Sustained growth with potential for margin expansion

René Schneider, CFO

Demant

Our value proposition to shareholders

Structural market growth

Market share gains

Value-adding M&A

Aiming to expand margins in all business areas

Capital-efficient business model with high cash generation

Distributing excess cash to shareholders

We will deliver attractive returns for our shareholders by:

1. Addressing attractive markets with structural growth and high entry barriers
2. Being leaders in innovation and leveraging strong distribution access to gain market shares
3. Pursuing value-adding M&A
4. Aiming to expand margins in all business areas
5. Operating a capital-efficient business model with high cash generation
6. Distributing excess cash to shareholders

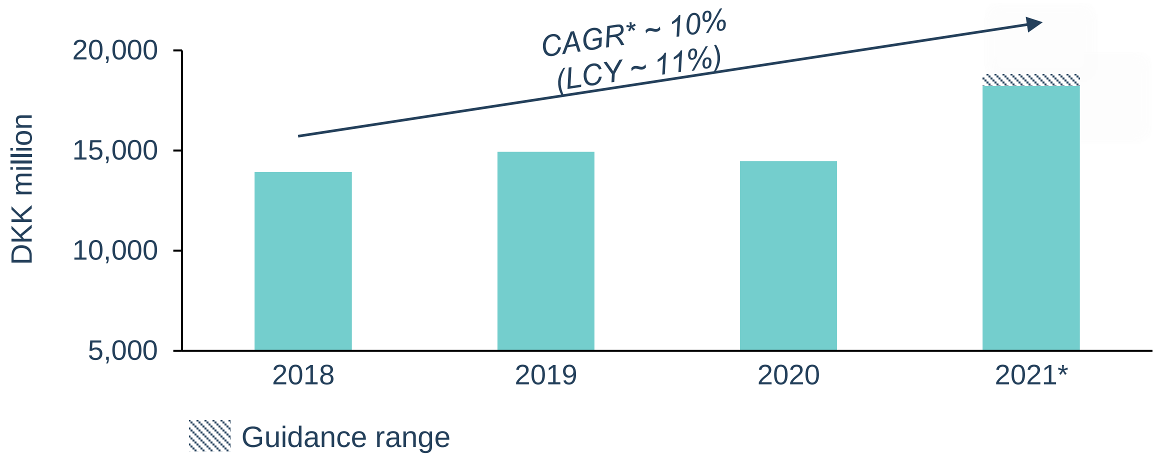
In a strong position after challenging years

Recent years have seen large impacts on our business and financial results:

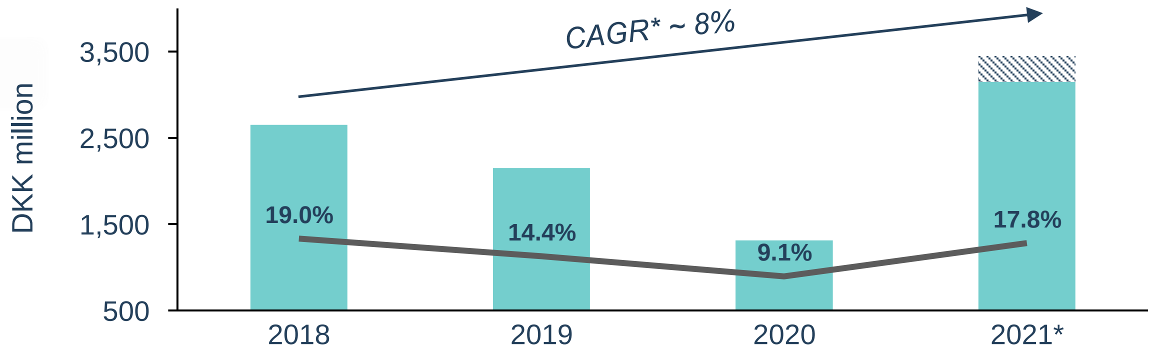
- The IT incident had an estimated negative impact of DKK 575 million on revenue and DKK 550 million on EBIT in 2019
- Coronavirus had a significant negative impact in 2020, with markets now recovering at different paces
- The consolidation of EPOS increased revenue but diluted margins for the Group in 2020

Today, Demant is emerging as a stronger company and is set to deliver sustained growth with potential for margin expansion in all business areas

Group revenue



Group EBIT and EBIT margin**



* CAGRs and EBIT margin in 2021 are calculated from the mid-point of guidance in 2021

** EBIT adjusted for costs related to the 2016-2018 restructuring programme and for EPOS one-offs in 2020

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Building on track record of solid growth

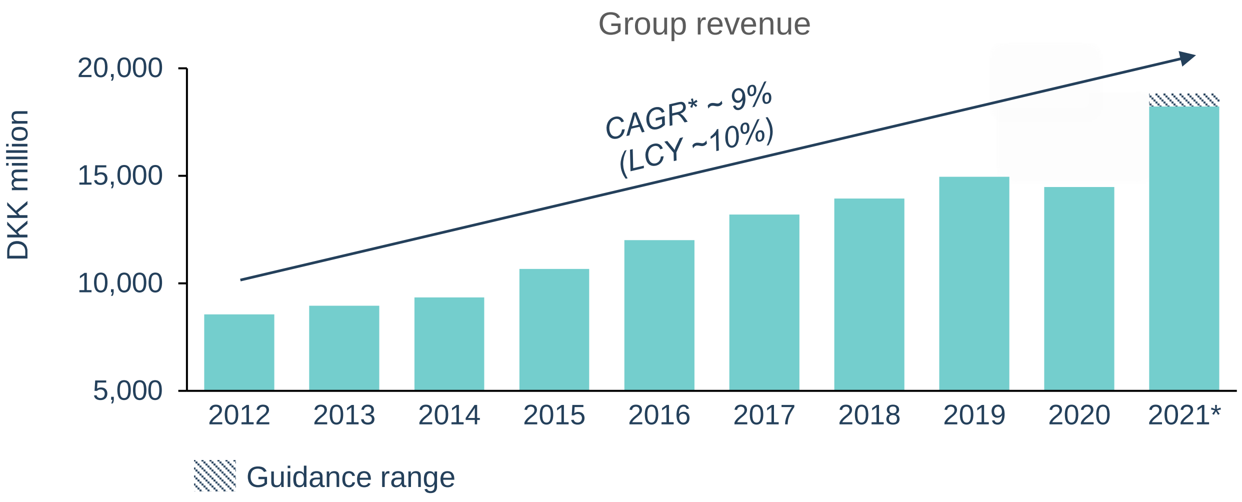
On track to deliver revenue growth of 10% p.a. in local currencies since 2012

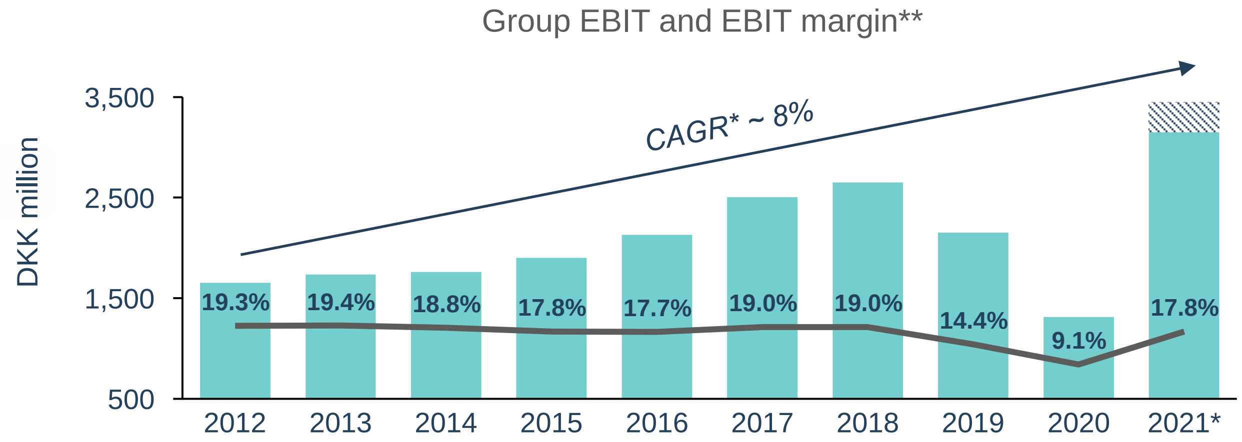
6% Organic growth	+	4% Acquisitive growth	=	10% LCY growth

After exchange rate effects of -1% p.a., reported growth is expected to be 9% p.a. since 2012

On track to deliver EBIT growth of 8% p.a. since 2012, with a changing business mix driving an EBIT margin dilution

Looking ahead, we are building on a track record of solid and consistent growth





* CAGRs and EBIT margin in 2021 are calculated from the mid-point of guidance in 2021

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Medium- to long-term outlook

Each metric will be addressed in the following slides

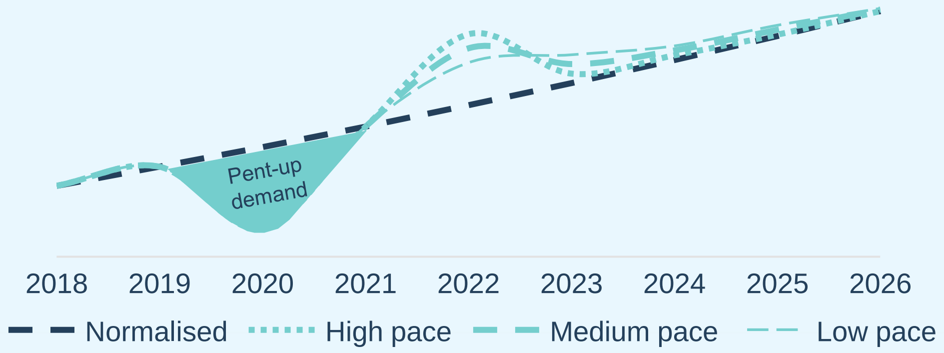
Metric	Medium- to long-term outlook
1. **Revenue growth**	7-10% p.a. in local currencies with organic growth of 6-8% p.a. and acquisitive growth of 1-2% p.a.
2. **EBIT margin**	Aim to increase the EBIT margin in each business area over time. The Group's EBIT margin is subject to changes in business mix as well as to acquisitions and exchange rate effects
3. **CAPEX**	~4% of annual revenue (excl. customer loans and acquisitions)
4. **Gearing**	2.0-2.5 (NIBD/EBITDA)
5. **Capital allocation**	Any excess free cash flow after acquisitions will be used for share buy-backs (subject to gearing target)

Attractive and stable structural growth

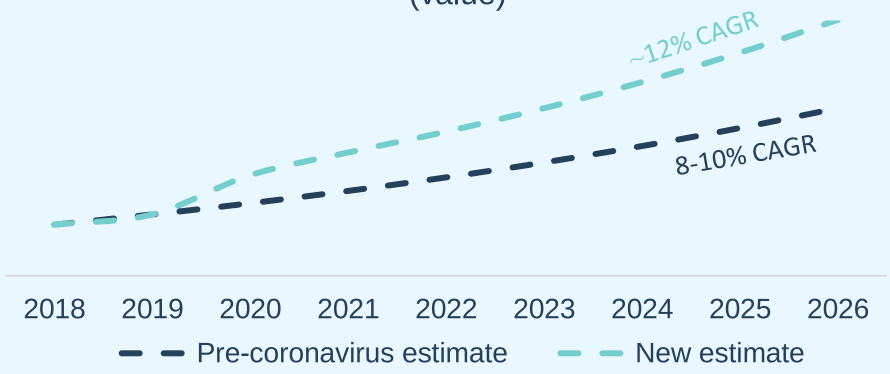
Aiming to generate organic growth of 6-8% p.a. for the Group

	Hearing Healthcare	Communications
Medium- to long-term outlook	Market value growth: ~4% p.a. **Demant organic growth: At least 5% p.a.**	Market value growth: ~12% p.a. **Demant organic growth: At least 12% p.a.**
Growth drivers	1. Demographics driving stable volume growth 2. 1-2% ASP decline in hearing aids due to geography and channel mix 3. Aiming for market share gains in all business areas 4. Potential for release of pent-up demand in the short term	1. Increasing UC&C adoption, hybrid working and open offices 2. Growth in e-sports and gaming and increased in-game collaboration 3. Significant room to grow, including in emerging video segment 4. Coronavirus has greatly accelerated the hybrid working trend
Market dynamics *(illustrative)*	Hearing aid market (volume)	Communications addressable market (value)

Hearing aid market
(volume)



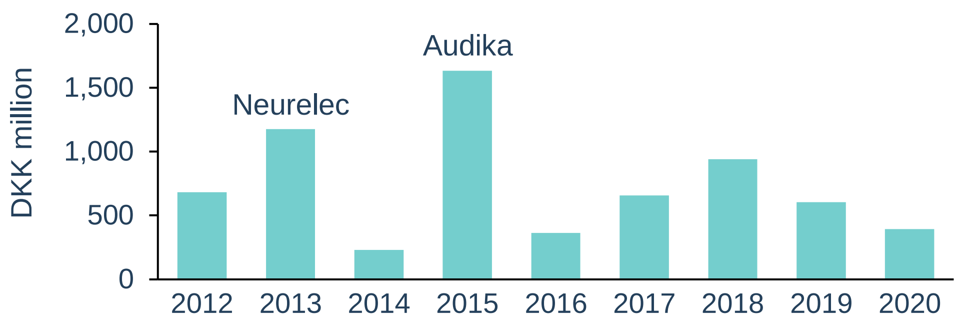
Communications addressable market
(value)



We will continue to pursue value-adding acquisitions

- Acquisitions have formed an integral part of Demant's strategy since the 1990s
  - Strategic acquisitions to form new business areas
  - Bolt-on acquisitions to expand our network in Hearing Care
- Total growth from acquisitions accounts for 4% reported growth for the Group from 2012 to 2021*

Cash spent on acquisitions



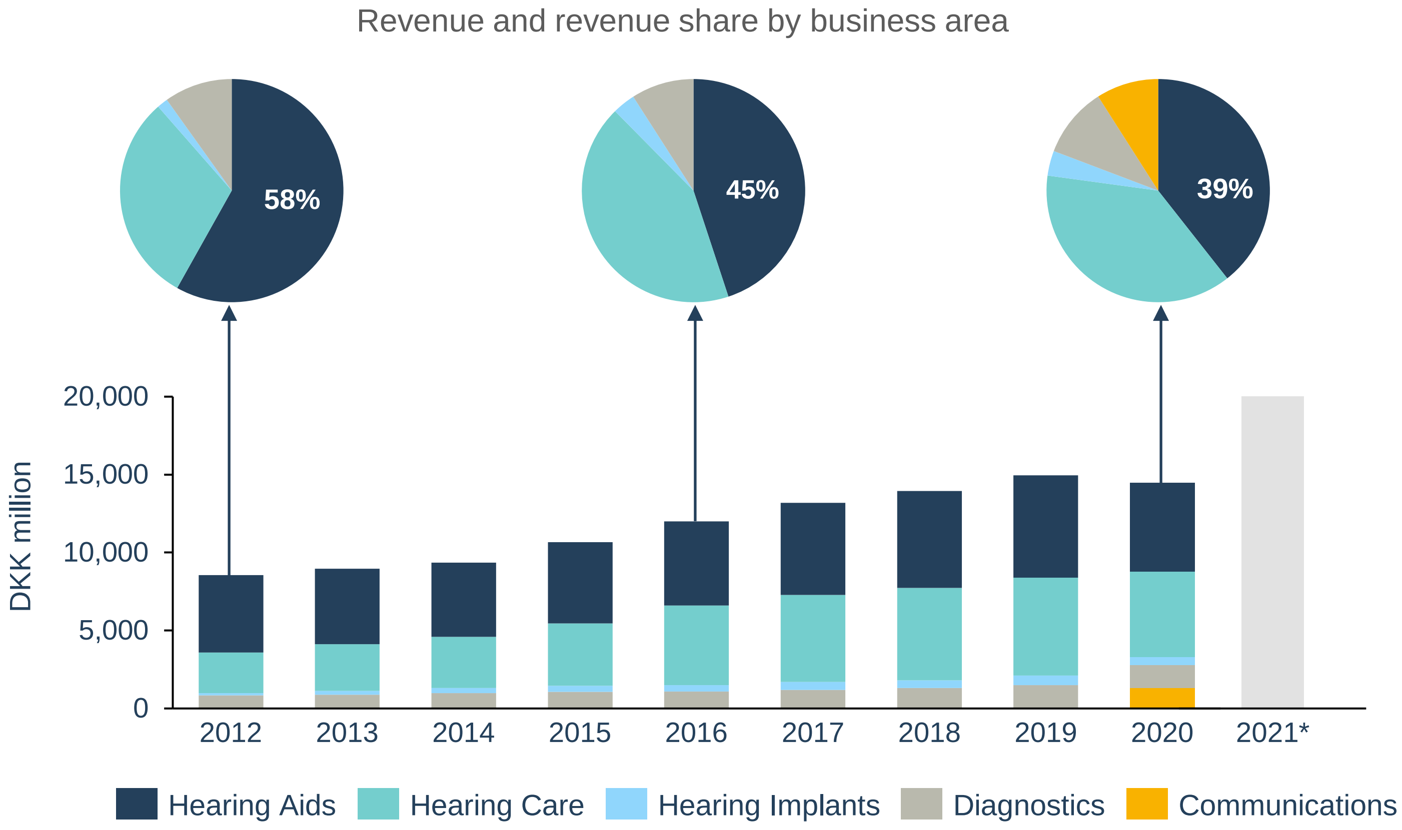
Strategic acquisitions	Bolt-on acquisitions	
Binary by nature, and the size of acquisitions varies significantly	Cash spent on bolt-on acquisitions	Growth from bolt-on acquisitions
	~ DKK 600 million p.a. *(2016-2020 average)*	**2% p.a.**** *(2016-2020 CAGR)*

In line with historical levels, we expect bolt-on acquisitions to add 1-2% growth per year for the Group

** Based on the mid-point of guidance for 2021*

*** Excludes the consolidation of EPOS (i.e. representative of bolt-on acquisitions)*

The Group’s business mix has changed significantly over the years



The Group’s business mix has changed significantly over the years driven by:

- Different organic growth rates in different business areas
- Extensive value-adding M&A activities, especially in Hearing Care
- Entry into the market for cochlear implants
- Consolidation of EPOS into the Group

Consequently, the Group’s structural margin level has changed

** Group revenue for 2021 at mid-point of guidance range*

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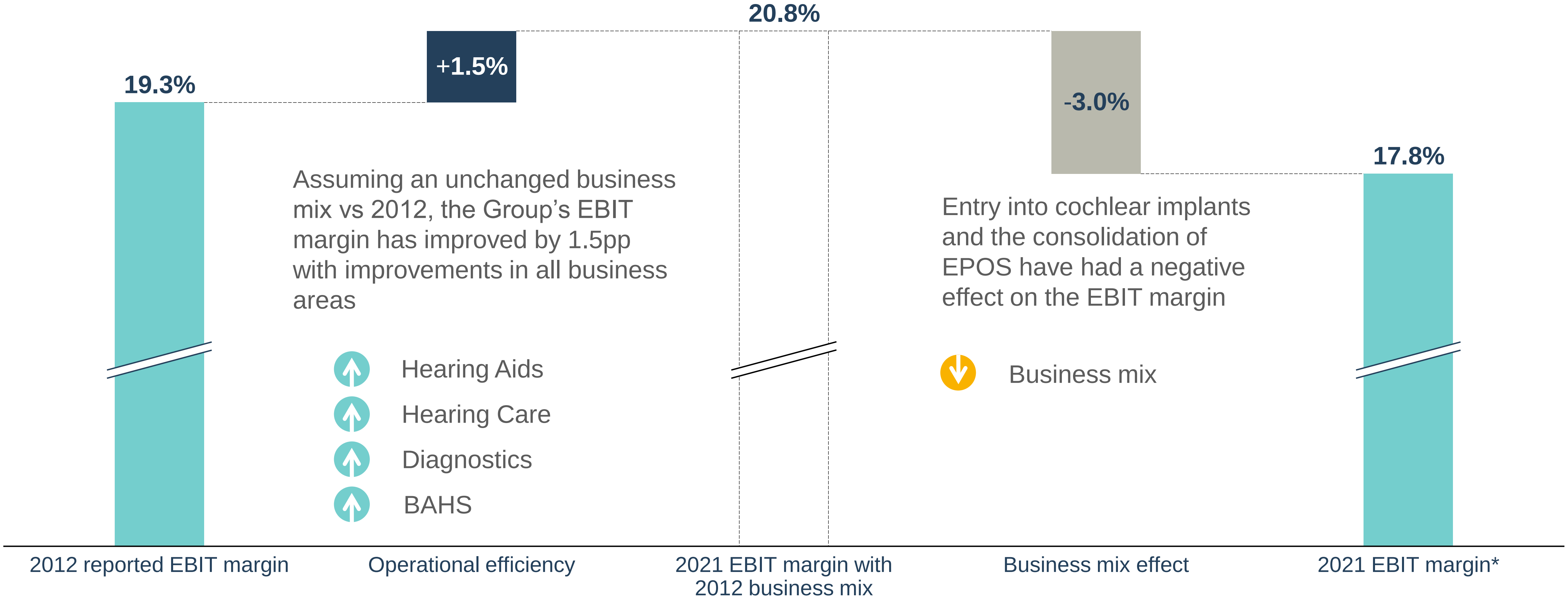
Underlying margin expansion more than offset by business mix change

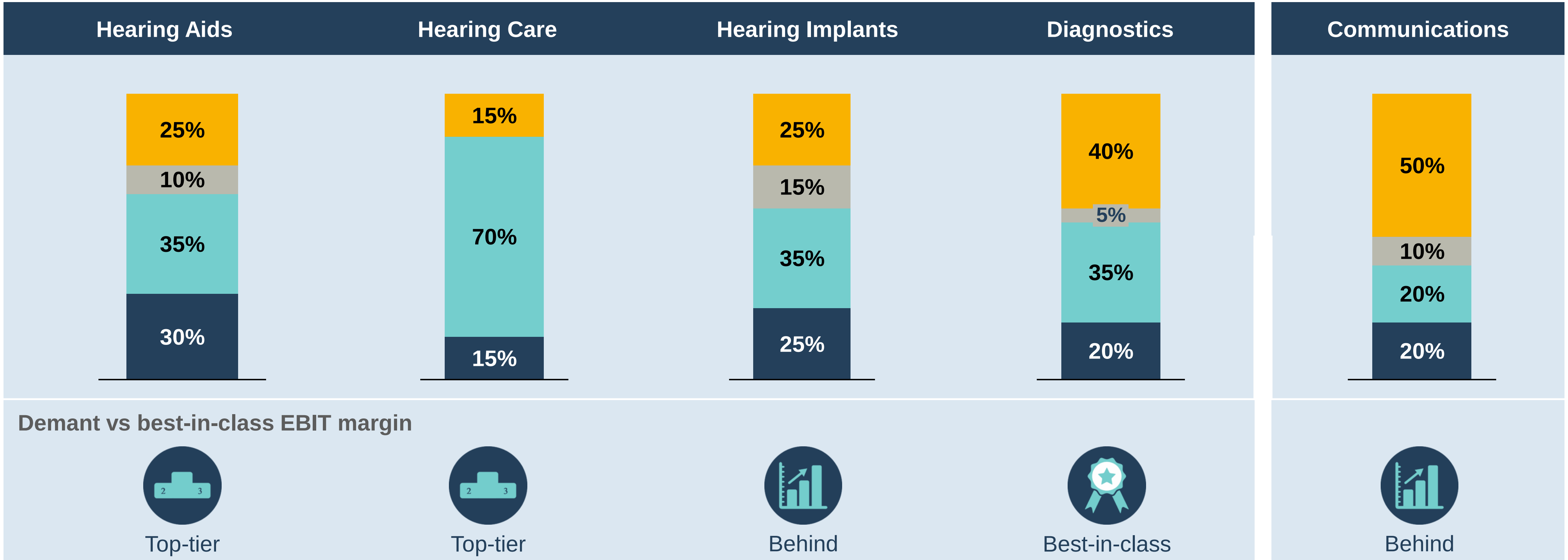


* 2021 based on mid-point of guidance range

Varying best-in-class margin levels across industry segments

Indicative best-in-class margin levels by industry segment

Production costs | R&D costs | Distribution costs and administrative expenses | EBIT



Potential for margin expansion in Hearing Healthcare

Hearing Healthcare				
	Hearing Aids	**Hearing Care**	**Hearing Implants**	**Diagnostics**
Demant vs industry's best-in-class EBIT margin	Top-tier	Top-tier	Behind	Best-in-class
Top-2 margin drivers	1. Market share gains through innovation that ensures high-value products and frequent product launches 2. Efficiency drivers in the supply chain	1. Increased scale and brand leverage within each market 2. Efficient digitalisation and use of data at global level to increase productivity	1. Sustained market share gains in high-value markets, including CI entry in the US 2. Gradual expansion of install base driving recurring upgrade sales	1. Growth in the service business 2. Increased scale across R&D, operations and distribution
Potential for EBIT margin improvements	Incremental	Incremental	Transformative	Incremental

Communications currently in transition phase – returning to positive EBIT in 2023

Communications	
	EPOS
Demant vs industry's best-in-class EBIT margin	Behind
Top-2 margin drivers	1. Expanded product portfolio and global reach to drive revenue growth 2. Fully establishing EPOS as a premium brand for both audio and video solutions
Potential for EBIT margin improvements	Transformative

Highly dynamic revenue development

- Very strong demand boost in 2020 driven by working-from-home trend in the wake of coronavirus
- Significant revenue slowdown in 2021 considered temporary, and structural drivers remain fully intact

Investments in future growth

- Establishing the EPOS brand
- Ensuring competitive product roadmap
- Entering attractive space for video solutions

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

CAPEX, gearing and capital allocation

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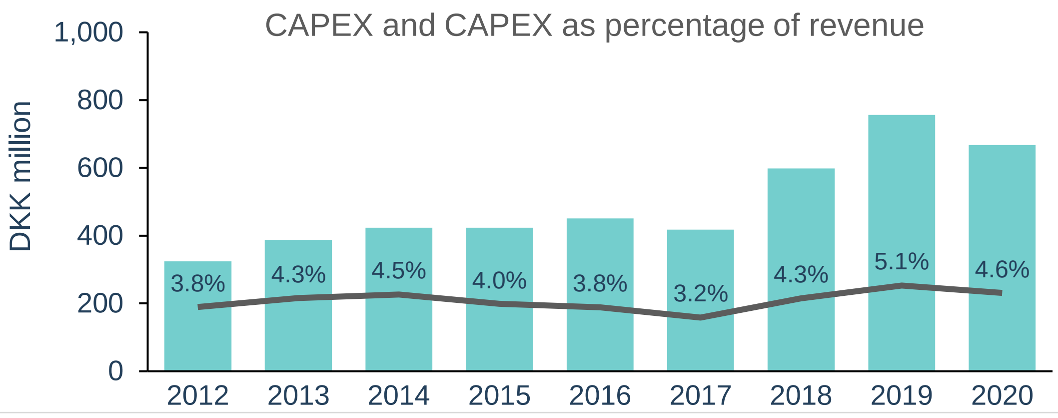
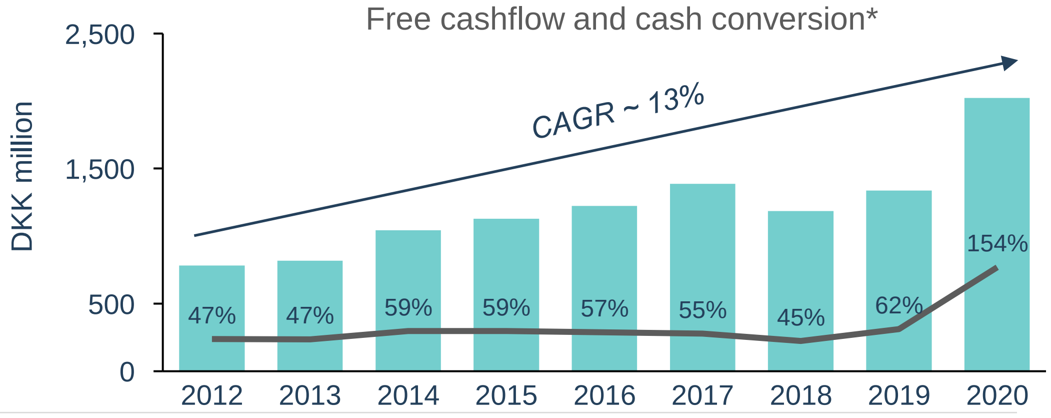
Operating a capital-efficient business model with high cash flow generation

- In the medium to long term, we expect investments in tangible and intangible assets (CAPEX) of approx. 4% of revenue (excluding customer loans)
    - Leasehold improvements in Hearing Care
    - IT and digitalisation
    - Buildings and machinery
- Above-normal CAPEX levels in 2018-2020 due to HQ expansions and factory footprint



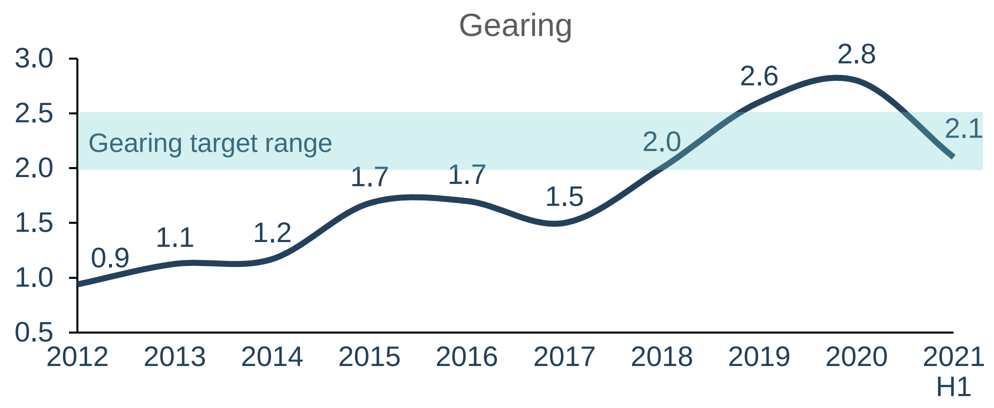
- Profit growth and continued capital efficiency to deliver growth in free cash flow and sustained cash conversion
- Free cash flow in 2020 positively impacted by tight working capital management and postponement of certain tax payments

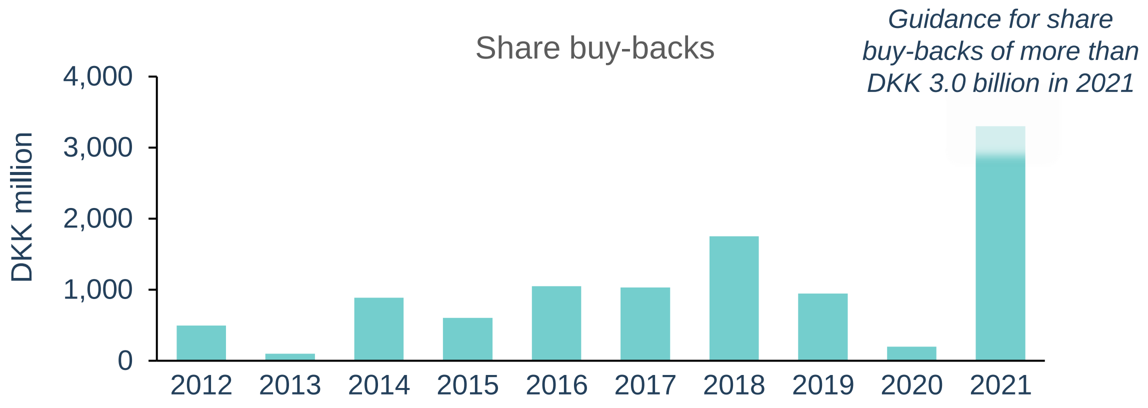


* Cash conversion calculated as free cash flow relative to adjusted EBIT

Unchanged gearing target and capital allocation priorities

- We target a **gearing multiple** (NIBD/EBITDA) of 2.0-2.5 (gearing was 2.1 at the end of H1 2021)
- We will continue to prioritise **value-adding acquisitions** and expect these to mostly relate to network expansion in Hearing Care
- Subject to our gearing target, any excess free cash flow after acquisitions will be used for **share buy-backs**





Committed to delivering attractive returns for our shareholders

Delivering sustained growth

10% LCY growth 2012-2021*

We aim to grow revenue by 7-10% p.a. in local currencies

6% Org. growth 2012-2021*

Organic growth of 6-8% p.a.

Hearing Healthcare: At least 5% p.a.

Communications: At least 12% p.a.

4% Acq. growth 2012-2021*

Acquisitive growth of 1-2% p.a.

In line with historical levels and driven by bolt-on acquisitions

Potential for margin expansion

We see potential for margin expansion in all business areas

Incremental improvement	**Hearing Aids**	**Hearing Care**	**Diagnostics**
Transformative improvement	**Hearing Implants**	**Communications**	

Capital efficiency and share buy-backs

Shareholder value

* *Growth CAGR's are calculated using the mid-point of guidance for 2021*