

Demant Interim Management Statement

3 May 2023

Søren Nielsen, President & CEO

René Schneider, CFO

Investor Relations



Agenda

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- 02 Hearing Healthcare**
- 03 Communications**
- 04 Discontinued operations**
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Key events in Q1 2023



Despite continued macroeconomic uncertainty, very strong performance in Q1 resulting in raised financial guidance as announced on 17 April 2023



Exceptional growth in Hearing Aids on the back of broad-based market growth, and market share gains fueled by successful new product launches



Negative growth in Communications as market remained weak in Q1



As announced on 20 April, the divestment of Hearing Implants is no longer expected to close in Q2 2023, but we are currently unable to provide an updated timeline









As announced on 27 April, President Arne Boye Nielsen, has left Demant. CFO René Schneider has temporarily taken over the leadership of Diagnostics, while President & CEO Søren Nielsen has taken responsibility for Communications



Key financial take-aways for Q1 2023

Reported revenue growth of 20% driven by outperformance in Hearing Healthcare

-  Group **organic growth** of 14% in Q1 driven by Hearing Healthcare
-  **Hearing Healthcare:** Organic growth of 16% driven by Hearing Aids but also strong growth in Hearing Care
-  **Communications:** Organic growth of -15%, reflecting continued weak market in both Gaming and Enterprise
-  **Gross margin** slightly below expectations driven by Communications and FX. **OPEX** in line with our plans
-  **EBIT** significantly above initial expectations driven by strong revenue growth and operating leverage in Hearing Healthcare
-  **Outlook for 2023 adjusted on 17 April:**
Organic revenue growth: 6-10% (prev. 3-7%)
EBIT: DKK 3,800-4,200 million (prev. DKK 3,600-4,000 million)

Business area (DKK million)	Revenue		Growth				
	Q1 23	Q1 22	Org.	Acq.	LCY	FX	Rep.
Hearing Aids, total revenue	3,048	2,351	26%	0%	26%	4%	30%
Hearing Aids, internal revenue	-570	-441	23%	5%	29%	1%	29%
Hearing Aids, external revenue	2,478	1,910	26%	-1%	25%	4%	30%
Hearing Care	2,218	1,898	9%	8%	17%	0%	17%
Diagnostics	566	503	4%	7%	11%	2%	13%
Hearing Healthcare	5,262	4,311	16%	4%	20%	2%	22%
Communications	246	292	-15%	0%	-15%	-1%	-16%
Group	5,508	4,603	14%	4%	18%	2%	20%



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Hearing Healthcare

The hearing aid market in Q1 2023

Unit growth vs. Q1 2022

- Very solid development in the hearing aid market in Q1 2023, as growth was 7% and thus slightly above the expected normal growth rate
- Growth in **North America** driven by both the US commercial market and VA, with managed care continuing to outgrow the market
- Growth in **Europe** fuelled by NHS, offsetting negative growth in Germany and France
- **Rest of world** driven by strong growth in China and Japan, as well as positive development in Australia, with several emerging markets delivering strong growth

Unit growth*	2022				Total	2023
	Q1	Q2	Q3	Q4		Q1
Europe	20%	9%	0%	-2%	6%	4%
North America	8%	1%	0%	-3%	1%	9%
US (commercial)	6%	-1%	-3%	-4%	-1%	9%
US (VA)	19%	2%	9%	-1%	6%	9%
Rest of world	4%	4%	4%	2%	3%	9%
Global	12%	5%	1%	-1%	4%	7%
CAGR vs 2019	4%	6%	4%	3%	4%	5%

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



Hearing Aids

Very strong performance driven by broad-based commercial momentum and product launches

Comments

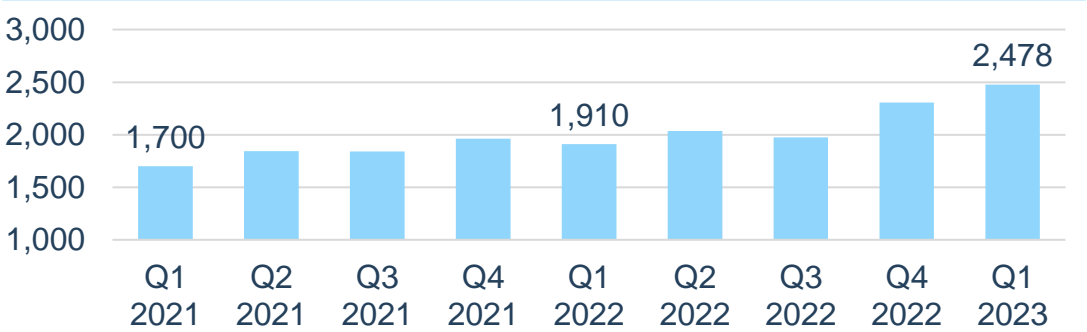
- Market share gains in Q1, particularly in the US, Germany, and France
- Highly successful product launches, particularly Oticon’s new flagship, Oticon Real
- Growth primarily unit driven, but also by positive ASP developments driven by mix and price increases implemented last year

Europe	North America	Asia/Pacific/Other
<ul style="list-style-type: none">• Strong performance in Germany and UK• Good performance in most other markets, including France	<ul style="list-style-type: none">• Strong growth in both the US and Canada• Gained market share across most major channels, with strong momentum with chains	<ul style="list-style-type: none">• Strong growth in Asia, driven by Japan and China• Good growth in Pacific as well as Other (emerging markets)

Financials

Revenue (DKK million)	Q1 23	Q1 22	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	3,048	2,351	26%	0%	26%	4%	30%
Internal sales to Hearing Care	-570	-441	23%	5%	29%	1%	29%
Sales to external customers	2,478	1,910	26%	-1%	26%	4%	30%

Quarterly revenue





Hearing Care

Strong momentum with performance above initial expectations

Comments

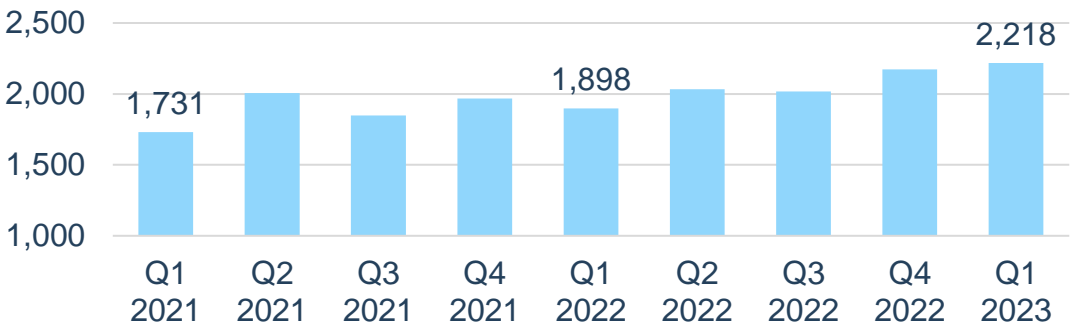
- Growth driven mostly by medium-sized markets, with slightly positive growth in the US and France
- Strong contribution from acquisitions in line with our strategic priorities, especially in China
- Growth primarily unit driven, with slight tailwind from implemented price increases

Europe	North America	Asia/Pacific/Other
<ul style="list-style-type: none">• Strong growth in Poland due to hearing healthcare reform• Strong growth in the UK, positive in most other markets, including France	<ul style="list-style-type: none">• Double-digit growth in Canada• Slightly positive growth in the US, despite exiting selected managed care plans and store closures	<ul style="list-style-type: none">• Solid growth in Australia• Strong momentum in China from Sheng Wang, despite coronavirus impacts at the start of the year

Financials

Revenue <small>(DKK million)</small>	Growth						
	Q1 23	Q1 22	Org.	Acq.	LCY	FX	Rep.
Hearing Care	2,218	1,898	9%	8%	17%	0%	17%

Quarterly revenue





Diagnostics

Solid demand but growth impacted by shipment delays

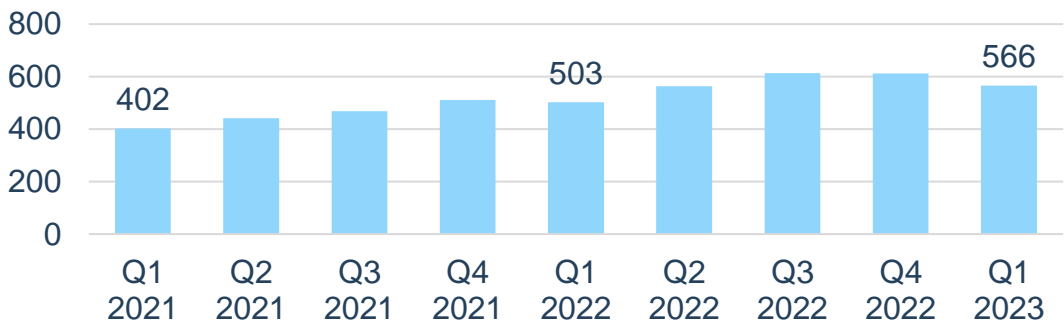
Comments

- We estimate that in Q1, market growth was in line with the estimated structural annual growth rate of 3-5%
- Growth was negatively impacted by shipment delays related to ramp up of new production site in Poland, but production run-rate normalised at end of Q1, and order intake remained strong
- Growth in Q1 was predominantly driven by Asia, particularly China, following coronavirus impacts at the beginning of 2023
- Solid organic growth and strong contribution from acquisitions in Europe, with slightly positive growth in North America
- Growth generated mainly in balance equipment and the service business

Financials

Revenue <small>(DKK million)</small>	Growth						
	Q1 23	Q1 22	Org.	Acq.	LCY	FX	Rep.
Diagnostics	566	503	4%	7%	11%	2%	13%

Quarterly revenue



Demant

Communications

EPOS





Communications

Continued weakness in the markets for both Enterprise Solutions and Gaming

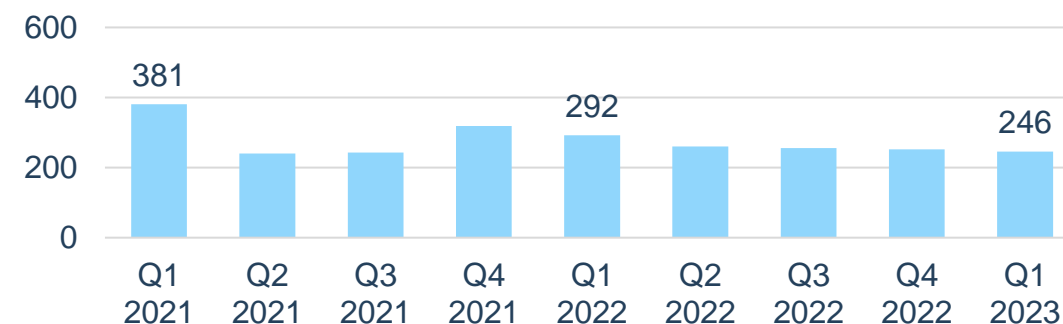
Comments

- We estimate that the market growth rate for enterprise solutions and gaming was negative in Q1
- Growth in our **Gaming** segment was negative and high inventories in the sales channels remained a drag on growth
- **Enterprise Solutions** saw slightly negative growth
- Realised sales prices negatively impacted by sales of legacy, co-branded products

Financials

Revenue (DKK million)	Q1 23	Q1 22	Growth				
			Org.	Acq.	LCY	FX	Rep.
Communications	246	292	-15%	0%	-15%	-1%	-16%

Quarterly revenue



Discontinued operations

Hearing Implants



Divestment of Hearing Implants

As announced on 27 April 2022, the Group has decided to discontinue Hearing Implants, and intends to divest the business to Cochlear Limited

- On 20 April 2023, the UK CMA provisionally concluded that the proposed transaction would result in a substantial lessening of competition, with a final report to be issued 5 June 2023
- Together with Cochlear Demant will continue to engage constructively with the CMA, as we believe the proposed transaction to be in the best interest of patients
- Final report to be issued 5 June 2023, and the transaction is still under review by the Australian authorities (ACCC) and European Commission, as well as French authorities under the French Foreign Direct Investment (FDI) rules
- The transaction is no longer expected to close in Q2 2023, although we are currently not able to provide an updated timeline. Further announcements on the contemplated transaction, including an updated timeline, will be made in due course
- **Demant remains committed to the decision to discontinue our Hearing Implants business**, irrespective of the outcome of the ongoing investigations by competition authorities



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Outlook for 2023

Outlook assumptions

*The outlook is based on key assumptions as described below**

Market

- **Despite continued macroeconomic headwinds, we expect the unit growth rate in the global hearing aid market in 2023 to be within the structural growth rate of 4-6%.** We expect a negative contribution from ASP declines around the normal level of 1-2% due to mix effects.
- We see material uncertainty about the growth trajectory in 2023 in the markets for enterprise and gaming headsets and for video solutions due to low consumer confidence and caution by enterprises when it comes to investment decisions

Demant Group

- In our Communications segment, we expect modest positive organic growth in 2023. Supported by cost savings, we expect an EBIT that is less negative than in 2022
- Due to a high level of attractive opportunities, we expect the level of bolt-on acquisitions in 2023 to be higher than normal
- Despite higher-than-normal cost inflation, we plan to grow the Group's OPEX less than revenue through focused cost control in order to support margin improvement

Discontinued Operations

- **The outlook for profit after tax from discontinued operations is based on a scenario where the divestment of Hearing Implants is not closed in 2023, but we are currently unable to provide an updated timeline**

Outlook for 2023

Metric	Current outlook
Organic	6-10%
Acquisitive	3% based on revenue from acquisitions completed as of 2 May 2023
FX	-1% based on FX rates as of 2 May 2023 and including the impact of hedging
EBIT	DKK 3,800-4,200 million
Net financials	Negative by around DKK 600 million
Effective tax rate	25-26%
Gearing	Gearing (NIBD/EBITDA) at the end of 2023 within our medium- to long-term target of 2.0-2.5
Share buy-backs	None
Profit after tax from discontinued operations	Negative by DKK 100-200 million

A background image showing a close-up of hands examining a map on a wooden table. A compass is placed on the map, and a red string is tied around it. The map shows various geographical features and place names. The scene is dimly lit, creating a focused and serious atmosphere.

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Q&A

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Roadshows and conferences:

4 May

London (Citi)

8 May

Copenhagen (Nordea)

10-11 May

Virtual Roadshow

15 May

Paris (Kepler Cheuvreux)

13-14 June

Los Angeles (Goldman Sachs Global Healthcare Conference)

15 June

San Francisco (Goldman Sachs)

20 June

Copenhagen (Danske Bank Hearing Aid Seminar)