



Demant

Management presentation EUHA 2019

16 October

Søren Nielsen, President & CEO

Agenda

- 01 General business update
- 02 Hearing Devices
- 03 Hearing Implants
- 04 Diagnostics
- 05 Q&A

Publication of Interim
Management
Statement on
18 November 2019
(changed from
7 November)

General business update

As of 14 August 2019

Key take-aways for H1 2019



8% growth for the Group – recent product launches drive growth acceleration into second half-year



6% organic growth in hearing aid wholesale with 12% unit growth and 5% ASP decline to negative product mix changes, including higher-than-normal level of returns of products based on legacy rechargeable technology. Oticon Opn S helped drive higher growth in the last part of the period after a slow start to the year



Hearing aid retail grew by 9% in local currencies with 7pp acquisitive growth and 2pp organic growth despite negative one-off impact of more than 1pp from new hearing healthcare reform in France. Underlying organic growth of 3% in line with expectations



Strong growth in Hearing Implants driven by very strong 35% organic growth in cochlear implants due to success of Neuro system. Bone-anchored hearing systems saw organic growth of 4% – now rolling out Ponto 4



Continuous market share gains in Diagnostics with 8% growth in local currencies of which 7pp are attributable to organic growth following strong growth in North America and Asia



Driven by new wireless products, Sennheiser Communications saw underlying growth of 12% (11% reported), but lower profitability due to mix changes and allocation of further resources to R&D and distribution

As of 14 August 2019

Key take-aways for H1 2019 (continued)



Significant increase in capacity costs due to increased R&D efforts during 2018 and higher distribution costs, mainly driven by hearing aid retail, including one major acquisition completed in Q2 2018



EBIT amounted to DKK 1,113 million, a decrease of 9% compared to reported EBIT last year. EBIT margin of 15.1% compared to 18.1% last year. Underlying EBIT of DKK 1,205 million with 16.2% underlying margin



Significant acceleration of the Group's organic growth in H2: full effect of recent product launches and returns of legacy rechargeable products ending in August, higher organic growth in retail, strong growth in Hearing Implants and Diagnostics and no further impact of French hearing healthcare reform. Total capacity costs in H2 will be in line with capacity costs in H1



Outlook for EBIT in 2019 adjusted to DKK 2.65-2.85bn (previously DKK 2.65-2.95bn) with significantly improved growth and profitability in H2



We still expect to deliver substantial growth in our cash flow from operating activities (CFFO) and to buy back shares worth a minimum of DKK 1.2 billion



Level of acquisition opportunities and generally attractive access to funding leading to an updated gearing multiple target of 1.7-2.2 (previously 1.5-2.0) measured as net interest-bearing debt (NIBD) relative to EBITDA before depreciation related to leased assets (i.e. adjusted for the impact of IFRS 16)

Pre-IT
incident

IT infrastructure now normalised

The Demant Group experienced a critical incident on 3 September 2019 where its internal IT infrastructure was hit by cyber-crime.

IT recovery now completed in line with communicated expectations:

- Recovery and reactivation of all business-critical systems, applications and servers across all regions and business areas completed

Business recovery still ongoing:

- Production and distribution of hearing aids are at full capacity to accommodate back-log, rebuild necessary inventories, and reduce turnaround times
- IT incident has prevented the execution of our ambitious growth activities in hearing aid wholesale, and will likely impact our organic growth rate throughout the rest of the year
- Retail business is fully operational – slightly negative effect from fewer-than-normal appointments generated in September
- Cochlear implants production site in France continues ramping up

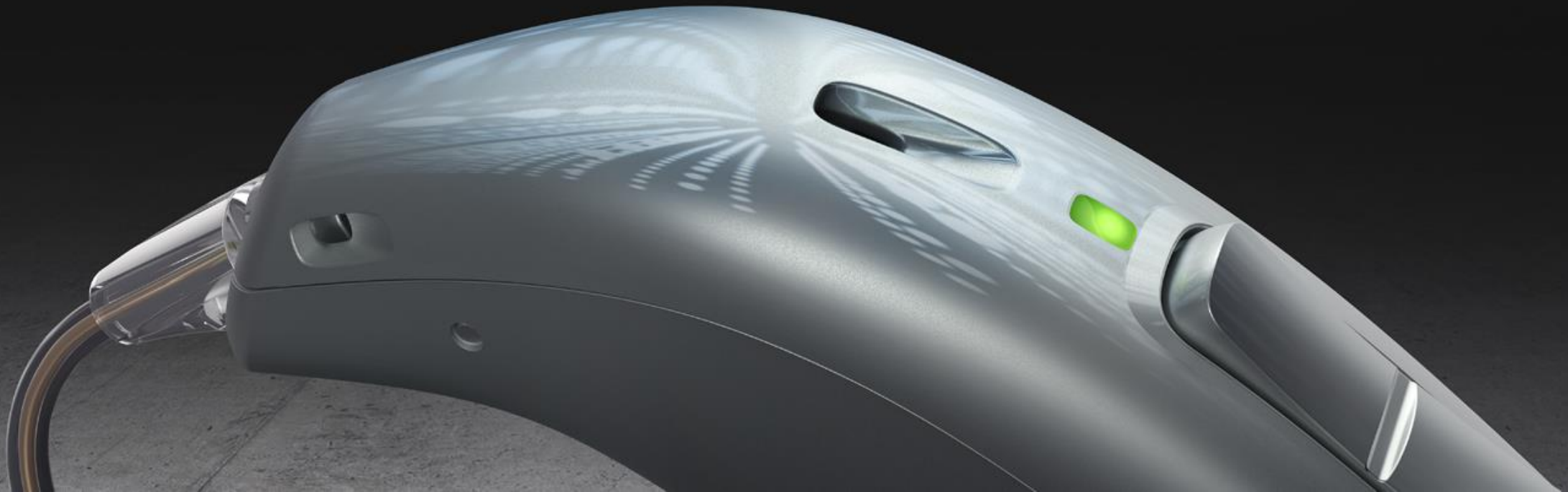
Estimated financial impact of IT incident reflected in outlook for 2019

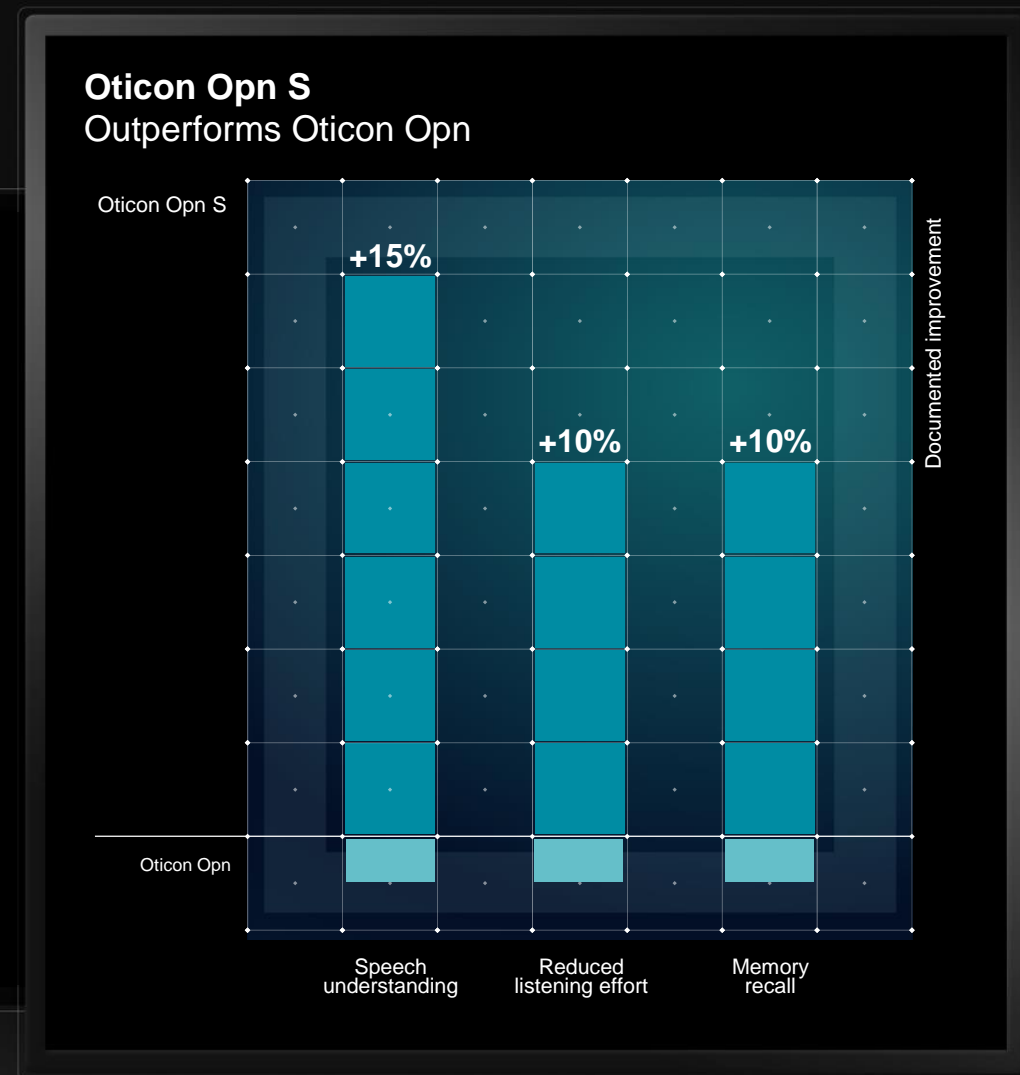
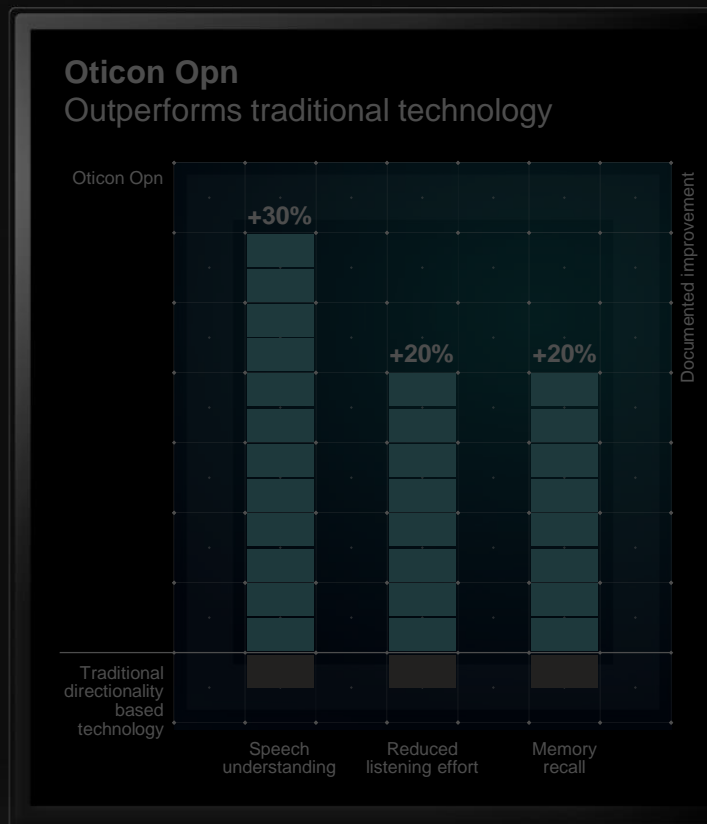
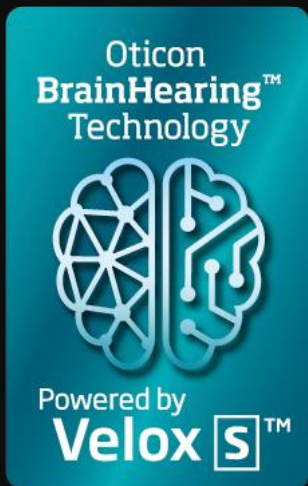
- Preliminary assessment indicates a total negative financial impact on EBIT in 2019 of DKK 550-650 million,
 - Lost sales and weakening of growth momentum of DKK 600-700 million, effectively 1:1 impact on EBIT due to fixed cost base
 - DKK 50 million incurred directly related to the incident
 - Expected insurance coverage of approx. DKK 100 million
- **Outlook for reported operating profit (EBIT) for 2019 of DKK 2,000-2,300 million maintained (DKK 2,650-2,850 million pre-IT infrastructure incident)**
- Assessment of financial impact remains uncertain and is based on the business recovery process continuing according to plans
- Share buy-backs temporarily suspended. Shares worth DKK 580 million bought back in 2019
- Impact on other key figures cannot be estimated at this point in time. Update expected in connection with Interim Management Statement on 18 Nov (changed from 7 Nov)

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Hearing Devices

OpenSound Optimizer brings benefits to all
96% prefer Oticon Open S





Juul Jensen 2019, Oticon Whitepaper

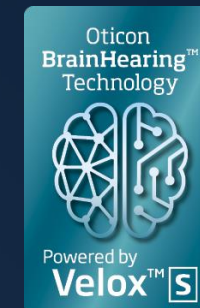
Uptake of Oticon Opn S in line with expectations (pre-IT incident)

- ▶ Increased momentum of Oticon Opn S towards end of H1 and into H2 (pre-IT incident)
- ▶ Level of returns of legacy rechargeable products normalised in August
- ▶ Very positive end-user feedback on the industry-leading audiology, dual-radio connectivity and lithium-ion rechargeable solution of Opn S
- ▶ Strong demand for rechargeable version – more than half of sales in several markets and channels



Introducing the world's most powerful hearing aid

146 dB SPL MPO and 87 dB full-on gain*



**Oticon Xceed
Super Power**



**Oticon Xceed
Ultra Power**

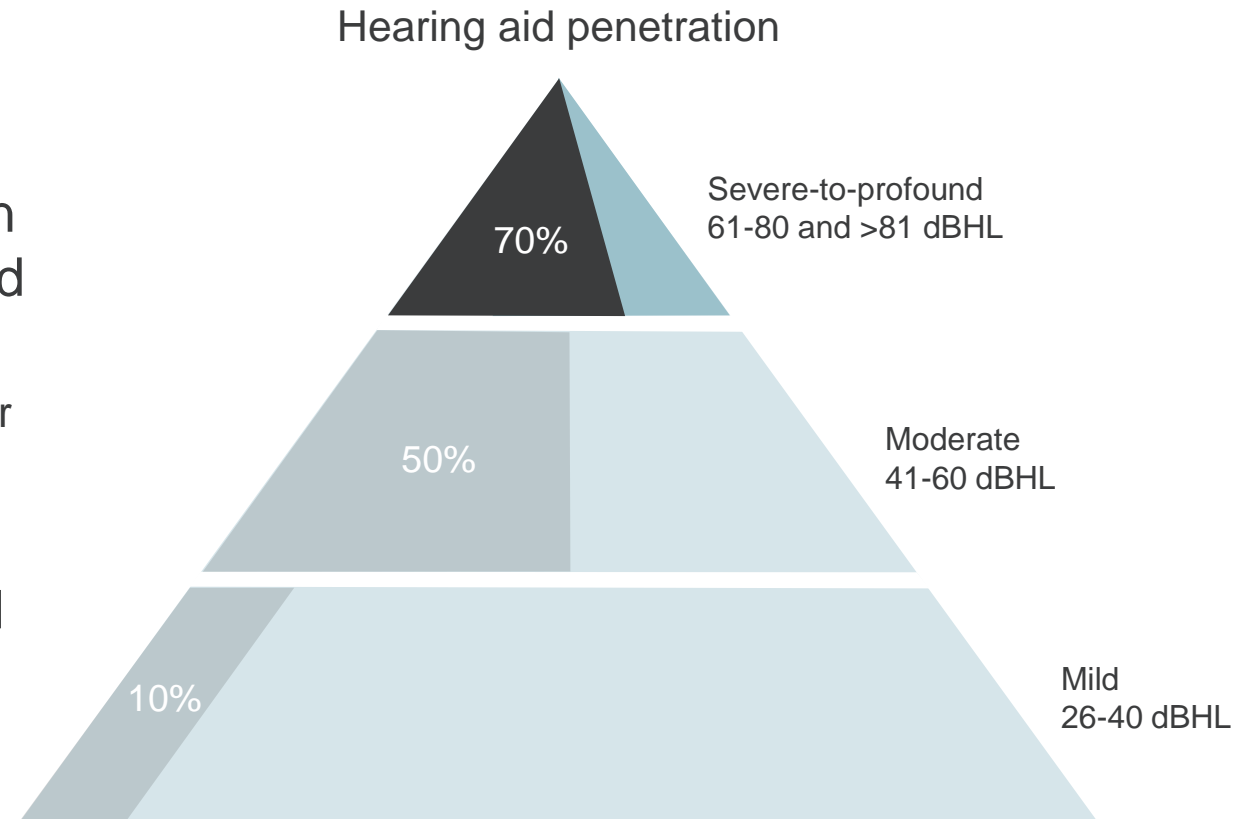
Released for sale in August 2019

**dB (decibel), SPL (sound pressure level), MPO (maximum power output)*

Catering to an end-user segment with special needs and conditions

- ▶ More than 87 million people suffer from severe-to-profound hearing loss*
- ▶ Relatively high penetration for hearing aids in the severe-to-profound segment in developed markets
 - ▶ Hearing aids are a fundamental need for this end-user group
 - ▶ Likely life-long hearing aid users
- ▶ Power hearing aids account for an estimated 5-10% of annual volumes

**WHO 2018*

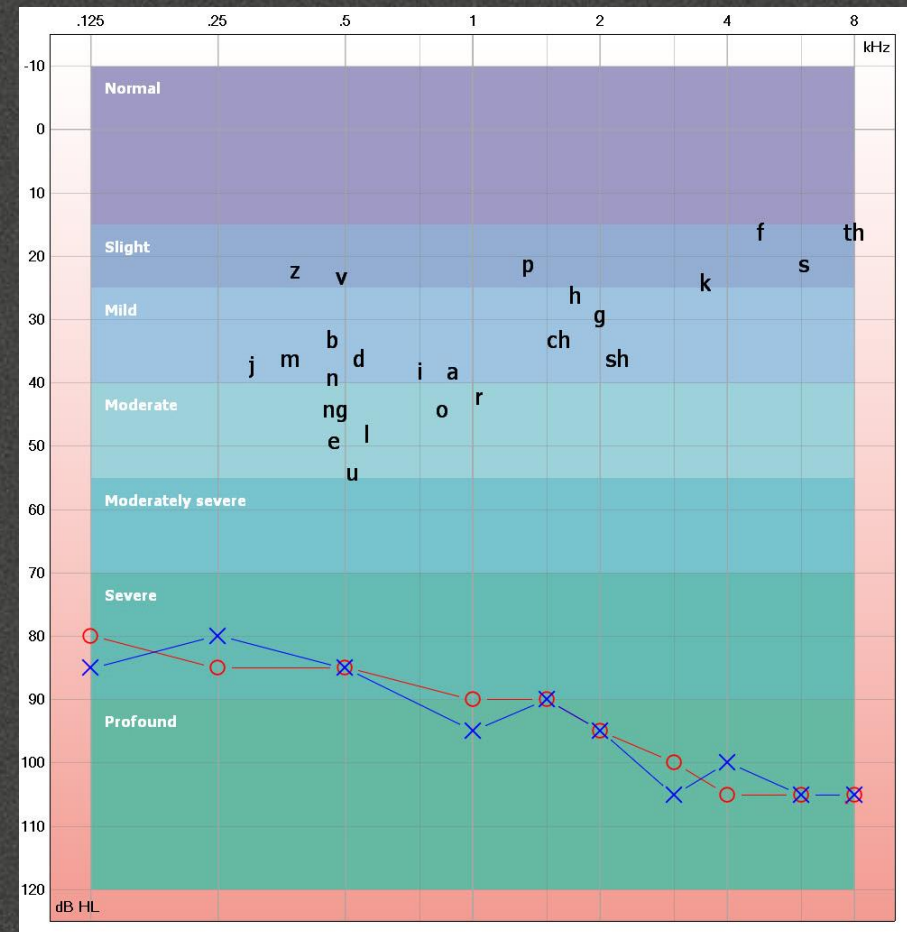


Insights into users with severe-to-profound hearing loss

► User needs:

- Maximum audibility - every dB matters particularly in the lower frequencies
- No feedback
- Access to all sounds (speech and environmental)
- Easy connection to external sound sources
- Outstanding instrument reliability and durability

Typical audiogram of severe/profound hearing loss



Significant upgrade for Power hearing aid users offer unique market opportunity

- ▶ Oticon Xceed Super Power and Ultra Power are significant upgrades to previous Power hearing aid portfolio
- ▶ Powered by Velox S with a unique value proposition
 - ▶ Open Sound Navigator and Open Sound Optimizer for Power users
 - ▶ The world's most powerful hearing aids
 - ▶ Highest gain and output in the industry
- ▶ Significantly improving the ability to address important market segments
- ▶ High significance for tender-related sales in emerging markets
- ▶ Available to Veterans Affairs by November 2019



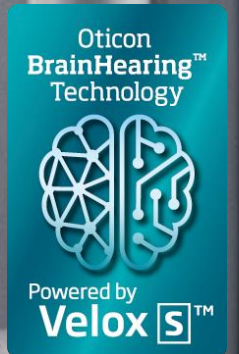
The world's most powerful hearing aid

Powered by Velox S™, Oticon's most advanced and powerful platform ever

360° access to speech all day

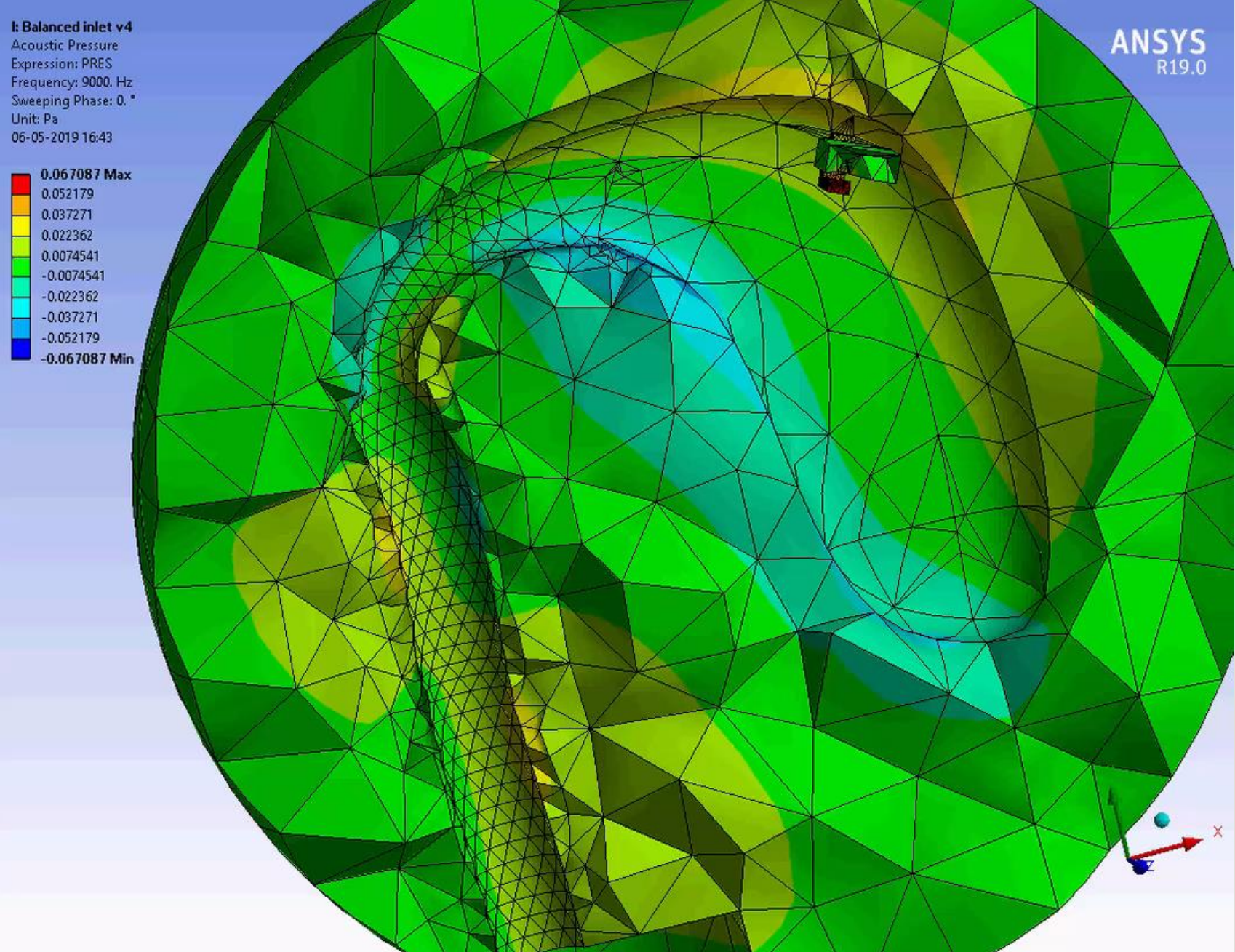
2.4 GHz Bluetooth® low energy technology for wireless connectivity

Maximum **audibility** with **more fitting freedom**

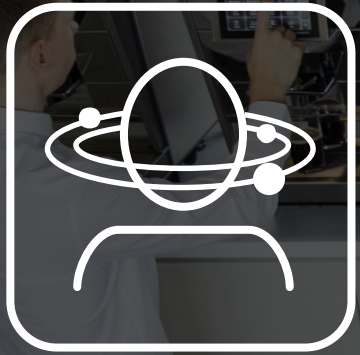


Simulated vibrations in Oticon Xceed

- The mechanical development of power hearing aids is key to output and performance
- Power hearing aids have extended product cycles



Introducing the open sound experience for Power users



OpenSound
Navigator™



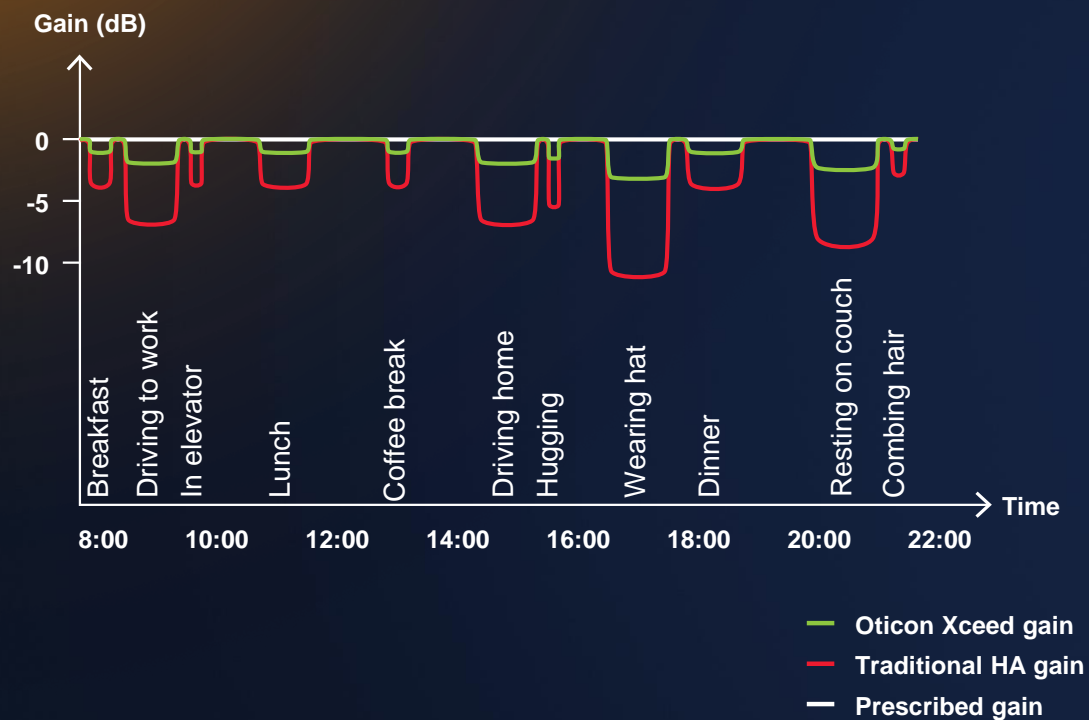
OpenSound
Optimizer™



Open sound
experience for
Power users

OpenSound Optimizer

Delivers gain and prevents feedback from happening



* Ng & Rumley 2019. Oticon Whitepaper

** Callaway 2019, Oticon Whitepaper

Proven to provide higher speech clarity with less effort



Up to **10%**
improvement in
speech clarity

Up to **10%**
less listening
effort

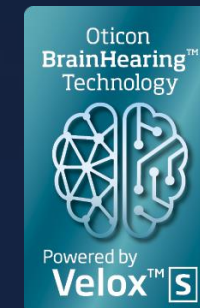
Up to **15%**
better short-term
recall

See whitepapers Ng & Rumley (2019) and Callaway (2019) on www.oticon.global/evidence

In summary

Oticon opens up a world of power

- ▶ People with severe/profound hearing loss face complex challenges every day
- ▶ Oticon Xceed is the world's most powerful hearing aid
- ▶ OpenSound Navigator and OpenSound Optimizer give 360° consistent access to speech
- ▶ Oticon Xceed is proven to provide higher speech clarity with less effort
- ▶ 2.4 GHz Bluetooth® low energy technology for wireless connectivity
- ▶ Available to Veterans Affairs by November 2019



Bimodal fitting

All Oticon Power hearing aids can be fitted with cochlear implants

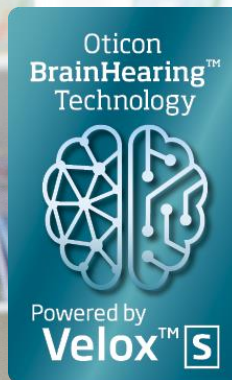


Introducing Oticon Xceed Play

More access to speech for
better language development

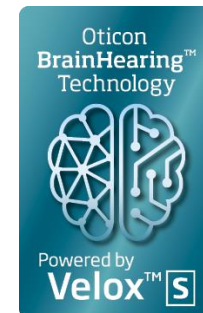
Powered by Velox S

Features OpenSound Navigator™
and OpenSound Optimizer™

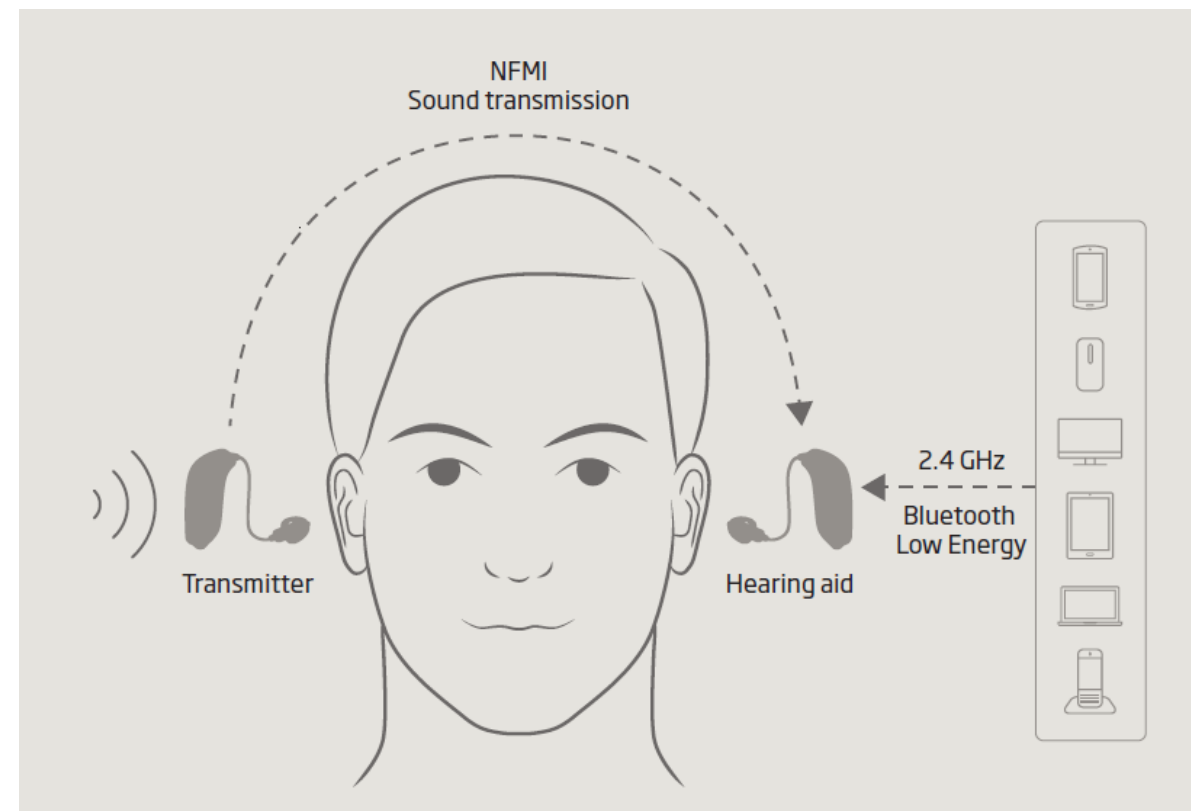


Oticon CROS solutions now available

Addressing end-users with single-sided deafness (SSD)



- ▶ Oticon CROS is a transmitter placed on the end-user's poorer ear that sends a signal to a hearing aid placed on the better ear
 - ▶ BiCROS solutions available for end-users with hearing loss on the better ear
- ▶ The world's first CROS/BiCROS-solution featuring TwinLink™
 - ▶ Simultaneous NFMI (near field magnetic induction) and 2.4 GHz Bluetooth Low Energy streaming
 - ▶ 50% improvement in awareness of speech when streaming*
- ▶ Powered by Velox S and compatible with Opn S, Opn Play, Xceed and Xceed Play



Product portfolio completely updated within just a year

- ▶ The entire product portfolio across styles, price points and end-user segments has been updated with new technology in just a year
- ▶ State-of-the-art solutions addressing various types of hearing loss
- ▶ Competitive offerings in relatively small segments are strategically important
 - ▶ Driving sales of high value and volume product categories
- ▶ Scale in R&D is key to maintain competitiveness

		Oticon Portfolio	RITE	BTE	ITE
Price points	{	Premium	Opn S (H1 '19) <i>Velox S</i>		Opn custom (H2 '18) <i>Velox</i>
		Advanced			
		Essential	Siya (H2 '18) <i>Velox</i>		
		Basic	Geno (H1 '19) <i>Legacy technology platform</i>		
End-user segments	{	Power		Xceed (H2 '19) <i>Velox S</i>	
		Paediatric	Opn Play (H1 '19) <i>Velox S</i>	Xceed Play (H2 '19) <i>Velox S</i>	

Price points

End-user segments

Reveal your **spontaneity**

Leox SP|UP BTE's

Bernafon Leox at a glance

- Bernafon's most **powerful True Environment Processing™** hearing instrument
- Sound detection and processing in real time
- DECS™ as core technology to deliver sound simply closer to reality
- Exceptional amplification power among the industry's highest gain and MPO
- Smart dual-radio wireless technology
- Robust and durable design



bernafon®
Your hearing • Our passion

Experience more with Sonic Trek

- Two performance levels and styles
 - Trek⁸⁰ | Trek⁴⁰
 - Super Power (SP) | Ultra Power (UP)
- 2.4 GHz Bluetooth[®] Low Energy
- Near Field Magnetic Induction (NFMI)
- Telecoil
- LED indicator
- Connectivity solutions
- Suited for pediatric fittings





*“For over 125 years, Philips has improved people’s lives with a steady flow of ground-breaking innovations. To deliver on the overall ambition to create meaningful innovation that matters to people, Philips takes a holistic view of people’s health journeys and provides innovative solutions, from healthy living and prevention to precise diagnostics, treatment and care until the cycle begins again with healthy living. With a strong foothold and as a trusted brand in both the professional and consumer healthcare world, **Philips is in a unique position to develop innovative consumer health solutions**”*



Philips brand value

- 450M EUR annual spending on marketing, advertising and brand building
- Over 260M visits to Philips.com website in 2018
- In 2018 on social media...
 - 17M website visits coming from social
 - 485M Facebook organic impressions
 - 105M YouTube video plays
- Over 10M page likes on Facebook – 40x more than the biggest hearing aid manufacturer



First time at EUHA



First time at EUHA – key messages

- Philips Hearing Solutions offers a great business opportunity for the HCPs
 - Philips is a strong brand globally recognised for innovation and high quality
 - Brand exposure is massive compared to existing brands in the hearing industry
- Philips Hearing Solutions is all about **“creating connections”**
 - The technology of Philips HearLink is developed to create connections
 - We invite HCPs to “become part of this connection”



Current launch status

- Philips now launched successfully in several markets
- Complete product portfolio across styles and price points
- Positive initial feedback and good uptake
- Continued roll-out throughout 2019-2020



Launched



Demant

Hearing Implants

Ponto 4 - the open sound revolution

The open sound revolution and a future of connected hearing

The world's smallest
bone anchored sound processor*
– 27% smaller than Ponto 3

World's first
internet-connected** BAHS
– 2.4 GHz wireless



Velox S™ platform
– Speed and power



OpenSound Navigator™
– 360° sound

* Data on file at Oticon Medical.
** Using Oticon ON App and IFTTT network.

Ponto 4 – successful launch and great end-user feedback

- Released for sale by end of H1 and available in most key markets including the US and UK (as of late September)
- Still awaiting regulatory approval in a number of key markets
- Very positive initial feedback from end-users and professionals with a strong preference over Ponto 3
- Great supplement to Ponto 3 SuperPower for users with a mild-to-moderate hearing loss
- Launch and training still ongoing – performance in accordance with our high expectations



CI update

- Continuously growing number of Neuro users and implementation centres
- Regulatory approval obtained to sell Neuro 2 in the important Canadian market
- The premarket approval (PMA) application for FDA approval of the Neuro system in USA is on track with final PMA submission expected early 2020
 - Slight delay due to IT incident
- Recent reliability study shows 99,7% reliability for Neuro Zti implant since first implantation in 2015*
 - Confirms that Neuro Zti is among the most reliable cochlear implants on the market



The Neuro System –



99%
& above

Neuro system study

Multicentric evaluation of outcomes

- The study evaluated the outcomes of the Oticon Medical Neuro Zti cochlear implant and the Neuro 2 sound processor.
- The study demonstrates the clinical superiority of the Neuro 2 sound processor over NeuroOne in terms of speech identification in quiet and in noise and reported patient benefit and satisfaction
- Comparison with recent multicentric study indicates that the Neuro 2 system is performing at least on par with the product offered by a leading competitor

Link to study:

<https://doi.org/10.1080/14992027.2019.1671616>



Demant

Diagnostics

Introducing Affinity Compact

The new all-in-one system for audiometry, real ear measurement and technical hearing instrument testing

Variation 3

Audiometry and/or REM/VSPM/RECD*



Variation 1

Audiometry and/or REM/VSPM*



Variation 4

Audiometry and/or REM/VSPM
and/or HIT with enclosed HIT chamber*



Variation 2

Audiometry and/or REM/VSPM
with integrated REM speaker*



Affinity Compact – The Future **made** Possible

Speed

Affinity Compact is up to 30% faster* than competitor equipment

*tested by Alan Thaastrup Mikkelsen

High Frequency Coupler measurements

Coupler up to 16kHz using 0.4cc coupler
REM up to 12.5kHz

Listen to Coupler and Listen to Probe mic.

Directly listen to the sound measured at the probe microphone or coupler microphone during a REM, VSPM, RECD or HIT measurement

Hearing Aid Transition Test.

Simplified user interface when moving your patients from older hearing aids to newer ones

Multiple product launches in Diagnostics

Continued strong momentum and extensive product launch programme addressing growing market segments to gain further market shares

Audiometry

- New AD 528 audiometer by Interacoustics offers outstanding ergonomics
- Small footprint and ideal for travelling – ideal for clinicians on the road



Balance

- Continued expansion within balance instruments for diagnostics and treatment



OAE

Otoacoustic emissions

- Lyra makes clinical otoacoustic emission measurements simple
- Fast and reliable
- Reduces test time and provides more time with the patient



ABR

Auditory brainstem response

- MAICO easyScreen with BERAphone® is unique with integrated electrodes and saves costs for disposables
- Patented ABR detection algorithm for testing within seconds



Demant



Q&A

IR contacts

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Roadshows and conferences:

16-18 October	EUHA, Nuremberg
19 November	Copenhagen (ABGSC)
19 November	Edinburgh (JP Morgan)
20 November	Frankfurt (Nordea)
20 November	Paris (SEB)
20 November	Dublin (JP Morgan)
21 November	London (Jefferies conference)
28 November	Milan (Exane BNP Paribas)
3 December	Copenhagen (Danske Bank seminar)
10 December	New York (Carnegie)
11 December	New York (Citi conference)
12 December	Chicago (Commerzbank)