

The Demant logo is positioned in the top right corner of the slide. It consists of the word "Demant" in a white, sans-serif font. The background of the slide features a photograph of a woman with short, curly grey hair and black-rimmed glasses, smiling and looking down at a smartphone she is holding. She is wearing a black jacket and a yellow scarf. The background is a blurred city street scene with other pedestrians and buildings. A large, semi-transparent white 'L' shape is overlaid on the left side of the slide, serving as a design element for the title.

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A large, dark teal 'L' shaped graphic is located to the left of the title text.

Interim Report 2024

15 August 2024

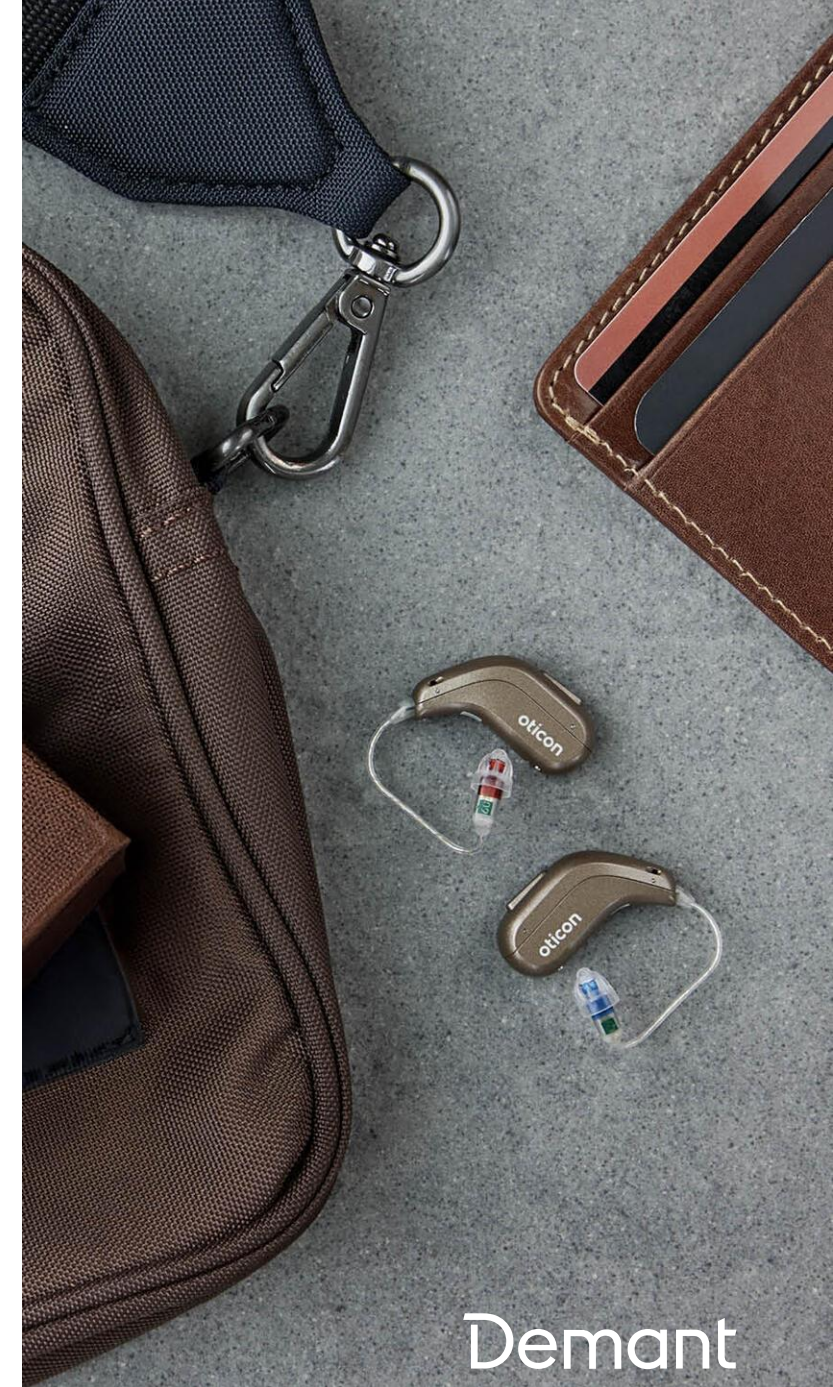
Søren Nielsen, President & CEO
René Schneider, CFO
Investor Relations

Agenda

- 1 | **Key events, financial take-aways and sustainability advancements**
- 2 | **Business area review**
- 3 | **Group financial review**
- 4 | **Financial impact of restructuring plan for EPOS**
- 5 | **Outlook for 2024**
- 6 | **Q&A**

Key events in H1 2024

- 1 | Performance in H1 was below expectations, and following an updated view on H2, we lowered the Group's growth and EBIT expectations in July
- 2 | Hearing Aids and Diagnostics grew at a slower pace than expected, with Hearing Aids being impacted by our chosen brand strategy in the US
- 3 | In Hearing Care, momentum has accelerated from Q1 to Q2, and Hearing Care delivered strong performance, which was further supported by acquisitions
- 4 | As announced on 21 May, we closed the divestment of our cochlear implants (CI) business to Cochlear. Our bone anchored hearing systems (BAHS) business remains with the Group for now, pending a review of our strategic options
- 5 | We have concluded on the review of strategic options for Communications and decided to initiate a significant restructuring process to obtain profitability. We remain committed to divest the EPOS business



Initiation of restructuring plan for EPOS

Background



In February 2024, Demant initiated a strategic review of its Communications business area, operating under the EPOS brand, to explore whether a different owner was better positioned to allow EPOS to realise its full potential

Conclusion



The EPOS business has good exposure in the market, offering leading technology, a robust go-to-market set-up and a strong brand, but the current loss-making financial condition has been a barrier for reaching an agreement with a potential buyer



We have decided to initiate a significant restructuring plan for the EPOS business, which entails an intention to rightsize the organisation and create a more focused business



The process will commence immediately, and following the restructuring, we intend to carry on with the divestment of EPOS



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Key financial take-aways for H1 2024

3%

Group **organic growth** of 3%, which is below our expectations, even if we consider the strong comparative base



Group **gross margin** exceeded expectations and increased by 1.8 percentage points due to increased ASP in Hearing Aids and improvements in Diagnostics



OPEX increased by 7% organically which is partly the result of increased spending in H2 2023, and organic OPEX growth decelerated sequentially from Q1 to Q2



EBIT before special items was DKK 2,068 million, a decrease of 4%, and the EBIT margin before special items contracted by 1.5 percentage points due to lower operating leverage



Very solid cash flow with **CFFO** of DKK 1,491 million and **FCF** of DKK 1,157 million



Outlook for 2024:

Organic revenue growth 2-4%
EBIT before special items of DKK 4,300-4,600 million

(DKK million)

	H1 2024	H1 2023	Growth
Revenue	11,087	10,694	4%
Organic growth	3%	15%	
Gross profit	8,510	8,017	6%
Gross margin	76.8%	75.0%	
Operating expenses (OPEX)	6,473	5,895	10%
Operating profit (EBIT) before special items	2,068	2,162	-4%
EBIT margin before special items	18.7%	20.2%	
Cash flow from operating activities (CFFO)	1,491	1,918	-22%
Free cash flow (FCF)	1,157	1,551	-25%

Sustainability advancements in H1 2024



Scope 1 and 2 **CO2e emissions** increased 3% compared to H1 2023, most of which is attributable to acquisitions in Hearing Care



Our renewable electricity share was 24%, an increase of 1 pp. compared to H1 2023



The share of women in top-level management increased to 30%, thus reaching our 2025 target timeline earlier than planned

Key performance areas	H1 2024	H1 2023	Change
Scope 1 and 2 CO2e emissions (market-based), tonnes	16,219	15,760	3%
Scope 1 and 2 CO2e emissions (location-based), tonnes	16,381	15,851	3%
Renewable electricity share	24%	23%	1 p.p.
	H1 2024	FY 2023	Change
Gender diversity, Board of Directors (women/men) ¹	25/75%	40/60%	-15 p.p.
Gender diversity, all managers (women/men)	49/51%	48/52%	1 p.p.
Gender diversity, top-level management (women/men)	30/70%	29/71%	1 p.p.
Gender diversity, top-level management teams (on/off target)	81/19%	80/20%	1 p.p.

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Business area review



The hearing aid market in H1 2024

Unit growth in H1 2024 vs. H1 2023

- We estimate that overall unit growth was 4% in H1 2024. Growth in Q1 was 3%, which accelerated to 5% in Q2
- Acceleration from Q1 to Q2 primarily driven by slightly easier comparative figures. We continue to see a normalised hearing aid market

Geographical unit growth:

- Growth in **Europe** was strong in Q2 and primarily driven by growth in the NHS, but growth in Germany was also solid. As expected, growth in France continued to be flat following the hearing healthcare reform implemented in 2021
- Growth in **North America** was strong, driven by the US commercial market, which normalised in Q2. Growth was driven equally by independents and managed care. In VA, growth was flat
- **Rest of world** growth was slightly positive, driven by smaller export markets and Australia. Although comparative figures in China have become easier, overall market dynamics remain challenging

Unit growth ¹	2024		
	Q1	Q2	H1
Europe	1%	8%	4%
North America	10%	6%	8%
US (commercial)	13%	6%	9%
US (VA)	-1%	1%	0%
Rest of world	1%	2%	1%
Global	3%	5%	4%

We estimate that the ASP development was flattish due to geography and channel mix changes



Hearing Aids in Q2

Despite very strong comparative figures, organic growth was below our expectations

Comments

- Organic growth of 1% in sales to external customers
 - Significant loss of market share with US managed care, which has not been compensated through additional sales to independents in the US
 - Generally intense competitive environment in more price-focused channels and segments
- Strong ASP development in H1 (+11%), which more than offset negative unit development in the period (-6%)

Europe

- Strong performance in many medium-sized markets
- Slightly negative growth in France
- UK growth below market growth, which was driven by volumes with AQP

North America

- Strong growth in VA
- Very strong growth in Canada
- Negative growth in the US driven by significant loss of market share with managed care

Asia/Pacific/Other

- Slightly positive growth in China despite competitive market dynamics
- Good growth in several other medium-sized markets

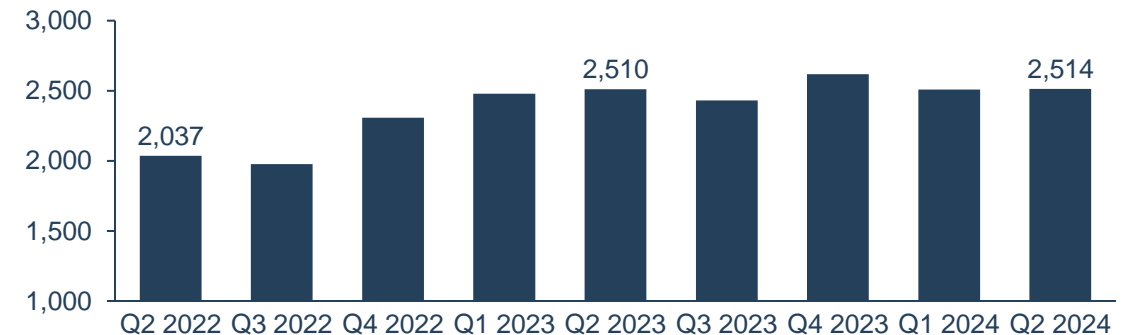
Revenue and growth

Revenue

(DKK million)

	Q2 24	Q2 23	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	3,123	3,040	3%	1%	4%	-2%	3%
Internal sales to Hearing Care	-609	-530	12%	3%	14%	0%	15%
Sales to external customers	2,514	2,510	1%	1%	2%	-2%	0%

Quarterly revenue





Hearing Care in Q2

Improved momentum in Q2 following slow start to the year

Comments

- Strong performance in Hearing Care, with organic growth accelerating as expected from flat growth in Q1 to 5% growth in Q2 and with positive momentum in France and strong growth in many medium-sized markets
- Continued contribution from acquisitions, primarily in Germany and Belgium, in line with our strategy
- Growth in H1 driven by both unit growth and positive ASP development

Europe

- Growth in France was flat, although above declining market growth
- Strong growth in a number of other markets

North America

- Strong growth in Canada
- Positive growth in the US despite lower customer traffic relating to managed care

Asia/Pacific/Other

- Positive growth in Australia
- Negative growth in China due to continuous impact from market headwinds

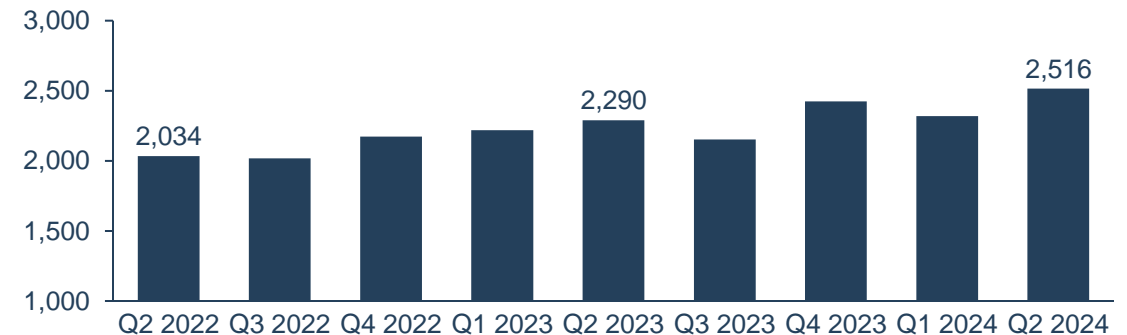
Revenue and growth

Revenue

(DKK million)

	Q2 24	Q2 23	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Care	2,516	2,290	5%	4%	9%	0%	10%

Quarterly revenue





Diagnostics in Q2

Current market headwinds leading to flat growth

Comments

- Soft market for diagnostic equipment, including market headwinds in China due to the ongoing Made in China initiatives, and negative growth in our balance products
- Organic growth was 0% in the period, a deceleration from Q1
- Positive growth contribution from the services and consumables categories and particularly strong within hearing instrument fitting solutions

Europe

- Negative growth caused by soft sales in the UK due to lower spending by the NHS

North America

- Solid growth in the US and Canada

Asia/Pacific/Other

- Negative growth in China due to Made in China initiatives
- Good growth in several other medium-sized markets

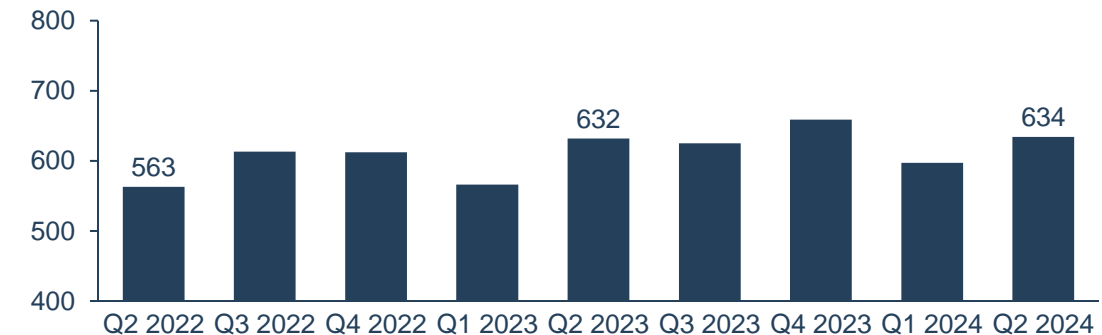
Revenue and growth

Revenue

(DKK million)

	Q2 24	Q2 23	Growth				
			Org.	Acq.	LCY	FX	Rep.
Diagnostics	634	632	0%	0%	0%	0%	0%

Quarterly revenue



A woman with long brown hair and glasses, wearing a grey sweater over a yellow shirt, is smiling and looking at a document. A man with grey hair and a beard, wearing a grey sweater over a white shirt, is also smiling and looking at the same document. They are sitting at a desk in an office with a bookshelf and a window in the background. A large white circle is overlaid on the right side of the image, containing the text "Group financial review".

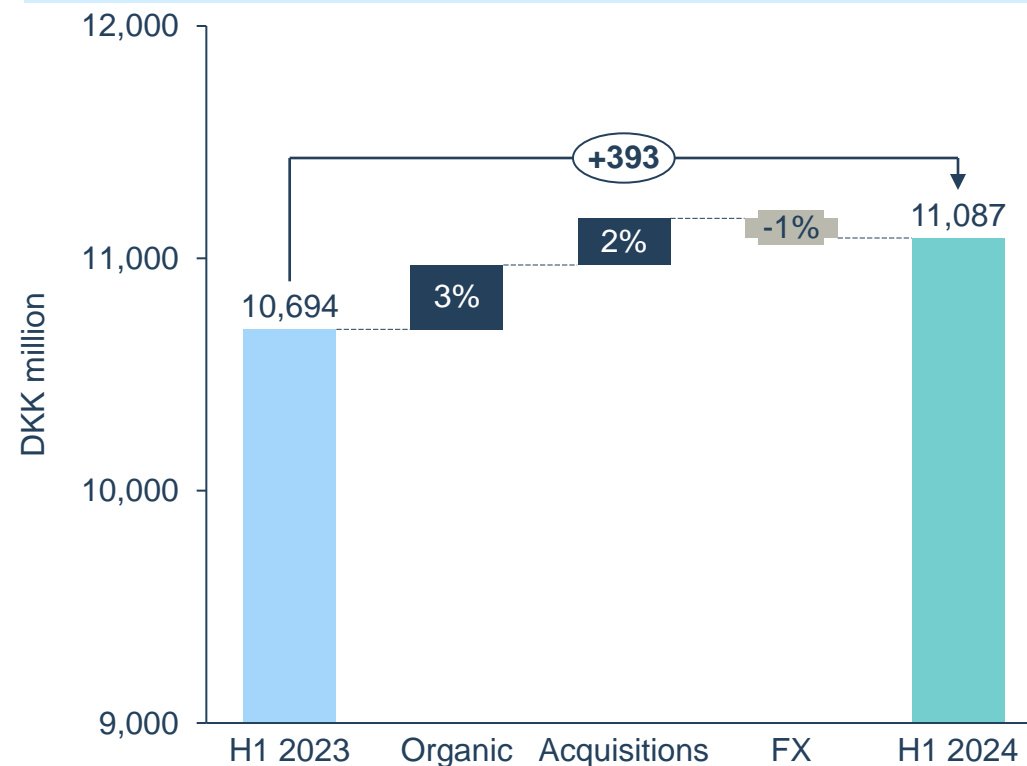
Group financial review

Revenue in H1

Comments

- Reported revenue growth of 4% vs. H1 2023
- Organic growth was 3%, which is below our expectations due to Hearing Aids and Diagnostics, even if we consider the strong comparative base
- Acquisitive growth contributed 2% to reported growth, primarily driven by Hearing Care, but we also saw a small positive contribution from Hearing Aids in Q2
- Foreign exchange rates had an impact of -1% due to minor exchange rate fluctuations in our main trading currencies

Revenue development in H1

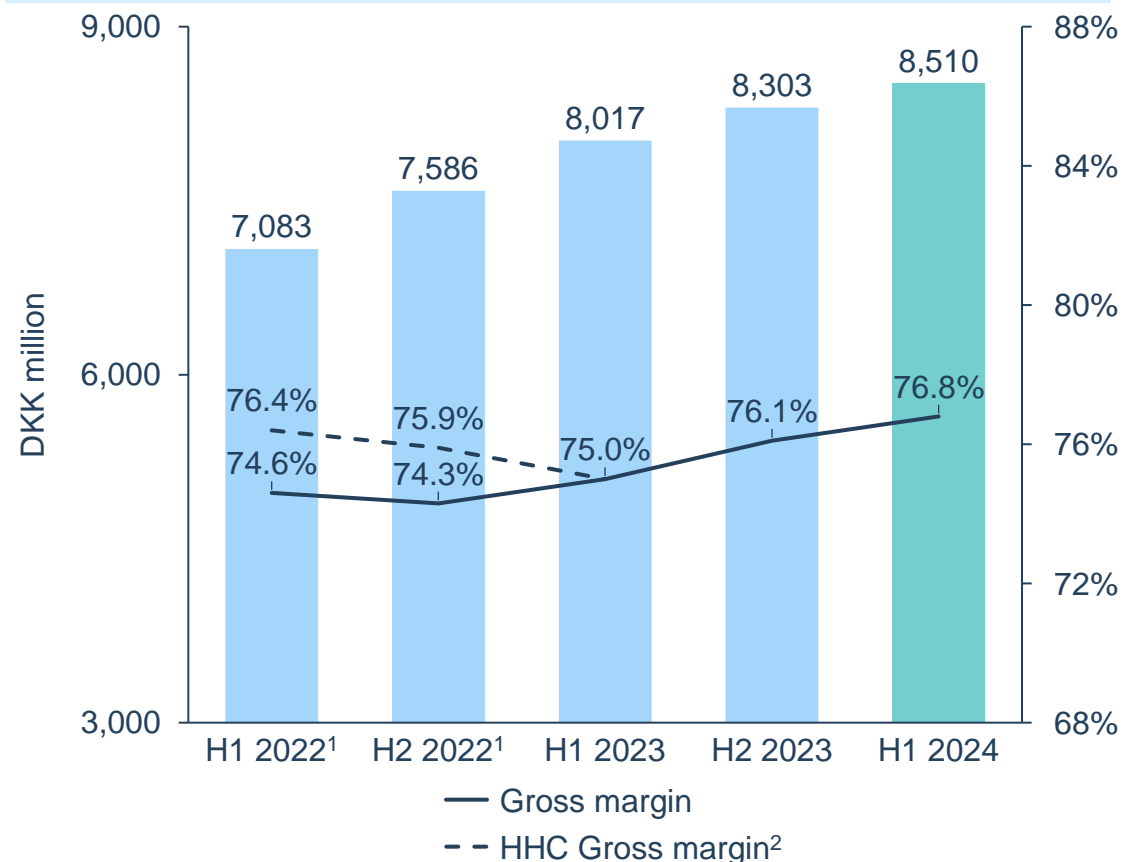


Gross profit in H1

Comments

- Gross profit increased by 6% to DKK 8,510 million
- Gross margin increased by 1.8 percentage points, which is better than expected and mainly driven by:
 - Positive ASP development in Hearing Aids due to continuous focus on improved product mix
 - Meaningful gross margin improvement in Diagnostics
 - Positive impact by changes in business mix and to a slight extent by exchange rate effects

Gross profit and margin development



14 ¹2022 figures have not been restated to reflect the review of the strategic options for Communications

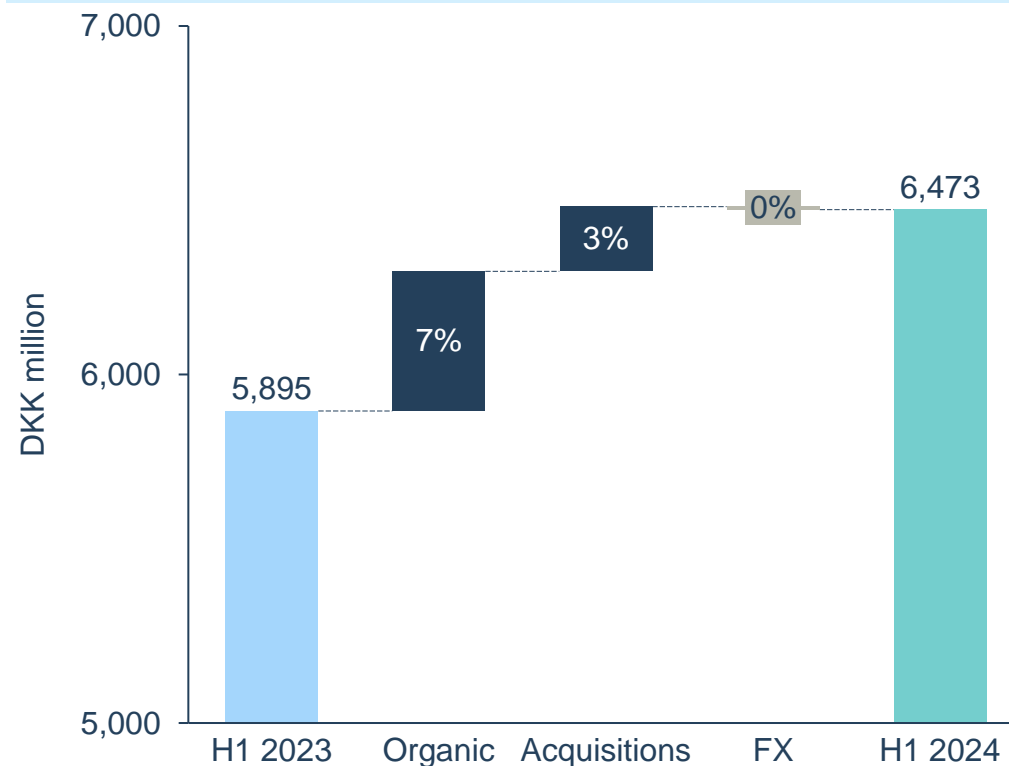
²HHC gross margin refers to the Group's previous Hearing Healthcare segment, which corresponds to the Group's continuing business

OPEX in H1

Comments

- Group OPEX increased by 7% organically, and we saw an additional impact from acquisitions of 3%
- Organic growth reflects increased spending in H2 2023 and our continuous commitment to invest in R&D and distribution
- Sequential deceleration from Q1 to Q2 in our organic OPEX growth
- Having annualised the increased spending from H2 2023 and having taken cost-saving initiatives across the Group in response to lower-than-expected revenue in H1, we expect to achieve a better balance between revenue and OPEX growth in H2, leading to organic OPEX growth in the low-to-mid single digits in H2

OPEX development in H1

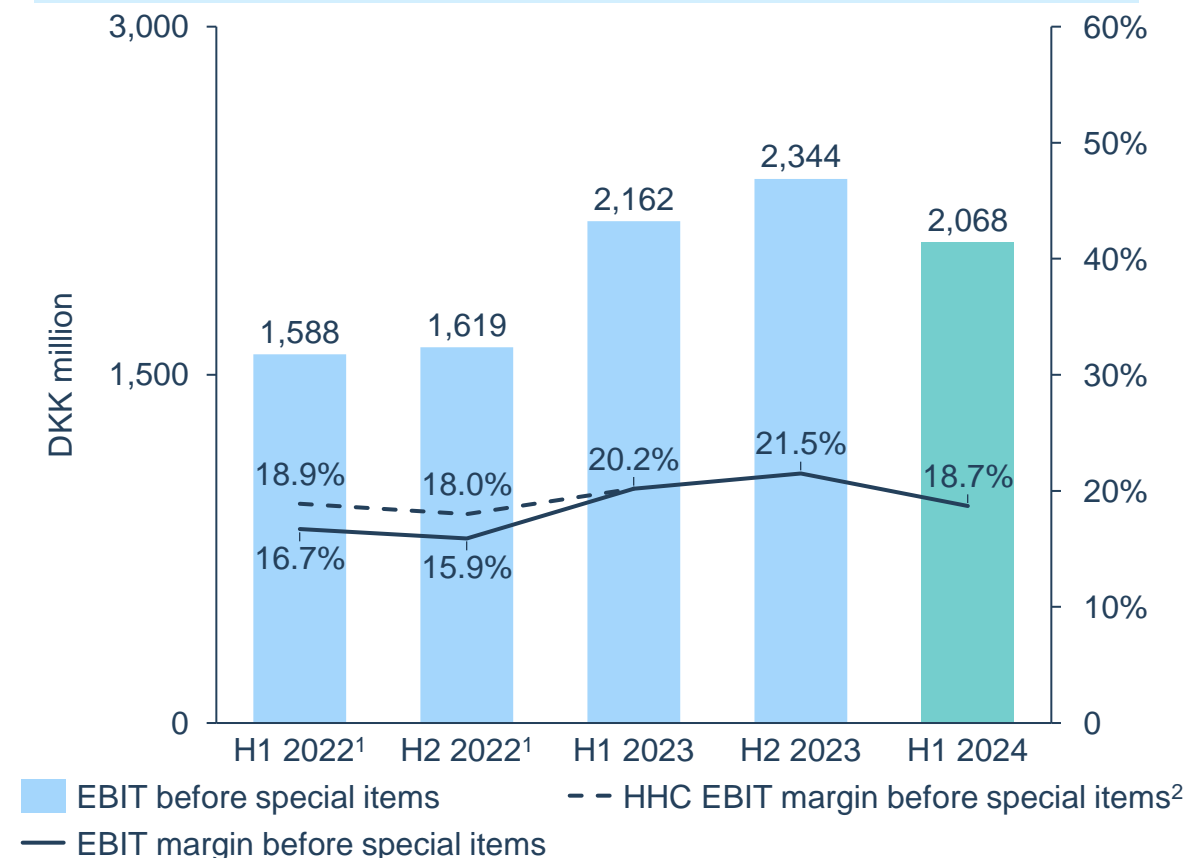


EBIT before special items in H1

Comments

- EBIT before special items was DKK 2,068 million in H1, a decrease of 4% vs. H1 2023
- The EBIT margin before special items was 18.7%, a contraction of 1.5 percentage points. The contraction is due to lower operating leverage following the weaker-than-expected revenue growth, as well as strong profitability in the comparative period

Profitability development



Cash flow statement H1 2024

- Very solid cash generation, as cash flow from operating activities (CFFO) was DKK 1,491 million
- CFFO decreased compared to H1 2023, primarily due to higher tax payments and increased net financial expenses
- CAPEX was approx. 3% of Group revenue, which is slightly below our medium- to long-term expectations due to lower investments in property, plant and equipment
- Net cash to acquisitions and divestments was DKK 763 million, and acquisitions continue to be an important part of the strategy
- Share buy-backs amounted to DKK 1,137 million, as the Group bought back 3.3 million shares. The Group remains committed to continuing to buy back shares, subject to profitability, cash flow generation and acquisitions

(DKK million)	H1 2024	H1 2023	Change
Cash flow from operating activities (CFFO)	1,491	1,918	-22%
Net investments	-334	-367	-9%
Free cash flow before acquisitions and divestments	1,157	1,551	-25%
Acquisitions and divestments	-763	-313	>100%
Share buy-backs	-1,137	-17	>100%
Other financing activities	946	-1,069	n.a.
Cash flow for the period	203	152	34%

Balance sheet H1 2024

- 6% increase in total assets compared to 31 December 2023. Growth was primarily driven by additions from acquisitions of 6%, as organic growth and exchange rate effects were both roughly flat
- Increase in total assets is primarily due to an increase in goodwill related to acquisitions
- Net working capital (NWC) declined by 2% to DKK 3,546 million, mainly due to the reclassification of Communications to assets held for sale. Adjusted for reclassifications, NWC increased slightly, mainly driven by higher inventories
- Net interest-bearing debt (NIBD) amounted to DKK 13,853 million, corresponding to a gearing multiple (NIBD/EBITDA) of 2.3, which is within our medium- to long-term expectations

(DKK million)	H1 2024	FY 2023	Change
Lease assets	2,630	2,596	1%
Other non-current assets	19,108	18,566	3%
Inventories	2,674	2,845	-6%
Trade receivables	3,705	3,650	2%
Cash	1,048	1,138	-8%
Other current assets	1,429	1,468	-3%
Assets held for sale	1,796	283	>100%
Total assets	32,390	30,546	6%
Equity	9,522	9,338	2%
Lease liabilities	2,732	2,686	2%
Other non-current liabilities	13,292	12,301	8%
Trade payables	858	799	7%
Other current liabilities	5,634	5,333	6%
Liabilities related to assets held for sale	352	89	>100%
Total equity and liabilities	32,390	30,546	6%

A background image of a call center with two agents, a woman and a man, wearing headsets and looking at computer monitors. A large, semi-transparent blue circle is overlaid on the right side of the image, containing the title text.

Financial impact of restructuring plan for EPOS

Net profit from discontinued operations

Expected financial impact of the restructuring plan for EPOS and updated view on Hearing Implants



In H1, the net loss after tax from Cochlear Implants (CI) was higher than expected, while our bone anchored hearing systems (BAHS) business was slightly profitable. Communications (EPOS) was loss-making as expected



The restructuring plan for EPOS is expected to result in one-off costs of around DKK 400 million and result in significant reduction of OPEX to a level around DKK 250 million annually, which is a reduction of >50% compared to 2023



Loss after tax related to Hearing Implants is expected to be around DKK 50 million in 2024 due to a slightly higher operating loss in H1 and certain one-off costs related to the divestment of the CI business to Cochlear



With the adjustments following the restructuring plan for EPOS, we expect the business area to become slightly profitable at an EBIT level in Q4 2024

Profitability development for discontinued operations

	Actual H1 2024	Expected H2 2024	Expected FY 2024 profit after tax
Communications (EPOS)	Loss-making	Q3: Loss-making Q4: Slightly profitable	~ DKK -500 million (previously neg. DKK 100-150 million)
One-off costs in Communications		~ DKK -400 million ¹	
Hearing Implants	BAHS: Profitable CI: DKK -87 million	BAHS: Profitable	~ DKK -50 million (previously DKK 0 million)
Total net loss after tax	DKK -154 million	~ DKK -400 million	~ DKK -550 million (previously neg. DKK 100-150 million)

¹Of which DKK 325 million is non-cash and DKK 75 million has cash flow effect

Positive profit after tax from discontinued operations expected in Q4 2024



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Outlook for 2024

Outlook assumptions

Key outlook assumptions below¹

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% and the hearing aid market to see flattish ASP development for the year

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- We expect the cash allocated to bolt-on acquisitions in 2024 to be higher than normal due to acquisitions already made in 2024 and a continuously good pipeline of attractive opportunities
- In Hearing Aids, the loss of market share in managed care and the lack of ability to fully compensate through additional sales to independents in the US are assumed to continue at the current low level for the remainder of 2024
- In order to achieve a better balance between revenue and OPEX growth, we have taken certain cost-saving initiatives across the Group. When including the effect of these initiatives, we expect OPEX to grow organically in the low-to-mid single digits in H2 compared to the same period last year

Discontinued operations

- We expect around DKK 550 million (previously DKK 100-150 million) in loss after tax from discontinued operations
 - We expect the loss after tax related to Communications to be DKK 500 million (previously loss after tax of DKK 100-150 million). This follows a higher operating loss than expected in H1 as well as one-off costs of DKK 400 million related to the intended restructuring of EPOS
 - Following the divestment of our cochlear implants business in May 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 the loss after tax related to Hearing Implants to be around DKK 50 million (previously DKK 0 million) due to a slightly higher operating loss in Cochlear Implants in H1 and certain one-off costs related to the divestment of our CI business to Cochlear

Outlook for 2024

The outlook for 2024 is summarised below

Metric		Outlook
Organic growth	2-4%	
EBIT before special items	DKK 4,300-4,600 million	
Share buy-backs	Around DKK 2,300 million (previously more than DKK 2,000 million)	

For modelling purposes, we provide further assumptions for 2024 below, which are updated as of 14 August 2024:

Acquisitive growth	2% based on revenue from acquisitions completed as of 13 Aug 2024
FX growth	-1% based on foreign exchange rates as of 13 Aug 2024 and including the impact of hedging
Effective tax rate	Around 24%
Loss after tax from discontinued operations	DKK 550 million, of which DKK 500 million relates to Communications and DKK 50 million to Hearing Implants
Special items	Positive by around DKK 125 million

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A large crowd of people is gathered in a modern, multi-level atrium. The space is filled with people on various levels, some standing and some sitting. A large banner hangs across the middle of the atrium, featuring a close-up of a woman's face and the text "Life-changing hearing health" and "Demant". A large, stylized "Q&A" graphic is overlaid on the right side of the image.

Q&A

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Roadshows and conferences:

19 Aug	Copenhagen (SEB)
20 Aug	London (Bank of America)
26 Aug	Stockholm (Handelsbanken)
27 Aug	Helsinki (ABG Sundal Collier)
03 Sep	Zurich (Kepler Cheuvreux)
04 Sep	London (Goldman Sachs European Healthcare Conference)
11 Sep	Paris (Kepler Cheuvreux)
19 Sep	London (Bank of America Global Healthcare Conference)
25 Sep	Virtual (Kepler Cheuvreux Hearing Aid Day)