

Company announcement no 2020-14

Updated outlook for H2 2020

11 December 2020

Outlook for revenue growth (incl. EPOS) in H2 narrowed upwards to 12-14% (prev. 8-13%) in local currencies
EBIT outlook for H2 narrowed upwards to DKK 1,400-1,550 million (prev. DKK 1,200-1,500 million)
Uncertainty remains at a high level due to increasing number of infections and resulting restrictions

- Our outlook for **Group** revenue growth (including EPOS) in H2 is narrowed upwards to 12-14% (previously 8-13%) in local currencies as a result of slightly higher-than-expected growth in our hearing aids retail business, predominantly in Europe, as well as in Communications (our headset and audio company EPOS). The imposition of new restrictions in most major hearing healthcare markets since mid-October has so far not had a material financial impact on the Group.
- Our outlook for revenue growth includes growth from acquisitions of slightly less than 12 percentage points of which around 10 percentage points relate to the consolidation of EPOS. We still expect a negative exchange rate effect on revenue of around 3% in H2, including exchange rate hedging.
- As previously announced, revenue in the comparative period was negatively impacted by an estimated DKK 575 million due to the **IT incident** that occurred on 3 September 2019. Of this amount, roughly DKK 300 million relates to our hearing aids wholesale business and roughly DKK 275 million to our hearing aids retail business.
- Compared to our most recent expectations, we have seen continued savings in **OPEX**. In H2, we now expect flat (previously low single-digit) growth in OPEX (including EPOS) in local currencies compared to the same period last year. Besides our focus on tight cost control, this includes a positive effect of DKK 50 million from a reversal of part of the provision for bad debt recognised in H1, which totalled DKK 150 million. It also includes the support from government compensation schemes of around DKK 100 million globally, which we have previously disclosed.
- Due to our expectations of higher revenue growth and continued OPEX savings, we now expect an operating profit (**EBIT**) in H2 of DKK 1,400-1,550 million (previously DKK 1,200-1,500 million) before EPOS one-offs. Including the negative EBIT of DKK 193 million realised in H1, our outlook corresponds to an EBIT for the full year of DKK 1,207-1,357 million before EPOS one-offs.
- **EPOS one-offs** are now expected to be negative by DKK 70-90 million (previously negative by DKK 85-105 million) related to extraordinary spending on establishing the EPOS brand in the market. This is below our previous expectations, as coronavirus has postponed some of the major marketing events originally planned for the year.
- Our **cash flow** has remained strong, and we still expect our cash flow from operating activities (CFFO) and free cash flow for H2 to increase relative to the levels in H1.
- Our **outlook** for H2 is summarised in the table below. The outlook ranges reflect that uncertainty remains at a high level due to the increase in the number of infections and the resulting restrictions in most markets. On a global level, we have recently seen the recovery in all areas of the hearing healthcare market slow somewhat down. This is mainly attributable to the US where recent state-level restrictions appear to have caused a halt in the market recovery. The slow-down is also attributable to emerging markets and to the NHS in the UK where the recovery has for some time been lagging behind the recovery in other markets. In Europe, demand for hearing healthcare services has proven more resilient to recent restrictions, and in Asia and Pacific, most markets are almost fully normalised.

Summary of outlook for H2 2020

Growth (in local currencies)	Reported H1 2020 (vs. H1 2019)	Prev. outlook for H2 2020 (vs. H2 2019)	New outlook for H2 2020 (vs. H2 2019)
Group revenue:	-18%	8-13%	12-14%
Hearing aids wholesale	-25%	More or less flat	
Hearing aids retail	-31%	Positive mid-single digits	
Hearing Implants	-18%	Less negative vs. mid-August	
Diagnostics	-2%	Slightly positive	
Communications (EPOS)	7 percentage points*	9-10 percentage points*	Around 10 percentage points*
OPEX	-4%	Positive low single digits	Flat growth
Other metrics (DKK million)			
EBIT before EPOS one-offs	-193	1,200-1,500	1,400-1,550
EPOS one-offs	307	-85 to -105	-70 to -90

*Contribution to the Group's total growth in local currencies (EPOS was not consolidated in 2019).

Please reach out to the contact persons listed below with any questions. As per our financial calendar, our Annual Report 2020 is scheduled for release on 9 February 2021.

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