

# Company announcement<sup>no 2024-08</sup>

## Interim Management Statement for Q1 2024

6 May 2024

**Organic revenue growth of 3% in Q1 driven by good performances in Hearing Aids and Diagnostics**  
**Recently launched Oticon Intent has seen strong initial reception, especially in the independent channel**  
**Outlook for 2024 maintained: Organic growth of 4-8% and EBIT before special items of DKK 4,600-5,000 million**

“Overall, we are pleased with the start to the year where our Diagnostics and Hearing Aids business areas continued the trend from 2023 and delivered good growth, while Hearing Care saw a slower start to the year, with performance improving during the period. These results combined are in line with our expectations, and we maintain our outlook for the year. As we look towards the upcoming quarters, we expect to see increased growth, which will be driven by our recently launched hearing aid flagship products, including Oticon Intent. In Q1, we also delivered on our updated strategic direction to be a fully focused hearing healthcare company dedicated to improving the lives of as many people as possible through market-leading innovation and distribution,” says Søren Nielsen, President & CEO of Demant.

Business area	Revenue (DKK million)		Growth				
	Q1 2024	Q1 2023	Organic	Acquisitive	LCY	FX	Reported
Hearing Aids, total revenue	3,107	3,048	3%	0%	3%	-1%	2%
Hearing Aids, internal revenue	-599	-570	1%	4%	5%	0%	5%
Hearing Aids, external revenue	2,508	2,478	4%	-1%	3%	-2%	1%
Hearing Care	2,318	2,218	0%	5%	5%	0%	5%
Diagnostics	597	566	7%	0%	7%	-1%	5%
<b>Group</b>	<b>5,423</b>	<b>5,262</b>	<b>3%</b>	<b>2%</b>	<b>4%</b>	<b>-1%</b>	<b>3%</b>

- Following very strong growth in the comparative period, the **Group** realised organic growth of 3% in Q1, which was driven by Hearing Aids and Diagnostics. Growth from acquisitions added 2% and exchange rate effects -1%, leading to total reported growth of 3%.
  - **Hearing Aids** continued to see good performance in Q1, resulting in organic growth attributable to external customers of 4%. Despite very strong performance in the comparative period, we estimate that our market share in value remained stable. Our recently launched premium hearing aids have seen strong initial reception amongst customers, particularly in the independent channel where we have seen sequential market share gains. Growth in the period was entirely driven by the average selling price (ASP), whereas unit growth was negative, in part due to lower sales to certain larger accounts.
  - **Hearing Care** saw a slow start to the year with flat organic growth in Q1, which is slightly below expectations. This development was predominantly due to slow momentum in France where traffic and conversion rates were lower than expected. China was also a drag on organic growth, primarily due to weak market dynamics. Oticon Intent has now been introduced to most of our markets, which contributed to a positive ASP in the period. During the period, we have seen an improved run rate, and we expect growth to increase going forward. In line with our strategy, acquisitions – primarily in Germany and Belgium – continued to contribute to growth.
  - **Diagnostics** saw solid performance, leading to organic growth of 7% in Q1, with strong growth contributions from our services and hearing instrument fitting solutions businesses.
- The Group’s **gross margin** was better than expected and improved meaningfully vs. Q1 2023. This growth was particularly driven by our continued focus on improving our product and channel mix to lift the ASP in Hearing Aids and by gross margin improvements in Diagnostics, and it was realised despite a negative business mix in the period.
- In line with expectations, **OPEX** saw low double-digit growth in local currencies in Q1 of which most was organic. The increased OPEX partly reflects lower spending in the comparative period, and partly our commitment to invest in future growth. We thus continued to increase our R&D capacity and expand our distribution both organically and through acquisitions.
- The Group’s **EBIT** before special items was in line with expectations, albeit slightly down compared to a very strong Q1 2023.

- Driven by good profitability, **CFFO** and **FCF** were positive, although lower than last year due to higher tax payments in Q1.
- Profit after tax from **discontinued operations**, which comprise Hearing Implants and Communications, was negative and in line with expectations. We still expect the divestment of our cochlear implants business to close in H1 2024, and the strategic review of Communications to be completed by the end of H1 2024.
- In H1, we will recognise two extraordinary non-recurring items, which will have a positive, non-cash net impact of around DKK 125 million on EBIT. These items will be recognised on a separate line as **special items**, and for this year, we will thus refer to EBIT in our outlook as EBIT before special items.
  - After Q1, we have closed an **acquisition** of a value-added distributor in Hearing Aids, which will result in an unusually large, non-operational and non-cash step-up gain on the book value of our existing ownership and will be recognised under special items.
  - We have updated the **accounting treatment** of certain earn-out payments related to acquisitions, which will result in a non-cash cost to be recognised under special items.
- As of 31 March 2024, the Group had bought back shares worth DKK 739 million.

## Outlook for 2024

Our outlook for 2024 remains unchanged and is summarised in the table below:

Metric	Outlook for 2024
Organic growth	4-8%
EBIT before special items	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 (**changes in bold**):

- **At our Capital Markets Day in March 2024, we updated our medium- to long-term view on the hearing aid market. We thus 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% and that the hearing aid market will see a flattish ASP development in the year.**
- **We expect the cash allocated to bolt-on acquisitions in 2024 to be higher than normal due to acquisitions already made in 2024 and a continuously good pipeline of attractive opportunities.**
- 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, which are updated as of 5 May 2024:

Metric	Assumption for 2024
Acquisitive growth	2% based on revenue from acquisitions completed as of 5 May 2024 (previously 1%)
FX growth	-1% based on exchange rates as of 5 May 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
Special Items	Positive by around DKK 125 million

## Conference call details

Demant will host a conference call on 6 May 2024 at 12:00 CEST (noon). A live webcast of the call will be available on our website [www.demant.com](http://www.demant.com). If you would like to access 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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## Hearing Healthcare

### Market trends

Overall, the hearing healthcare market we address, which comprises the markets for hearing aids and diagnostic instruments and services, saw growth in Q1.

#### *Hearing aid market*

Based on available market statistics, covering around two-thirds of the hearing aid market, and on our own assumptions, we estimate that the global hearing aid market saw unit growth of around 3% in Q1 compared to the same period in 2023. Growth was positive across regions, and we estimate that geography and channel mix changes resulted in a slightly positive ASP development, leading to value growth in the hearing aid market, which is roughly in line with our expectations.

#### Estimated hearing aid market unit growth by region

Region	2023					2024
	Q1	Q2	Q3	Q4	FY	Q1
Europe	4%	-4%	7%	2%	2%	1%
North America	9%	5%	11%	16%	10%	10%
<i>Hereof US (commercial)</i>	9%	5%	12%	19%	11%	13%
<i>Hereof US (VA)</i>	9%	4%	4%	4%	5%	-1%
Rest of world	9%	10%	7%	10%	9%	1%
<b>Global</b>	<b>7%</b>	<b>3%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>3%</b>

Compared to the same period in 2023, we estimate that in Q1, market unit growth in Europe was 1%. Growth was primarily driven by Germany and also by France where we saw slight growth and continuous signs of stabilisation following the hearing healthcare reform implemented in 2021. In the UK, growth was negative, particularly driven by the NHS, which saw very strong growth in Q1 2023, whereas the private market saw modest growth. Several other countries also saw good growth in the period.

Growth in North America was 10% in Q1 and was fuelled by a strong development in the US commercial market. Growth across channels was broad-based with good development in both the managed care and the private pay segment. In Veterans Affairs (VA), market growth was slightly negative, and the channel continued to lag behind the US commercial market if we compare to pre-pandemic levels. In Canada, growth was solid in the period.

Looking beyond Europe and North America, we estimate that market unit growth in the Rest of world region was 1%. Growth in both Japan and China was negative due to a relatively strong comparative period following the post-coronavirus recovery and for the latter also due to continuously weak market dynamics. Australia saw slight growth, and we estimate that several emerging markets delivered good growth in Q1, particularly Latin America.

#### *Diagnostics market*

We estimate that, compared to the same period last year, the market growth rate in Q1 was in line with the estimated structural growth rate of 4-6% per year.

### Hearing Aids

As expected, our Hearing Aids business delivered solid growth, leading to total organic growth of 3% and organic growth from external customers of 4% in Q1. Growth in the period was negatively impacted by very strong performance in Q1 2023. In addition, exchange rates saw growth of -1%.

Following the recent launch of premium hearing aids in all brands, we have seen strong initial reception amongst customers, particularly in the independent channel. This led to a very positive ASP contribution in Q1, which was further supported by lower sales to certain large accounts.

In Europe, growth was flat. The development was driven by our major markets where France saw negative growth due to the timing of the product launch and the UK was impacted by negative growth in the NHS. In Germany, growth was flat, but we saw good growth in a number of our medium-sized markets.

North America delivered solid growth in Q1, which was generated on top of a very strong Q1 2023. In the US commercial market, we saw solid growth from both chains and independents, with growth in the latter channel being fuelled by the launch of our new premium hearing aids, leading to sequential market share gains. In Q1, we have worked on optimising our brand strategy in the US to position our products more clearly across channels, which in the transition period has led to negative growth in managed care. In VA, growth was strong, reflecting market share gains realised during 2023 despite negative unit growth in the channel. In Canada, we continued to see good momentum in Q1.

In Asia, organic growth was positive, driven by good growth in several of our small markets. Growth in China was, however, negative, which reflects soft market dynamics as well as a strong comparative base due to post-coronavirus recovery. In the Pacific region, we saw strong growth in both Australia and New Zealand, whereas we saw flat growth in our Other region, which mostly comprises minor emerging markets.

### **Hearing Care**

In Hearing Care, we saw a slow start to the year with flat organic growth in Q1, which is slightly below our expectations and due to lower traffic and conversion rates than expected in France and weak market dynamics in China. Organic growth was driven by the ASP. During the period, we have seen an improved run rate, and we expect growth to increase going forward. We continued to see a positive impact on growth from acquisitions, which contributed by 5% and was predominantly driven by Germany and Belgium.

In terms of regions, Europe delivered growth in local currencies driven by acquisitions. In France, which is our largest market in Europe, organic growth was negative, but other markets saw good growth. In some markets, the timing of Easter at the end of March had a slightly negative impact on sales.

North America delivered flat organic growth driven by slight growth in Canada, which was offset by slightly negative growth in the US.

In Asia, China saw negative growth driven by low consumer confidence, which continues to impact the hearing aid market in the country. In our Pacific region, organic growth in Australia was strong, driven by an improved product mix.

### **Diagnostics**

Following another good year in 2023, organic growth in Diagnostics was off to a good start and grew 7% in Q1. This was partly supported by lower growth in the comparative period, which saw some shipment delays from the ramp-up of our production site in Poland last year. Exchange rate effects were -1%.

Organic growth was broad-based across regions, except for China where we saw the weak market dynamics from 2023 continue into Q1 and leading to negative growth. In Europe, we saw good commercial traction, which was also the case in North America. For the total Diagnostics business, sales growth was primarily driven by our service and hearing instrument fitting solutions businesses.