

2021 Annual Results: Pivoting to sustainable & profitable growth

8 March 2022

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Hosts



Karim Bitar
Chief Executive Officer

**Introduction & 2021
strategic update**



Frank Schulkes
Chief Financial Officer

Financial review

Good 2021 financial performance

Strategic Transformation Investments Largely Complete

Stronger Competitive Position

Attractive Growth Prospects

Financial review

Frank Schulkes,
Chief Financial Officer

ConvaTec – Pivoting to sustainable and profitable growth

Good 2021 financial performance

Strategic Transformation Investments Largely Complete

Stronger Competitive Position

Attractive Growth Prospects

Strategic transformation investments driving improved financial performance

Revenue

+5.8¹%

Revenue increased to \$2,038m (2020: \$1,894m)

Adjusted operating profit

+5.4¹%

Adjusted EBIT of \$362m, 18.4% margin¹ (2020: \$350m with 18.5% margin)

Diluted adjusted EPS

+8.3%

Diluted adjusted EPS 13.0 cents (2020: 12.0 cents)

Total DPS

5.87² cents

3.0% increase (2020: 5.70 cents)

Adjusted FCF³

\$275m

Adjusted cash conversion⁴ 72% (2020: \$347m, 90%)

Leverage

1.9x

Net Debt / Adjusted EBITDA (2020: 2.0x)

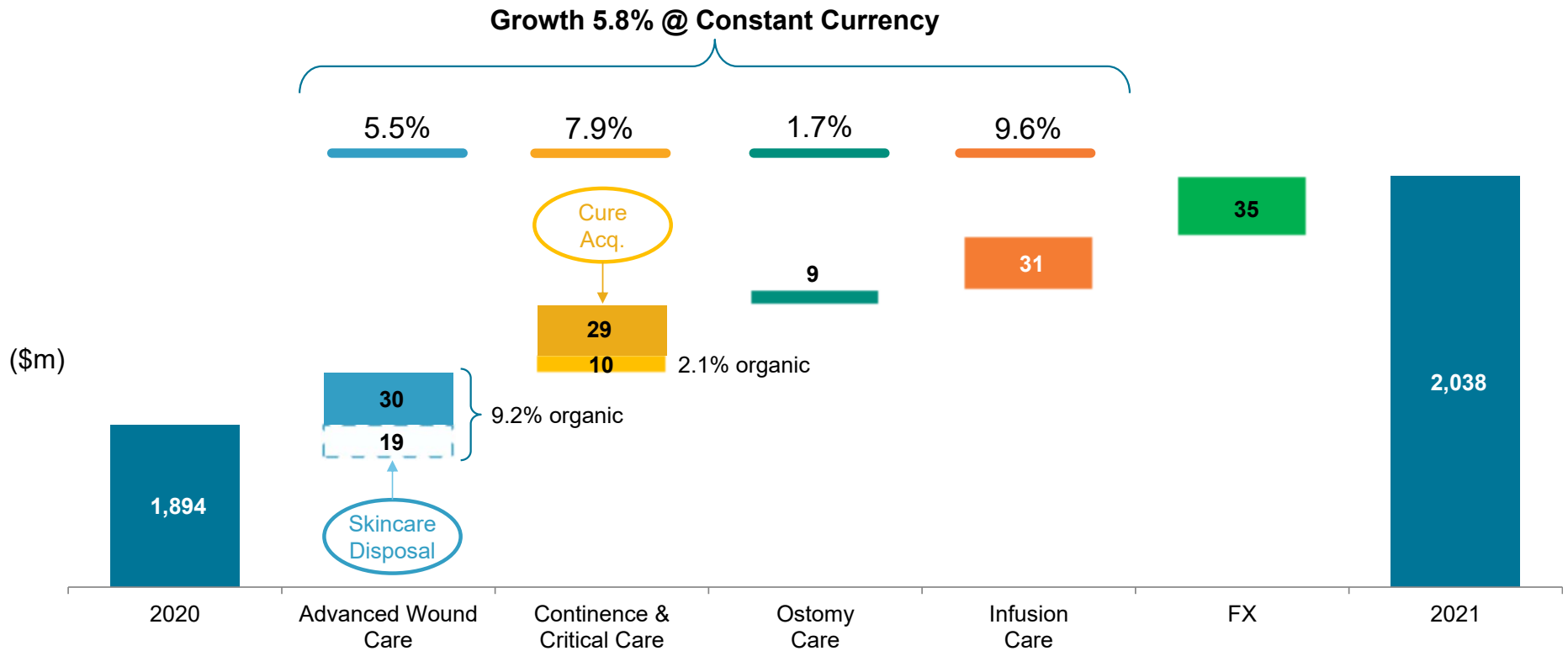
¹ Constant currency growth

² At top of dividend policy range, 35-45% of adjusted net profit

³ Adjusted FCF is Adjusted cash generated from operations, net of capex and tax paid

⁴ Cash Conversion calculated as Adjusted cash generated from operations, net of capex divided by Adjusted EBITDA

Pivoting to sustainable & profitable growth – good topline momentum



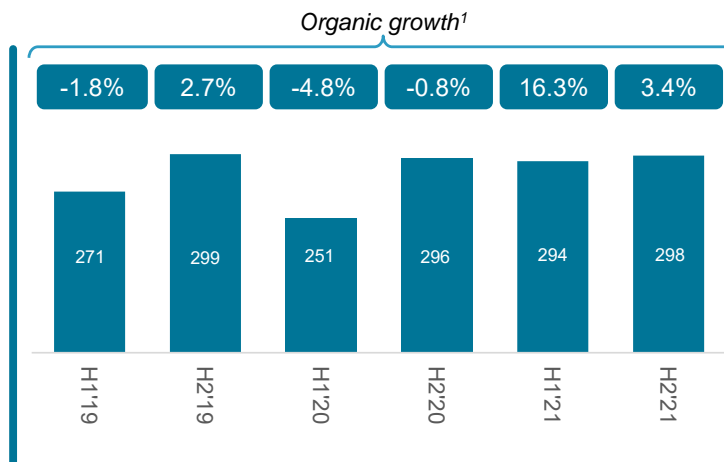
- Particularly strong organic performances in AWC and IC, modest growth in OC and CCC, supported by M&A
- Reported revenue grew 7.6% or 5.3% organically

AWC rebound following 2020 COVID challenges

CCC growth enhanced by acquisitions

Advanced Wound Care

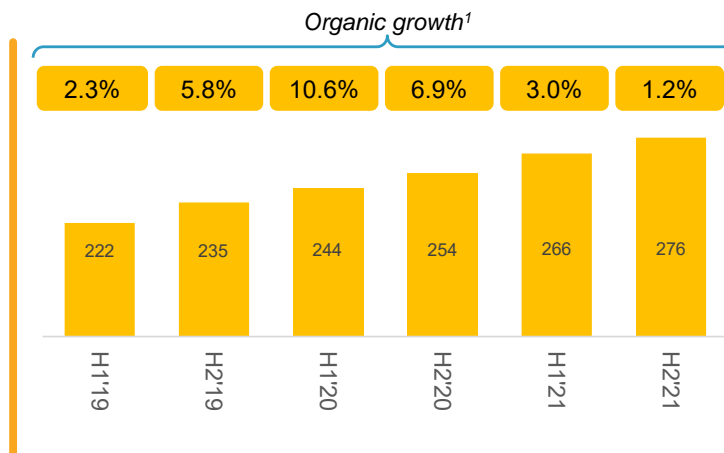
2021 Organic¹ 9.2%
2021 CC 5.5%



- Positive rebound after weak 2020 comparatives
- Good growth in all regions, particularly GEM
- Encouraging underlying growth driven by stronger commercial execution

Continence & Critical Care

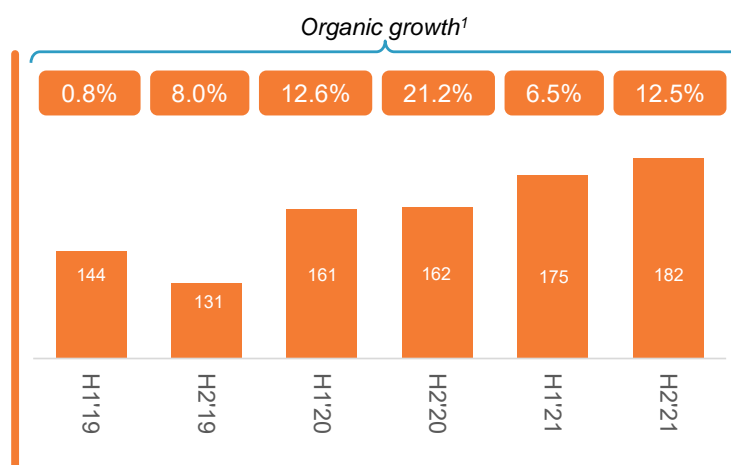
2021 Organic¹ 2.1%
2021 CC 7.9%



- Continence up 3.1% driven by HSG
- GentleCath™ Glide growing strongly
- CritCare better than expected – flat yr-on-yr

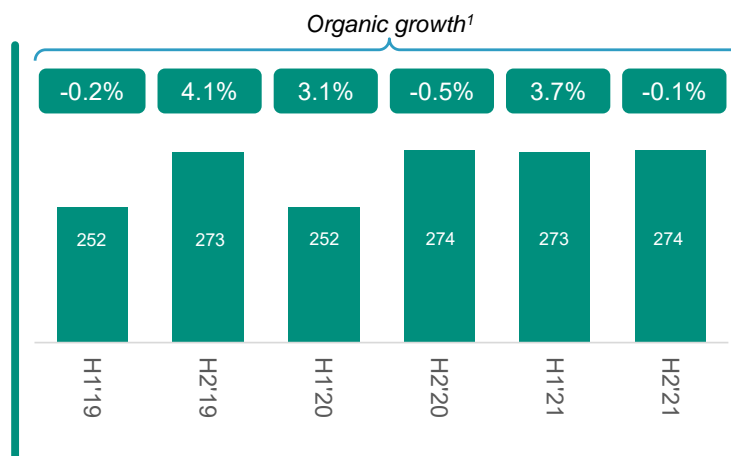
IC continuing to deliver significant growth OC modest growth although quality improving

Infusion Care
2021 CC 9.6%



- Strong growth in automated insulin delivery segment
- Strong growth in non-diabetes, off a small base
- Successfully launched EWIS in Europe
- Good progress expanding capacity

Ostomy Care
2021 CC 1.7%

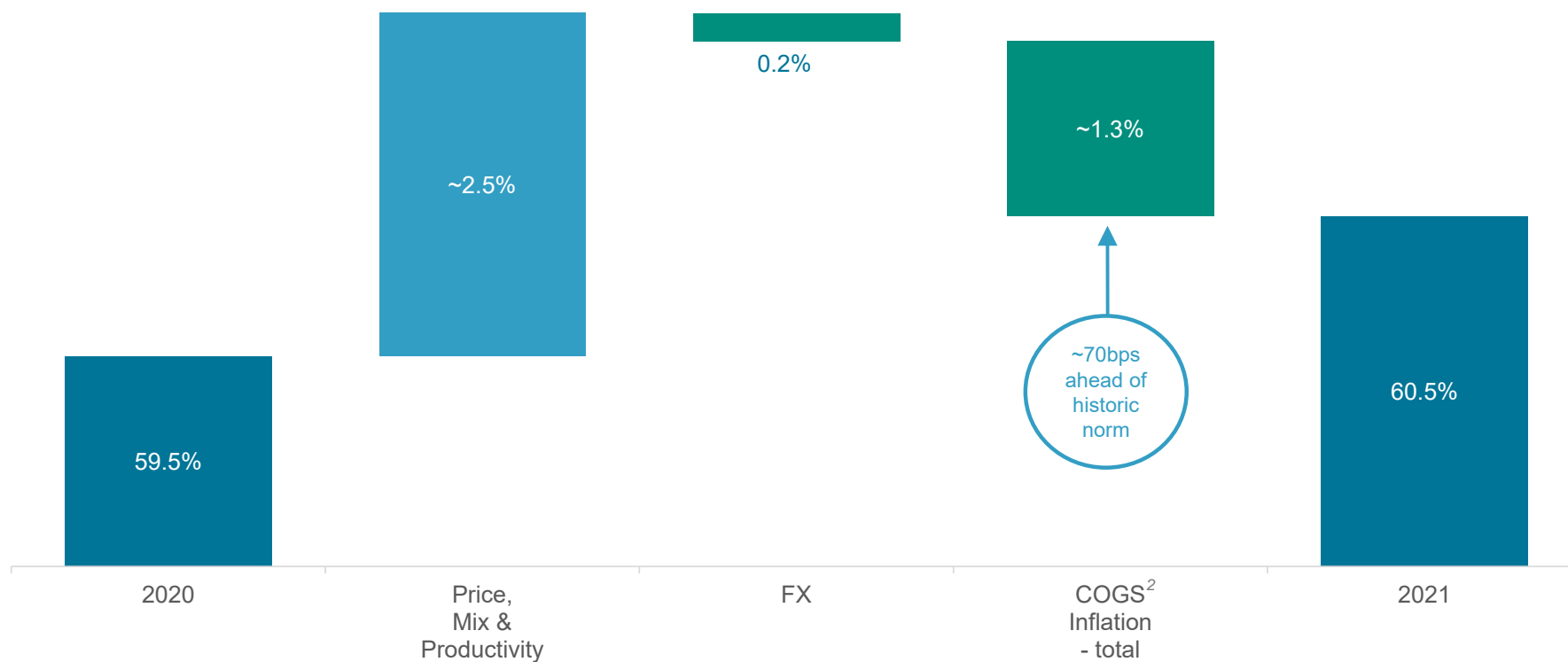


- ConvaTec products grew 3.4% (net of SKU rationalisation)
- Strong growth in GEM and stabilising US performance
- Restructuring UK homecare business
- Total strategic rationalisation c.100bps headwind

¹ Organic growth is growth net of exchange rates excluding M&A activities

Achieved gross margin¹ improvement despite FX and inflation headwinds

Gross margin¹ improvement despite headwinds



10 1. Adjusted gross margin
2. Cost of Goods Sold

Dynamic inflationary backdrop

Inflationary backdrop



Interventions



**Pricing
CoE**



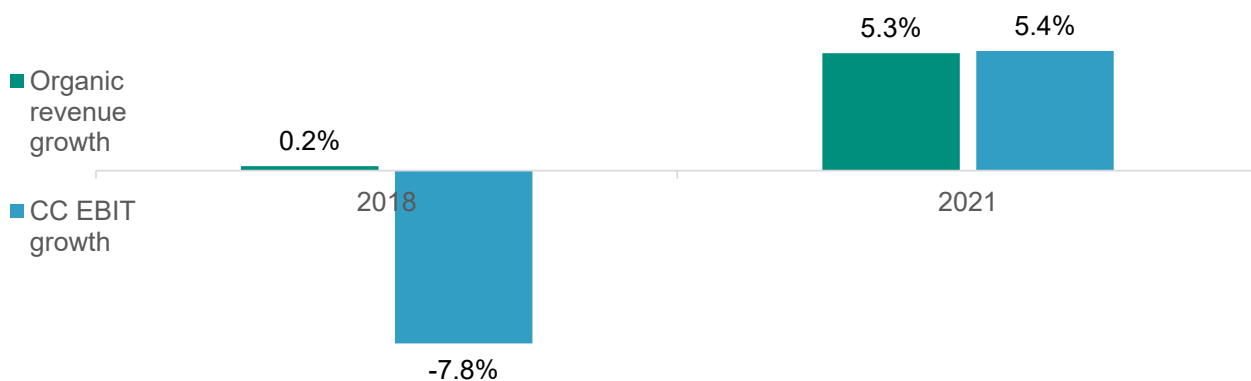
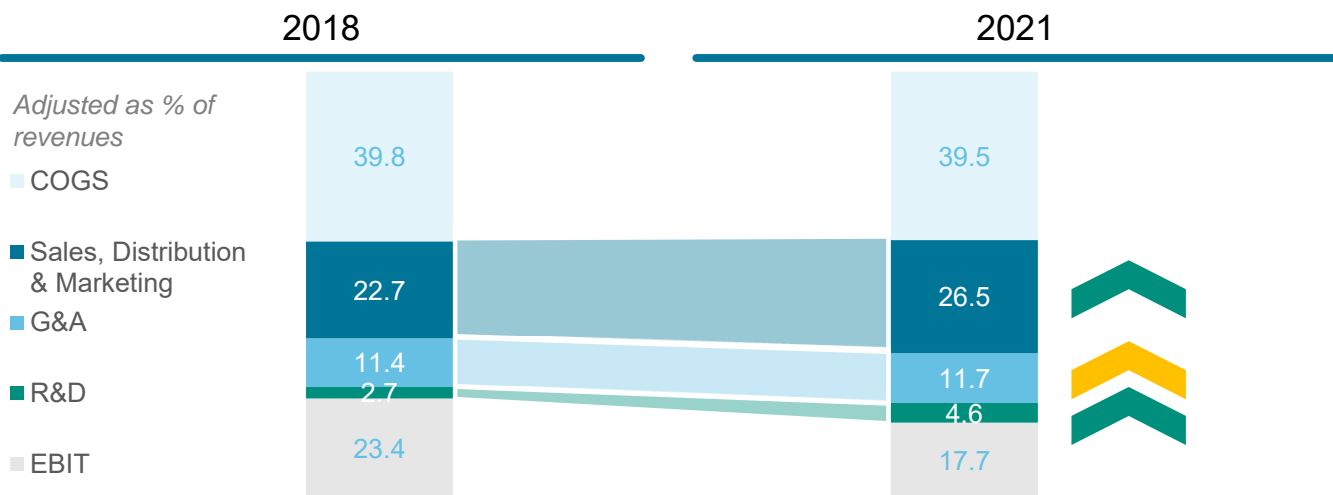
**Increased
Automation**



**Opex
Discipline**

Strategic transformation investments largely complete

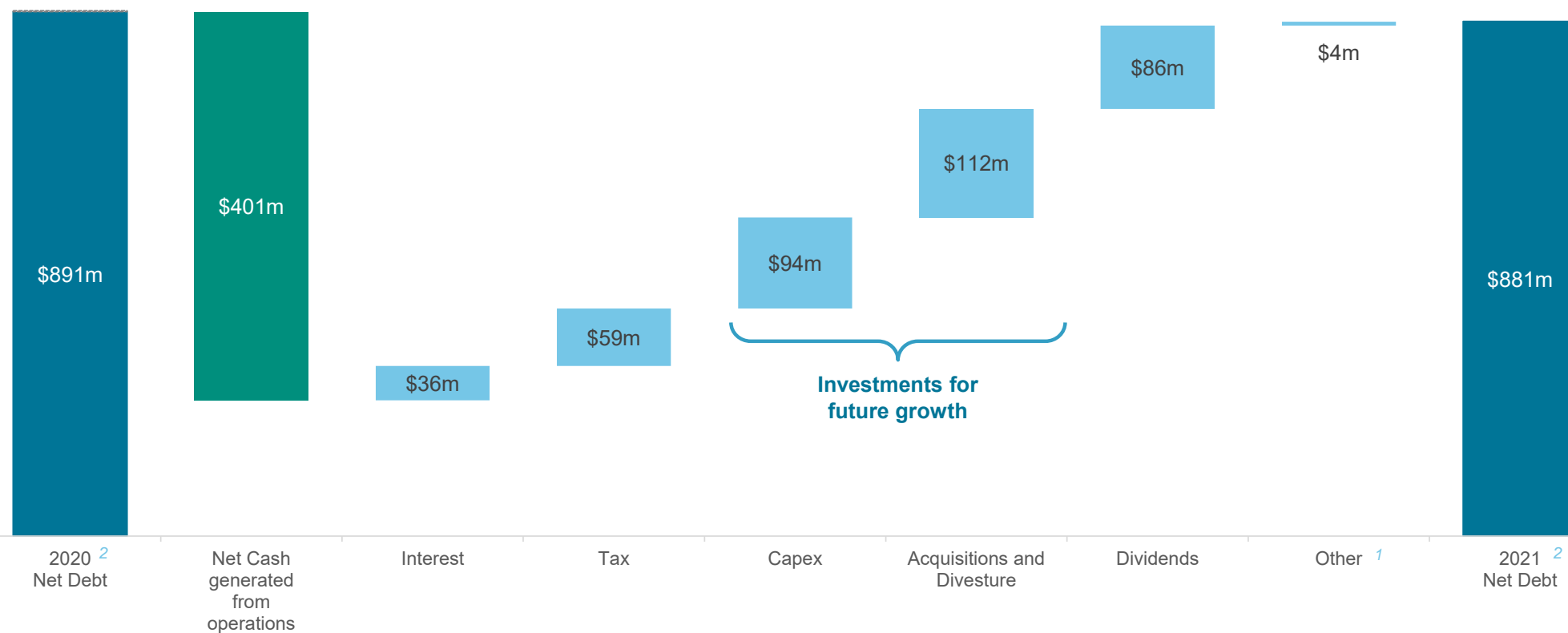
Improving opex balance – further G&A opportunity



Medium/long term opportunity

- EBIT margin mid-20s
- Expect continued investment in S&M and R&D
- Material G&A efficiency opportunity
- Continued Gross margin improvement – Productivity, price and mix
- Revenue growth leverage

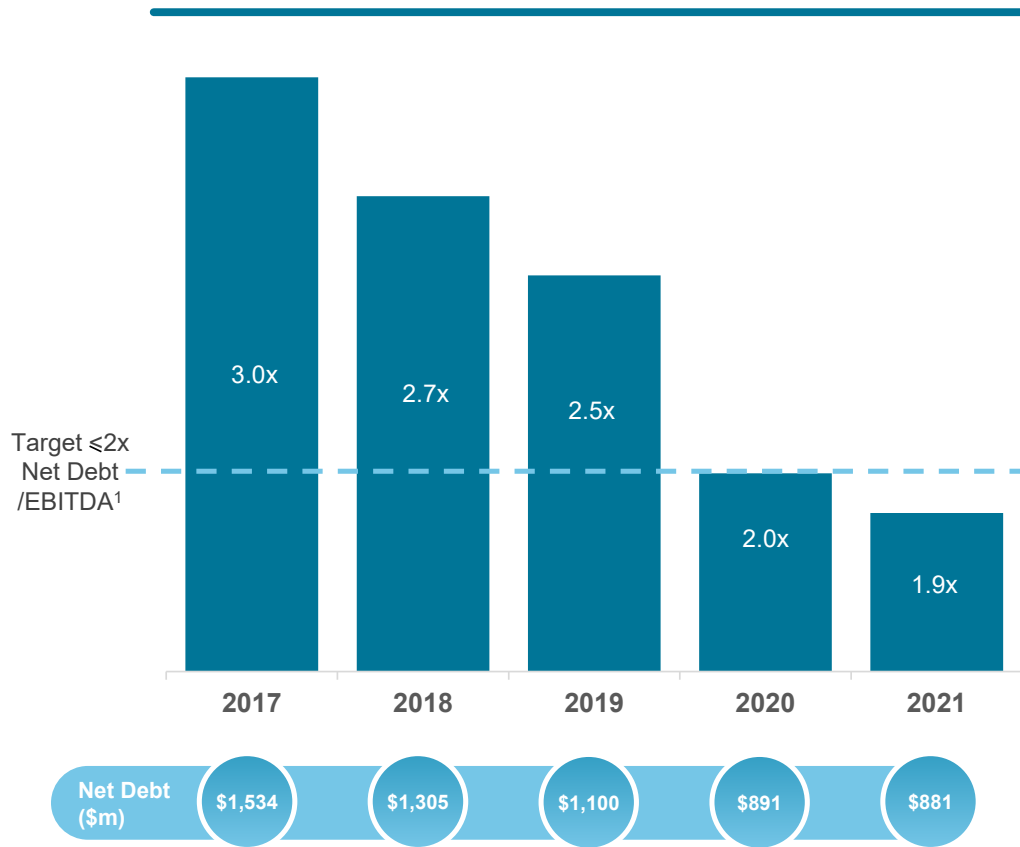
Healthy cash flow, investing for future growth and providing returns to shareholders



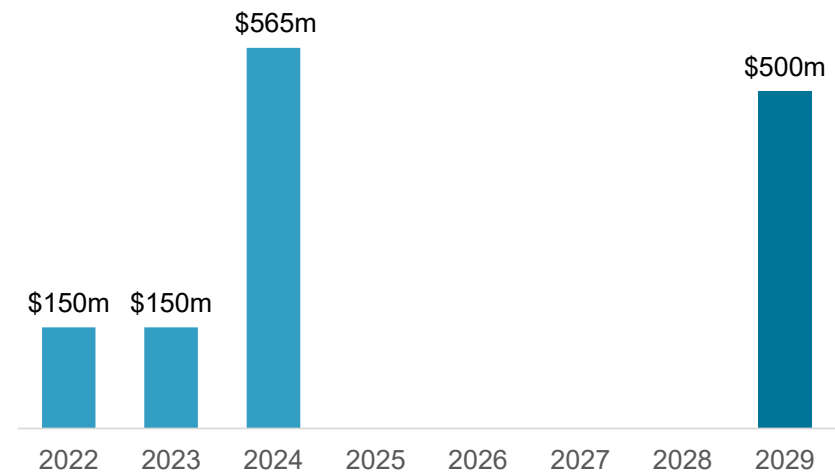
1. Primarily relates to Foreign exchange movements net of lease liabilities
 2. Net debt excludes lease liabilities

Continued to strengthen the balance sheet

Leverage



- Issued \$500m unsecured senior notes
- Diversified Debt
- Extended maturity profile



Long term corporate rating	Moody's	S&P
Convatec Group PLC	Ba2 Stable outlook	BB+ Positive outlook
180 Medical Inc, senior unsecured notes (144A RegS) \$500m, 3.875% due October 2029	Ba2	BB+

2022 Guidance

Revenue Growth

- 4.0-5.5% Organic revenue growth
 - Continued good growth in AWC – although normalised comparatives
 - CCC modest improvement with decline in Critical offset by growth in Continnence
 - Similar growth in OC
 - IC another strong year of growth

CC Adjusted EBIT Margin

17.7%
2021



Vol /
Productivity /
Mix



Lower
non-recurring
& MDR
investment



Further Cost
Inflation



Annualised
recurring
investment

>18%
2022

Other

- Interest expense of approximately \$50-55m
- Adjusted Effective Tax Rate of 18-20%
- Capex \$100-120m

Strategic update

Karim Bitar,
Chief Executive Officer

Transforming ConvaTec - Pivoting to Sustainable and Profitable Growth

ConvaTec – Pivoting to sustainable and profitable growth

Good 2021 financial performance

Strategic Transformation Investments Largely Complete

Stronger Competitive Position

Attractive Growth Prospects

ConvaTec is now a stronger and faster growing business

Strengthened focus through acquisitions & exits

Enhanced positions



Exiting lower-margin activities

- US SkinCare disposal
- Exited >26 countries
- Incontinence disposal
- OC rationalization

Improving pipeline – new products

2018:

2

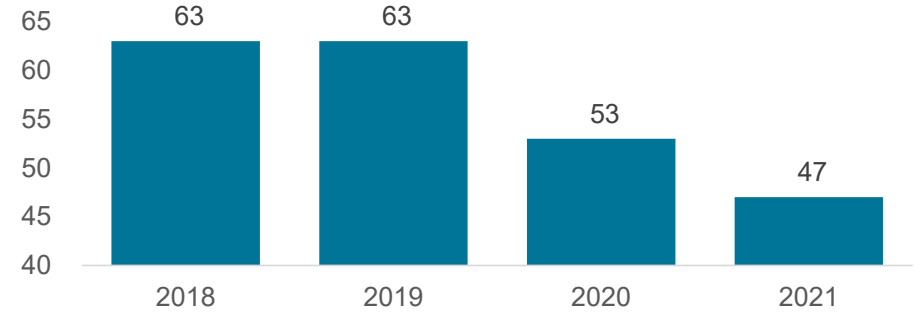
Ready to launch in next
~30 months

2021²:

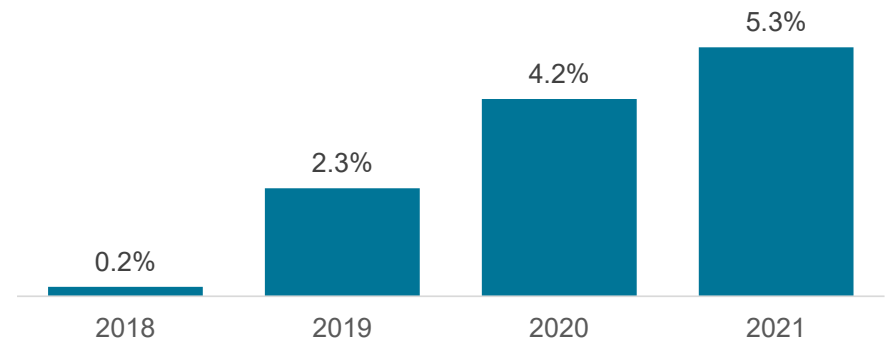
8

Ready to launch in next
~30 months

Improved quality – decreasing complaints per million



Organic revenue growth increasing



1. Triad Life Sciences acquisition subject to regulatory approval & customary closing conditions
2. Seven new major ConvaTec launches + potential Triad Life Sciences: Innovamatrix

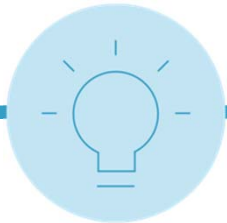
2021 – We have continued executing well on our FISBE strategy

Vision:
**Pioneering trusted medical solutions to
improve the lives we touch**



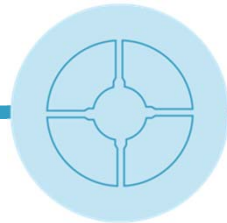
Focus

on key markets
and categories



Innovate

in our work and
trusted solutions



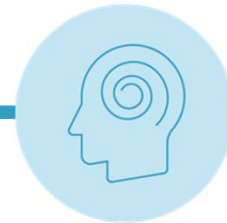
Simplify

our organisation



Build

core capabilities



Execute

with excellence

Focus – we have strengthened our position in key categories & markets



Strengthened Continence business

- Cure Medical
- \$89m acquisition
- Impact:
 - #2 manufacturer in the US
 - More comprehensive product portfolio
 - Enhances growth profile



- Patient Care Medical
- \$29m acquisition
- Impact:
 - Strengthens US Home service position
 - Complements HSG targeting
 - Digital expertise



Expanded AWC portfolio

- ChloraSolv partnership with RLS
- Part of Wound Hygiene Protocol
- Debridement gel with antimicrobial properties



Improving in key markets

- Top 12 markets grew 7.9% on CC basis

Focus – we are entering attractive Wound Biologics segment¹ via acquisition of Triad Life Sciences (subject to regulatory approval)



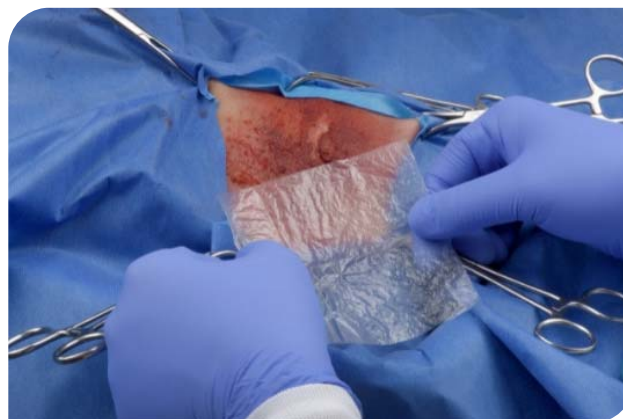
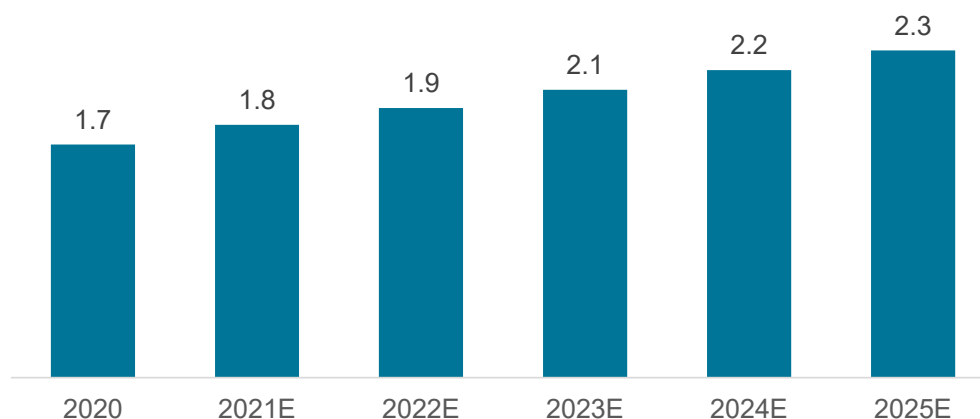
Strong strategic rationale

- Entry into large, rapidly growing Wound Biologics segment
- Innovative & proprietary technology offering – first 510k porcine placental derived medical device
- Highly complementary - leverage ConvaTec's commercial, GQ&O² and R&D capabilities

Attractive financial profile

- Immediately accretive to sales
- Expected to contribute EBIT in year 2
- Expected ROIC > WACC in year 3

Worldwide Wound Biologics Revenues¹ (\$m)



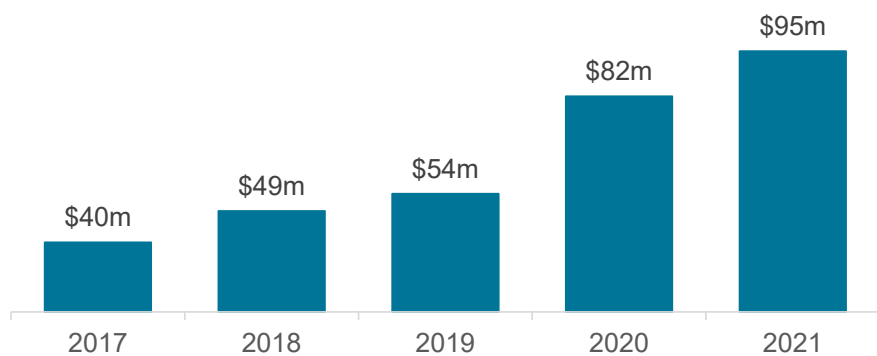
TriCleanse™ Process

1. Source: SmartTRAK Wound Biologics segment includes skin substitutes, active collagen dressings and topical drug delivery
2. Global Quality & Operations

Innovate – we have further strengthened our capabilities and processes



Continued investment in R&D



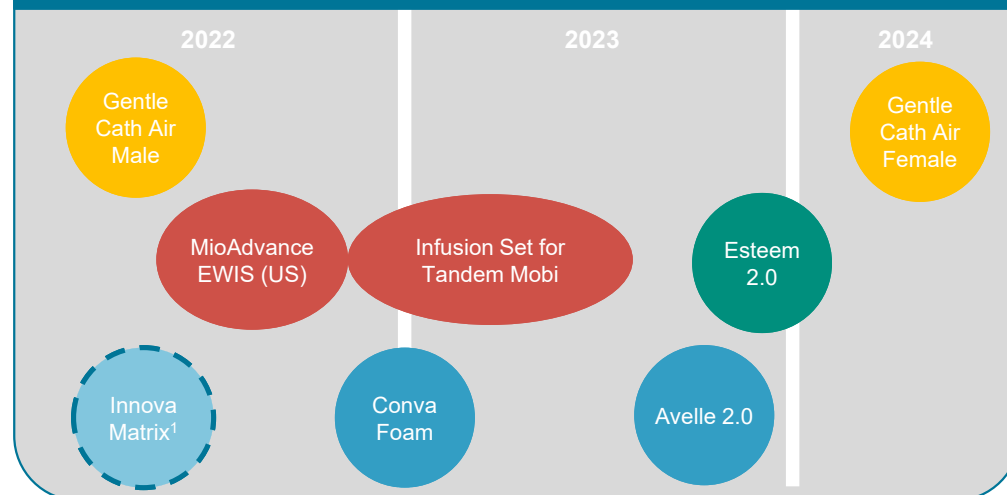
Strengthening our capabilities

- Product design
- Process design
- Clinical
- Regulatory

Improving our processes



Progressing our pipeline

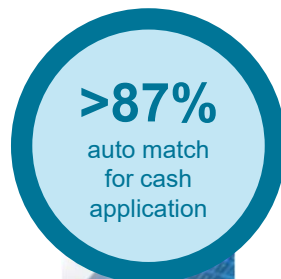


22 1. InnovaMatrix is a product expected to launch in 2022. Inclusion in our product pipeline is dependant on completion of Triad Life Sciences acquisition which is dependant on regulatory and customary closing conditions. Expected to close in March



Expanded GBS and improving processes

- Expansion of Global Business Service Centre in Lisbon
 - Streamlining financing processes
 - Enabling efficiencies via automation
- Began IT migration



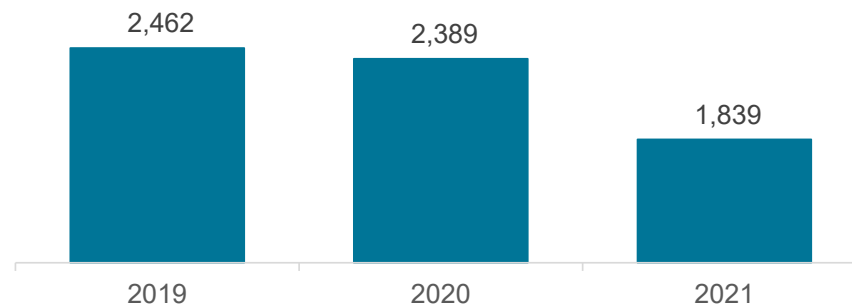
Robotic Process Automation with AI

2022:

- Planning for further Finance & IT activity migration
- Commence HR migration

Further reducing portfolio complexity

- Ostomy Care rationalisation programme



Build – we have continued to strengthen core capabilities



Sales Force Excellence CoE

- CRM roll-out complete in Europe and N. America
- Improving productivity
 - Targeting
 - Frequency
 - Channel optimisation

Marketing CoE

- Refreshing Masterbrand
- Enhancing digital interactions
- Embedding consistent use of Big Picture Marketing methodology

Quality CoE

- Increased Quality & compliance standards
 - Speed of detection
 - Speed of response

Executing our People strategy



Performance Management



Building high performance teams



Embedding values-based culture



Succession planning



Procurement & Productivity

- Procurement efficiencies
 - Data Analytics Platform
 - New E2E Sourcing Process Launched
- 2021 Productivity initiatives
 - 15% reduction in scrap in Haina
 - 8.4% reduction in GHG emissions (Scope 1&2)

Professional Education




- >300k HCPs
- Strong Net Promoter Scores



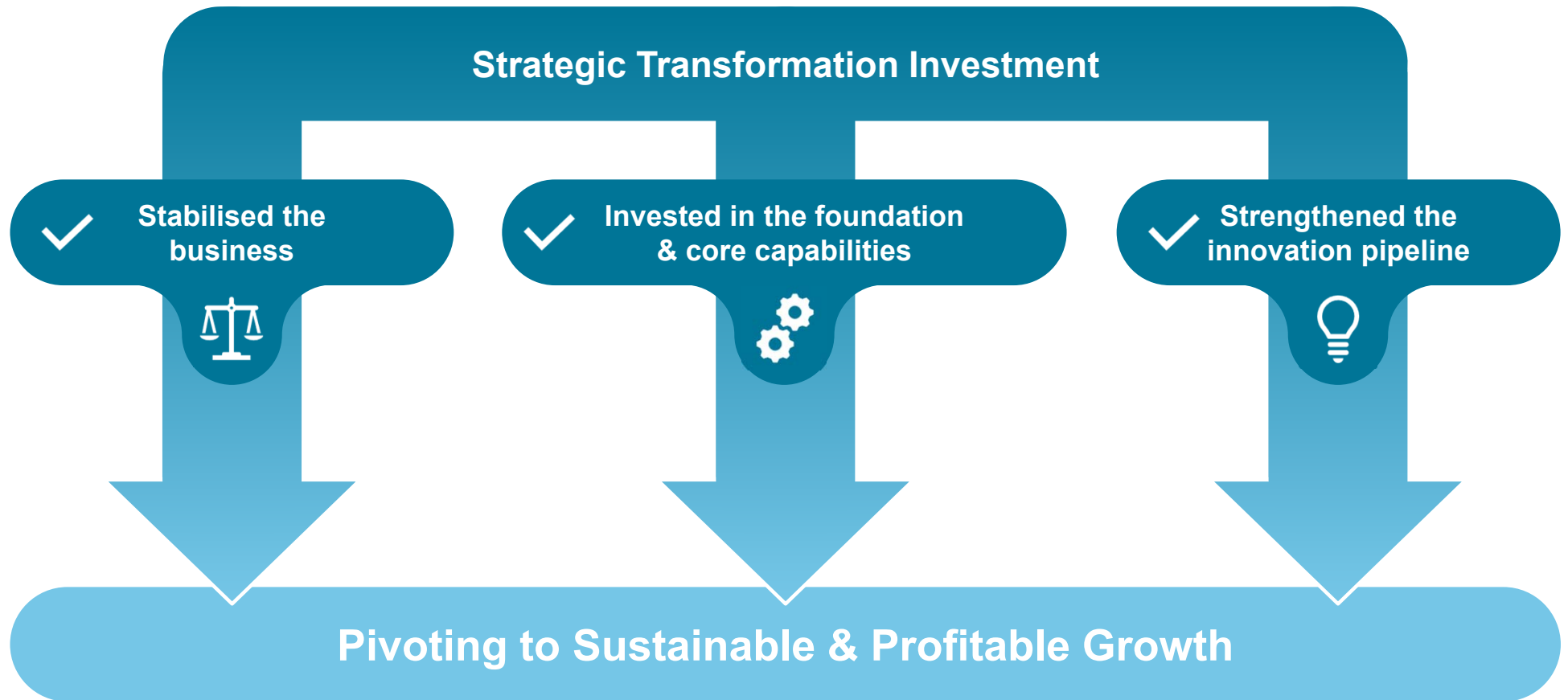
Recently launched digital applications

- Ostomy Care nurse app
- Wound Care nurse app

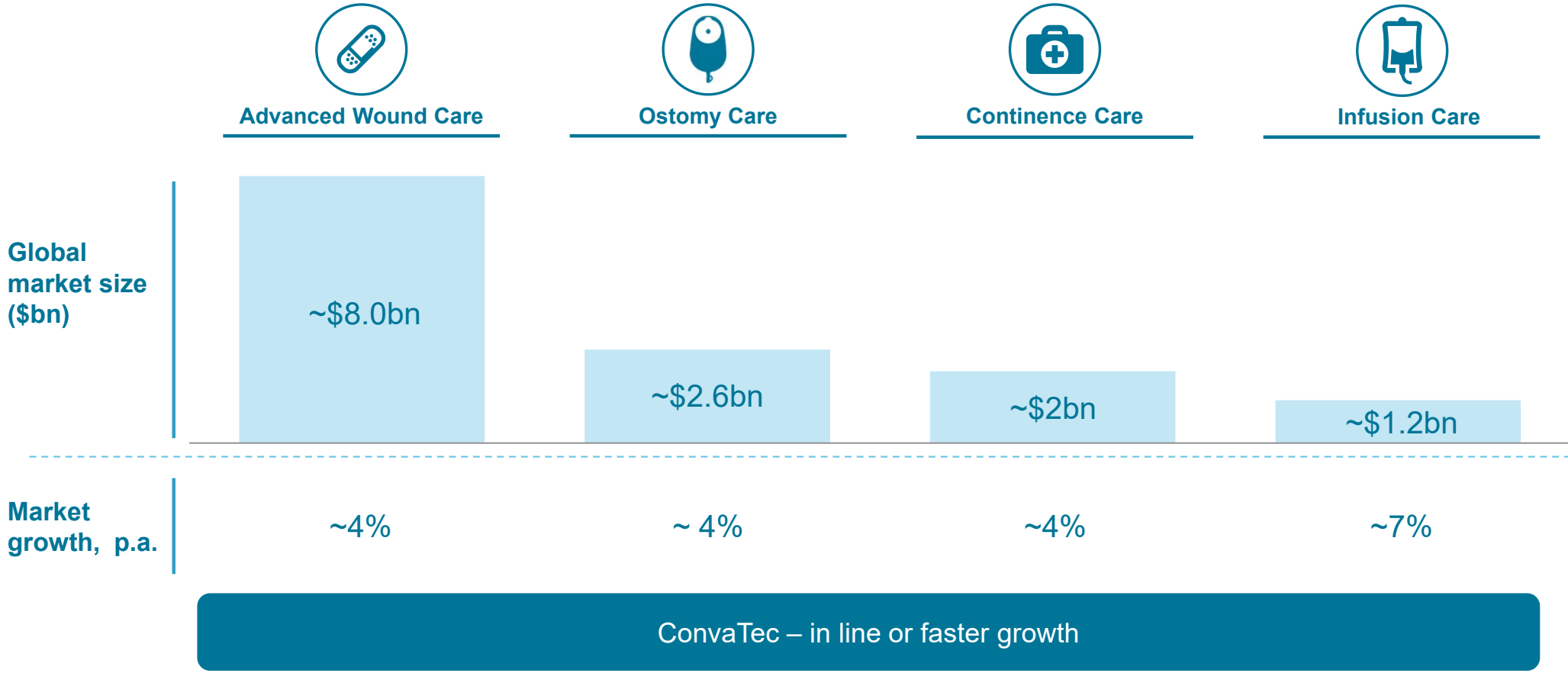
Pricing

- Introduced commercial contracting system
 - Online
 - Insight around contract terms
 - Improved pricing discipline
 - Discount approval process
 - Price floor
- 
- +0.5% price improvement

We are now pivoting to sustainable and profitable growth



Plan to grow in line or faster than the market



Summary



2021

- Good financial performance
- Strategic transformation investments largely complete



Pivoting to sustainable and profitable growth

- Stronger competitive position
- Attractive growth prospects



2022 Outlook

- Organic revenue growth: 4.0 to 5.5%
- CC Adjusted EBIT margin: > 18%

Q&A



**If you would like to ask a question during the
live Q&A please dial into:**

United Kingdom – 0800 279 6877

United States – 800-289-0720

Access code: 6659206



Appendix



Key financial metrics

	2021	2020	Growth	Comments
Revenue	\$2,038m	\$1,894m	7.6% / 5.8% ¹	<ul style="list-style-type: none"> \$35m FX tailwind, \$30m acquisition contribution, \$(20)m disposals
Gross margin²	60.5%	59.5%	100 bps	<ul style="list-style-type: none"> +120 bps operational, -20 bps FX
EBIT² EBIT margin²	\$361.7m 17.7%	\$350.2m 18.5%	3.3% (80) bps	<ul style="list-style-type: none"> Transformation costs, investment driven coupled with increased material and freight costs
Net finance and non-operating expense²	\$(52.3)m	\$(52.8)m	\$(0.5)m	<ul style="list-style-type: none"> Consistent interest cost post Oct-19 refinancing
PBT²	\$309.4m	\$297.4m	4.0%	<ul style="list-style-type: none"> Lower EBIT offset by reduced net finance expenses
Tax² ETR²	\$(46.4)m 15.0%	\$(56.9)m 19.1%	(18.5)%	<ul style="list-style-type: none"> Regional mix and local tax rate changes
Diluted EPS²	13.0 cents	12.0 cents	8.3%	<ul style="list-style-type: none"> Increase in diluted number of shares to 2.026bn shares
DPS (\$ cents)	5.87 cents	5.7 cents	3.0%	
Cash conversion^{2,4}	72%	90%		
Net Debt / EBITDA^{2,3}	1.9x	2.0x		<ul style="list-style-type: none"> Leverage reduced, dividend maintained

¹ Constant currency growth

² Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is in the full year results statement on pages 37 to 43

³ 2021 adjusted EBITDA \$464 million (2020: \$445 million)

⁴ Calculated as Adjusted cash generated from operations, net of capex divided by Adjusted EBITDA



ConvaTec