

Convatec upgrades FY24 guidance: on-track for double-digit EPS growth in 2024 and 2025

Continued strong performance since H1 24 results, with YTD organic¹ sales growth increasing to 7.7% (7.1% reported), with broad-based growth across all categories. Organic sales growth excluding InnovaMatrix[®] was 6.6%.

Upgrading FY24 sales and operating margin guidance

We are increasing guidance for FY24 organic sales growth to 7.25% to 8.0% (previously 6.0%-7.0%) and for constant currency² adjusted operating margin of $\geq 21.5\%$ (previously $\geq 21.0\%$). Gross margin has improved from further operations productivity and significantly lower inflation in H2, as previously guided, and continued to improve in commercial and G&A efficiency as part of our FISBE strategy. We are on-track to deliver double-digit growth in adjusted EPS and free cash flow to equity in FY24.

2025 outlook

In FY25, we expect to further expand operating margin and to deliver double-digit adjusted EPS and free cash flow to equity growth, irrespective of the draft InnovaMatrix[®] LCD outcome. This will be driven by 5-7% organic growth in non-InnovaMatrix[®] sales (96% of Group), based on our broadening product portfolio, new product launches, ongoing productivity initiatives and focused commercial execution.

Divisional performance

- **Advanced Wound Care (AWC)** delivered high-single digit organic growth, ahead of H1. This was driven by high growth in InnovaMatrix[®], with particularly strong growth in indications outside the scope of the draft Local Coverage Determination (LCD). Excluding InnovaMatrix[®], AWC growth was mid-single digit as Aquacel[™] Ag+ Extra continued to perform strongly and ConvaFoam[™] built further US momentum, and started to launch internationally
- **Ostomy Care (OC)** delivered mid-single digit organic growth, with ongoing strength in Global Emerging Markets. Performance in North America was again supported by new patient referrals to our Home Services Group. The launch of Esteem Body[™], our new one-piece soft convex product, has seen strong customer uptake in Europe and the US
- **Continence Care (CC)** delivered high-single digit organic growth, driven by our broadening product portfolio, high customer satisfaction scores and retention rates. Our Home Services Group in the US continued to grow market share, with increased new patient starts. Our new hydrophilic compact catheter, GentleCath Air[™] for Women, started strongly in Europe and the US, with continued encouraging customer response. We see the recently announced catheter reimbursement code changes in the US in 2026 as an incremental opportunity for sales and margin expansion
- **Infusion Care (IC)** delivered high single-digit organic growth. Durable insulin pump penetration is accelerating, and diversification of our products and customers progressed well. There is strong underlying demand for Convatec infusion sets in both diabetes and non-diabetes treatments, and we have seen faster growth from new customers, products and therapies

Karim Bitar, Chief Executive Officer, commented:

"Convatec has delivered faster broad-based sales growth in the second half and operating margin is tracking materially ahead of H1, driven by strong execution of our FISBE strategy and lower inflation. This is further evidence that Convatec has successfully pivoted to a higher level of organic sales growth and profitability, and we are on-track to deliver a mid-20s operating margin in 2026 or 2027. For FY25, we expect to grow sales and operating margin further, and to deliver another year of double-digit growth in adjusted EPS and free cash flow to equity. This growth is driven by our clear strategy, our strongest-ever new product pipeline and the focus on execution excellence by our team of more than 10,000 colleagues around the world."

¹ Organic growth is calculated by applying the applicable prior period average exchange rates to the Group's actual performance in the respective period and excluding acquired and disposed/discontinued businesses.

² Reported FY24 operating margin is likely to be c.70bps lower than constant currency operating margin due to adverse foreign exchange movements (previous guidance c.60bps lower)

Strategic progress

- **New product innovation** has accelerated, with a broadening pipeline across our chronic care markets. In **AWC**, the win-rate for ConvaFoam™ evaluations in the US was very good (over 50%) and we are launching across Europe. In **OC**, Esteem Body™ continued to perform strongly across markets including Italy, the US, Czech Republic and Poland. In **CC**, GentleCath Air™ for Women continued to build sales in European markets and the US. In **IC**, customer launch activity in diabetes continued to yield strong demand for our innovative infusion sets. Outside of diabetes, AbbVie's Parkinson's therapy is progressing well in Japan and key European countries leading to high demand for Convatec's Neria™ guard infusion sets. AbbVie also announced FDA approval in the US in October 2024, which will drive further demand for infusion sets
- Our **simplification and productivity** initiatives continued to progress well, with operational productivity increasing during 2024. In **Global Quality & Operations**, having closed our EuroTec facility in the Netherlands in H1 24, we continue to optimise our plant network for scale and efficiency with the closure announced of our small Herlev site in Denmark later this year. We continued to increase automation in our facilities across the Group. In **commercial** areas, we created an integrated global Marketing and Sales Centre of Excellence and further rationalised our use of agencies globally. We are encouraged by the potential for AI to drive productivity improvements in areas such as customer service and translation. In addition we delivered further **G&A** savings by expanding the scope of our Global Business Services centres in Finance, IT and HR
- **Investing for growth**: since H1 24, we have made a small homecare acquisition in France for an up-front payment of c.€13m, which will start to build our direct-to-consumer capabilities in CC and OC. Group research and development investment was in line with our expectations as we continued to launch new products to grow market share.

InnovaMatrix® update

InnovaMatrix®, the first-ever porcine placental-derived extra-cellular matrix for treatment of chronic, surgical and trauma wounds, continued to perform very well, including winning new customers.

InnovaMatrix® YTD sales growth was c.40%, which increased the Group's organic sales growth by 1.1%. We expect overall FY24 InnovaMatrix® sales of c.\$100m, and we have delivered faster growth in indications and channels outside the scope of the LCDs. These indications now represent over 25% of YTD InnovaMatrix® sales (FY23: c.20%).

InnovaMatrix® is an excellent product which is delivering strong real-world results for patients and is trusted by clinicians. We continue to believe InnovaMatrix® should be included in Medicare coverage for VLU and DFU treatment. We will publish further real-world evidence imminently.

However, we recognise there is a risk InnovaMatrix® may not be included in Medicare coverage lists in a final LCD, which could be issued in either 2024 or 2025. This could have a financial impact in FY25. The extent of any impact would depend on the timing of the announcement, the duration of any transition period and what amendments to the draft LCD are included. We have [initiated randomised controlled trials](#) in DFU and VLU and are on track to report in 2026.

Therefore, we believe that any exclusion of InnovaMatrix® from Medicare coverage would be temporary, and on successful delivery of additional clinical data we would expect to achieve full Medicare coverage and expanded private payer coverage.

Irrespective of any InnovaMatrix® LCD outcome, in FY25, we expect the Group to further expand adjusted operating margin and deliver double-digit growth in adjusted EPS and free cash flow to equity. We also remain confident that InnovaMatrix® has a significant role to play in helping drive our medium-term performance.

Continence Care – background information relating to recent catheter code changes

Three new US reimbursement codes are being introduced from 2026 for hydrophilic catheters. Convatec has been a leader in the growth of hydrophilic catheters, which now represent over 60% of our US sales, versus market penetration of c.40%. We expect hydrophilic catheter penetration will continue to increase, and Convatec's catheter sales and margins will grow.

This market development is positive for Convatec for two key reasons. First, we sell twice as many Convatec non-hydrophilic catheters to other distributors as we buy from other manufacturers (only c.15% of catheter sales). The mix impact of these changes on margin would be neutral to positive.

Second, Convatec continues to expand its hydrophilic catheter product portfolio, based on its differentiated FeelClean Technology™, which has an FDA superiority claim³ for comfort and less stickiness. Therefore, we expect the proportion of Convatec-manufactured catheters to continue to increase (currently over 50% of sales), resulting in higher sales and margin.

Technical guidance

- Based on FX rates to date and spot for the remainder of the year, the foreign exchange headwind to 2024 adjusted operating margin is ~70bps (10bps higher than H1 24)
- FY24 guidance on interest expense, tax rate and debt leverage is unchanged:
 - o FY24 Interest guidance remains in the upper half of the \$75-85 million range
 - o Adjusted book tax rate remains at c.24% (cash tax ~18%)
- Double-digit FY24 adjusted EPS growth is underpinned by a significant acceleration in H2 versus H1, helped by H2 financing costs being flat YoY
- Strong balance sheet, underpinned by good cash generation. Year-end net debt/adjusted EBITDA leverage expected to be approximately 2.0x
 - o FY24 capex guidance remains \$120-140 million
 - o FY24 cash adjusting items remains ~\$20 million
- To satisfy awards granted under Convatec's employee share plans, we intend to fund the Trustees of the Employee Benefit Trust to purchase up to 15 million Convatec shares per annum. Previously, such awards have been met by newly issued shares

Conference call details

Karim Bitar, Chief Executive Officer, and Jonny Mason, Chief Financial Officer, will host a conference call for analysts and investors to discuss the trading update at 8:30am UK time on 12 November. Please register for the webcast using this [link](#). To ask a question on the call, please use the dial-in details shown below:

- UK Wide: +44 20 3936 2999
- Global dial-in numbers: [List](#)
- Access code: 388622

³ FDA K213283 https://www.accessdata.fda.gov/cdrh_docs/pdf21/K213283.pdf (Established in 2022)

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About Convatec

Pioneering trusted medical solutions to improve the lives we touch: Convatec is a global medical products and technologies company, focused on solutions for the management of chronic conditions, with leading positions in advanced wound care, ostomy care, continence care, and infusion care. With around 10,000 colleagues, we provide our products and services in almost 100 countries, united by a promise to be forever caring. Our solutions provide a range of benefits, from infection prevention and protection of at-risk skin, to improved patient outcomes and reduced care costs. Convatec revenues in 2023 were over \$2 billion. The company is a constituent of the FTSE 100 Index (LSE:CTEC).

To learn more about Convatec, please visit <http://www.convatecgroup.com>

Forward Looking Statements

This document includes certain forward-looking statements with respect to the operations, performance and financial condition of the Group. Forward-looking statements are generally identified by the use of terms such as "believes", "estimates", "aims", "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "targets", "continues", or their negatives or other similar expressions. These forward-looking statements include all matters that are not historical facts.

Forward-looking 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 that are difficult to predict and many of which are outside the Group's control. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved. Forward-looking statements are not guarantees of future performance and such uncertainties and contingencies, including the factors set out in the "Principal Risks" section of the Strategic Report in our Annual Report and Accounts, could cause the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, to differ materially from the position expressed or implied in the forward-looking statements set out in this document. Past performance of the Group cannot be relied on as a guide to future performance.

Forward-looking statements are based only on knowledge and information available to the Group at the date of preparation of this document and speak only as at the date of this document. The Group and its directors, officers, employees, agents, affiliates and advisers expressly disclaim any obligations to update any forward-looking statements (except to the extent required by applicable law or regulation).

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