



Demant

Interim Management Statement

4 May 2021

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Investor Relations

Key take-aways

Key take-aways



Recovery in the **global hearing healthcare market** progressing at least in line with assumptions



Group: Better-than-expected revenue growth and EBIT driven mostly by Hearing Care, including positive effect of hearing healthcare reform in France



Organic growth: High double-digit above expectations (low double-digit vs. 2019)

Acquisitive growth: Minor positive contribution since 2020

FX growth: Negative low-to-mid single digit



Hearing Healthcare: High double-digit organic growth (low double-digit vs. 2019) driven by strong performances by Hearing Aids, Hearing Care and Diagnostics



Communications: Very high double-digit organic growth, benefitting from extraordinarily low comparative figures at the beginning of the year. Softening in number of new orders

Key take-aways



Very strong **profitability** year-to-date

- **Gross margin** improved sequentially relative to 72.5% in H2 2020 (adjusted)
- Low double-digit organic growth in **OPEX** – continued material savings but gradually diminishing



Strong **cash flows** thanks to the profit generated. M&A activities running at normal level with bolt-on acquisitions in Hearing Care



Share buy-backs of DKK 478 million year-to-date



Outlook: Increased expectations for 2021 based on performance year-to-date

- Organic revenue growth of 24-28% (previously 23-27%)
- EBIT of DKK 3,000-3,300 million (previously DKK 2,850-3,150 million)
- Share buy-backs of more than DKK 2.5 billion (previously more than DKK 2 billion)

Update on business activities

Hearing Healthcare

Hearing Aids
Hearing Care
Hearing Implants
Diagnostics

Strong performance year-to-date in Hearing Healthcare

Hearing Aids



Hearing Care



Hearing Implants



Diagnostics



High double-digit organic growth compared to 2020

Low double-digit organic growth compared to 2019

The hearing healthcare market in Q1 2021

Hearing aids market

Europe: Extraordinary growth in France

North America: Strong rebound in unit growth compared to previous quarter

Rest of world: Unit growth slightly negative in Japan and Australia but offset by China

Continuous sequential improvements in key markets since beginning of the year

Unit growth						2021
2020						
Region	Q1	Q2	Q3	Q4	Total	Q1
Europe	-10%	-50%	1%	0%	-15%	10%
North America	0%	-59%	-4%	-7%	-18%	9%
US (commercial)	1%	-52%	0%	-6%	-14%	12%
US (VA)	0%	-83%	-34%	-15%	-34%	-7%
Rest of world	-5%	-35%	-5%	-5%	-11%	0%
Global	-6%	-48%	-3%	-4%	-15%	6%

Hearing implants market

CI: Activity levels in our core European markets and emerging markets have remained low

BAHS: Faster recovery pace than CI but has yet to fully normalise

Diagnostics market

Growth in line with structural growth rate of 3-5% compared to last year where the market was only modestly impacted by coronavirus

Overall, the hearing healthcare market has year-to-date continued to gradually recover at least in line with expectations, albeit with differences between market segments and regions



Hearing Aids has performed strongly

- Performance driven by market recovery and very positive traction of new products
 - Oticon More has supported increased sales to independent hearing care professionals and contributed to market share gains in many markets
 - Philips HearLink has enjoyed strong success in the US
- Sales to Hearing Care have grown strongly driven by France
- High unit growth and positive ASP growth driven by geography mix

Europe	North America	Asia/Pacific
<ul style="list-style-type: none">• Resilient revenues despite lockdowns• Strong performance in France due to healthcare reform	<ul style="list-style-type: none">• Success in commercial US• Oticon More launch in VA on 1 May• Slower recovery in Canada	<ul style="list-style-type: none">• Strong performance in China and Australia• Emerging markets below normal level





Oticon More outperforms top competitors

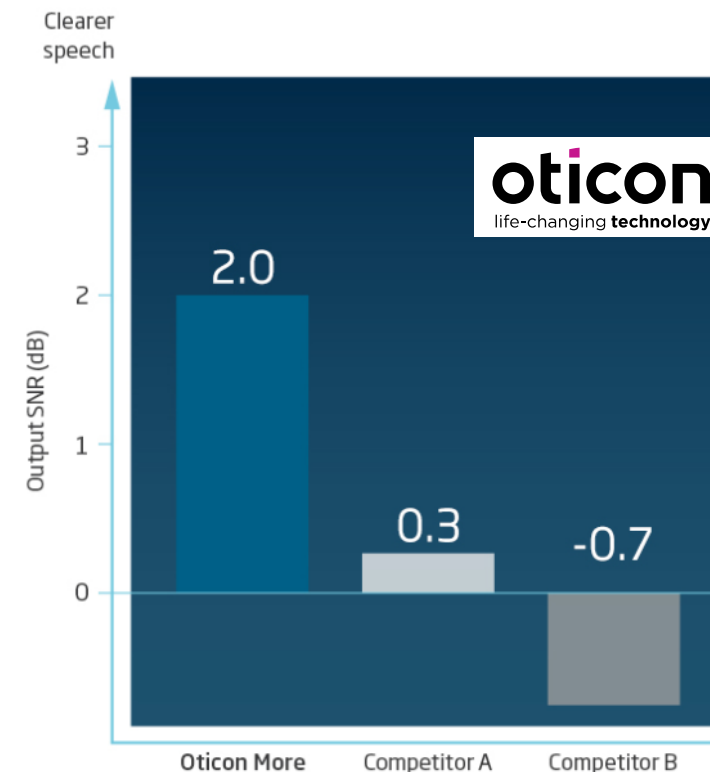
- New research shows how Oticon More outperforms two high-end competitor hearing aids in test based on real-life, complex sound scenes

Better access to speech coming from around the user

Access to more of the relevant sounds in the sound scene

More rapid adjustment to changes in the sound scene

More contrast and details



Oticon More outperforms two competitor hearing aids at giving access to speech coming from the side



Strong performance in Hearing Care due to market recovery and reform in France



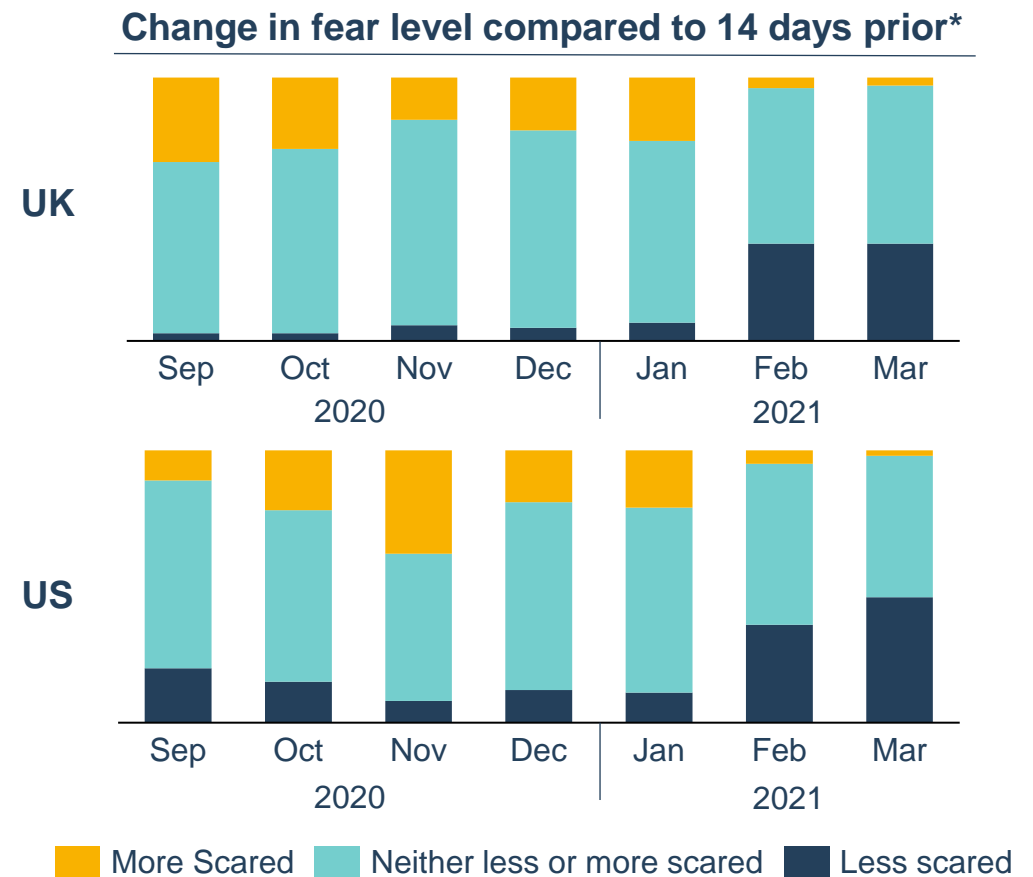
- Recovery has been strong, particularly where vaccination programmes have progressed the most
- The hearing healthcare reform in France has resulted in extraordinary growth
- Growth driven by unit growth but ASP growth also positive
- Still higher activity level with existing than new users

Europe	North America	Asia/Pacific
<ul style="list-style-type: none">• Very strong revenue driven by France• Broadly based recovery with only few exceptions	<ul style="list-style-type: none">• Significant improvements in US and Canada in recent months as markets open up	<ul style="list-style-type: none">• Australia close to normalisation



Reduced fear levels among seniors in markets where vaccine roll-outs are furthest

- Fear of coronavirus has decreased in key markets, including the US and UK
 - Successful roll-out of vaccines supports recovery and release of pent-up demand
- In some European markets, fear levels have flattened or slightly increased but hearing aid markets have remained resilient
 - Ongoing vaccination programmes are expected to reduce fear levels in coming months



* Data from own consumer surveys. People aged 60+ years are asked about their fear level of coronavirus vs. 14 days prior. Minimum 500 people were asked in each country.



Severe impact in Hearing Implants has continued

- Still severely impacted by coronavirus and resulting widespread postponement of elective surgeries
- On track with FDA premarket approval in the US with expected access in H2 2021
- As in 2020, negative impact most pronounced for the cochlear implants business
- Bone anchored hearing systems business has been supported by sales of sound processors including upgrades for existing users





Diagnostics has performed very well and has continued to gain market share



- Strong performance due to a combination of resilient markets and further market share gains
- Instrument sales have recovered well after having been impacted in 2020
- Service and disposables sales have remained at a healthy level
- All regions have contributed to the strong growth including US, which lagged behind other major markets in the beginning of the year

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Communications

EPOS





Very high double-digit organic growth in EPOS but softened number of new orders



We recently launched EPOS EXPAND Vision 3T, our first product in the attractive and growing market for video solutions

- Market saw very high growth until around mid-March but has decelerated as a natural consequence of a higher comparative base
- Year-to-date, EPOS has seen very high double-digit growth
 - Benefitting from extraordinarily low comparative figures at beginning of the year
 - Strong growth broadly based in Europe
 - Growth has been slower in the US
- Number of new orders has softened compared to end of 2020, mostly attributable to inventory effects
- We expect revenue in H1 to decrease on a sequential basis compared to H2 2020

Outlook

Outlook assumptions



Gradual normalisation of the hearing healthcare market during H1 in developed markets, supported by ongoing vaccination programs



Positive trends in VA but slower pace of normalisation in NHS and particularly in emerging markets – the latter likely to go beyond 2021



Release of some pent-up demand for hearing healthcare solutions in H2 – some will not be released until 2022 or beyond



Growth of at least 8-10% in professional headset market despite strong comparative figures

- Year-to-date, market normalisation has progressed at least in line with assumptions
- Outlook still subject to greater uncertainty than usual due to the impact of coronavirus in most markets

Outlook for 2021

Metrics	Outlook for 2021
Group revenue growth	
Organic	24-28% (prev. 23-27%), Hearing Healthcare growing faster organically than Communications
Acquisitive	1% based on acquisitions completed as of 3 May 2021
FX (incl. hedging)	-2% based on FX rates as of 3 May 2021
EBIT	DKK 3,000-3,300 million (prev. DKK 2,850-3,150 million), with EBIT skewing only modestly towards H2 (prev. skewing towards H2)
Effective tax rate	Around 23%
Gearing (NIBD/EBITDA)	In line with medium- to long-term target of 2.0-2.5 at the end of 2021
Share buy-backs	More than DKK 2.5 billion (prev. more than DKK 2 billion)

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Demant

Founded in 1998
Focus on health
Shareholder

Life-changing
hearing health

Q&A

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Virtual roadshows and conferences:

5 May	Copenhagen (ABG)
6 May	London (Goldman Sachs)
7 May	Paris & Benelux (SEB)
7 May	Zurich & Geneva (Mirabaud)
11 May	Frankfurt (Berenberg)
12 May	Milan (Exane)
19-20 May	New York (Berenberg)