



Trading Update for the three months ended 30 September 2019

30 October 2019 (LSE: CTEC)

Trading in the third quarter for ConvaTec Group Plc (“the Group”), a leading global medical products and technologies company, was in-line with management expectations and full year guidance remains unchanged.

Key Points:

- Group revenue for the three months to 30 September 2019 was \$462.9 million, 2.4% higher on a reported basis and 4.6%¹ higher on an organic basis compared with the prior year, in part reflecting the benefits of some short-term tailwinds. For the 9 months to 30 September 2019 revenue was \$1,351.8 million, a decline of 1.6% on a reported basis due to foreign exchange movements, but growth of 1.5%¹ on an organic basis, compared with the prior year.
- Franchise Q3 summary:
 - Advanced Wound Care: organic growth of 3.6%¹ was driven by our silver portfolio, in particular AQUACEL™ Ag+, and foam, whilst distributor inventory movements provided a short-term tailwind which will partly reverse in Q4;
 - Ostomy Care: organic growth of 3.0%¹ reflected a solid underlying performance against a weak 2018 performance;
 - Continence and Critical Care: organic growth of 8.0%¹ was flattered, as expected, by a weaker prior year comparator due to the packaging recall, along with continued growth in our Home Distribution Group (HDG);
 - Infusion Devices: organic growth of 4.3%¹ reflected a weaker prior year comparator.
- Transformation Initiative on track.
- FY 2019 guidance unchanged.

	Q3 2019 Reported \$'m	Q3 2018 Reported \$'m	Q3 Reported growth %	Q3 Organic growth % ¹	9 months organic growth % ¹
Advanced Wound Care	147.5	146.8	0.5	3.6	Flat
Ostomy Care	131.7	131.4	0.2	3.0	0.8
Continence & Critical Care	115.1	107.5	7.0	8.0	4.2
Infusion Devices	68.6	66.5	3.2	4.3	1.9
Total revenue	462.9	452.2	2.4	4.6	1.5

Karim Bitar, Chief Executive Officer, commented:

“I am excited to have joined ConvaTec and returned to the healthcare sector. Since I joined the Group at the end of September I have had the opportunity to visit several sites and engage with many colleagues; I have been encouraged by their enthusiasm and the potential within ConvaTec.

I am pleased we have reported a solid performance in Q3, but this is a small step on the significant journey ahead of us as we focus on pivoting to sustainable and profitable growth. As an organisation we need to get closer to patients, to strengthen our innovation pipeline and to drive a relentless focus on execution excellence.

I look forward to giving an update on our plans and progress next year.”

1. Organic growth presents year on year growth at constant exchange rates, excluding M&A. Constant exchange rates growth is calculated by applying the applicable prior period average exchange rates to the Group’s actual performance in the respective period.

Group revenue

Group revenue of \$462.9 million grew 4.6%¹ on an organic basis in Q3, compared with the prior year. Due to unfavourable foreign exchange movements, on a reported basis Group revenue grew 2.4%.

For the 9 months to 30 September 2019 Group revenue was \$1,351.8 million, a decline of 1.6% on a reported basis, again due to unfavourable foreign exchange, but growth of 1.5%¹ on an organic basis.

In Advanced Wound Care, revenue of \$147.5 million increased 3.6%¹ on an organic basis in Q3, a decent performance driven by our silver portfolio, in particular AQUACEL™ Ag+, and foam. A number of markets in EMEA and Latin America performed well, while we continued to focus on leveraging our specialised and expanded salesforce in the US. There were some distributor inventory movements in the current and prior year which provided a tailwind in the quarter, which we anticipate will partly reverse in Q4.

In Ostomy Care, revenue of \$131.7 million grew by 3.0%¹ on an organic basis in Q3, a solid underlying performance albeit set against a weaker performance in 2018. The quarter also benefitted from the timing of a tender in Latin America.

In Continence & Critical Care, revenue of \$115.1 million grew by 8.0%¹ on an organic basis in Q3, driven by a good performance in Continence Care, primarily HDG. Critical and Hospital Care benefitted from a weaker prior year comparator, a result of the packaging recall which was instigated in the third quarter of last year, reducing the drag on growth from these businesses in the quarter.

In Infusion Devices revenue of \$68.6 million increased 4.3%¹ year on year on an organic basis in Q3, driven by a good level of customer orders and a weaker prior year comparator.

The Transformation Initiative remains on track as we continue to implement the improvement projects and we will provide an update on progress with the FY19 results.

On 24 October 2019 the Group successfully completed a refinancing of the debt put in place at the time of the IPO in October 2016. The debt outstanding under this arrangement of approx. \$1.6 billion term debt and an undrawn \$200 million revolving credit facility has been replaced with a committed 5-year bank facility of a \$1.5 billion term debt and a \$200 million revolving credit facility, on more favourable terms overall.

As announced on 19 August, Dr. John McAdam has been appointed as Chairman of the Board and he assumed his position on 30 September 2019.

Outlook and guidance

The outlook for the Group for FY 2019 is unchanged:

- Organic revenue growth of 1.0% to 2.5%¹
- Adjusted EBIT margin 18% to 20%, including spend associated with the Transformation Initiative and Medical Device Regulation (MDR). Excluding these costs, adjusted EBIT margin is expected to be 21.0% to 22.5%.

There will be a webcast for analysts & investors today at 09:00 GMT which can be accessed via the ConvaTec website www.convatecgroup.com/investors/reports/. A recording will be available on the site shortly afterwards.

There is also a conference call facility:

- Telephone number: UK + 44 20 3936 2999; US + 1 646 664 1960
- Passcode: 447057

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Revenue by Geography

	Q3 2019 Reported \$'m	Q3 2018 Reported \$'m	Reported growth %	Organic growth ¹ %
Americas	247.0	231.9	6.5	7.1
EMEA	179.8	184.6	(2.6)	1.9
APAC	36.1	35.7	1.1	2.2
Total revenue	462.9	452.2	2.4	4.6

Foreign exchange rates

	Q3 2019 Average	Q3 2018 Average
USD/GBP	1.23	1.30
USD/EUR	1.11	1.16

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 devices. 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 where a copy of this announcement can also be found.

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.

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