

# Interim Results for 6 months ended 30 June 2021

30 July 2021

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## Hosts and agenda



**Karim Bitar**  
Chief Executive Officer

**Introduction &  
Strategic update**



**Frank Schulkes**  
Chief Financial Officer

**Financial review**

# Financial review

Frank Schulkes,  
Chief Financial Officer

## Strong financial performance

### Revenue

**+7.0<sup>1</sup>%**

Revenue increased to \$1,008m - 7.4% organic (H1'20: \$908m)

### Adjusted operating profit

**\$204m**

17.0%<sup>1</sup> growth in EBIT, 20.3% margin (H1'20: \$182m – 20% margin)

### Diluted adjusted EPS

**+18.0%**

Diluted adjusted EPS 7.2 cents (H1'20: 6.1 cents)

### Interim DPS

**1.717 cents**

Maintained year on year (H1'20: 1.717 cents)

### Adjusted FCF<sup>2</sup>

**\$114m**

Adjusted cash conversion<sup>3</sup> 57% (H1'20: \$148m, 73%)

### Leverage

**2.0x**

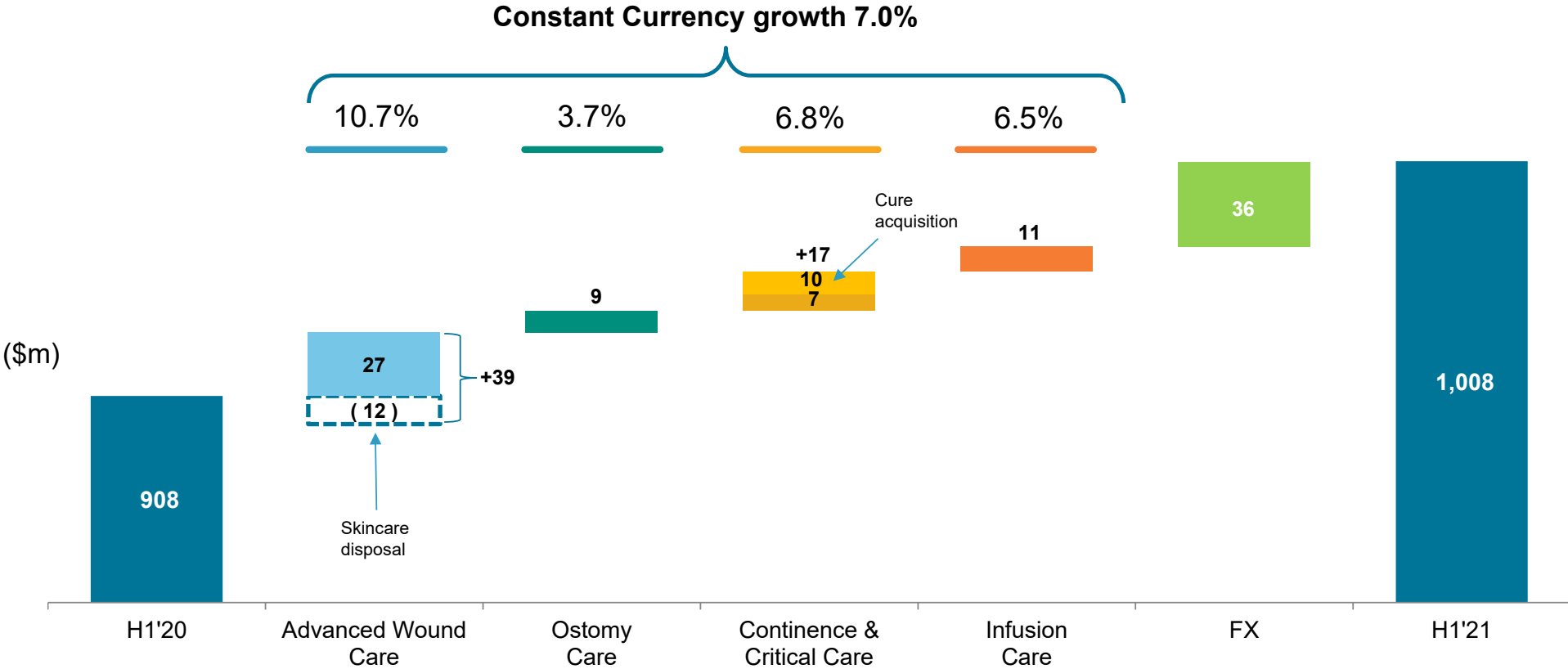
Net Debt / Adjusted EBITDA (FY'20: 2.0x)

<sup>1</sup> Constant currency growth

<sup>2</sup> Adjusted FCF is Adjusted cash generated from operations, net of PP&E and tax paid

<sup>3</sup> Calculated as Adjusted cash generated from operations, net of PP&E divided by Adjusted EBITDA

# Strong revenue performance enhanced by some soft comparatives

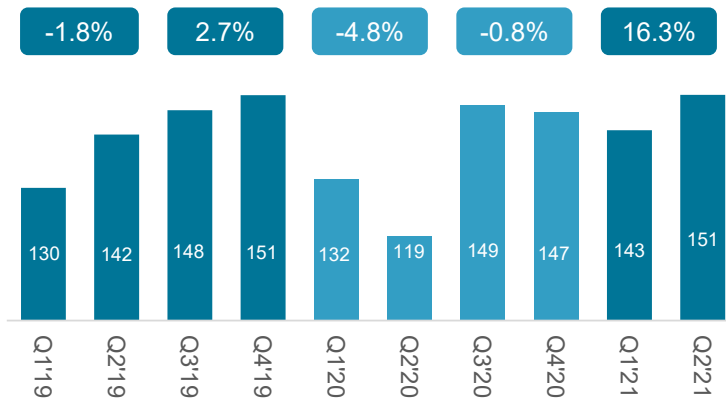


- Reported revenue grew 11.0% or 7.4% organically
- Cure acquisition contributed \$9.5m to Continence whilst skincare disposal resulted in \$12.0m less for AWC

# AWC strength - CCC slow down

## Advanced Wound Care

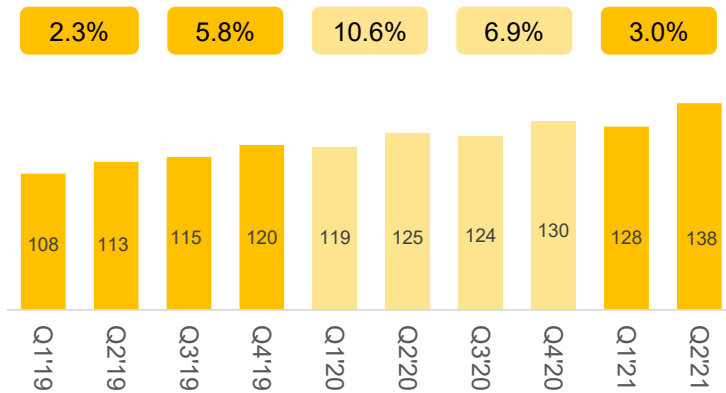
H1 21<sup>1</sup> 16.3%  
H1 21 CC 10.7%



- Improving trends in elective surgeries & access
- Strong growth in LATAM and APAC
- Rebound in performance in Europe and N.America
- Strong growth in all segments of AWC

## Contenance & Critical Care

H1 21<sup>1</sup> 3.0%  
H1 21 CC 6.8%



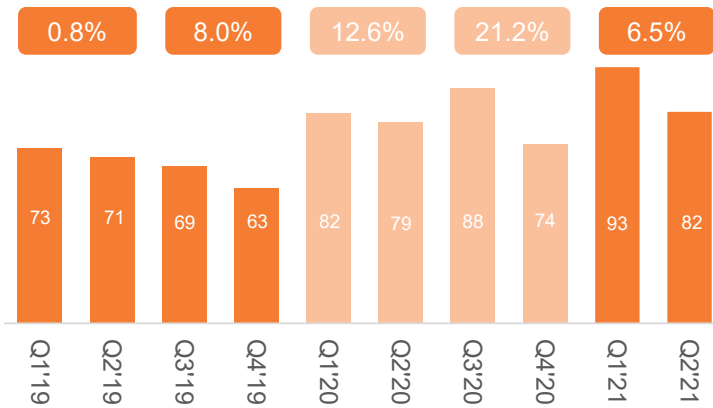
- Cure Medical contributed \$9.5m to H1
- Contenance 3.3% organic growth reflecting lower NPS
- GentleCath™ Glide growing strongly
- CritCare up 2%, turned negative in Q2

<sup>1</sup> Organic growth is growth at constant exchange rates excluding M&A activities  
Blocks above bars denote organic growth rates for the 6 months

# IC continued good growth - OC solid performance

## Infusion Care

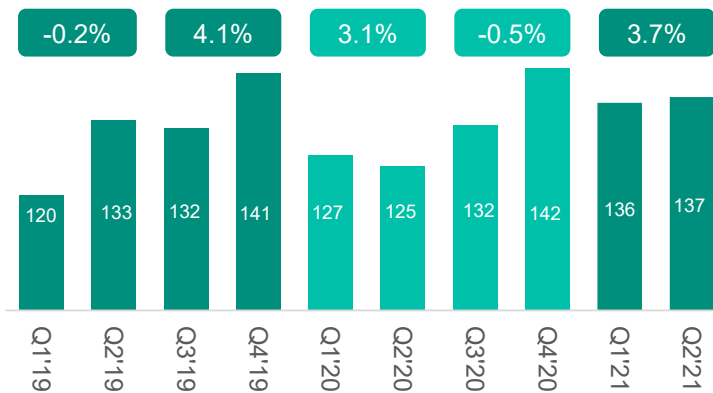
H1 21<sup>1</sup> 6.5%  
H1 21 CC 6.5%



- Leading position in growing “smart glycaemic control” segment
- Growth overall in H1 consistent with market

## Ostomy Care

H1 21<sup>1</sup> 3.7%  
H1 21 CC 3.7%



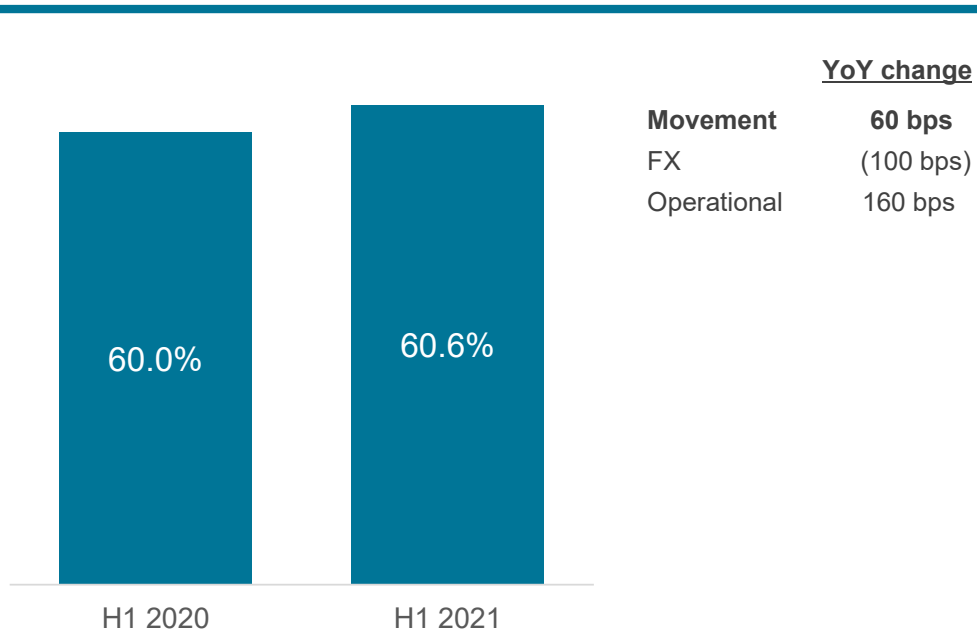
- Good growth in Latin America & Asia Pacific
- Solid performance in US
- Mixed performance in EU markets
- Strategic rationalisation c.90bps impact

<sup>1</sup> Organic growth is growth at constant exchange rates excluding M&A activities  
Blocks above bars denote organic growth rates for the 6 months



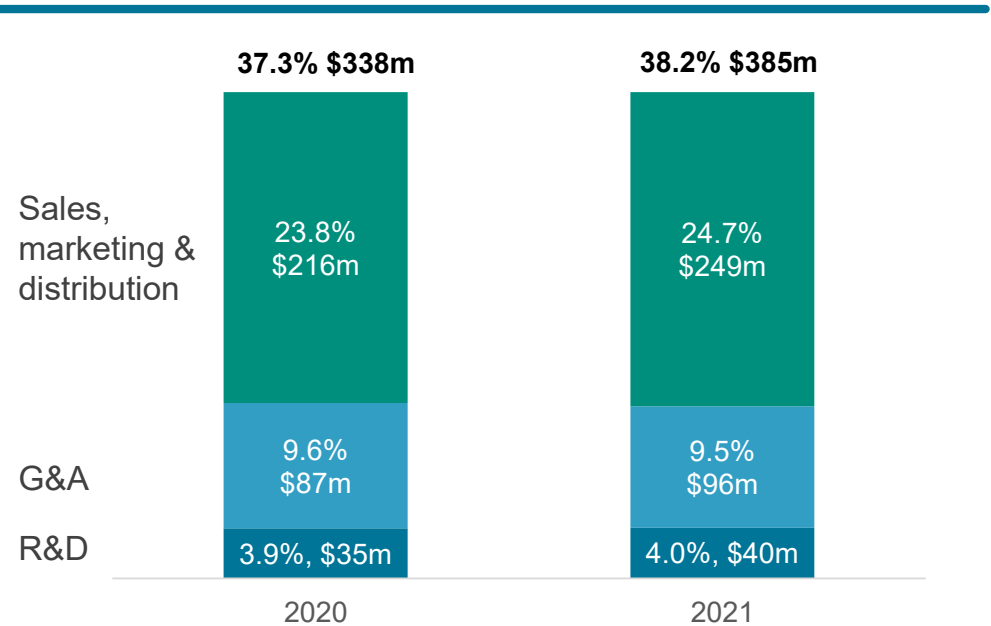
# Increasing gross margin while investing in R&D and commercial

Gross margin<sup>1</sup> rate %



- Operational improvement (+160bps) with positive productivity gains and price/mix benefit
- Offset some cost inflation & FX 100bps headwind

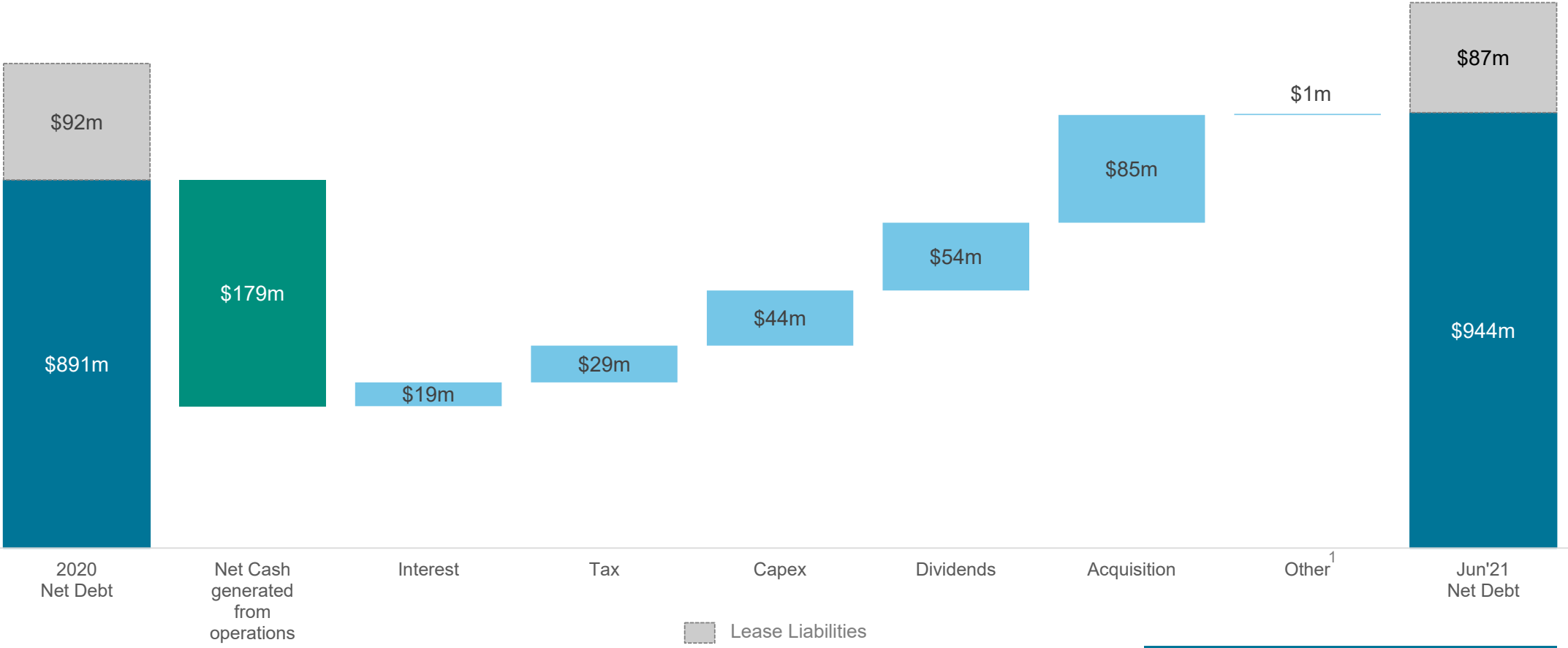
Opex<sup>2,3</sup> excluding non-recurring transformation investment



- Increase in R&D investment - includes \$6m MDR (H1'20: \$9m)
- G&A increase slightly lower than sales
- Sales, marketing & distribution reflects
  - Increased investment in commercial transformation initiatives
  - Some increase as COVID begins to normalise

1. Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is in the RNS  
 2. Opex incl non-recurring transformation investment on slide 22.  
 3. Figures shown as a percentage of revenues

# Continuing to generate strong cash flow, invest strategically and maintain leverage



1. Primarily relates to Foreign exchange movements on loans and repayment of lease liabilities  
 2. Excluding lease liabilities

**Net Debt / EBITDA<sup>2</sup>: 2.0x**

## H2 Guidance & FY Outlook

### Revenue Growth

- 3.5 – 5.0% organic revenue growth
- Continuing COVID uncertainty – particularly in Asia Pacific & Latin America
- Growth expected to be back-end weighted
- H2 tougher comparatives, expected phasing & identified headwinds

### CC Adjusted EBIT Margin

- 18.0 – 19.0% constant currency adjusted EBIT margin
- Equates to 17.1 – 18.1% margin using FX
- Higher than anticipated cost inflation – raw materials & freight
- Planned increased investments into transformation

### Other

- Interest expense of approximately \$40-45m
- Adjusted Effective Tax Rate<sup>1</sup> of c18-20%
- Capex \$100-120m

# Strategic update

Karim Bitar,  
Chief Executive Officer

# Strategic transformation – FISBE – pivoting to sustainable & profitable growth



**Sustainable & Profitable Growth**

# Focus – on key categories & markets



## 2021 Priorities

- Accelerate growth in top 12 markets
- Explore acquisitions and partnerships to strengthen competitive position



## H1 2021 Progress

- Continued investment and growth in top 12 markets
- Cure Medical acquisition
- ChloraSolv partnership with RLS



# Innovate – to provide differentiated patient-centric trusted solutions



## 2021 Priorities

- Continue to strengthen capabilities
- Continue to develop pipeline
- Roll out new single product development & launch process



## H1 2021 Progress

- Strengthening competencies in process development, clinical & regulatory
- Launched innovative Extended Wear Infusion Set in Europe and secured FDA approval
- Progressing development of new products in IC, AWC, CC and OC



# Simplify – for a more customer-centric, agile & accountable model



## 2021 Priorities

- Migrate more activities to Global Business Services
  - Finance
  - IT
- Continue to simplify operations and portfolio



## H1 2021 Progress

- Expansion of Global Business Service Centre in Lisbon
  - Streamlining processes
  - Enabling efficiencies via automation
- Continued to reduce ostomy portfolio complexity



Robotic Process Automation with AI



# Build – strengthen capabilities across the group



## 2021 Priorities

### Further progress - CoEs

- Salesforce Excellence
- Marketing

### Establish new CoEs

- Quality
- Professional Education



## H1 2021 Progress

- Progress with Salesforce Excellence CoE

- Single CRM platform across Europe & N.America
- Improving targeting and productivity



- Marketing CoE
  - Building digital capabilities



## 2021 Priorities

- Continue to embed execution methodology
- Expand “Ability2Execute” training more broadly



## H1 2021 Progress



- Embedded Transformation Execution Office

## Examples of Execution Excellence

### Quality & Operations

- Optimised regional distribution footprint
- Scrap initiatives in OC & IC

### Medical Education

- H1: >130k HCPs trained virtually via ConvaTec Academy of Professional Education



# Summary and Outlook



## Strong H1 2021 performance

- Strong revenue & EBIT growth supported by softer comps
- Further investment in strategic transformation
- Strong cash generation – redeployed to strengthen Group



## Strategic transformation progressing well



## Outlook

- Organic revenue growth: 3.5% to 5.0%
- CC Adjusted EBIT margin: 18.0% to 19.0%
- Confidence in growth prospects

# Q&A



**If you would like to listen or pose a question  
in the live Q&A please dial at 11am BST :**

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Access code: 6926530



# Appendix

## Exchange rate sensitivity

- ConvaTec's geographic profile can lead to transactional currency impacts.
- We monitor key rates against the US dollar.
- 27<sup>th</sup> July 2021 spot rates would indicate a ~\$35m gain on revenue and ~\$11m reduction in EBIT compared with average FY20 rates. This would equate to an 90bps reduction in FY21 EBIT margin. The H2 impact is relatively benign.

	H1 2021 Average	H1 2021 Closing	Spot @ 27 Jul. 2021	Sales Sensitivity <sup>1</sup> \$m	Adj. EBIT Sensitivity <sup>1</sup> \$m
Euro	1.21	1.20	1.18	4.5	2.2
GBP	1.39	1.40	1.39	1.5	(2.0)
Japanese Yen	0.01	0.01	0.01	0.4	0.2
DKK	0.16	0.16	0.16	0.3	(1.1)

- ~50% of revenue in US Dollars; ~35% currencies quoted above; ~15% from a further 29 currencies.

<sup>1</sup> Impact on sales/adjusted EBIT based on a 1% weakening of the USD

## Opex excluding non-recurring transformation investment

	2021			2020		
	Adjusted Opex <sup>2</sup>	Non recurring transformation <sup>1</sup>	excluding non recurring transformation	Adjusted Opex <sup>2</sup>	Non recurring transformation <sup>1</sup>	excluding non recurring transformation
<b>Selling &amp; Distribution % to sales</b>	\$253m 25.1%	\$4m	\$249m 24.7%	\$218m 24.0%	\$2m	\$216m 23.8%
<b>G&amp;A % to sales</b>	\$112m 11.1%	\$16m	\$96m 9.5%	\$109m 12.0%	\$22m	\$87m 9.6%
<b>R&amp;D % to sales</b>	\$41m 4.1%	\$1m	\$40m 4.0%	\$36m 4.0%	\$1m	\$35m 3.9%
<b>Opex % to sales</b>	\$406m 40.3%	\$21m	\$385m 38.2%	\$363m 40.0%	\$25m	\$338m 37.3%

<sup>1</sup> Excludes non recurring transformation investment in cost of goods sold of \$2m in 2021 and \$1m in 2020

<sup>2</sup> Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is in the half year results statement



**ConvaTec**