. Thanks for taking my questions. I just have one, please.

Could you please talk us through the confidence in your 5-7% organic growth rate in your core business next year, and in particular, do you expect all divisions, excluding InnovaMatrix, to fall within this guidance range, or are there pockets of growth above and below this?

And how do you see this 2025 divisional composition different from the composition of the midterm target, where, for example, you have a high single-digit assumption for AWC? Thank you.

Karim Bitar: Want to take that?

Jonny Mason: Yes. Look, for next year, I think what we would say is that the growth rates by category will be consistent with the medium-term guidance, except in perhaps two ways. So Infusion Care, high single-digit, that is what we would expect. Ostomy Care is mid-single-digit, but building nicely with Esteem Body. Wound Care we see as a high single-digit business. However, obviously if InnovaMatrix sales are impacted next year, then that will be different, and we will just have to see. We certainly expect the rest of Advanced Wound Care to be mid-single-digit growth, as it will be this year. And then Continence Care is interesting because we have said it is a mid-single-digit business. It will be high single-digit this year. It is performing really well. Whether it can get to high single-digit next year or not, let us see. We are sort of committing to mid-single-digit, possibly a bit better for that one. That is the range across the categories that we would see, I think, within the 5-7% for the Group as a whole.

Giang Nguyen: All right, very clear, thank you. And maybe if I could tag in a follow-up question on the LCD topic, thinking about the remaining 25%, not within the scope, do you see any potential spillover impacts from the LCD on this part of the business? For example, if it might affect the stocking behaviour of physicians?

Karim Bitar: Look, I think we are going to be entering the realm of speculation. So what I would just basically say is that there is growth broadly across our 15 indications, and we are very, very committed to developing the platform across the board.

Giang Nguyen: All right, thank you.

Marianne Bulot (Bank of America Securities): Thank you for taking my question and good morning. Could you first provide some colour on the Gentlecath uptake and some customer's feedback that you have received so far?

And just wondering as well if you could provide an update on the men version, and if you are still on track for the 2025-26 launch? Thank you.

Karim Bitar: Sure. Yes. GentleCath Air for Women, I would say very strong uptake, very positive feedback. I was recently out in the field again, and what I would say is that we have got FeelClean technology in there. And what that basically means is you do not have any sticky or gooey coating. So just imagine if you had a catheter. Your basic goal is that you do not want to harm your urethra, and you want to make sure you get no urinary tract infections. That is really what you are up to. So as you know, we have got the superiority claim from the Food and Drug Administration in terms of superior comfort and a lot less stickiness. And so what consumers are experiencing and what health care providers are getting in terms of feedback is very, very positive on those two fronts. That is exactly what they are experiencing.

They love the fact that GC Air for women is a ready-to-use and compact offering. And we historically did not have our FeelClean technology in that format. What we are seeing is we are seeing share growth in all the markets where we start launching this product. We are making substantial progress in places such as France, Italy, the UK, the USA. And so, I think it bodes really, really well.

In terms of the male version and what we call set, that also is very much on track. And so there the plan is to be ready to launch that in the 2026 time frame period. So we are very excited about leveraging our FeelClean technology. And I think that that will be an important contributor to us being able to grow our business globally in Continence Care.

Miles Dixon (Peel Hunt): Good morning. Thank you for taking the questions, and good to see such a strong statement today.

Could I just get a clarification on the InnovaMatrix DFU/VLU? I presume that those areas outside those two indications have a separate reimbursement code. Is there any difference in average net selling price for those?

Secondly, Karim, you mentioned stepping up clinical trial data in general. Can you give us any colour as to whether there is a changing mood music with the MACs for the power of real-world evidence versus clinical trials in decision-making moving forward?

And finally, you mentioned about Medicare coverage following RCT data. Can you give us an idea of, not the timeline for the trial data, but for the coverage process with CMS after trial data? Thank you.

Karim Bitar: Yes, okay. I think that on all three points, well, on the last two, it is a little bit of a grey zone. So I think what the reality is that in terms of coverage vis-a-vis Medicare specifically, you have what are called A codes and Q codes. And at the end of the day, then there is also the price that you would actually go ahead and set, which tends to be in the non-hospital setting based on a per square centimetre basis. And it is pretty consistent across the various indications, is what I would say.

I think that in terms of clinical evidence, I think that the reality is that CMS is having to figure out what is the clinical evidence required to go ahead and be able to provide coverage. And so, I think the reality is that when you start looking at that, you have got a position where the FDA, basically, in 23 December provided guidance highlighting the importance and criticality of real-world evidence. So clearly, one arm of the Health and Human Services Department feels very, very strongly that real-world evidence should be taken into consideration. Now, to what degree will the MACs do that? To what degree does CMS do that? Look, we are then into the realm of speculation.

Our viewpoint is that both types of evidence are relevant, both real-world evidence and randomised control studies, and that fundamentally is consistent with our belief that it is all about evidence-based medicine. And we are very supportive of the whole notion of evidence-based medicine, and we have made that very, very clear to all the relevant stakeholders, whether that be patient associations, medical associations, whether that be CMS, etc. That is what we stand for.

And then, look, in regards to the RCT data, how might that be used post the reporting on it? I think again, that is something that CMS is having to work through and provide clarity on. From our vantage point, we have made it very, very clear, which is, look, we are happy to share the RCT data, and obviously, going ahead and acting upon that data expeditiously benefits customers. And that is what we are all about. We are all about how do we make sure that a differentiated offering with tremendous healing rates helps out consumers and patients? So again, how does CMS decide to act? I think it is important to note that we will have a new administration in the United States, as all of us know. And so again, one is going to have to interpret and say, hey, how do we think this new administration will impact the modus operandi of various departments including HHS, Health and Human Services, and including CMS?

Miles Dixon: Thank you.

Julien Dormois (Jefferies): Hi, good morning gentlemen. Thanks for squeezing me in. I am just left with two follow-up questions.

The first one is on Ostomy Care. You signal in the release strength in emerging markets. So sorry if I missed that, but you would just remind us of what is the share of emerging markets in that business, and any particular country that you would like to flag sustaining that strength?

And the second one is on Infusion Care. Just curious whether there is any other drug projects outside of diabetes that you could disclose, and that could be particularly meaningful for yourself going forward? I think you have a project with Mitsubishi Tanabe on Parkinson's. However, there any other projects you would like to flag in this area?

Karim Bitar: Sure. Maybe I will have Jonny take the Ostomy Care question. I will take the Infusion Care one.

Jonny Mason: Yes. Look, we have not got into market share by country in global emerging markets, but I think what we can certainly say is we have got some big positions in some very important markets. Brazil, Colombia and China notably are the markets that are driving our growth. We are very pleased to be doing comfortable double-digit growth in all of those markets, and we would expect that to continue.

Karim Bitar: Yes, look I think Julian, in regard to Infusion Care, clearly, we are working on how do we diversify the business beyond diabetes? And so, you highlighted, for example, Mitsubishi Tanabe is another opportunity in the Parkinson space. For competitive reasons, it would not be appropriate for me to comment beyond that. However, all I would say is that our R&D team are very, very busy bunnies, and I think that in terms of growth prospects, we clearly will deliver the high single-digit top-line growth, and possibly as we continue to grow the portfolio of customers and applications, possibly we could do better. However, I think that we stand very much by the high single-digit growth.

Julien Dormois: Thank you very much.

Karim Bitar: Super. Well, look, I think why don't we conclude. And at this point, I just want to say a big thank-you to all of you, and I will seize the opportunity to thank all my colleagues at Convatec for the tremendous performance and real focus on execution.

So on that note, thank you and look forward to seeing you soon.

Jonny Mason: Thanks, everybody.

[END OF TRANSCRIPT]