

ConvaTec Group Plc**Trading update for the three months ended 30 September 2020****Good Q3 performance and ongoing strategic progress****Key Points:**

- Q3 Group reported revenue of \$493 million was 6.5% higher year on year; up 5.6%¹ in constant currency.
 - Driven by significant growth in Infusion Care, continued strong growth in Continence & Critical Care, an improved performance in Advanced Wound Care and a flat performance in Ostomy Care.
 - COVID continued to drive less predictable demand, particularly in Advanced Wound Care and Critical Care, although underlying customer demand for the Group was encouraging.
 - Revenue for 9 months to 30 September 2020 was up 4.8% in constant currency.
- We continued to progress our transformation initiatives as we pivot to sustainable and profitable growth and implement our FISBE (Focus, Innovate, Simplify, Build, Execute) strategy.
 - We proactively chose to defer a further c.\$10m of recurring transformation investments to 2021 given the ongoing COVID backdrop.
- Operating expenses continued to benefit from temporary COVID-related cost reductions; this is expected to phase out in due course.
- Better than expected Q3 performance has enabled us to revise our 2020 full year guidance¹:
 - We now expect to be towards the higher end of our constant currency revenue growth range of 2-3.5%.
 - We do not currently anticipate Q4 year-on-year revenue growth due to the impact of the skincare business disposal, challenging 2019 comparatives together with increasing uncertainty linked to rising global COVID infection rates.
 - We now expect our constant currency adjusted EBIT margin to be between 18.5-19% reflecting, in light of COVID, the proactive deferral of some recurring transformation investments into 2021 and certain operating expenses continuing to be lower, coupled with some operational gearing.

Karim Bitar, Chief Executive Officer, commented:

“We delivered a good trading performance in the third quarter. We continued to respond well to stronger than anticipated customer and patient demand, particularly in our Infusion Care and Continence and Critical Care businesses. We now expect to deliver revenue growth at the higher end of our guidance range and to exceed our previous margin guidance for 2020.

“Throughout this COVID pandemic our priority has been, and remains, to support and protect the patients and care givers we serve and our employees. I want to thank our people for the dedication and resilience they are showing during these demanding times. I am proud of how the business has reacted to the challenge, responding to the heightened needs of our customers and successfully improving the strength of our supply chain. This has been achieved whilst also executing on our transformation initiatives and embedding the new operating model. Notwithstanding our decision to proactively defer some additional investments to 2021, I am pleased with the strategic progress we have made.

“There is still significant work ahead of us as we pivot to sustainable and profitable growth, but I am confident in ConvaTec’s long-term growth prospects.”

Revenue summary

	Q3 2020 Reported \$'m	Q3 2019 Reported \$'m	Reported growth %	Constant currency growth ¹ %	9 months constant currency growth ¹ %
Advanced Wound Care	149	147	0.8	(0.6)	(3.3)
Ostomy Care	132	132	0.4	0.1	2.1
Continence & Critical Care	124	115	7.7	7.2	10.0
Infusion Care	88	69	28.2	26.7	17.2
Total revenue	493	463	6.5	5.6	4.8

Constant currency growth %	Q1 2020	Q2 2020	Q3 2020	9 months 2020
Advanced Wound Care	4.5	(13.2)	(0.6)	(3.3)
Ostomy Care	9.5	(2.7)	0.1	2.1
Continence & Critical Care	10.9	12.0	7.2	10.0
Infusion Care	12.6	12.6	26.7	17.2
Group	8.9	0.0	5.6	4.8

Advanced Wound Care revenue of \$149 million increased 0.8% on a reported basis and declined 0.6%¹ in constant currency. Although still down, this was a better than expected sequential improvement from Q2. The business saw continued strength in Latin America, progress in certain Asia Pacific markets and improved performance in certain European markets coupled with beneficial phasing. In the US, a rebound in elective surgeries resulted in surgical revenues growing however, the chronic care segment remains challenging as COVID continues to inhibit activity in the community setting.

Ostomy Care revenue of \$132 million increased 0.4% on a reported basis and 0.1%¹ in constant currency. Good growth in Global Emerging Markets, in both Latin America and key Asia Pacific markets such as China, was offset by continuing challenges in certain European markets and the US and the planned rationalisation.

Continence & Critical Care revenue of \$124 million increased 7.7% on a reported basis and 7.2%¹ in constant currency. As expected, we saw some moderation in growth from Q2 although demand for Critical Care products remained strong. Our Home Services Group in the US continued to achieve good growth.

Infusion Care revenue of \$88 million increased 28.2% on a reported basis and 26.7%¹ in constant currency driven by the increased use of our innovative infusion sets by diabetes patients. We have added capacity to respond to strong demand. Some of this demand is due to our customers building resilience in their supply chains although the primary driver is our leadership position in serving the fast-growing "smart glycemic control" segment of the diabetes market.

Transformation

Progress with implementation of our strategic transformation has continued at pace.

We completed the skincare disposal at the end of Q3 and have continued the transition of our financial processes to our Global Business Services Centre in Lisbon. We have continued to build talent in the organisation and welcomed new leadership including Evelyn Douglas who is joining us from Becton Dickinson as the new Chief of Corporate Strategy & Development and will be part of the ConvaTec Executive Leadership Team.

As previously highlighted given the persistence of COVID, we chose to modify the phasing of some transformation investment. We now expect an additional c\$10m of recurring investment to be deferred to 2021 such that full year recurring transformation investment for 2020 is expected to be c.\$40-45m down from \$50-55m communicated at H1. The other elements remain broadly in line with earlier guidance³. Our guidance on the range of annualised gross benefits remains unchanged⁴.

Outlook

We have revised our full year constant currency revenue guidance and now expect to be towards the top end of the 2-3.5% growth range. We do not currently anticipate year on year revenue growth in Q4 due to the impact of the skincare disposal, challenging 2019 comparatives coupled with the uncertainty arising from increasing COVID infection rates.

We now expect our constant currency adjusted EBIT margin to be between 18.5-19% reflecting, in light of COVID, the proactive deferral of some recurring transformation investments into 2021 and certain operating expenses continuing to be lower than expected, coupled with some operational gearing.

Footnotes

(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) Previous 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.\$50-55m of non-recurring cost investment associated with the transformation, \$50-55m of recurring transformation investment and c.\$18m of costs related to MDR.

(3) Previous expectations of non-recurring transformation investment for 2020 of \$105-110m: c.\$50-55m of operational costs (largely opex), c.\$30m of capex, \$20-25m of cost items to be excluded from adjusted EBIT, in line with our policy. In addition, recurring transformation investment of \$50-55m.

(4) Annual gross benefits in 2021 expected to be between \$130-150m.

Foreign exchange rates

	Q3 2020 Average	Q3 2019 Average
USD/GBP	1.31	1.23
USD/EUR	1.18	1.11

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014

Investor and analyst audio webcast

There will be an audio webcast for investors and analysts at 8:30am GMT, 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 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

Forward Looking Statements

This document 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 document 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 document.