

Interim Management Statement

7 November 2023

Søren Nielsen, President & CEO
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Investor Relations

Agenda

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Key events in Q3 2023



Continued very strong growth in Hearing Aids, with sustained market share gains across markets and channels



Solid performance in Hearing Care and Diagnostics, despite weaker-than-expected market dynamics in China



Communications continued to see negative growth as the markets for both enterprise solutions and gaming remained challenging



Decision made to sharpen focus on Enterprise Solutions within Communications and to gradually wind down Gaming



Divestment of CI business continues to progress but is now expected to close in H1 2024. BAHS business will remain with the Group for now, pending review of strategic options



Key financial take-aways for Q3 2023

Organic growth of 13% driven by sustained market share gains in Hearing Healthcare

13%

Group **organic growth** of 13% in Q3 driven by Hearing Healthcare



Hearing Healthcare: Organic growth of 14% driven by continued very strong performance in Hearing Aids



Communications: Organic growth of -20%, reflecting continued weak market developments in both gaming and enterprise solutions



Gross margin in line with expectations and improving vs. H1 despite significant sequential decline in Communications



EBIT in line with expectations as material operating leverage in Hearing Healthcare offset larger-than-anticipated negative one-off effects related to wind-down of gaming



Outlook for 2023 narrowed:

Organic revenue growth: 12-13% (prev. 11-14%)

EBIT: DKK 4,050-4,350 million (prev. DKK 4,000-4,400 million)

Business area (DKK million)	Revenue		Growth				
	Q3 23	Q3 22	Org.	Acq.	LCY	FX	Rep.
Hearing Aids, total revenue	2,924	2,446	21%	0%	21%	-1%	20%
Hearing Aids, internal revenue	-494	-470	4%	5%	9%	-4%	5%
Hearing Aids, external revenue	2,430	1,976	25%	-1%	24%	-1%	23%
Hearing Care	2,152	2,018	6%	6%	12%	-5%	7%
Diagnostics	625	613	6%	2%	8%	-6%	2%
Hearing Healthcare	5,207	4,607	14%	2%	17%	-4%	13%
Communications	196	256	-20%	0%	-20%	-4%	-23%
Group	5,403	4,863	13%	2%	15%	-4%	11%

Hearing Healthcare

The hearing aid market in Q3 2023

Unit growth in Q3 2023 vs Q3 2022

- In line with our expectations, we estimate that overall unit growth was 8% in Q3 2023
- Compared to Q2, growth accelerated primarily as a reflection of soft comparative figures – when compared to pre-pandemic levels, global growth developed in line with the structural growth rate

Geographical unit growth:

- Growth in **Europe** was solid, predominantly driven by very strong growth in the NHS, although the UK commercial market also grew. In Germany, growth was slightly positive, whereas France saw negative growth
- Growth in **North America** was strong, driven by the US commercial market. Unit growth continues to be driven by managed care and large chains growing faster than the independent market
- **Rest of world** growth was solid. Growth in Japan was strong, whereas in China, growth decelerated, although we estimate that it remained slightly positive. Growth in Australia was negative

Unit growth*	2023			
	Q1	Q2	Q3	YTD
Europe	4%	-4%	7%	2%
North America	9%	5%	11%	8%
US (commercial)	9%	5%	12%	9%
US (VA)	9%	4%	4%	6%
Rest of world	9%	10%	7%	9%
Global	7%	3%	8%	6%
CAGR vs. 2019	5%	5%	5%	5%

We estimate that due to geography and channel mix changes ASP development was slightly negative



Hearing Aids

Comments

- Very strong performance due to sustained market share gains
- Exceptional organic growth of 25% in sales to external customers
- Broad-based commercial momentum boosted by successful launches of new premium hearing aids in Q1, including Oticon Real
- Growth in Q3 was primarily unit driven, while the ASP development was slightly positive

Europe

- Strong performance in Germany and the UK
- Slightly positive growth in France
- Good performances by many other markets

North America

- Strong growth and market share gains across channels in both the US and Canada
- Continued positive traction with chains

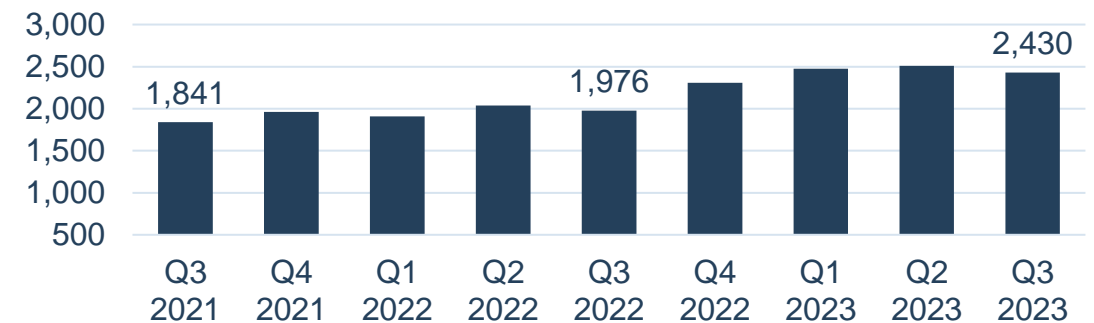
Asia/Pacific/RoW

- Strong growth in Asia driven by Japan
- Negative growth in Pacific region
- Strong growth in many RoW countries

Revenue and growth

Revenue (DKK million)			Growth				
	Q3 23	Q3 22	Org.	Acq.	LCY	FX	Rep.
Hearing Aids	2,924	2,446	21%	0%	21%	-1%	20%
Internal sales to Hearing Care	-494	-470	4%	5%	9%	-4%	5%
Sales to external customers	2,430	1,976	25%	-1%	24%	-1%	23%

Revenue by quarter





Hearing Care

Comments

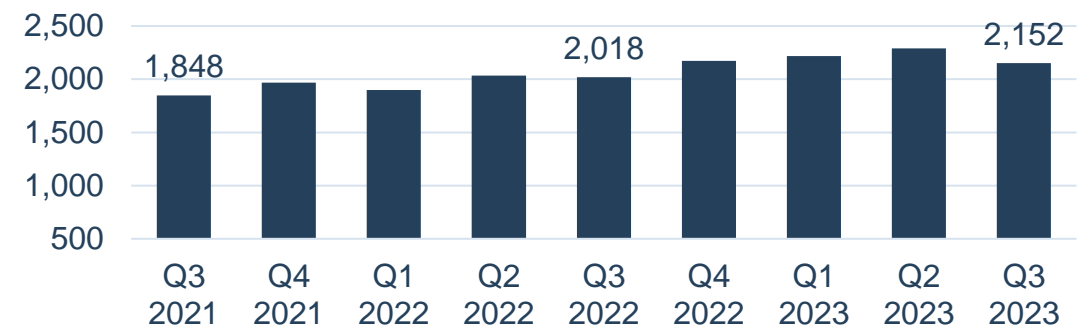
- Continued good momentum in most of our medium-sized markets
- Organic growth in France slightly negative due to negative market growth, as it continues to normalise post-reform
- Positive contribution from acquisitions, primarily from Germany
- Organic growth primarily driven by unit growth but also slight tailwind from an increasing ASP

Europe	North America	Asia/Pacific/RoW
<ul style="list-style-type: none">• Positive development in several markets, particularly Poland and the UK• Growth rate in France slightly negative but above market growth rate	<ul style="list-style-type: none">• Positive growth driven by the US• Slightly positive growth in Canada	<ul style="list-style-type: none">• Weaker-than-expected growth in China due to weak market dynamics, but still positive• Slightly positive growth in Australia

Revenue and growth

Revenue (DKK million)	Q3 23	Q3 22	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Care	2,152	2,018	6%	6%	12%	-5%	7%

Revenue by quarter



Diagnostics



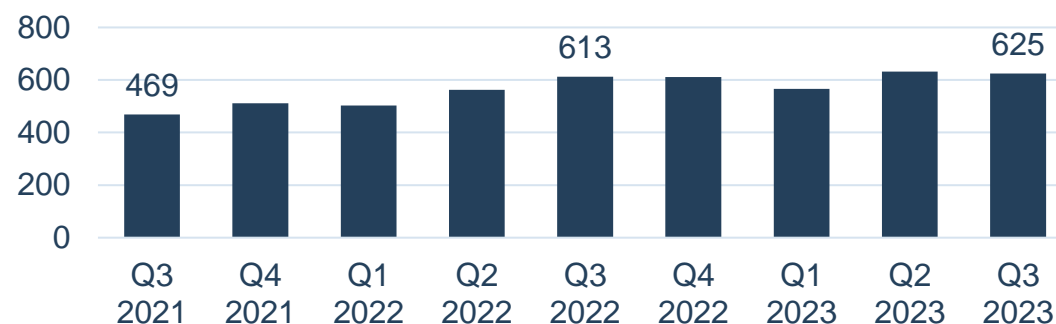
Comments

- We estimate that in Q3, the market grew in line with the estimated structural growth rate of 3-5%, albeit likely at the low end due to weak market momentum in China
- Growth driven by Europe, where we saw good performance in several markets, as well as by the US
- Negative growth in Asia due to weak market dynamics in China
- Growth was mainly driven by our service business, which performed strongly, but instruments for balance testing and audiometers also performed well

Revenue and growth

Revenue (DKK million)	Q3 23	Q3 22	Growth				
			Org.	Acq.	LCY	FX	Rep.
Diagnostics	625	613	6%	2%	8%	-6%	2%

Revenue by quarter



Demant

Communications





Communications

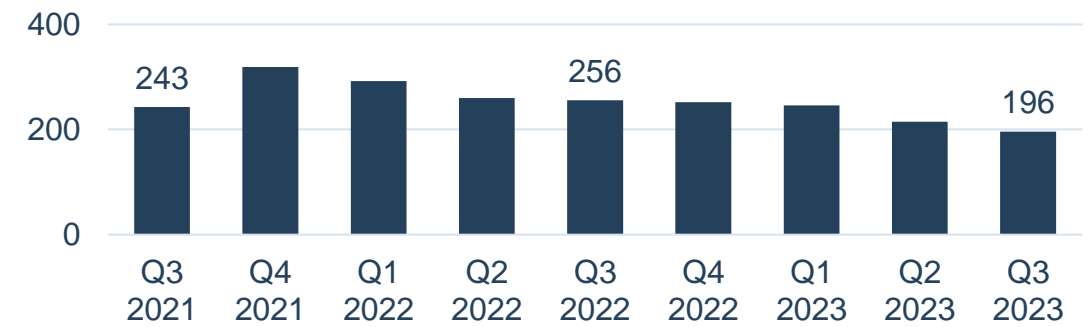
Comments

- After a weak H1, we estimate that the market growth for gaming headsets and enterprise solutions continued to be negative in Q3
- **Enterprise Solutions** (approx. 85% of revenue) saw organic growth of -24%, as we continued to be impacted by material hesitation to buy among end-customers, a factor we expect will continue throughout H2
- **Gaming** (approx. 15% of revenue) saw slightly positive organic growth but profitability was impacted by very significant promotional activities to reduce inventories following the decision to gradually wind down the business

Revenue and growth

Revenue (DKK million)	Q3 23	Q3 22	Growth				
			Org.	Acq.	LCY	FX	Rep.
Communications	196	256	-20%	0%	-20%	-4%	-23%

Revenue by quarter



Sharpened focus on Enterprise Solutions



Decision made to sharpen our focus on Enterprise Solutions, which continues to show highly attractive long-term growth potential. As a part of this, we will gradually wind down Gaming as announced on 29 August 2023



We expect the Gaming wind-down to have an additional negative one-off EBIT impact of DKK 50-100 million in H2 due to the clearing of inventories at lower-than-anticipated sales prices



Focus on solidifying our position in Enterprise Solutions in target markets by strengthening our product portfolio and expanding distribution partnerships.



EPOS has entered strategic agreement with Lenovo to provide high-quality audio solutions for business professionals allowing EPOS to leverage Lenovo's strong distribution network with presence in over 180 countries. The agreement will have limited impact in 2023 but we expect positive contribution in 2024

Period	H1 23	H2 23	FY 2024
Gross margin	33.8%	Significantly down vs H1 23	Up vs H1 23
OPEX	DKK 304 million	Slightly down vs H1 23	Around DKK 450-500 million
EBIT	DKK -148 million	More negative vs H1 23	Less negative vs FY 2023



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Outlook for 2023

Outlook for 2023 narrowed

Guidance narrowed to reflect reduced overall uncertainty

*Key outlook assumptions below**

Market

- Unit growth rate in the global hearing aid market slightly above the structural growth rate of 4-6%
- Negative contribution from ASP declines around the normal level of 1-2% due to mix effects
- We expect the weak momentum in the markets for enterprise solutions and gaming headsets to continue throughout 2023

Demant Group

- **Communications:** Negative organic growth and EBIT more negative than level in 2022, as lower revenue and gross margin are only partly offset by cost savings already implemented. **Wind-down of Gaming activities expected to have additional negative one-off impact on the Group's EBIT in H2 of DKK 50-100 million**
- **Slightly higher than normal level of bolt-on acquisitions, but a number of acquisitions planned for completion in 2023 are now expected to close in 2024**
- Grow the Group's OPEX less than revenue through focused cost control in order to support margin improvement

Discontinued Operations

- **Divestment of CI business expected to close in H1 2024. BAHS business will remain with the Group for now, pending review of strategic options**

Outlook for 2023

Metric	Current outlook
Organic	12-13% (prev. 11-14%)
Acquisitive	3% based on revenue from acquisitions completed as of 6 November 2023
FX	-1% based on FX rates as of 6 November 2023 and including the impact of hedging (prev. -2%)
EBIT	DKK 4,050-4,350 million (prev. DKK 4,000-4,400 million)
Net financials	Negative by around DKK 700 million
Effective tax rate	24-25%
Gearing	Gearing (NIBD/EBITDA) at the end of 2023 within our medium- to long-term target of 2.0-2.5
Share buy-backs	May be resumed, subject to cash generation and the level of acquisitions completed
Profit after tax from discontinued operations	Negative by DKK 700-850 million

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The background of the slide is a photograph of a modern, multi-level office atrium. People are seen standing on various balconies and stairs, creating a sense of a busy, collaborative environment. The architecture features clean lines and glass railings.

Q&A

An aerial photograph of the Demant headquarters building, a large modern structure with a glass facade and a flat roof. The building is surrounded by green spaces, parking lots, and a residential area in the background. The sky is overcast.

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Capital Markets Day

Tuesday, 12 March 2024
Demant HQ

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8 Nov

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13 Dec

Copenhagen (Danske Bank)

Paris (Carnegie)

London (Morgan Stanley)

Brussels (Carnegie)

Frankfurt (Deutsche Bank)

London (UBS European Conference)

London (Jefferies Healthcare Conference)

Stockholm (SEB Healthcare Seminar)

Copenhagen (Danske Bank Winter Seminar)

Virtual (Exane BNP Paribas Hearing Aid Day)