

Demant

Delivering sustained growth post coronavirus

Søren Nielsen, President & CEO



Delivering sustained growth post coronavirus

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- 2 Taking the long-term view
- 3 Emerging strongly from challenges in recent years
- 4 Hearing healthcare market fundamentals are intact
- 5 Gaining market share in hearing healthcare
- 6 A positive impact business

Update on current trading



Outlook for 2021 is reiterated but with larger skew towards Hearing Healthcare

Group outlook for 2021 reiterated

26-30%

Organic growth

3,150-3,450

EBIT in DKK million

Strong momentum in Hearing Healthcare

- Hearing healthcare market resilient despite continued impacts of coronavirus
- Oticon More continuing to drive growth for Hearing Aids, particularly in the US and France
- Hearing Care still performing strongly with tailwind from French reform
- Recovery for Hearing Implants remain slow but gradually improving
- Diagnostics continuing to perform very strongly across geographies

Communications currently in a transition phase

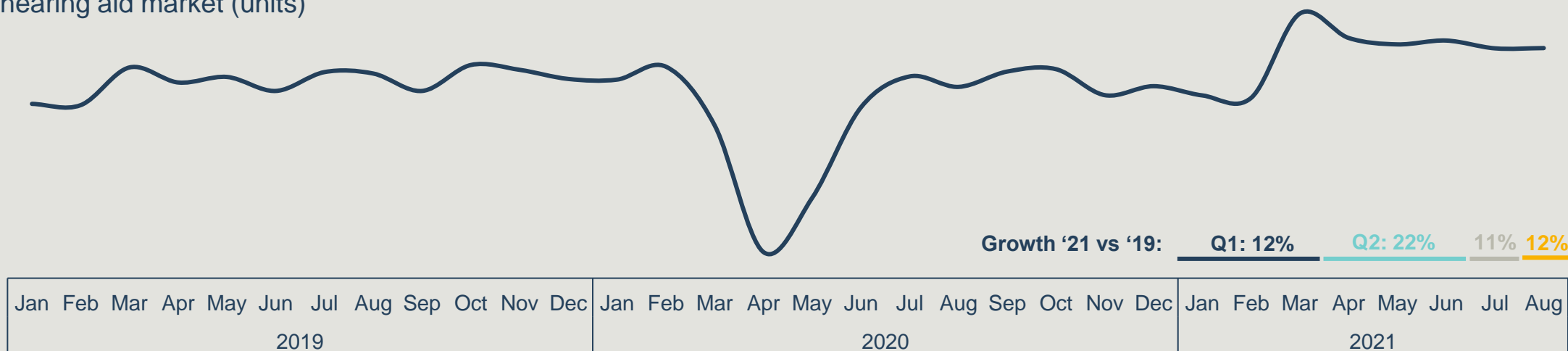
- Significant revenue slowdown in 2021 driven by combination of market developments, low exposure to US, and establishment of EPOS brand
- Structural drivers are intact, and we see revenue slowdown as temporary – new orders have picked up recently
- We continue to invest significantly in future growth, including in brand, product roadmap and entering video solutions
- The combination of revenue slowdown and large investments will result in negative EBIT in 2021 and 2022

Period	H1 21	H2 21	FY 22	FY 23	Beyond
Revenue	621	Decline more than 10% vs H1 21	Above-market growth		
EBIT	-44	Negative by DKK 50-100 million	Slightly negative	Slightly positive	Steadily improving margin

Resilient hearing aid market despite continued impacts of coronavirus

Hearing aid market (unit growth)	'21 vs '20			'21 vs '19		
	Q1	Q2	H1	Q1	Q2	H1
Europe	10%	130%	52%	-1%	15%	7%
North America	9%	182%	61%	9%	16%	12%
Hereof US (commercial)	12%	156%	59%	12%	22%	17%
Hereof US (VA)	-7%	522%	74%	-7%	3%	-2%
Rest of world	0%	64%	25%	-6%	7%	0%
Global	6%	116%	45%	0%	12%	6%

Development in commercial US hearing aid market (units)



Update on supply chain situation

Current situation:

- Highly dynamic sourcing situation for a number of components
- Shortage in global chipset supply mainly seen in older technologies
- Shipping capacity constraints are impacting lead times for components and increasing freight prices

Mitigating actions:

- Redesign of selected products and qualification of alternative suppliers of components
- Incurring higher costs to secure components and ensure on-time shipping
- Real-time inventory management and close collaboration between central manufacturing in Poland and local sales subsidiaries

Manufacturing footprint

Global locations:
Poland, Mexico, Denmark and France (CI)

Service and custom production for local market:
Italy, Germany, France, USA, Canada, China, Korea, Australia and Japan



Subject to availability of components, our central manufacturing sites in Poland and Denmark are able to operate as normal



Dynamic supply situation continues and drives some additional costs related to sourcing of components and freight



Demant

Taking the long-term view

Life-changing hearing health

We create life-changing differences through hearing health

Our purpose is based on our past, present and future. It sums up why Demant exists and our legacy to the world. And it captures that what we deliver to individuals and society matters.

Through more than 115 years, our company has developed hearing health and from this platform, we have taken new steps into the broader area of audio.

Deep roots: Founded on care in 1904



1904

Hans Demant founds the company and signs contract with General Acoustic Company

1957

William Demant and wife Ida Emilie donate the Demant family's shares to the Oticon Foundation

1995

The Group acquires Bernafon and diagnostic company Maico and is listed on the Stock Exchange

1997

The Company, Oticon Holding A/S, changes name to William Demant Holding A/S



2000

Acquisition of the European chain of hearing clinics Hidden Hearing and US Avada

2009

Oticon Medical enters the market for bone-anchored hearing systems

2011-2012

Demant builds e3 Diagnostics, a large US-based network for sale and service of diagnostic equipment

2013

The Group acquires French Neurelec and gains access to the important cochlear implant market



2015

Demant acquires Audika, a large chain of hearing aid clinics in France, which significantly expands the Group's retail activities

2018

Demant announces partnership with Philips to bring Philips-branded hearing solutions to the market

2019

The company changes its name to Demant

2020

EPOS is established as the group's headset and collaboration solutions business

The Demant group today

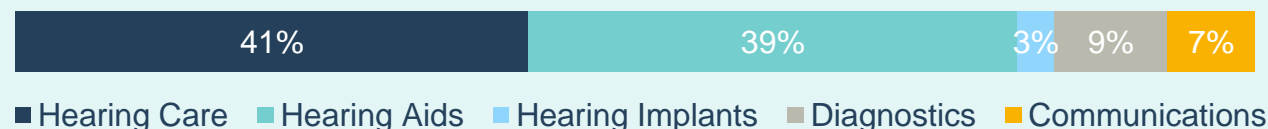
DKK 18.5 billion
Revenue*

Multi-brand



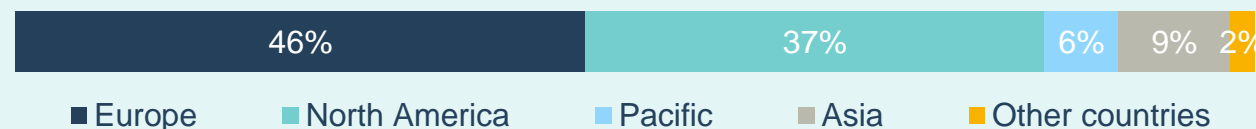
DKK 3.3 billion
EBIT*

Multi-business



~ 17,500
Employees

Global presence



~ DKK 83 billion
Market capitalisation

Unique ownership structure

William Demant Foundation intends to maintain ownership of 55-60%

* Based on mid-point of 2021 guidance range

The key messages of today

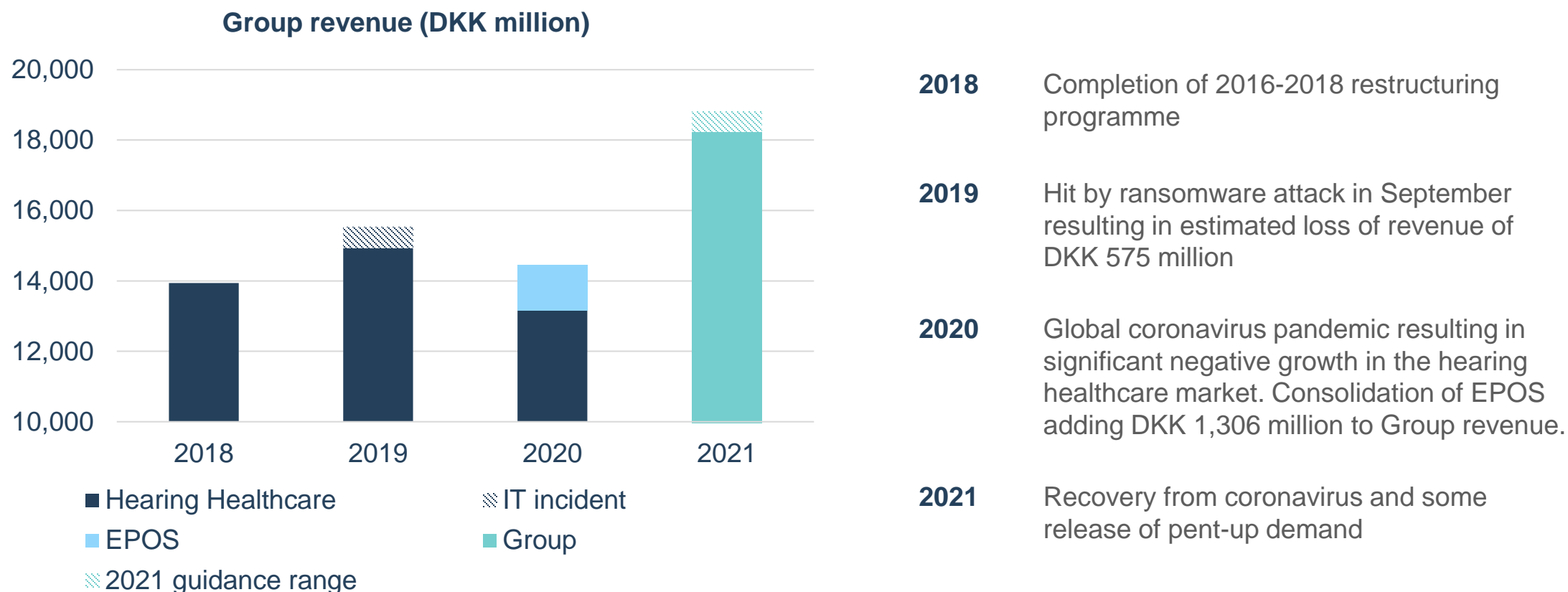
Taking the long-term view

Delivering sustained growth	Margin potential in all business areas	Resilient business models
<p>Aim to generate revenue growth of 7-10% p.a. in local currencies</p> <p><u>Organic growth of 6-8% p.a.</u></p> <p>Hearing Healthcare At least 5% p.a.</p> <p>Communications At least 12% p.a.</p> <p><u>Acquisitive growth of 1-2% p.a.</u></p>	<p>We see potential to expand margin in all business areas</p> <p><u>Incremental</u> margin potential in Hearing Aids, Hearing Care and Diagnostics</p> <p><u>Transformative</u> margin potential in Hearing Implants and Communications</p>	<p>Ready to service users of today <i>and</i> tomorrow</p> <p>At the forefront of digitalisation with omni-channel approach for users</p> <p>In-person counselling remains key in hearing healthcare</p> <p>Dedicated R&D efforts driving competitive advantage</p> <p>Need for virtual collaboration tools</p>
<p>Shareholder returns</p>		

**Emerging
strongly from
challenges in
recent years**



After significant changes since 2018, we emerge in very strong position



Key achievements in last three years

Despite major challenges, we have achieved a number of milestones since our last Capital Markets Day in 2018

Hearing Aids	Hearing Care	Hearing Implants	Diagnostics	Communications
Successfully rolled out Philips brand, driving share gains in Asia and North America	Built global operating model and completed brand harmonisation	Gained significant market share in BAHS thanks to Ponto 4 (and now launched Ponto 5)	Delivered significant growth in balance and fitting business	Established EPOS as a fully controlled end-to-end business
Launched new industry-leading technology with Oticon More	Built leading digital capabilities	Rolled out Neuro 2 CI system and recently introduced new Neuro Zti 3T implant	Expanded the calibration and service business	Tapped into extraordinary market demand in 2020
Gained market share in the US	Continued organic and acquisitive expansion of store network	Obtained US pre-market approval for CI and preparing for launch	Further consolidated position as market leader	Launched first video product based on strategic partnership



Hearing Implants

Bone anchored hearing systems

Our bone anchored hearing systems business recently launched the **Ponto 5 Mini**, a new sound processor that takes the open sound experience to a whole new level.

We have also introduced **MONO**, the next-generation surgical procedure, which will further enhance clinical efficiency.

Cochlear implants

Earlier in 2021, our cochlear implants business obtained **US pre-market approval** for the neuro system, and the first commercial sales are expected towards the end of 2021. The US market for cochlear implants accounts for around 40% of the world market and is a key component in the growth journey of Hearing Implants.

We have also recently introduced the new **Neuro Zti 3T** implant, which is approved for 3 Tesla MRI scanning and does not require removal of the magnet in the implant.





Diagnostics

In recent years, Diagnostics has delivered very strong growth and further consolidated the position as **market leader**.

The performance has been broad-based with particular success in the **balance and fitting** business.

The **calibration and service** business has been expanded supporting recurring revenue that today accounts for around a third of total revenue.

The significant revenue growth in recent years has also supported **margin expansion**.



Increased level of transparency

Due to expansion of the Demant Group in recent years and increasing complexity for external stakeholders, we have taken steps to increase transparency

1 Segment reporting

EBIT-level P&Ls are now reported for two individual segments: Hearing Healthcare and Communications

2 Revenue splits

Revenue for Hearing Aids and Hearing Care is now reported separately, including revenue from internal sales

3 Short-term guidance

New guidance metrics have been introduced, including revenue growth rates and effective tax rate

4 Medium- to long-term guidance

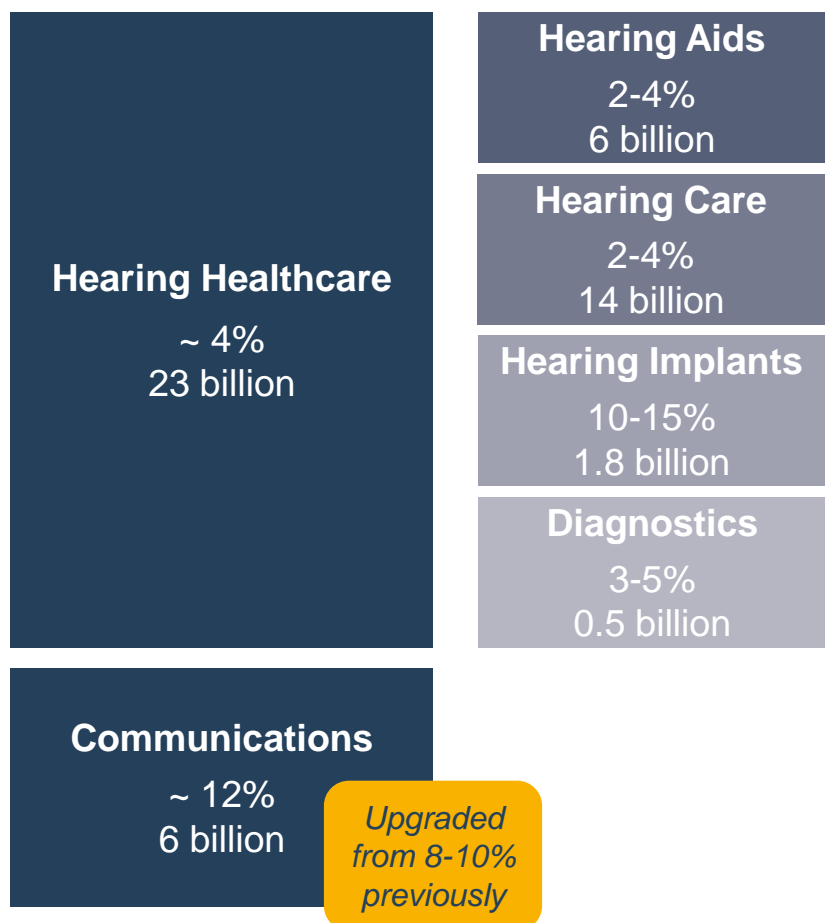
Formalised medium- to long-term outlook for selected metrics, including organic growth rates, capex and gearing

Intact hearing healthcare market fundamentals



Addressing markets with structural growth

Structural growth & market size (USD)



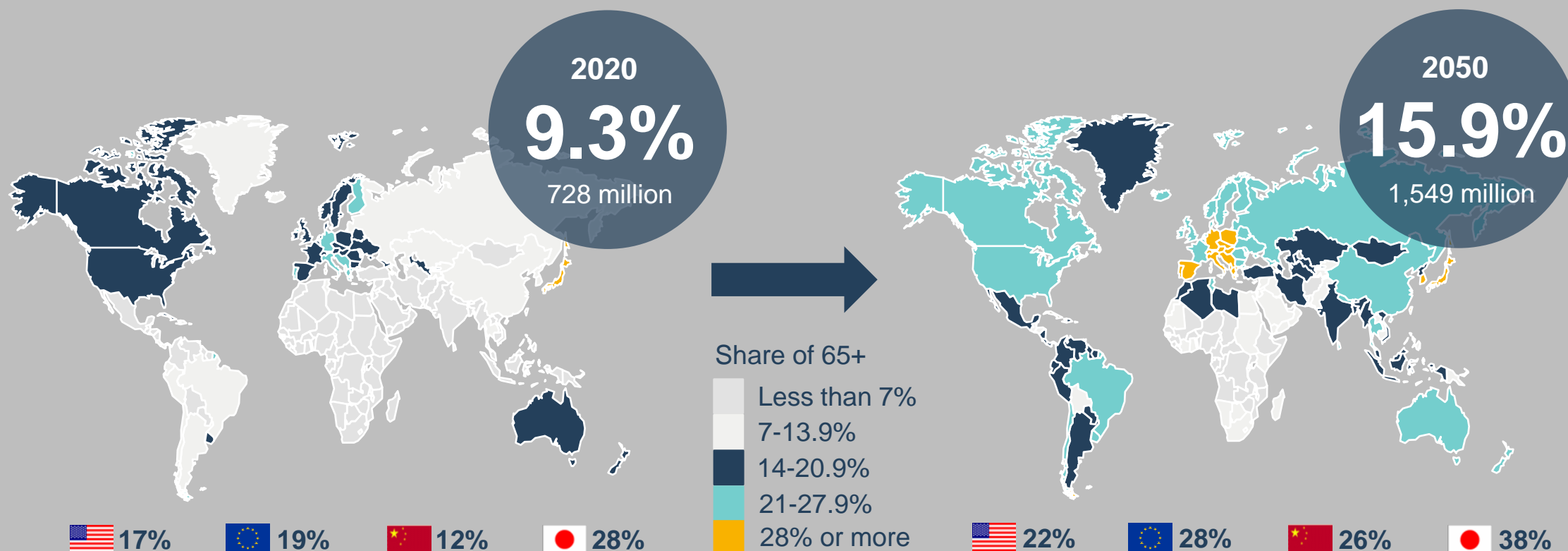
Structural drivers & characteristics

- Ageing populations across the world and increasing life-expectancy
 - Baby-boomer generations in developed markets
 - Gradually improving penetration in emerging markets as awareness and hearing healthcare infrastructure is expanded
 - Growing awareness that hearing loss may accelerate cognitive decline and lead to social isolation
 - The modern senior wants to live active and engaged lives and focuses on health using modern technologies
-
- **Enterprise Solutions:** Increasing UC&C* adoption, hybrid working and open offices, shift towards virtual meetings
 - **Gaming:** Rise in gamer engagement and communities, increased in-game collaboration, growing arena for e-sports and gaming

* Unified Communication and Collaboration

Ageing populations across the world

Significant increase in share and size of 65+ population



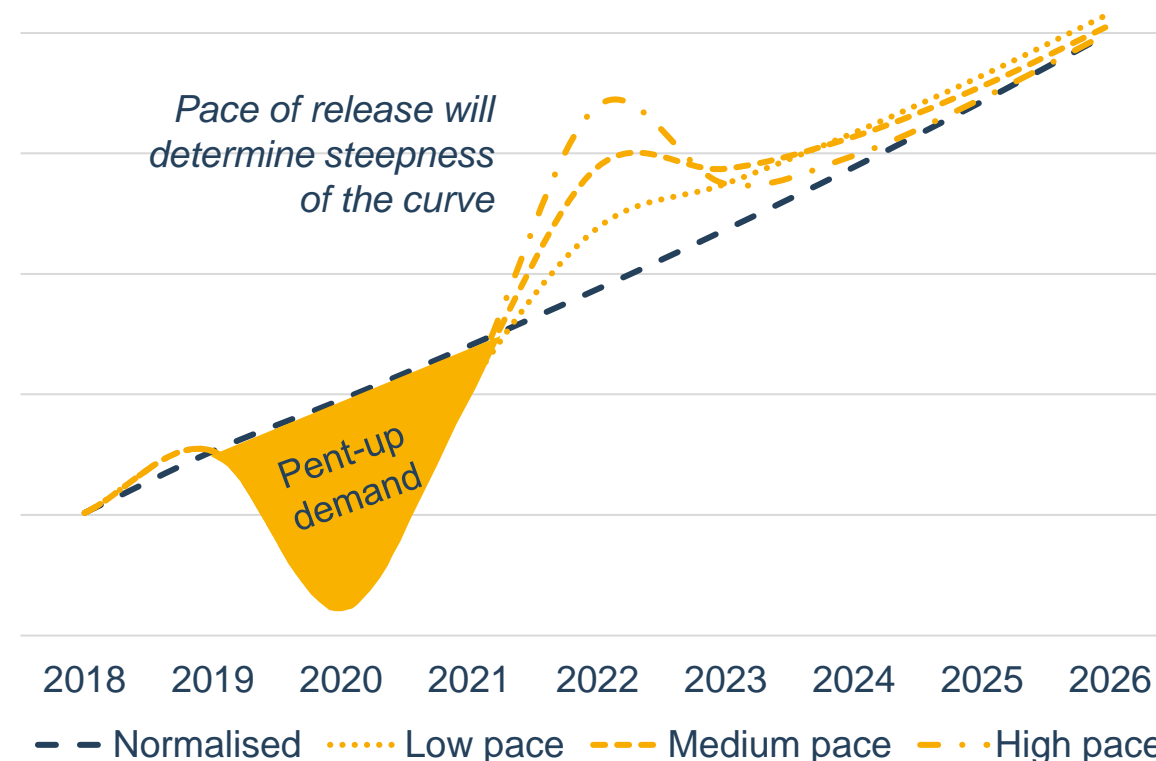
Pent-up demand to support volumes in the hearing aid market in the coming years

- Underlying need for hearing aids is unchanged and a significant share of "lost" units is likely to come back as pent-up demand
- Short-term growth difficult to predict as magnitude and timing of release of pent-up demand is uncertain

Estimated units lost* (million)

Region/channel	Build-up of pent-up demand				
	H1 20	H2 20	FY 20	H1 21	Total
Europe ex NHS	-0.8	0.1	-0.7	0.2	-0.4
NHS	-0.4	-0.3	-0.7	-0.3	-1.0
North America ex VA	-0.6	-0.1	-0.8	0.1	-0.7
VA	-0.2	-0.1	-0.3	-0.0	-0.4
Rest of world	-0.7	-0.3	-1.0	-0.3	-1.2
Total	-2.7	-0.7	-3.4	-0.3	-3.7

Hearing aid market volume (illustrative)



* Based on Demant estimates. Difference between actual unit sales and normalised sales (assuming growth of 5% on 2019 market in line with normal expectations 4-6% per year)

A young girl with long dark hair is shown in profile, playing a violin. She is wearing a yellow cardigan over a blue and white patterned top. The background is a softly lit room with bookshelves and a framed picture on the wall. A semi-transparent white graphic element, resembling a stylized violin or a musical staff, is overlaid on the right side of the image.

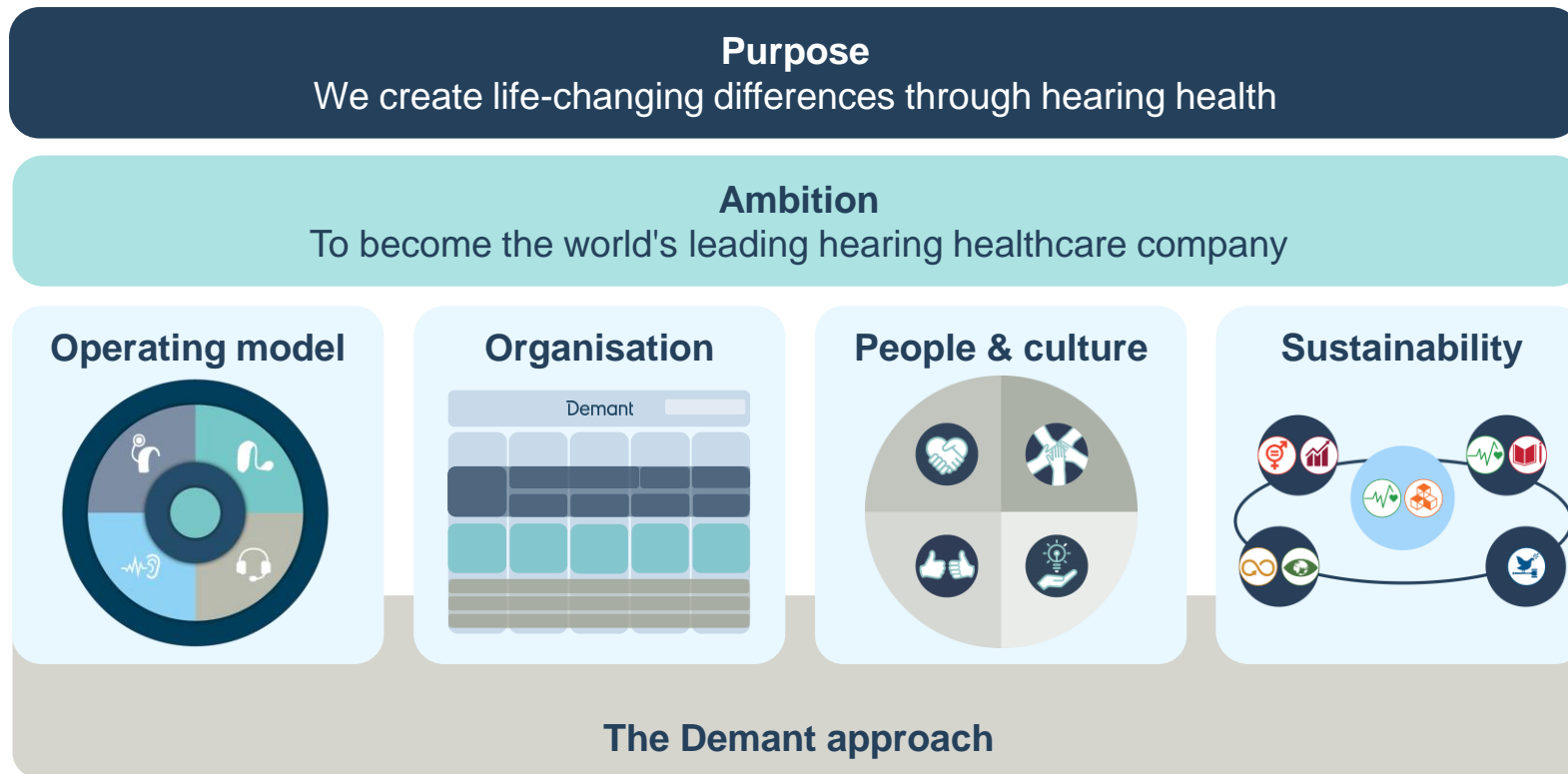
**Gaining
market share
in hearing
healthcare**



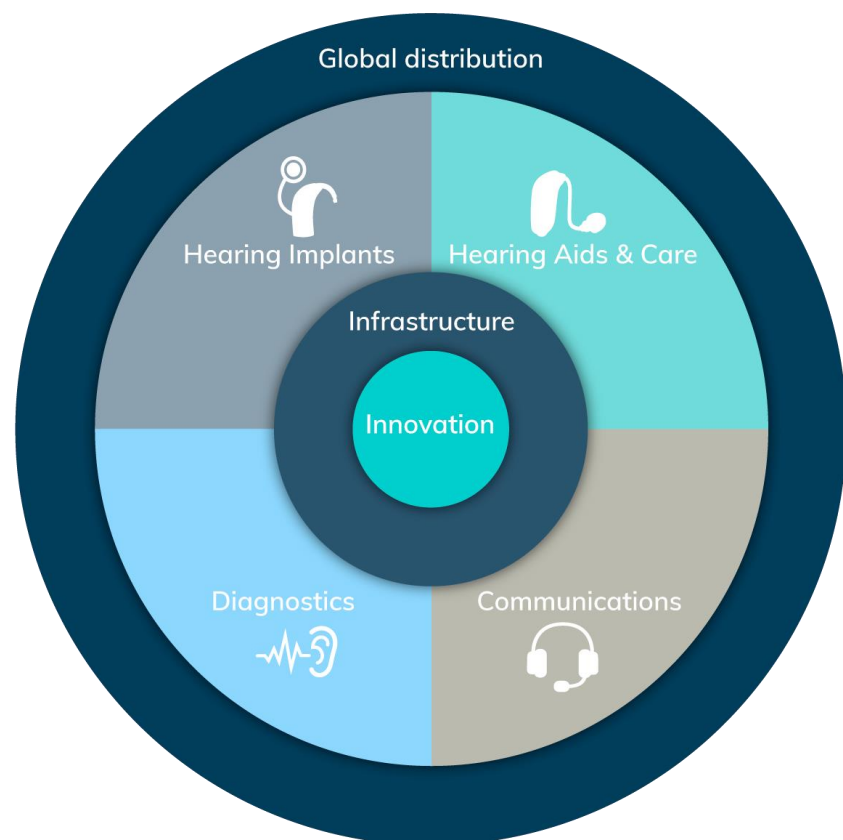
Leading hearing
healthcare

Our ambition is to
become the world's
leading hearing
healthcare company

Strategy framework



Key enablers for becoming the world's leading hearing healthcare company



Innovation

- World-class R&D organisations comprising around 1,500 employees
- High cadence of new and innovative product launches such as Oticon More, Ponto 5, Affinity Compact, EPOS Expand Vision 3T etc.
- Mastering ever-increasing product complexity

Infrastructure

- Leveraging scale advantages across the Group, including in quality and compliance, global IT, local presences in 30+ countries etc.
- Exploiting synergies between business areas and coordinating best-practices

Global distribution

- Leveraging multi-brand strategy and local approaches to address all channels
- Directly engaging with both customers and users to build strong understanding of user needs
- Increasingly digital interaction with users centred on in-person counselling

Resilient business models

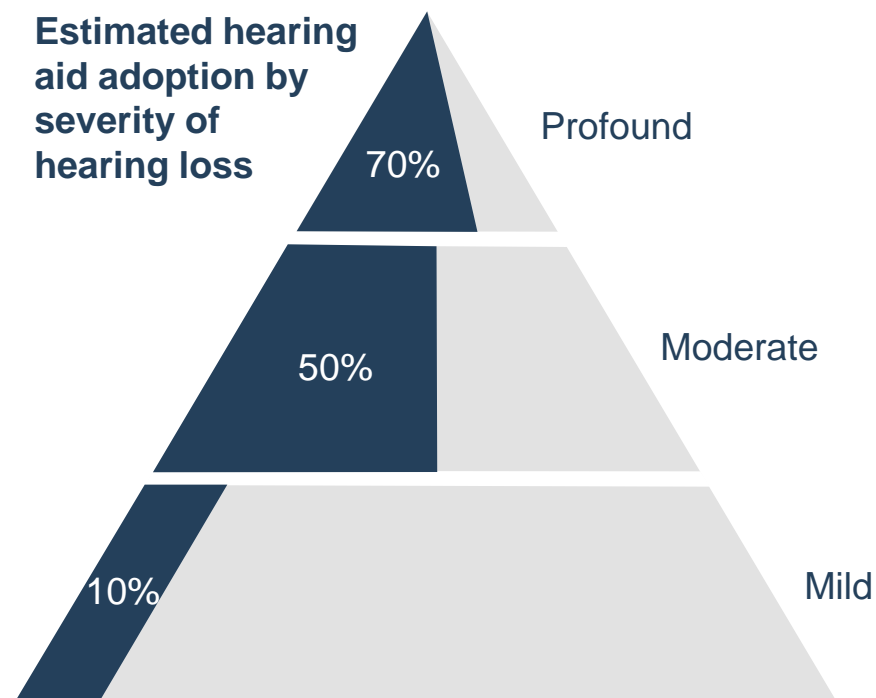


Key barriers to wider adoption of hearing aids



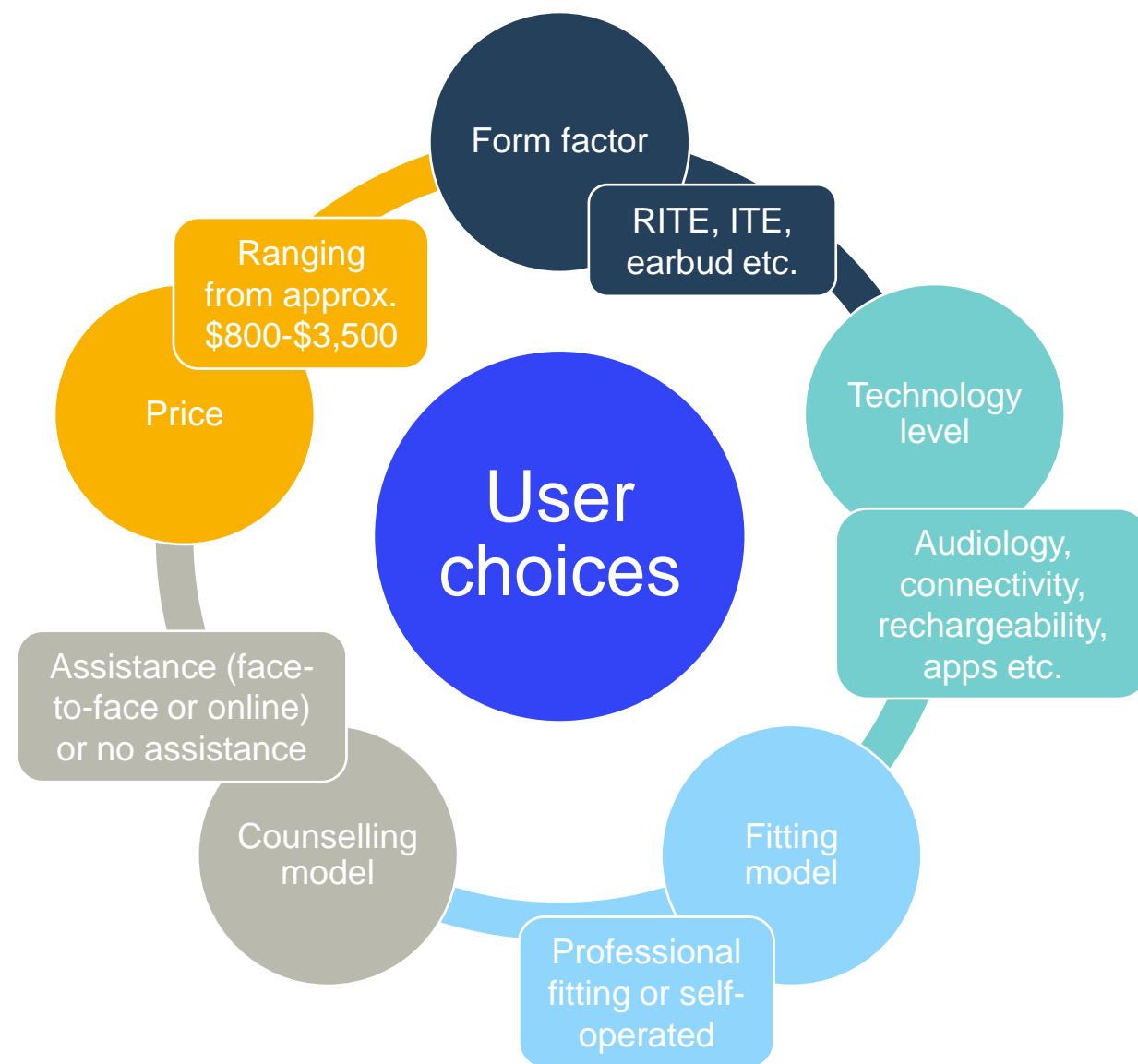
Lack of recognition	Many people do not realise or recognise that they have a mild hearing loss
Stigma	Hearing impaired people typically worry about being perceived as old

Even in markets that offer hearing aids free of charge as part of public healthcare provision, around 1 in 2 hearing impaired persons choose not to get a hearing aid (e.g. in Denmark, Norway and the UK)



Multitude of choices facing the user

- Users seek help navigating the many choices they face when it comes to treating their hearing loss
- They buy a service rather than a product



Overcoming the barriers to adoption requires specialisation and expertise

There are a number of *user-defined* measures that are needed to overcome barriers to adoption

Discrete or invisible devices	Hearing aids need to be highly discreet or outright invisible to counter stigma
Medical-grade diagnostics	The type and severity of hearing loss must be established accurately
Cutting-edge audiology	Hearing aids must deliver great listening experiences in <i>difficult</i> listening situations where help is needed the most
Individualisation	Each user is different and requires different solutions that are tailor-made for the individual
Professional counselling	The hearing care professional is key to guide the user and help overcome the barriers of getting hearing aids

Demant builds on many years of expertise trying to solve the problem

Miniaturisation	Hearing aids are designed to be highly discreet and builds on proprietary skills within design and power-efficiency
Audiology	World-class audiology remains at the core of what a hearing aid must deliver to users in terms of listening experiences and patient outcomes
Distribution	Understanding the characteristics of the hearing aid industry and user preferences is key to break down the barriers for adoption of hearing aids

Demant

A positive impact business



In 2020 we have...



helped nearly
2 million
hearing aid users



facilitated the hearing screening
of a double-digit million
number of newborns



supported more than
5 million
with headsets for
collaborative work and gaming



helped well above
10,000
implant users living with
profound, conductive or single-sided
hearing loss



facilitated the diagnosing of
a **triple-digit million number**
of people with suspected hearing loss



conducted research in cooperation with
academia, health authorities and the
industry to deepen our understanding
of hearing, health and the brain

Our sustainability strategy at a glance

Ambition to make sustainability a competitive advantage

Aside from our core contribution to global health, we have two main priorities:

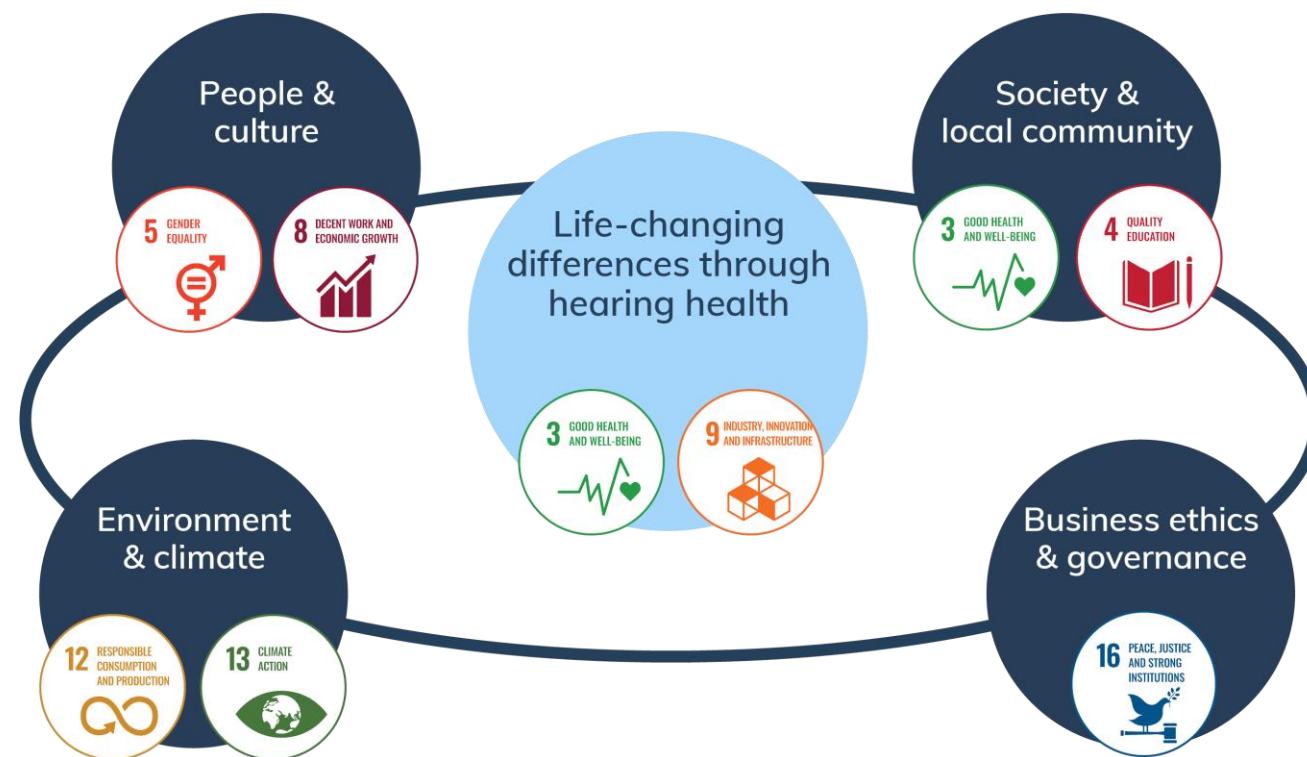
1. Diversity and inclusion

New diversity policy and framework under development

2. Climate impact

Setting goals for emission reductions (Scope 1, 2 and 3) and continue to improve performance

We continue to improve on other important areas of our business such as **business ethics** and **talent attraction, development and retention**.



Results in all areas of sustainability

Selected results 2020

People & culture



Diversity

1 percentage point increase in female managers from 41% in 2019 to 42%

3.83

3.93

Engagement

Employee engagement rate increased from 3.83 to 3.93 on a scale of 1-5

Society & local community



Hearing assessments

Free, yearly assessments for people over 60 years

\$267,000

Campaign for Better Hearing

Screened and tested 52,350 people and raised more than USD 267,000

Business ethics & governance



Code of Conduct

Launched new Group Code of Conduct



Whistleblower Scheme

Implemented new global Whistleblower Scheme and hotline

People & Culture

80%
less

Sustainable packaging

More sustainable hearing aid packaging for Oticon with up to 80% less packaging and IFUs in selected markets



100%

Environmental Management

Cardboard boxes to ship diagnostics equipment with 100% recycled material

Partnering with Philips for greener hearing aids

Three main activities in focus:



Sustainable manufacturer

Responsible Business Alliance (RBA) audit every three years at our production sites.

RBA audits: In-depth evaluations of the social, ethical, occupational health and safety and environmental performance.



Substances

To eliminate and minimize the use of hazardous substances in our products and production processes, we have a substance '**restricted list**' which follows numerous directives.



Green products

Focal areas

Energy



Circularity



Packaging



Substances



Materials



Specific end-goals for:

- 100% energy efficiency
- Use of recycled materials
- No harmful substances
- Use of materials of renewable sources

Increasing focus on ESG ratings

We are actively engaging with three key rating agencies



32.3



MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

Governance 7

Environment 3

Social 3

» We see clear scope for improving ratings over coming years, particularly through more disclosure on our strong **product governance** and reporting in accordance with **GRI standards**.

We are setting Science Based Targets

27 September: Our commitment to the Science Based Targets Initiative is official



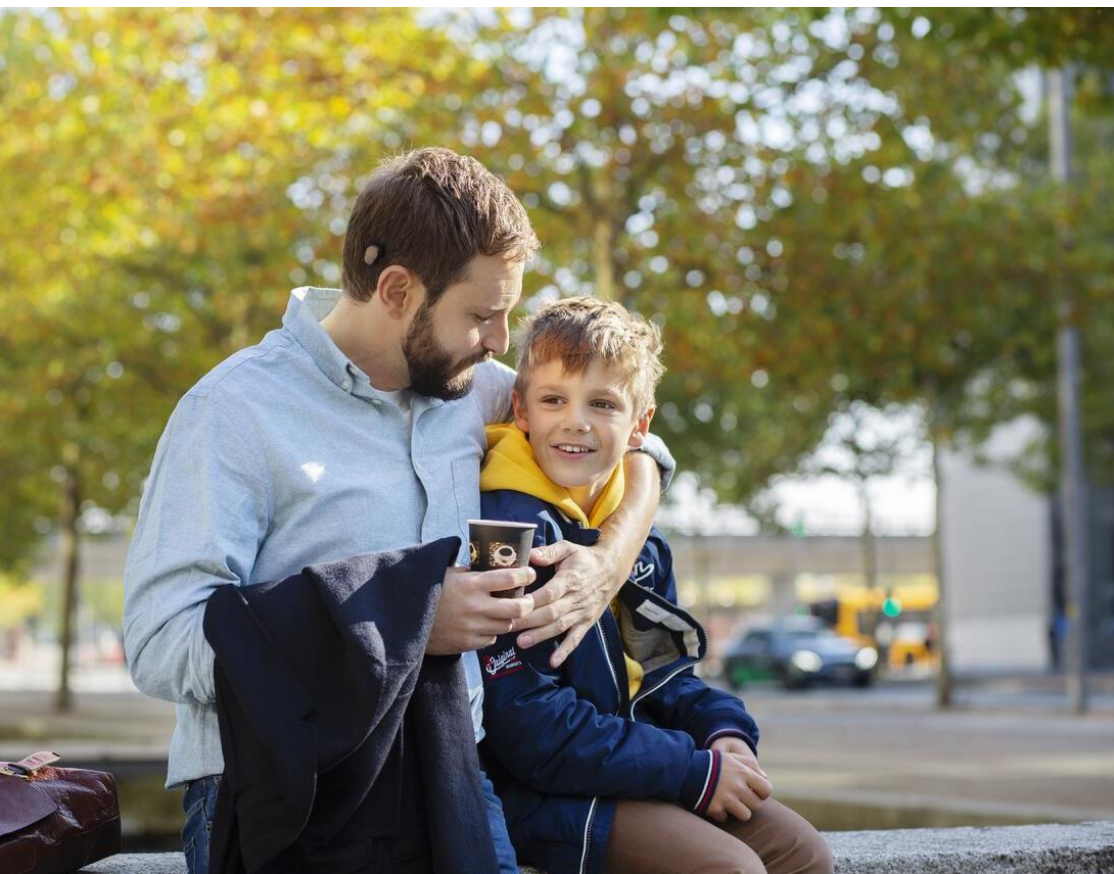
SCIENCE
BASED
TARGETS

- We will set ambitious targets aligned with the Paris Agreement to limit global warming to 1.5°C. We aim to reach net-zero emissions before 2050.
- Baseline calculation in progress: our largest impact exists in our value chain (Scope 3), more specifically purchased goods and services and logistics and distribution.
- Emission reductions in Scope 3 will to a large extent require engagement and collaboration with suppliers and manufacturers.

Summary



Summary



- We are emerging from challenging years in **very good shape**
- We address **attractive markets** with strong, structural drivers
- We see scope for **pent-up demand** supporting market volumes in the coming years
- We have an **ambition** to become the world's leading hearing healthcare company
- We have built **unique expertise** in dealing with the complexities of hearing loss that will also exist in the future
- We are a **positive impact business** and act sustainably to contribute positively to society