

ConvaTec Group Plc
Trading update for the three months ended 31 March 2020
Q1 robust, full year risks increased due to COVID-19
Key Points:

- Group reported revenue of \$460 million increased 6.9% year on year, up 8.9%¹ in constant currency.
 - Group demonstrated operational strength in challenging environments to meet robust demand.
 - Growth included the impact of customers increasing their inventories to ensure supply chain resilience, and a weak prior year comparator due to the rebate provision (220bps).
- 2020 full year outlook² maintained, but risk increased due to COVID-19.
 - Advanced Wound Care revenues expected to be negatively affected particularly by reduced elective surgeries.
 - External risks across the business, including in supply chain, but monitoring carefully.
- The Transformation Initiative, focused on Pivoting to Sustainable and Profitable Growth, remains core and continues to be implemented at pace.
 - Actively managing investments; accelerating certain initiatives, others are being deferred.
 - Overall investment in 2020 expected to be moderately lower.

	Q1 2020 Reported \$'m	Q1 2019 Reported \$'m	Reported growth %	Constant currency growth¹%
Advanced Wound Care	132	130	1.8	4.5
Ostomy Care	127	120	6.6	9.5
Continence & Critical Care	119	108	9.9	10.9
Infusion Care	82	73	11.8	12.6
Total revenue	460	431	6.9	8.9

Karim Bitar, Chief Executive Officer, commented:

“As COVID-19 continues to spread, we are committed to doing everything we can to support and protect our employees and the people and care givers we serve; whilst taking every opportunity to reinforce our supply chain.

We had a solid Q1 with the Group delivering well against robust demand and we are continuing to drive forward with our transformation as we Pivot to Sustainable and Profitable Growth.

We are maintaining our 2020 guidance; however, it is clear that risks across the business have increased and the operating environment contains a greater level of uncertainty and volatility in the months ahead. Nevertheless, and whilst we still have much to do, the Group is performing, both operationally and financially, and we will continue to focus on executing against our clear strategy and priorities.”

Revenue summary by Business Unit

Advanced Wound Care revenue of \$132 million increased 1.8% on a reported basis and 4.5%¹ in constant currency. Growth was driven by an improved performance in the US, which benefited from customers increasing inventories, and Global Emerging Markets, notwithstanding COVID-19 related demand headwinds in China and Korea. This was partly offset by lower revenues in Europe resulting from French reimbursement cuts and lower UK growth.

Ostomy Care revenue of \$127 million increased 6.6% on a reported basis and 9.5%¹ in constant currency driven by broad based growth across regions and products, as customers increased inventory levels.

Continence & Critical Care revenue of \$119 million increased 9.9% on a reported basis and 10.9%¹ in constant currency driven by strong demand for Critical and Hospital Care products. Home Services Group in the US achieved good growth, with increased orders due to COVID-19.

Infusion Care revenue of \$82 million increased 11.8% on a reported basis and 12.6%¹ in constant currency driven by continued strong orders from customers, in part due to building resilience in their supply chains.

Outlook

Q1 included the impact of customers increasing their inventories to ensure supply chain resilience and a weak prior year comparator. However, COVID-19 has introduced more uncertainty into the environment in which we operate. We expect Advanced Wound Care revenue, which is more exposed to elective procedures and hospital visits, to be adversely impacted. We are aware of external risk factors, particularly in relation to the supply chain, and we are focused on proactive mitigation.

We are maintaining our 2020 guidance of 2.0% to 3.5% constant currency revenue growth and between 16% and 18% constant currency adjusted EBIT margin, but we are cautious about the increased risks.

Transformation

Progress with implementation of our Transformation Initiative is encouraging, and we are committed to sustaining the momentum. In light of the current situation, we have accelerated some initiatives, such as enhancing our digital capabilities, which is leading to new ways of serving our customers and of working internally. Conversely, some initiatives are being prudently deferred. Overall, we expect our investment in 2020 to be moderately lower than previously communicated³.

Liquidity and leverage

The Group continues to be cash generative and has strong liquidity, with a cash position and leverage in line with 2019 year end.

In the latter half of 2019, the Group completed a refinancing of its debt and now has in place a committed 5-year bank facility comprising a \$1.5 billion term debt and an undrawn \$200 million revolving credit facility, both of which mature in October 2024. The bank facility has financial covenants that provide significant headroom.

Dividend

Notwithstanding the uncertainty due to COVID-19, the Board continues to propose that the 2019 final dividend is paid, subject to approval at the AGM on 7th May 2020. This reflects the Board's confidence in the future performance of the Group and its underlying financial strength and cash generation.

(1) Constant currency growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period.

(2) 2020 Outlook: Constant currency revenue growth expected to be 2.0% to 3.5%. Constant currency adjusted EBIT margin between 16.0% and 18.0%, including c.\$50m of cost investment associated with the transformation and c.\$18m of costs related to MDR.

(3) Previous expectations of transformation investment of \$105m to \$110m: c.\$50m of operational costs (largely opex), c.\$30m of capex, \$25m to \$30m of cost items to be excluded from adjusted EBIT, in line with our policy. Recurring transformation investment of \$60m to \$65m.

Investor and analyst audio webcast

There will be an audio webcast for investors and analysts at 9.00am BST, details of which can be found below and on the ConvaTec website, www.convatecgroup.com/investors/reports.

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About ConvaTec

ConvaTec is a global medical products and technologies company focused on therapies for the management of chronic conditions, with leading market positions in advanced wound care, ostomy care, continence and critical care, and infusion care. Our products provide a range of clinical and economic benefits including infection prevention, protection of at-risk skin, improved patient outcomes and reduced total cost of care. To learn more about ConvaTec, please visit www.convatecgroup.com