



29 April 2021

## ConvaTec Group Plc

## Trading update for the three months ended 31 March 2021

**Strong Q1 performance – guidance unchanged****Key Points:**

- Q1 Group reported revenue of \$500 million was 8.7% higher year on year; up 6.7%<sup>1</sup> on an organic basis or 5.4%<sup>2</sup> in constant currency.
  - Strong organic growth in Advanced Wound Care and Infusion Care, modest growth in Ostomy Care and Continence Care and continued strength in Critical Care.
- Good progress with our FISBE (Focus, Innovate, Simplify, Build, Execute) strategy as we pivot to sustainable and profitable growth:
  - Acquired Cure Medical LLC in March for an upfront consideration of \$85m to strengthen Continence Care.
  - Continued to build our sales and marketing capabilities.
  - Execution is improving with particularly strong growth in the Global Emerging Markets.
- 2021 full year outlook is unchanged given continuing macro uncertainties:
  - Organic revenue growth between 3-4.5%
  - Constant currency<sup>2</sup> adjusted EBIT margin of 18-19.5%. Currency headwind is currently c.80bps.

**Karim Bitar, Chief Executive Officer, commented:**

“We have made a good start to the year, continuing to deliver for our customers and patients. In addition, we effectively executed on our strategy, notably with the acquisition of Cure Medical which strengthens our position as a leading developer and manufacturer of continence care products in the large and growing US market place.”

“We are making good progress and remain focused on executing on the significant number of strategic initiatives underway as we continue on our journey to pivot to sustainable and profitable growth. Despite the near term uncertainties, I remain confident in ConvaTec’s growth prospects.”

Revenue Summary	Q1 2021 Reported \$'m	Q1 2020 Reported \$'m	Reported growth %	Constant currency growth <sup>1</sup> %	Organic growth <sup>2</sup> %
Advanced Wound Care	143	132	8.8	3.8	9.4
Ostomy Care	136	127	6.7	3.0	3.0
Continence & Critical Care	128	119	7.4	5.6	4.5
Infusion Care	93	82	13.9	11.7	11.7
<b>Total revenue</b>	<b>500</b>	<b>460</b>	<b>8.7</b>	<b>5.4</b>	<b>6.7</b>

Advanced Wound Care revenue of \$143 million increased 8.8% on a reported basis and 3.8% in constant currency. The business experienced a 5.0% currency tailwind given the proportion of non-dollar sales and the relative movements in FX. Adjusting for the disposal of the US Skincare products, which contributed \$6.8m of revenue in Q1'20, organic growth was 9.4%. We saw particularly strong growth in Global Emerging Markets as we strengthen our commercial execution across Asia and Latin America. There was strong growth in Europe helped by some beneficial phasing and enhanced by a relatively soft Q1 2020 comparative. In North America we experienced some continued softness, in part a function of the ongoing COVID-19 pandemic coupled with a tougher comparative given

the inventory building we saw in Q1 2020.

Ostomy Care revenue of \$136 million increased 6.7% on a reported basis and 3.0% on constant currency and organic bases. We achieved strong growth in Global Emerging Markets. There was modest growth in North America, with favorable phasing and growth in HSG Ostomy helping to offset the relatively strong comparatives. These positive performances were partially offset by a decline in Europe given continued rationalisation and the inventory build-up we saw in Q1 2020.

Continance & Critical Care revenue of \$128 million increased 7.4% on a reported basis and 5.6% in constant currency. After adjusting for the Cure Medical acquisition, which contributed \$1.3 million of incremental revenue during the period, revenues rose 4.5% on an organic basis. Despite lower new patient starts across the segment in 2020, Continance Care achieved moderate growth. Demand for Critical Care products remained strong, up 7.5% in constant currency during the quarter, although the performance turned negative during the period as expected given strong COVID-19 related sales in 2020.

Infusion Care revenue of \$93 million increased 13.9% on a reported basis or 11.7% on constant currency and organic bases. This was primarily driven by continued strong demand from diabetes customers for our innovative infusion sets supported by growth in non-diabetes, albeit off a small base. In April Medtronic announced the launch, in selected European markets, of our new and proprietary extended wear infusion set.

### **Strategic Transformation**

We have continued to make progress implementing our FISBE strategy, most notably with the acquisition of Cure Medical LLC.

On 15<sup>th</sup> March we acquired the business (on a cash free/debt free basis) for \$85 million<sup>(3)</sup>. Based in California the business develops, manufactures and distributes intermittent catheters. Bringing together Cure Medical and ConvaTec's Continance Care business allows us to better serve continence customers in the US, which accounts for the largest demand for such products in the world. The two portfolios are complementary; together we will offer a more comprehensive range of continence products and services for patients and our partners to better serve their broad range of needs. Had ConvaTec owned Cure Medical for the whole of 2020 it would have contributed an incremental c.\$32 million of revenue.

### **Outlook**

Given the continuing macro uncertainties at this early point in the year and relatively tougher comparatives in the second half, our guidance remains unchanged with organic<sup>1</sup> revenue growth of 3-4.5% and a constant currency<sup>2</sup> adjusted EBIT margin of 18-19.5%.

### **Footnotes**

(1) Organic growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period and excluding M&A activities.

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

(3) Subject to over-performance over the course of 2021 through to 2023 there is a potential earn out of up to \$10 million payable no later than 20 April 2023.

### **Foreign exchange rates**

	<b>Q1 2021 Average</b>	<b>Q1 2020 Average</b>
USD/GBP	1.38	1.28
USD/EUR	1.21	1.10

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## Investor and analyst audio webcast

There will be an audio webcast hosted by Frank Schulkes, CFO for investors and analysts at 8am BST, details of which can be found below and on the ConvaTec website, [www.convatecgroup.com/investors/reports](http://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 vision, which encompasses our purpose, is: Pioneering trusted medical solutions to improve the lives we touch. 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](http://www.convatecgroup.com)

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*By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Forward-looking statements are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements set out in this document. Past performance of the Group cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this document and the Group and its directors, officers, employees, agents, affiliates and advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this document.*