



Annual Report 2023

6 February 2024

Søren Nielsen, President & CEO

René Schneider, CFO

Investor Relations

Agenda

01 **Highlights and key events**

02 **Hearing Healthcare**

03 **Communications**

04 **Group financial review**

05 **Outlook**

06 **Q&A**

Financial highlights in 2023

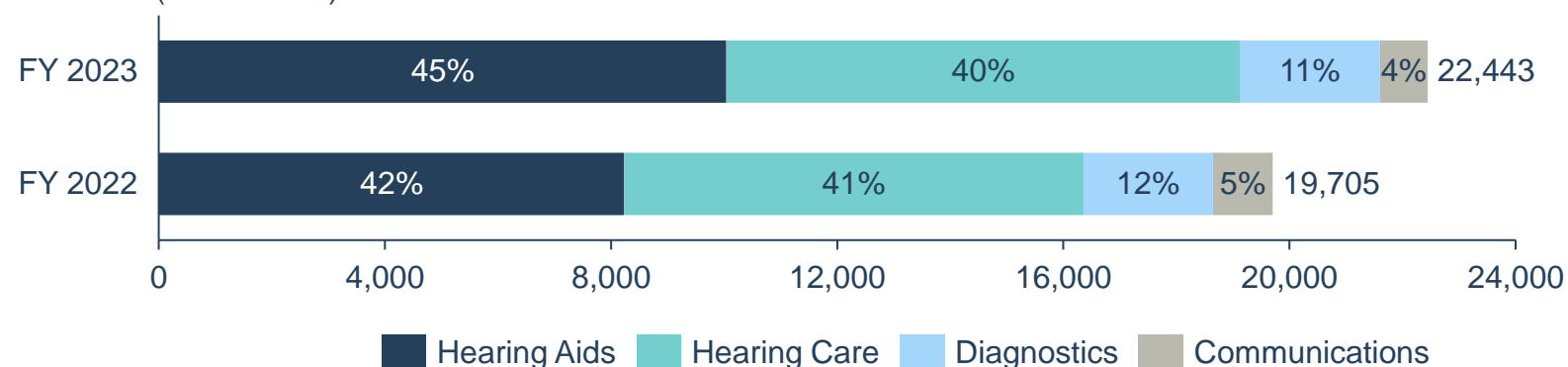
Revenue growth

12% organic

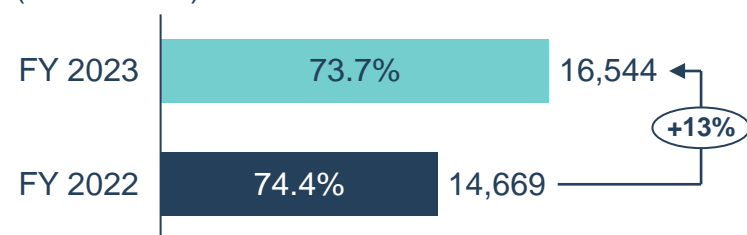
15% local currencies

14% reported

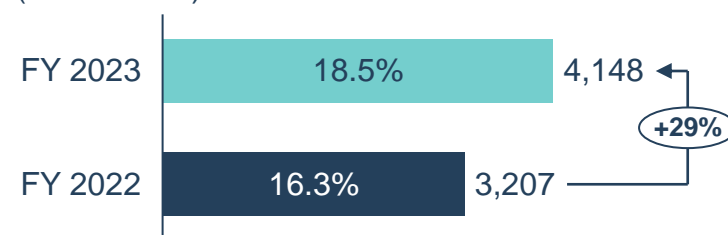
Revenue (DKK million)



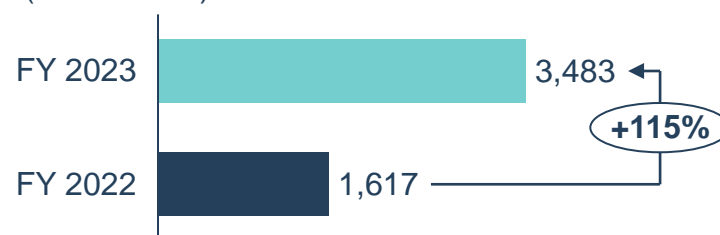
Gross profit (DKK million)



EBIT (DKK million)



Free cash flow (DKK million)



Key events in 2023



Very strong growth in Hearing Aids, with market share gains across many markets and channels supported by a solid market that has normalised after years of volatility



Solid performance in Hearing Care and Diagnostics, despite weaker-than-expected market dynamics in China, particularly in H2



Challenging markets in Communications but sharpened focus on Enterprise Solutions following the winding down of Gaming. Decision to undertake review of strategic options to explore if a different owner may better realise EPOS' full potential (announced on 5 February 2024)



Divestment of CI business continues to progress and is 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 H2 2023



Group: Organic growth of 11% in H2 (Q4: 10%) driven entirely by Hearing Healthcare



Hearing Healthcare: Organic growth of 13% (Q4: 12%) driven by particularly strong organic growth in Hearing Aids of 20% (Q4: 16%) in sales to external customers



Communications: Organic growth of -22% (Q4: -25%) with end to the year below expectations



OPEX: Organic growth of 4% reflecting continued investments in Hearing Healthcare and savings in Communications



EBIT: DKK 2,134 million, an increase of 32% and margin expansion of 3.0pp driven by material operating leverage in Hearing Healthcare



Outlook for 2024 (Hearing Healthcare):
Organic revenue growth: 4-8%
EBIT: DKK 4,600-5,000 million

(DKK million)	H2 2023	H2 2022	Change
Hearing Healthcare			
Revenue	10,907	9,700	12%
Organic growth	13%	5%	
Operating profit (EBIT)	2,344	1,748	34%
<i>EBIT margin</i>	<i>21.5%</i>	<i>18.0%</i>	
Communications			
Revenue	381	508	-25%
Organic growth	-22%	-13%	
Operating profit (EBIT)	-210	-129	n.a.
<i>EBIT margin</i>	<i>-54.9%</i>	<i>-25.4%</i>	
Group			
Revenue	11,288	10,208	11%
Organic growth	11%	3%	
Operating profit (EBIT)	2,134	1,619	32%
<i>EBIT margin</i>	<i>18.9%</i>	<i>15.9%</i>	

Sustainability advancements in 2023

13.3
million

Years of improved quality of life based on the number of hearing aids fitted in 2023 (12.2 million years in 2022)

15%

15% reduction in our Scope 1 and 2 CO2 emissions compared to 2022



Increase in women and gender balance in top-level management

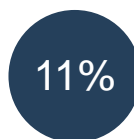
Key performance areas	2023	2022
Scope 1 and 2 CO2 emissions (tonnes CO2e) ¹	30,469	35,862
CEO remuneration ratio	48	39
Gender diversity, Board of Directors (women/men) ²	40/60%	40/60%
Gender diversity, all managers (women/men)	47/53%	44/56%
Gender diversity, top level management (women/men)	27/73%	23/77%

¹Figures in 2022 have been restated in order to account for new acquisitions.

²Shareholder elected members.

Hearing Healthcare

Hearing Healthcare in H2 2023



Strong **organic growth** of 11% (Q4: 10%), driven by particularly strong organic growth in Hearing Aids of 20% in sales to external customers



Gross margin increased slightly, supported by higher ASPs related to geography mix changes and success in the premium hearing aid channels



EBIT of DKK 2,344 million and EBIT margin of 21.5%, an increase of 3.5pp compared to H2 2022 driven by material operating leverage in Hearing Aids and supported by increased profitability in Hearing Care

(DKK million)	H2 2023	H2 2022	Growth
Revenue	10,907	9,700	12%
Production costs	-2,604	-2,338	11%
Gross profit	8,303	7,362	13%
<i>Gross margin</i>	76.1%	75.9%	
R&D costs	-619	-549	13%
Distribution cost	-4,828	-4,617	5%
Administrative expenses	-540	-513	5%
Share of profit after tax, associates	28	65	-57%
EBIT	2,344	1,748	34%
<i>EBIT margin</i>	21.5%	18.0%	

The hearing aid market in 2023

Estimated market unit growth:

- Global growth of 8% in H2 driven by the US commercial market
- Full-year growth of 7%, slightly above the structural growth rate of 4-6%, primarily due to the softer comparative base in H2 2022
- Overall, we consider the market to have largely normalised following several years of unusual volatility

Unit growth in Q4 by geography:

- **Europe:** Slightly negative growth in NHS after a strong year, but positive growth in Germany. In France, growth was slightly positive and showed signs of stabilisation
- **North America:** As expected, growth in the US commercial market accelerated due to low comparative figures, and Canada saw strong growth
- **Rest of world:** Very strong growth in China due to coronavirus in the comparative period but the market remains below expectations. In Australia, growth was slightly negative and export markets declined in the period

Unit growth*	2023				
	Q1	Q2	Q3	Q4	FY
Europe	4%	-4%	7%	2%	2%
North America	9%	5%	11%	16%	10%
US (commercial)	9%	5%	12%	19%	11%
US (VA)	9%	4%	4%	4%	5%
Rest of world	9%	10%	7%	10%	9%
Global	7%	3%	8%	8%	7%
CAGR vs. 2019	5%	5%	5%	4%	5%

We estimate that geography mix changes resulted in slight growth in the market's ASP for the year



Hearing Aids in Q4

Continued strong growth

Comments

- Growth in Q4 continued at very high level but decelerated slightly compared to previous quarters, primarily due to the annualization of increased sales to a large US customer, but also lower growth with certain other large accounts
- Growth in Q4 was primarily driven by ASP as success in the premium price segment drove positive mix effects

Europe

- Strong growth in France, well above market growth rate
- Solid growth in Germany
- Good performance in many other markets

North America

- Strong development in VA and sales in the US supported by strong market growth
- Very strong growth in Canada

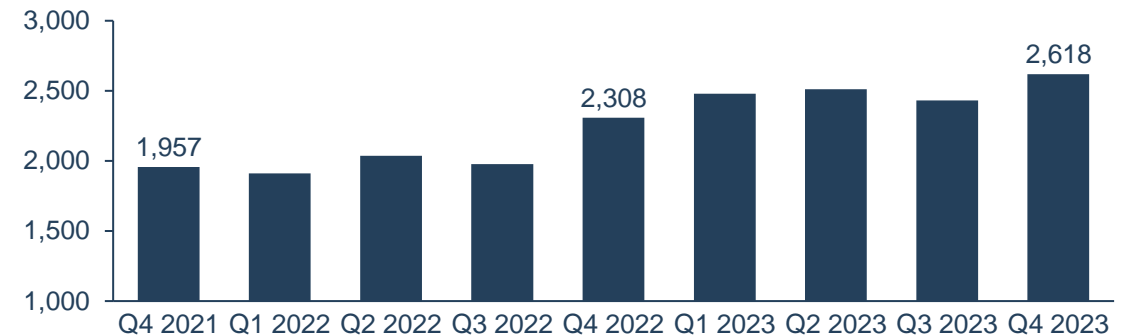
Asia/Pacific/Other

- Very strong growth in China due to low comparative figures, but the Chinese market remains below expectations
- Strong growth in Australia

Revenue and growth

Revenue (DKK million)	Revenue		Growth				
	Q4 23	Q4 22	Org.	Acq.	LCY	FX	Rep.
<i>Hearing Aids</i>	3,100	2,703	16%	0%	16%	-1%	15%
<i>Internal sales to Hearing Care</i>	-482	-395	18%	6%	24%	-2%	22%
Sales to external customers	2,618	2,308	16%	-1%	15%	-1%	13%

Quarterly revenue



Launch of all-new flagship hearing aid family: Oticon Intent

Oticon Intent™ introduces the world's first hearing aid with 4D Sensor technology, taking performance and user benefits of BrainHearing™ technology to the next level

2024
Oticon Intent™

360-degree
soundscape



2016

Oticon Opn™

Proactive
Feedback
technology



2019

Oticon Opn S™

Onboard
Deep Neural
Network



2020

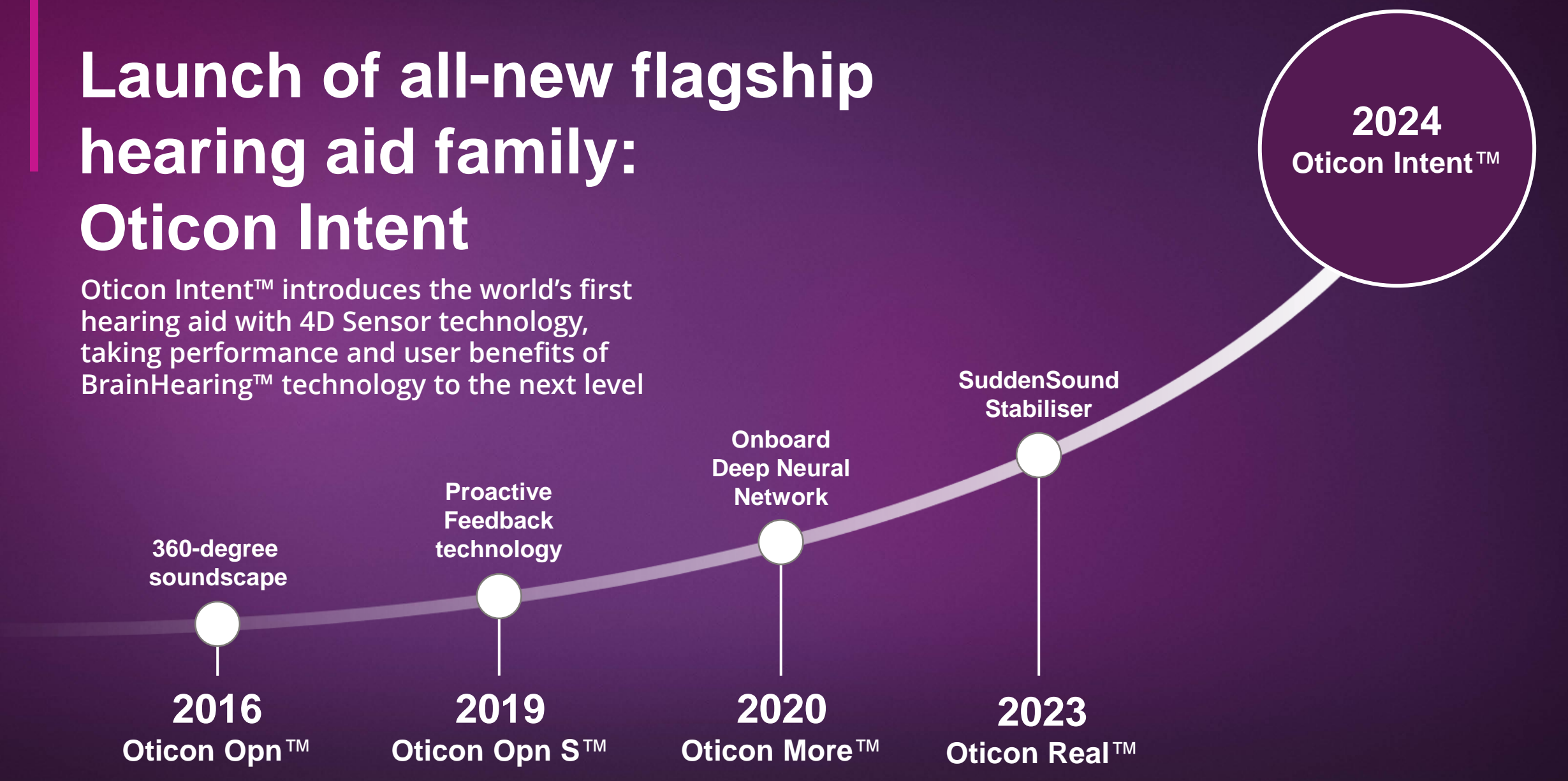
Oticon More™

SuddenSound
Stabiliser



2023

Oticon Real™



Introducing Sirius™

A brand-new platform powering our user-intent sensors



Deep Neural Network 2.0 processing

Sirius is a brand-new platform with a chipset that's purpose-built for hearing aids, complete with our embedded, second-generation DNN for advanced preservation of the original sound, better noise suppression, and more clarity.

4D sensor technology

An embedded motion sensor detects head and body movements, and several acoustic sensors detect sound level, signal-to-noise ratio, and conversation activity. These enable Oticon Intent to combine the different inputs necessary to run the 4D Sensor technology paradigm.

Expanded frequency bandwidth

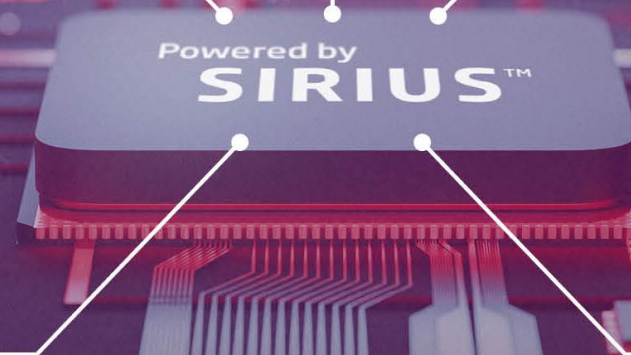
Sirius gives us even lower hearing aid frequencies, with a bandwidth from 80 Hz to 10,000 Hz, giving a fuller sound scene with a richer representation of the environment and a better experience when listening to music.

Future-proof Bluetooth® LE Audio

Sirius supports the connectivity technology of the future: Bluetooth LE Audio, incorporating a standard audio codec for streaming data and sound to and from a variety of devices with greater power efficiency.

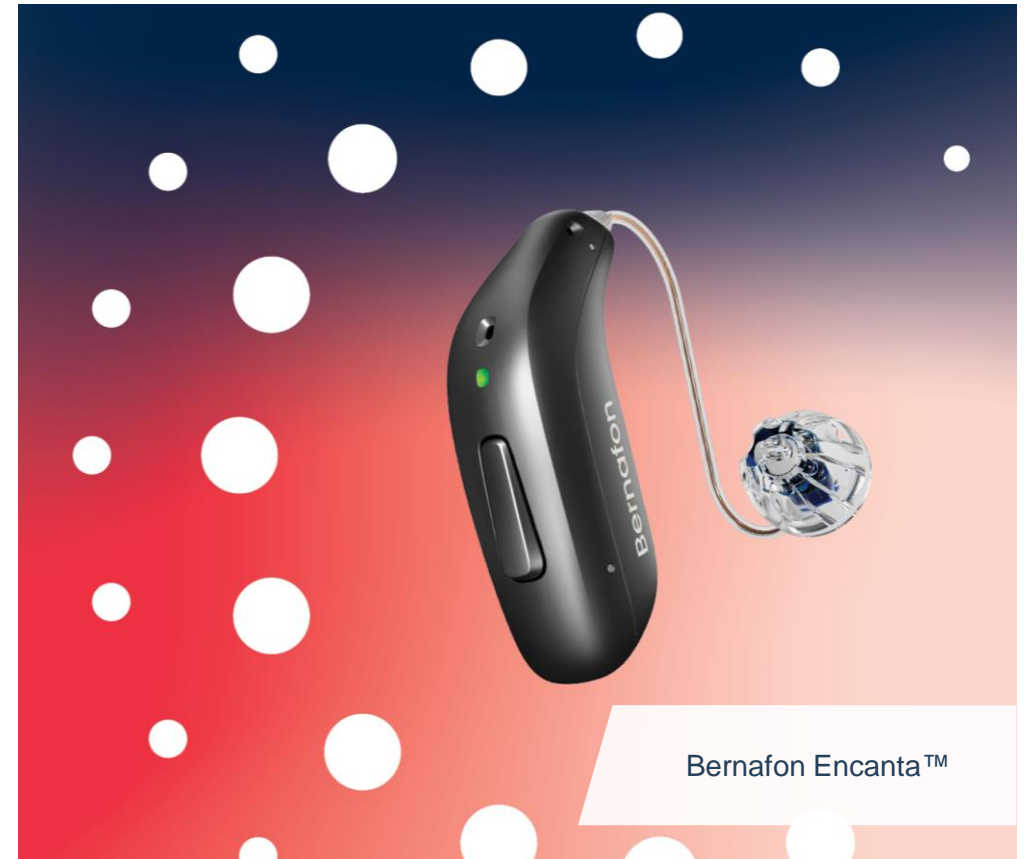
New intelligent miniFIT Detect speaker unit

Sirius supports the new self-calibrating miniFit Detect speaker units, which provides increased convenience and assurance that clients experience precise gain every day.



Launch of new flagship hearing aids

- Our new flagship hearing aid, **Oticon Intent™** is based on the new **Sirius™** platform and is a continued advancement of our unique BrainHearing™ philosophy
- **Philips** and **Bernafon** will also launch new, innovative products in Q1
- Will be launched in a rechargeable **miniRITE** style and be available in **four price points**
- Gradual roll out of the new hearing aids over the coming months, starting from February 2024





Hearing Care in Q4

Continued solid business momentum supported meaningfully by acquisitions

Comments

- Solid business momentum in Q4 in most medium-sized markets and we saw accelerating growth in the US and China supported by lower comparative figures
- Meaningful contribution from acquisitions, primarily from Germany, which is in line with our strategic priorities

Europe

- Growth in France was slightly negative
- Solid growth in most other markets

North America

- Solid growth in the US following increased focus on the private pay market
- Positive growth in Canada

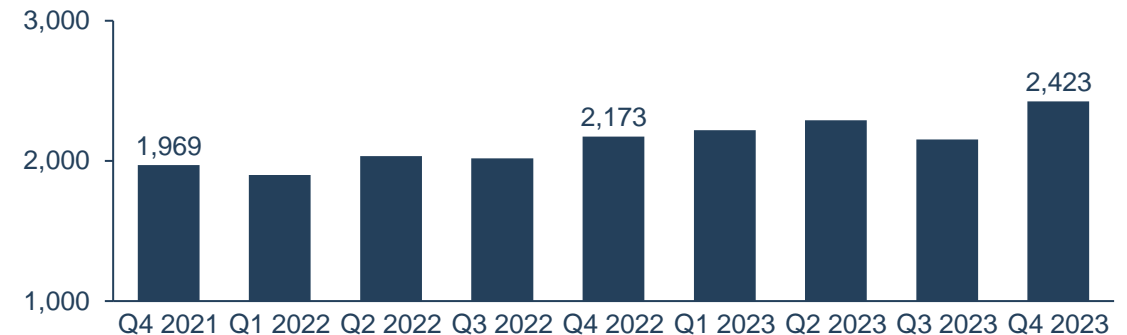
Asia/Pacific/Other

- Very strong growth in China driven by low comparative figures, although the Chinese market was below expectations
- Strong growth in Australia

Revenue and growth

Revenue (DKK million)	Revenue		Growth				
	Q4 23	Q4 22	Org.	Acq.	LCY	FX	Rep.
Hearing Care	2,423	2,173	8%	6%	14%	-3%	12%

Quarterly revenue





Diagnostics in Q4

Solid performance despite negative impact of weak market dynamics in China

Comments

- We estimate that in Q4, the market grew in line with the estimated structural growth rate of 3-5%
- Growth in instruments was strong, particularly in Balance but we also saw very good growth in our services and consumables businesses
- In October, we introduced a completely new hearing test, the Audible Contrast Threshold™ (ACT) test, designed to go beyond the traditional audiogram and quantify ability to hear speech in noise

Europe

- Strong growth, particularly in the UK and Italy
- Negative growth in Poland, due to very high comparative figures

North America

- Strong growth in both the US and Canada, driven by e3 Diagnostics

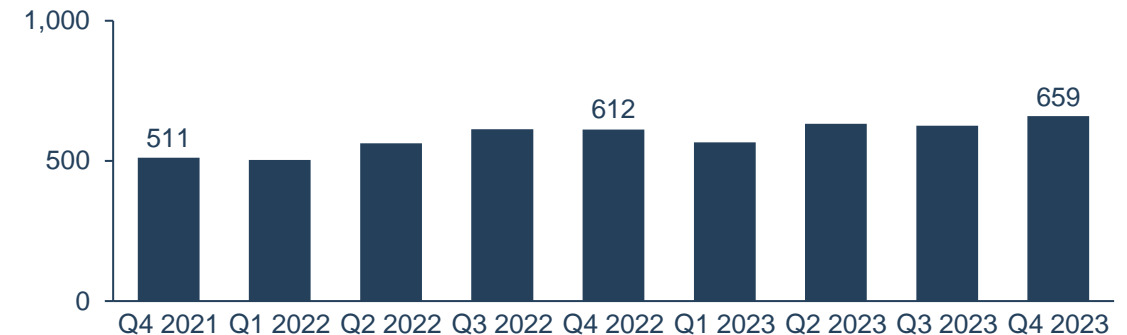
Asia/Pacific/Other

- Growth in Asia slightly negative, as China continued to be negatively impacted by weak market dynamics

Revenue and growth

Revenue (DKK million)	Revenue		Growth				
	Q4 23	Q4 22	Org.	Acq.	LCY	FX	Rep.
Diagnostics	659	612	8%	3%	11%	-3%	8%

Quarterly revenue



Demant

Communications



Communications in H2 2023

-22%

Organic growth of -22% in H2 (Q4: -25%), and despite our efforts to gain momentum, the end to the year was below expectations



Gross margin declined materially, driven in part by our decision to wind down Gaming, where remaining inventories were sold at very low prices, and by weaker-than-expected performance in Enterprise Solutions



EBIT of DKK -210 million, a decrease of DKK 81 million compared to H2 2022 as cost savings were more than offset by the decline in gross profit. The winding down of Gaming had a negative one-off impact on EBIT of around DKK 60 million

(DKK million)	H2 2023	H2 2022	Growth
Revenue	381	508	-25%
Production costs	-313	-284	10%
Gross profit	68	224	-70%
<i>Gross margin</i>	17.8%	43.9%	
R&D costs	-85	-114	-25%
Distribution costs	-175	-221	-21%
Administrative expenses	-19	-18	6%
Share of profit after tax, associates and JVs	1	-	n.a.
EBIT	-210	-129	n.a.
<i>EBIT margin</i>	-54.9%	-25.4%	



Communications in Q4

Markets remained challenging and impacted by the winding down of Gaming

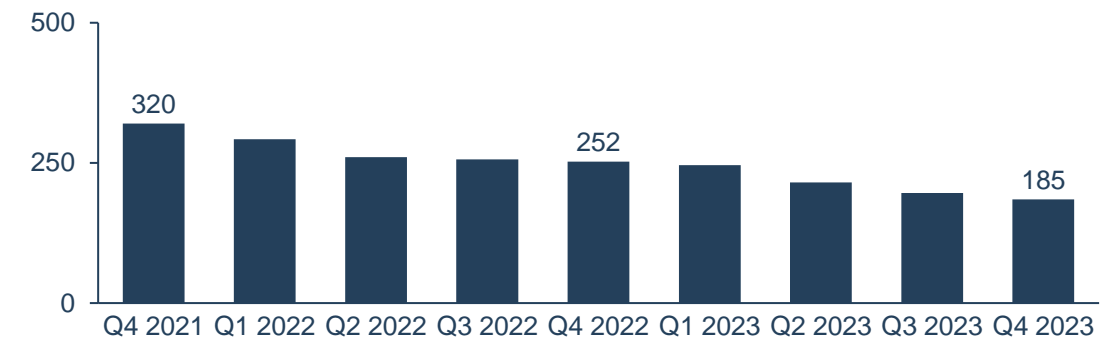
Comments

- In Q4, the markets for both Enterprise Solutions and Gaming headsets remained challenging
- Organic growth was -25%, while our Enterprise Solutions business saw negative organic growth of -18%
- Following our decision to wind down Gaming, we cleared out most of our inventory at significantly reduced prices
- Strategic agreement with Lenovo had limited impact in 2023 but will contribute positively in 2024 allowing us to leverage Lenovo's strong distribution network

Revenue and growth

Revenue (DKK million)	Revenue		Growth				
	Q4 23	Q4 22	Org.	Acq.	LCY	FX	Rep.
Communications	185	252	-25%	0%	-25%	-2%	-27%

Quarterly revenue





Demant has decided to undertake a review of strategic options for its Communications business area

Company background

- After strong development as a JV, EPOS was established as a fully-owned business segment in 2020
- The business addresses attractive markets underpinned by strong, structural growth drivers
- EPOS is built on a very strong foundation of industry-leading technology, a strong product portfolio, highly skilled employees and a compelling brand identity

Recent developments and strategic review

- After an initial surge in demand driven by the coronavirus pandemic, the business has been negatively impacted by weak market dynamics, leading to lack of scale, particularly in global distribution
- Established path back to profitability after significant cost reductions and the wind-down of Gaming
- Now exploring whether a different owner may be better positioned to accelerate growth and to allow the business to realise its full potential

The review of strategic options is expected to be completed by the end of H1. For accounting purposes, the business will be recognised as part of discontinued operations in 2024 and going forward

Group financial review

Income statement H2 2023

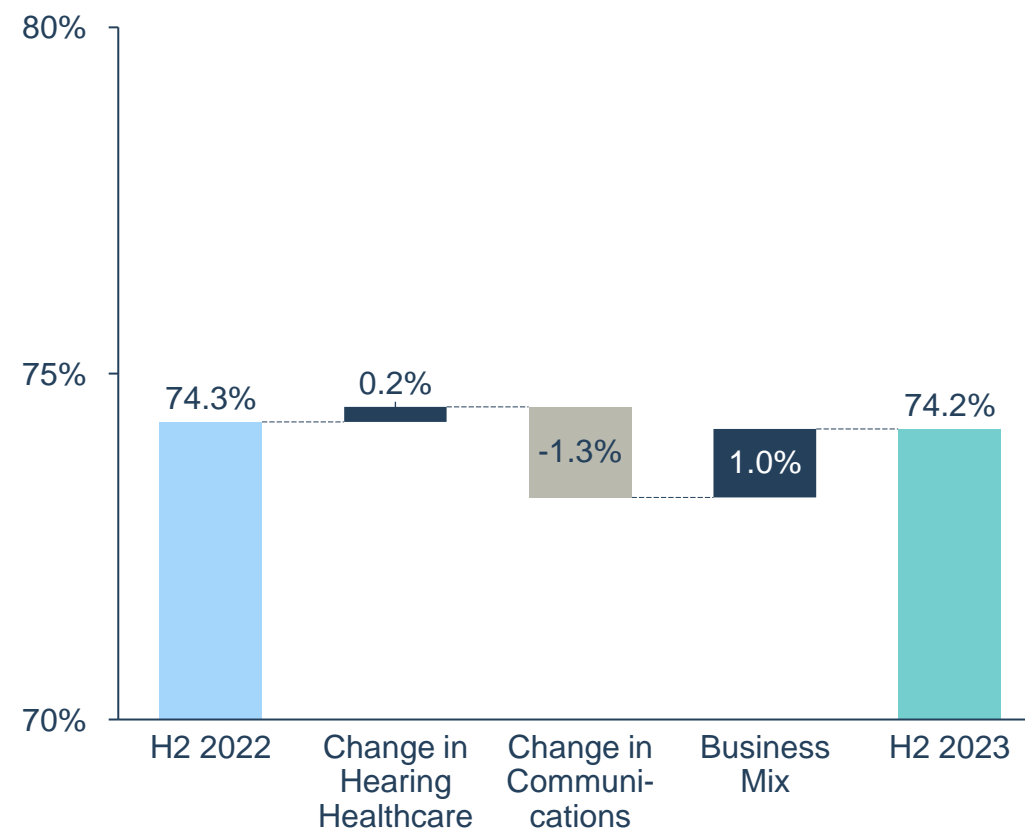
(DKK million)	Hearing Healthcare H2 2023	Communications H2 2023	Group H2 2023	Group H2 2022	Group growth
Revenue	10,907	381	11,288	10,208	11%
Production costs	-2,604	-313	-2,917	-2,622	11%
Gross profit	8,303	68	8,371	7,586	10%
<i>Gross margin</i>	76.1%	17.8%	74.2%	74.3%	
R&D costs	-619	-85	-704	-663	6%
Distribution costs	-4,828	-175	-5,003	-4,838	3%
Administrative expenses	-540	-19	-559	-531	5%
Share of profit after tax, associates	28	1	29	65	-55%
EBIT	2,344	-210	2,134	1,619	32%
<i>EBIT margin</i>	21.5%	-54.9%	18.9%	15.9%	

Gross profit in H2

Comments

- Gross profit increased by 10% to DKK 8,371 million
- Gross margin decreased by 0.1 percentage points, entirely due to a significant decline in the gross margin in Communications from the winding down of Gaming
- Hearing Healthcare gross margin improved slightly by 0.2 percentage points driven by increasing ASPs as a result of positive geography and product mix changes

Gross margin development in H2

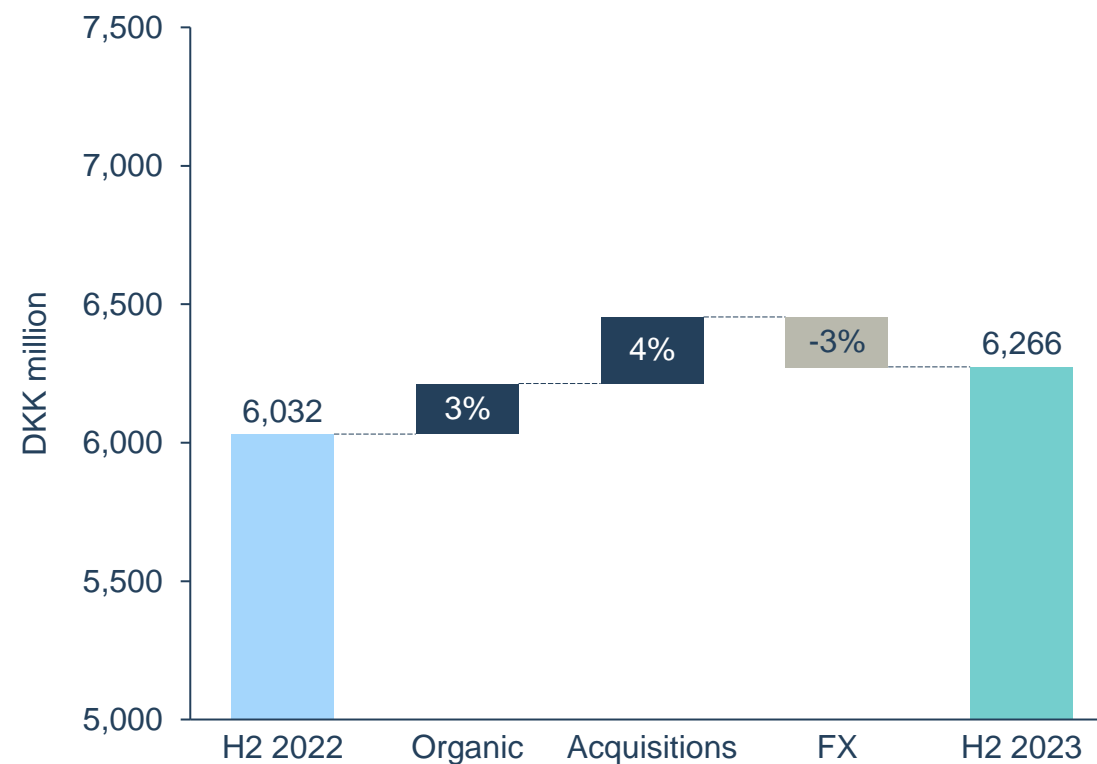


OPEX in H2

Comments

- In organic terms, Group OPEX increased by 3% and we saw an additional impact from acquisitions of 4% which was partly offset by changes in foreign exchange rates
- We continued our focus on and investments in R&D to ensure continued technological leadership as well as investments in distribution in Hearing Healthcare with OPEX growing 5% organically. These investments were offset by cost reduction measures in Communications with OPEX declining -20%

OPEX development in H2

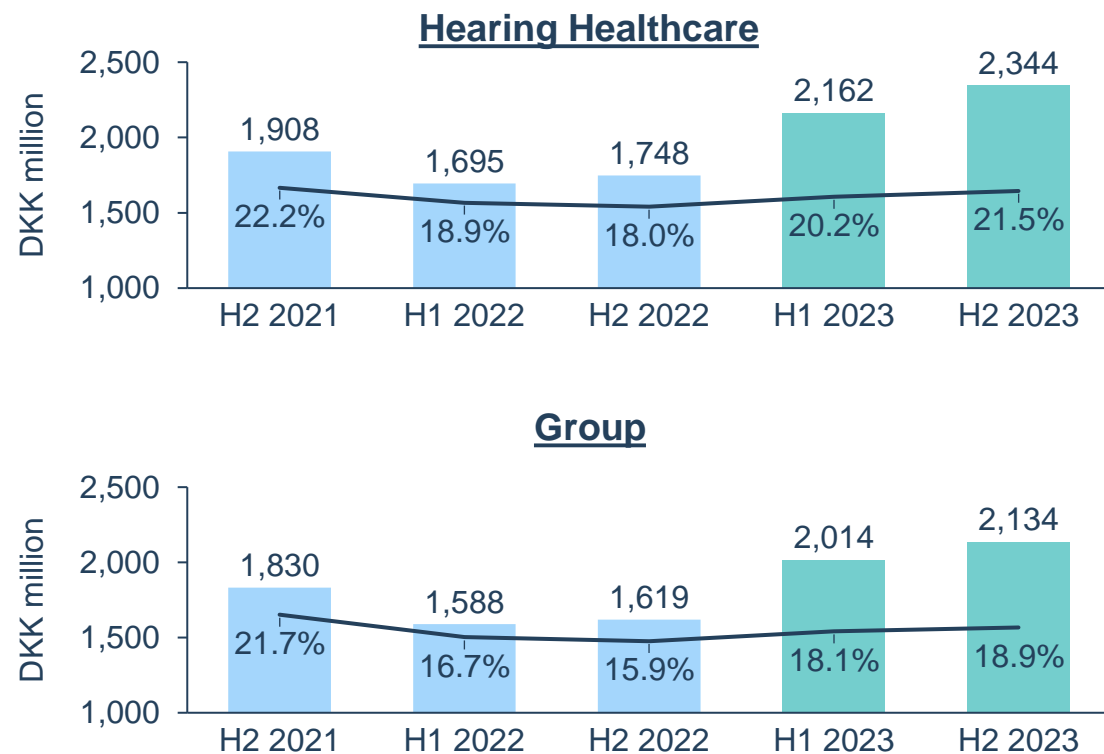


EBIT and EBIT margin

Comments

- EBIT was DKK 2,134 million in H2, an increase of 32% versus H2 2022
 - Hearing Healthcare: DKK 2,344 million
 - Communications: DKK -210 million
 - Exchange rates had a slightly positive impact
- EBIT margin of 18.9%, an increase of 3 percentage points, driven entirely by Hearing Healthcare
 - Hearing Healthcare improved due to material operating leverage in Hearing Aids, although profitability in Hearing Care also increased
 - Communications was negatively impacted by challenging market conditions as well as the wind down of Gaming, which impacted EBIT by around DKK 60 million in H2

EBIT and EBIT margin development



Cash flow statement in H2

- Very strong cash generation, as cash flow from operating activities (CFFO) increased by 45% to DKK 2,472 million in H2
- CAPEX was approx. 4% of sales which is line with our medium- to long-term expectations
- Net cash to acquisitions and divestments was DKK 622 million in H2, primarily related to acquisitions made by Hearing Care in Germany. Cash on acquisitions was lower than originally expected due to the timing of transactions
- Share buy-backs, which we resumed at the end of November, totalled DKK 829 million in H2

(DKK million)	H2 2023	H2 2022	Change
Cash flow from operating activities (CFFO)	2,472	1,707	45%
Net investments	-479	-488	-2%
Free cash flow before acquisitions and divestments	1,993	1,219	63%
Acquisitions and divestments	-622	-1,810	-66%
Share buy-backs	-829	-533	56%
Other financing activities	-504	1,153	n.a.
Cash flow for the period	38	29	31%

Balance sheet

- 2% increase in total assets compared to 31 December 2022. Growth was primarily driven by additions from acquisitions of 5%, as organic growth was flat. Exchange rate effects subtracted -1% and the write down of assets held for sale related to CI impacted growth by -2%
- Increase in total assets is primarily due to an increase in goodwill related to acquisitions
- Net working capital (NWC) declined by 5% in H2 to DKK 3,630 million, mainly due to a decrease in trade receivables, although relative to the end of 2022, our NWC remained flat
- NIBD amounted to DKK 12,280 million, corresponding to a gearing multiple (NIBD/EBITDA) of 2.2, which is in line with our medium- to long-term expectations

(DKK million)	FY 2023	FY 2022	Change
Lease assets	2,596	2,304	13%
Other non-current assets	18,566	17,531	6%
Inventories	2,845	2,904	-2%
Trade receivables	3,650	3,626	1%
Cash	1,138	1,130	1%
Other current assets	1,468	1,398	5%
Assets held for sale	283	964	-71%
Total assets	30,546	29,857	2%
Equity	9,338	8,562	9%
Lease liabilities	2,686	2,380	13%
Other non-current liabilities	12,301	7,960	55%
Trade payables	799	865	-8%
Other current liabilities	5,333	9,915	-46%
Liabilities related to assets held for sale	89	175	-49%
Total equity and liabilities	30,546	29,857	2%

Demant

Outlook



Outlook assumptions

The outlook is based on key assumptions as described below

Market

- We expect the unit growth rate in the global hearing aid market in 2024 to be in line with the structural growth rate of 4-6%. We expect a negative impact of ASP declines around the normal level of 1-2% due to mix effects

Demant Group

- We expect the cash allocated to bolt-on acquisitions in 2024 to be higher than normal due to the postponement of some acquisitions from 2023 and a good pipeline of attractive opportunities

Discontinued Operations

- Communications will be recognised as part of discontinued operations. We expect profit after tax related to Communications to be negative by DKK 100-150 million. This relates entirely to an expected full-year operating loss and does not include any financial impact related to the review of strategic options
- The divestment of our cochlear implants business is expected to close in H1 2024. Our bone anchored hearing systems business will remain with the Group for now, pending a review of our strategic options. For the full year 2024, we expect profit after tax related to Hearing Implants to be around DKK 0 million

Outlook for 2024

The outlook for 2024 for continuing operations (Hearing Healthcare) is summarised below

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

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

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

Demant

Demant

- Founded on care
- Focus on health
- Shaping the future
- Life-changing hearing health

The banner features a close-up profile of a young girl with dark hair, focused on playing a violin. The background is a blurred image of a library or study area with bookshelves.



An aerial photograph of the Demant headquarters building, a large modern structure with extensive glass facades and a flat roof. The building is situated in a suburban area with green lawns, trees, and parking lots. In the background, a residential neighborhood with houses and a city skyline are visible under a cloudy sky. The Demant logo is overlaid in the top right corner.

Demant

The Demant logo, a dark blue square with a white 'D' shape cut out of it, is positioned to the left of the event title.

Capital Markets Day

Tuesday, 12 March 2024 at 11:00-17:00 CET
Demant HQ

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Roadshows and conferences:

7 Feb	Copenhagen (Nordea)
8 Feb	London (J.P. Morgan)
9 Feb	Paris (Exane)
9 Feb	Frankfurt (Carnegie)
22-23 Feb	Virtual
26 Feb	London (Morgan Stanley MedTech Conference)
27 Feb	London (UBS European Healthcare Conference)
12 Mar	Copenhagen (Demant Capital Markets Day 2024)
19-20 Mar	Toronto-Montreal (Mirabaud)
21 Mar	Chicago (Bank of America)
11 Apr	Stockholm (Danske Bank)
16 Apr	New York (Citi)
17 Apr	Boston (Citi)
18 Apr	Atlanta (Citi)