

# Coloplast A/S Class B

**CORE HOLDING\***

Recommended since 07.11.22

27.11.2024



<b>Country</b> DK	<b>Market capitalization (bn)</b> DKK 201,3	<b>Perf. since reco. (%)</b>
<b>Sector</b> Health Care	<b>Free float</b> 68,5%	Coloplast A/S Class B 14,1
<b>Factset</b> COLO.B-DK	<b>Closing price</b> DKK 903,80	Sector 15,3
<b>ISIN</b> DK0060448595	<b>ESG Risk score*</b> 14,9 Low risk	



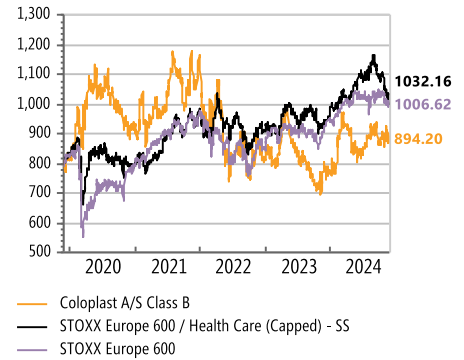
\*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## Profile

Founded in 1957, Coloplast is a leader in medical devices dedicated to chronic care of ostomies (37% of sales), continence disorders (32% of sales) and laryngectomy/tracheostomy since early 2022 (following the acquisition of Atos Medical - 8% of sales). The company is also present in urology (11% of sales) and in wound & skin care (12% of sales), with a position of n°4 worldwide.

## Market - competition - positions - barriers to entry

Chronic care of ostomies and continence disorders is growing by 4-6% on average per year and laryngectomy/tracheostomy care by 8-10% on average per year. These markets are relatively oligopolistic. Wound & skin care and urology are growing at 2-5% CAGR. The barriers to entry are innovation for a low price positioning, a strong relationship with nurses and patients (brand loyalty).



Source: Factset

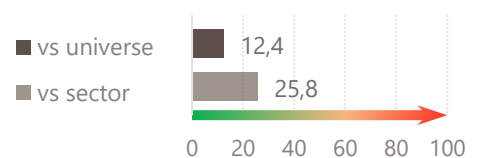
## Investment case

- As a leader in chronic care (c. 80% of sales), Coloplast benefits from a particularly resilient market with strong fundamentals and an excellent track record in strategy execution, with historical organic growth averaging 7%/year over the past 20 years. This outlook is sustainable in the long term thanks to constant innovation (aimed at improving the quality of life of patients on a daily basis), proximity to patients and healthcare services, geographic expansion in emerging markets and a strengthening of its presence in the USA, with contract wins with GPOs (central purchasing offices for the hospital and homecare sectors).
- Acquisitions of Atos Medical and Kerecis provide new sources of growth. Specializing in laryngectomy/tracheostomy care, Atos has strengthened the portfolio in chronic care. This market is growing by an average of 8-10% a year, with penetration still low. Kerecis focuses on biological medical devices for wound care, with a new technology based on fish skin. Technology in launch, profitability was only 6% in 2023. While the acquisition is dilutive in the short term, the ambition is to reach the Group's operating margin post-2026.
- While margins were negatively impacted by the integration of Kerecis and cost inflation in Hungary, the low point was reached in 2024. An improvement will be visible from 2025 and will continue in the medium term, supported by three factors : 1/ economies of scale generated by growth ; 2/ a geographical reallocation of its production, with a transfer to Costa Rica, which will account for 25% of volumes in 2025 ; and 3/ the ramp-up of Kerecis.
- The year 2024 was rich in launches, with the new-generation Luja catheter for continence care, the SenSuraMio pouch in black, and the Heylo leak detection device for ostomy care. These new products will contribute to medium-term growth, expected at 8-10%/year.
- The 2025 outlook reflects these factors, with organic growth of 8-9% and an expected operating margin of 28% (+100bp y/y).

## ESG - risks and key points

- Coloplast's ESG risk level is low, due to low exposure and strong performance in managing ESG issues.
- Nevertheless, the company has experienced a moderate level of controversy in the past → cf litigation in the US over pelvic mesh product in 2014-15 - Coloplast spent DKK 4.9mia, or EUR 735mio, to settle the lawsuits.
- The company has to guarantee the quality of its products and comply with regulations imposed by health authorities.
- As a large proportion of its products are eligible for reimbursement, the company is exposed to price pressure.

## ESG risk vs. universe & sector (percentile)\*



Source: Sustainalytics

## Valuation\*\* in DKK

Current price	<b>Value Bordier Scenario</b>
904	<b>1 083</b>

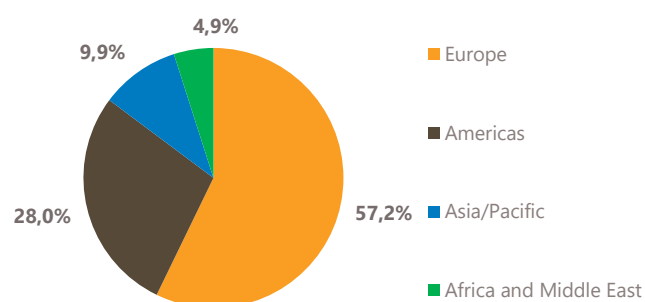
Our scenario includes a risk-free rate of 2.5%; organic growth of 7.7% on average per year over the period; and an EBIT margin reaching 31% in 2028 and stabilising at the end of the period.

\*\*) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

## "Bordier Core Holding" indicators

In millions of DKK	2023	2024	2025e	2026e	2027e
<b>Sales revenue</b>	24 500	27 030	29 328	31 820	34 525
<b>Sales growth %</b>	8,5%	10,3%	8,5%	8,5%	8,5%
<i>a/w organic</i>	7,6%	7,8%	8,5%	8,5%	8,5%
<b>EBIT adjusted</b>	6 845	7 286	8 223	9 228	10 358
<b>% of sales</b>	27,9%	27,0%	28,0%	29,0%	30,0%
<b>Net income</b>	4 842	5 025	6 024	6 874	7 898
<b>Adjusted EPS</b>	22,48	22,34	26,85	30,72	35,38
Adjusted EPS growth	-5,7%	-0,6%	20,2%	14,4%	15,2%
<b>Capex/Sales</b>	5,0%	4,9%	4,8%	4,5%	4,5%
Free cash-flow	2 993	1 435	5 543	6 249	7 185
<b>FCF/Sales</b>	12,2%	5,3%	18,9%	19,6%	20,8%
Dividend per share	21,00	22,00	17,67	20,21	23,28
<b>Dividend yield</b>	27,7%	28,0%	21,8%	22,0%	22,3%
<b>ROCE - WACC</b>	8,5%	8,8%	10,3%	11,7%	13,6%
<b>ROE (%)</b>	28,0%	28,0%	32,5%	32,8%	33,2%
<b>Net debt/Ebitda</b>	226,6%	242,2%	216,2%	180,1%	143,2%

## Sales breakdown - 09/2024



## Governance and ownership structure

Since 2018 - CEO Kristian Villumsen

## Key shareholders (if any):

The founding family holds 36% of capital and 62% of voting rights (mainly via class "A" shares).

## Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

The capital is split between (1) unlisted A-shares (8% of capital; 10 voting rights per share) and (2) listed B-shares (92%; one voting right per share).

## Glossary

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition &amp; b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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Source: Factset, Bordier estimates

## Ratios

	Coloplast A/S Class B	Sector	Stoxx Europe 600 Market
<b>PE (x)***</b>		Health Care	Stoxx 600
2024	40,0	19,5	14,4
2025e	33,3	18,3	14,3
2026e	29,1	16,2	13,2
<b>P/B (x)***</b>			
2024	11,4	3,7	2,0
2025e	11,0	3,5	1,9
2026e	9,7	3,2	1,8
<b>Beta (2Y, daily) vs market:</b>			0,35

\*\*\*) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

## Agenda

5 Dec. 2024: Annual general meeting / 4 Feb. 2025: Résultats T1

6 May 2025: Résultats T2 / 19.08.2025: Résultats T3