Convatec 2024 annual results

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Overview

Karim Bitar

CEO, Convatec

Welcome

Good morning, good afternoon, good evening, wherever you may be, it is an absolute pleasure to be with you here today. We are going to have the opportunity to go ahead and review both the strategic progress and financial delivery of 2024 at Convatec. You are all probably familiar with our disclaimer.

Agenda

Today, Jonny and I are going to be hosting you, and we have got an exciting programme for you. We are going to go ahead and discuss with you three key topics. I am going to go ahead and kick off and provide you a little bit with an overview. In the course of that overview, I am going to try to highlight two key things. First, what is all the progress that we have made during the course of the last five years? What have we been able to achieve at Convatec during the course of the last five years? What does that bode in terms of the future?

After we are done with the overview, I will go ahead and shift gears and pass the baton on to Jonny, and we will talk about financial performance. How did we do in 2024? What is guidance looking like in 2025?

Then lastly, I will finish up, and we will talk about our competitive position. What is Convatec's competitive position? What are the prospects for future growth? So why don't we kick off?

Strong delivery in 2024 and positive outlook

If you take away nothing today, I am going to ask you to take away five key overarching messages.

The first is that we went ahead and delivered broad-based growth. What that means is that in each and every one of our categories, we went ahead and drove significant growth, and we outgrew the market. Second, we went ahead and increased our operating profit margin once again.

Thirdly, we delivered double-digit earnings per share and free cash flow growth. Fourthly, we find ourselves in a situation at Convatec with the richest new product pipeline in about our 50-year history. What does that mean? It means that we are reiterating our guidance for 2025, and we are reiterating our outlook from a medium-term perspective.

Our journey

Let us dig in now and try to understand what happened during the course of last five years. I was talking to several of you, who were commenting here this morning in London that while there has been a lot of progress in each and every time I spent time with the Convatec folks, I actually noticed progress. I thought it would be good to go back to literally five years ago, where we were sitting in this room, and we were mapping out what was going to be the transformation game plan. What was going to be the turnaround game plan.

Some of you guys may remember that we talked about a vision, pioneering trusted medical solutions to improve the lives we touch. There were three concepts we outlined then.

R&D-driven, innovation-driven. That is at the heart of being a successful med-tech company. Two, we talked about solutions. We did not want to be a device company. We wanted to combine the device with digital and with service. So we were solving a real problem in the marketplace. But that solution needed to be trusted, which meant we had to improve our quality record. So we worked very, very hard during the course of the last several years to improve the quality of our offering.

At the end of the day, true north was always improving the lives we touch. We touch people's lives physically. We are literally in contact with your body for months and years, but we touch people's lives socially and emotionally. Those lives, those people that could be your mom, my dad, your sister, my brother. It is very personal for us.

We took that vision and said, great, how do we bring it to life? Well, we need a strategy. So we mapped out a corporate strategy, which we entitled FISBE:

- Focus on key categories and key geographies;
- Innovate;
- Simplify;
- Build key capabilities; and
- Execute, like there is no tomorrow.

On top of that, we went ahead and reorganised the operating model. Historically, our operating model would have been focused on key geographies. The power centre really lied with North America, Latin America, Europe, Asia. We said we are going to change the model, and we are going to be category-led. One head of Advanced Wound Care, one head of Infusion Care, clear accountability and a direct line of sight to our key customers. There are distinct customer groupings.

Two, we said we are actually going to go ahead and create the role of a Head of R&D for all of Convatec, all of R&D that has to be a real strong muscle of ours. And we went ahead and made sure that the Head of R&D reported into myself.

Thirdly, when it came to all the customer supporting functions, we said, you know what, we are going to create something called GBS, Global Business Services, to go ahead and drive improved effectiveness and drive efficiency. That is exactly what we have been doing.

Beyond the operating model, we worked on people. We strengthened the leadership team. We engaged colleagues. That vision that I shared with you, it was not developed by myself. It was not developed by the executive leadership team. In fact, it was 1,000 colleagues at Convatec that developed that vision. And we drove the culture to be patient-focused, consumer-focused, but with a high focus on performance, on delivery.

We worked on incentives and rewards to make sure that those incentives and rewards were consistent with the metrics and milestones we are pursuing. We refreshed our core values. Now you might be saying, well, what did that actually accomplish?

Successfully pivoted to sustainable and profitable growth

Let us take a look. Where were we back in 2019 and where are we today? We are going to look at it through four different lenses.

Lens number one, organic revenue growth. It was about 2% back in 2019. In 2024, 7.7% growth. The sixth year that we have accelerated organic revenue growth.

Two, what about R&D? We said we are going to be pioneering innovation-driven. What do we do there? We more than doubled the investment in R&D. We have built capabilities now in product development, process development, clinical development and regulatory. We are successfully launching new products, right?

Now all of a sudden, we have got the strongest ever pipeline. In fact, we have launched in the last 24 months or so, eight new products, and we plan on launching an additional eight new products in the course of the next 24 to 30 months.

What about operating margin? For three years in a row now, we have increased the operating margin. That has been a 350 basis point increase.

Now let us step back and remember that back in 2019/20 we deliberately told you that we were going to go ahead and actually decrease the operating margin. Why? We had to invest more in R&D. We had to invest more in sales and marketing. That is exactly what we did. We said we are going to reduce G&A as a percentage of sales. We were driving efficiency through Global Business Services, right? It used to be about 13 points of sales. It is about seven now.

The reality is that we are now growing our operating margin. We have done that three years in a row. We are on track to deliver an operating margin of 24% to 26% in 2026 or 2027. What about momentum? We really did not have any momentum.

Today, I think it is fair to say that we have got momentum. We delivered double-digit earnings per share and free cash flow growth in 2024. I think it is fair to say that we have got momentum, and we are going to go ahead and continue to deliver that double-digit EPS and free cash flow to equity on a CAGR basis.

What I am confident telling you today, we actually have pivoted to sustainable and profitable growth. I am using the past sense.

Convatec is positioned to deliver double-digit CAGR in EPS and FCF to equity

What about the future? What does the future look like? It is exciting. No other way of describing it. Our best days are def ahead of us. Why? Three reasons.

First of all, we have leading positions in large and growing chronic care categories. Second, we are deliberately targeting the fastest-growing segments, and I will share more data with you here shortly. But we are deliberately targeting the fastest-growing segments in these categories with new and differentiated and innovative new solutions.

Lastly, the turnaround is complete. We have strong foundations in place, and we have momentum. I hope that overview was helpful to you.

I am going to pass the baton to Jonny, and we are going to talk about financial performance. Jonny?

Financial review

Jonny Mason

CFO, Convatec

2024: strong financial performance

Thank you, Karim. Hello, everybody. I am going to present a summary of our financial performance in 2024, outlook for 2025, and then we will hand back to Karim for a strategic review and Q&A.

We are very pleased to report a strong financial performance for 2024 with:

- Record organic sales growth;
- Further operating margin expansion;
- Double-digit growth in EPS; and
- Excellent cash flow.

Let us look at those. Organic revenue growth at 7.7% was broad-based across all four categories. This is the second year in a row when we have exceeded the top end of our target range of 5% to 7%.

Operating margin, further progress, 100 basis points. That is 160 basis points on a constant currency basis. Over three years, the cumulative impact of that is 350 basis points of improvement.

Earnings per share was double-digit growth. We forecast this time last year that it would be, and we reconfirmed at the interims that it would be, and it was. We expect double-digit growth in EPS for 2025, one more year.

Equity cash conversion was very strong at 97% and free cash flow to equity up 33%, benefiting from another year of strong working capital performance. That cash flow enabled us to invest further significantly to grow the business whilst reducing leverage at the same time.

Dividend per share. Our dividend is proposed to grow 3%, same as it did last year, and that will take the payout ratio to 42% back inside our target range of 35% to 45%.

Successfully pivoted to sustainable and profitable growth

These strong results in 2024 build on the improvements over the last few years. And as you can see from these charts, and as we have heard from Karim already:

- Sixth consecutive year of accelerating top line growth;
- Third year of operating margin expansion;
- Second year of improvement in cash flow; and
- First year of double-digit growth in earnings per share.

I think what these charts confirm is that Convatec has definitely pivoted now to sustainable and profitable growth.

Broad-based growth across all categories

The sales growth was broad-based. You can see the contribution from each category in the columns on the left there, significant contributions for them all. On the right, there are two small headwinds, the last of the exit from Hospital Care and FX, leading to a total sales growth for the Group of 6.9%.

AWC: good growth, led by Aquacel & InnovaMatrix

Let us look at the sales growth by category, starting with wound care, where organic growth was 7.4%. Our flagship brand, Aquacel Ag+ Extra had another strong year. And our new product, ConvaFoam is building momentum through launches.

InnovaMatrix was up 34% to $99 million. And most notably, the indications outside the scope of the LCD, which we will talk about in a moment, grew 70% to be a quarter of the total.

Excluding InnovaMatrix, Wound Care grew 4.2%, faster in the second half than in the first, as we said it would be. And regionally, it was good growth in North America and in Europe and strong growth in emerging markets.

OC: new launch underpins improving momentum

On to Ostomy Care, where organic growth was 5.3%, continuing the trend of improvement over the last three years. The highlight there was Esteem Body, our new one-piece soft convex product, the first new product in Ostomy for about a decade. It launched ahead of expectations, and we expect continuing strong growth from that through 2025 as we launch across more markets.

Regionally, we saw good growth in Europe and fast growth in GEM. In the US, we are building momentum with another year of positive new patient starts.

CC: strong growth driven by US performance

On to Continence Care, where growth accelerated to 8.3%, driven by volume and share gain in the USA, outstanding customer service and the improving product portfolio. We saw increasing sales of hydrophilic product and Convatec product within our mix. And in particular, our new hydrophilic compact product, GC Air for women was very well received in the market. That is based on our FeelClean technology, which is designed to have superior comfort and less sticky residue and is cleared by the FDA[1].

It is this performance that gives us conviction that the forthcoming change in reimbursement codes for catheters will be an opportunity for Convatec because we are best placed to help healthcare providers and patients choose the best technology for them.

Outside the USA, we are still small, but growth is building, and it now adds 1 point of growth to the category total.

IC: diversification driving double-digit growth

Then in Infusion Care, growth accelerated there to 11.2% for the year. Strong growth in diabetes with our major existing customers, Tandem and Medtronic, and also with newer customers, like Beta Bionics and Ypsomed. We are really excited to see that the penetration of

[1] FDA K213283 https://www.accessdata.fda.gov/cdrh_docs/pdf21/K213283.pdf

automated insulin delivery is accelerating. That is driven by innovation across all different types of insulin products and pumps.

Then in outside diabetes, the growth was very strong, and this is led by infusion sets for AbbVie's Parkinson's therapy. This outside of diabetes is becoming a bigger part of the category.

We have a strong position in Infusion Care with increasing diversity across different customers and products. This gives us confidence to say that we expect high single-digit growth from this business for years to come.

Operating margin up 100 bps

Let us look at profitability. We have said operating margin was up 100 basis points or 160 constant currency. There were improvements in price, in mix and in operations productivity, around 50 basis points each. As expected, inflation eased through the year from 6% in the first half to about 3% in the second, and that translated into a headwind of 160 basis points for the year, as you see on the graph.

Further progress on productivity in the commercial area and more efficiency in G&A, another 90 basis points. We have got to our initial target of 7 percentage points of sales for G&A one year early, and there is more to do.

Pivoted to double-digit adjusted EPS growth

Now this chart just shows how we got to double-digit EPS, and it is the same as we described at the interims. On operating profit growth of 12%, finance costs were about flat for the year, and the tax rate was close to flat, slightly up, translating into a 14% increase in the bottom line. We expect to deliver double-digit EPS growth in 2025 in a similar manner.

Strong cash generation enables investment for growth and strengthened balance sheet

Now on to cash flow. Very strong conversion at 97% and free cash to equity up 32% year-on-year.

The highlights I would pull out from the slide are that EBITDA was up 12% based on the operating performance I have already described. Working capital decreased by $7 million despite the growth in sales, and that was $20 million better than the year before, mostly because of improved efficiency in inventory.

CAPEX was a little bit lower than the year before, and at 5.3% of sales, a little bit below our target of 6% because of phasing of some projects into 2025. We paid a dividend of $130 million, and that is now all cash, no longer scrip. We purchased $11 million of treasury shares for incentive purposes.

Then finally, $90 million of M&A comprised of the final payments for the Cure and Triad acquisitions, and we bought a small Home Services business in France in the second half of the year. So all that led to lower net debt by $71 million and improved leverage down to 1.8 times.

FY25 guidance

Here is our guidance for 2025, and this builds on what we said back in November. We still expect 5% to 7% organic growth on the 96% of Group sales, which are excluding InnovaMatrix and that growth will be broad-based.

On InnovaMatrix and based on the implementation of the LCD as scheduled on 13th April, we expect a headwind to sales of about $50 million. And that translates into about 2 points headwind on Group sales growth.

The LCD will remove coverage for diabetic foot ulcers and venous leg ulcers, which will create a hiatus whilst we continue to generate clinical evidence. It is well underway. We expect to report that in 2026, and that will lead to reestablishing coverage. But in the meantime, there are another 13 indications, which we are selling InnovaMatrix for and that grew 70% in 2024. We expect continued strong growth in 2025.

Operating margin, we expect to continue to expand into the range 22% to 22.5%. That is despite the headwind from the InnovaMatrix reduction. That is based on detailed plans for simplification and productivity in operations, commercial and G&A.

That sales growth and margin improvement with little change to finance and tax expenses expected translates into another year of double-digit EPS growth. Cash conversion will be strong, around 80%. It would not be as strong a conversion as in 2024 at 97% because that benefited from some favourable phasing. We would expect cash conversion to average around 85% on our double-digit EPS growth going forward.

+350 bps margin1 expansion delivered in 2021-24

Now thinking about medium-term targets, I thought it would be helpful to take a quick three-year look. This is the last three years. We have delivered 350 basis points of operating margin improvement, and that has been against a very significant inflation headwind, 730 basis points. You can see the red bar there in the middle of the graph. That is an average inflation rate of 7%.

There have been improvements in price, improvements in mix as we have focused the business on the more profitable areas, improvements in operations productivity as we have started to optimise and automate our factory network.

During that time, we have made some investments in R&D to build the product pipeline and in sales and marketing to drive growth. And we have improved the G&A ratio, as already discussed, by over 4 points.

Overall, we have improved productivity net of investments by about 11 points against inflation and FX headwinds of nearly 8 points.

Medium term: on track to deliver mid-20s adjusted operating profit margin

Looking forward, we expect to make the same improvement in operating margin over the next two or three years, but against a much lower inflation headwind. We are planning on inflation at about 3% per annum going forward. That is the smaller red bar you can see on this graph.

How will we do it? There will be further benefits in price and mix as we continue to improve the product portfolio, but we are not baking in any general price rises. So that could be upside. There will be further progress on operations productivity because in our automation, digitalisation and continuous improvement programmes, there is still a lot to do before we get to the level of best practice.

On other OPEX and in particular, on G&A, there is also more to do because not all of our geographies are included in our GBS at this stage and not all of our processes are included end-to-end.

We are investing in digital and AI tools, which will also help us further improve productivity. So taking all that lot together, we are well on track to reach our mid-20s operating margin in 2026 or 2027.

Financial Summary

I will just summarise by saying that 2024 was a year of strong financial delivery. Sales, margin, earnings and cash all finished a bit ahead of target. 2025 will be another year of delivery.

Despite the headwind from InnovaMatrix, we will deliver further expansion of operating margin and double-digit EPS growth. And medium term, we are going to deliver 5% to 7% organic sales growth year in, year out, mid-20s operating margin and compound growth in EPS and free cash flow to equity. Convatec is now positioned to deliver structural compound growth.

Thanks very much. I will hand back to Karim.

Strategic update

Karim Bitar

CEO, Convatec

Introduction

Thanks, Jonny. Well done. Okay. You can clearly see that from a financial perspective, we are well positioned. What about our competitive position? Because ultimately, that really drives the performance of the company, right?

AWC – Growth across key segments, driven by innovative new product pipeline

Let us try to understand that category by category. We are going to, first of all, start off with the wound care category. We split up the wound care category into four key segments. We are going to assess each segment, trying to understand like how competitive are we and what are the prospects for the future.

Let us start off with the first segment. And the first segment is the antimicrobial segment. It is about a $1.1 billion segment. It is growing at about 6%. We have our flagship brand or product offering there, which is Aquacel Ag+ Extra. We have got about a 30% global share of market. That is doing really, really well.

What is going to happen in the future? What is going to happen in the future is that we will be launching in 2026 ConvaFiber. There the idea is you can have even better exudate absorption properties, proprietary surfactants. And again, it is not going to have any silver and that has benefits in some key markets such as, say, France as an example.

What is also really exciting is that we are going to be launching ConvaNiox, and I will be spending more time describing to you ConvaNiox. It has got some great antimicrobial properties, and accelerates wound healing. We are very excited about this offering. I will talk to you more about how we anticipate regulatory approval in Europe actually in 2025, and then we will be launching in 2026, both in Europe and in the United States.

What that is going to allow us to do is to fundamentally accelerate the growth of this particular segment. It is a breakthrough technology. Let us just wait, I am going to share with you some data here in a second, which I think is pretty darn compelling.

Two, what about the Foam segment? It is about double the size, about $2 billion, growing again at about 6%. Historically, we have not had a particularly competitive product offering. We have had about a 5% share of market. We launched ConvaFoam, much better exudate absorption properties, much better adhesion properties. So now all of a sudden, we are winning in clinical evaluations over half the time, and we are actually growing share in places like the United States, places like Germany and places like the UK. We are expanding that launch to additional geographies around the world. That bodes well in terms of our ability to grow share.

Third segment, biologics. We really were not participating in the biologics segment. We acquired Triad Life Sciences. We have InnovaMatrix. It is a fantastic product. It is being used by over 2,000 healthcare providers, 10,000 consumers or patients that benefit from it. We are actively driving its utilisation in the 13 indications outside of DFU and VLU in the United States. We are actively now launching it in key markets outside the US in key markets such as in Latin America.

So it bodes really, really well. We are very much on track to complete our randomised controlled studies in diabetic foot ulcers and venous leg ulcers in 2026, which also will bode well in terms of growing. We expect to grow in InnovaMatrix and to grow share.

Then lastly, in the single-use negative pressure wound therapy, which is about $0.5 billion, $400 million to be precise, but it is growing double digit. We are planning on entering this particular segment with our new and innovative ConvaVac. It is going to leverage our proprietary wound dressings, but combining that with a very high quality, high reliability pump.

Hopefully, you are getting the sense that as we do all of this, this bodes well for us being able to deliver high single-digit top line growth in Wound Care.

But let us take a look now at some data.

ConvaNiox: our break-through solution for hard to heal wounds

This is ConvaNiox. Randomised controlled studies carried out in the UK, and we are going to go ahead and assess how does ConvaNiox compare to standard of care. You have got diabetes, you have got a diabetic foot ulcer, and it is just not healing. For a couple of weeks, it is just not healing. What do I do? Well, you can use ConvaNiox, and you can increase your odds of actually healing that wound by 60% or use standard of care.

But actually, let us go and analyse this even more carefully and say, you know what, I am going to look at, if you have diabetes, you have a diabetic foot ulcer, very hard to heal wound, and it is infected. Now all of a sudden, you use ConvaNiox. I double the odds that I will heal that wound.

Standard of care, about 23% of the folks will actually have that wound heal. With ConvaNiox, it is 45%. It is nearly double. But then how fast do you actually heal the wound? The graph all the way to the right. We heal the wound 3 times as fast, okay? He said, well, practically, what does that really mean? Because you can see the wounds healing within 12 weeks.

Basically means you got diabetes, a diabetic foot ulcer, it is infected. On average, one out of every four patients will be healed with standard of care. With ConvaNiox, one out of every two. We doubled it.

As opposed to waiting nine months to get that wound healed, it will heal in three months. It is pretty darn dramatic. Think about the reduction in amputations, the reduction in hospital stays, how much better the patient and consumer is going to feel. The healthcare provider is going to look like a hero, right? This is super exciting. We are basically on track, as I said, to go ahead and get regulatory approval here in Europe in 2025, and we would anticipate launching both in the US and in Europe in 2026.

OC - Successful Esteem Body launch and improved commercial execution

What about Ostomy Care? This is a very exciting category, right? This is one we have had to work really, really hard, but we have got momentum now. We broke it down in terms of three segments. In my overview, I highlighted to you how we are targeting the large and fastest-growing segments with new innovation, right?

You saw that in Wound Care, how we are doing that. In Ostomy Care, we are doing something very similar. We broke it down in terms of three segments.

Segment number one is what we call the whole area of Convex products. You either got a Convex product or a Flat product. Think about this as the adhesive baseplate I am talking about. When you are using a Convex product, actually, you can have soft convexity or just regular convexity. The soft convex, if you look at that in the pink, is actually growing high single-digit, 8%.

What did we do? We introduced the Esteem Body, a soft convex offering, the first launch in Ostomy Care for Convatec in a decade. It has got the amazing Convatec adhesive baseplate technology with leak defence. What that means is you are not going to leak. You would not want to have a leak, whether that is urine or faeces, that is not a good thing. Super embarrassing. You do not get that with us.

On top of it, we have got a very discrete pouch now. Now all of a sudden, in key markets like the United States, like Italy, like Poland, like Slovakia, we are growing share of market. We are driving new patient starts. That is super exciting. We are going to be launching the two-piece soft convex offering, Natura Body as early as 2026 and no later in 2027. So in that 2026-2027 time frame period, we will be launching that.

Now all of a sudden, we are leveraging some really exciting product offering with our service capability. We are leveraging, for example, home care capability in the US with 180 Medical or the Amcare capability here in the UK.

You look at the next segment, the Flat segment. It does not look like there is much revenue growth there. But the reality is that we have got a very unique technology platform. It is called the moldable technology platform. We have got strong IP position there. Now you can leverage that technology. In fact, we have been growing that technology base and that offering in global emerging markets double-digit. So we are going to be redoubling our efforts there to leverage that moldable technology and drive further growth.

The Accessories segment is also an exciting one. Again, you'll see it is about $0.6 billion, growing high single-digit. There, we are looking to go ahead and leverage our refreshed brand there, ESENTA, which we are leveraging on a global basis.

Clearly, we are targeting the fastest-growing segments, refreshing our portfolio and leveraging our services, whether it be our clinics in Latin America, whether it be our home care capability to drive growth. So we fully anticipate being able to go ahead and drive at least mid-single-digit growth in Ostomy Care moving forward.

CC – Bolstering our US leadership, driving int'l expansion & targeting fast growth segments

What about Continence Care? Similar story. Once again, we are targeting the fastest-growing segments in Continence Care, but we are also growing outside the United States. If you look at the US area, what you will notice is we have actually got a 40% share of market when you look at it through the service lens. We are the number two manufacturer, the number one home care company.

But there is actually a segment there, the compact segment, which is growing very rapidly, relatively small today, but it is growing rapidly. That is where we have launched GC Air for women, the FeelClean Technology, which is designed to have superior comfort and less sticky residue and is cleared by the FDA[2]. That is doing very well. It is a hydrophilic ready-to-use compact catheter.

We are going to be launching the male version and the set version in 2026 on a global basis, including the United States. You look at Europe, that segment, the compact segment, which is growing again, high single-digit, about 7%, we have historically not participated. Now we have our compact offering, GC Air for women. So we are leveraging that capability, and we will also be launching the male version in Europe.

Then you look at Global Emerging Markets, we are also driving growth there. All of a sudden, now we are driving growth both in terms of geography outside the United States and having a competitive offering in the compact segment, which is the fastest-growing segment, and leveraging our tremendous service capability. This goes back to offering a solution.

IC (diabetes) – Diversifying customer base Insulin pump penetration is accelerating

What about Infusion Care? What is happening there? Very interesting. If you look at the top of the chart, let us look at the market dynamics. 350 million patients have diabetes worldwide. About 10% of them, 35 million are in advanced stages of diabetes. If you have advanced diabetes, you are no longer producing insulin. You have to administer your insulin exogenously.

Either it is a pen injection, or I use a pump. What you will notice is the ratio is about 94:6. But pump utilisation is growing much, much more rapidly. You see that number of 11%, right? Why is that the case? Fundamentally, pumps are becoming a lot simpler to use, but you have also got continuous glucose monitoring. It is making the pump smart. It knows when your sugar is high or low.

When you combine that, all of a sudden, the artificial pancreas is here. That is why you see automated insulin delivery, fancy way of saying artificial pancreas, fancy way of saying pump plus continuous glucose monitoring.

As you see that happening, what we see on the pump side of things is that both durable pumps and patch pumps are growing rapidly. There is an acceleration occurring as we move forward, and we benefit from that because we are the leader in providing infusion sets there. And in fact, now we have been able to diversify our customer base and continue to have strong

[2] FDA K213283 https://www.accessdata.fda.gov/cdrh_docs/pdf21/K213283.pdf

collaborations with Medtronic, strong collaboration with Tandem. We are also working with Ypsomed. We are also working with Beta Bionics.

And so now we find ourselves where our diabetes business is growing and is robust. But what about what is happening outside of diabetes?

IC (non-diabetes) – very strong growth in new therapies

Well, outside diabetes, we work in areas like Parkinson's, immunoglobulin replacement therapy, pain management. These three arenas are also growing high single-digit to double digit. You look at, for example, Parkinson's, where we are collaborating with AbbVie and well positioned to be collaborating with Mitsubishi Tanabe in the future, again, in Parkinson's, there is very significant growth.

Frankly, we are investing heavily in Infusion Care and adding capacity to be able to go ahead and service all this demand. So our level of confidence is high that we will be able to grow this business in high-single-digit. There is growth in diabetes and outside of diabetes. Guess what? We plan on growing in the mid-teens to high teens. Today, it is over 10% of our business, and it is going to become a larger and larger portion of our business.

Innovate – strong and growing pipeline

Hopefully, you've gotten a sense that our competitive position across all four categories is actually strengthening year-by-year. We are executing better. Our pipeline is richer, and we are starting to get success in the marketplace in terms of these new product launches. We have launched eight, and there is eight more to go. And we have not even talked about wave three. I have been commenting on wave one and wave two. That is not for today.

Summary and outlook

Okay. Let us try to summarise. Here are the 16 products. You will notice that the 16 products are across all categories.

What have we said? In 2024, hopefully, what you have been able to see is that this was the sixth year of accelerated revenue growth, 7.7% organic revenue growth. This was the third year in a row in which we went ahead and increased our operating profit margin. We went ahead and delivered double-digit EPS and free cash flow growth equity. We had record sales and record profits for the company.

In 2025, what do we plan on doing? We plan on growing our organic revenue 5% to 7%, excluding InnovaMatrix. We plan on increasing the operating margin to 22% to 22.5%, and we plan on delivering double-digit EPS growth along with strong cash conversion.

In terms of medium-term outlook, hopefully, you have gotten a sense, and it is clear to you that we have leading positions in structurally growing chronic care categories. That is a real big positive. You have also gotten a sense that we have got the strongest pipeline we have ever had in our history. There is a lot of innovation that is flowing into the marketplace, helping consumers, helping patients, helping healthcare providers, and frankly, allowing us to be successful.

Lastly, I would say, I think it is fair to say that we are very much on track to deliver double-digit EPS and free cash flow growth to equity on a compounded annual growth basis.

On that note, thank you. Let us open up for questions.

Q&A

Hassan Al-Wakeel (Barclays): Three for me, please. Firstly, for Jonny. Can you talk about the margin expansion target for 2025? I appreciate you are already there in the second half. But what are you doing specifically to offset within Wound Care, the $50 million loss in revenue, and any FX impact that we should be aware of for the margin in 2025?

Secondly, a year of record growth for the company, but also in Continence Care, both you and your key competitor are benefiting from product launches. I wonder if you can talk to whether this market is accelerating in value terms and who you think you are gaining share from?

Then finally, related to this, can you expand on Continence progress in Europe? Which products are you seeing the most traction here? What is your near-term and medium-term ambition in terms of share?

Jonny Mason: I will start with the first one. Yes, Hassan, look, you are right to note that there is obviously a headwind from InnovaMatrix in 2025. We are really pleased to be able to guide towards continuing operating margin despite that. We have got good momentum and detailed plans in our simplification and productivity agenda, as we call it, which affects three different areas.

Increasingly, our operations is going to be contributing strongly to cost efficiency. We have referred previously to the optimisation of our factory network. You will have seen that we have closed two of our smaller factories in recent years. We are automating compared to others in comparable industries, our automation is still way behind. So we are catching up with automation, and we are investing in better systems and digital tools in the factories. That plus the continuing increasing scope of our Global Business Services function, and better tools leads us to be confident in delivering cost efficiencies through 2025, which will more than offset headwinds from elsewhere.

In terms of FX, you asked. As FX rates stand today, we are not pointing to any particular FX move on EBIT or EBIT margin. There is a little bit of a headwind on sales growth at the moment, a bit over 1% on sales growth, but nothing on margin.

Karim Bitar: Super. Look, on Continence Care, what I would say, is there growth in terms of value? I think the short answer is yes. I would say that as you look at the global market, particularly the US and Europe, there is a move in that direction. There are some markets where new reimbursement codes are being introduced. I think it is fair to say that.

I think for us, look, I think the reality is that, particularly with a focus on Europe, I mean, we have expanded our commercial presence in key markets such as the UK, such as Italy, France and Germany. We also have a strong commercial presence beyond that with the rest of our businesses.

What is clear to us is there is a significant opportunity, particularly in that compact segment, which I highlighted to you. I think there is an opportunity for us to grow our share, but we are starting from a very low base.

Frankly, the hurdle bar is relatively low. But on the other hand, we have been in these markets. We understand these markets, I think with a very competitive product offering and if we can wrap around service along with that, I think you will see us grow our share in a meaningful manner.

I think that sales outside the United States will contribute in a meaningful manner to the growth equation. That is what I would say.

Aisyah Noor (Morgan Stanley): I just have two. The first one is on the Infusion Care business. Are you able to share which of the launches or products in particular, drove this big acceleration in November and December? And why would not this take your growth to the double-digit range for Infusion Care in 2025? Are you a little bit conservative with the guidance of high single-digit?

Then the second question is on the midterm margin targets of mid-20s by 2026 or 2027. Why have you decided to keep with the ambition of potentially getting there by 2026, which is next year? Is this all kind of OPEX and cost-driven? Or would you consider more transformative initiatives to get there sooner?

Karim Bitar: I will let Jonny take the stab at both, and then I may add some commentary.

Jonny Mason: Okay. Well, on Infusion Care sales, we know it is lumpy. I would say the acceleration in the end of the year was just that. It was just phasing of sales. We, throughout the year, said we were going to deliver high single digits for that business, and it built through the year. We are very pleased with the performance.

I am not sure I would point to any specific product other than to say that the new sources of growth are performing really well. We are very pleased with the diversification. So we are still getting growth from our major existing customers. But the new customers, Beta Bionics, Ypsomed, AbbVie, that is all adding strong growth to the category overall and particularly pleased with the growth outside of diabetes.

In 2025, I would just say, you said, can it be double-digit? Maybe, but let us not get carried away. We think it is a sustainable high single-digit growth business. One thing to point out is that we do expect Infusion Care sales to be front-end loaded in 2025. Sometimes we have warned of the opposite. But when we look at our forward orders and we look at the comparatives, the growth in Infusion Care is likely to be stronger in H1 than H2, but high single-digit for the year.

Then on mid-20s, why are we still? Look, we have got clear plans to deliver improved cost efficiency in margin. That is what underpins our confidence in getting to mid-20s. Now the track that we are on at the moment, we have been doing a bit over 100 basis points, 110, 120 per annum for the last three years. If we continued at that rate, it would be more likely 2027 than 2026 we would hit it.

But there are some variables. I have said potentially price could be an upside. Maybe not. We are not banking on it. Who knows where inflation and FX will turn out. I think as I shared in that graph at the end, it is mostly on the controllable cost levers that we are pinning our confidence in getting to mid-20s. There are other variables that leave the time bracket a bit open.

Karim Bitar: I would just add a little bit of commentary just to say, look, fundamentally, what we are focused on is sustainable profitable growth. When you think about that equation in our mind, fundamentally, we are looking at this through very much a medium-term lens. And we are not going to let, frankly, the next quarter or the next six months affect the direction of travel.

We want to make sure that year in and year out, we are delivering double-digit earnings per share growth. On a compound annual growth basis, we want to see that free cash flow grow double-digit. That is really what we are all about. So the reality when push comes to shove, we are going to make sure that we can sustain and further grow that top line.

I think that the whole idea of the mid-20s is very doable. We see a clear path to getting there. We will make the investments in automation. We will go ahead and optimise our network. We will drive all the continuous improvements in JQO[?]. We will drive productivity in commercial, but doing a better job at targeting, leveraging AI to develop our content, narrowing all the suppliers in terms of all the agencies we use. I could keep on going on and on.

I mean there is very clear plans to do all of that. But ultimately, it is about sustaining and making sure that we are not focused on the one semester, the one quarter. I just do not think that is the way we want to run the business, and that is the way we are approaching it.

Anchal Verma (JP Morgan): I have two, please. Firstly, just a bit of a follow-up on the phasing question for this year. You have given us the phasing for Infusion Care, but could you please give us a bit more colour on the phasing of growth across the divisions and for margins as well for FY2025? Also have you baked in anything from potential headwinds from the tariffs? I am aware you guys have a manufacturing facility in Mexico.

Then the second question is on the medium-term targets. For the top line guidance of 5% to 7%, what does the bottom end perhaps bake in? What are your assumptions for the bottom end? What are your assumptions for reaching the top end?

Jonny Mason: There are not any other significant phasing effects to call out for FY2025. Infusion Care front-end loaded, the other three categories, relatively flat is how we see it at the moment within not material changes. Likewise, on margin as well.

Last year, the margin improvement was back-end loaded because of the effect of inflation easing through the year. We are not expecting that this year. We are expecting this year more of an even progression through the year.

Then on tariffs, we are not expecting a material impact from tariffs. Historically, the nature of our products has meant that we have not been subject to tariffs. Last time there were tariffs from the USA, we were not subject to it. There are various legal protocols and precedents, which lead us to believe that we would not be impacted by tariffs this time either. We have not built it in, no.

Karim Bitar: Do you want to do medium-term guidance, 5% or 7%? What leads to 5%, what leads to 7%, I think, is the question.

Jonny Mason: Well, look, we are launching a lot of new products, and this is a new muscle for Convatec. We have been very pleased with how the launches have gone over 2023 and 2024, and that has led us to be above the top of our target range.

If our new products continue to launch successfully and strongly, one would hope we would be towards the top end of our range. But stuff happens in the world, and we want to be cautious, and that is why there is a range.

If particular new products were a bit slower to launch or for some other reason, that would be what would lead us to the bottom. But we would like to be closer to the top.

Anchal Verma: Just to follow up, does the bottom end perhaps bake in further headwinds from the LCD?

Jonny Mason: No. We have separated those two things. The LCD, as we see it, is a one-time event. It will lead to a one-time reduction in sales in 2025 from where we will rebuild. We will rebuild InnovaMatrix sales in other indications, which are growing quickly and also by launching outside the USA, although that will be very small initially.

Then down the line, when we have got clinical evidence, we anticipate restabling coverage for DFU and VLU. The 5% to 7% on the rest of the business is independent of LCD.

Giang Nguyen (Citigroup): The first one is just a follow-up still on the topic of Infusion Care. Understood that you literally just said high single-digit is the sustainable growth outlook for this business. But I was wondering if you could perhaps break it down into the outlook for diabetes indication versus non-diabetes indications. The reason is I am a little bit surprised that you are not more excited or more upbeat about this growth outlook, given that you have been talking about very strong outlook outside of diabetes, new customers acquired and also you are looking to increase capacity for Parkinson's, for example. That would be my first question, and then I will come back with the second one.

Karim Bitar: Yeah. Look, I think the reality is that we are very much focused on achieving the high single-digit. I think you are basically posing the question saying, could it be double digit? I think there has been that line of question. It could be, right? But I think we need to stay grounded. I think we are improving our performance. We are improving our performance one step at a time.

Are we going to go ahead and secure Mitsubishi Tanabe? How is that going to do? How is AbbVie going to continue to do as it launches in the US? They only received their approval, frankly, in the fourth quarter. Let us see this expansion in diabetes. Let us see us continue to diversify.

Look, you could clearly build scenarios. We could sit here and tell you, well, what about Continence Care? What about Ostomy Care? Look, my basic response to you is that we have guided medium term. We said Wound sustainably high single-digit. IC, high single-digit. The other two, we have said basically, hey, from a medium-term outlook perspective, mid-single digit. Could it be higher? I think the short answer is yes.

There is that possibility. But again, this idea of us launching new products successfully, we are just starting, right? We are just starting to get positive feedback, encouragement with ConvaFoam, Esteem Body, GC Air. Let us keep on doing that, let us collect more data, and then we will see.

Giang Nguyen: Then my second question is on Advanced Wound Care, and this will come with two parts. The first part is, can you provide a bit more details around ConvaFoam momentum, both in the US and OUS? For example, how much did it contribute to growth in the second half or in full year 2024? Also, can you talk about what markets are you looking to further launch it out in 2025?

The second part to this question is, you mentioned that you are also rolling out InnovaMatrix outside the US, for example, LATAM. can you comment a little on the upside of the recessions of InnovaMatrix in LATAM? Any colours around pricing levels or further investment required?

Karim Bitar: Yes. Look, I would say on ConvaFoam, we are not breaking down product by product what the contribution is. I think that we are going to start seeing an important contribution of ConvaFoam from a financial perspective in 2025. What we saw initially was some really encouraging clinical response in terms of winning over half the clinical evaluations.

What I can tell you is that as we are launching in places like the UK and Germany, there is very, very strong demand, and we are pleased. We are seeing even stronger demand and more demand in the US marketplace. And our plan is, frankly, to focus on the FISBE 12 markets. So I would anticipate that during the course of the next 24 months, you will see us launching ConvaFoam more broadly. For example, in places such as Brazil, right? You ought to be expecting us to go ahead and do that.

On InnovaMatrix, it is still very early days. But I think in terms of financial attractiveness, it is very financially attractive for us to do that in places also in Latin America. So we are going to continue to explore how can we introduce InnovaMatrix in markets in Latin America, potentially in Europe. But on the other hand, I think Jonny was very clear. It is a relatively small opportunity. So I also want to make sure that I am giving you a fair balance here.

Jonny Mason: I wonder if it is worth I would just add that, Karim said, we do not talk about products specifically, but he described the breadth of pipeline in Wound Care, several new products coming off the pipeline over the next few years. That is what gives us confidence that Wound Care is irrespective of InnovaMatrix is a high-single-digit business in the medium term.

Graham Doyle (UBS): Just two questions. One quick one, Jonny, on the guidance. Just if you are talking about IC being H1 weighted and Wound logically must also be the same. Fair to say Group is probably more H1 weighted if you do those things and do the math. Then just a second question on ConvaNiox. It is a slightly different product from your traditional antimicrobial product. It looks like it has an underlying healing benefit almost akin to what we see with InnovaMatrix.

Does that mean it is potentially like a new category and you can do things with this that you could not do with the traditional antimicrobial products, and therefore, maybe expand the category? Because I am trying to get a sense of how big this could be, given it is already a big franchise, but this does not feel iterative, it feels quite different.

Karim Bitar: I will let Jonny take the first question, and I will comment on ConvaNiox.

Jonny Mason: Yes. In Wound Care, I think you are referring to the InnovaMatrix effect. If we take that out, the phasing of sales growth across the other three categories is pretty flat. There is a small impact from Infusion Care being front-end weighted on the Group. But by the time you boil it down with the other three categories, it is not a big difference.

Karim Bitar: Look, on ConvaNiox, I would say, look, the nitric oxide technology that we have gone ahead and secured and have been actively developing is very exciting. There is no other way to say it. As you recall, when we first went ahead and pursued the technology, we looked at it as a platform technology. We were going to start in Wound Care, but we saw potential applications in other areas, say, such as Continence Care or Ostomy Care.

I think that thesis of ours from a scientific perspective, not only still hold, but maybe we have even more conviction. I think in the area of wound care, because it has its ability to basically be a great antimicrobial treatment, similar to Aquacel Ag+ Extra, but also, frankly, to impact and accelerate wound healing, I think it clearly has the opportunity to significantly expand the category.

Two ways. I think, one, there is a volume aspect to it. But then when you think about pricing and reimbursement, clearly here, there is a very compelling health economic story. And so if you are sitting there as the NHS or UnitedHealth or CMS, we can go through all the various arenas. I think this could be a very, very attractive opportunity. So we are very excited, very committed to launching it, and we are going to be investing appropriately.

Sam England (Berenberg): The first one, just on Ostomy Care. Can you give us a sense for the contribution to growth you saw from the Esteem Body following the launch in 2024? I mean, how we should think about its contribution to growth in 2025? Then on the Infusion Care side and the strength of growth in non-diabetes revenues. Where do you see those non-diabetes revenues getting to as a proportion of the segment in the longer term? Could it be 50% or more in the longer run? Or do you expect it will always be diabetes dominated?

Karim Bitar: Yes. Look, I think on Ostomy Care and Esteem Body, again, we do not sit there to do a breakdown of the specific product. But I would say that clearly, the body line was a good contributor last year, will be an important contributor this year and will be a very meaningful contributor to growth for Ostomy Care.

You should definitely be following Esteem Body and Natura Body. I think I said we are going to be launching Natura Body in the 2026, 2027 time frame period. Clearly, there is a real opportunity there.

On the other hand, we are also seeing growth from our accessories business, the whole line of ESENTA, which we have refreshed that brand. I do think the moldable technology, which I highlighted, we are able to grow double digit in global emerging markets. It is pretty well balanced is what I would say.

I think historically, the issue for us has been we have not executed as well commercially. Our quality has not been right up to snuff. We have been improving that. We did not have a full product portfolio. It was a partial product portfolio that need to be refreshed. So I think by the time we launch Natura Body, say, in the next 24 months, we will have all the components.

Frankly, we can compete a lot more effectively. On the non-diabetes and Infusion Care, I think clearly, it can go beyond the 10%, Sam. I do not know if it will be 20%, 30%, but I think it will be a meaningful portion. We are very committed to doing that. I mean we have not talked about are there other therapeutics beyond immunoglobulin therapy, Parkinson's, pain management. I think the short answer is, there is.

I alluded a little bit to wave three. Today, that is not the focus. We are not going to talk about wave three. But you could imagine that is a technology platform, the Infusion Care technology platform that we do see opportunities in therapeutics beyond the ones we are currently focused on.

Jack Reynolds-Clark (RBC Capital Markets): I had a couple, please. First on ConvaNiox. Just following up on Graham's question. What conversations have you had with payers? I think you talked about European launch and then US launch. What conversations have you had from both sides of the Atlantic there?

Then the second question, just on Wound Care. Thinking about 2025 guidance of mid-single-digits, should we be thinking about that more towards kind of the last year's performance at near to 4% or more in the context of the slide that showed market growth around 6% or above percent? And then how do you see that then progressing next year and following years?

Karim Bitar: Okay. Why do not I take the first one, I will let Jonny comment on the second one. Yes. Look, I think what is fair to say is that there is public data out there about sort of from a health economics perspective, how does ConvaNiox perform? I think it has got a pretty compelling data in terms of its performance.

I think we are very well positioned. I think for competitive purposes, I am not going to get into the detail, but let us just say that we are very well aware of who are the payers, who are the payer influencers and our level of confidence of having a compelling narrative based on real clinical data, based on real health economic analysis is pretty darn high. We are looking forward to all the necessary engagement and discussions in that arena, both in the US and in Europe.

Jonny Mason: Then on wound care, last year was 4%, just over 4%, excluding InnovaMatrix, but it was very different half-on-half. Second half was over 5%. That is because the first half was held back by pressure in China, among other things. I think it is fair to say that mid-single digits is where we should be expecting Wound Care to be, solid mid-single digits for 2025.

Jack Reynolds-Clark: And beyond that, how do you see that?

Jonny Mason: Well, we have said that we are expecting Wound Care to build to be high single digits beyond 2025. That is as this exciting pipeline of new products starts to roll off. ConvaFoam will start to build momentum and then there is ConvaFiber and ConvaNiox and others that Karim referred to.

Kane Slutzkin (Deutsche Bank): Just on the LCD piece, clearly, the sort of non-DFU, VLU piece is doing quite nicely with good growth. Just wondering when the implementation does ultimately come? Are you expecting any knock-on effect or change in buying behaviour on the indications outside of the scope? Is there any risk there given the good growth?

Then just on the balance sheet, I mean, gearing at 1.8. Now that has come down quite nicely. I think, historically, there is been a few payers who have been always concerned around the stickiness of leverage. Now coming down below 2, is this a place you are going to just de-gear half a turn a year? Or is there going to be more meaningful kind of investment going forward, perhaps in M&A? Is there a fifth category thinking very big picture?

Karim Bitar: Super. Thanks, Kane. I will take the first one and let Jonny handle the second one. Look, I think that the reality is when you look at the indications outside of diabetic foot ulcers and venous leg ulcers, I think they tend to stand alone. I will give you a very practical example.

One of the areas we are seeing significant growth is in the area of Mohs. We are talking about post-skin cancer surgical intervention, right? So you are talking about a different point of care. Typically, you are talking about the dermatologists. They are having a lot of success in that arena.

I do not honestly see a significant risk. There is always going to be some risk. But I think it is reasonable to assume that in the non-DFU, VLU indications and particularly the way the legislation currently reads, that there is an opportunity to grow that business. We are very committed to that, both in terms of from a commercial vantage point, from a clinical vantage point. And so I think it bodes well.

Jonny Mason: Then on leverage, yes, very pleased with the cash flow and how that turned out last year. You are right that ongoing the profile is to delever. We have got a target for CAPEX about 6%. We think working capital will stay as a ratio of sales. So that generates cash every year.

We do not have an ambition to keep delevering. Our target is about 2 times. Now we interpret that flexibly, but that is the target. So we are actively looking for M&A, which will strengthen our competitive position in our focus areas. We have been successful in that over the past few years. We hope to be successful with it going forward.

But absent M&A, then as our capital allocation priorities set out, any surplus would be available for return to shareholders.

Seb Jantet (Panmure Liberum): Three quick questions, if I may. First of all, just going back to kind of the automation side of the business. I seem to remember you telling us a few years ago that you then had seven plants with one that had automated packaging. I think you are down to five plants now. I am just wondering to what extent you are actually automated within those plants, both in terms of packaging and the rest of it? Because obviously, that could drive some quite meaningful margin gains.

Second question is just around ConvaNiox. Can you just remind me how that works? Is it a simple dressing? Is it a dressing with a device attached to it? Just thinking about what the ongoing costs from a healthcare perspective might be in terms of managing that wound?

Then lastly, and this is just me kind of maybe reading too much into it. But in your statement, you talked about if the LCD is enacted. Are you trying to tell us you still think there is a risk it may not be enacted? Or is that just technically speaking, correct?

Karim Bitar: Yes. Okay. Let me take those three questions. Look, I think in terms of automation, historically, we referred to our facility in Denmark, which is highly automated, right? This is where we make our infusion sets.

The reality is that we have broken down all of our five major sites, and we break them down in terms of production, primary packaging and secondary packaging. We know exactly where is there a gap in terms of automation.

We have made a lot of progress. For example, in the UK, which is a big Wound Care facility up in Deeside, we frankly have, by and large, automated that facility across the board, right, by and large. It will be all done here in 2025. That kind of gives you a sense of significant progress there. So we should start seeing some of the benefits rolling in, in 2025 and certainly in 2026 and 2027 from that facility. Then what we see happening in some of our other facilities, say, such as Slovakia or such as, say, the facility in Mexico, we are incorporating more automation in those arenas, and I would continue to see us do that during the course of the next, say, 36 months.

I think that the next 36 months, we are going to continue to be very, very busy bunnies. But I think at the end of the 36 months, so if you say 2025, 2026 and 2027, we should have made significant substantial progress. I think the cumulative effect of that automation will benefit us.

But I would also highlight that it is not strictly automation, it is also a lot of continuous improvement initiatives, right? I mean, literally, we are talking about hundreds. So we have got a very rich pipeline there. So think about areas such as procurement, which we are being much more aggressive on and just building competencies and capabilities and thinking about what proportion of all of our supply agreements actually covered by contractual agreements.

It was frankly somewhat loose historically. Let us just say it is being tightened up in a very significant manner.

On ConvaNiox, how does ConvaNiox work? It actually is a wound dressing. The reality is that nitric oxide is frankly quite unstable. It is a gas actually of all things. And so you actually got to create the nitric oxide in the wound dressing, and there is a lot of know-how IP as to how you do that. When you look at it physically, it is going to look to you like it is a wound dressing. But in reality, nitric oxide is generated and then that nitric oxide has the benefit of going ahead and driving, killing of all the bugs and, frankly, accelerating the wound healing process.

I think it is going to be actually relatively easy to use. And then you can imagine different sizes, different formats. Initially, we are very focused on diabetic foot ulcers. That is going to be the first indication, but we are actively pursuing and planning on developing it for venous leg ulcers and also potentially for pressure ulcers. So we see a lot of potential there.

Then on the LCD, look, we have assumed the LCD is going to be implemented 13th April. I think that is just a wise and prudent way about thinking about it. We know we have got 96% of our business is outside of the whole area of InnovaMatrix. It is a very robust business.

We are going to drive the RCTs. We are going to drive diversification, and that is what we are assuming.

Ed Ridley-Day (Redburn Atlantic): Karim, we have been discussing great to see the strategy of investment in R&D continue to bear fruit. Two other areas maybe good looking in more detail. Interesting to see the ConvaVac product, an area that many people, is very competitive. Clearly, you feel there is a way that you can disrupt that market. There is a lot of me-too product on the market. If you could talk a bit more as much as you can about how you can disrupt that?

Then also in pain management in IC, I know you cannot discuss who you are talking to, but can you perhaps give us some idea on time lines about how we might see the pain management offer come through?

Karim Bitar: Just clarify your first question for me again.

Ed Ridley-Day: Yes. Just on ConvaVac. How you feel you can differentiate in a market that is highly competitive?

Karim Bitar: Yes. Look, I think the reality is, first of all, we are talking about single-use negative pressure wound therapy there. I think many of you know that we had an original offering, which was called Avelle, and it was not successful. It really was not ready for showtime.

I think that the opportunity there is to make sure that you have got a very robust, highly reliable pump that actually generates negative pressure, right? Because negative pressure helps in the wound healing process that accelerates on your wound. But on the other hand, you also would like to combine that with a very unique wound dressing that maybe has properties and benefits that others do not have. I am not going to say more at this point, but at least that gives you a sense of the concept.

I think, look, on Infusion Care and pain management, there is a series of medications or therapeutics with which we work on today. I would not want to create the impression that there is some additional new therapeutic out there in pain management that we are actively pursuing. So I think that would be misleading you. So that is what I would say there.

Speaker: We have a question online. I think the room is full now. It is from Julien Dormois at Jefferies, four point questions. I will just ask them one by one. What are your expectations for InnovaMatrix in 2025 in the non-LCD indications? Would you give a growth prediction on that one?

Jonny Mason: I mean, not specifically. We did 70% growth last year. We are expecting ongoing fast growth in 2025, but let us not get into product by product. So it is a bit too detailed at this stage.

Speaker: Some competitors have said that they expect the wound biologics market to shrink in 2025 due to the LCD. Do you believe the same?

Karim Bitar: Yes. Look, I think that the reality is that when you look at it through the eyes of CMS, right, the Centre for Medicaid and Medicare Services, you have got two phenomena. You have got clearly how much of these extracellular matrices cost us as a system, whether they be synthetic or whether they be xenograft or whether they be allograft, right? But then we also have to acknowledge that in terms of integrity and how billing has occurred, there have been some bad actors.

So I think that when you look at what has happened, particularly in the 2024, 2023 time frame period, those bad actors, there are a few, but unfortunately, they do exist, have maybe made the market larger than what would be a sustainable market, if that makes sense. That would be my first comment.

I think that the bad actors will be tackled, and I think that will have an impact. Then B, the question just is what will happen in terms of payment and reimbursement. I think that if you look at the current mix of producers on the LCD, I think that would lead you to believe that in 2025 that there would be a reduction in the size of the overall market. I think that is probably a reasonable assumption.

Speaker: Third one, can you give us an update on any progress in diabetes patch pumps?

Karim Bitar: Yes. Look, what I would say is two things on patch pumps and diabetes. The first one is that irrespective of whether we are on a patch pump or not, we will deliver high single-digit growth. I think that is a really important point.

Second, we continue to make good progress with a variety of players. It would not be appropriate for me to say anything beyond that.

Speaker: Final one for Jonny. CAPEX last year was slightly below the 6% of sales. How are you thinking about it in 2025?

Jonny Mason: We have given a guidance range for 2025, which is $130 million to $150 million. So 6% or possibly even a bit more because there was some phasing effect of projects from 2024 into 2025. Slightly higher, but close to our target 6% range.

Karim Bitar: Okay. Any last questions here in the room?.

Speaker: I am asking the question on behalf of Lisa Clive. We have a question on the Mohs indication for InnovaMatrix, and that looks quite interesting. How will you see the growth opportunity unfold? Is it your sales rep building out the market already? Or are there established players in the indication already? Can we assume that this is very low penetration today, so a high growth market more generally?

Karim Bitar: Yes. Look, I think the question is what is the nature of the opportunity in indications outside of DFU and VLU and how are we positioned there?

I think it is large, and I think it is largely unpenetrated is what I would say. So there is a large opportunity there. B, we have already been executing on our diversification strategy. So we have not waited. We have been at it, frankly, both commercially and also just from an R&D perspective, as an opportunity there to generate evidence and help people understand how would you go ahead and utilise the tools that we made available. I think you continue to see us drive growth in that arena is what I would say.

I am going to bring the session to a close. I just want to say a big thank you to all of you, and we look forward to seeing you here soon again. Take care.

Jonny Mason: Thanks very much.

[END OF TRANSCRIPT]