

# Demant Capital Markets Day





# Demant

## Welcome to Demant's Capital Markets Day 2021

Mathias Holten Møller, Head of Investor Relations

# Today's speakers



**Søren Nielsen**  
President & CEO



**Thomas Behrens**  
Vice President,  
Audiology & Applied  
Research, Hearing Aids



**Jeppe Dalberg-Larsen**  
President, EPOS



**Niels Wagner**  
President, Hearing Care



**René Schneider**  
CFO

# Agenda

Time (CET)	Topic	Presenter
11.00	Welcome	Mathias Holten Møller
11.10	Delivering sustained growth post coronavirus	Søren Nielsen
12.00	Q&A	
12.15	Audiological leadership through BrainHearing	Thomas Behrens
12.35	Q&A	
12.45	Lunch	
13.45	A transformational journey in Hearing Care	Niels Wagner
14.30	Q&A	
14.45	EPOS: Becoming the preferred premium audio brand	Jeppe Dalberg-Larsen
15.30	Q&A	
15.45	Break	
16.15	Sustained growth with potential for margin expansion	René Schneider
17.00	Q&A	
17.25	Concluding remarks	Mathias Holten Møller

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# Demant

## Delivering sustained growth post coronavirus

Søren Nielsen, President & CEO



# Delivering sustained growth post coronavirus

- 1 Update on current trading
- 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

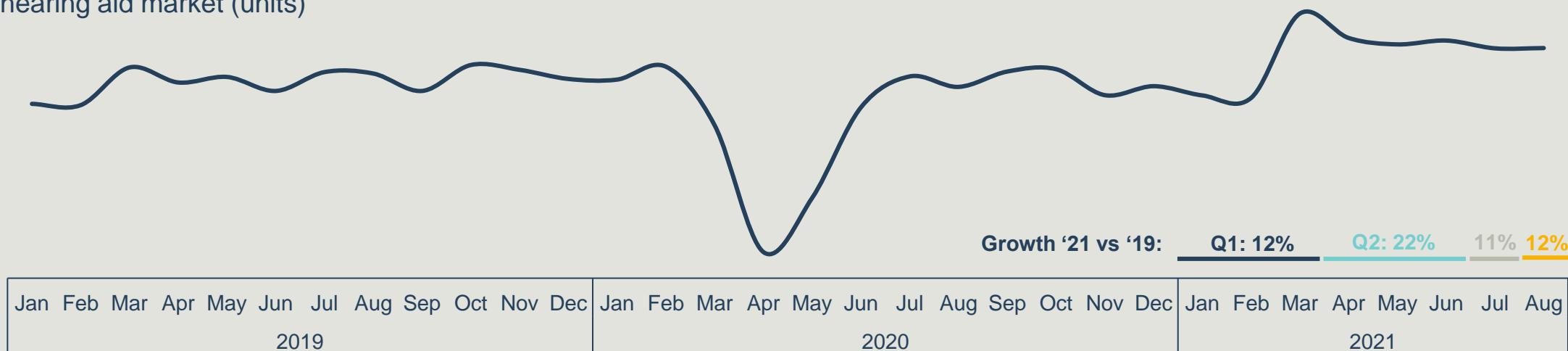
- Significant revenue slowdown in 2021 driven by combination of market developments, low exposure to US, and establishment of EPOS brand
- Structural drivers are intact, and we see revenue slowdown as temporary – new orders have picked up recently
- We continue to invest significantly in future growth, 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%
<b>Global</b>	<b>6%</b>	<b>116%</b>	<b>45%</b>	<b>0%</b>	<b>12%</b>	<b>6%</b>

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

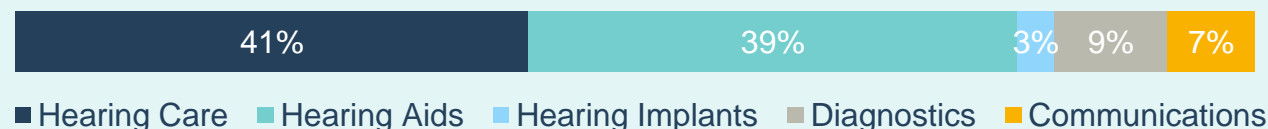
**DKK 18.5 billion**  
Revenue\*

Multi-brand



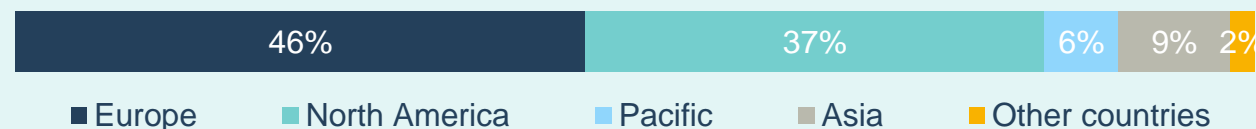
**DKK 3.3 billion**  
EBIT\*

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

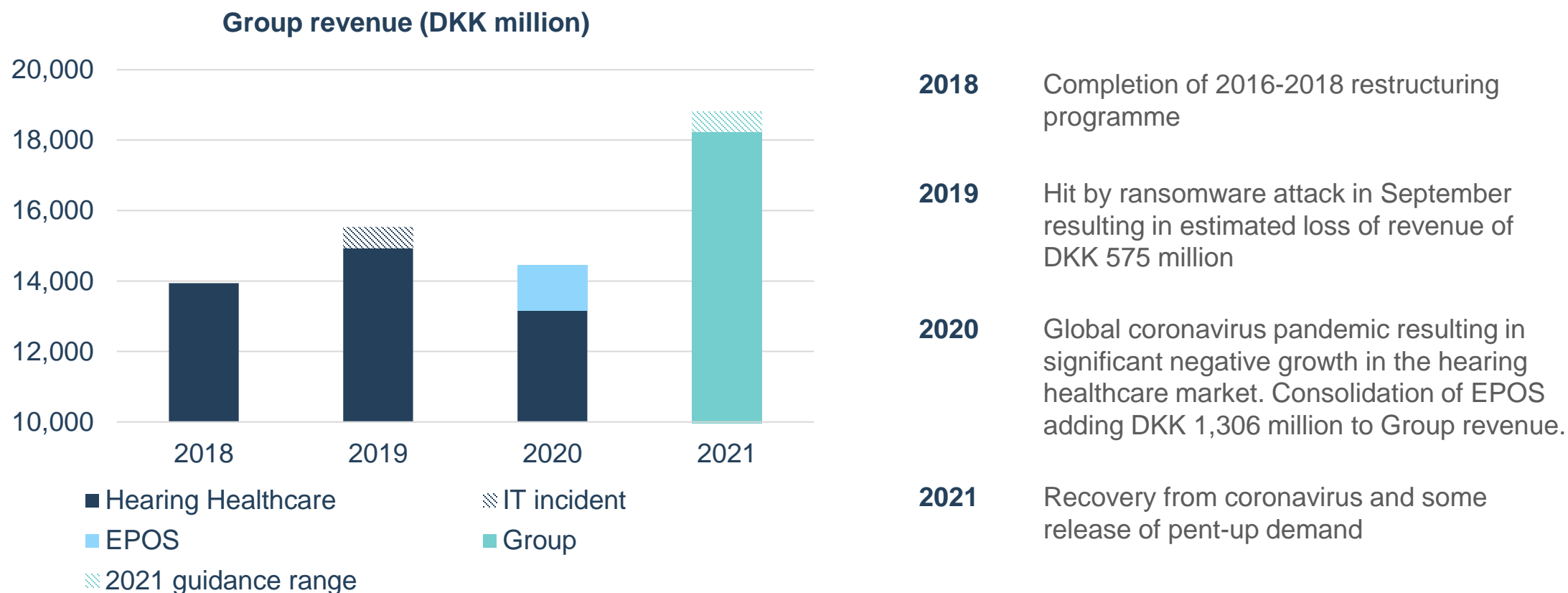


**Emerging  
strongly from  
challenges in  
recent years**





# 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

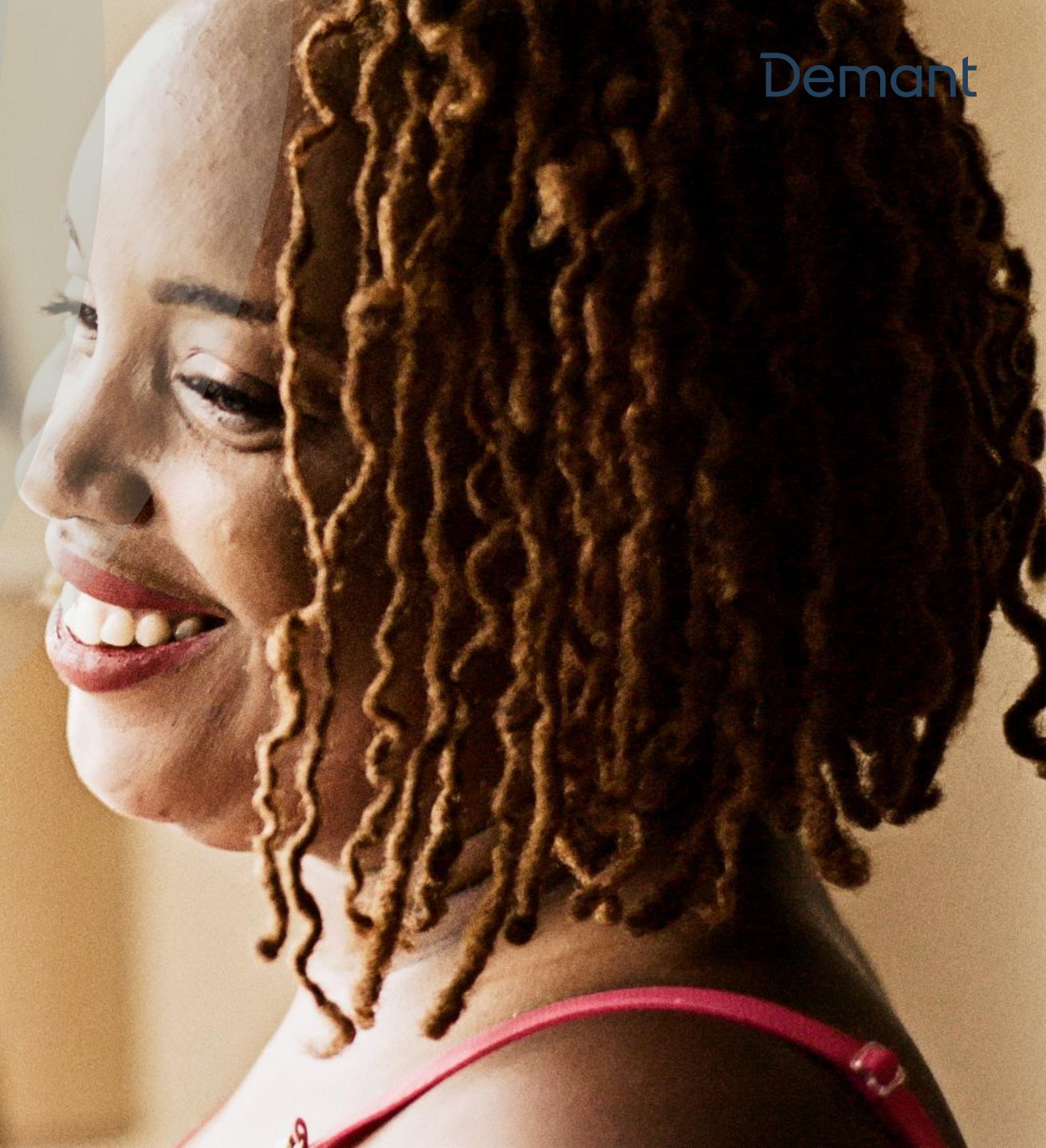
## 3 Short-term guidance

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

## 4 Medium- to long-term guidance

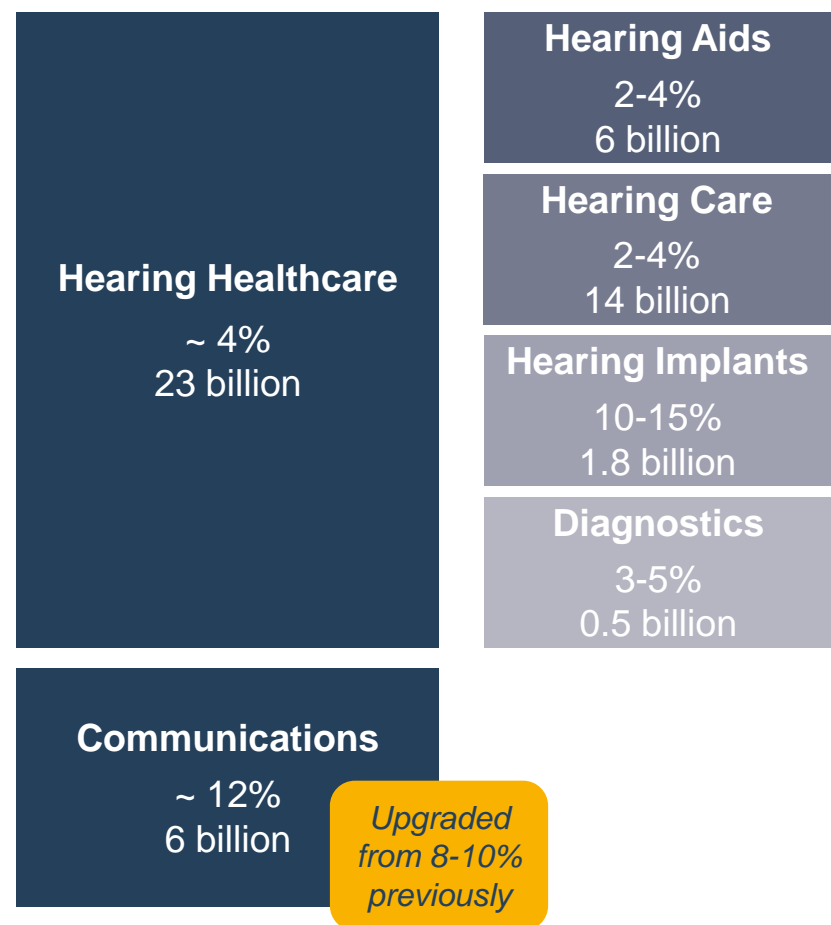
Formalised medium- to long-term outlook for selected metrics, including organic growth rates, capex and gearing

# Intact hearing healthcare market fundamentals



# Addressing markets with structural growth

## Structural growth & market size (USD)



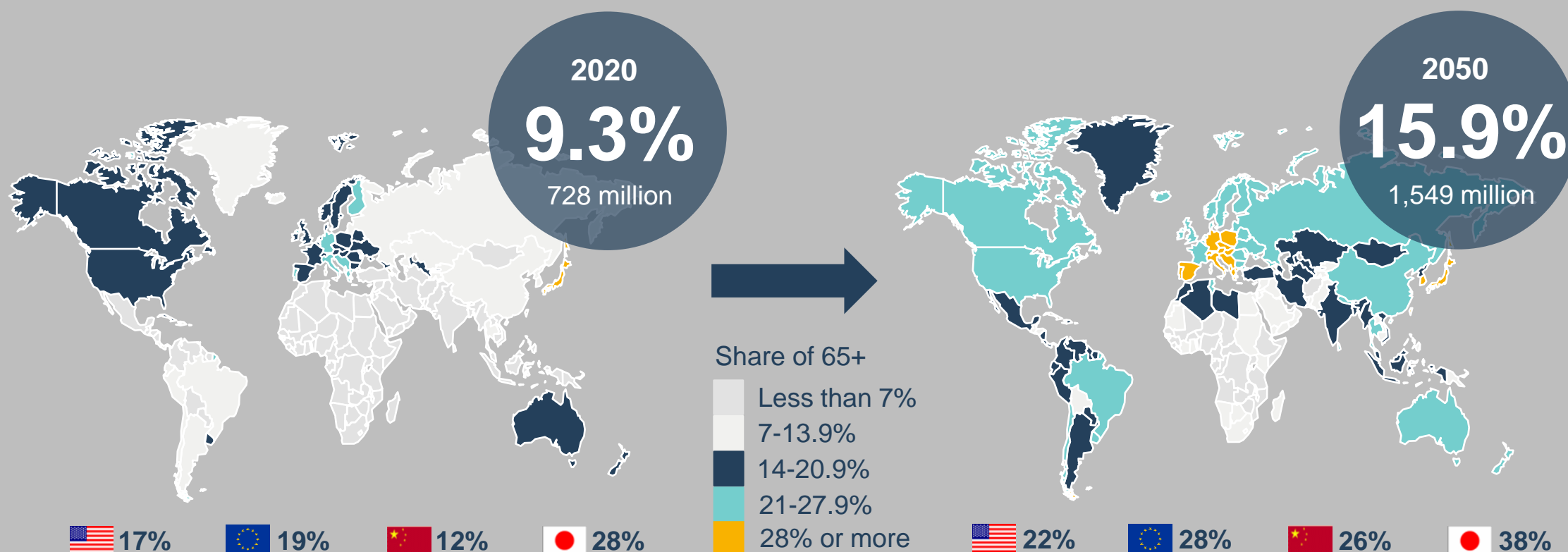
## Structural drivers & characteristics

- 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*





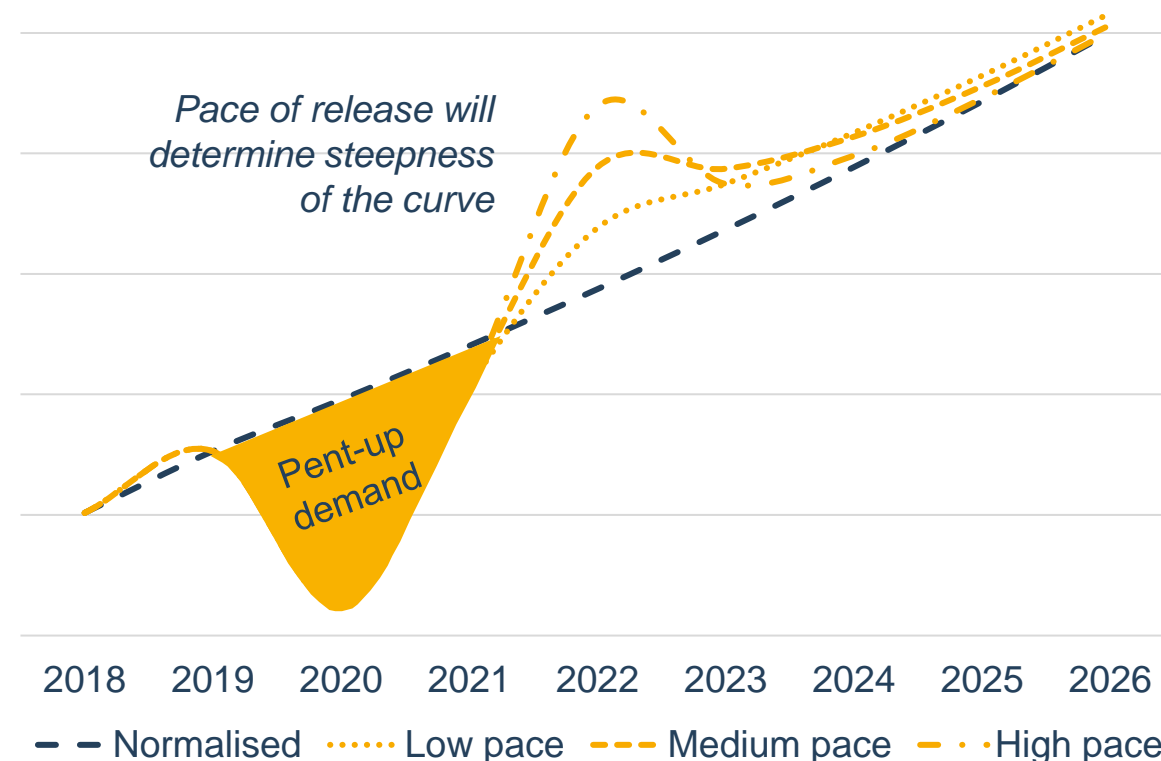
# Pent-up demand to support volumes in the hearing aid market in the coming years

- 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
<b>Total</b>	<b>-2.7</b>	<b>-0.7</b>	<b>-3.4</b>	<b>-0.3</b>	<b>-3.7</b>

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.

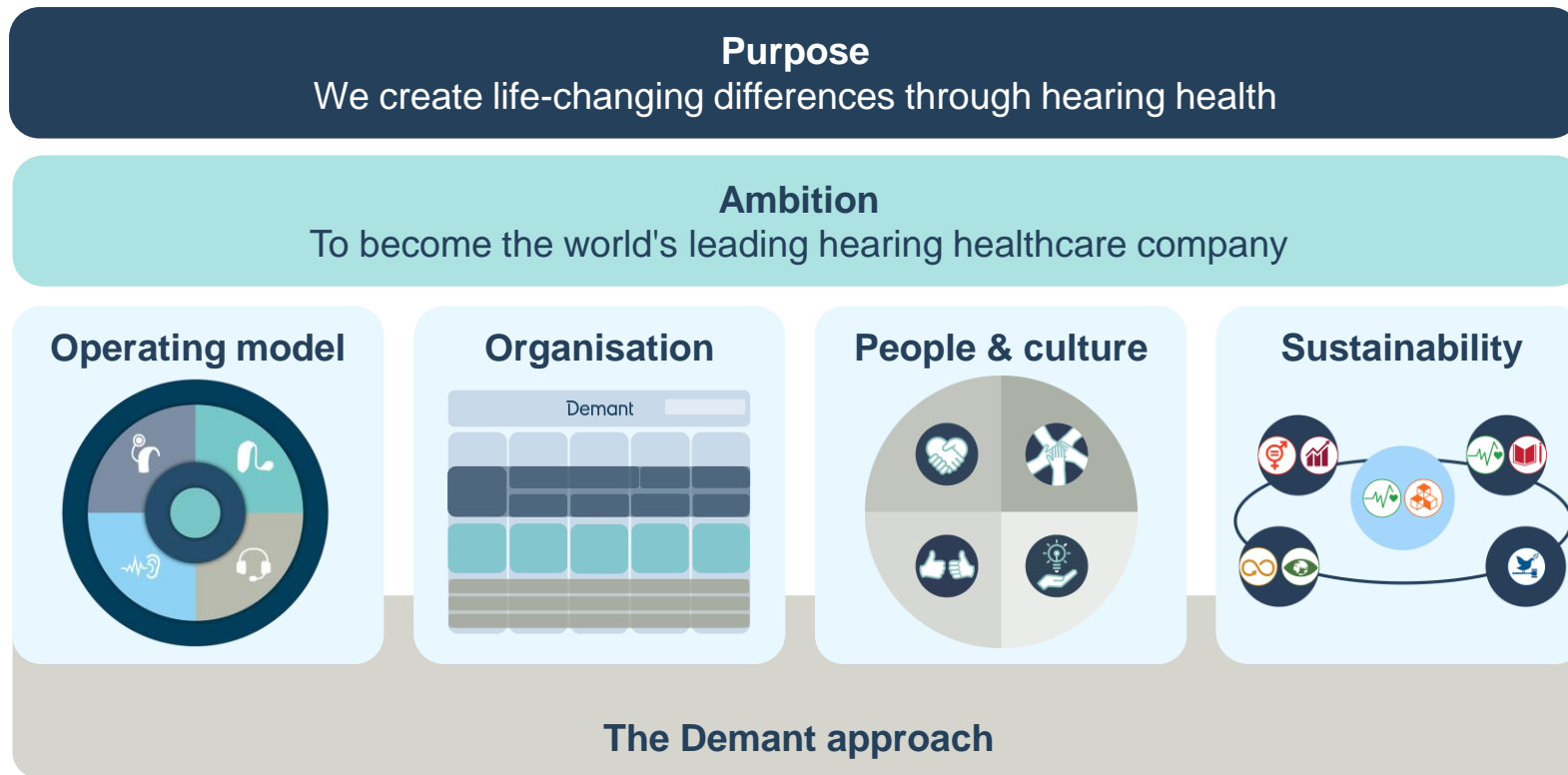
**Gaining  
market share  
in hearing  
healthcare**



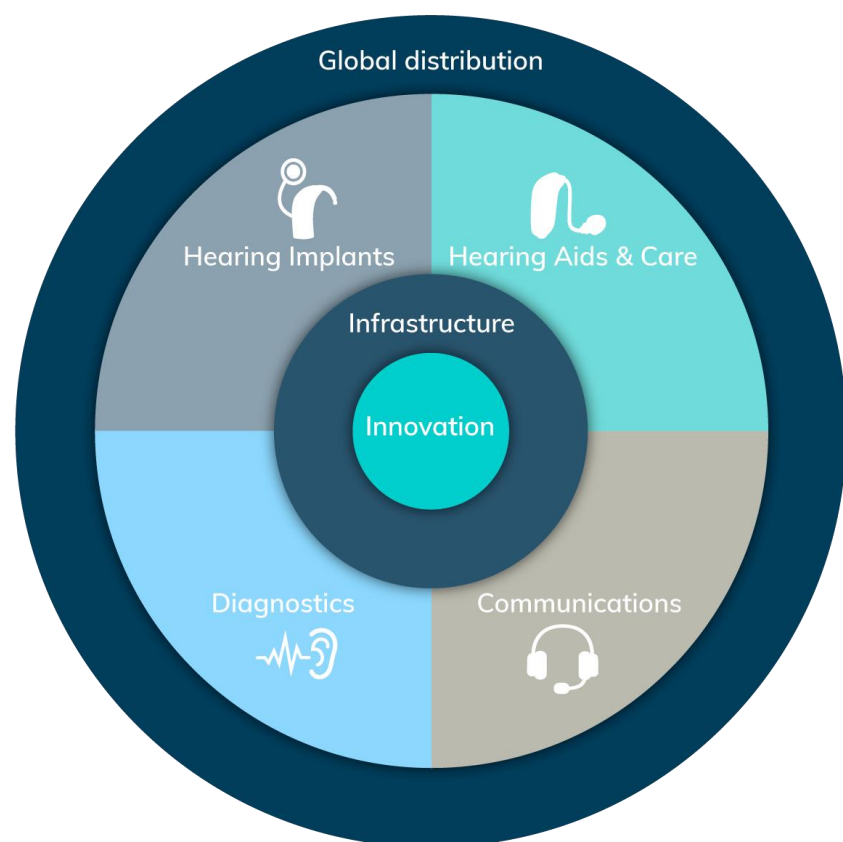
Leading hearing  
healthcare

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

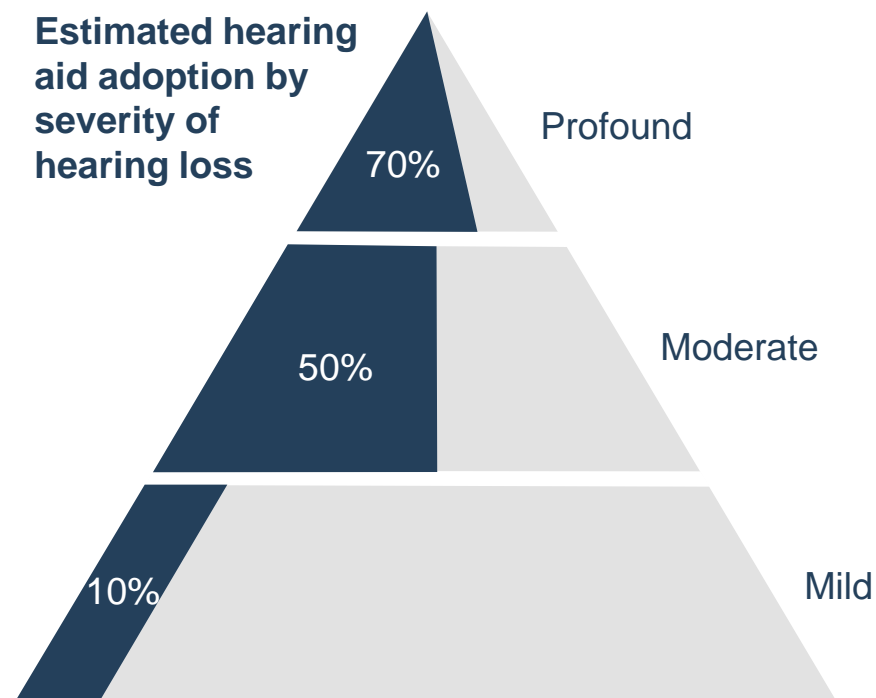


# Key barriers to wider adoption of hearing aids



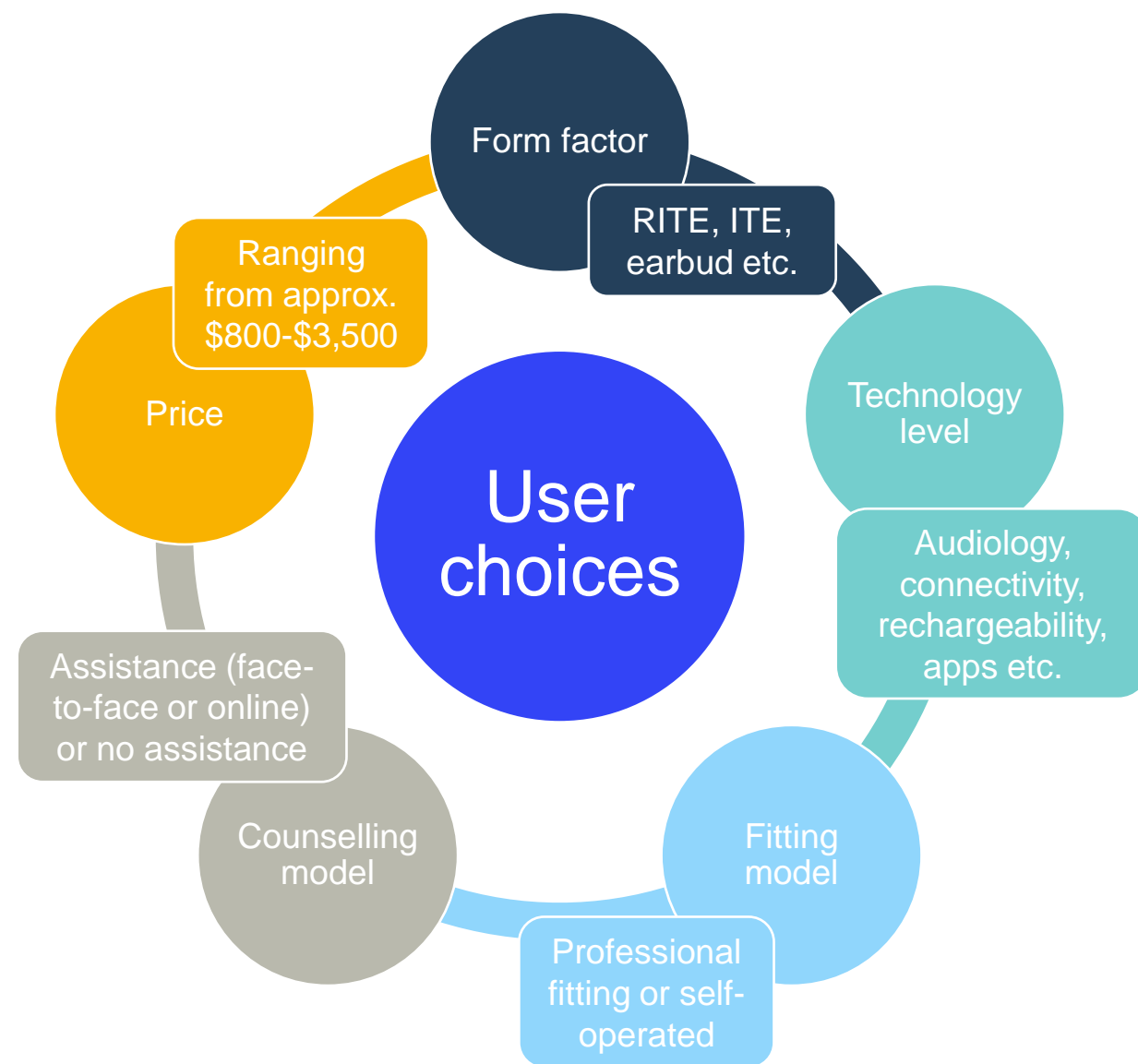
Lack of recognition	Many people do not realise or recognise that they have a mild hearing loss
Stigma	Hearing impaired people typically worry about being perceived as old

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:

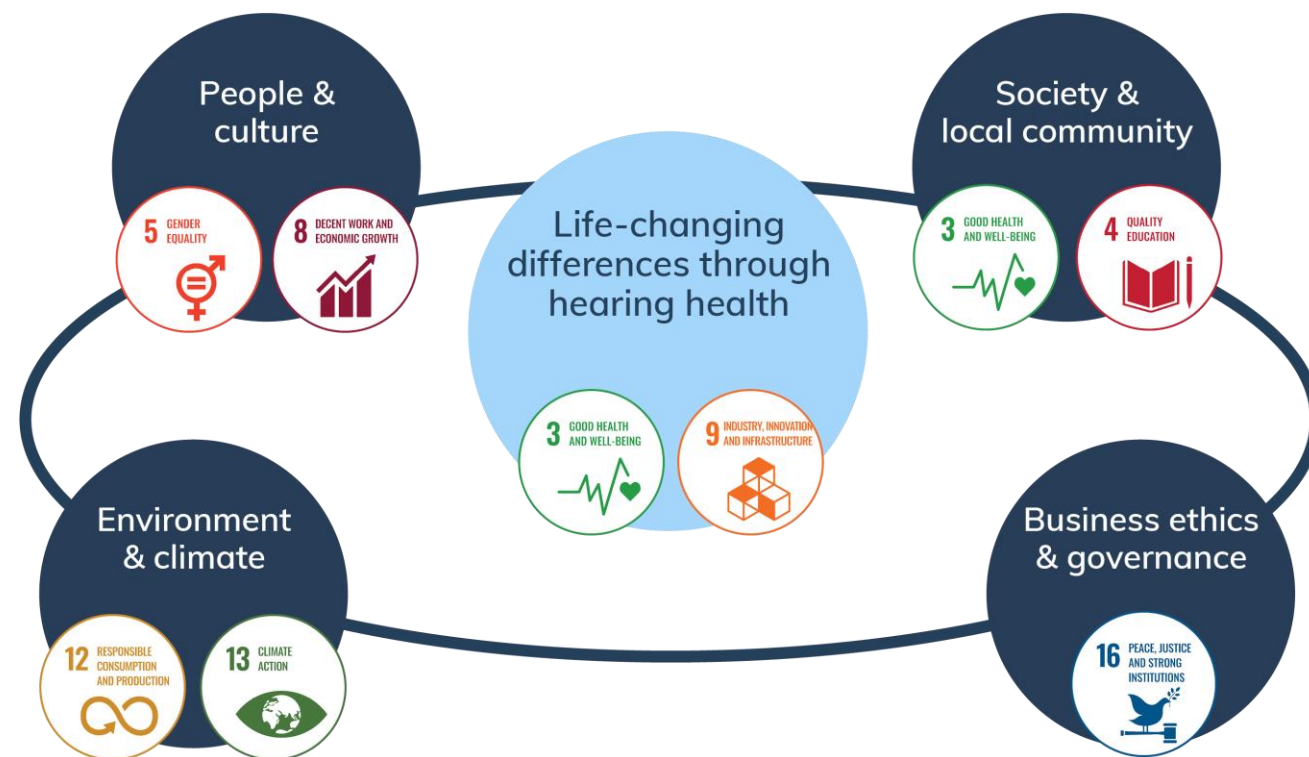
## 1. Diversity and inclusion

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

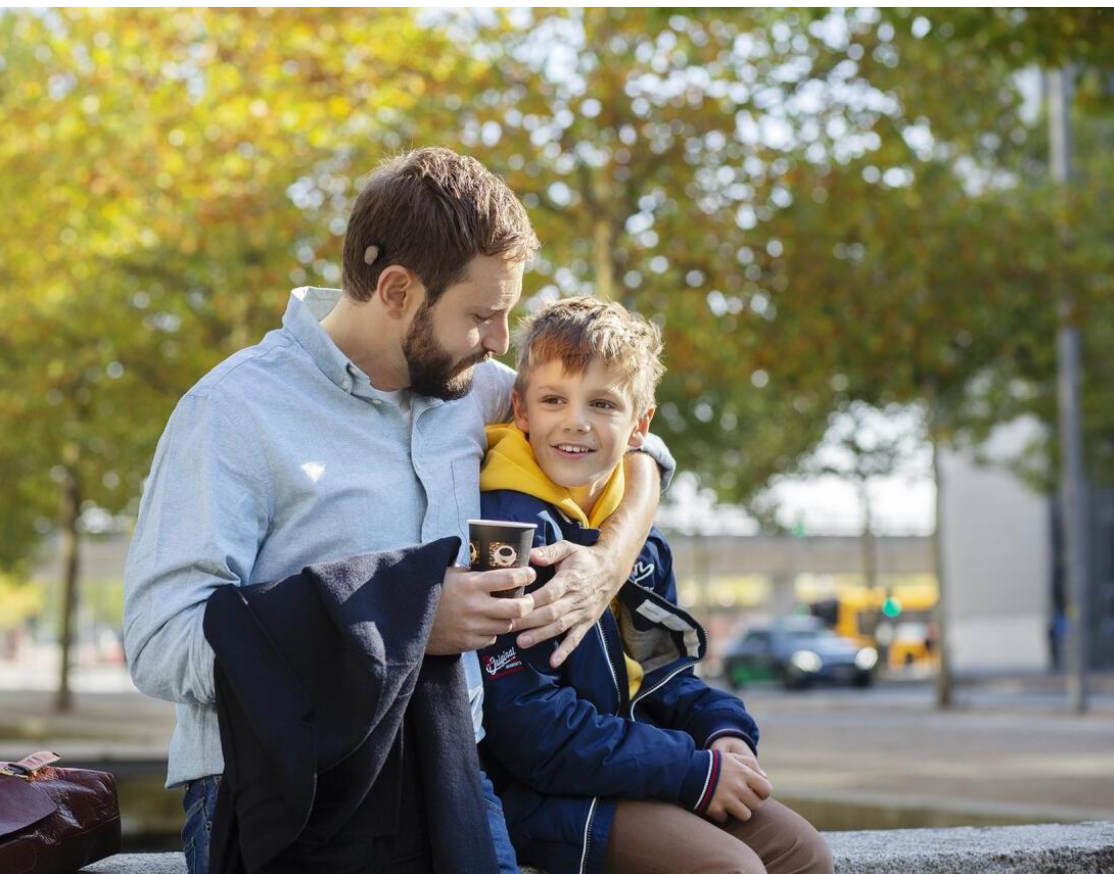
- We will set ambitious targets aligned with the Paris Agreement to limit global warming to 1.5°C. We aim to reach net-zero emissions before 2050.
- Baseline calculation in progress: our largest impact exists in our value chain (Scope 3), more specifically purchased goods and services and logistics and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

# Demant

Demant

Founded on care  
Focus on health  
Share

Life-changing hearing health

# Q&A



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# Audiological leadership through BrainHearing



Thomas Behrens  
Vice President, Audiology & Applied Research  
Hearing Aids

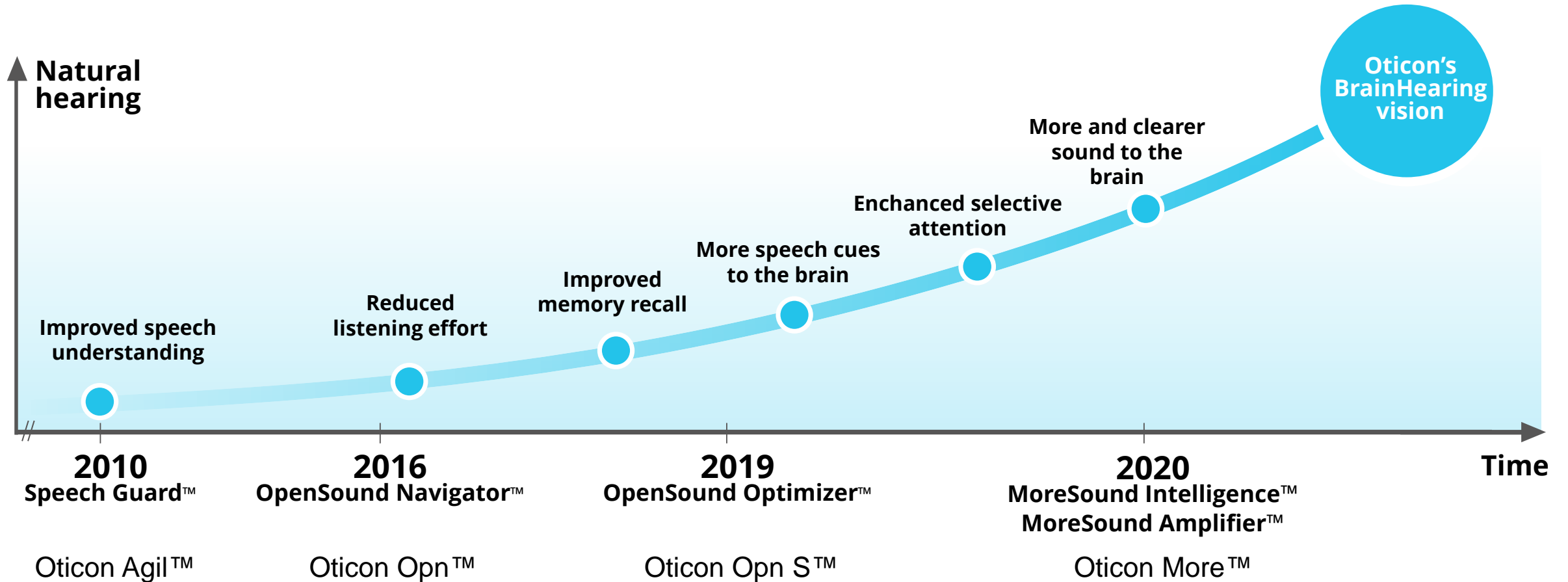
**oticon**  
life-changing technology

# Audiological leadership through BrainHearing

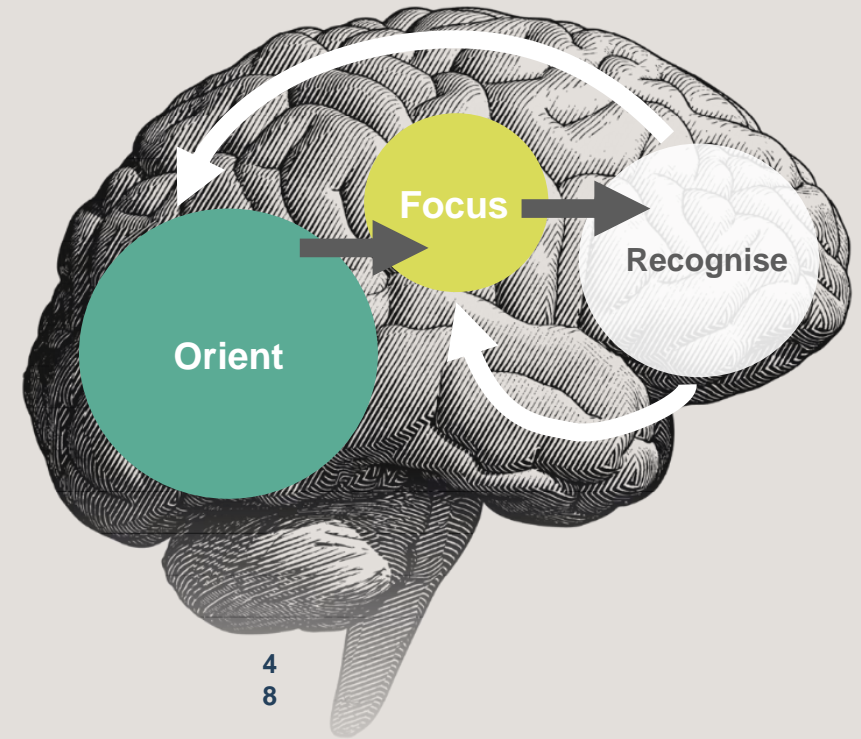
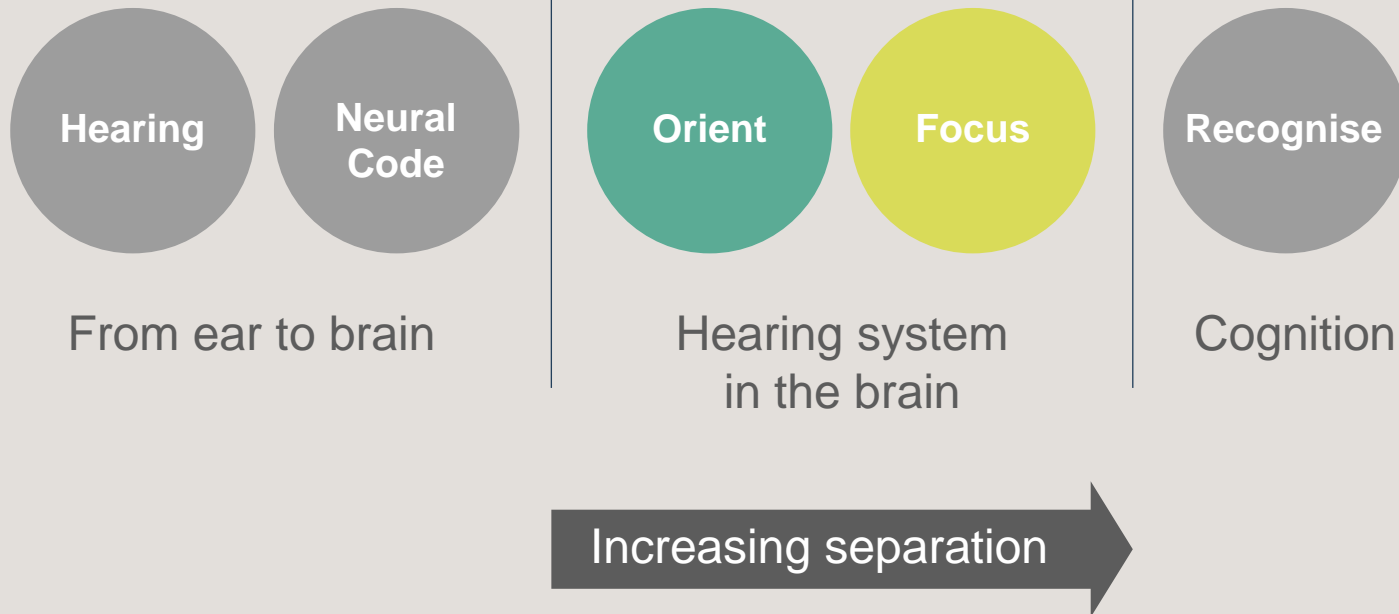
## Agenda:

1. 25 years of research building on scientific discoveries in hearing and neuroscience
2. Oticon More – raising the bar in hearing aid technology and outcomes
3. Latest additions and new strong evidence

# A visionary journey of Oticon's BrainHearing philosophy



# BrainHearing





# Oticon More

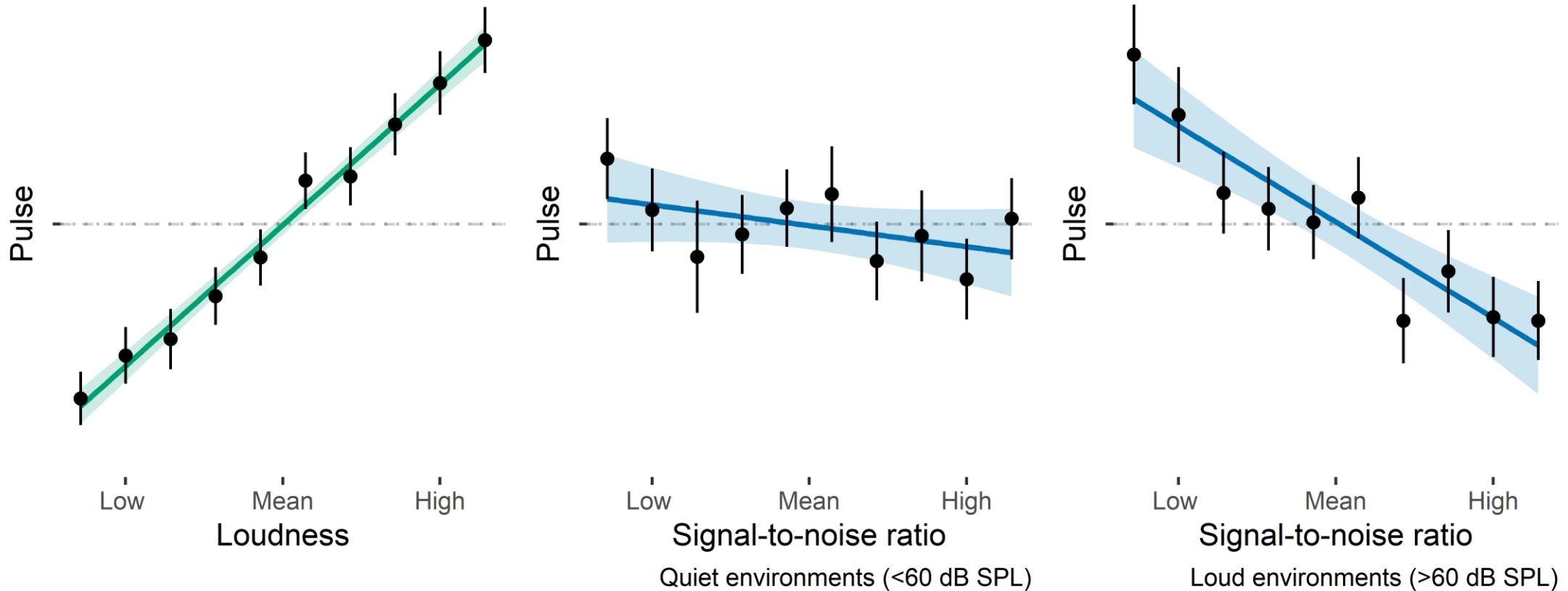
Hearing aid innovation taken to a new level

# Deep learning in health care driving end-user benefits

- Medical imaging & diagnostics
  - Well-known stronghold of deep learning; identify patterns/anomalies that humans cannot see – also applies to sound
- Personalised treatment
  - Understanding the individual patient from many types of data
- Improved health monitoring
  - Including wearables with real time data
- Natural language understanding
  - Chat bots



# Deep Learning: Potential future application



Christensen et al, 2021, "The everyday acoustic environment and its association with human heart rate: ...", Royal Society Open Science.  
Data from 98 hearing aid users and 1 month use each, gathered between June and December 2019.

# Deep Learning requires rich data



# Deep Learning mimics learning in real life

## Learning a language requires

- Words – sentences – context
- Repeated exposure
- Feedback to enable learning

## Deep learning for hearing aids

- Recordings of relevant sound scenes
- Sound scenes representing all daily life situations
- Curated library of sound scenes
- Learning algorithm that takes us to an optimum solution



# Successful Deep Learning

Capturing details humans cannot describe



**Providing the right feedback** during training will allow the deep neural network to capture the important details

# The trained Deep Neural Network is embedded on the Polaris platform



# The Polaris platform

**100%**

More processing power



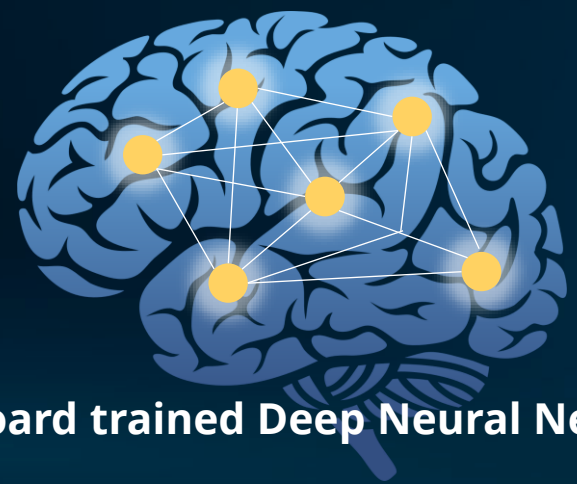
Secure platform

**12 million**

Sound scenes

**x8**

More memory



On-board trained Deep Neural Network

**500**

Scans per second

**28nm**

Chip technology

**154 million**

Transistors

**64**

Signal-processing channels



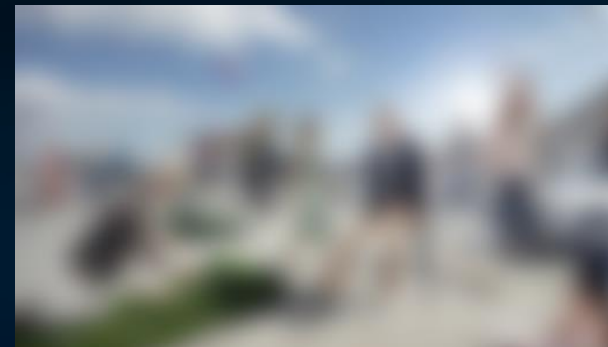
# Make sure benefits apply when needed

## The Deep Neural Network

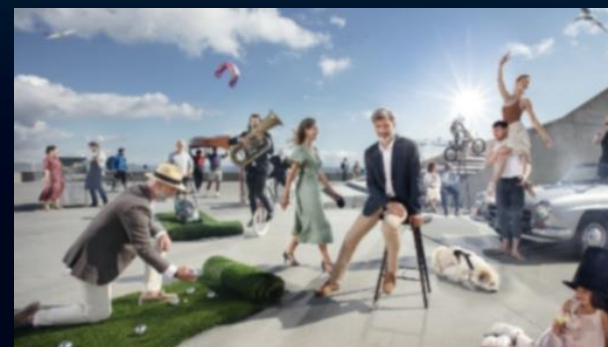
- Has learned to recognise challenging situations
- Creates clarity where hearing loss compromises it
- Impact is individual
- Fitting software is setup to allow individualisation



Normal hearing



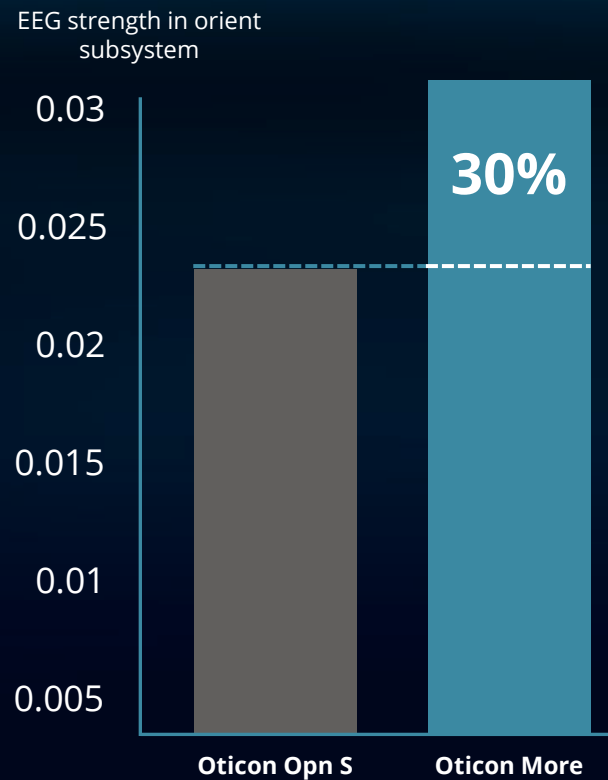
Hearing loss



Oticon More

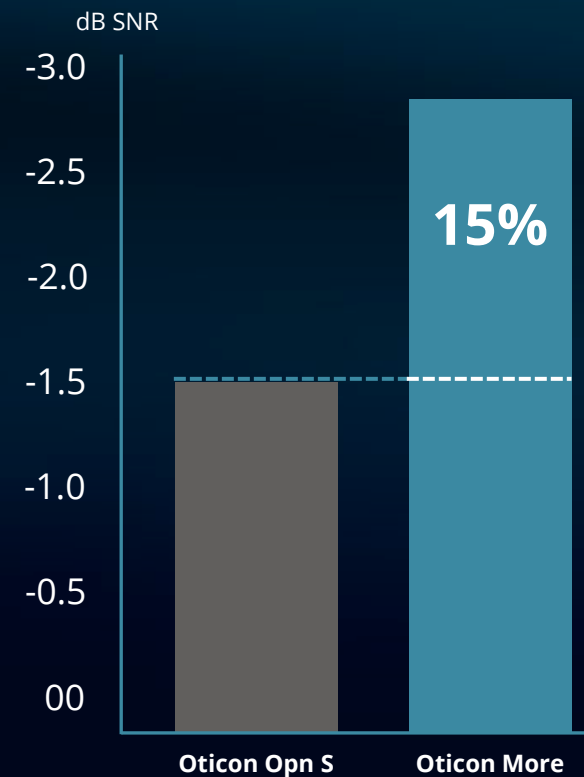
# Oticon More delivers 30% more sound to the brain

**MoreSound Intelligence** is proven to make the full sound scene **clearer**



# Better speech understanding with even less effort

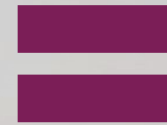
Resources are freed for **remembering, responding** and **engaging**



# Oticon More

**Latest additions and new strong evidence**

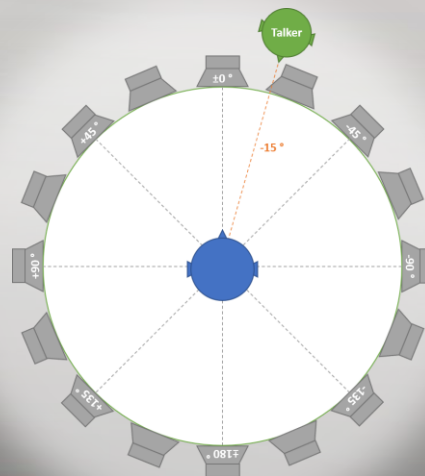
# Evidence obtained by bringing the real world to the lab...



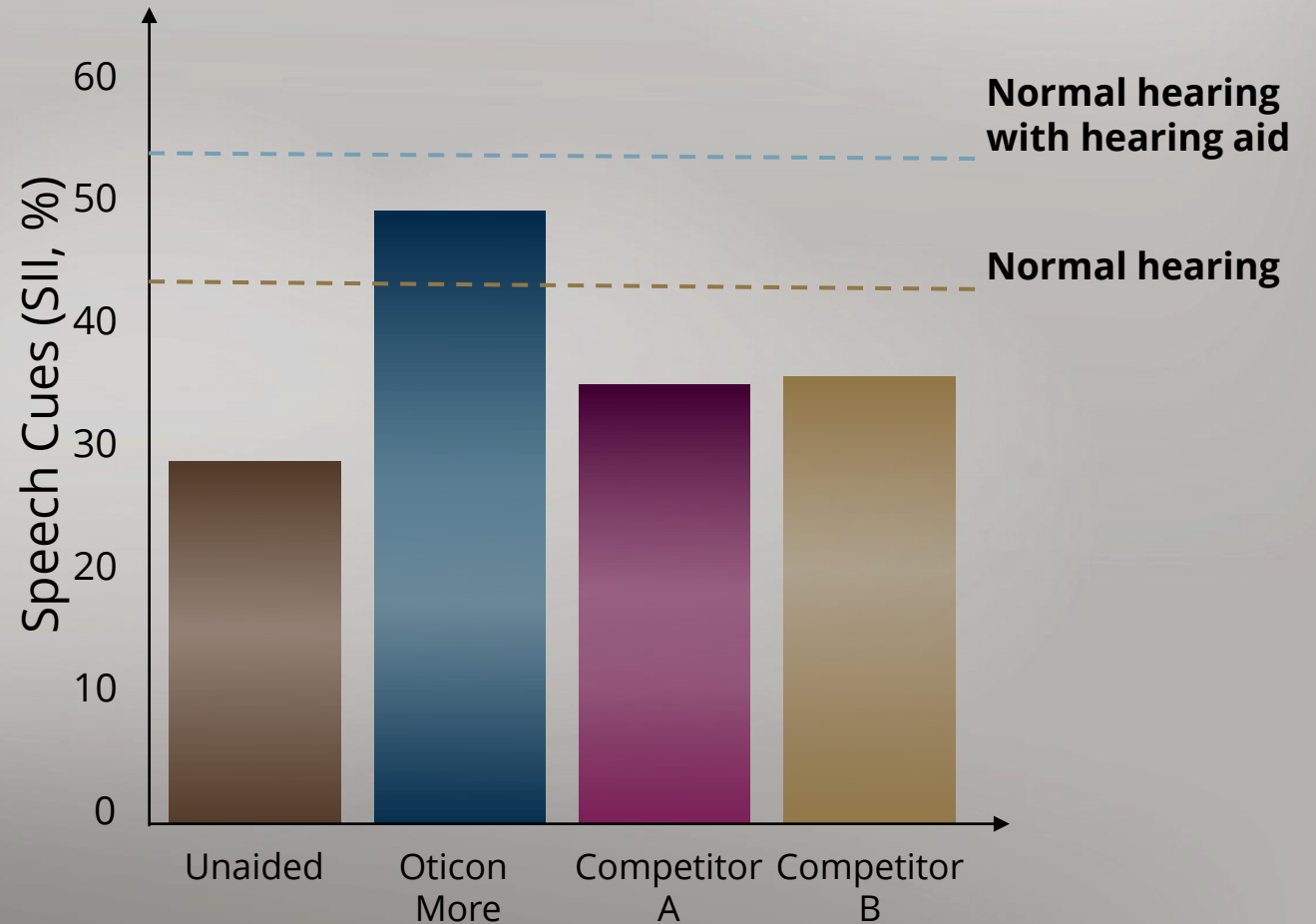
# Oticon More outperforms competition in real-life situations...

Differences due to:

- Speech made clearer relative to noise
- Speech made more audible relative to hearing loss



*Relatively simple listening situation*



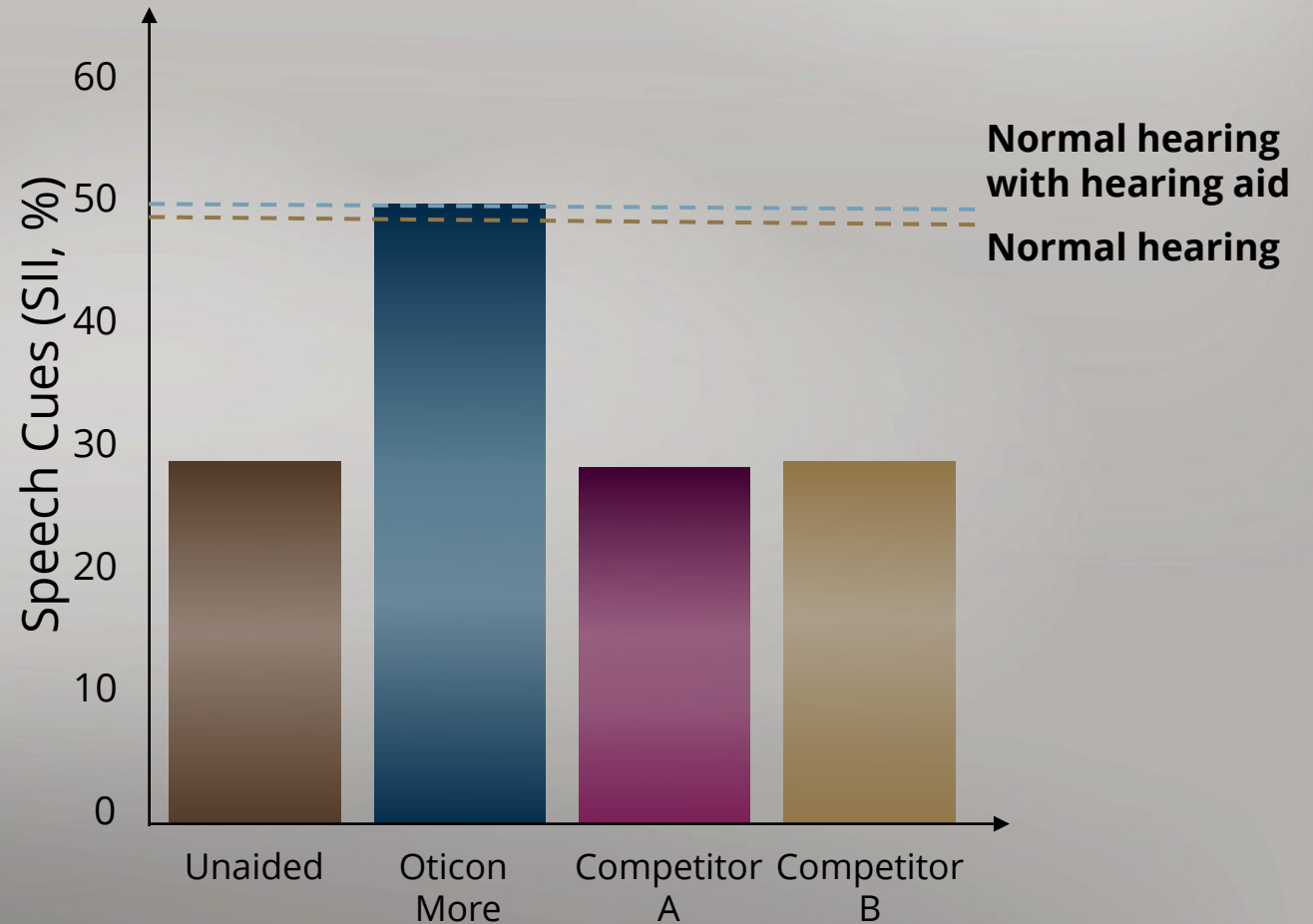
# ...and the gap to competitors is even larger in difficult listening environments

Differences due to:

- Speech made clearer relative to noise
- Speech made more audible relative to hearing loss



*Relatively difficult listening situation*



# Oticon MyMusic

A fuller and more detailed experience

**24**

channels



access to  
details

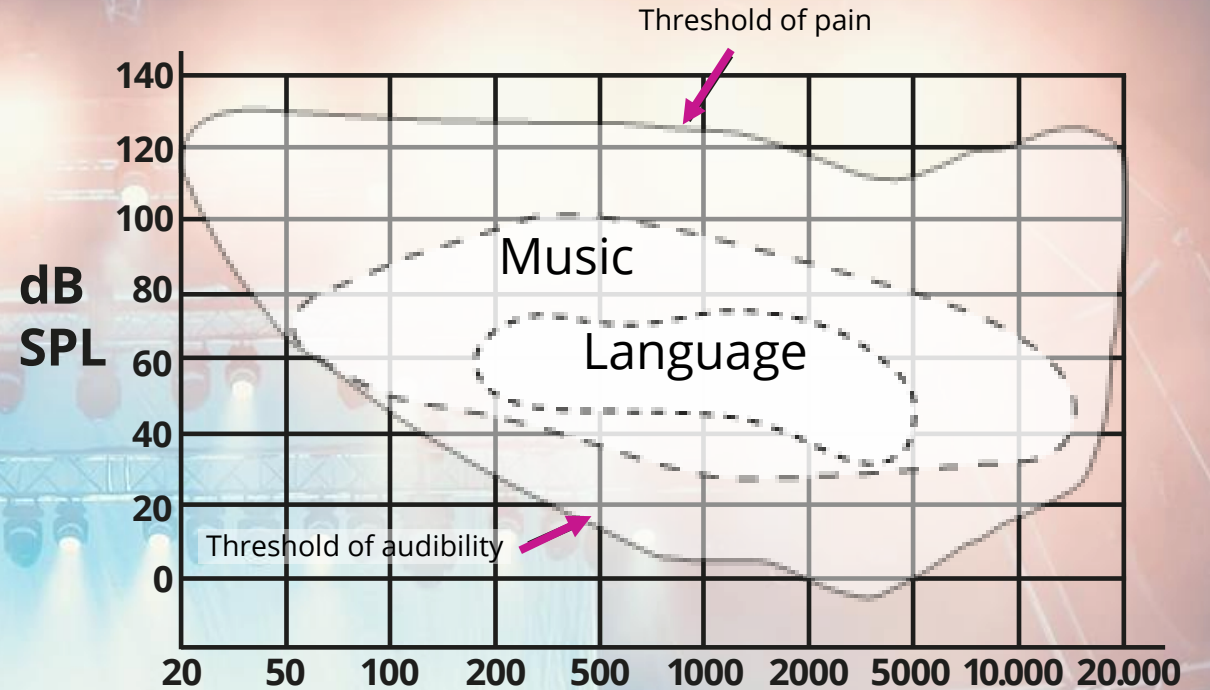
Optimised settings  
of

**More  
Sound  
Optimizer**

**Virtual  
Outer Ear**  
in "Aware"  
setting

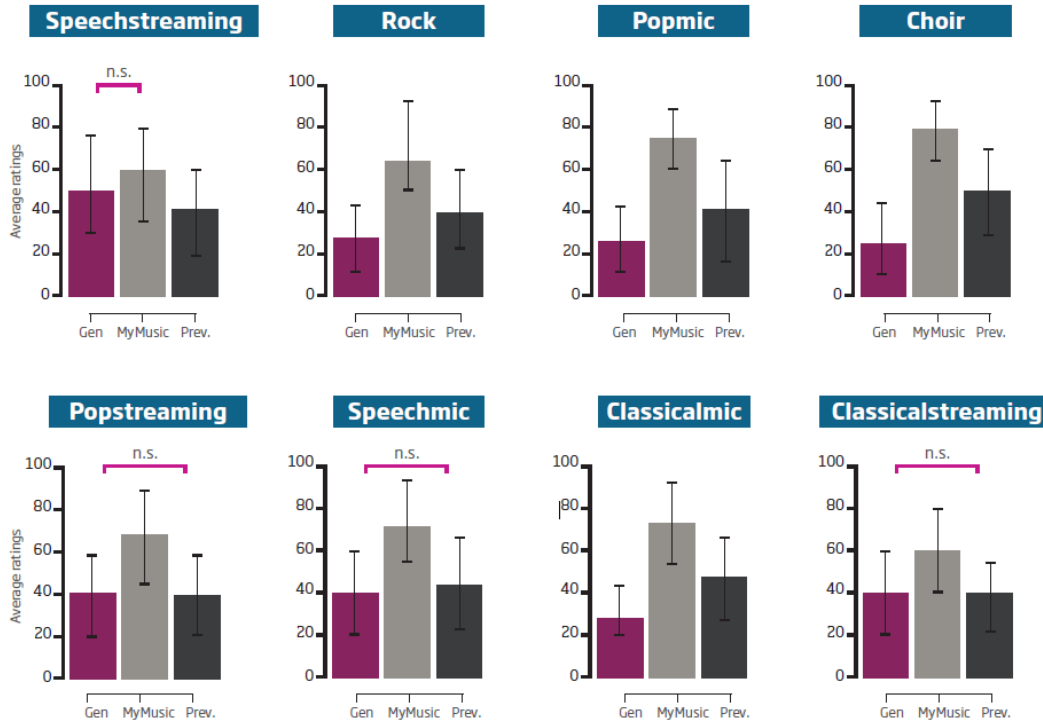
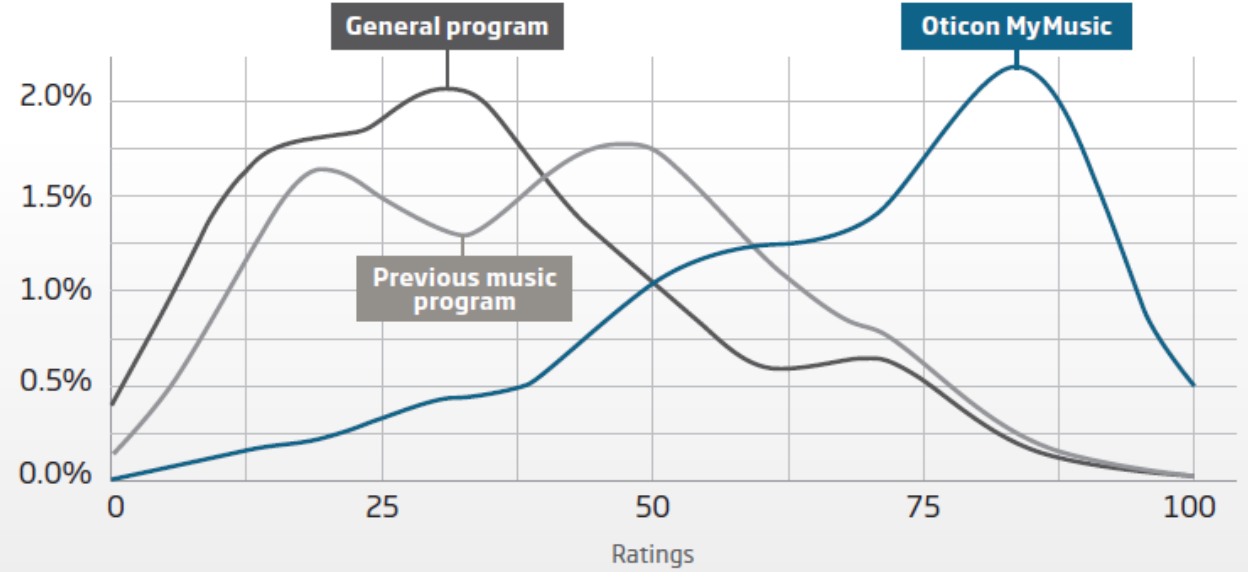
## New prescription

Gain settings that enhance details and  
preserve dynamics



# Oticon MyMusic

A fuller and more detailed experience





# Oticon More & BrainHearing

## Evidence & whitepapers

WHITEPAPER  
2020

### BrainHearing™ The new perspective

#### ABSTRACT

BrainHearing is the guiding star for the research and technological development at Oticon and is our philosophy to help the brain to make sense of sound by understanding how the brain works. In this whitepaper, we discuss the new scientific discovery in how the brain processes sounds. Recent evidence suggests that there are two subsystems in the auditory cortex. In the early stage of sound processing, referred to as the Orient subsystem, the entire auditory scene is represented in the brain. In the later stage, referred to as the Focus subsystem, the brain selectively processes and amplifies the sound in focus. It connects further to other brain regions that are responsible for different cognitive functions and processes. This suggests that the brain needs the entire sound scene for natural processing. The new perspective in BrainHearing sheds lights on how hearing loss should be treated and provides us with valuable insights into defining the next step of hearing care.

### The audiology of Oticon More™

#### ABSTRACT

This whitepaper dives into the underlying principles of the audiology in Oticon More™. Inspired by our latest BrainHearing™ insights telling us that, for successful hearing, the brain benefits from access to full amplified sound scenes with elements in balance. To achieve this, Oticon More makes use of the intelligence of a deep neural network, trained on millions of real-life sound scenes and directly embedded on the hearing aid's new Potium™ platform, to provide users access to clear sound scenes in which the meaningful sounds are in balance and stand out from the background. This fundamentally new approach to sound processing is supported by a new rapid and high-resolution amplification strategy, ensuring that important sound details are delivered to the brain. These innovations in hearing technology differ from traditional noise reduction and compression approaches and address their limitations, giving the brain access to more of the full sound scene, so that users can better focus on what matters to them without losing track of the meaningful sounds happening around them, as documented in clinical research with Oticon More.

WHITEPAPER  
2020

### Oticon More™ clinical evidence

#### ABSTRACT

This whitepaper presents the results of four research studies carried out with Oticon More™, providing clinical evidence for BrainHearing™ benefits of More for the ability of the brain to attend, focus, and recognize. Using a novel analysis method of brain responses measured via electroencephalography (EEG), we show that the MoreSound Intelligence™ (MSI) feature in More leads to a clearer representation of the full sound scene in the brain, as well as clearer sounds in the foreground and better focus on the sounds of interest, surpassing what is achieved with Oticon Opn S. Such improvements translate into a better ability to understand the talker in focus in multi-talker situations in both simple and complex environments when using More. Measures of speech understanding in noise and memory recall also show significantly improved speech recognition and long-term memory recall with More compared to Opn S, demonstrating further benefits of More for cognition, with more successful and less effortful listening.

WHITEPAPER  
2020

### Optimal Fitting of Oticon More

#### INTRODUCTION

This whitepaper is a continuation of the Oticon Fitting Approach white paper released in 2020. When we develop new hearing aid technology as well as implement changes to how they are fitted using the fitting software, it is important to state why we make the choices we do, as a company. At Oticon, the focus is on providing life-changing technology by providing an optimal fitting with hearing aids that will lead to a quality of life improvement. From a fitting standpoint, there must be a stronger focus on implementing the latest scientific insights on how to help the brain make sense of sound into the hearing rehabilitation process.

With the introduction of Oticon More, we continue on this journey and provide the hearing care professional with more tools to give their clients the best fitting experience possible. This whitepaper outlines the proposed fitting journey with Oticon More to best meet the needs of your clients, and how we support hearing care professionals from an aide in terms of counseling. Two Oticon More fitting use cases are presented to give hands on examples of using the new software tools.

WHITEPAPER  
2020

### Simple ways to optimize your fittings

Oticon Optimal Fitting Series No. 1 - 2021 updates

#### INTRODUCTION

This is the very first part of the new Oticon Optimal Fitting Series. In this series, we aim to take a deeper clinical dive into the fitting flow and fitting offerings that are continuously updated by introducing new features and functionality that improve the experience of fitting an Oticon product. A hearing aid fitting can be very simple, but on the other hand, some clients have very specific needs that require additional steps, time, and knowledge in order to be successful. This series explores how we can optimize fittings in simple ways that highlight the quality of the fitting and allows us to fit a wide range of people with hearing loss who are all individuals with differing needs and preferences. You may want to use the paper as a reference work and only read the sections relevant for you.

In 2021, we are introducing some very useful tools for you, the hearing care professional. This paper covers more detailed information on useful fitting and counseling tips for the integrated ProFit GAZE™ feature in Oticon Genie 2, the In-situ Audiometry tool now introduced as part of RemoteCare sessions, the customized MicroShield earmould, and some fitting considerations when using the new dedicated MyMusic program and fitting certain hearing losses or fitting musicians.

WHITEPAPER  
2021

#### INTRODUCTION

Integrated ProFit GAZE in Oticon Genie 2

In-situ Audiometry through Oticon RemoteCare

Music and hearing aid fittings

Summary

WHITEPAPER  
2021

### Oticon More™ competitive benchmark Part 1 - Technical evidence

#### ABSTRACT

This whitepaper describes the results of technical measurements comparing the performance of Oticon More to that of two high-end competitor hearing aids. Output signal-to-noise ratio measurements obtained in real-life sound scenes demonstrate that the MoreSound Intelligence™ feature in Oticon More provides a larger contrast between speech and the background than the two tested competitors in such complex listening situations, giving the user better access to speech in the listening environment, even when it comes from the side. With dedicated time-frequency analysis of the hearing aid output, we show that the action of the deep neural network in Oticon More, combined with the precise amplification of the MoreSound Amplifier™, conveys speech details with more precision than technologies using traditional directional, noise reduction, and compression approaches. Finally, the results show that Oticon More adapts faster to newly encountered sound scenes than the two tested competitors, thus enabling the user to benefit from increased speech understanding more rapidly as their sound environment changes. Part 2 of this competitive benchmark will report results of a user listening test comparing the same three hearing aids.

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WHITEPAPER  
2021

### Oticon More™ competitive benchmark Part 2 - Clinical evidence

#### SUMMARY

This white paper is Part 2 of a comparison between attributes of the Oticon More hearing aid and two top competitors. In Part 1, a comparison was made using technical measurements performed using a controlled and evidence-based methodology. Using the hearing aid sound recordings from Part 1, Part 2 explores the subjective perception of sound quality, as experienced by 27 test participants. The participants completed a self-set set of listening and rating tasks for 7 sound recordings, where they listened (blind) to the recordings through headphones and rated sound quality on a scale, using modified versions of the well validated subjective sound quality test (MUSHRA) Stimulus with Hidden Reference and Anchor, MUSHRA). The MUSHRA tests focus on the ends of the scale (0-100), but other on the sound quality rating differences between the hearing aid recordings. Results showed two sides of the same story: 1) Oticon More was rated significantly higher than its competitors for all sound scenes and 2) up to 8 out of 10 people performed the Oticon More over its competitors in terms with music and complex speech scenes. This test only confirms the key benefits shown from the technical measurements in Part 1 of the study, but also confirms that hearing impaired listeners perceive these benefits as overall better sound quality in a variety of different situations, bringing the findings from the lab to human experiences.

#### EDITORS OF ISSUE

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TECH PAPER  
2021

### The development behind Oticon MyMusic

#### ABSTRACT

Different characteristics between speech and music make it less optimal to listen to music through a hearing aid programme that is optimized for speech understanding. Oticon MyMusic is a hearing aid programme dedicated for music listening, no matter if music is played in the surroundings or streamed directly to the hearing aids. The development of Oticon MyMusic is based on external research on reference curves for different speaker setups and headphones used for music listening, and research on music listening with hearing aids. The result is a completely new music programme with a unique compression scheme and standard settings optimized for music listening. The listening experience using the music programme has been tested on hearing-impaired listeners to make sure to deliver an outstanding music listening experience.

#### DIFFERENCES BETWEEN

MUSIC AND SPEECH

REFERENCE CURVES FOR

BEST MUSIC LISTENING

EXPERIENCE

OTICON MYMUSIC

TESTING

REFERENCES

#### EDITOR OF ISSUE

Maria Frederiksen Garmann,  
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WHITEPAPER  
2021

### Oticon MyMusic™ - Clinical Evidence

#### SUMMARY

Oticon is introducing the MyMusic™ dedicated music program in Oticon More. MyMusic is the result of developing a music rationale in its own right, based on current evidence on music perception in people with hearing loss and hearing aids and recommendations for optimal music amplification and listening. In this whitepaper, we share with you the clinical study performed with 27 test participants who compared Oticon MyMusic to the previous music program and the General program in Oticon More. The participants represented a wide range of hearing impairments and both mild and casual music listeners were represented. Prior to the study, a total of 8 music and speech sound scenes were recorded in order to include different types and styles of music, as well as different listening modalities (the music sound scenes, transcribing from sound scenes, and transcribing sound scenes). Each participant rated their preference in a blind and randomized setup where they listened to the sound recordings using headphones. The method used was a modified sound preference test similar to Park et al (2021). Results showed a significant preference for Oticon MyMusic over both the previous music program and the General program, for all music sound scenes. In fact, Oticon MyMusic was rated 72% higher than the previous music program, on average.

This result is a testament to the new game-changing music rationale in Oticon More hearing aids that improve the music listening experience for people with hearing loss.

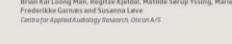
#### AUTHORS

Brian Kai Loong Man, Brigitte Kjeldskov, Mathias Sørensen, Maria Frederiksen Garmann and Susanne Lave  
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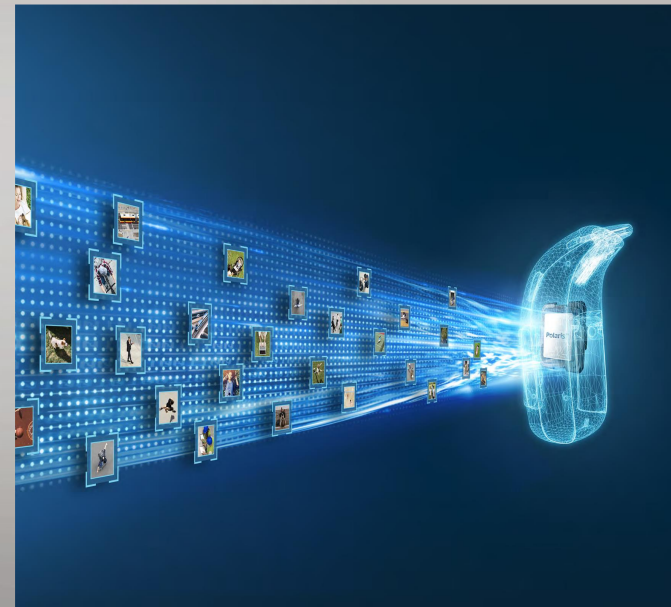
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# Audiological leadership through BrainHearing

1. BrainHearing – a unique approach, that has proven itself to lead to strong innovations and better outcomes
2. Oticon More – clarity and precision – sound delivered the way the brain needs it – leading to new benefits never seen before in the industry
3. Latest additions – continued improvements in sound quality for greater enjoyment of speech and music
4. BrainHearing, an evolving journey: More than 25 years of continuous improvements in hearing aid technology and new user benefits



---

# Q&A



# Agenda

Time (CET)	Topic	Presenter
11.00	Welcome	Mathias Holten Møller
11.10	Delivering sustained growth post coronavirus	Søren Nielsen
12.00	Q&A	
12.15	Audiological leadership through BrainHearing	Thomas Behrens
12.35	Q&A	
12.45	Lunch	
13.45	A transformational journey in Hearing Care	Niels Wagner
14.30	Q&A	
14.45	EPOS: Becoming the preferred premium audio brand	Jeppe Dalberg-Larsen
15.30	Q&A	
15.45	Break	
16.15	Sustained growth with potential for margin expansion	René Schneider
17.00	Q&A	
17.25	Concluding remarks	Mathias Holten Møller



**Lunch  
break**

**Up next (13:45 CET):**

A transformational journey in Hearing Care presented by Niels Wagner

# Agenda

Time (CET)	Topic	Presenter
11.00	Welcome	Mathias Holten Møller
11.10	Delivering sustained growth post coronavirus	Søren Nielsen
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17.00	Q&A	
17.25	Concluding remarks	Mathias Holten Møller



# A transformational journey in Hearing Care



Niels Wagner  
President, Hearing Care

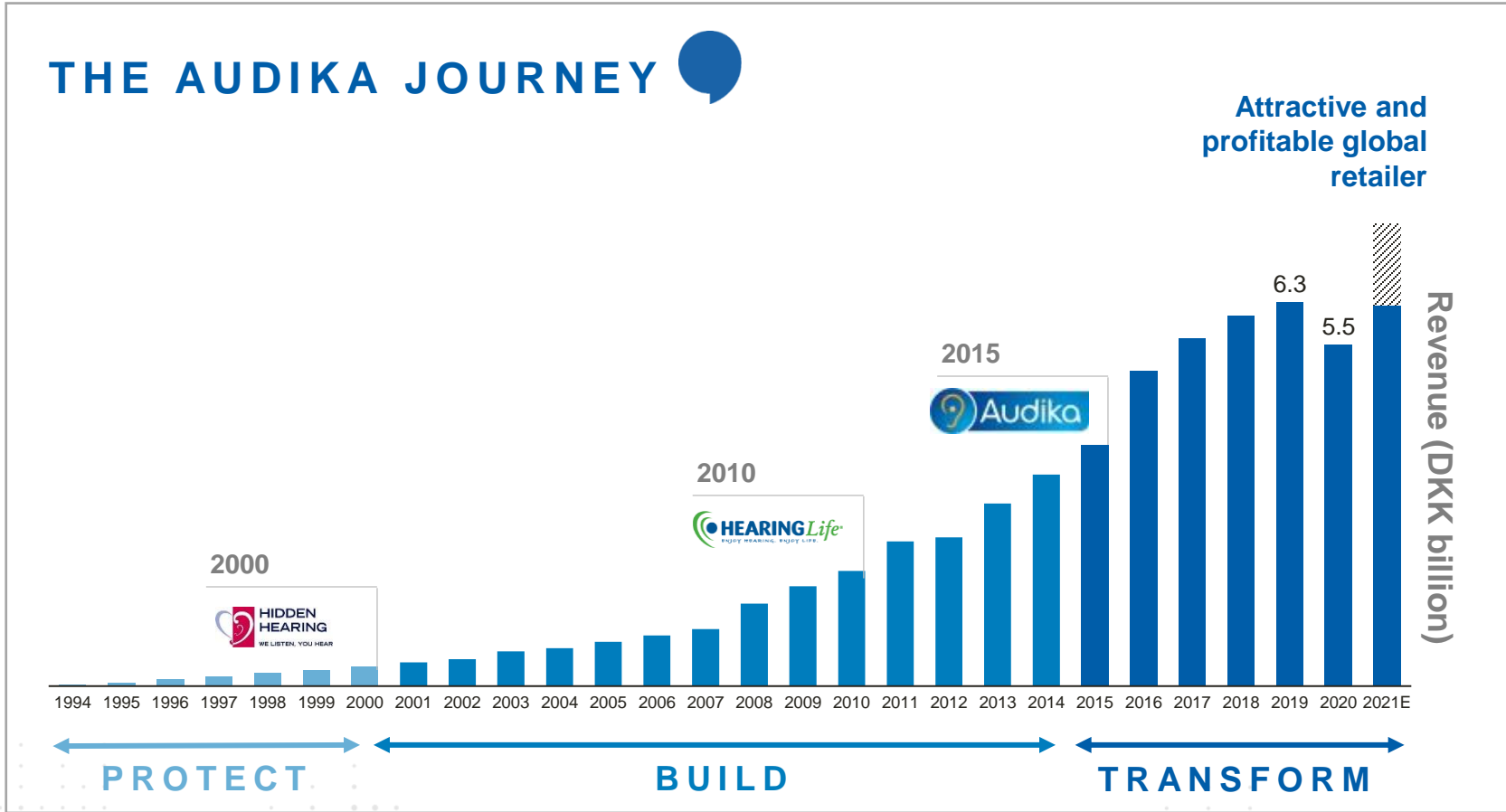
# Hearing Care: *Today*

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# Over the past 25+ years, Hearing Care has been on a significant growth journey



20+ countries



2,500+ full time-clinics

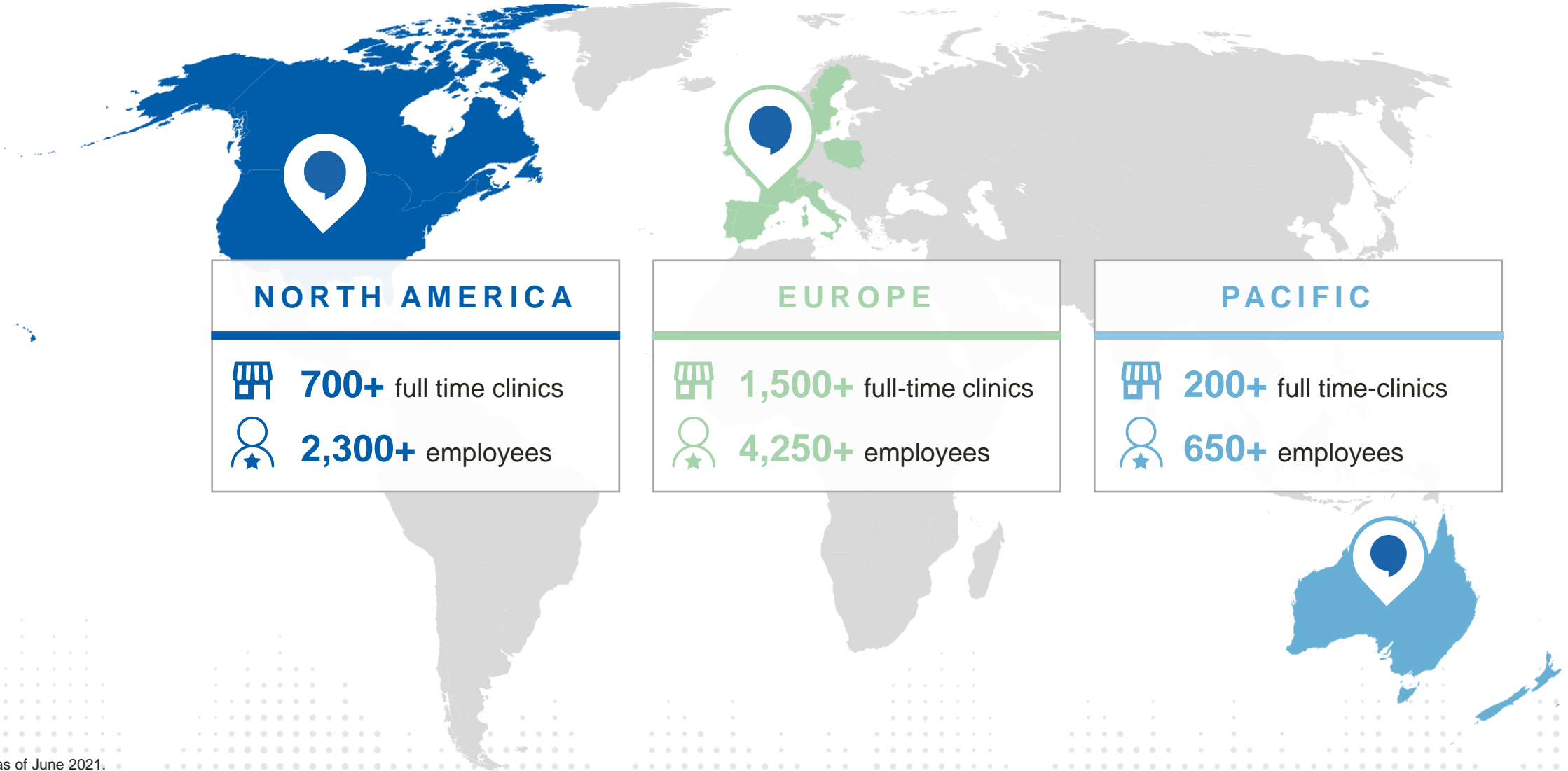


7,700+ employees

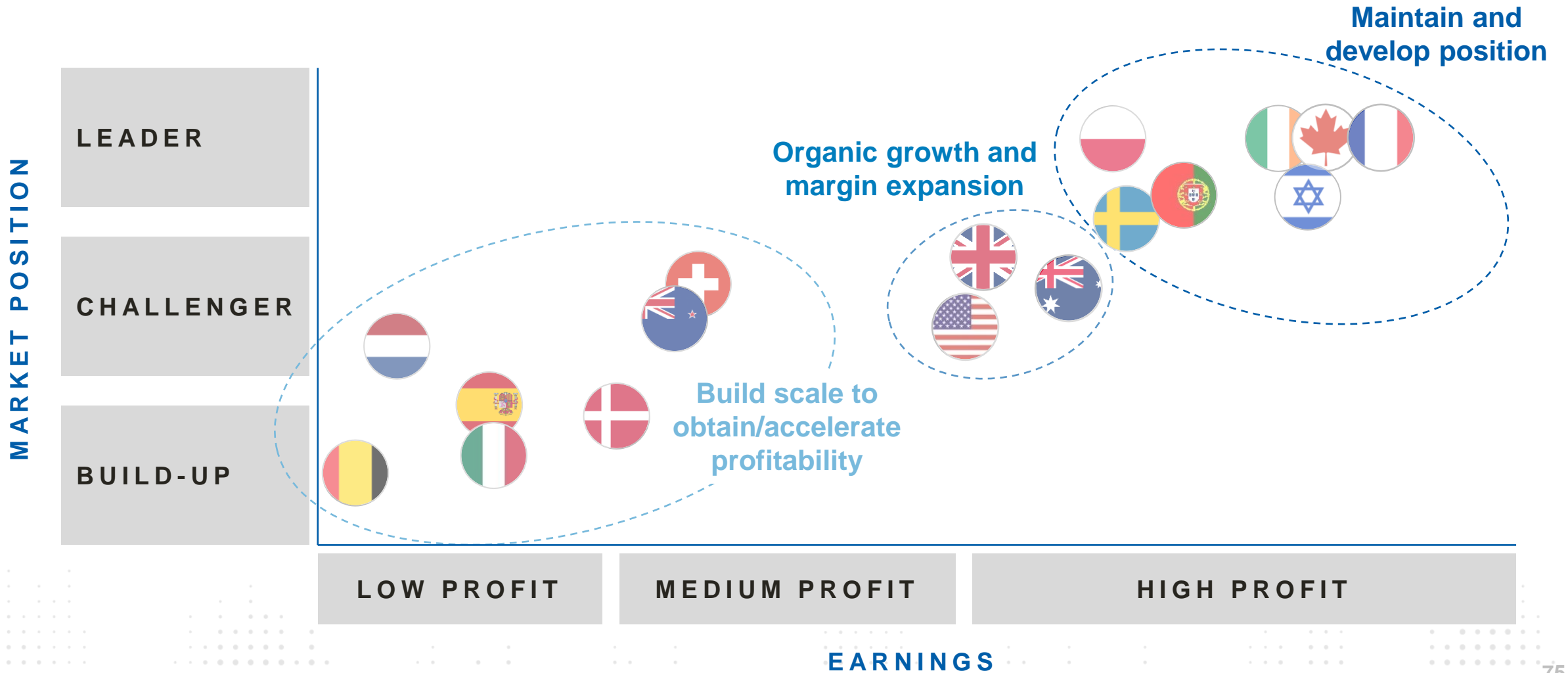


400+ acquisitions

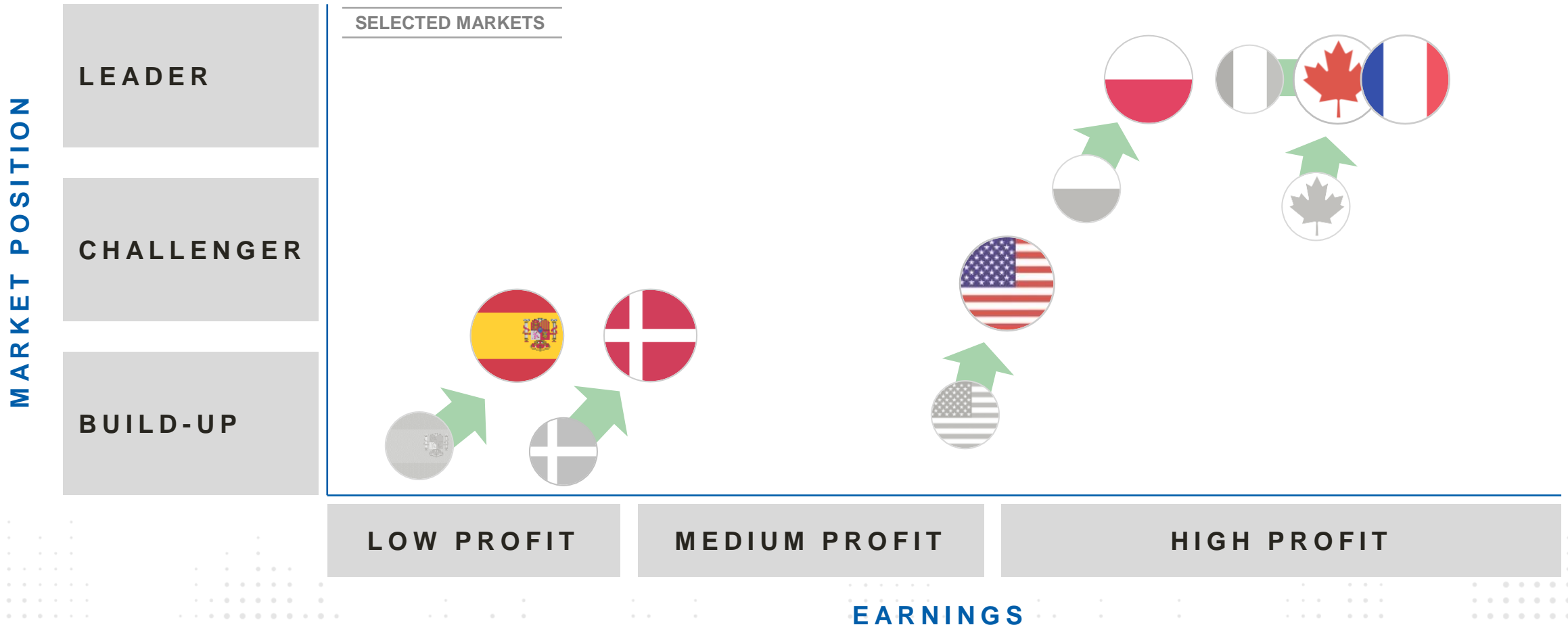
# We are present in the key world markets with North America, Europe and Pacific accounting for the majority of our business



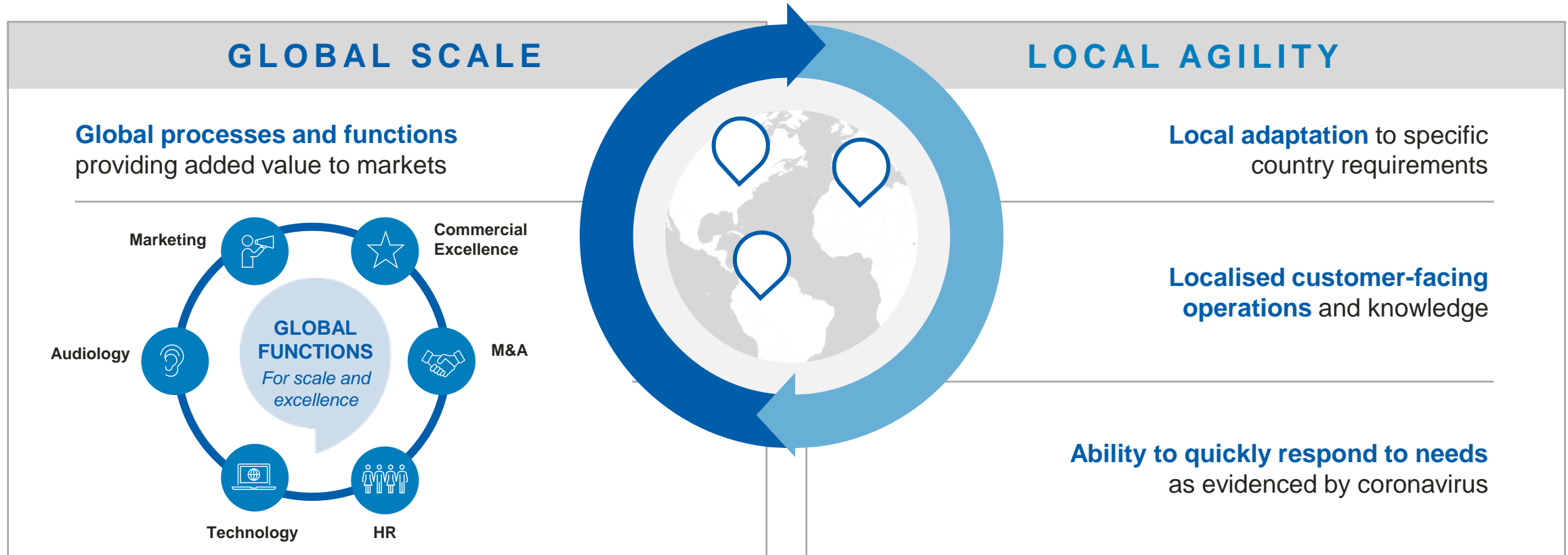
# Audika's broad and attractive portfolio of markets – aimed at building market-leading positions



# Several markets experiencing significant development over the past three years – with various growth paths



# Structured for success – coupling global scale with local agility to deliver results

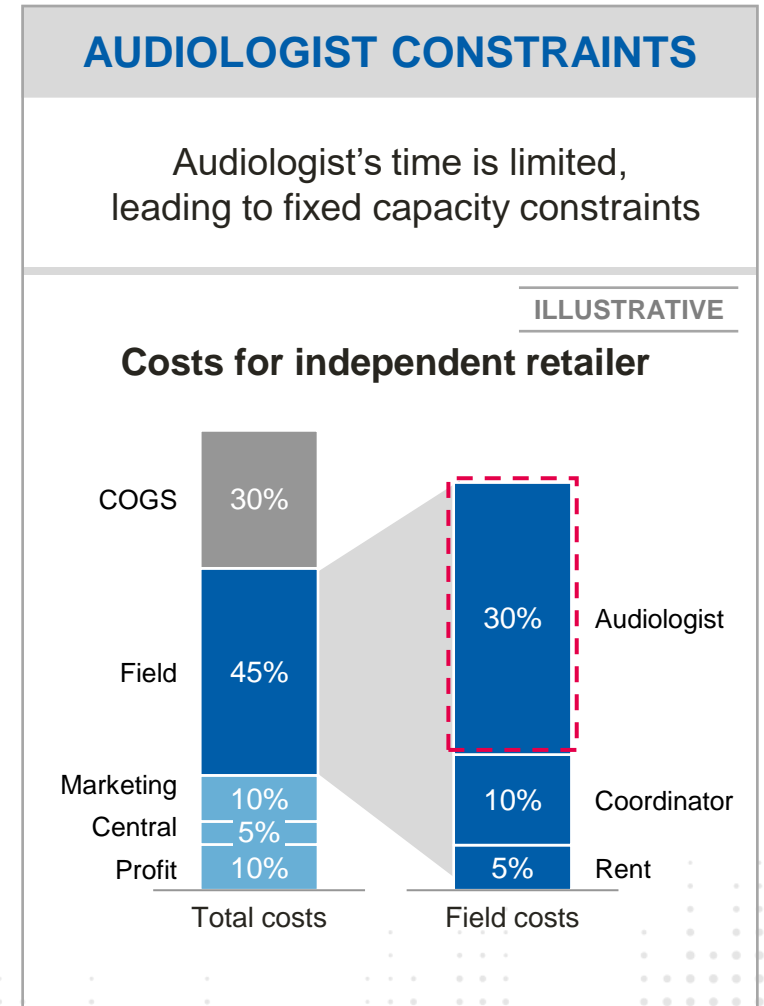
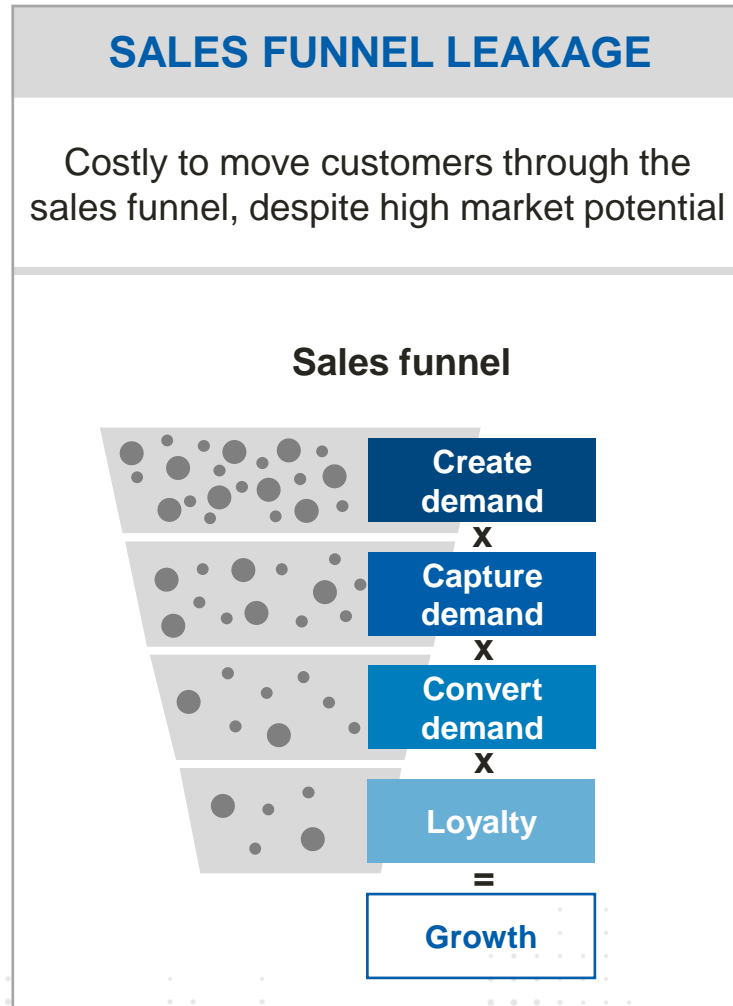
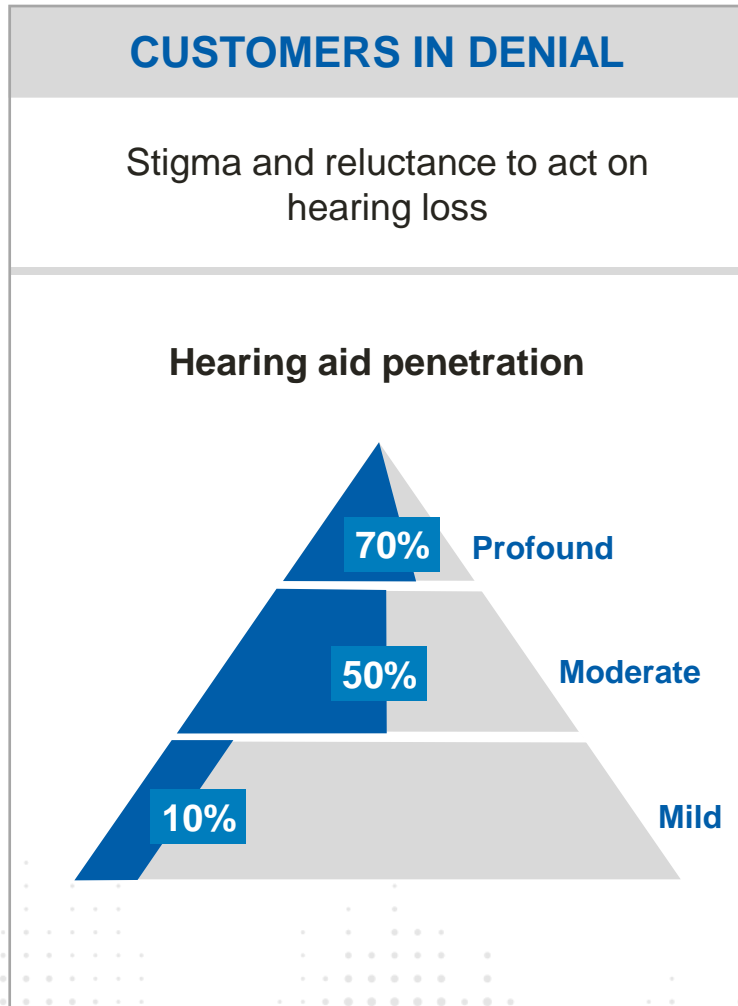


# Hearing Care: *Achievements*

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# Tailoring our key activities towards addressing the three key characteristics of the hearing care industry



# Transforming our business model over the past three years – establishing Audika as the ‘Modern Hearing Care Expert’



## *Modern Hearing Care Expert*

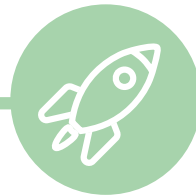
### BRAND

Consolidating and establishing a life-changing, global hearing healthcare brand



### DIGITAL

At the forefront of digital innovation with continuous investments in technology



### EXPERTISE

Focus on building organisational competencies and providing valued expertise to consumers

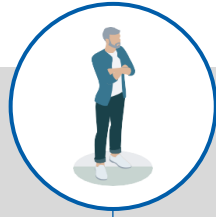




# Audika's consumer-centric and advanced omnichannel approach



## CONSUMER JOURNEY



Unaware/  
in denial



Aware



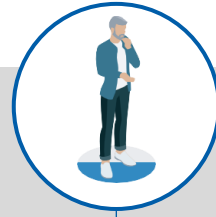
Reach out



Decision



Adapting



Replacement





# BRAND

## CONSUMER JOURNEY



Unaware/  
in denial



Aware



Reach out



Decision



Adapting



Replacement

Phone



Email



Digital media



Offline media



Website



In-person



SMS



# Consolidating and establishing a life-changing Hearing Care brand



3 YEARS AGO ...

200+ brands



NOW ...

One Corporate Visual Identity – with 3 main brands



# Audika Group

- Audika
- Hidden Hearing
- HearingLife

# Stronger together – experiencing major benefits of our brand consolidation with high future potential



## BENEFITS OF CONSOLIDATION



Harvesting group synergies in marketing spend



Leveraging strengths from **local brand awareness**



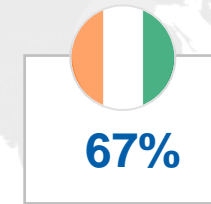
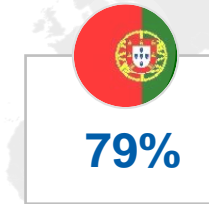
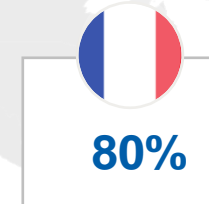
Supporting aim and drive to **build a global culture** across the organisation

## BRAND TRACKER RESULTS

### SELECTED MARKETS

#### Brand position<sup>1</sup>

Aided brand awareness – Europe, May '21



#### Accelerating development

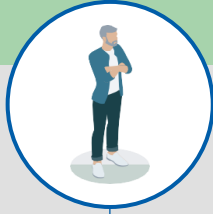
Solidified plans for achieving similar levels of brand awareness in our other markets





# DIGITAL

## CONSUMER JOURNEY



Unaware/  
in denial



Aware



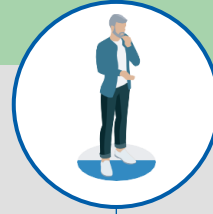
Reach out



Decision



Adapting



Replacement

Phone



Email



Digital media



Offline media



Website



In-person



SMS

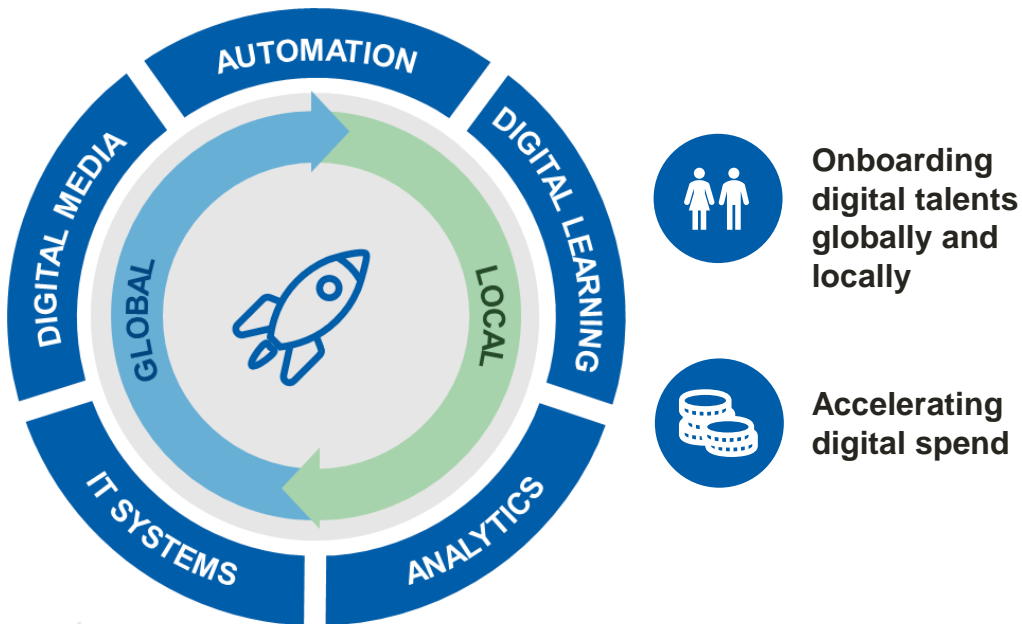


# Substantial investments in transforming and developing digital best-in-class capabilities



## ACCELERATED DIGITAL INVESTMENT

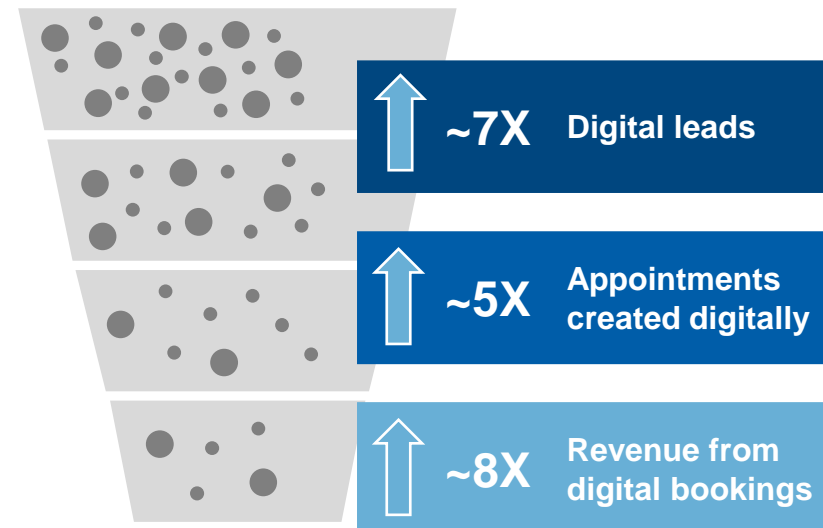
Investing in global and local digital capabilities



## SALES FUNNEL BENEFITS

Digital growth over the past three years<sup>1</sup> ...

EXAMPLE: US MARKET



... and continuing to scale across all markets

<sup>1</sup>Growth from August YTD 2018 to August YTD 2021.

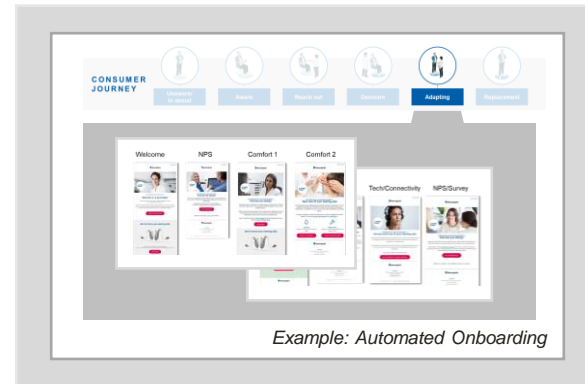
# A continuous journey to stay ahead and at the forefront of digital innovation within hearing care



## SELECTED EXAMPLES



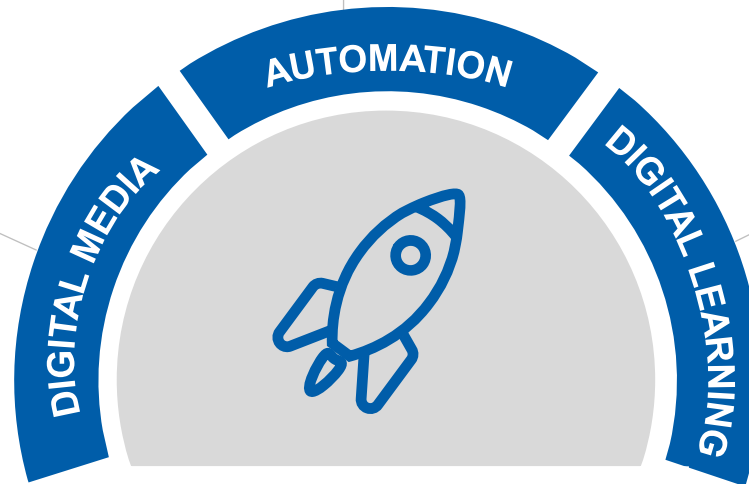
- Advanced capabilities including **AI-based** efficient store capacity allocation
- Maximising **clinic efficiency** and **decreasing spend** per appointment



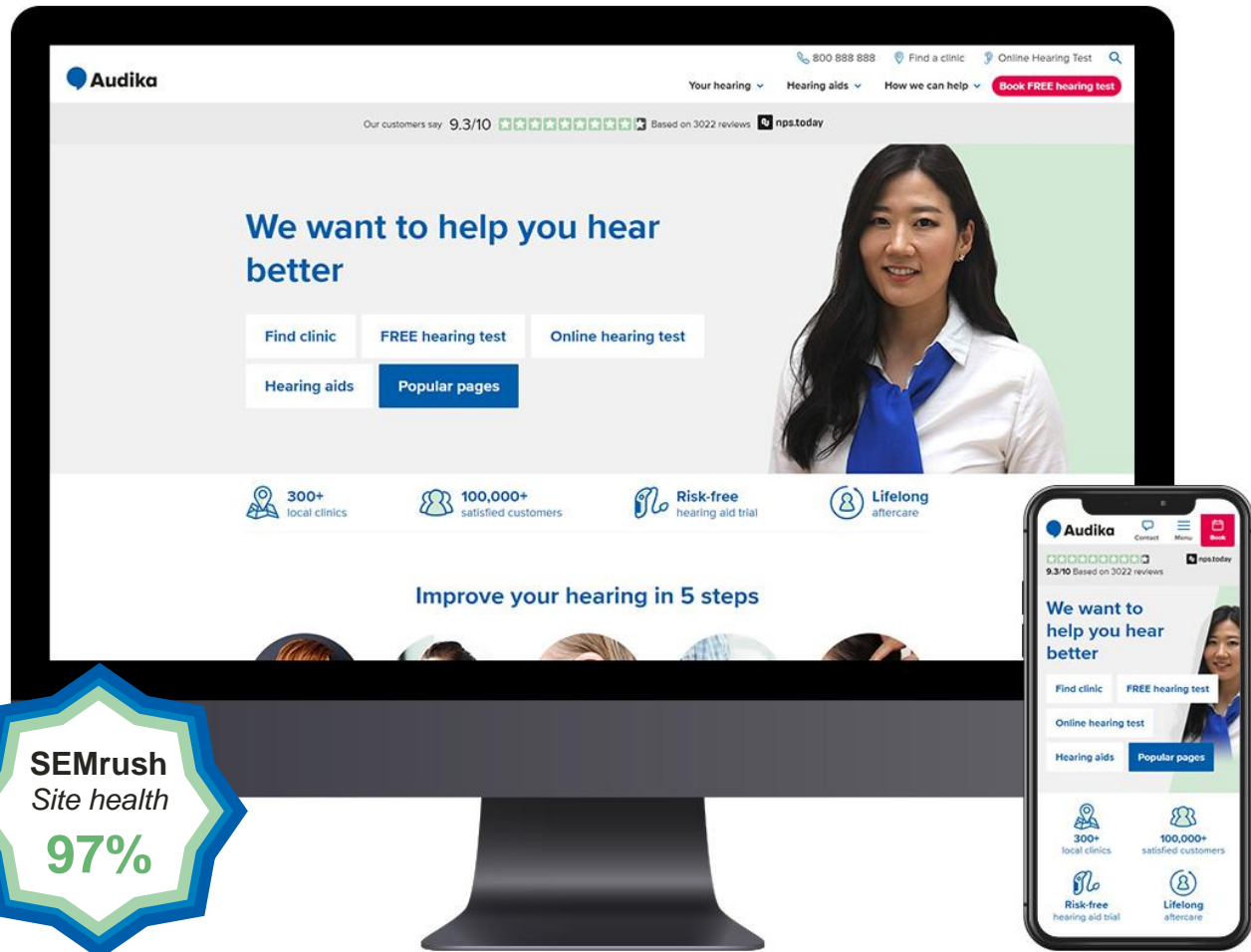
- **Data-driven** and **highly personalised** automation programs
- Focused on **consumer-centricity**, spanning the **entire consumer journey**



- Premium, **global, digital** and **integrated learning platform** to share knowledge and upskill employees
- **Empowering our people** and enabling a **superior consumer experience**



# Web 2.0 – Advancing the Audika digital experience



**SEMrush**  
Site health  
**97%**



## Web 2.0

Rolled out in 2021 to continue to advance our user experience



## Conversion Rate Optimisation Programs

Global, structured and scalable programs increasing number of leads on our websites

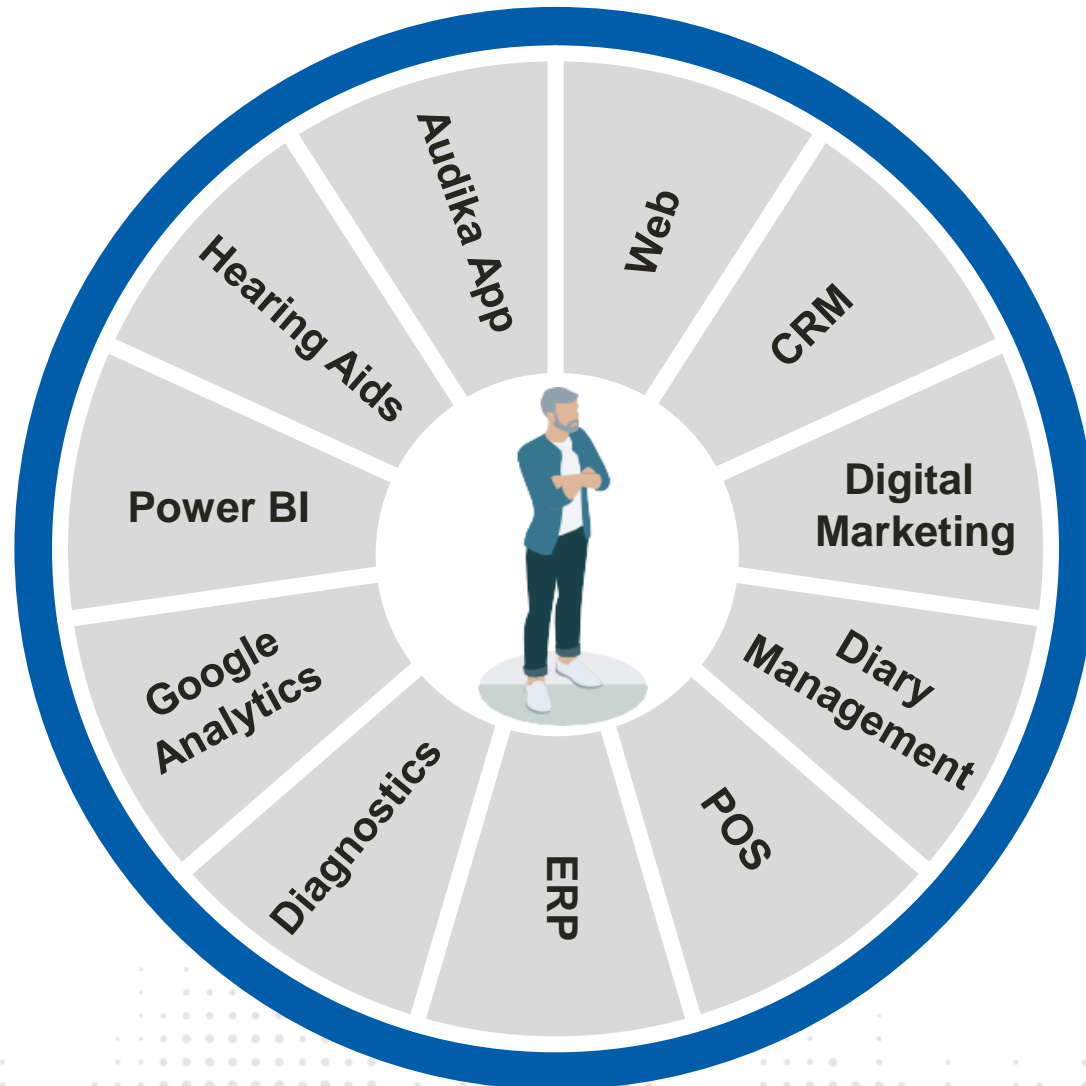


## Global SEO Programs

Optimising the quality and quantity of organic traffic across our digital channels



# Accelerating our data-driven approach by combining insights from multiple channels



Leveraging **scale** and **advanced digital capabilities**



Improving the way we **draw** and **collect valuable customer insights** across all digital touchpoints



Resulting in **data-driven decisions** and **more relevant, timely** and **targeted communication**



# EXPERTISE

## CONSUMER JOURNEY



Unaware/  
in denial



Aware



Reach out



Decision



Adapting



Replacement

Phone



Email



Digital media



Offline media



Website



In-person



SMS

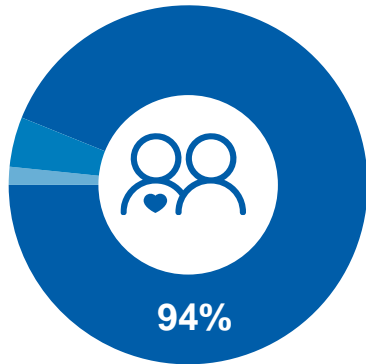


# The in-person experience remains one of the most valuable elements of becoming the 'Modern Hearing Care Expert'



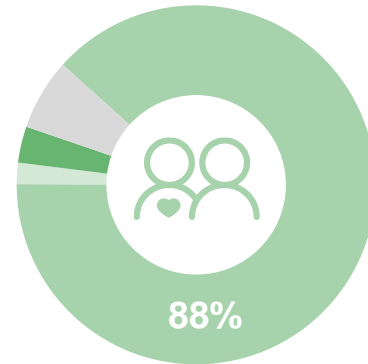
## CONSUMER PREFERENCES<sup>1</sup>

### Appointment setting preference



- At least some in-person appts.
- Video only
- No preference

### Preference for where to purchase hearing aids



- Hearing care provider
- Supermarket, pharmacy, big-box retailer
- Online
- No preference

The **most valued** element for individuals with hearing loss is **professional guidance** during **in-person appointments**

## OUR AUDIOLOGISTS



The Modern Hearing Care Expert



Our **experienced audiologists** make the difference – a **trusted relationship remains paramount** when purchasing hearing aids

# We continue to invest in our people to enable the optimal consumer experience – success evidenced by high NPS scores



## PEOPLE DEVELOPMENT



**Modern learning approach** – global digital learning platform enabling remote training

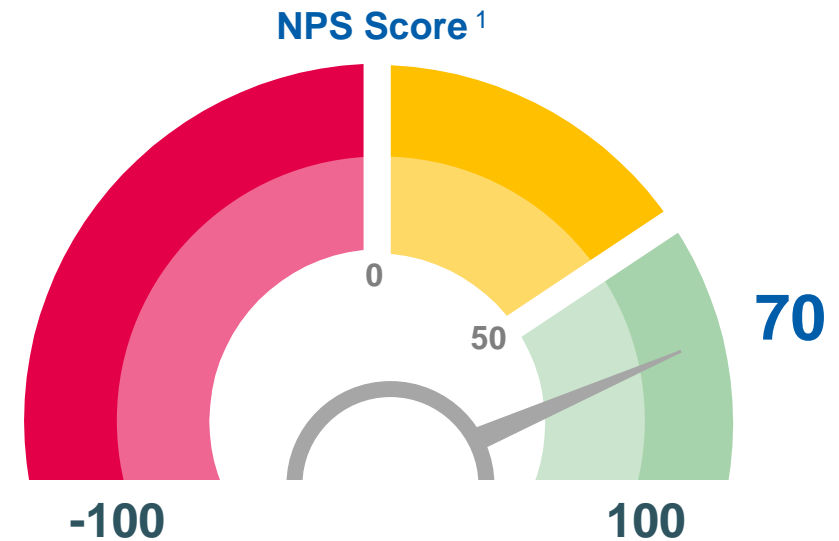


**Organisational engagement** – pulse surveys driving engagement across the organisation



**Developing audiological expertise** – positioning our audiologists for success

## NET PROMOTER SCORE



We continuously invest in training to deliver the best value to our customers – success evidenced by 2021 NPS scores

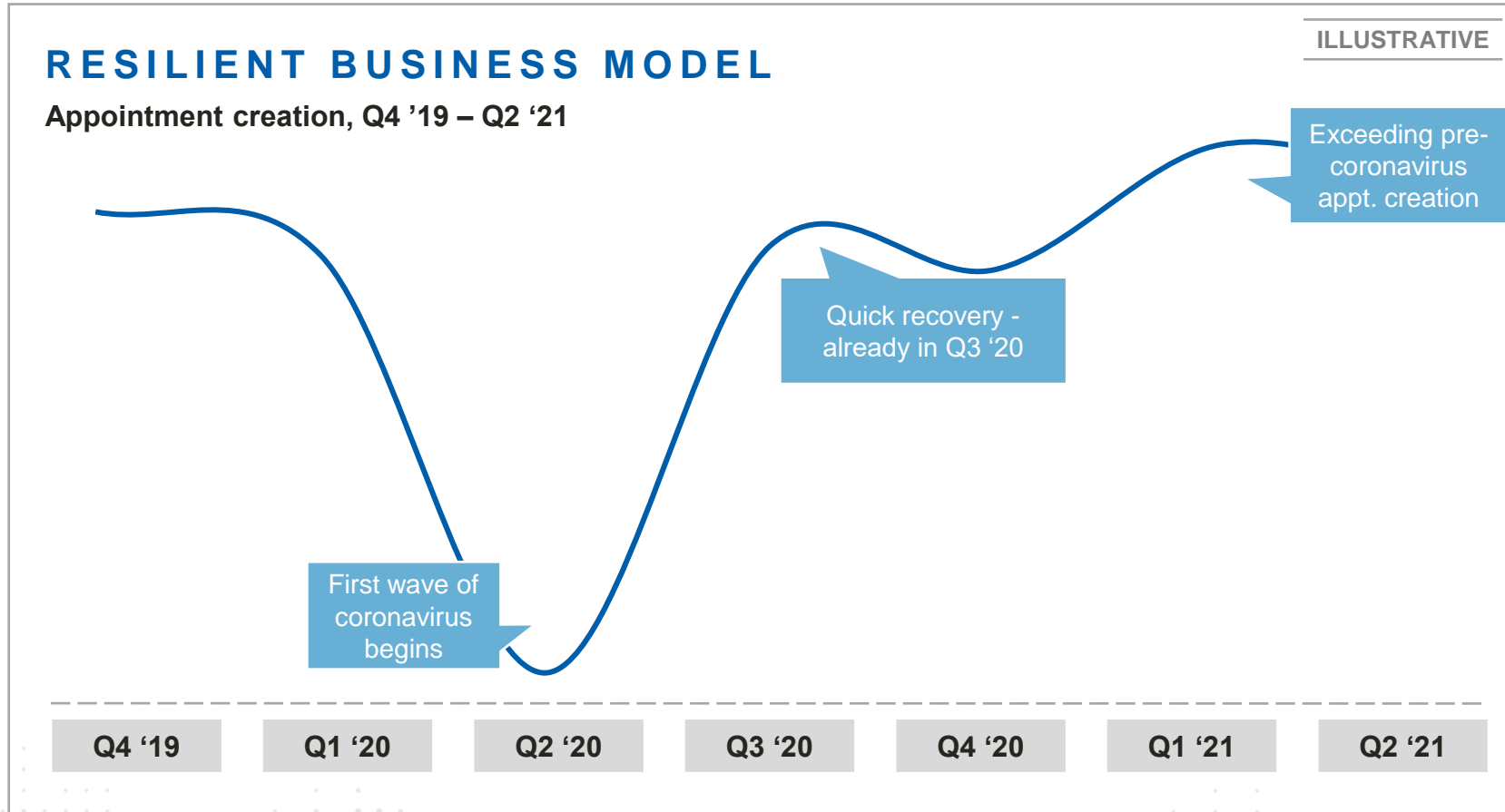
<sup>1</sup>Based on ~NPS scores from available countries YTD August 2021.

# Hearing Care: *Future*

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# Positioned for success – with proven resilience of our business model and strong support for in-person experience



Global support and local agility



High proximity

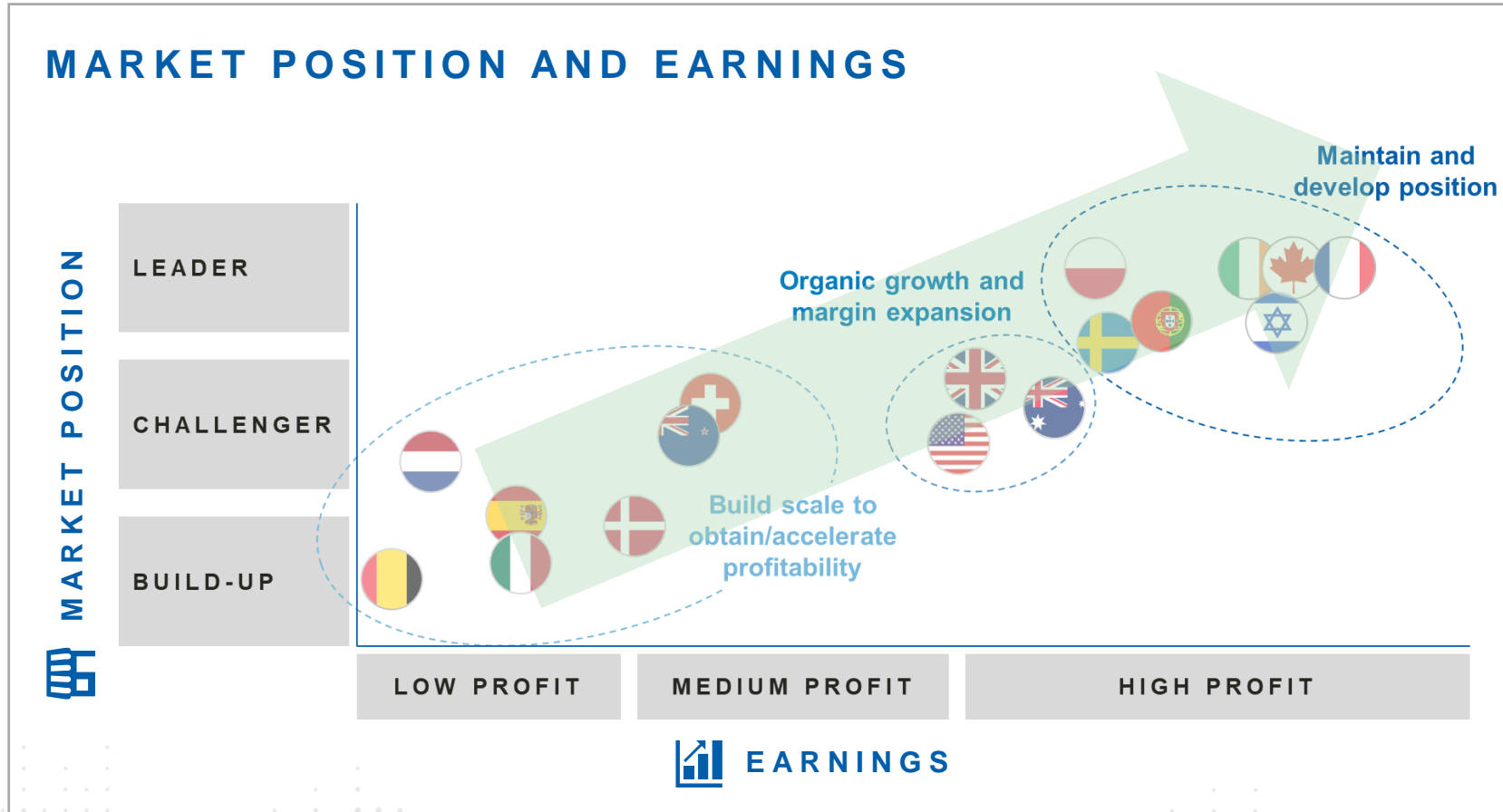


Targeted digital and offline programs



Database capitalisation

# Accelerating growth by continuing to build highly profitable market leaders organically and through acquisitions



Building **scale**



Increasing **productivity**



**Greenfield** opportunities



**Acquisitions** and consolidation

# Ready for the next leap forward to deliver on our customer promise



## *Modern Hearing Care Expert*

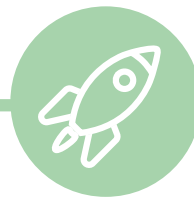
### BRAND

Consolidating and establishing a life-changing, global hearing healthcare brand



### DIGITAL

At the forefront of digital innovation with continuous investments in technology



### EXPERTISE

Focus on building organisational competencies and providing valued expertise to consumers





# Q&A



# Agenda

Time (CET)	Topic	Presenter
11.00	Welcome	Mathias Holten Møller
11.10	Delivering sustained growth post coronavirus	Søren Nielsen
12.00	Q&A	
12.15	Audiological leadership through BrainHearing	Thomas Behrens
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12.45	Lunch	
13.45	A transformational journey in Hearing Care	Niels Wagner
14.30	Q&A	
14.45	EPOS: Becoming the preferred premium audio brand	Jeppe Dalberg-Larsen
15.30	Q&A	
15.45	Break	
16.15	Sustained growth with potential for margin expansion	René Schneider
17.00	Q&A	
17.25	Concluding remarks	Mathias Holten Møller

# Becoming the preferred premium audio brand in Enterprise Solutions and Gaming



Jeppe Dalberg-Larsen  
President, EPOS

**EPOS**

1. Strong foundation for future growth
2. Attractive market fundamentals
3. Current situation and strategic focus
4. Summary

Strong foundation for  
future growth

# EPOS at a glance

**EPOS has its roots in the Sennheiser Communications joint venture established in 2003**

EPOS today:

- 500+ employees worldwide
- Enterprise Solutions & Gaming
- Headquarters in Ballerup, Denmark
- Outsourced manufacturing
- R&D in Denmark, China and Hong Kong
  - Outsourced R&D in India (software)
  - R&D partnership with Solaborate (video)
- Global distribution set-up
- Worldwide dedicated sales teams



# Joint venture with sales through Sennheiser KG

Until 31 December 2019

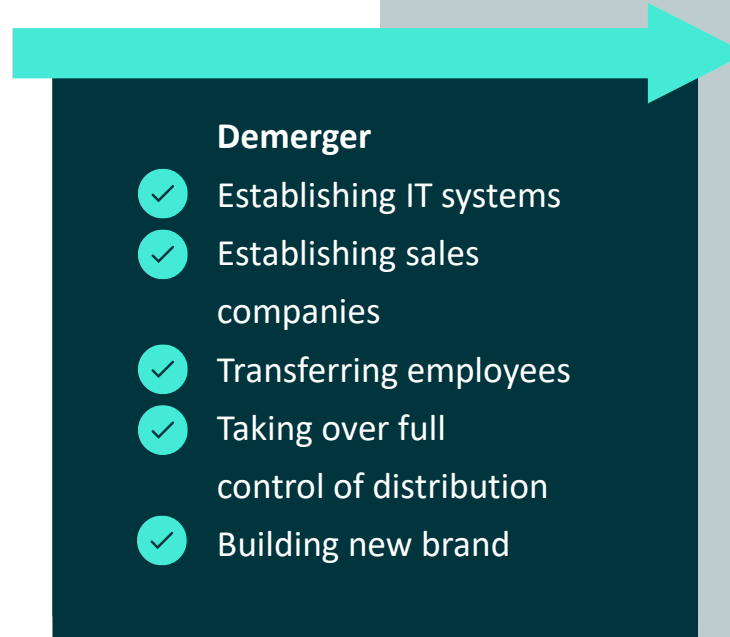


Joint venture set-up:

- Developing headsets within Enterprise Solutions, Gaming and Mobile Music
- Distributing and selling through joint venture partner, Sennheiser KG
- Successful journey for both parties with revenue CAGR >20%
- Stable investment level and steady development
- Two owners to align on strategy

# Full control, high ambitions and willingness to invest

From 1 January 2020



## EPOS

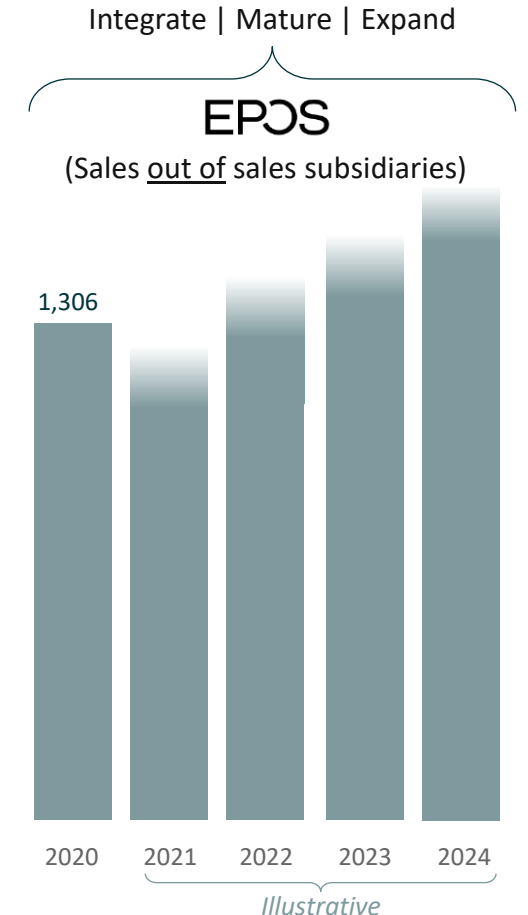
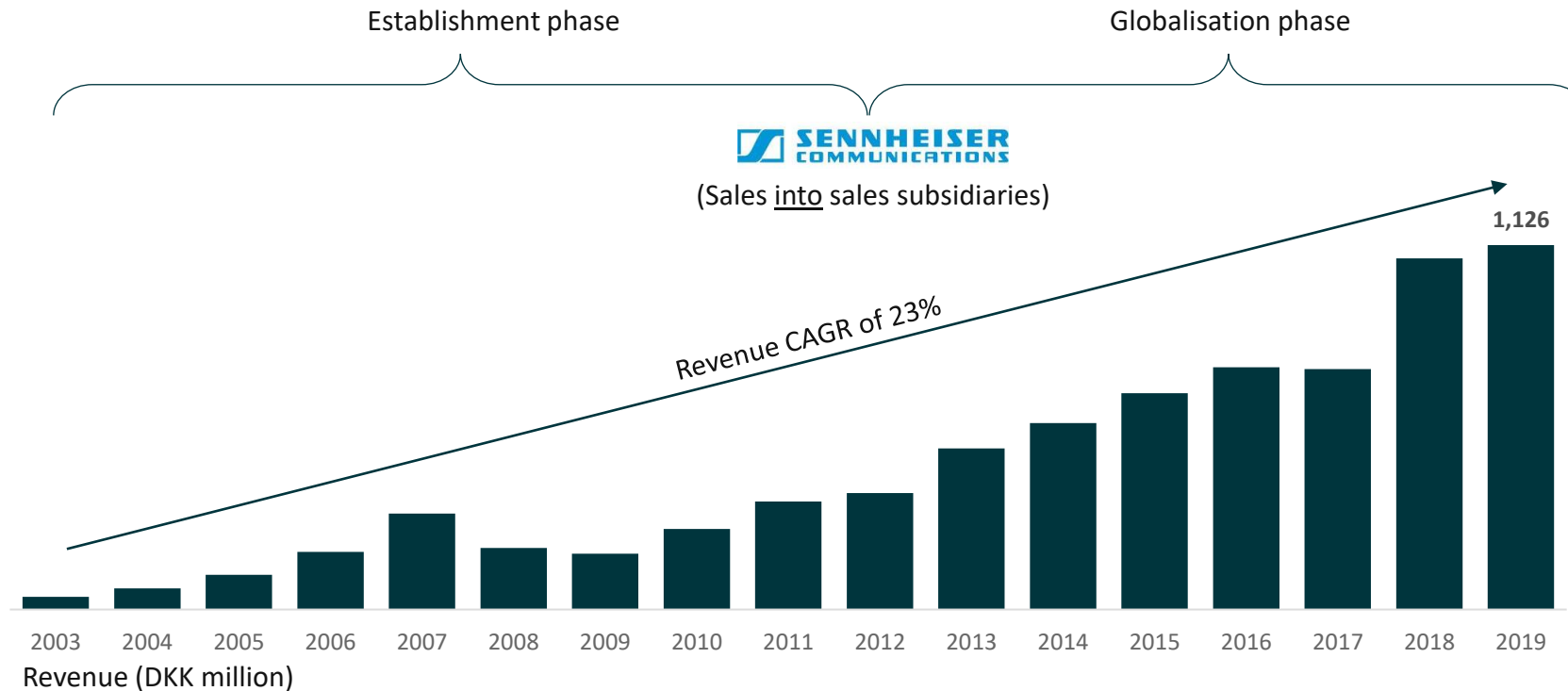
Full control, willingness and ability to do more, meaning:

- Ensuring competitive product roadmap in Enterprise Solutions and Gaming
- Entering high-growth video segment
- Building dedicated Gaming sales team
- Investing in the EPOS brand to create a distinct premium position
- Additional investments in R&D, sales and distribution to drive future growth



# Strong track-record of growth in successful JV – new growth journey ahead for EPOS

We call it “Integrate | Mature | Expand”



104 Please note that revenue pre- and post-demergers is not directly comparable



# The EPOS brand pillars



Pioneering audio technology



Crafted to last, designed to excite



Passion for performance

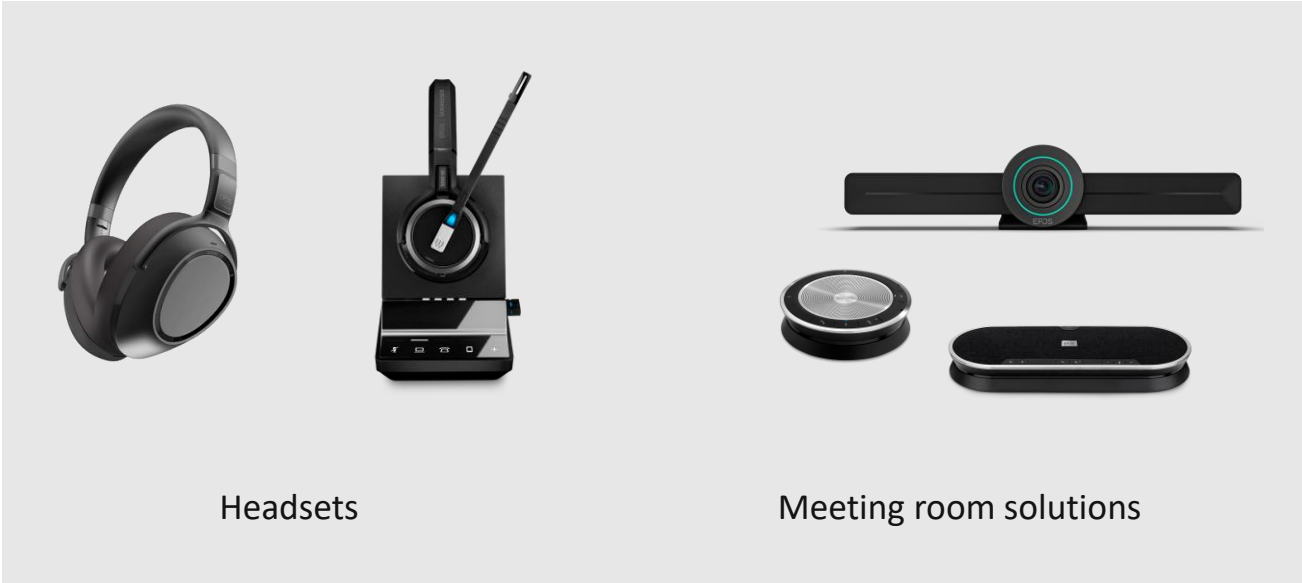


Few events rely on communication  
as much as Formula One.

# We will continue to strengthen our position in our core business areas

Strong synergies between Enterprise and Gaming headsets

## Enterprise Solutions

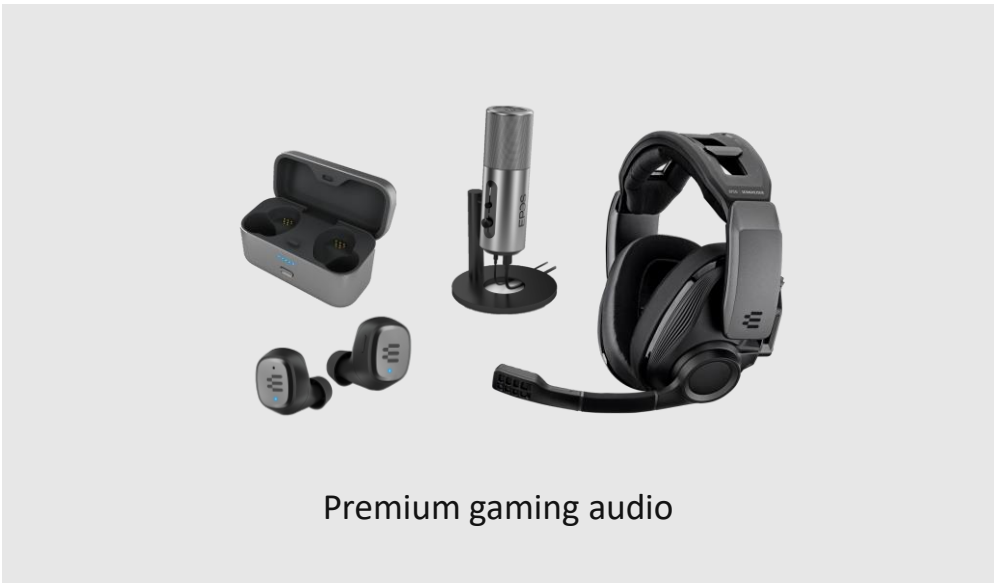


Headsets

Meeting room solutions

Approx. 2/3 of revenue

## Gaming



Premium gaming audio

Approx. 1/3 of revenue

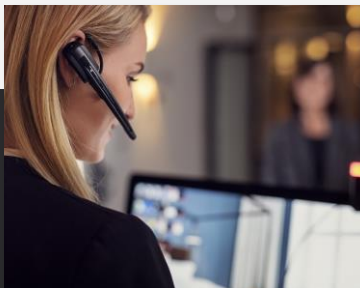
# A complete Enterprise Solutions portfolio



## IMPACT

When talk matters

Ensure excellent customer experience with a line of premium audio tools for optimal comfort, easy call handling and rich, natural sound.



## ADAPT

Work your way

Wherever you are, ensure flawless business calls and boost your concentration with versatile audio solutions that adapt to the way you work.



## EXPAND

Seamless collaboration

Expand your ability to collaborate across workspaces, locations and time zones, with plug-and-play conference solutions for unrivalled audio clarity.

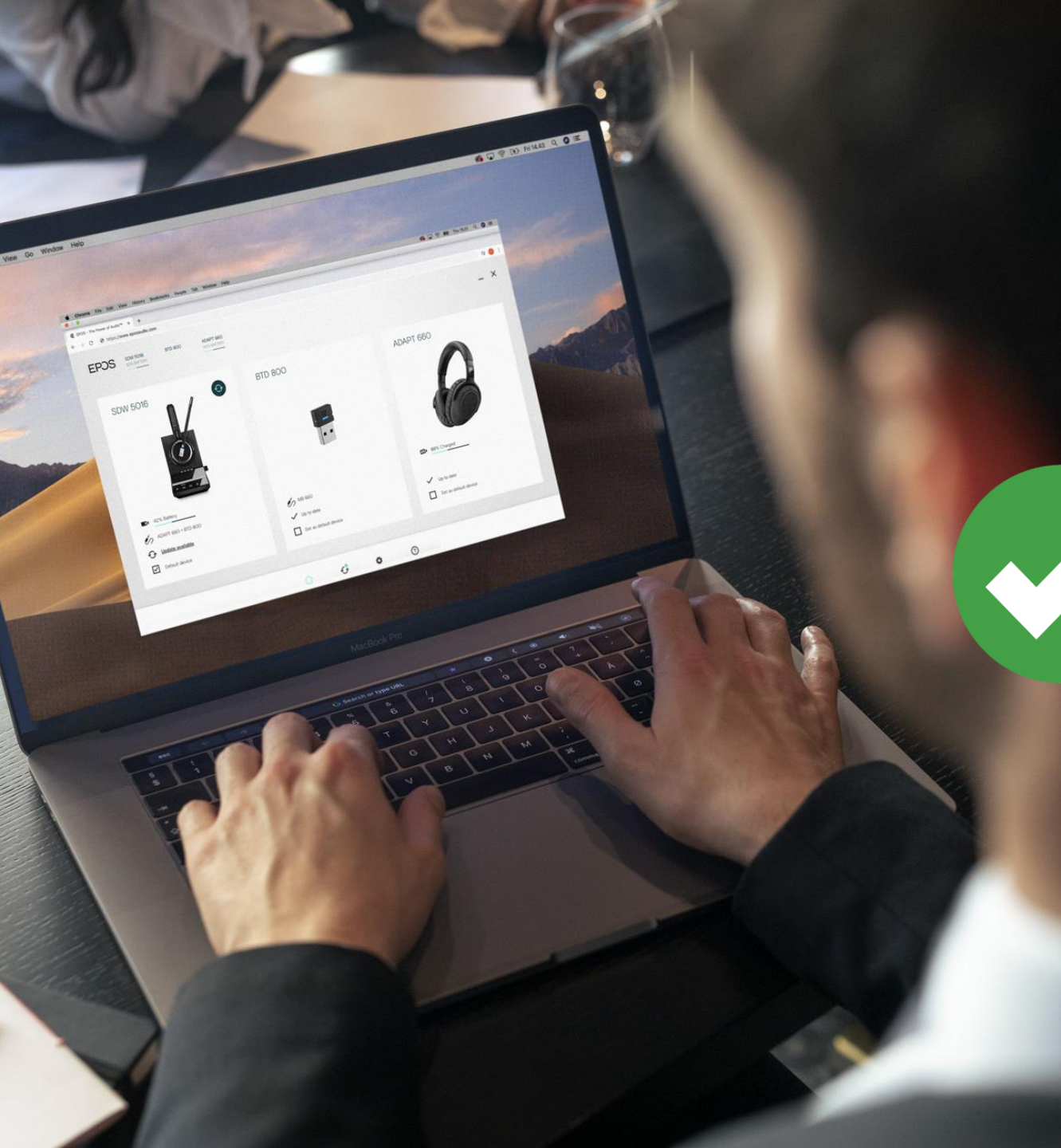


## COMMAND

Always in control

For professionals who demand uncompromising, reliable communication that keeps them in control.





# Complimentary management software

**EPOS Manager**  
Optimise your business and boost employee performance with a free, flexible and secure tool that manages your audio devices and analyses their use.

**EPOS Connect**  
Update to the latest firmware and personalise your EPOS audio device settings to ensure flawless operation and maximum productivity.

# Strategic alliances

Our partnerships with other technology-driven companies and vendors have a common goal - to simplify your daily business. We work with strategic alliance partners to ensure that our products are easy to deploy and are fully compatible with all major Unified Communications platforms and desk phones.

Our products are thoroughly tested with our partners for call feature compatibility and optimal sound experience. We are your one-stop audio solution provider for all your business communication needs.



# Premium Gaming portfolio

Out of this world gaming audio

New



H6 Pro Series  
Wired

New



H3 Series  
Wired / Bluetooth® /  
Low Latency wireless



GSP 500/600 Series  
Wired / Bluetooth® /  
Low Latency wireless



GSP 300 Series  
Wired / Low Latency wireless



Game One/Zero  
Wired



GTW 270  
Bluetooth® and  
Low Latency wireless



B20 Streaming Microphone  
Wired



GSX 300  
External sound card



06  
03  
00  
-03  
-06

64

125

250

500

1k

2k

SURROUND ?  
EFFECT

MODE

2.0

7.1

REVERBERATION



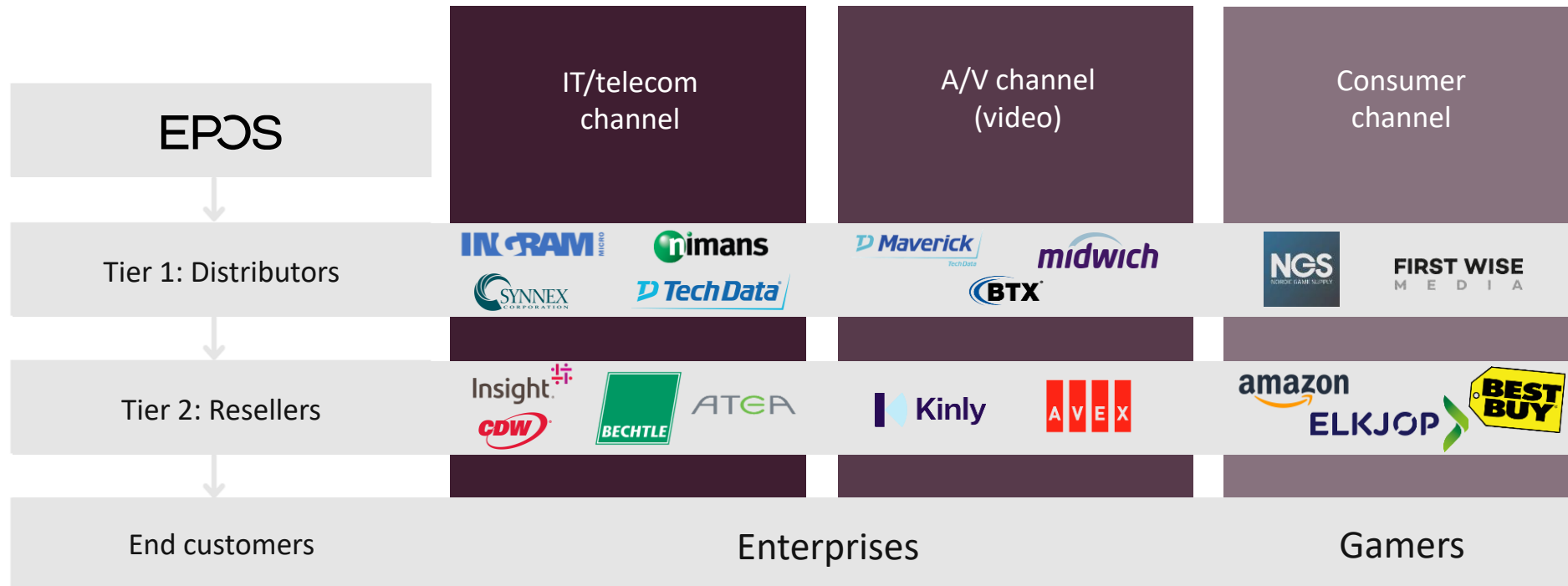
# EPOS Gaming Suite

Put on your wireless GSP 670 or GSP 370 gaming headset or use the GSX 300 external sound card to listen to the difference in the sound as you tweak the audio settings in the EPOS Gaming Suite.



# EPOS sales channel structure

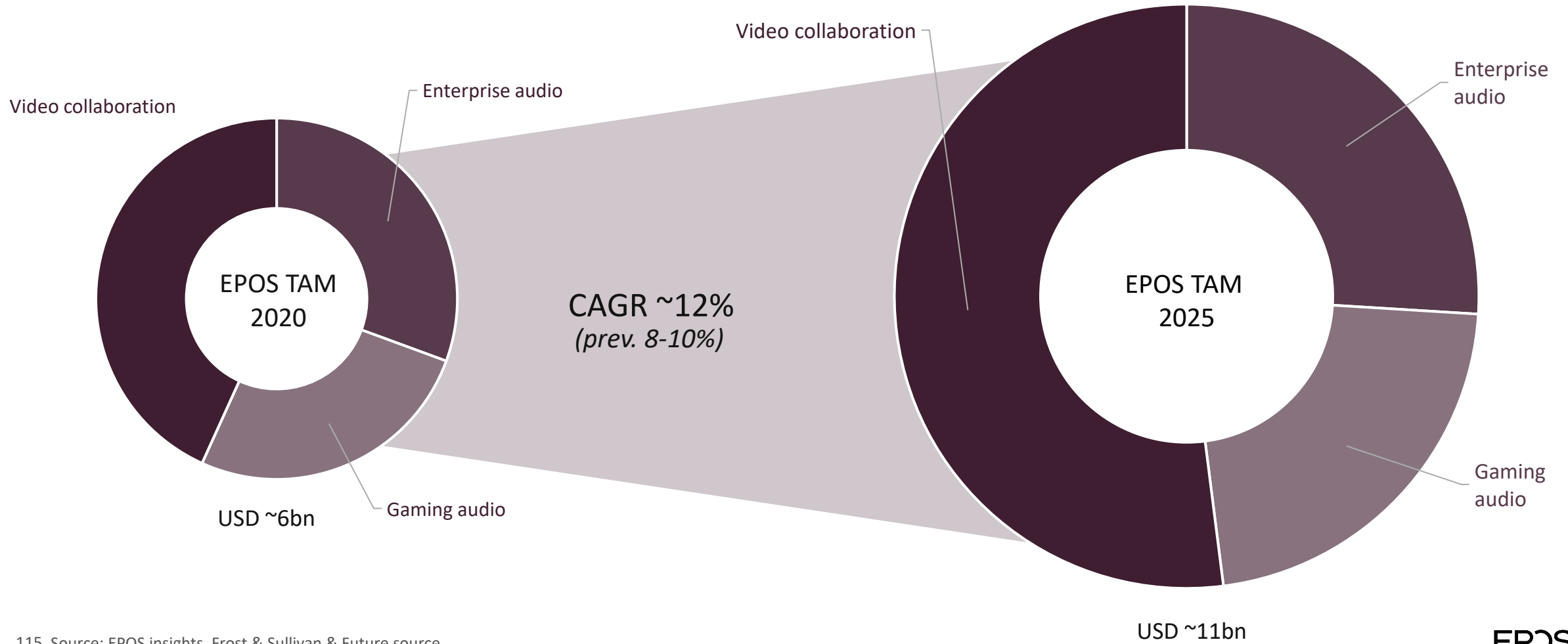
We maintain a diversified channel set-up



# Attractive market fundamentals

# Attractive market growth

Attractive medium- to long-term market fundamentals in place



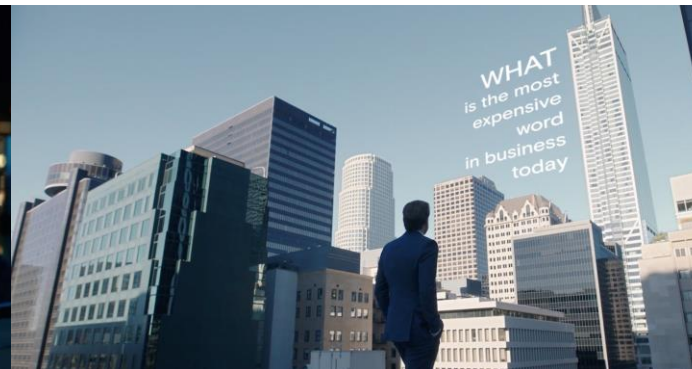
# Trends in Enterprise Solutions

UC&C adoption

Hybrid working  
and open offices

Virtual meetings  
(huddle rooms,  
small and mid-sized  
meeting rooms)

Multiple devices  
and platforms



# Trends in Gaming

Better global access to high speed internet

Gamer engagement and communities on the rise and average age of gamers increasing

Socialisation and collaboration becoming bigger part of gaming

E-sports and gaming as entertainment growing



# Highly dynamic market environment in 2020 and 2021

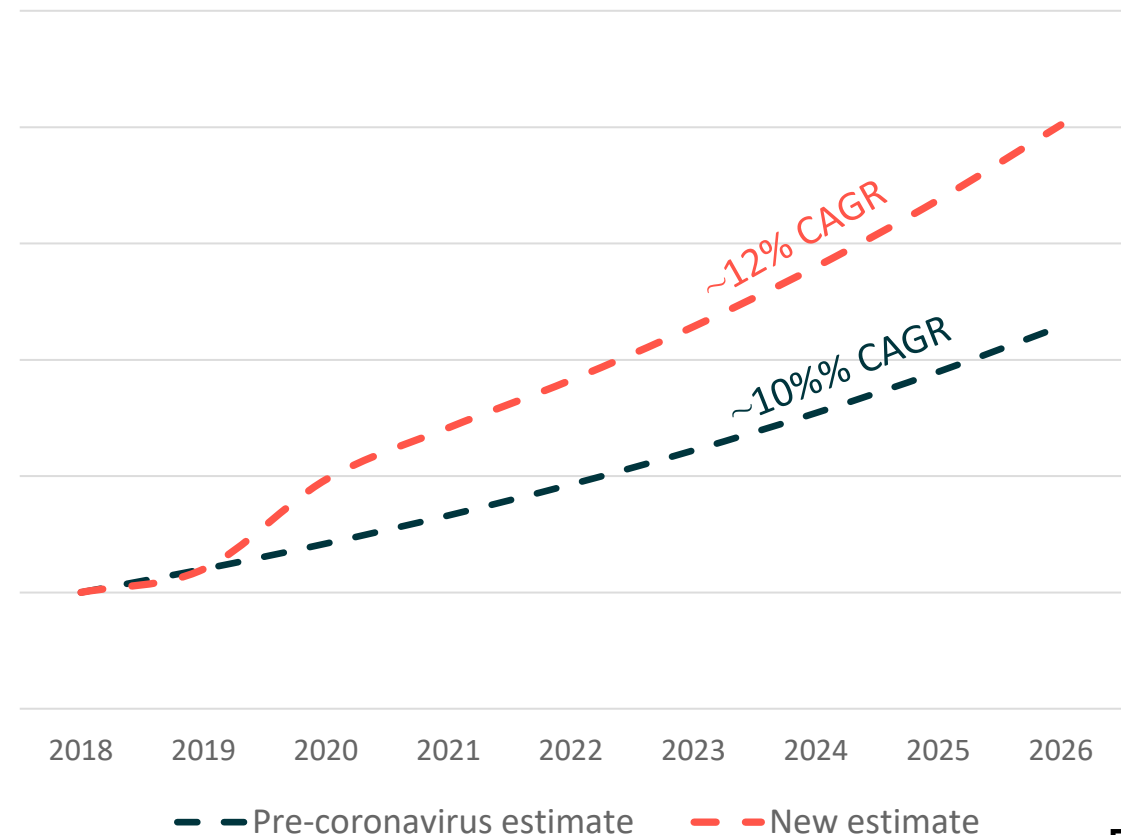
## 2020

- Strong momentum driven by working-from-home trend, especially in EMEA
- Segment of low-priced wired headsets was the main growth driver
- Strong demand for gaming headsets

## 2021

- EMEA slowdown due to back-to-office timing uncertainties
- Product trend moving towards wireless and meeting rooms
- Importance of video has become evident

Development in addressable market  
(illustrative)



# Current situation and strategic focus

# Short-term volatility and revenue slowdown impacting short-term profitability – back on growth track in 2022

## Revenue drivers in 2020

Significant boost in demand due to working-from-home trend

Supply-driven market

Segment of entry-level wired headsets was the main growth driver

Strongest growth in EMEA

## Challenges in 2021

Headset market conditions normalising, but enterprise solutions projects postponed due to coronavirus uncertainties

EPOS still in transition phase – brand not fully established

Low exposure to high-growth market for video solutions

Low exposure to the US – the fastest growing region



We expect revenue in H2 2021 to decline by more than 10% compared to H1



We expect EBIT in H2 2021 to be negative by DKK 50-100 million



We expect to be back to above-market revenue growth in 2022



We expect to deliver positive EBIT in 2023 despite investments



# Significant room for gaining market share

## Market

Enterprise headsets
Gaming headsets
Video conferencing

## Characteristics

Consolidated
Fragmented market
Transforming market

## EPOS positioning

#3 with 7% market share. Relatively higher exposure to EMEA and lower to Americas and APAC
Low single-digit overall market share but focusing on premium part of the market
Entering the market with focus on audio/video bars

Our winning aspiration

“We want to become the preferred premium audio brand in Enterprise Solutions and Gaming”

# How to win Enterprise Solutions

Perfecting end-to-end solution selling with relevant portfolio

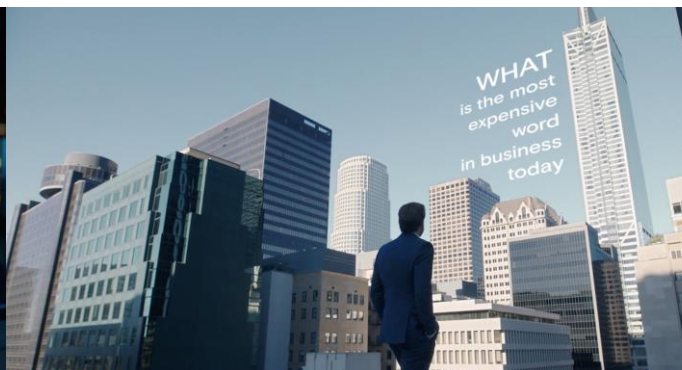
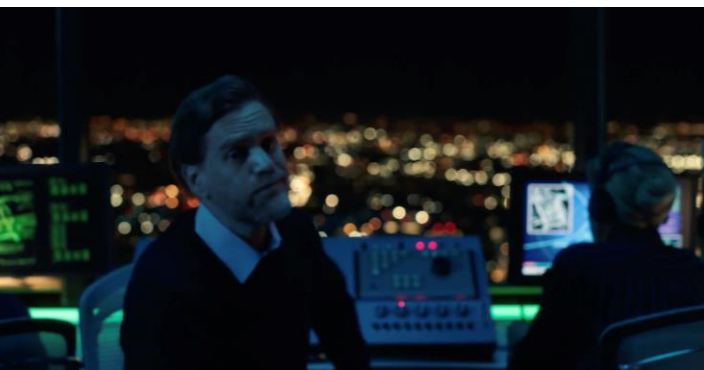


Full product portfolio with distinct premium brand position

Focused strategic partnerships for a full IT eco-system approach

Global impact and deliver premium in all aspects

Dedicated sales and marketing team and selective distribution



# Rationale for entering video space

Attractive growth with strong fundamental drivers

- Market growth boosted by coronavirus

Video considered natural portfolio extension for EPOS

- Important for being relevant to customers and partners

All-in-one (on device computing) is a new segment

EPOS well positioned to deliver growth

- Strategic partnership with Solaborate
- No cannibalisation of legacy products
- Audio competencies from headsets and speakerphones
- Global sales team in place
- Relationships established with strategic alliance partners





# How to win Gaming

Premium products, distinct brand position and distribution focus



Premium products with distinct premium brand position



Build legitimacy and relevance to our target audience



Global impact and deliver premium in all aspects



EPOSAUDIO.COM

Dedicated sales team and streamline focused distribution



# Summary

# EPOS finalising the transition and positioning for future growth

## Joint venture mode (2003 - 2019)

- Stable growth
- Market share gains
- Low investment level
- Positive profitability

## Transition mode (2020 – 2022)

- Volatile growth
- Stable market share
- Accelerated investment level
- Negative profitability

## Future mode (2023 - )

- Stable growth
- Market share gains
- Balanced investment level
- Positive and growing profitability



# EPOS set for future success

Proven track record  
and strong  
foundation for  
future growth

Attractive market  
outlook, including  
strong growth in  
video

Clear strategic  
focus on growing  
faster than  
the market

Gradually improve  
profitability while  
investing in growth



EPOS

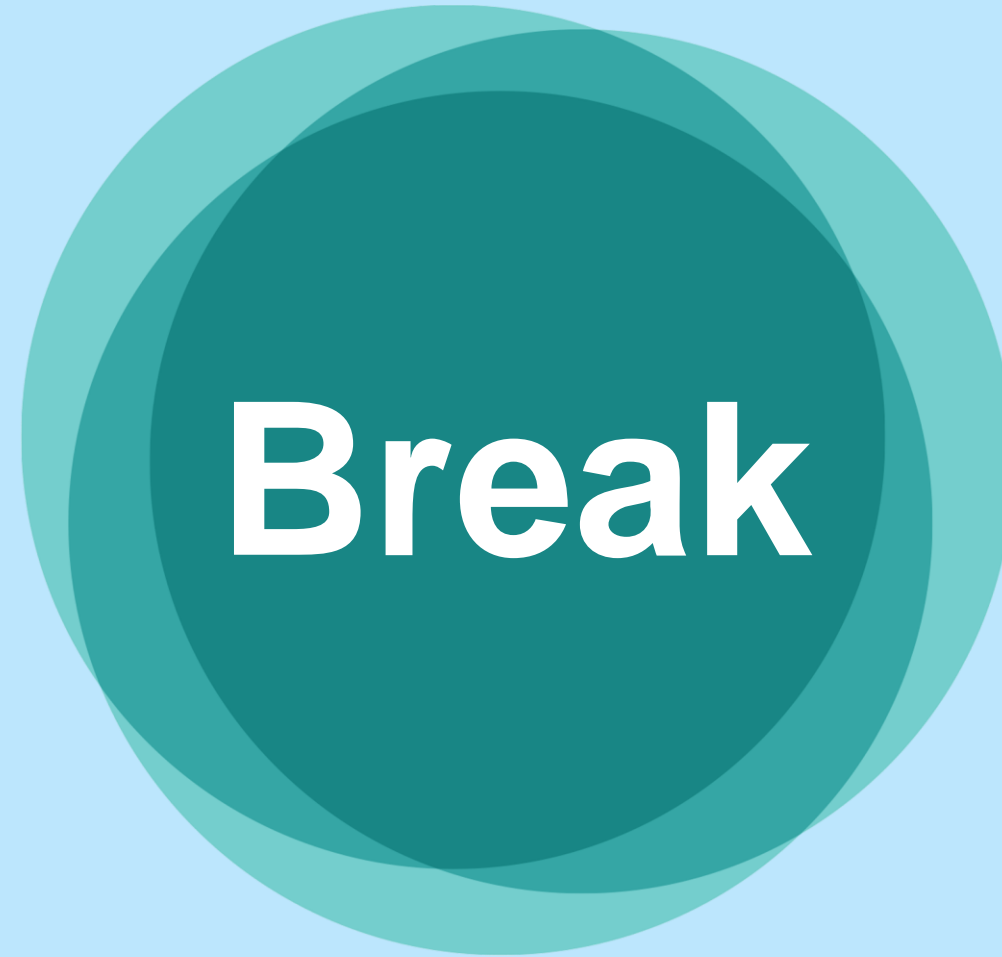
THE POWER OF AUDIO

# Q&A

EPOS

# Agenda

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17.25	Concluding remarks	Mathias Holten Møller



**Up next (16:15 CET):**

Sustained growth with potential for margin expansion presented by René Schneider

# Agenda

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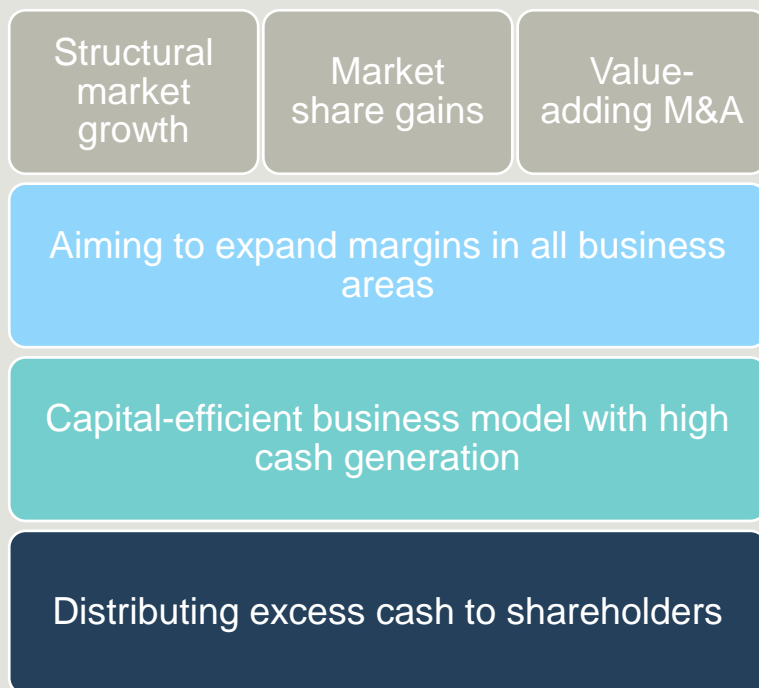
# Demant

## Sustained growth with potential for margin expansion

René Schneider, CFO



# Our value proposition 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

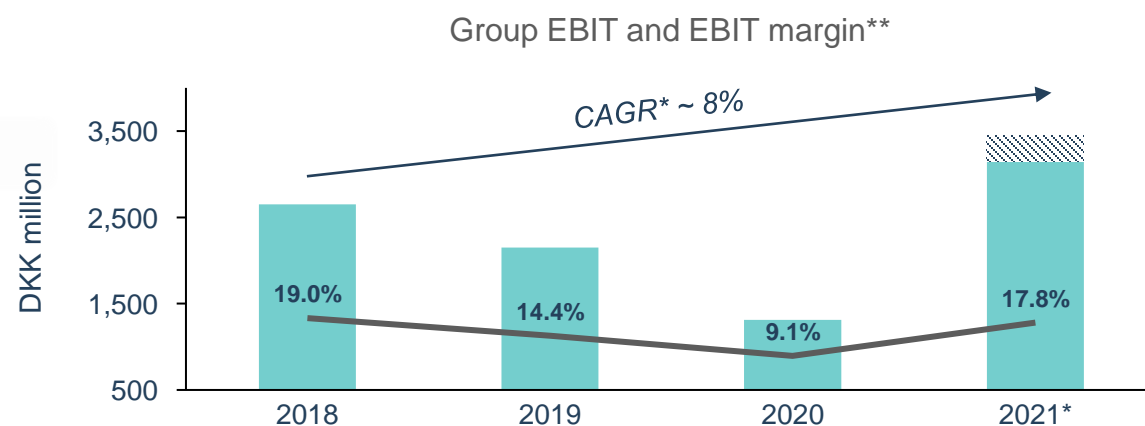
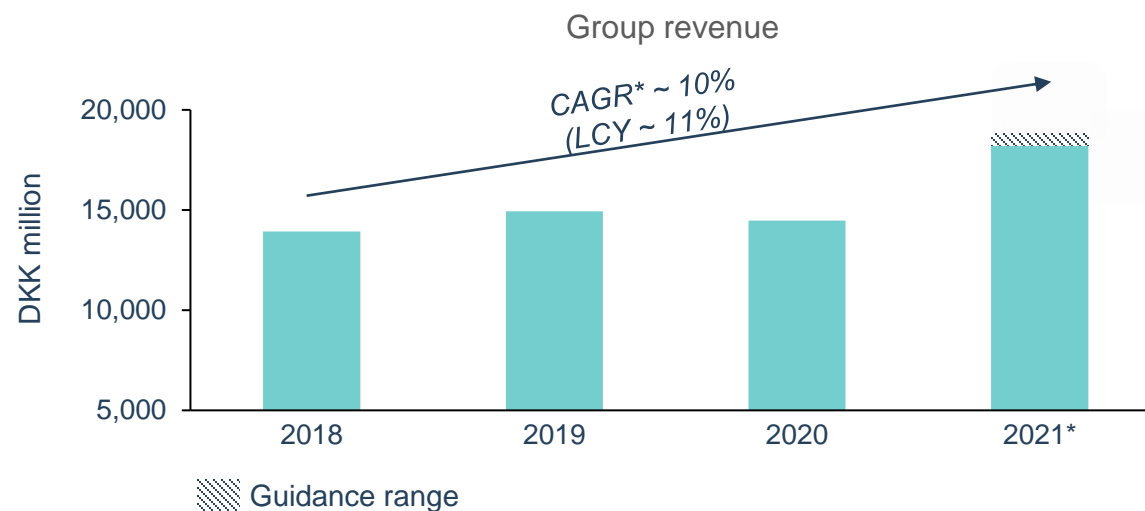


# In a strong position after challenging years

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**



\* 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

# Building on track record of solid growth

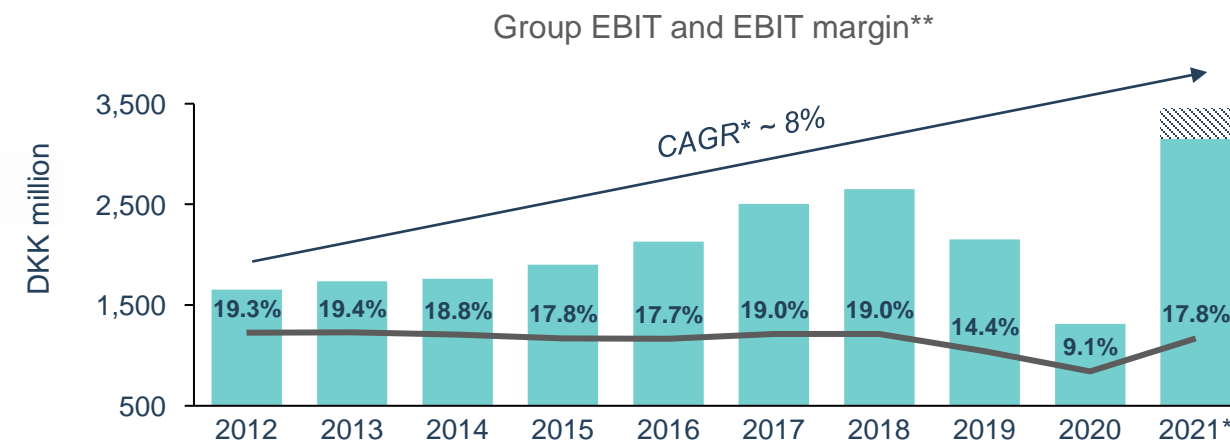
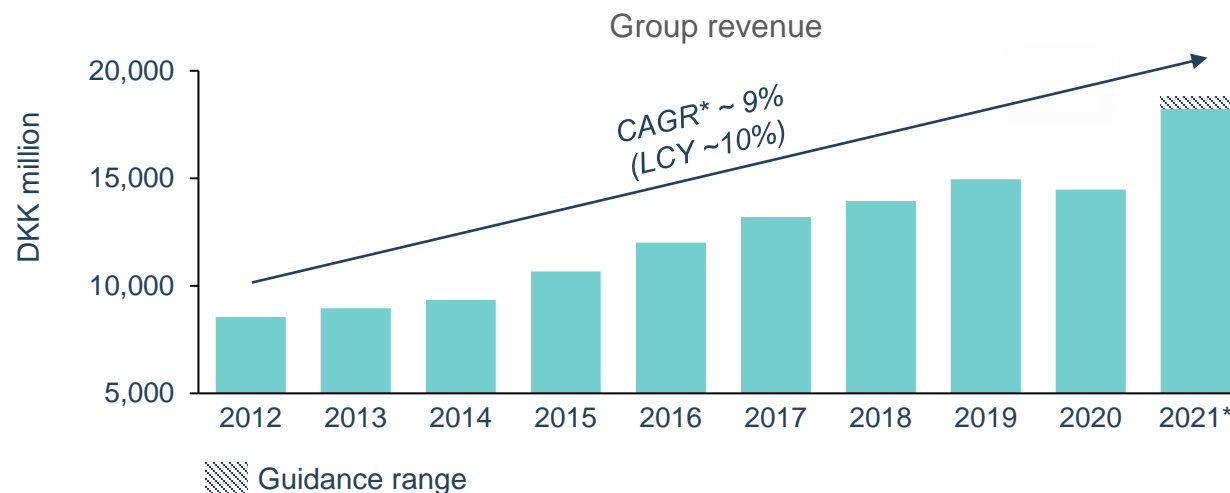
On track to deliver revenue growth of 10% p.a. in local currencies since 2012



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

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

# 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)

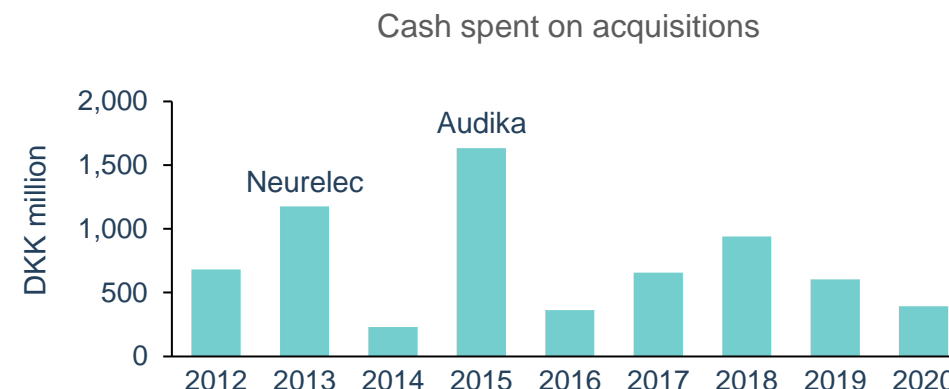
# Attractive and stable structural growth

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

	Hearing Healthcare	Communications
<b>Medium- to long-term outlook</b>	Market value growth: ~4% p.a. <b>Demant organic growth: At least 5% p.a.</b>	Market value growth: ~12% p.a. <b>Demant organic growth: At least 12% p.a.</b>
<b>Growth drivers</b>	<ol style="list-style-type: none"> <li>1. Demographics driving stable volume growth</li> <li>2. 1-2% ASP decline in hearing aids due to geography and channel mix</li> <li>3. Aiming for market share gains in all business areas</li> <li>4. Potential for release of pent-up demand in the short term</li> </ol>	<ol style="list-style-type: none"> <li>1. Increasing UC&amp;C adoption, hybrid working and open offices</li> <li>2. Growth in e-sports and gaming and increased in-game collaboration</li> <li>3. Significant room to grow, including in emerging video segment</li> <li>4. Coronavirus has greatly accelerated the hybrid working trend</li> </ol>
<b>Market dynamics (illustrative)</b>	<p>Hearing aid market (volume)</p> <p>2018 2019 2020 2021 2022 2023 2024 2025 2026</p> <p>— Normalised    ..... High pace    — Medium pace    - - - Low pace</p>	<p>Communications addressable market (value)</p> <p>2018 2019 2020 2021 2022 2023 2024 2025 2026</p> <p>— Pre-coronavirus estimate    - - - New estimate</p>

# 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\*



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

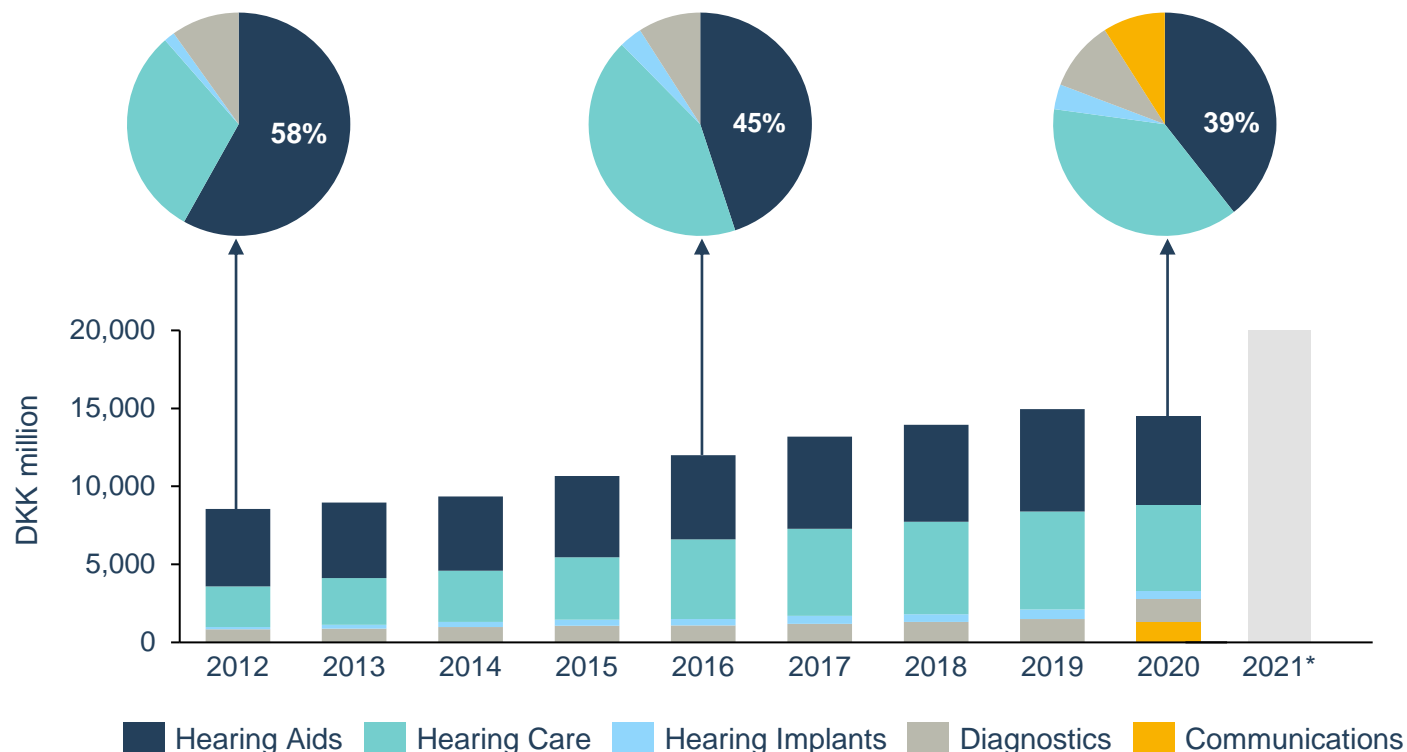
» In line with historical levels, we expect bolt-on acquisitions to add 1-2% growth per year for the Group

\* 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

Revenue and revenue share by business area



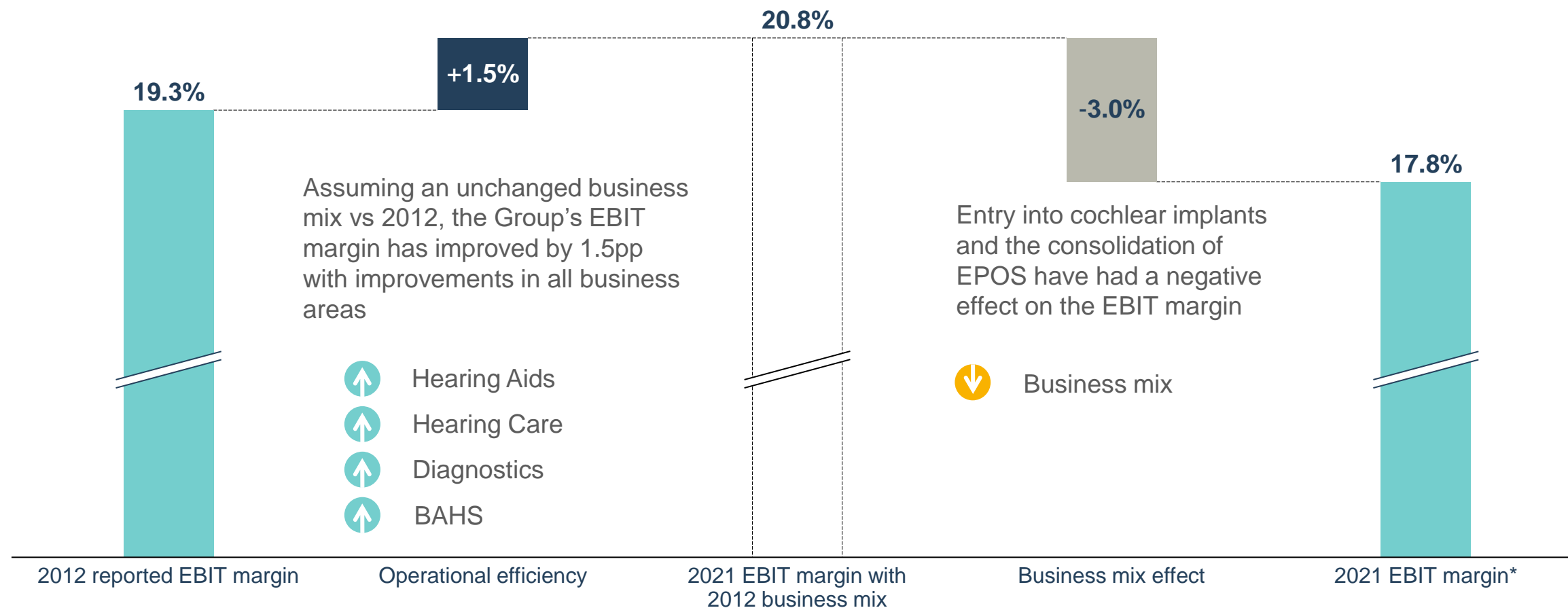
The Group's business mix has changed significantly over the years driven by:

- 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

# Underlying margin expansion more than offset by business mix change

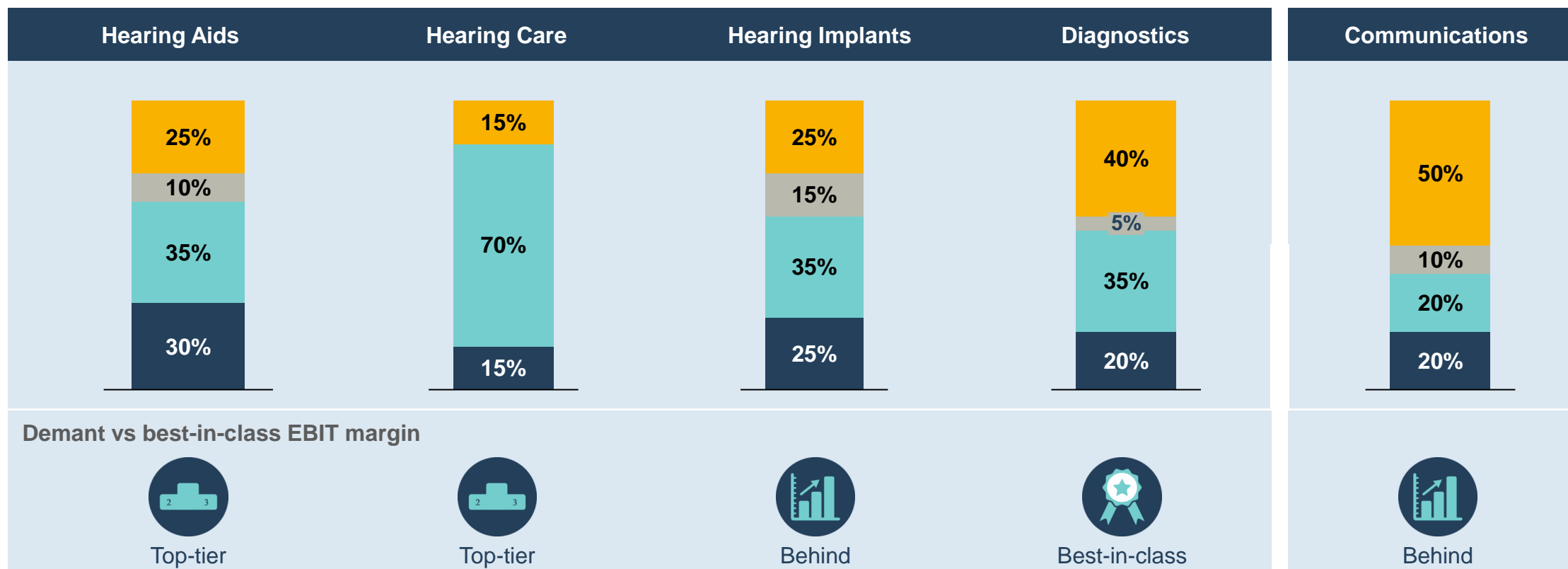


\* 2021 based on mid-point of guidance range

# 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				
<p><b>Demant vs industry's best-in-class EBIT margin</b></p> <p><b>Top-2 margin drivers</b></p> <p><b>Potential for EBIT margin improvements</b></p>	<p><b>Hearing Aids</b></p>  <p>Top-tier</p>	<p><b>Hearing Care</b></p>  <p>Top-tier</p>	<p><b>Hearing Implants</b></p>  <p>Behind</p>	<p><b>Diagnostics</b></p>  <p>Best-in-class</p>
	<ol style="list-style-type: none"> <li>1. Market share gains through innovation that ensures high-value products and frequent product launches</li> <li>2. Efficiency drivers in the supply chain</li> </ol>	<ol style="list-style-type: none"> <li>1. Increased scale and brand leverage within each market</li> <li>2. Efficient digitalisation and use of data at global level to increase productivity</li> </ol>	<ol style="list-style-type: none"> <li>1. Sustained market share gains in high-value markets, including CI entry in the US</li> <li>2. Gradual expansion of install base driving recurring upgrade sales</li> </ol>	<ol style="list-style-type: none"> <li>1. Growth in the service business</li> <li>2. Increased scale across R&amp;D, operations and distribution</li> </ol>
	Incremental	Incremental	Transformative	Incremental

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

Communications	
Demant vs industry's best-in-class EBIT margin	<p><b>EPOS</b></p>  <p>Behind</p>
Top-2 margin drivers	<ol style="list-style-type: none"> <li>Expanded product portfolio and global reach to drive revenue growth</li> <li>Fully establishing EPOS as a premium brand for both audio and video solutions</li> </ol>
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

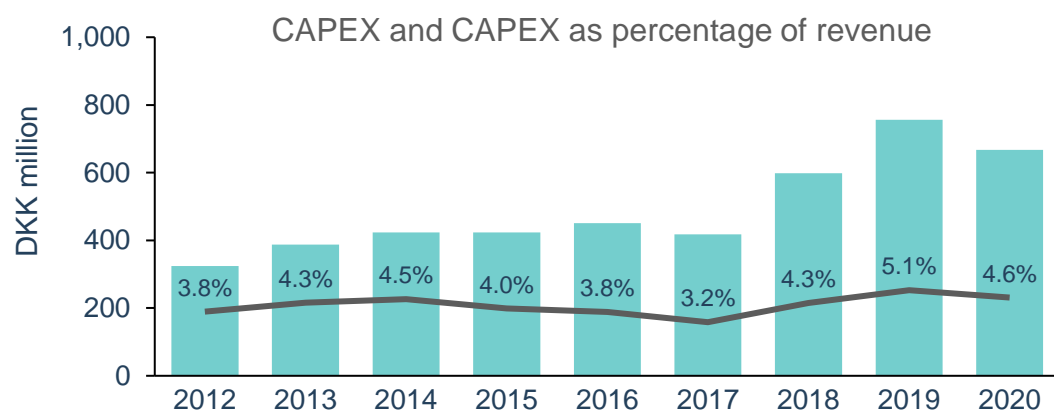
Period	H1 21	H2 21	FY 22	FY 23	Beyond
Revenue	621	Decline by more than 10% sequentially	Above-market growth		
EBIT	-44	Negative by DKK 50-100 million	Slightly negative	Slightly positive	Steadily improving margin

# CAPEX, gearing and capital allocation

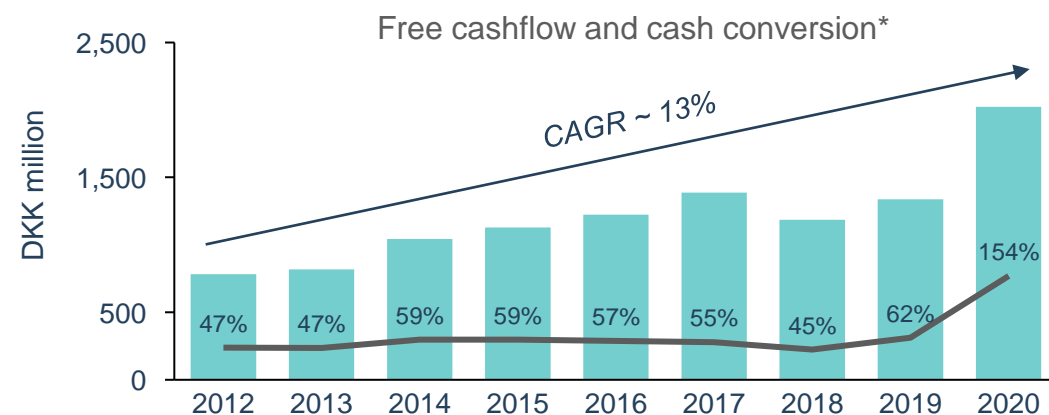


# Operating a capital-efficient business model with high cash flow generation

- 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



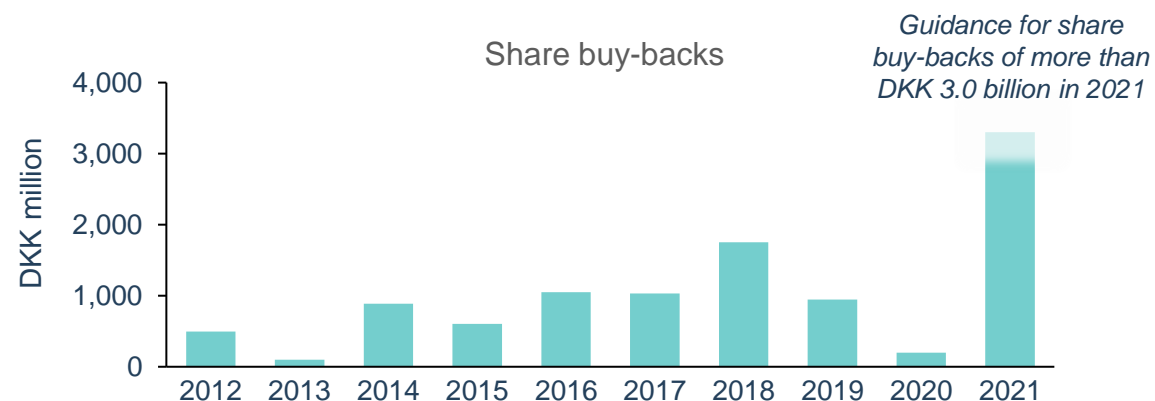
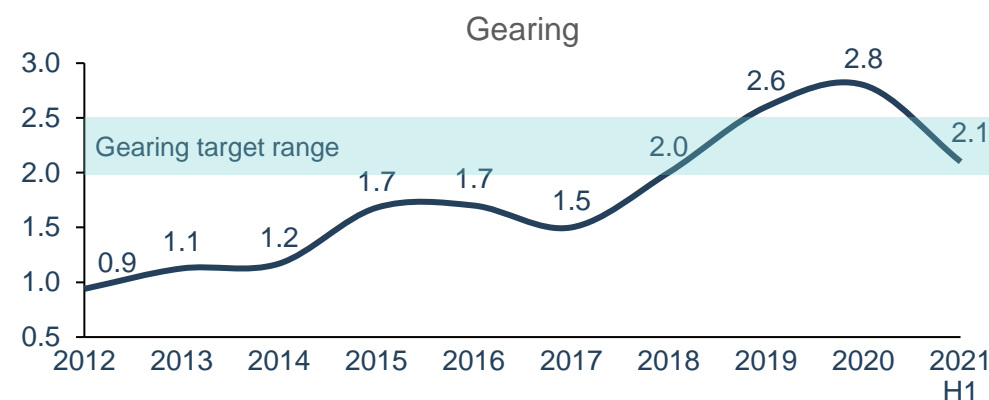
- Profit growth and continued capital efficiency to deliver growth in free cash flow and sustained cash conversion
- Free cash flow in 2020 positively impacted by tight working capital management and postponement of certain tax payments



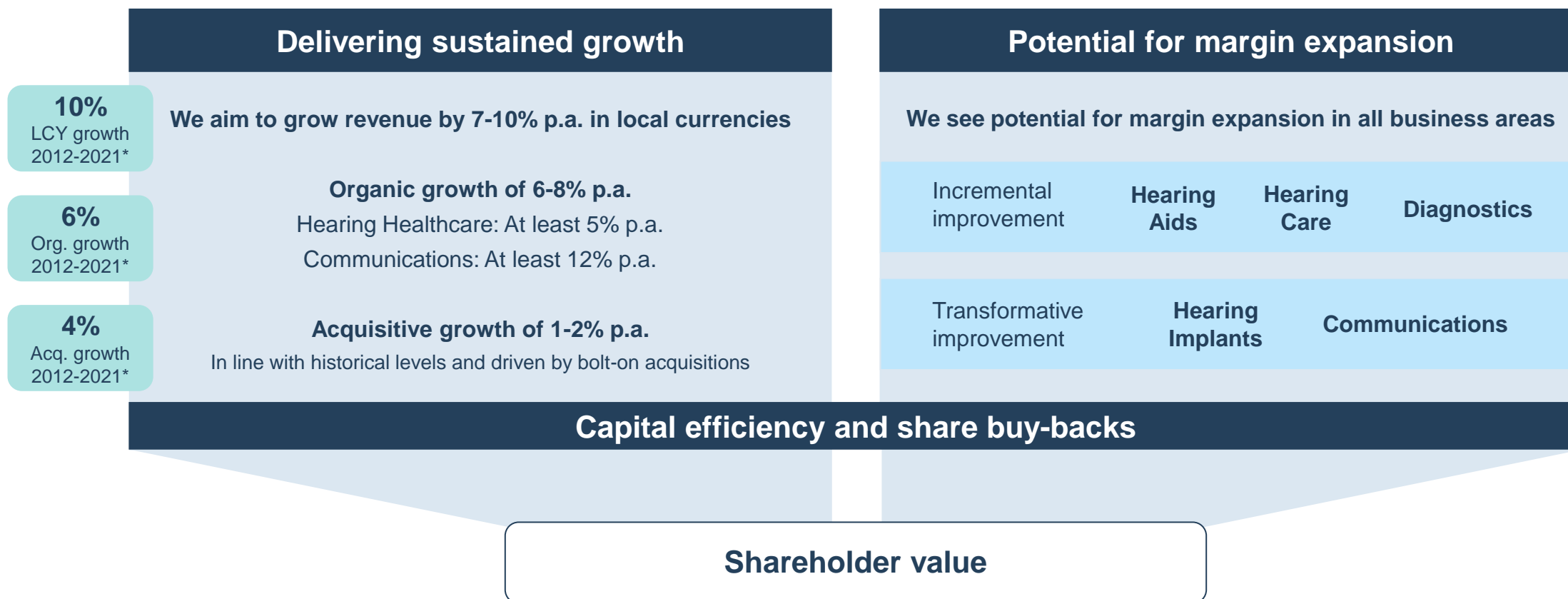
\* Cash conversion calculated as free cash flow relative to adjusted EBIT

# 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



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

# Demant

Demant

Founded on care  
Focus on health  
Share

Life-changing hearing health

# Q&A



# Agenda

Time (CET)	Topic	Presenter
11.00	Welcome	Mathias Holten Møller
11.10	Delivering sustained growth post coronavirus	Søren Nielsen
12.00	Q&A	
12.15	Audiological leadership through BrainHearing	Thomas Behrens
12.35	Q&A	
12.45	Lunch	
13.45	A transformational journey in Hearing Care	Niels Wagner
14.30	Q&A	
14.45	EPOS: Becoming the preferred premium audio brand	Jeppe Dalberg-Larsen
15.30	Q&A	
15.45	Break	
16.15	Sustained growth with potential for margin expansion	René Schneider
17.00	Q&A	
17.25	Concluding remarks	Mathias Holten Møller



# Demant

For those joining us for dinner, pre-dinner drinks are served at 7pm at:

**NO. 2**

Nicolai Eigtvedsgade 32  
Christianshavn  
1402 København K

Walk: ~20 minutes  
Taxi: ~10 minutes



# Thank you