

2020 Interim Results & Update on Strategic Transformation

6 August 2020

Disclaimer

THIS PRESENTATION IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO ANY RESIDENT THEREOF OR ANY OTHER JURISDICTION WHERE SUCH DISTRIBUTION WOULD BE UNLAWFUL OR TO ANY OTHER PERSON.

This presentation (the “Presentation”) is being furnished to each recipient in connection with ConvaTec Group Plc (“ConvaTec” and, together with its subsidiaries, the “Group”) and has been prepared from publicly available information. For the purposes of this notice, “Presentation” means this document, its contents or any part of it, any oral presentation, any question or answer session and any written or oral material discussed or distributed before, during or after the Presentation meeting. This information, which does not purport to be comprehensive, has not been verified by or on behalf of the Group.

The information, statements and opinions contained in this Presentation do not constitute an offer to sell or a solicitation of an offer to buy any securities, and are not for publication or distribution in, the US or to persons in the US (within the meaning of Regulation S under the US Securities Act of 1933, as amended (the “Securities Act”)), Canada, Japan, Australia or any other jurisdiction where such distribution or offer is unlawful. Any securities referred to in this Presentation and herein have not been, and will not be, registered under the Securities Act, and may not be offered or sold in the United States absent registration under the Securities Act except to qualified institutional buyers (“QIBs”) as defined in Rule 144A under the Securities Act (“Rule 144A”) or pursuant to another exemption from, or in transactions not subject to, the registration requirements of the Securities Act. Subject to certain limited exceptions, neither this Presentation nor any copies of it may be taken, transmitted or distributed, directly or indirectly, into the US, its territories or possessions. The distribution of this Presentation in other jurisdictions may be restricted by law and persons into whose possession this Presentation comes should inform themselves about, and observe, any such restrictions. Any failure to comply with the foregoing restrictions may constitute a violation of securities laws.

This Presentation does not constitute an offer or invitation for the sale or purchase of securities or any businesses or assets described in it, nor should any recipients construe the Presentation as legal, tax, regulatory, or financial or accounting advice and are urged to consult with their own advisers in relation to such matters. Nothing herein shall be taken as constituting investment advice and this Presentation should not be construed as a prospectus or offering document and investors should not subscribe for or purchase any securities on the basis of this Presentation and it is not intended to provide, and must not be taken as, the basis of any decision and should not be considered as a recommendation to acquire any securities of the Group. The recipient must make its own independent assessment and such investigations as it deems necessary.

This Presentation includes statements that are, or may be deemed to be, “forward looking statements”. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group’s control. “Forward-looking statements” are sometimes identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “aims”, “anticipates”, “expects”, “intends”, “plans”, “predicts”, “may”, “will”, “could”, “shall”, “risk”, “targets”, forecasts”, “should”, “guidance”, “continues”, “assumes” or “positioned” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places and include, but are not limited to, statements regarding the Group’s intentions, beliefs or current expectations concerning, amongst other things, results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates. 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 Presentation. 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 Presentation and the Company 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 Presentation.

To the extent available, the industry and market data contained in this Presentation has come from third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In addition, certain of the industry and market data contained in this Presentation come from the Company’s own internal research and estimates based on the knowledge and experience of the Company’s management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this Presentation.

Unless otherwise stated all stated financial metrics in this presentation are adjusted; for a full definition of the adjustments made please refer to the Financial Review in the full year results statement.

Hosts and agenda



Frank Schulkes
Chief Financial Officer



Karim Bitar
Chief Executive Officer

1. Financial review

2. Update on Strategic Transformation

1. Financial review

Frank Schulkes,
Chief Financial Officer

Financial results – Solid first half performance

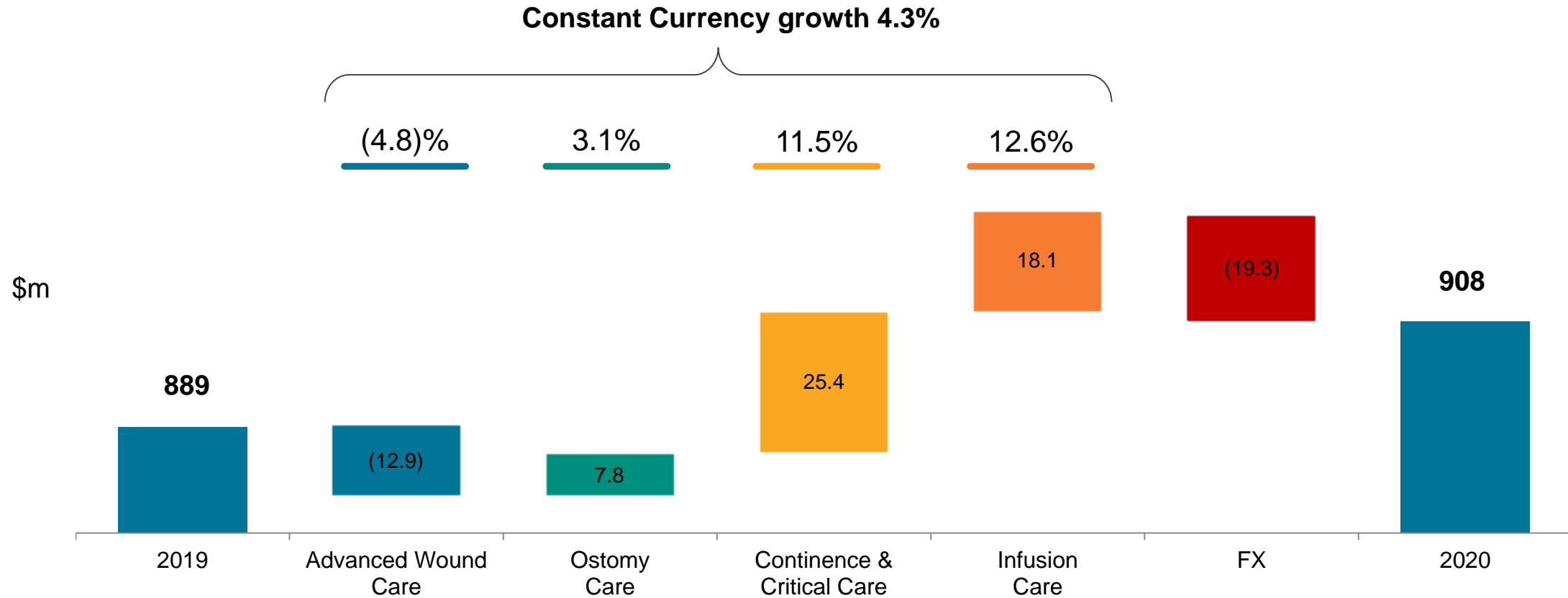
	2020	2019	Reported growth	Constant currency growth	Comments
Revenue	\$908m	\$889m	2.1%	4.3%	<ul style="list-style-type: none"> \$19m FX headwind, \$1.9m M&A contribution
Gross margin¹	60.0%	58.6%	140 bps	100 bps	<ul style="list-style-type: none"> +60 bps operational, +40 bps FX tailwind, +40 bps rebate provision
Opex¹ % revenue	40.0%	40.0%	-		<ul style="list-style-type: none"> Investment in strategic transformation and MDR Temporarily lower underlying operating expenses run-rate
EBIT¹	\$182m	\$165m	10.0%	9.3%	<ul style="list-style-type: none"> Improved gross margin
EBIT margin¹	20.0%	18.6%	140 bps	90 bps	
EPS¹	\$0.06	\$0.06	8.9%		<ul style="list-style-type: none"> Growth broadly in line with earnings
Dividend per share (\$ cents)	1.7 cents	1.7 cents			<ul style="list-style-type: none"> Interim dividend declared in line with prior year
Cash conversion^{1, 2}	73%	90%			<ul style="list-style-type: none"> Continued robust cash conversion, prior year benefited from favourable inventory movements
Net Debt / EBITDA^{1, 3}	2.2x	2.6x			<ul style="list-style-type: none"> Leverage down

¹ Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is in the appendix on pages 26 and 27

² Cashflow (Adjusted EBITDA – capex – net change in working capital / Adjusted EBITDA). See slide 9

³ Last 12 months adjusted EBITDA of \$462m (2019: \$ 443 million)

H1 2020 revenue – Overall demand resilient, but mixed



- Reported revenue increased 2.1%, up 4.3% in constant currency
- \$19m currency headwind, principally Euro and GBP
- Net M&A contribution of \$1.9m² included in Continence & Critical Care

¹ Constant currency growth

² Southlake Medical Supplies acquired 1 October 2019

AWC & OC - Impacted by reduced volumes and customer stocking activity

Advanced Wound Care

HY 20 (4.8)%¹
Q2 20 (13.2)%¹

- Significant declines in elective surgeries and lower chronic volumes due to fewer hospital and wound clinic visits, as expected
- Good growth in key Latin American markets offset by declines elsewhere
- AQUACEL™ Ag+/Advantage performed well, pressure on the legacy portfolio remained

Ostomy Care

HY 20 3.1%¹
Q2 20 (2.7)%¹

- Modest growth in the first half against a weak prior year
- Q2 impacted by partial reversal of customers' inventory building in Q1
- Solid performances in key emerging markets e.g. China, Brazil and Colombia

¹ Constant currency growth

CCC & IC - Robust growth, strong COVID-19 related demand for Critical Care

Continence & Critical Care

HY 20 11.5%¹

Q2 20 12.0%¹

- COVID-19 related demand provided tailwind to Critical Care
- Good performance from Home Services Group continues
- GentleCath™ Glide growing strongly

Infusion Care

HY 20 12.6%¹

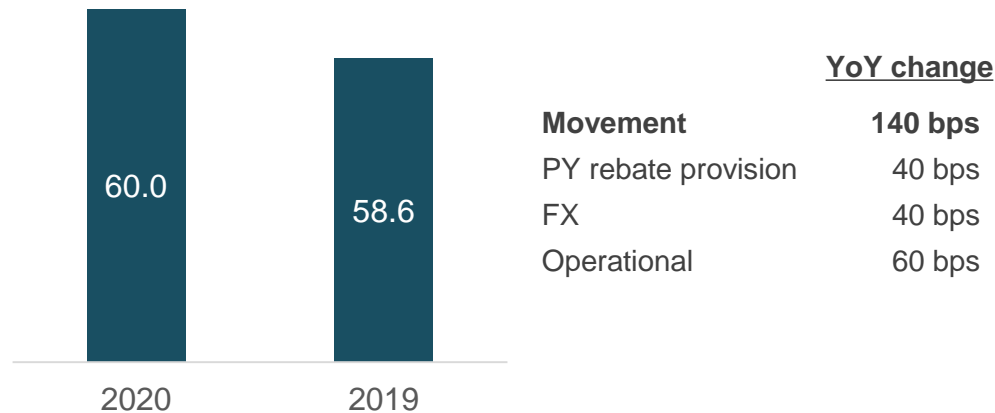
Q2 20 12.6%¹

- Strong performance in growing insulin pump market
- Continued strong growth in new Mio™ Advance

¹ Constant currency growth

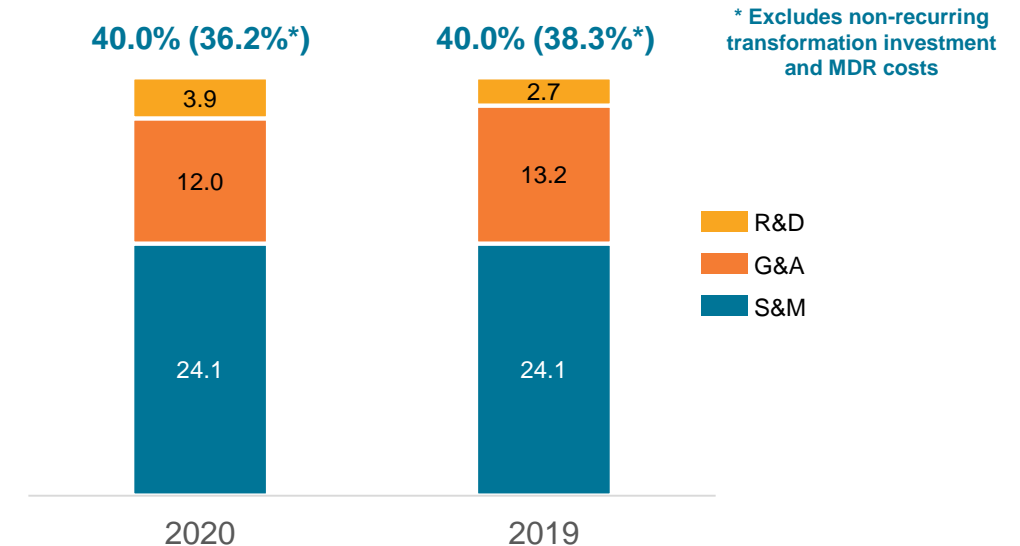
Margin & Opex review – Continuing to invest in strategic transformation

Gross margin¹ rate %



- Prior year rebate provision (+40 bps) and FX movements (+40 bps) provide tailwinds
- Operational (+60 bps) as positive net productivity gains more than offset modest price / mix headwinds

Opex¹ % of revenue



- Investment in non-recurring transformation of \$25m up \$11m from 2019 with MDR at \$9m, up \$8m
- Recurring transformation investment of appr. \$16m
- Material temporary lower opex run-rate as result of COVID-19 circumstances and cost management

¹ Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is in the appendix on pages 26 and 27

Cash and leverage - Robust cash generation and lower leverage

Adjusted Cash Flow (\$m)

	H1 2020	H1 2019
EBITDA ¹	223	205
Capex	(36)	(31)
Δ NWC	(24)	10
Free cash flow ⁴	163	184

Net Debt

	30 Jun 2020 (\$m)	31 Dec 2019 (\$m)	30 Jun 2019 (\$m)
Long-term borrowings ²	(1,489)	(1,486)	(1,588)
Cash and cash equivalents	451	386	376
Net Debt	(1,038)	(1,100)	(1,212)
Net Debt / EBITDA^{1,3} (x)	2.2	2.5	2.6

- 73% adjusted cash conversion (H1 2019: 90%)
- Leverage continues to decline

¹ Results are adjusted unless otherwise stated. A reconciliation of adjusted to reported results is in the appendix on pages 26 and 27

² Carrying value of total interest bearing liabilities excluding finance lease obligations

³ Last 12 months adjusted EBITDA of \$462m (2019: \$ 443 million)

⁴ Cash generated from operations, net of PP&E

H2 revenue and opex driving EBIT reduction versus H1

Revenue

Lower growth

- Advance Wound Care growth expected to remain negative in H2
- Ostomy Care growth expected to be lower than H1
- Critical Care growth expected to normalise in H2

Opex

Higher operating expenses

- Strategic transformation investment will increase
- Expect H1 temporary lower opex run-rates to start reversing

Strategic investment

Proactive rephasing

- Recurring transformation opex in 2020 expected to be between \$50 million and \$55 million (previously between \$60 million and \$65 million)
- Annual gross benefits in 2021 expected to be between \$130 million and \$150 million (previously between \$150 million and \$170 million)

2. Update on Strategic Transformation

Karim Bitar,
Chief Executive Officer

**Transforming by
Pivoting to Sustainable and Profitable Growth**

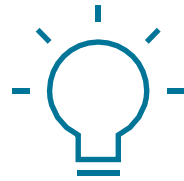
The strategic transformation focuses on five pillars to Pivot to Sustainable and Profitable Growth

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



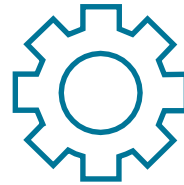
Focus

on key markets
and categories



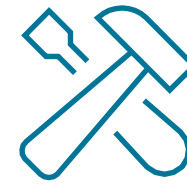
Innovate

in our work and
trusted solutions



Simplify

our organisation



Build

core capabilities



Execute

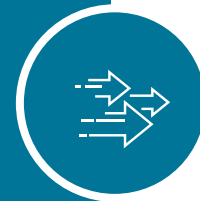
with excellence



- Rationalising the portfolio across products and markets



- Divesting Skin Care business – expect to complete in Q3

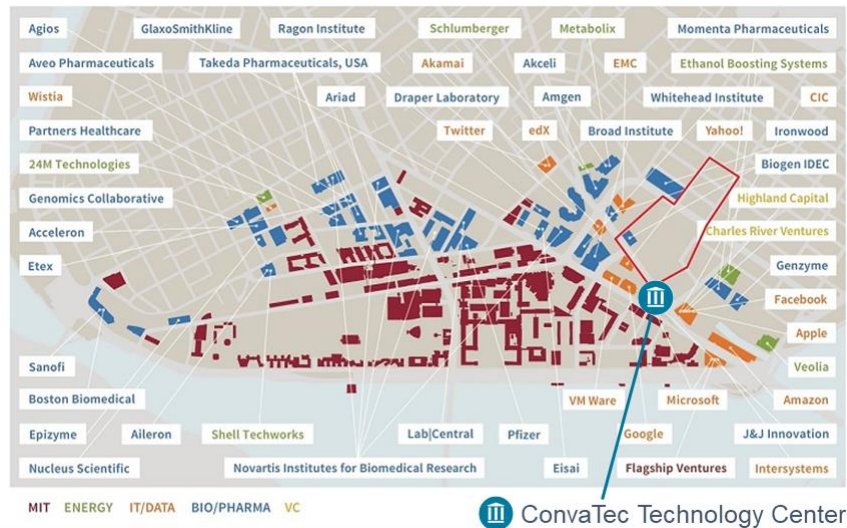


- Exiting markets and serving more markets indirectly

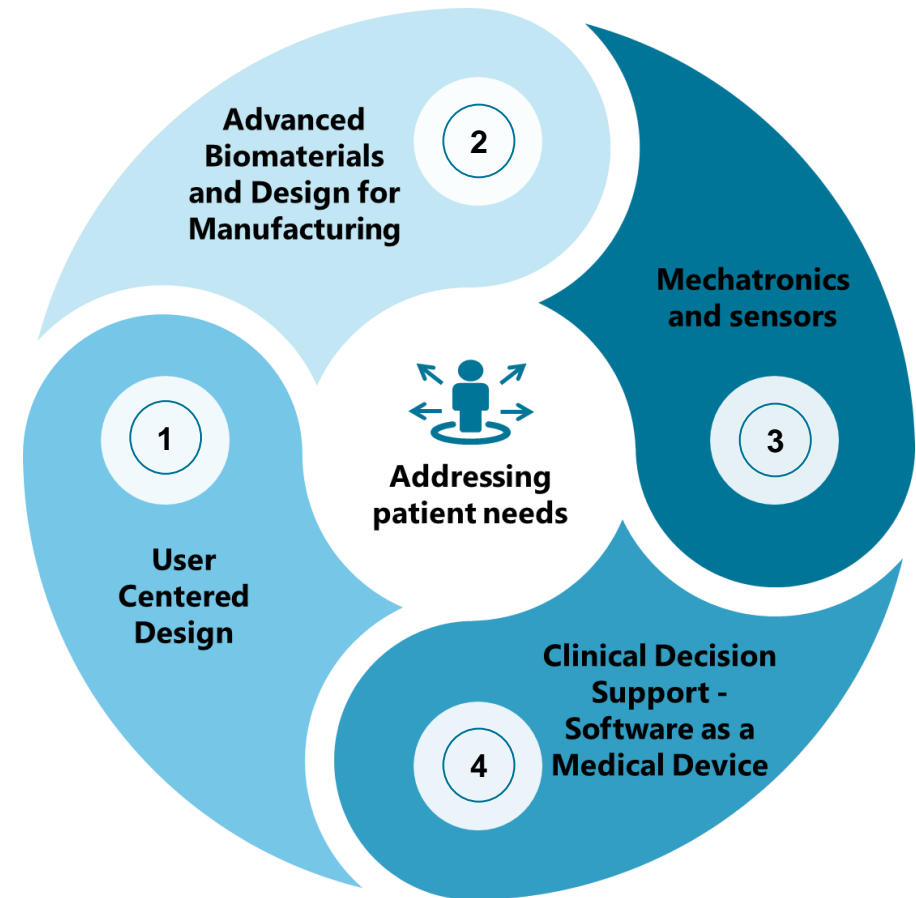
New ConvaTec Innovation Centre in Boston, USA

- Opened in Q1 2020; in addition to existing R&D centres in UK and Denmark
- Improves access to top talent and leading healthcare and technology partners, in key US market

Kendall Square, Boston Company Map

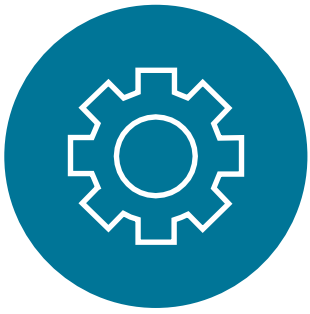


Building core platform capabilities



Global Business Services (“GBS”)

- Based in Lisbon, successfully went live in May
- Majority of recruitment and onboarding carried out virtually
- Starting to deliver improved service and efficiency in IT and finance





Salesforce Excellence

- Areas of focus
 - Global CRM
 - Business analytics
 - Training
 - Incentives



Digital Marketing Innovation

WoundCon, Global Professional Education – May 2020



- Approx. 1,300 participants from more than 70 countries
- Benefits
 - Fast and efficient to deploy
 - Global reach
 - Measurable outcomes

Implementing over 100 initiatives across the value chain

- Measurable impact
- Instilling execution culture



Examples

Supply Chain cost reduction

- Reduced cost of foil packaging material 18%
- Annual savings of \$1.2m
- Improved storage, transportation and shelf life from 2, to 3 years



Digital Engagement - China

- Improved interaction with patients and HCPs
- Leveraging e-commerce, webinars, digital advertising, online patient support, and virtual congresses



Summary and Outlook



Solid first half performance

- Grew revenue and earnings
- Interim dividend declared in line with prior year



Steady progress with strategic transformation while responding to COVID-19 challenges



2020 outlook maintained: uncertainty due to COVID-19

- Constant currency revenue growth: 2.0% to 3.5%
- Constant currency adjusted EBIT margin: 16.0% to 18.0%¹

¹ A reconciliation of adjusted to reported results is in the appendix on pages 26 and 27

Q&A



Natura™ 



AQUACEL™ **Ag+**
Dressings

FoamLite™
ConvaTec

AQUACEL™ **Ag.**
Advantage

Avelle™

neria™


GentleCath™ **Glide**

ESTEEM™  *Flex* **Convex**



Appendix

Transformation investments and benefits

Now

Previously

Non-recurring investment

Total: c.\$210m

- Cost: \$145m to \$155m
 - \$30m to \$35m excluded from adj. EBIT
- Capex: \$60m to \$65m

Total: c.\$210m

- Cost: \$140m to \$150m
 - \$35m to \$40m excluded from adj. EBIT
- Capex: \$60m to \$65m

Recurring annual investment

c.\$75m pa by 2021

c.\$75m pa by 2021

Annual gross benefits

\$130m to \$150m pa by 2021

\$150m to \$170m pa by 2021

Strategic transformation investments and MDR costs

All figures in \$m	H1 2019	FY 2019	H1 2020	FY 2020
Non-recurring opex investment ¹	14	39	25	50-55
Non-recurring capex investment	-	23	12	c.30
Non-recurring adjusted items	-	4	6	20-25
Recurring opex investment ²	-	12	16	50-55
MDR ³	1	5	9	c.20

¹ Largely G&A

² Largely S&M

³ All R&D

Quarterly revenue performance

Quarterly reported revenues by franchise

	2019				2020	
\$m	Q1	Q2	Q3	Q4	Q1	Q2
AWC	130	142	148	151	132	119
Ostomy Care	120	133	132	141	128	124
C&CC	108	112	115	120	119	125
ID	73	71	68	63	81	80
Group	431	458	463	475	460	448

Values may not sum due to rounding

Quarterly revenue performance

Quarterly reported revenues by region

	2019				2020	
\$m	Q1	Q2	Q3	Q4	Q1	Q2
Americas	221	241	247	250	253	240
EMEA	177	181	180	186	175	172
APAC	33	36	36	39	32	36
Group	431	458	463	475	460	448

Values may not sum due to rounding

Exchange rate sensitivity

- ConvaTec's geographic profile can lead to transactional currency impacts.
- We monitor key rates against the US dollar.
- 30th June 2020 spot rates would indicate a \$6-7m gain on revenue and negligible impact on adjusted EBIT compared with average FY19 rates

	FY 2019 Average	FY 2019 Closing	Spot @ 30 Jun. 2020	Sales Sensitivity¹ \$m	Adj. EBIT Sensitivity¹ \$m
Euro	1.12	1.12	1.12	4.1	2.1
GBP	1.28	1.33	1.24	1.6	(1.6)
DKK	0.15	0.15	0.15	0.3	(0.7)

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

Reconciliation of 2020 reported earnings to adjusted earnings

Six months ended 30 June 2020	Revenue \$m	Gross profit \$m	Operating costs \$m	Operating profit \$m	Finance costs, net \$m	Non- operating expense, net \$m	PBT \$m	Taxation \$m	Net profit \$m
Reported	908.0	491.6	(378.6)	113.0	(26.3)	(5.2)	81.5	(22.4)	59.1
Amortisation of pre-2018 acquisition intangibles	—	53.3	9.1	62.4	—	—	62.4	(4.9)	57.5
Termination benefits and other related costs	—	—	6.4	6.4	—	—	6.4	(1.2)	5.2
Total adjustments and their tax effect	—	53.3	15.5	68.8	—	—	68.8	(6.1)	62.7
Adjusted	908.0	544.9	(363.1)	181.8	(26.3)	(5.2)	150.3	(28.5)	121.8
Software and R&D amortisation				3.9					
Post-2017 acquisition amortisation				1.0					
Depreciation				29.2					
Write-off of property, plant and equipment				0.3					
Share-based payments				7.2					
Adjusted EBITDA				223.4					

Reconciliation of 2019 reported earnings to adjusted earnings

Six months ended 30 June 2019	Revenue \$m	Gross profit \$m	Operating costs \$m	Operating profit \$m	Finance costs, net \$m	Non- operating expense, net \$m	PBT \$m	Taxation \$m	Net profit \$m
Reported	888.9	459.2	(365.6)	93.6	(32.1)	(0.2)	61.3	(16.8)	44.5
Amortisation of pre-2018 acquisition intangibles	—	61.7	8.5	70.2	—	—	70.2	(5.1)	65.1
Termination benefits and other related costs	—	—	1.4	1.4	—	—	1.4	—	1.4
Total adjustments and their tax effect	—	61.7	9.9	71.6	—	—	71.6	(5.1)	66.5
Adjusted	888.9	520.9	(355.7)	165.2	(32.1)	(0.2)	132.9	(21.9)	111.0
Software and R&D amortisation				4.7					
Post-2017 acquisition amortisation				0.5					
Depreciation				28.2					
Share-based payments				6.1					
Adjusted EBITDA				204.7					