

# Q3 2018 Trading update and guidance change

15 October 2018



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Unless otherwise stated all stated financial metrics in this presentation are adjusted; for a full definition of the adjustments see 2017 Annual Report.

# Q3 2018 Key points

- **Guidance for FY 2018 revised**
  - **Primarily due to change in inventory policy by biggest customer in Infusion Devices: \$18 to \$23 million impact in Q4**
  - **Challenging dynamics in specific Wound Care markets**
  - **FY 2018 organic revenue growth now expected to be flat to +1.0%**
  - **Adjusted EBIT margin guidance now 23% to 24%, reflecting lower revenues and adverse mix**
- **Q3 Group revenue +0.4% organic<sup>1</sup>; +2.9% CER<sup>2</sup>; +1.5% reported**
  - **Advanced Wound Care disappointing**
  - **Ostomy Care improved performance vs Q2**
  - **Contenance & Critical Care impacted by Slovakia repackaging, as previously indicated**
  - **Infusion Devices negative growth, as expected**

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities

<sup>2</sup> Constant exchange rates

# Q3 2018: Franchise Summary

	Q3 2018 Revenue (\$m)	Q3 Organic Growth <sup>1</sup>
<b>Advanced Wound Care</b>	146.8	+0.8%
<b>Ostomy Care</b>	131.4	+1.5%
<b>Continence &amp; Critical Care</b>	107.5	+1.4%
<b>Infusion Devices</b>	66.5	-3.7%
<b>Total Revenue</b>	<b>452.2</b>	<b>+0.4%</b>

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities. M&A contributed \$12.3 million of revenue in Q3 2018, all in Continence & Critical Care. In addition, Q3 2017 included \$1.4 million of revenue for the Symbius respiratory business which was divested on 1 March 2018.

# Advanced Wound Care Growth below expectations

Q1 18 +2.2%<sup>1</sup>

Q2 18 -0.2%<sup>1</sup>

Q3 +0.8%<sup>1</sup>

**AQUACEL™ Ag.**  
Advantage

**AQUACEL™ Pro**  
Foam

**Ayelle™**

- Good performance from AQUACEL™ Ag+ anti-biofilm and Foam
- Trends in Base AQUACEL™ and DuoDERM™ normalising. Skin care remains a drag
- Surgical cover dressing recovery taking longer than expected
- UK challenging market dynamics
- AQUACEL™ Ag Advantage<sup>2</sup> launched in US

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities  
<sup>2</sup> AQUACEL™ Ag Advantage is the US brand name for AQUACEL™ Ag+

# Ostomy Care

## New products and impact of patient losses

Q1 18 -2.5%<sup>1</sup>

Q2 18 +0.3%<sup>1</sup>

Q3 +1.5%<sup>1</sup>

**ESTEEM**<sup>TM</sup>  Flex Convex

**Natura**<sup>TM</sup> 



- Impact of patient loss at top of 50 – 100 bps range for Group organic revenue growth
- Good performance in Latam, Asia Pacific, positive trends in smaller European markets
- Strong performance from new products: Natura<sup>TM</sup> Accordion Flange, Esteem<sup>TM</sup>+ Flex Convex, and EuroTec's Varimate strips
- me+<sup>TM</sup> momentum continues
- Vizient GPO contract 2 year extension<sup>2</sup>

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities  
<sup>2</sup> Contract extension until June 2021

# Continence & Care

Strong underlying momentum offset by expected headwinds

Q1 18 +5.6%<sup>1</sup>

Q2 18 +5.9%<sup>1</sup>

Q3 +1.4%<sup>1</sup>

GentleCath™ Glide

FlexiSeal PROTECT

- c. 5.5% organic growth excluding packaging recall and product rationalisation
- Strong performance from US Home Distribution Group<sup>3</sup>
- GentleCath™ Glide performing well in US
- Q3 impacted by Slovakia packaging recall c.\$3.5m and product rationalisation<sup>2</sup> c.\$0.5m
- Next gen catheter CE marked and being trialled in Europe

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities. CER growth of 12.8% in Q3 18 included \$9.7 million revenue from Woodbury Holdings and \$2.6 million from J&R Medical. Revenue in Q3 2017 included \$1.4 million from the Symbius respiratory business which was divested on 1 March 2018.

<sup>2</sup> FY 2018 product rationalisation impact expected to be c.\$2.4 million, \$1.6 million YTD

<sup>3</sup> Home Distribution Group, a business unit formed in 2017 for catheter and incontinence related products, encapsulating the US distribution companies of 180 Medical, Symbius Medical, South Shore Medical Supply, Wilmington Medical Supply, Woodbury Holdings and J&R Medical.

# Infusion Devices

Performance impacted by inventory changes and ordering patterns

Q1 18 +16.3%<sup>1</sup>

Q2 18 +2.7%<sup>1</sup>

Q3 -3.7%<sup>1</sup>



- Continuing good underlying demand in insulin pump market
- Q3 performance reflects strong tailwinds in H1 and prior year comparator
- Change in inventory policy by biggest customer and distorted ordering patterns in Q4
  - Expect \$18 – \$23 million lower revenue in Q4

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities.



# Summary and Outlook

## Q3 2018

- **Advanced Wound Care disappointing**
- **Improved performance from Ostomy Care**
- **Performance in Continence & Critical Care reflects headwinds, as expected**
- **Infusion Devices performance reflects tailwinds in H1 and strong prior year comparator**

## FY 2018

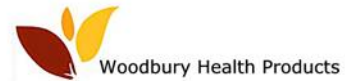
- **Anticipate \$18 to \$23 million lower revenue in Q4 in Infusion Devices**
- **FY 2018 organic revenue growth now expected to be flat to +1.0%<sup>1</sup>**
- **Adjusted EBIT margin guidance now 23% to 24%**
- **Cost out update in February 2019**

<sup>1</sup> Organic growth is growth at constant exchange rates ("CER"), excluding M&A activities

# Q&A



Natura™ ⊕



AQUACEL™ Ag+  
Dressings

FoamLite™  
ConvaTec

Ayelle™

GentleCath™ Glide



ESTEEM™ ⊕ Flex Convex

# Appendix



# Quarterly Revenue Performance

Quarterly reported revenues by franchise						
\$m	2017			2018		
	Q2	Q3	Q4	Q1	Q2	Q3
<b>AWC</b>	138.4	147.9	157.8	147.1	142.9	146.8
<b>Ostomy Care</b>	132.9	132.1	142.2	128.0	138.0	131.4
<b>C&amp;CC</b>	89.6	96.2	111.6	108.4	111.7	107.5
<b>ID</b>	67.3	69.3	76.2	74.7	70.5	66.5
<b>Group</b>	428.2	445.5	487.8	458.2	463.1	452.2

Organic <sup>1</sup> growth rate by franchise (%)					
2017			2018		
Q2	Q3	Q4	Q1	Q2	Q3
2.6	1.4	2.3	2.2	(0.2)	0.8
3.6	(1.8)	0.3	(2.5)	0.3	1.5
(2.0)	4.5	4.6	5.6	5.9	1.4
1.7	17.3	6.3	16.3	2.7	(3.7)
1.8	3.3	2.8	3.7	1.7	0.4

<sup>1</sup> Organic growth presents year on year growth at constant exchange rates ("CER"), excluding M&A activities

# Revenues By Geography

	Q3 2018 reported (\$m)	Reported growth	Organic growth <sup>1</sup>
EMEA	184.6	(0.4)%	+1.3%
Americas	231.9	+2.8%	(1.1)%
APAC	35.7	+3.2%	+5.5%
Group	452.2	+1.5%	+0.4%

<sup>1</sup> Organic growth presents year on year growth at constant exchange rates ("CER"), excluding M&A activities

