

Divestment of Hearing Implants

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Demant intends to divest its Hearing Implants business while ensuring lifelong support of existing patients

Background

- Transaction follows review of strategic options for the business area, including how to ensure the best life-long support of existing patients
- As a result of the review, Demant has decided to discontinue its efforts in hearing implants
- Becoming a global leader in hearing implants is not achievable without disproportionate levels of investments and significant dilution of profitability

Divestment

- Divestment of entire Hearing Implants business to Cochlear Limited, comprising both cochlear implants (CI) and bone anchored hearing systems (BAHS) product categories
- Cochlear is the global leader in implantable solutions for hearing loss and has committed to servicing existing patients of Oticon Medical now and in the future
- Total Enterprise Value of DKK 850 million on cash and debt free basis

Delivering implantable solutions since 2009

Employees of Oticon Medical have worked tirelessly to bring industry-leading technology to thousands of patients, reaching many major milestones along the way

Bone anchored hearing systems (BAHS)

2007

Oticon Medical established in Gothenburg, Sweden



2009

Launch of the Ponto System – bringing digital sound quality to BAHS



2011

Ponto Pro Power – the first bone anchored digital power processor



2016

Ponto 3 family – the world's most powerful family of abutment-level sound processors



2021

Launch of Ponto 5 family and MONO, the world's first single-drill procedure

2022

Oticon Medical becomes part of Cochlear Limited

Cochlear implants (CI)



2013

Demant acquires Neurelec based in Nice, France

2015

Launch of Neuro system, Neuro Zti implant and Neuro One sound processor



2018

Neuro 2 – where sound meets design



April 2022

Launch of Ponto 5 Super Power sound processor



Demant

We remain fully committed to existing strategy

- We will continue to grow and expand in Hearing Healthcare where we are uniquely positioned in hearing aids, hearing care and diagnostics
- We will pursue further growth in Communications, where we continue to see very strong potential and attractive long-term fundamentals
- In line with our mid- to long-term outlook, we will invest in both organic and acquisitive growth





Transaction details

Proceeds

- Total Enterprise Value of **DKK 850 million** paid in cash:
 - DKK 700 million at closing
 - DKK 150 million within 18 months after closing
- Once received, proceeds will add to the Group's cash reserves and lower net interest-bearing debt

Closing

- Transaction is expected to close in **H2 2022**, subject to regulatory approvals and other customary closing conditions
- Closing will follow customary consultation of relevant workers' councils

Financial impact

Discontinued operations

- Going forward, Hearing Implants will be **recognised as a discontinued operation**
 - Hearing Implants will neither be included in the Group's EBIT nor in the Group's outlook for continuing operations
 - Comparative figures for 2021 will be restated in the Group's financial reporting

P&L in 2021 (DKK million)	Group	Hearing Implants	Group excl. Hearing Implants
Revenue	18,418	512	17,906
EBIT	3,386	-117	3,503
<i>EBIT margin</i>	<i>18.4%</i>		<i>19.6%</i>

Impact on 2022 outlook

- Positive impact on Group EBIT in 2022 (expected operating loss in Hearing Implants now recognised as a discontinued operation)
- Neutral impact on other outlook metrics for continuing operations, including organic revenue growth

Outlook for 2022 (DKK million)	Previous	Impact	New
Organic growth	5-9%	Neutral	5-9%
EBIT	3,450-3,750	+150	3,600-3,900
Profit after tax of discontinued operations	n.a.	Negative 150-200	Negative 150-200

- Mostly reflects expected operating loss in Hearing Implants, which may be negatively impacted by the announced transaction in the period until closing
- Reflects certain one-off items with roughly neutral net impact (fair value adjustment of assets and liabilities, transaction costs, etc.), which are subject to adjustments for working capital and other items at closing

No changes to the Group's medium- to long-term outlook

Demant

The background of the slide is a photograph of a large, modern, multi-story atrium. Numerous people are gathered on various levels, some standing behind railings and others in the open space. A large vertical banner is visible in the center, featuring the Demant logo and a photograph of an elderly woman smiling. The banner also includes several circular icons with text: 'Hearing the world', 'Focus on health', 'Hearing the future', and 'Life-changing hearing health'. The overall atmosphere is one of a large-scale corporate event or conference.

Q&A