ConvaTec

Transcript

Karim Bitar: How's everybody doing? Quiet room guys. This is in person. We got lots of folks connected here virtually, but we got lots of folks here in London, all gathered together. Super excited to see some live faces and some smiley faces. I hope we fed you some good breakfast this morning. Some folks highlighted that they were getting a free breakfast. That's why they decided to join us.

Karim Bitar: I'm hoping that by the end of the session, you might conclude there results of some value in interacting with us beyond the good bacon sandwiches. But anyway, look a really warm welcome to everybody. It's wonderful really to be here in person. And what I wanted to go ahead and do today was to try to provide you with a little bit of an overview, along with Frank, in terms of how in 2021, we delivered both strong financial performance and strong strategic performance.

Karim Bitar: And so, we'll go through that. But before moving to that, I really would be remiss and not highlighting that this will be Frank's last time for him to go ahead and share Convatec's results. And so, I want to make sure that I really thanked Frank for his tremendous leadership, for all the contributions he's made to help Convatec frankly, pivot to sustainable and profitable growth. And he has been invaluable to me, frankly, onboarding me. I've been with the company a little bit over two years. And so, if you're okay, I'd like to give him a round of applause. So Frank, thank you very, very much.

Karim Bitar: Having said that I also would be remiss in not highlighting to you that we have a special guest, in quotes, here in the room. But we have our new CFO, Jonny Mason who's a very seasoned CFO, lots of experience. I'm very, very excited to be working with Jonny. I know he's super excited to be rapidly engaging with us and he's here in the room today. So, Jonny, if you want to stand up, maybe. So, Jonny's here in the room for everybody who's dialing in virtually or connecting virtually, but for all of you who are here in person, you'll have a chance maybe to get acquainted with Jonny. And I'm sure all of us will hear in due time, but welcome on board Jonny.

Karim Bitar: At this point, what I'd like to go ahead and do is to share with you, what are some of the key themes or topics that we're going to cover. I'm just getting my clicker to move. Here we go. I think it's working, Kate, thank you though. Kate's trying to help me out there in the background.

Karim Bitar: So really four key themes or topics we're going to cover here today. The first one is we had good financial performance in 2021, and Frank will walk you through the numbers and answer any questions you may have on that topic. Two, I think it's important to highlight to you that in terms of these strategic transformation investments, they are largely complete, and they're starting to already pay off. And we'll talk more about that. And frankly, bodes very, very well in terms of our future prospects.

Karim Bitar: Thirdly, I'll pick up the baton and try to focus on how have we strengthened our competitive position. And we'll talk quite a bit about that. And lastly, we'll conclude with how we have attractive growth prospects. So those are the four key themes that we'll cover today. And at this point I'm going to pass the Baton onto Frank who's really going to cover points one and two. Frank it's all yours.

Frank Schulkes: Thanks, Karim. And good morning. Thank you for joining us today. As Karim set out, I'll take you through our 2021 financial results in more detail. A year in which Convatec made good progress. Starting with our highlights on slide six, we achieved a good financial performance across the group in 2021 as we continue to execute our strategy. Group revenue was just over $2 billion, increasing 7.6% on a reported basis, or 5.8% on a constant currency basis.

Frank Schulkes: And this strong revenue performance was slightly ahead of guidance. Our adjusted operating profit rose 3.3% to $362 million and was up 5.4% in constant currency. Our adjusted EBIT margin at actual FX was 17.7% or 18.4% on a constant currency basis, which was in line with our guidance and similar to last year's margin. There are a number of moving parts within the margin performance, which I shall cover shortly. Diluted adjusted EPS rose more than 8% to 13 cents supported by reduction in net finance expense and a lower effective, adjusted tax rate of 15%.

Frank Schulkes: This lower rate was driven by several one-offs and our guidance for 2022 is 18% to 20% for the ETR. We are recommending a final dividend of 4.154 cents to bring full year dividends to 5.87 cents up 3%. And this is the first dividend increase Convatec has proposed since being a listed entity and reflects the board's confidence in our future prospects.

Frank Schulkes: We generated $270 million of adjusted free cash flow with cash conversion of 72%. And I'll share more detail on this later as well. Finally, the balance sheet remains robust with leverage at 1.9 times net debt to EBITDA, slightly lower than last year. Moving to slide seven, where you can see the key drivers of our 5.8% constant currency growth rate during the year. All of our product categories contributed positively. In advanced wound care revenues rose 5.5%, but this was moderated by the 19 million headwind from the disposal of the US skincare product lines at the end of Q3, 2020.

Frank Schulkes: Continence and critical care grew 7.9% and adjusting for the Cure acquisition organic growth was 2.1% with good growth in continence care, offset by flat performance in critical care as demand for ICU products declined as the year progressed. Ostomy care growth was 1.7% with approximately 100 basis points of revenue, headwind driven by plant contract and product rationalisations.

Frank Schulkes: Finally, infusion care achieved 9.6% growth in the year with a continued strong performance in the automated insulin delivery segment. Reported revenue rose 7.6% for the group reflecting approximately 180 basis points of foreign exchange tailwinds. And the organic revenue growth was 5.3% with the contribution from the acquisition of Cure Medical, more than offsetting the disposal of the US skincare product lines. Moving to page eight, our wound care revenues were $592 million in 2021. And if we exclude the impact of the skincare disposal, the business was up 9.2% on an organic basis.

Frank Schulkes: A strong performance was anticipated given the weak COVID, depressed comparative. We achieved strong growth in all regions, particularly in our global emerging markets. And this reflects better commercial execution overall, coupled with improving trends in elective surgeries and access to clinicians in Europe and North America, as COVID normalises. If we adjust for the COVID impact and other one-offs such as phasing, we estimate that underlying growth was 4% to 4.5%. Growth was more moderate in the second half, given the relatively tougher comparatives, coupled with a dip in elective surgeries in the fourth quarter, and some challenges in global logistics and the supply chain.

Frank Schulkes: Elective surgeries have been rebounding in 2022 and we've made a strong start in the first couple of months of the year. As we look forward to 2022, we expect continued momentum in our wound business. Although growth will be more moderate, given more normal comparatives. Our continence and critical care business delivered $543 million of revenue.

Frank Schulkes: This included contribution from the Cure Medical acquisition, which completed in March as well as Patient Care Medical. The integration of both is progressing well and delivering as expected. Organic revenue growth of triple C overall was 2.1%. And within this, our continence care business grew 3.1% on an organic basis to $387 million with continued good growth at our home services group supported by strong growth in our GentleCath product portfolio.

Frank Schulkes: Lower new patients starts across the segment during the pandemic had a moderating impact on 2021 growth. Although the NPS gradually recovered during the year and has now returned to pre-COVID levels. Critical care revenues reflect in 2021 at $156 million. And from Q1 onwards demand for our ICU products began to decline. This trend was expected although the waves of new COVID variants resulted in more robust demand than we had originally anticipated. Looking forward to 2022, we expect a slight improvement in growth with more significant declines in critical care, more than offset by an accelerating performance in continence care.

Frank Schulkes: Moving on to slide nine, the infusion care business delivered another strong year with revenues growing nearly 10% to $357 million. The performance continues to be driven by strong demand for our innovative infusion sets, which are a core element of the growing automated insulin delivery segment of the diabetes market. This was supported by good growth in non-diabetes infusion care, albeit off of a very small base.

Frank Schulkes: The order phasing was, as usual, uneven and resulted in the second half, delivering our largest half on record of $182 million. We're confident of another year of strong growth in '22 and are focused on expanding capacity to ensure we capture the attractive growth available. Following the successful launch of the extended wear infusion sets in Europe we look forward to the launch in the US in 2022, the timing of which will be determined by our partner Medtronic. Finally, our ostomy care business achieve $543 million of revenues up 1.7% on a constant currency basis. This performance was moderated by approximately 100 basis points as a result of the SKU and contract rationalisation program.

Frank Schulkes: We saw a continued strong growth in Latin America and Asia Pacific supported by the government healthcare funding programs. While our performance in North America showed early signs of commercial improvement. These positive achievements were partially offset by declines in certain European markets, notably the UK, where we are restructuring our home care business Amcare. We have been implementing new software as well as rationalising unprofitable activities.

Frank Schulkes: Encouragingly for ostomy care overall, the Convatec products grew 3.4%. Looking forward to 2022 we expect growth to be similar to the 1.7% published in '21 with continued rationalisation headwinds of approximately 160 basis points. The rationalisation program will continue for the next couple of years as we look to stop manufacturing a further 300 plus SKUs, and the impact of these will continue to moderate growth. Moving on to gross margin on slide 10. Here, you can see a breakdown of the drivers and how we increased adjusted gross margin by 100 basis points to 60.5%.

Frank Schulkes: We delivered approximately 250 basis points of gross margin improvement through productivity initiatives and price and mixed benefits. This more than offset the negative foreign exchange impact of 20 basis points and the inflation in cost of goods sold. On the next slide I thought it would be helpful to provide some insight into our cost of goods sold and the inflation we experience in 2021.

Frank Schulkes: As you can see, the largest bucket is raw materials and third party products. The inflation in 2021 was approximately 2.5% rather than the normal circa 1.5%. The biggest driver of this was the increase in resin prices. Freight and logistics are a relatively small proportion of our cost of goods sold, approximately 5%, and relate to shipping raw materials in and sending finished goods to the relevant distribution centres. Here the inflation was approximately three times higher than normal.

Frank Schulkes: Finally, the last bucket of cost, approximately 40% of our cost of goods sold, relates to the conversion process. About half is labor cost. And in 2021, inflation was normal. Overall cost of goods sold inflation in 2021 was approximately 3% rather than the normal 1.5% to 2% with most of the uplift felt in the latter half of the year.

Frank Schulkes: Looking forward, we're mindful that the inflationary backdrop deteriorated as the year progressed and that it is likely to persist throughout 2022. Therefore, we think it's fair to assume that inflation could potentially more than double to circa 5%. This equates to approximately 125 to 150 basis points additional margin pressure, which we have factored into our guidance today.

Frank Schulkes: To mitigate this we're leveraging our pricing COE, enhancing pricing discipline, and looking at opportunities to pass through inflation. We're continuing to drive productivity and also increasing automation in the business. And although automation is not a quick win, this will over time deliver benefits. Finally, given the inflationary uncertainty we will be disciplined with our discretionary OPEX spend. Which brings me to the movement in OPEX as you can see here on slide 12. We have now largely completed our strategic transformation investments and have improved the overall balance of our OPEX.

Frank Schulkes: As you can see from the stack bars at the top, we have increased the proportion we spend on sales, distribution and marketing and on R&D, the levers for sustainable future growth. Our G&A increased slightly to 11.7% of sales. Although this figure does include over 100 basis points of non-recurring investments in 2021.

Frank Schulkes: If you recollect back in 2018, we highlighted the need to invest in the business, to drive sustainable growth. That year organic revenue growth was just 0.2% and the EBIT was declining. As you can see from the chart in the bottom left, our strategic investments are delivering as planned, and we have turned around that trend. Now growing organic revenue by 5.3% while EBIT increased 5.4% in 2021 in constant currency.

Frank Schulkes: Looking forward, as well as continuing to deliver sustainable top line growth we see strong potential to expand the margin to the mid-20s. We do expect to continue to invest in sales, distribution, and marketing, particularly as we support our new product launches and a new master brand. We also intend to continue to invest in R&D to support future growth. However, much of the rebalancing has already been achieved.

Frank Schulkes: We do think there is a material opportunity to further improve our G&A efficiency and expect that as a percentage of sales, it will reduce to approximately 7% over time. This will be supported by further gross margin expansion, as we leverage price mix and productivity improvements, for example, via automation. Finally, given the enhanced platform we have created, there is an opportunity to leverage as the business growth, both organically and inorganically.

Frank Schulkes: Moving on to slide 13. Here, you can see how we're using our cash flow to invest in future growth while also returning cash to shareholders. We generated just over $400 million of net cash from operations. This was approximately $100 million lower than the prior year with the increase in adjusted EBITDA being more than offset by a step up in working capital.

Frank Schulkes: Receivables increased given the revenue growth, we increased inventory levels to build resilience, and there was phasing of payments related to 2020 accruals and provisions. Cash conversion was 72% in 2021. And in 2022, it is expected to be broadly similar as we continue to invest for growth.

Frank Schulkes: Net interest paid was $13 million less than last year at $36 million reflecting lower interest costs on the group's borrowings while cash taxes were $59 million. We have continued to invest in the business for future growth. We spent $94 million on CapEx and $112 million on acquisitions of which $85 million related to Cure Medical and the remainder to the Patient Care Medical acquisition. Looking forward, we expect CapEx in 2022 to be between a hundred and $120 million. We paid $86 million of dividends to our shareholders and overall net debt at the end of the year was $881 million. As you can see on this slide, this reduction in net debt, coupled with the increase in adjusted EBITDA resulted in us reducing our leverage to 1.9 times, which is in line with our target of at or below two times net debt to EBITDA. Assuming regulatory approval, we could this year, spent 125 to $175 million on the Triad acquisition, the initial consideration plus the two potential milestones this year.

Frank Schulkes: It's worth noting that the timing of these potential payments would likely result in our leverage being above our target temporarily. We would expect to be around target levels by the end of the year though. During 2021, we also successfully issued ConvaTec's debut bonds. With the $500 million proceeds from these senior unsecured notes, we paid off some of our existing bank debt. This action diversifies our debt and extended our maturity profile from 2.2 to 4.3 years.

Frank Schulkes: Finally, on slide 15. Let me confirm the guidance for 2022. We now expect full year organic revenue growth of between 4% to 5.5%, with continued good growth in wound care, albeit against more normal comparatives. Modest improvement in CCC, a similar level of growth in ostomy care, and continued strong growth in infusion care.

Frank Schulkes: On the margin, we now expect a constant currency adjusted EBIT margin of at least 18%, with margin improvements through volume, productivity and mix, and lower non-recurring and MDR expenses, expected to offset the annualisation of last year's recurring transformation investments, and continued elevated cost inflation. Wrapping up the financial review, we've made good progress during 2021. The outlook for 2022 is positive, and a medium longer term potential is exciting. I'm pleased to be passing the baton to Johnny, with the company in much better shape than four years ago, and now on an improving trajectory. And with that, I'll hand back to Karim.

Karim Bitar: Thanks, Frank. Having trouble moving my slides here, if you're connected virtually. Let's try. Okay, here we go. Okay. Frank, thanks a lot for that. That was a very thorough and concise review of how we performed in 2021 from a financial perspective. What I'd like to do now is to really focus on, as we've made all these investments, and they're largely complete, what's been the benefit? How has it actually strengthened our competitive position? And how does it bode in terms of our future prospects? Thank you, Kate. Kate's helping me out here. Backing me up. I'll rely on you to move the slides then here, Kate.

Karim Bitar: Okay. Let's talk about our competitive position. When you think about our competitive position, what I'd highlight to you is that the first thing we've tried to do is to reconfigure our product portfolio. And we've been very deliberate about that. And we've gone ahead and used both inorganic and organic means to do that. On the inorganic side, what we said is, you know what? We are focused on four categories: advanced wound care, ostomy care, continence care and infusion care, and 12 geographies. And two of them are Uber important, USA and China. You'll consistently hear us say this. Four and 12, you can draw your matrix.

Karim Bitar: And as we thought about that, and we thought about our portfolio, we said, "How do we strengthen our position?" So, for example, in the area of continence care, we went ahead and acquired Cure Medical, continence care, USA. What did that do for us? It catapulted us to the number two position as a manufacturer in the USA. We were able to secure a complimentary product portfolio, strengthen our sales and marketing and distribution network in the U.S. And frankly, we're a formidable competitor now in the area of intermittent catheters in the USA.

Karim Bitar: Similarly, we had a very strong home service group, 180 Medical in the United States, significant market share, growing, but we wanted to strengthen it. So, we went ahead and acquired Patient Care Medical. And you might say, "Well, why did you do that? Was it just purely about critical mass?" No, it helps us build critical mass. We've got great service levels, but historically the 180 Medical team has really been focused on new patient starts. So, if I had a spinal cord injury for the first time, unfortunately, guess what? Then I would go ahead and maybe try to use the service and product offerings from 180 Medical, but these were new patients.

Karim Bitar: What we've done now with Patient Care Medical is they actually don't have any salespeople that cover and go into clinics and hospitals, it's all done virtually, inside sales, digital approaches. And for all those patients currently who are maybe using intermittent catheters, and they're not satisfied with their product or service, they have an incredible ability to be able to go ahead and grow our business. So hopefully you're getting a sense from an inorganic perspective, we're actually very thoughtful as to, where do we pursue these bolt-on acquisitions?

Karim Bitar: From an organic perspective, what do we do? Well, when we start thinking about organically, we reconfigure our portfolio by, for example, rationalising our portfolio. We start thinking, "Hey, can we go ahead and reduce the SKUs?" So, Frank alluded to that, and I'll talk to you more about that in ostomy care. And we've driven aggressively, and I'll give you more data.

Karim Bitar: And then we think from an inorganic perspective, not only is it inbound, but how could it be outbound? There may be some businesses that are low margin. They're not growing. We don't see growth prospects. And so, we divest them, like the skincare business, like the incontinence business. So, the first point I'm trying to make to use from a competitive position perspective, we are reconfiguring our portfolio organically and inorganically, inbound and outbound.

Karim Bitar: The second thing we said, "You know what? For us to be a successful med tech company, you got to have a strong pipeline." So, we've been investing heavily in R&D. And several years ago, we would only have about two products, new products ready to launch in the next 30 months. Today we find ourselves with a much richer pipeline across all categories. We're planning on launching eight new products, and I'll give you more colour around that here shortly.

Karim Bitar: So, you reconfigure the portfolio, you strengthen your pipeline, but then you got to execute. So, what have we been doing on the execution side? We've been strengthening our commercial execution, and I'll give you more colour to that. But also, in quality and operations, how do we make sure that we're a reliable and trusted supplier? And so, we've worked on quality.

Karim Bitar: And what you see here in this chart is the complaints per million. So, we literally track all the complaints that we get from consumers, from healthcare professionals, et cetera. And you can see there's a clear reduction of about 25% in the complaints per million. And I'll talk to you more later on as to how do we actually address that? How have we been able to actually do this? Okay?

Karim Bitar: So, as you see us reconfiguring the portfolio, strengthening the pipeline, executing better, you see this clear acceleration in top line growth. So hopefully you're getting a sense that our competitive position as a company is strengthening.

Karim Bitar: Next slide. How we got about doing this is by executing on our vision, pioneering trusted medical solutions to improve the lives we touch. That's our true north. And then executing on our corporate strategy, FISBE. This should be familiar to you. Focus, four categories, 12 geographies, very clear. Innovation. It's a lifeblood of being a successful med tech company. You got to have a strong R&D capability. We need to simplify the way we operate. We need to become more agile. We're working on this, and I'll tell you more about how we've been doing that.

Karim Bitar: Fourthly, you need capabilities. You need capabilities in quality, in sales, in marketing. So, you have to invest in building that muscle tissue. And then lastly, it's really important, I can't stress this enough, we've been really working hard on improving our execution. So therefore, our do say ratio increases. We say what we do, and we do what we say. Really, really simple. But let's see how we've executed on this FISBE strategy.

Karim Bitar: We're having trouble moving the slides. Some way, shape or form it moved. So, let's stay on focus. When we talk about focus, what's important to realise is that we've pursued acquisitions. I described to you already Cure Medical acquisition, and how that's really helped us position us to be the number two producer or manufacturer in the U.S. I've described to you already Patient Care Medical. And again, how that's enhancing our competitive position on the home service area.

Karim Bitar: We've also pursued partnerships. So, for example, with RLS, we've secured a partnership to go ahead and market and develop a debridement gel. It's a unique debridement gel. It's got some antimicrobial property. So, it's part of the wound hygiene approach. So, we're currently marketing in Europe, and then we're looking to develop it for the U.S. marketplace.

Karim Bitar: But interestingly enough on focus, not only have we tried to go ahead and focus on those categories organically and inorganically, but we've also invested heavily in the 12 geographies. And so, what you'll note is that in the 12 geographies, we've grown our revenues 7.9%. That compares to throughout the whole company, about 5.8%. So, where we're making our investments, organically, we're seeing accelerated growth. And I think it's important to highlight that. Next slide. No. Back one, please. Thank you.

Karim Bitar: In terms of focus, we've also tried to go ahead and ensure that we focus on the advanced wound care area. And we try to do that in the USA. So therefore, the acquisition of Triad Life Sciences. You might be saying, well, who is Triad Life Sciences? Triad Life Sciences is a U.S. biotech company. And what we went ahead and did was we said, "You know what? We really want to go ahead and enter the biologics wound care segment."

Karim Bitar: So, during the course of a couple of years, we've been analysing and assessing, do we want to do that by the allograft area, which would basically say human tissue, think of it that way, or xenograft animal tissue? We clearly wanted to be in xenograft. And we clearly wanted to be in porcine. And if we had more time, I'll tell you more about that, but it's actually quite thoughtful.

Karim Bitar: So, what's happened here is that we are entering a very large market, a $1.8 billion market segment that's growing high single digits. And we've been able to secure access to a highly differentiated product offering. It's basically a biologic medical device that this is basically porcine or pigs' placenta. And what's really cool about this placenta is that in essence it provides you with functional proteins and structural proteins.

Karim Bitar: And these proteins, the structural ones provide a skeleton or a scaffolding to help the healing of very difficult to treat wounds. And the functional ones actually help you from a regenerative medicine perspective. So not only are we securing a really exciting technology, but in addition, we're entering a very fast growing segment. But also, what I'd highlight to you is it allows us to leverage our capabilities. So, we currently in the U.S., for example, call on wound clinics. We call on hospitals. We'll be able to leverage that sales and marketing infrastructure.

Karim Bitar: So, it makes sense for us strategically, what about financially? Well, revenues are going to be accretive in year one. EBIT is going to be accretive in year two. And from an ROIC perspective, return on invested capital, exceeding our cost of capital, we anticipate that'll happen in year three. So, we're very, very excited about this opportunity. And again, you're getting the sense of how are we going ahead and focusing on those 12 geographies and four categories.

Karim Bitar: On the innovation front, what have we done? We've increased our investment. You'll notice that back in 2018, we were spending about $50 million roughly on R&D. Today we're spending close to a hundred million dollars, 95 to be precise. So, we've clearly are investing more. We're rebalancing our OpEx spend.

Karim Bitar: As a result of those investments, we strengthen our capabilities in product development, process development, clinical development, regulatory, under the leadership of one individual, one chief head of R&D, Dr. Divakar Ramakrishnan. And as we've done and strengthen these capabilities, we've made sure now that across all of ConvaTec, there's one single methodology we use to develop, scale up and launch our new products. And we call it IDEAL. Ideate is for I, D for develop, E for execute, A for approve. And then we go ahead and make sure we launch.

Karim Bitar: And what's important about this, it's a stage gate process where cross functional teams, for example, will review and assess, have we locked our design? Are we ready to scale up? Are we ready to supply the market? So, these gates, we review them. And I personally, frankly, get involved in that process. Okay? So again, this is new muscle tissue we're developing.

Karim Bitar: As a result of these efforts, we have a richer pipeline. This pipeline basically consists today of eight new, new products that we plan on launching during the course of the next 30 months. And if you'll notice, in 2022, we're anticipating launching four new of these products. The first one is GentleCath Air mail. So historically at ConvaTec, we've had a proprietary technology, which we call our field clean technology. And it's a third generation intermittent catheter technology. You might say, "Well, what does that mean practically, Karim? Help me understand."

Karim Bitar: Well, today, if you're using an intermittent catheter, think about this, okay, you're using an intermittent catheter, and you're having to go ahead and use it 4, 5, 6 times a day. Friction is bad. I think intuitively we can all understand that. Friction is really bad. So, you want something with very high lubricity. Today, typically, the intermittent catheter will have a coating on it, quite sticky, frankly, quite messy. Our field clean technology, what's really neat about it is, has embedded in it, proprietary additives in the plastic, in the polymer.

Karim Bitar: And it's basically, I'm going to use common language to say, it's basically there's no friction. So, we know that the performance is very strong, but we've never had it in a compact form, mascara alike. So, we're looking now to launch GentleCath Air, air meaning compact, here in 2022, during the course of the spring and summer. So, we're excited about that. B, we're going to be launching a NovaMatrix. This is the whole Triad area. So, the biologic medical device. Mio Advance. We're looking to go ahead and expand the launch of that in the U.S. We have already an FDA approval. This is an extended wear infusion set. Last up to a week.

Karim Bitar: If you have type one diabetes, and you're using an automated insulin delivery, you're always looking for a space area. Your skin often gets irritated. So, the fact that you can use an infusion set once a week versus once every three days is a really big deal from a clinical perspective. There is strong demand. We're getting positive receptivity in Europe. So, we anticipate strong demand.

Karim Bitar: And then ConvaFoam. This is the largest segment in the advanced wound care area. It's about a 1.6 billion segment. And we're strengthening our portfolio. How? ConvaFoam will have much better exudate absorption properties, and significantly better adhesion properties. So, I'm not going to walk through all of the eight new products. I'm trying to give you a sense that our pipeline is getting richer.

Karim Bitar: And frankly, what we're going to be doing is on May 17th, all of you will have an opportunity to spend some quality time with Dr. Divakar Ramakrishnan, our head of R&D, and will have a chance to review the eight new products, the new capabilities we're putting in place. So, I would welcome you and encourage you to join and attend that session if you want to learn more about how our new products are developing and coming along.

Karim Bitar: What about on simplify? What are we doing there? Well, we've been investing in GBS, Global Business Services. We've stood that up in Lisbon, and we're trying to streamline and improve processes. Things like purchase to pay, order to cash, and making good progress there. We're planning on expanding and leveraging GBS in the area of IT and HR during the course of 2022.

Karim Bitar: And in terms of rationalisation, we've already reduced our portfolio by about 25%. So, we were roughly at about 2,500. We're down to about 1800 right now. And as Frank alluded, we're going to continue to drive that rationalisation, and we anticipate reducing it by an additional 300 SKUs during the course of the next couple years. So, we'll have moved, fundamentally, from about 2,500, down to 1500.

Karim Bitar: Why are you doing that? You're getting these headwinds on the revenue side. Well, it's pretty simple. We want to make sure our very best offering is in the marketplace. We want to take out complexity from a cost and manufacturing perspective, and frankly that impacts our margin. So, it's the right thing to do. It takes some time to work through it. But we're simplifying the way we approach our business.

Karim Bitar: What about on capabilities? What are we doing on the capability front? On the capability side, which you'll notice is, we're investing, for example, in the Salesforce centre of excellence. But practically what did we do? Well, we rolled out a new customer relationship management system for the first time. Microsoft Dynamics 365 rolled out in North America, rolled out in Europe. And practically what that has allowed us to do is to clearly identify who are our A accounts, B accounts, C accounts, and ensure that from a frequency, from a call rate perspective, we're focused on the most important customers. So, this is what I talk about when I talk about commercial execution.

Karim Bitar: This year we'll be expanding the rollout throughout all of global emerging markets. And frankly, the users and the adoption is high. People like to use the system. It's helping them. Our salespeople, it's helping them be more effective in the field. If you then go to the marketing COE, what are we doing there? We're going to be refreshing the ConvaTec brand, the ConvaTec master brand. You'll hear more about that during the course of 2022, but we're excited about the refresh. And then, for example, on quality. We really focus on rapidly detecting if we have an issue. We have a dedicated leader, just focused on quality now, rapidly addressing the issue.

Karim Bitar: And you might say, well, how do you do that? Well, the issue could be related to design. So, we work with R&D, and we got to redesign the product, or frankly might be related to what's happening on the factory floor, on the assembly line, and we address that issue there. And so that's why you saw the complaints per million coming down. We're being proactive about this. We're making sure that we're living our vision, because we said pioneering trusted medical solutions. Trust. I got to be able to rely on you.

Karim Bitar: Not only are we leveraging centres of excellence in areas like sales and marketing and quality, but in addition, we're going ahead and investing in our people, making sure that we embed processes around, for example, consistent uses of performance management, or succession planning. In the area of succession planning, for example, we're very focused on diversity, equity and inclusion. And we're very committed to increasing the representation of women in leadership. We have about a third of our senior leaders today are women, our goal is by 2025 to be at 40% plus, and we're very much committed to doing that.

Karim Bitar: What about on execution? How are we doing on the execution front? Well, in an area like quality and operations, we keep on driving efficiency. So, for example, in the Dominican Republic, we've been working on scrap rates, and we've reduced the scrap rate there by about 15%.

Karim Bitar: What about in terms of our environmental record? What are you doing in terms of greenhouse gas emissions? Well, we reduced them again by over 8%.

Karim Bitar: In the area of professional education, we trained over 300,000 healthcare professionals last year. I mean, COVID, frankly, in a certain way, really drove this whole idea of the hybrid, the virtual approach and so as a result of that, we've been leveraging the ConvaTec Academy of Professional Education and we measure the impact we have on these healthcare professionals. Is it a positive experience, et cetera? And that's what we mean by the net promoter score being high.

Karim Bitar: On pricing, we also work on pricing. We have a Pricing Center of Excellence that we've set up, and we're taking much more of a hawkish approach, much more of a centralised control approach, setting floor prices, reviewing, discounting, et cetera. Historically, in the med tech industry, you would find that prices would come down roughly 2% per annum, ConvaTec would normally experience about a 1% price erosion per year. You can see here that last year, we were able to increase our price by about 50 basis points or half a percentage point. So, our do/say ratio is improving.

Karim Bitar: Let me try to gut and summarise at this point. I hope you're getting a sense that through the largely complete strategic investments we've stabilised the business, but not only have we stabilised the business, we've made important investments in foundational capabilities, which will serve us well for the future, and we've strengthened our innovation pipeline. So as a result of that, what's happening is we are pivoting to sustainable and profitable growth. I'm not going to use the past tense, there's still work to be done, but we are pivoting. There's clearly a shift, there's clearly movement here. Okay, next slide.

Karim Bitar: So, what about our prospects? We've made these investments, we're executing on Fisbee. We're more focused. We're more innovative. We're simplifying. We're building capabilities. We're executing. Well, look, we're competing basically in large markets. If you sum up the four categories, it's about 14 billion dollars worth. And these markets, in essence, are all growing at 4% or more. So, what we think is that we can go ahead, moving forward, grow our business sustainably in mid-single digits. We think it's reasonable and you should expect us to grow our business year in and year out between four to six percent.

Karim Bitar: Let's try to go ahead and conclude. In summary, what have we said today? First, 2021, we had a good financial performance, strategic transformation investments are largely complete. We are pivoting to sustainable and profitable growth. How are we doing that? We've strengthened our competitive position. Our growth prospects moving forward are attractive. And from an outlook perspective for 2022, we're planning on growing our revenues between four to five and a half percent organically. And in essence, we're saying, you know what, at a minimum, our EBIT margin is going to be 18% or more, right? So, I hope that gives you a sense of where we're at, but I would say in conclusion, from my vantage point, I'm definitely confident in terms of the growth prospects that ConvaTec has moving forward. So, on that note, thank you very, very much.

Frank Schulkes: Okay. We're opening it up for our Q&A now, can you please all use the microphones in your seats? You need to press the button and hold.

Karim Bitar: Just as we get ready to do Q&A, my guess is there's one question which is probably on a lot of people's minds, and so I'm going to try to proactively address the question, and then Charles we'll come right to you. Unfortunately, as we all know, there's a very dire and very sad situation right now occurring in the Ukraine, it's just a terrible situation. And so, when we think about that situation, what I wanted to share with you, first, is that in terms of our exposure as a company, it's very, very modest, okay? So, we have revenues of about 45 million dollars or approximately 2% of sales in Russia and Belarus. So, we don't actually have a commercial presence or a presence in Ukraine, but in these two neighbouring countries, right?

Karim Bitar: I think what's important to highlight about the situation is really two things, from a principle perspective, what are we trying to do? So as a healthcare company, as a medical technology company, we are very, very committed to providing access to our offerings, right? And so regardless of nationality, regardless of creed, regardless of race, we always strive to go ahead and provide access to patients all around the world, right? And we're going to continue to do that. We think that's the right thing to do, and that's what we've historically done.

Karim Bitar: Having said that I think there's also a humanitarian aspect to what's happening in the Ukraine, and so as a company we've decided to go ahead and be responsive to the situation. And from a humanitarian perspective, we will be contributing a million dollars worth of both money and frankly, product to the Ukrainian populace. So, we're actively working with non-government organisations such as the Red Cross to go ahead and direct those resources in that direction, but we feel that's the right thing to do. So again, we'll take all your questions, but I just thought based on what's happening in the world, and my guess was some of you may have had some questions on this topic, it was only appropriate that I try to address it proactively. Okay, let's open it up now more broadly. If you could just identify yourself, that would be helpful. And then Frank and I will try to answer your questions.

Charles Weston: Hello, Charles Weston from RBC. Three questions, please. First of all, in terms of the restructuring of your OPEX, obviously it's shifted a lot as you identified over the last few years, can you give us a sense of the number of people that you might be wanting to hire into your sales and R&D force over the next year and what that might do to expenses as a percentage of sales? Secondly, on GNA, you mentioned there was a non-recurring investment as part of your core EBIT last year, can you give us a sense of how much that might be this year? And lastly, you've mentioned in the past, you saw some tailwinds in LATAM and Asia Pacific from sort of particularly larger orders funded by governments there, can you give us a sense of what the contribution of that was and what the equivalent headwind could be this year? Thank you.

Frank Schulkes: Yeah. So, let's try to work through these. OPEX restructuring, number of people to hire, I think, and sales and marketing and R&D was the question, is that right?

Charles Weston: Right.

Frank Schulkes: Yeah. Look, I would say I don't expect any significant increases in terms of numbers, frankly. So that's what I'd say on both fronts, we're not going to disclose a specific number, I just don't think could be appropriate from a competitive perspective to do that. But fundamentally I think we're very more focused more on quality as opposed to quantity, if that makes sense. So, I don't expect major significant movement there. On the G&A question, maybe I'll let Frank try to answer that.

Frank Schulkes: Sure. So, this year we had, as we mentioned, over a hundred basis point impact in GNA. In total, our nonrecurring related to transformation was about 30 million in 2021, and we expect a very material reduction more than half of that will come down in 2022 of which a portion of that will stay in GNA. And think here about the comment that Karim made on expanding GBS, so there is going to be some non-recurring costs associated with that while we're expanding the capabilities and the scope of GBS. So, it's going to be materially lower, more than half lower than what it was in 2021.

Frank Schulkes: And then look on the LATAM comment, I really don't see the government spend having been a major factor. And so, in terms of potential headwinds for '22, I don't think that's frankly material. And now what I actually would say is, if you ask Karim, "What is your expectation for growth in global emerging markets, Latin America and Asia Pacific?" We grew a double digit in '21, I anticipate we'll grow at double digit in '22.

Charles Weston: Thank you. Just to clarify, sorry, everyone with their hands up, as a percentage of sales then for R&D and SG&A, you mentioned investing in a significant head count, could we expect to see even a slight operating leverage of those two investments?

Frank Schulkes: I think it's premature to comment at this point, Charles. I mean, I think we're really focused on doing what's right for the business, as opposed to taking the next quarter, semester, just to kind of make the lumbers look good, we're just not doing that honestly. So, our real focus is to pivot to sustainable and profitable growth. Because you know the history of the company as well as I do, and so I think it's really important that we do what's right by the business so you have a little bit of a longer time horizon so that we wouldn't have to go back each and every time and say, "Yada, yada, yada." Right?

Charles Weston: Thank you.

Christian Lenny...: I'm Christian Lenny from Steed Four. Firstly, just to talk a bit more about expectations on guidance for '22, and then the sort of out years as well. So, on the at least 18% margin, what are some of the sort of headwinds, tailwinds there that could mean that it tracks more materially high. I mean, a consensus is more high 28s to 19 currently today. And then moving to that mid 20 margin and getting G&A down to sort of 7%, some idea of the rate of that improvement, is it a five year target, some idea about how we get to that.

Karim Bitar: The million dollar question, right? I'll let Frank comment on the margin short term, and then I'll take the medium term outlook question.

Frank Schulkes: So, as we also laid out in the presentation, the clear tailwinds are of course, growing four to five and half percent, right? With four to five and a half percent, you get operating leverage, so that's an important driver of how we move forward. On top of that, we're managing price and mix, and we're managing price and mix a lot better than we did four years ago. We have good contribution from productivity programs, we talked a little bit about that. That has been a good contributor since we started the transformation in 2019 and every year has been helping get additional profit in the growth margin line.

Frank Schulkes: At the same time, of course we are experiencing elevated inflation. And we have explained that in 2021, the overall inflation was around the 3% mark, and given what we have seen in recent reports and translating that, and we baked that into our guidance, this could be sort of a 5% type inflation on cost of goods sold, and that is 125 to 150 basis point additional headwinds above sort of normal historical inflation on the EBIT line. So those are the key building blocks, how we're thinking about 2022, that leads to us being at least 18% in constant currency versus 17.7%. Again, I want to highlight that we clearly believe that the trough of margin was in 2020, 2021, and we're moving forward with an expansion of our margin starting in 2022.

Karim Bitar: Look, on the medium term question, as you know, when could you basically get to the mid 20s, two comments. I mean, A, we definitely stand by the mid 20s, I don't see anything structurally as to why we can't get there. So, it's really a question of timing as to how quickly can you get there. I think there's a fair amount of frankly, uncertainty just in general when you look at the outside context, so there's certain variables that we can influence. So clearly earlier is better, but I think we've sort of positioned it today and said, "Hey, medium, long term, we think we can get there." So, I think as you do your modelling, you do your assessments, I'm sure you'll come up with a base case, a best case and a worst case, right?

Karim Bitar: But we clearly know what we need to do, and so we're going to really focus on from a managerial perspective, what do we need to do? It's very clear to us, we need to continue to invest in R&D, we need to continue to invest in sales and marketing. Frankly, make sure that's productive, okay? It's not just spend. And then on the G&A side, we are very transparent with you in saying, "Look, there's a significant opportunity to drive that." And so frankly, moving forward, both myself and Johnny have our work cut out for us, right? I mean, if you think about it, you're roughly at 11, maybe there's a hundred non-recurring, that's still about 300... That's a fair amount of heavy lifting to be done. So, there's some work to be done, but we're committed to getting it done.

Christian Lenny...: Sorry, could I ask a follow up, my follow would be on infusion care, and just a bit more on the dynamics in that market?

Frank Schulkes: Sure.

Christian Lenny...: Some of the issues Medtronic's having, obviously you had a strong second half. But is it Tandem coming in... You're able to work more Tandem and also follow up on the timing of the extended wear product, and how much is that impacted maybe by Medtronic's issues today?

Karim Bitar: Yeah. So, look, I'll macro out. So, I think we're very well positioned and the end market's very attractive. So, let's start off with the end market, what are we talking about here? So, the end market is automated insulin delivery. So, the type 2 diabetes market, diet and exercise fails, oral medications fails, glucagon-like peptides don't work anymore, so I need to use insulin, right? So historically you'd have been taking multiple injections of insulin, subcutaneous and it should be going here, okay? So, I've got some fat tissue, that's where you'd go, that's what you'd do.

Karim Bitar: So, in automated insulin delivery, you're using a pump and an infusion set and a continuous glucose monitor, those three elements form the triad. That segment, because now you basically have the artificial pancreas where you can continually measure your blood sugar levels, and there are algorithms that automatically will say, "Dish out X number of units." You can keep your blood sugars very tightly controlled, which is amazing. The patient loves it because they can actually sleep through the night, they don't have to go ahead and urinate and get up in the middle of the night. The doctor loves it because you've got tight glucose control, you're not going to get all these complications of retinopathy and nephropathy, et cetera. And frankly, the payer likes it also because you're avoiding hospitalisation and complications. So that segment is clearly growing in high-single digits, and I anticipate it will continue to grow in high-single digits for a long time, right? And we can debate that more if you like, that's the end market.

Karim Bitar: We are the world leader in providing infusion sets, they're what you need, particularly when you have a durable pump being used to go ahead and administer that insulin. It's a lot of IP, there's a lot of manufacturing knowhow, yada, yada, yada. So, I would anticipate that our offering will continue to be very valuable to folks like Medtronic, Tandem Diabetes, Roche, but frankly, in other applications. So, for example, we're working in Parkinson's disease on levodopa and carbidopa, and I would anticipate you'll hear more about that on May 17th, how that's coming along, but we're making really good progress there.

Karim Bitar: So, I think the bottom line is that there are good growth prospects within diabetes and insulin. Outside, specific to Medtronic, which is a little bit your question, again, it's for them to comment publicly, but our sense is that they're working very hard on addressing any of the FDA issues. Our senses that they really value extended wear infusion sets, and so we're seeing that in the marketplace already in Europe. So, I would anticipate that during the course of 2022, we will be launching our extended wear infusion sets in collaboration with Medtronic in the US. Maybe we go to Veronica, just go to the lady first.

Veronica: Thank you so much, and three for me. One, you mentioned in the prepared remarks that you've restructured the UK home care business, I just would love to understand what you're doing, and what's happened and why you've taken that decision, and is this still core? That would be my first one. My second one is, obviously, Karim, 2022 is a big year in terms of product launches, curious if you can give us a little bit of what your expectations are for Conf Foam and for the male catheter in terms of what you'd consider a success or a failure when you think about market share? I guess not in '22, that's probably too soon, but '23 or '24, just so we can measure that return on that R&D spend that you've accelerated. And then my last question is a little bit boring, but just the ID print in the fourth quarter, any stocking or pull forward of demand? And if not, is that just the US launch or is there something else that's driving that really outsized growth in the fourth quarter? Thank you.

Karim Bitar: And the fourth quarter stocking, specific to IC? Infusion care was your question? Yeah. I might let Frank take that one and I'll take the next two, does that work, Frank?

Frank Schulkes: Yeah, yeah. Yeah, so we have not seen any specific stocking in Q4 driving that growth in infusion care. We've talked about this before, there is a level of, I would say, uneven division distribution between quarters. We prefer to talk about the growth on a six month, or in fact, in the case of infusion care, 12 months rolling. And if you look at 12 months rolling, it's a 9.6%, which sort of jives with the fact that this is a market that is growing very nicely. We're performing very well within that market with our differentiated product to portfolio. And we've said earlier in 2021, in fact, that we believe that this market can grow sustainably in the high-single digits. So, nothing specific, there was always some movement, but nothing material to point out.

Karim Bitar: Yeah. So, look on the UK MCare situation, pretty straightforward. Look, when you think about our ostomy care business today, the three largest markets in the world are the USA, the UK and Germany in that order. One of the largest and fastest growing markets is China. I'm just being simplistic here. The first thing we've said is, "Hey, we turn around the ostomy care business, we need to stabilise the business in the USA." That's exactly what we've done. We're very focused on new patient's charts; frankly, that business is now stabilised. We've improved our commercial execution there. We're working very closely with the home service group, or 180 medical in the US, to help support our efforts in ostomy care, that dog hunts, that's working well.

Karim Bitar: Next is the UK. What's happening in the UK? UK AmCare, by and large, is fundamentally an ostomy care home service entity. The vast majority of the product offering was non-Convatec product. Frankly, that's a problem. Second, the quality of service wasn't where we needed to be.

Karim Bitar: How do you improve service levels? Guess what? 180 medical has the recipe. They've got net promoter scores in the United States comparable to Apple and Walt Disney. Who's running AmCare right now? It's the same home service group. Seth Siegel runs that with his team.

Karim Bitar: What have we done? The first thing we did was we deployed a new software system to interface with physicians and payers and nurses, and it was quite tricky, frankly, in the course of the summer. You always have some trip ups, but now you can see that the service levels are significantly improving. We went from poor net promoter scores to even poorer, and now they've re-upped. We're doing pretty well, I won't say excellent, but you can see that. Same with the product offering, we need to make sure that we've got our very best offering from Convatec in that area.

Karim Bitar: It's a turnaround. It's the number two market. I anticipate that during the course of '22 and '23, we will go ahead and turn that around, and that positions ostomy care, then, for profitable and sustainable growth. That's the AmCare question.

Karim Bitar: On the launches, look, the way I think about the eight new products is not to focus today, at least, on hey, this one product is going to sell X or Y. The way to think about it is to say, look, do I believe fundamentally Convatec can grow 4-6% mid-single digits consistently and reliably? That's really the question. The answer is, we believe that I certainly believe that.

Karim Bitar: The eight products help underpin the confidence, because you need to have a stream of innovation. We'll have a chance on May 17th, I'm sure you'll join us, to talk more about the entire pipeline, but that's the way I would tend to think about it; is that hopefully as you think about your investment thesis, it gives you more confidence that it's sustainable. It's not a one or two year gig in terms of bumping up the revenues, but there's some sustainability to the story.

Karim Bitar: By the way, for all the folks that have connected virtually, we're also going to take your questions. I've got two more in the room, but please be patient with us. We haven't forgotten you. Graham.

Graham: Thanks. There we go. It's Graham from UBS. Just a follow-up on ostomy there. We're talking about new products, and obviously the combination of growth comes from new products and the service you're putting in. If you think of esteem, you flagged it in for the tail-end of next year. Do you think that's the final piece of the puzzle on ostomy to really get that growth, particularly in the US? Can you share any details about what might make that different? Then, just on service, you mentioned CRM and it's something you flagged before. I couldn't quite hear that properly, did you say that was your first CRM system, or the first rollout of this? If that's the case, what were you using before?

Frank Schulkes: Yeah. Okay. Let's just answer them both.

Frank Schulkes: I can do the CRM.

Karim Bitar: Yeah. I'm going to hand that to you. Why don't I have Frank handle the CRM one and then I'll comment on esteem.

Frank Schulkes: We had a hodgepodge of systems. That's basically the simple answer. In every region, we had something else somewhere homegrown, and what we mean with the CRM we have now, it's a globally consistent system that is rolled out in Europe and US. We see great engagement from the sales force. We see productivity metrics. We measure that, of course, now. We see the opportunity management utilised, and it's completely embraced by the sales version. That was very different in the past, and we're going to roll it out in the emerging markets in '22.

Karim Bitar: Look on the Esteem 2.0. Look, I think it's an important piece of the equation as we've been thinking about how do we turn around our ostomy care business? The first thing we really focus on is on improving our commercial execution in the key markets. That's well underway; some areas faster than others. The second thing we said is, you know what, as we go ahead and think about our current product offering, we need to work on quality.

Karim Bitar: You saw that our overall quality metrics have improved, but again, to be transparent, we've not moved the needle sufficiently in my mind on ostomy care; just being transparent. There's room for improvement there. Let's keep on coming back to that and work on that. Then, there is an element of, as you think about the mix, do we have the right product offering?

Karim Bitar: There is something that we had way too many dated products, a lot of complexity, so we're trying to tackle that head on. You see that with the SKU rationalisation. That's going to continue, we're open about that for the next couple years. Then, there is this element of new products you've got to refresh. I do think that as Esteem 2.0, the one piece, Convatec, is an important element in the jigsaw puzzle, but you need to get all of these four elements to work together in a consistent manner throughout your key geography. I'd say we're making progress in ostomy care, but its tough work, again.

Graham: Great. Thanks.

Paul: Thanks guys. It's Paul Gordon from the US. I've got two questions. You've called out, specifically, the performance in your top 12 markets, which I presume would be your direct ones, and a lot of markets you've exited, but I'm just wondering how your portfolio, more broadly, is shaping up for distributors in potentially non-core markets; whether you've got better brands now that other people are going to look to take on, and potentially look to sell for you, specifically Gunner-Europe?

Paul: Then, secondly, to what extent Triad is baked into your organic guidance, given that it's quite fast-growing and also your margin guidance for the year? Thank you.

Frank Schulkes: I'll take the last one?

Karim Bitar: Yeah. You want to take both, or you want...

Frank Schulkes: Well, let me start with the last one.

Karim Bitar: Okay.

Frank Schulkes: On triad, first of all, of course it's not closed yet, but we hope to close Triad pretty soon. It's a very exciting new platform we are entering into through Triad, and it's really a new and developing business. It will contribute, of course, in terms of revenue, we don't know yet exactly when it's going to close. The closing depends on how the contribution is going to be in 2022, but we're not expecting any EBIT contribution.

Frank Schulkes: In the grand scheme of things, we believe, from an EBIT margin point of view in this first year 2022, it's not really going to be material. There is going to be some impact, because there will be some revenue in all EBIT, but it's not in the grand scheme of things material, in relation to our 18% guidance or at least 18% guidance. Yep.

Frank Schulkes: Okay. Look, in terms of our portfolio vis a vis distributors, what I'd say Paul is, we don't fundamentally design our portfolio for distributors. It's fair to say that our portfolio is in the midst of getting stronger, and so that degree of differentiation, frankly, could be relevant to customers, or patients, or nurses on a worldwide basis, but there's no deliberate move in that direction. What I would say is in global emerging markets, we will look at global emerging markets, and if there are product portfolio offerings that are particularly relevant to 85% of the world population, then we do look at that more carefully. That's the lens that we look at it through.

Patrick: Hi, it's Patrick from America. I'll give you just one really quickly. The HSG and AmCare side, where the non-Convatec products declined, but Convatec grew, any commentary around what that was? Was that just the UK with the service side, or have you been successful maybe edging some of your competitors out, and encouraging people to use your own products through that side? Any commentary around there and what was happening there would be useful. Thanks.

Frank Schulkes: Yeah. Look, our basic philosophy is really captured in our vision. We talk about pioneering trusted medical solutions to improve the lives we touch. First and foremost, we're always going to do what's best and right for the patient. If you look at our home service group in the US, and if you look at it in the intermittent catheter category, there's a substantial amount of product that is not ours, that we are supporting and servicing. That's a positive thing. It's a positive thing, frankly, for the patients, for the nurses, for the manufacturers that are working with us, and frankly for us. We respect that relationship. We value that relationship.

Karim Bitar: In the ostomy care side, again in the US, and 180 medical, it does not make sense, frankly, economically to do that. That's clear to all the participants. On the 180 medical side in the USA, if you ask me in continence care, it's basically all common [inaudible 01:09:51] product to keep it simple. What's the story, then, on AmCare, because that was the other area you were trying to probe before? It's fair to say that in ostomy care in the UK, the vast majority was non-Convatec product, and the service levels were very modest.

Karim Bitar: That begs the question, okay, what do you do? You can say, I just don't want it, or is it an opportunity? Our view, my view is, look, the UK is the second largest market. We've got some really good product offering, because frankly we're growing our business in Latin America. We're growing our business in places in Asia-Pacific. We're growing our business in Italy, Poland, et cetera, why can we not grow in the UK?

Karim Bitar: Why don't we try to improve our service levels? Personnel, leadership, software systems, and offer our great Convatec products? That's exactly what we're doing. Why are we doing that? Ultimately to provide a better quality service and offering to patients, and nurses, here in the UK. That's what we're up to.

Frank Schulkes: Please.

Craig: Hi, good morning. It's Craig from JP Morgan. Most of mine have been asked, but just one clarification on the guidance; constant currency, EBIT margin guidance? I'm wondering whether you could give some indication of the FX impact to the margin, please?

Craig: Yeah. Based on spot, yeah.

Frank Schulkes: Well, that's different every day, so I can give you what we think it is now. But again, if you ask me a couple of days from now, the number will be different. Take it for what's worth. In terms of top line, if we would translate today, we would probably have a pressure of 250 bps. However, if you then go to the bottom, and you think about EBIT margin, currently, we think it's about a 20 bps increase. So, the 18 would become 18.2 in what we think it is today, as I said, very volatile.

Karim Bitar: I'm just sensitive to... Do we have any questions from folks that are connected virtually? Kate, you can help us out, great.

Frank Schulkes: Okay. Okay. I'm not sure if it's being transported physically, or digitally. We're here in an auditorium by the way, UBS's auditorium, if anybody's wondering.

Kate: If you wish to ask a question over the telephone line, please signal by pressing star one. We will take our first question today from Harrison Alwakeel of Barclays. Please go ahead.

Harrison Alwake...: Thank you for taking my questions. I have a couple, please. Firstly, Karim, you talked about strengthening competitive position, and it's increasingly clear from your financial performance today. Could you run us through your assessment of the segments, and where you think you've stabilised share, where you think there's more to do, and where you think you might actually be gaining some share, and if there are any significant regional differences around this?

Harrison Alwake...: Then secondly, on compact catheters, could you talk a little bit about the opportunity in the US, versus that of Europe, given the strength and distribution that you have in the US, do you need to build out a capability in Europe, and could this be more inorganic versus organic?

Harrison Alwake...: I also note from the slides that the female catheter launch has been pushed to 2023. If you could talk us through why this is, and if indeed any of these compact catheter launches are likely to be telescopic? Thank you.

Frank Schulkes: Yeah. Let's just start off with the four categories. It's fair to say that in infusion care, the end market's attractive, growing high single-digit, we have strong differentiation. We're going to continue to lead in that area. Our challenge right now is frankly keeping up with demand. When you see our capital expenditures being in the hundred million dollar plus arena, a lot of that's going into quality and operations, and automation to go ahead and meet demands and to build resilience in our supply chain. That business is a good business. I'd say a very good business, actually. We just need to keep on diversifying the applications in which our infusion sets are used. There's opportunity to do that.

Karim Bitar: Advanced wound care has clearly strengthened its position, commercial execution strong on a global basis, North America, Europe, global emerging markets. In places like Europe, we're definitely growing share, clearly growing share in emerging markets, and improving our performance in the USA; I'd say a generally positive picture.

Karim Bitar: With the Triad acquisition, that bodes well for us in terms of being able to leverage our commercial infrastructure, leverage our development capabilities, and frankly, create a beachhead in the regenerative medicine space or arena. That's all positive there.

Karim Bitar: In the area of continence care, we've got a very strong presence in North America, both now as a manufacturer, and as a service provider, clearly the Cure Medical acquisitions helped us with that. Frankly, our teams and Cure are working very, very well together, so I'm very pleased. Year post, we just assessed frankly, how the integration had gone. I'd say lots of green lights. Clearly our presence in Europe is a lot more modest. There, we're looking to frankly, build out our capabilities. In these categories, you need to work very closely with patients, and consumers, and the healthcare providers, and so as we have stood up our marketing centre of excellence, I think that's creating opportunities for us to be a lot more effective and efficient in working directly with consumers. We'll be able to get more in time and give you more examples of how we're doing that.

Karim Bitar: That's an important element. I don't think that necessarily it's going to require significant M&A activity to build out that commercial infrastructure, but we are building it out. That's frankly reflected, also, in our outlook statement as to where our investments are. They made the comment before, we're going to be investing in marketing and sales. That would be one area, for example, would be European commercial.

Karim Bitar: Is there an opportunity for compact catheters in the USA? The short answer is yes that segment is significantly smaller than the European context, for a variety of reasons which we could get into, but it's a rapidly growing segment in the USA. We do see the opportunity for our GC air, male and female, to be utilised in the USA. That's an important, and attractive, opportunity for us.

Karim Bitar: In terms of GCR male and female, we need a full portfolio. As you may recall, historically, we had looked at launching these products earlier. They weren't ready for launch; just going to call a spade, a spade. What I mean by that from a design perspective, from an ability to scale it up and be cost competitive. You're making high quality, high volume consumables here. Frankly, the GC air female required a significant redesign, which we feel very good about. That's why you see the timelines the way they've been positioned at this point in time. I hope I answered your questions, Hassan.

Harrison Alwake...: No, no, that's helpful. Are you able to give any colour on whether any of these catheters are likely to be telescopic?

Karim Bitar: I prefer not to comment right now, for competitive reasons. Let's just say that the feedback that we've got, and received, both from healthcare providers, and from consumers, I'd say is very positive.

Harrison Alwake...: Okay, perfect. Then, if I can squeeze one more in on the top line guidance and your confidence here. I mean, we've been accustomed to conservatism from you on the top line recently. I'm wondering where you could potentially see some upsides to the top line?

Karim Bitar: I mean, look, the reality is we all try to build our forecast. There's a fair amount of uncertainty. For us, what's important is, let's just deliver, honestly? Things are improving, but I want to also give fair balance. There's still a fair amount of work to be done. It's important to acknowledge that. Could you build scenarios? You could. Could you build scenarios in the other direction? You probably could also. Let's just stay grounded right now and focus on delivering.

Harrison Alkwak...: Thanks a lot.

Kate: As a quick reminder, if you wish to ask a question over the phone, please signal by pressing star one. We will pause for just a moment to allow everyone an opportunity to signal.

Frank Schulkes: Any other questions here in the room?

Kate: As we have received no further telephone questions, I would now like to hand back the Karim for any closing remarks.

Karim Bitar: Okay. Super. Look, I just want to say a big thank you to all of you who participated both virtually and in person. We really appreciate all the interest that you've shown in Convatec. Stay tuned. As we've said, we're very, very committed to pivoting to sustainable and profitable growth, and we'll be in touch. Thank you very, very much, and have a wonderful day.