

# Company announcement no 2024-03

## Results for 2023 and outlook for 2024

5 February 2024

**Strong revenue growth of 14% (12% organic) in 2023 driven by excellent performance in Hearing Aids**  
**EBIT of DKK 4,148 million in 2023 with EBIT margin expanding significantly by 2.2 percentage points to 18.5%**  
**Very strong cash flow with CFFO of DKK 4,307 million and FCF of DKK 3,476 million**  
**Decision to undertake review of strategic options for Communications business**  
**Outlook for 2024: Organic growth of 4-8% and EBIT of DKK 4,600-5,000 million in Hearing Healthcare**

*“2023 has been an outstanding year for Demant, and we upgraded our financial guidance twice during the year, which clearly illustrates the relevance of our products to customers. Hearing Aids, in particular, delivered a very strong performance with 22% organic growth in sales to external customers, and spearheaded by the successful roll-out of Oticon Real, we continued our journey to improve the lives of people living with hearing loss through innovative products and dedicated focus on personalised care. We delivered very strong cash flow and increased profitability, while continuing to strengthen our competitive position in the market, and we will soon be launching new flagship hearing aids that will further enhance our offering to customers and users going forward.*

*As far as our Communications business is concerned, the market for enterprise solutions has unfortunately remained weak, and along with our decision to wind down our Gaming activities, this has led to negative results in 2023. However, following significant cost reductions over the last couple of years, the business is now on a path to profitability, so it is a good time to explore whether the next step of this journey for Communications is better realised under different ownership. We are therefore undertaking a review of strategic options for the business with a view to finding the best owner to take the business forward and realise its full potential,”* says Søren Nielsen, President & CEO of Demant.

Business area	Revenue (DKK million)		Growth				
	Q4 2023	Q4 2022	Organic	Acquisitive	LCY	FX	Reported
<i>Hearing Aids, total sales</i>	3,100	2,703	16%	0%	16%	-1%	15%
<i>Hearing Aids, internal sales</i>	-482	-395	18%	6%	24%	-2%	22%
Hearing Aids, external sales	2,618	2,308	16%	-1%	15%	-1%	13%
Hearing Care	2,423	2,173	8%	6%	14%	-3%	12%
Diagnostics	659	612	8%	3%	11%	-3%	8%
<b>Hearing Healthcare</b>	<b>5,700</b>	<b>5,093</b>	<b>12%</b>	<b>2%</b>	<b>14%</b>	<b>-2%</b>	<b>12%</b>
<b>Communications</b>	<b>185</b>	<b>252</b>	<b>-25%</b>	<b>0%</b>	<b>-25%</b>	<b>-2%</b>	<b>-27%</b>
<b>Group</b>	<b>5,885</b>	<b>5,345</b>	<b>10%</b>	<b>2%</b>	<b>12%</b>	<b>-2%</b>	<b>10%</b>

Business area	Revenue (DKK million)		Growth				
	H2 2023	H2 2022	Organic	Acquisitive	LCY	FX	Reported
<i>Hearing Aids, total sales</i>	6,024	5,149	18%	0%	18%	-1%	17%
<i>Hearing Aids, internal sales</i>	-976	-865	11%	6%	16%	-3%	13%
Hearing Aids, external sales	5,048	4,284	20%	-1%	19%	-1%	18%
Hearing Care	4,575	4,191	7%	6%	13%	-4%	9%
Diagnostics	1,284	1,225	7%	2%	10%	-5%	5%
<b>Hearing Healthcare</b>	<b>10,907</b>	<b>9,700</b>	<b>13%</b>	<b>2%</b>	<b>15%</b>	<b>-3%</b>	<b>12%</b>
<b>Communications</b>	<b>381</b>	<b>508</b>	<b>-22%</b>	<b>0%</b>	<b>-22%</b>	<b>-3%</b>	<b>25%</b>
<b>Group</b>	<b>11,288</b>	<b>10,208</b>	<b>11%</b>	<b>2%</b>	<b>13%</b>	<b>-3%</b>	<b>11%</b>

Unless otherwise indicated, the commentary below relates to H2 2023. For accounting purposes, the Communications business is recognised as part of the Group's continuing operations in 2023 but will be recognised as a discontinued operation in 2024 and going forward. Financial figures in this announcement are unaudited, pending the release of the Group's Annual Report 2023 on 6 February 2024.

- The **Group** generated organic growth of 11% (Q4: 10%) driven entirely by Hearing Healthcare. Growth from acquisitions added 2% (Q4: 2%) and exchange rate effects -3% (Q4: -2%), and total reported growth was 11% (Q4: 10%). For the full year, organic growth was 12%, with growth from acquisitions adding 3% and exchange rate effects -1%. Total reported growth for the Group thus amounted to 14% in 2023.
- **Hearing Healthcare** saw organic growth of 13% (Q4: 12%) driven by particularly strong growth in Hearing Aids, with additional growth of 2% (Q4: 2%) related to acquisitions in Hearing Care and Diagnostics.
  - **Hearing Aids** continued to perform very strongly with high double-digit growth, driven by the continued success of our premium hearing aids launched in Q1, including Oticon Real. Growth was primarily driven by units (11%), but we also saw a positive impact from ASP (7%), as our success in the premium price segment drove positive mix effects, particularly in Q4. Organic growth in our total sales decelerated from 21% in Q3 to 16% in Q4 due to strong comparative figures and lower sales to certain large accounts. During February, we will begin the roll-out of new, premium, industry-leading hearing aids in our main brands, including our new flagship product, Oticon Intent, all of which will support growth in 2024.
  - **Hearing Care** saw positive momentum with good organic growth in most medium-sized markets. Growth in France was slightly negative, while the US saw positive growth. Organic growth improved sequentially from 6% in Q3 to 8% in Q4, which was supported by very low comparative figures in China. In H2, growth was primarily driven by units, but supported by an ASP that was positively impacted by a favourable product mix following our premium launch in Q1. In line with our strategic priorities, we continued to acquire clinics, which contributed considerably to growth in the period.
  - **Diagnostics** saw solid performance with organic growth of 7% in H2 despite the continuously negative impact of weak market dynamics in China. We saw a slightly increasing growth rate from 6% in Q3 to 8% in Q4, helped by lower comparative figures. Growth continued to be supported by minor acquisitions.
- **Communications** saw organic growth of -22% (Q4: -25%), and the markets for enterprise solutions and gaming headsets remained challenging. Our Enterprise Solutions business saw organic growth of -21% (Q4: -18%), and the end to the year was below expectations. Following the decision to wind down our Gaming activities (approx. 15% of revenue in Communications in Q4), most of our inventory has been cleared at significantly reduced prices, which – along with other minor one-off costs – negatively impacted EBIT in H2 by approx. DKK 60 million.
- The Group's **gross margin** was 74.2%, a sequential improvement of 0.9 percentage point compared to H1, which is in line with our expectations. The improvement was driven by Hearing Healthcare, which more than offset the significant decline in the gross margin in Communications due to the winding down of Gaming. Compared to H2 2022, the gross margin declined marginally by 0.1 percentage point.
- **OPEX** grew organically by 3% with additional growth of 4% from acquisitions and -3% from exchange rate effects. The increased OPEX reflects investments in Hearing Healthcare, where we continued to increase our R&D capacity and expand distribution both organically and through acquisitions, but in Communications, OPEX declined as a result of previously announced cost reduction measures.
- In H2 2023, the Group's **EBIT** amounted to DKK 2,134 million, corresponding to an EBIT margin of 18.9%. The increase of 3.0 percentage points compared to H2 2022 is attributable to material operating leverage in Hearing Healthcare, which delivered a strong EBIT margin improvement in the period. This more than offset weak profitability in Communications. For the full year, EBIT amounted to DKK 4,148 million, which is an increase of 29% versus 2022 and corresponds to an EBIT margin of 18.5%.
- Primarily due to higher profitability and supported by a slight improvement in the net working capital, the Group delivered very strong **cash flow** in H2, with CFFO of DKK 2,472 million and FCF of DKK 1,993 million. Following a lower-than-expected level of acquisitions in H1, we saw activities picking up in H2 where we spent DKK 622 million on acquisitions, although this amount remained below our original plans.

- Following our decision to resume **share buy-backs** in November 2023, we bought back shares worth DKK 829 million in H2, and the Group's **gearing multiple** (NIBD/EBITDA) was 2.2 at 31 December 2023, which is in line with our medium- to long-term target of 2.0-2.5.
- Profit after tax from **discontinued operations**, which in 2023 comprised our Hearing Implants business, amounted to DKK -81 million. The divestment of our cochlear implants business is still expected to close in H1 2024.
- Following the launch of our **gender diversity** targets in 2022, the share of women in top management increased to 27% in 2023, an improvement of 4 percentage points compared to 2022, driven by focused actions, such as inclusive leadership training and inclusive recruitment initiatives.
- In H2, Scope 1 and 2 **CO2e emissions** amounted to 14,973 tonnes, which is a decrease of 15% compared to 2022 and driven by an increased use of renewable electricity.
- We have decided to undertake a **review of strategic options for Communications** to explore whether a different owner may be better positioned to accelerate growth and to allow the business to realise its full potential. The review is expected to be completed by the end of H1 2024. For accounting purposes, the business will be recognised as part of discontinued operations in 2024 and going forward.

## Outlook for 2024

Our outlook for 2024 for continuing operations (Hearing Healthcare) is summarised in the table below:

Metric	Outlook for 2024
Organic growth	4-8%
EBIT	DKK 4,600-5,000 million
Share buy-backs	More than DKK 2,000 million

The outlook is based on a number of key assumptions as described below:

- We expect the unit growth rate in the global hearing aid market in 2024 to be in line with the structural growth rate of 4-6%. We expect a negative impact of ASP declines around the normal level of 1-2% due to mix effects.
- We expect the cash allocated to bolt-on acquisitions in 2024 to be higher than normal due to the postponement of some acquisitions from 2023 and a good pipeline of attractive opportunities.
- Communications will be recognised as part of discontinued operations. We expect profit after tax related to Communications to be negative by DKK 100-150 million. This relates entirely to an expected full-year operating loss and does not include any financial impact related to the review of strategic options.
- The divestment of our cochlear implants business is expected to close in H1 2024. Our bone anchored hearing systems business will remain with the Group for now, pending a review of our strategic options. For the full year 2024, we expect profit after tax related to Hearing Implants to be around DKK 0 million.

For modelling purposes, we provide further assumptions for 2024 below:

Metric	Assumption for 2024
Acquisitive growth	1% based on revenue from acquisitions completed as of 4 February 2024
FX growth	-1% based on exchange rates as of 4 February 2024 and including the impact of hedging
Effective tax rate	Around 24%
Profit after tax from discontinued operations	Negative by DKK 100-150 million, entirely related to Communications, with profit after tax for Hearing Implants to be around DKK 0 million

**Conference call details**

Demant will host a conference call on 6 February 2024 at 14:00 CET. A live webcast of the call will be available on our website [www.demant.com](http://www.demant.com). If you would like to attend the conference call to ask questions, please pre-register [here](#) to receive the dial-in numbers and access codes. A presentation for the call will be uploaded on our website shortly before the call.

*Further information:*

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## Key figures and financial ratios (1/2)

(DKK million)	H2 2023	H2 2022	Change	FY 2023	FY 2022	Change
<b>Hearing Healthcare</b>						
Revenue	10,907	9,700	12%	21,601	18,645	16%
Organic growth	13%	5%		14%	5%	
Gross margin	76.1%	75.9%		75.6%	76.1%	
EBIT	2,344	1,748	34%	4,506	3,443	31%
EBIT margin	21.5%	18.0%		20.9%	18.5%	
<b>Communications</b>						
Revenue	381	508	-25%	842	1,060	-21%
Organic growth	-22%	-13%		-19%	-13%	
Gross margin	17.8%	43.9%		26.6%	45.0%	
EBIT	-210	-129	n.a.	-358	-236	n.a.
EBIT margin	-54.9%	-25.4%		-42.5%	-22.3%	
<b>Group</b>						
<b>Income statement</b>						
Revenue	11,288	10,208	11%	22,443	19,705	14%
Organic growth	11%	3%		12%	4%	
Gross margin	74.2%	74.3%		73.7%	74.4%	
EBITDA	2,820	2,255	25%	5,482	4,383	25%
EBITDA margin	25.0%	22.1%		24.4%	22.2%	
EBIT	2,134	1,619	32%	4,148	3,207	29%
EBIT margin	18.9%	15.9%		18.5%	16.3%	
Net financial items	-395	-185	114%	-754	-280	169%
Profit after tax – continuing operations	1,297	1,118	16%	2,555	2,276	12%
Profit after tax – discontinued operations	--81	-84	n.a.	-757	-192	n.a.
Profit for the period	1,216	1,035	17%	1,798	2,084	-14%
<b>Balance sheet</b>						
Total assets	30,546	29,857	2%	30,546	29,857	2%
Net interest-bearing debt (NIBD)	12,280	12,711	-3%	12,280	12,711	-3%
Equity	9,338	8,562	9%	9,338	8,562	9%
<b>Cash flow statement</b>						
Cash flow from operating activities (CFFO)	2,472	1,707	45%	4,335	2,622	65%
Investment in property, plant and equipment, net	327	329	-1%	633	630	0%
Free cash flow (FCF)	1,993	1,219	63%	3,483	1,617	115%
Share buy-backs	829	533	56%	846	1,840	-54%

We refer to section 9.1 of Annual Report 2023 for a description of the accounting policies for key figures and financial ratios.

## Key figures and financial ratios (2/2)

	H2 2023	H2 2022	Change	FY 2023	FY 2022	Change
<b>Other key figures</b>						
Gearing multiple (NIBD/EBITDA)	2.2	2.9		2.2	2.9	
Earnings per share (EPS) – continuing operations, DKK	5.81	4.99	17%	11.44	10.06	-14%
Earnings per share (EPS), DKK	5.44	4.61	18%	8.04	9.21	-13%
Free cash flow per share (FCFPS), DKK	8.93	5.40	65%	15.61	7.15	118%
Share price, end of period, DKK	296.00	192.55	54%	296.00	192.55	54%
Average number of shares outstanding, million	223.13	224.06	-0%	223.13	226.01	-1%
Average number of employees	21,413	20,349	5%	21,168	19,239	10%
Scope 1 and 2 CO <sub>2</sub> e emissions (tonnes) <sup>1</sup>	14,973	17,644	-15%	30,469	35,862	-15%
Gender diversity, Board of Directors (women/men) <sup>2</sup>	40/60%	40/60%		40/60%	40/60%	
Gender diversity, all managers (women/men)	47/53%	44/56%		47/53%	44/56%	
Gender diversity, top level management (women/men)	27/73%	23/77%		27/73%	23/77%	

<sup>1</sup> Figures in 2022 have been restated in order to recognise new acquisitions, which were not included in 2022.

<sup>2</sup> Shareholder-elected members.

## Full-year growth rates by business area

Business area	Revenue (DKK million)		Growth				
	FY 2023	FY 2022	Organic	Acquisitive	LCY	FX	Reported
<i>Hearing Aids, total sales</i>	12,112	9,991	21%	0%	21%	1%	21%
<i>Hearing Aids, internal sales</i>	-2,076	-1,760	14%	6%	20%	-2%	18%
Hearing Aids, external sales	10,036	8,231	22%	-1%	21%	1%	22%
Hearing Care	9,083	8,123	8%	7%	15%	-3%	12%
Diagnostics	2,482	2,291	7%	4%	11%	-3%	8%
<b>Hearing Healthcare</b>	<b>21,601</b>	<b>18,645</b>	<b>14%</b>	<b>3%</b>	<b>17%</b>	<b>-1%</b>	<b>16%</b>
<b>Communications</b>	<b>842</b>	<b>1,060</b>	<b>-19%</b>	<b>0%</b>	<b>-19%</b>	<b>-2%</b>	<b>-21%</b>
<b>Group</b>	<b>22,443</b>	<b>19,705</b>	<b>12%</b>	<b>3%</b>	<b>15%</b>	<b>-1%</b>	<b>14%</b>