

Demant Interim Management Statement

3 May 2022

Søren Nielsen, President & CEO

René Schneider, CFO

Investor Relations



Agenda

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- 02 Hearing Healthcare**
- 03 Communications**
- 04 Discontinued operations**
- 05 Outlook for 2022**
- 06 Q&A**

Key financial take-aways for Q1 2022

Strong start to the year driven by Hearing Aids and Diagnostics

6% Group **organic growth** of 6% in Q1 driven entirely by Hearing Healthcare

Hearing Healthcare: Strong organic growth of 9% driven by Hearing Aids and Diagnostics

Communications: Negative organic growth of 25%, reflecting very strong comparative numbers last year

Gross margin and **OPEX** in line with expectations

Despite a negative impact of the halt in sales to Russia, EBIT in Q1 was in line with expectations

Outlook for 2022 unchanged despite expected impact of approx. DKK -100 million from the halt in sales to Russia and provision for expected losses

Business area (DKK million)	Revenue		Growth				
	Q1 22	Q1 21	Org.	Acq.	LCY	FX	Rep.
Hearing Aids	2,351	2,159	9%	-2%	7%	2%	9%
<i>Hereof sales to Hearing Care</i>	-441	-459	-11%	4%	-7%	3%	-4%
Hearing Care	1,898	1,731	2%	5%	7%	3%	10%
Diagnostics	503	402	19%	1%	19%	6%	25%
Hearing Healthcare	4,311	3,833	9%	1%	10%	3%	13%
Communications	292	381	-25%	0%	-25%	2%	-23%
Group	4,603	4,214	6%	1%	7%	3%	9%

Key events in Q1 2022



Continued very solid overall performance supported by new product introductions in the period despite impact from coronavirus at the beginning of Q1, albeit with large differences between regions



Sales to Russia, Belarus and the provinces of Donetsk and Luhansk are currently halted (less than 1% of Group revenue but with small realisable cost savings) and a provision for expected losses of all trade receivables is recognised in Q1



Acquisition of 20% of ShengWang, a leading network of around 500 clinics hearing aid clinics in China; we expect the transaction to obtain full ownership to be completed before the end of H1 2022



The Group intends to divest the Hearing Implants business to Cochlear Limited, and the business area is now classified as discontinued operations



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Hearing Healthcare



The hearing aid market in 2022

Unit growth vs. Q1 2021

- Very solid development in the hearing aid market in Q1 2022
- Growth primarily driven by very strong development in **Europe**, especially in the UK, Germany and France, and by solid growth in **North America**
- **Government channels** (VA and the NHS) delivered very strong growth due to low comparative figures but remain at or below pre-pandemic levels
- **Rest of world** continues to be affected by coronavirus, limiting overall market growth, but several emerging markets performed well
- Compared to 2019, growth in Q1 was 12% and thus slightly below the expected normal growth rate. Growth was negatively impacted by a slow start to 2022 in markets with high infection rates

Unit growth*	2021				Total	2022
	Q1	Q2	Q3	Q4		Q1
Europe	10%	130%	12%	14%	30%	20%
North America	9%	182%	18%	16%	35%	8%
US (commercial)	12%	156%	17%	15%	34%	6%
US (VA)	-7%	522%	52%	22%	51%	19%
Rest of world	0%	64%	11%	8%	16%	4%
Global	6%	116%	14%	13%	27%	12%

In line with expectations, we estimate that the ASP declined due to geography and channel mix changes



Hearing Aids

Very strong performance with market share gains driven by expansion of product portfolio

Comments

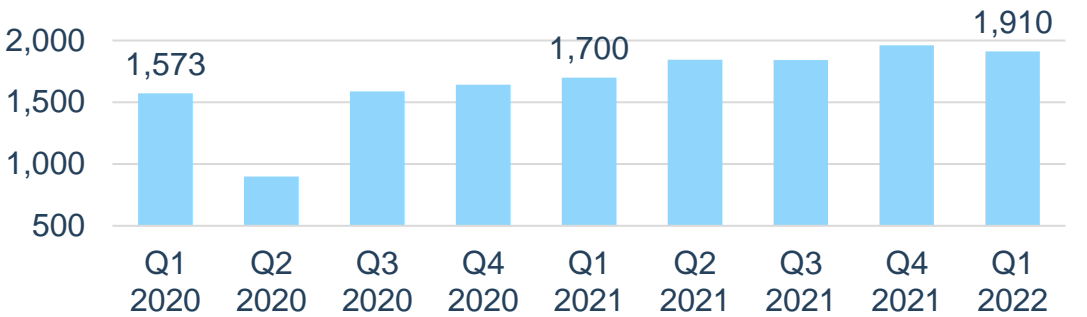
- Successful expansion of the latest product portfolio into more form factors and price points
- Market share gains in many markets, particularly driven by the continued success of Oticon More and solid growth relating to Philips HearLink
- As expected, growth was entirely driven by an increase in unit sales, whereas the ASP declined due to material difference in momentum between regions and channels

Europe	North America	Asia/Pacific/Other
<ul style="list-style-type: none">• Good performance in many countries, especially by the NHS in the UK• France delivered good growth in Q1	<ul style="list-style-type: none">• Increase in VA market share after launch of Oticon More in 2021• Good performance in large chains	<ul style="list-style-type: none">• Strong growth in emerging markets• Growth in Pacific and Japan slow in Q1• Growth in China negative towards end of Q1

Financials

Revenue (DKK million)	Q1 22	Q1 21	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	2,351	2,159	9%	-2%	7%	2%	9%
Internal sales to Hearing Care	441	459	-11%	4%	-7%	3%	-4%
Sales to external customers	1,910	1,700	14%	-4%	11%	2%	12%

Quarterly revenue





Hearing Care

Good momentum despite tough comparative figures in France

Comments

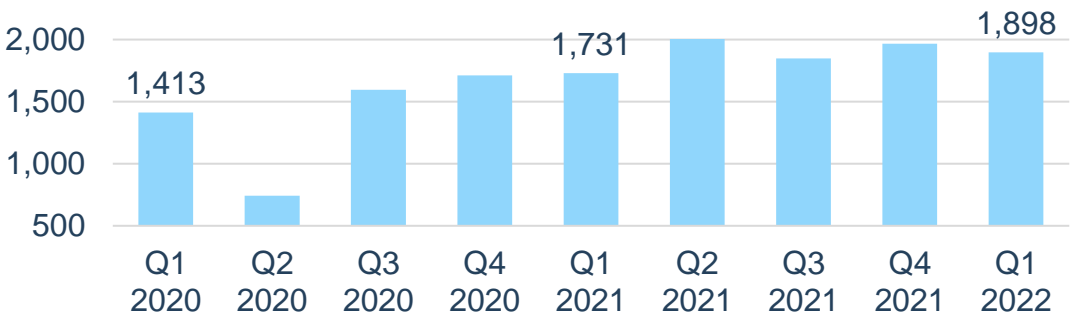
- Growth in France was less negative than anticipated during Q1
- Strong contribution from acquisitions in line with our strategic priorities, especially in the US and Canada
- Slightly negative impact of coronavirus in some markets, leading to an increase in cancelled appointments at the beginning of Q1

Europe	North America	Asia/Pacific/Other
<ul style="list-style-type: none">• Strong performance in Spain, Poland and in a number of other European countries• The UK continues strong momentum	<ul style="list-style-type: none">• Slightly negative organic growth in Q1• Continued headwind from strategic decision to reduce managed care in the US	<ul style="list-style-type: none">• Coronavirus restrictions at the beginning of the year and floodings in some areas weighed on growth in Australia

Financials

Revenue <small>(DKK million)</small>	Q1 22	Q1 21	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Care	1,898	1,731	2%	5%	7%	3%	10%

Quarterly revenue





Diagnostics

Very strong organic growth and continued market share gains

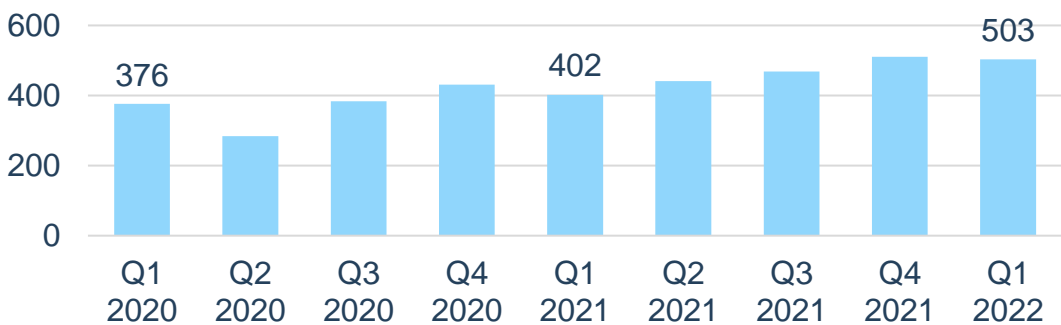
Comments

- We estimate that in Q1, market growth was above the estimated structural growth rate of 3-5% per year
- Strong performance with growth above the market growth rate, particularly driven by instruments for hearing aid fitting and for balance testing
- Growth in the US was the strongest contribution to overall growth
- Order intake remains strong at the end of Q1 and order book remains strong

Financials

Revenue <small>(DKK million)</small>	Growth						
	Q1 22	Q1 21	Org.	Acq.	LCY	FX	Rep.
Diagnostics	503	402	19%	1%	19%	6%	25%

Quarterly revenue



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Communications

EPOS





Communications

Negative organic growth in Q1 2022 due to high comparative base last year

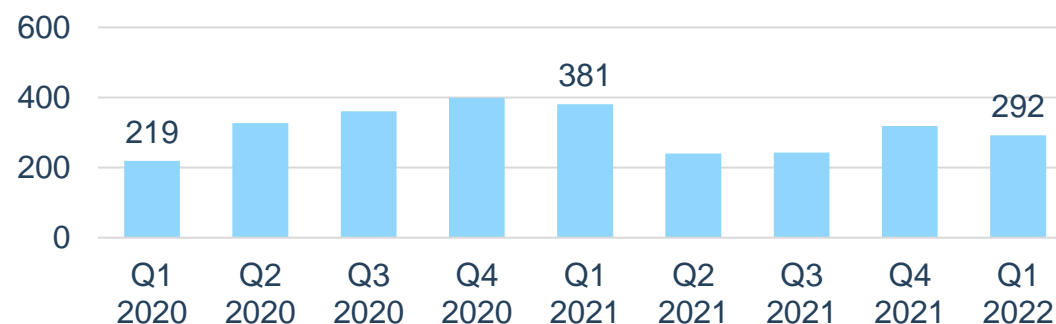
Comments

- We estimate that the market for gaming and enterprise solutions saw negative growth in Q1 exacerbated by the current supply chain situation
- The negative growth was most pronounced in **Gaming** where user demand for low-end products, high inventories in the sales channels and supply chain challenges for certain product families were all a drag on growth
- **Enterprise Solutions** saw solid performance during the quarter
- As a consequence of the supply chain situation, the market for enterprise and gaming headsets and video solutions is expected to see growth in 2022 below the estimated structural level of around 12%

Financials

Revenue (DKK million)	Q1 22	Q1 21	Growth				
			Org.	Acq.	LCY	FX	Rep.
Communications	292	381	-25%	0%	-25%	2%	-23%

Quarterly revenue



Discontinued operations

Hearing Implants



Divestment of Hearing Implants

As announced on 27 April 2022, the Group intends to divest its Hearing Implants business to Cochlear Limited

Transaction

- Transaction follows review of strategic options for the business area, including how to ensure the best lifelong support of existing patients
- Total enterprise value of **DKK 850 million** paid in cash (DKK 700 million at 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

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

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
- In Q1, Hearing Implants saw growth in line with expectations, but in the period until closing, growth is expected to be negatively impacted by the announcement of the transaction

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>	18.4%		19.6%



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Outlook for 2022

Outlook assumptions

Due to coronavirus, outlook remains subject to greater uncertainty than usual

Market

- Hearing healthcare market to normalise in 2022 with 4-6% unit growth in the hearing aid market and additional growth from pent-up demand
 - Significant differences between individual markets and channels
 - ASP growth slightly more negative than the normal 1-2% due to changes in geography and channel mixes
- Negative growth in the French hearing aid market in 2022 following extraordinary demand, which benefitted the Group's revenue by DKK 300 million and EBIT by DKK 150 million in 2021. **Following positive momentum in Q1, the French hearing aid market could develop slightly more favorably in 2022 than initially anticipated**
- Demand for enterprise and gaming headsets and video solutions to grow in line with estimated structural growth level of around 12%. **The current supply chain situation could impact market growth in 2022.**

Demant Group

- Both segments, Hearing Healthcare and Communications, to gain market share in 2022
- Supply chain situation to remain dynamic throughout 2022 and result in gross margin headwinds similar to 2021 but with no material disruption to sales
- OPEX to see no further benefit of temporary cost savings in 2022, which we estimate amounted to DKK 150-200 million in H1 2021
- Communications to realise a slightly negative EBIT in 2022

Discontinued Operations

- **Planned divestment of Hearing Implants to close at the end of 2022***

Outlook for 2022

Metric	Current outlook
Organic	5-9%
Acquisitive	1% based on revenue from acquisitions completed as of 2 May 2022
FX	4% based on FX rates as of 2 May 2022 and including the impact of exchange rate hedging
EBIT	DKK 3,600-3,900 million
Effective tax rate	22-23%
Gearing	Gearing (NIBD relative to EBITDA) in line with medium- to long-term target of 2.0-2.5
Share buy-backs	At least DKK 2.5 billion
Profit after tax from discontinued operations	Negative by DKK 150-200 million

The background image shows a close-up of several hands, including an elderly person's, gathered around a wooden table. They are looking at a map. A compass is placed on the map, and a red string is tied around it. The map shows various geographical features and place names. The overall scene suggests a collaborative effort in navigation or planning.

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Q&A

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Roadshows and conferences:

4 May	London (Morgan Stanley)
5 May	London (Goldman Sachs Symposium)
4-5 May	US & Canada (J.P. Morgan) (virtual)
6 May	Germany & Europe (ODDO BHF) (virtual)
9 May	France & Switzerland (Exane) (virtual)
14-15 June	Los Angeles (Goldman Sachs Global Healthcare Conference)
21 June	Copenhagen (Danske Bank Hearing Aid Seminar)