



Demant



Interim Management Statement for Q3 2024

5 November 2024

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Investor Relations

Agenda

1 | Key events and financial take-aways

2 | Business area review

3 | Outlook for 2024

4 | Q&A

Key events in Q3 2024

- 1 | Very strong performance in Hearing Care, with organic growth significantly outgrowing the market
- 2 | Slightly negative growth in Hearing Aids partly due to strong comparative figures but also reflecting an increased competitive environment in a soft hearing aid market as well as negative impact from updated US brand strategy
- 3 | Negative growth in the market for diagnostic instruments, particularly in China due to ongoing Made in China initiatives. Despite negative growth in the business, we estimate that we took market share in Q3
- 4 | New President was announced for our Diagnostics business area, Anne-Karen Hunt, who joined the Group effective 1 November



Key financial take-aways for Q3 2024



Group **organic growth** of 2%, driven entirely by very strong performance in Hearing Care



Group **gross margin** developed in line with expectations and was flat when compared to the same period last year



OPEX saw organic growth in line with our assumptions of growth in the low- to mid-single digits, reflecting our focused efforts to reduce organic OPEX growth



EBIT before special items was slightly below expectations due to unfavourable changes in foreign exchange rates in the quarter



Very solid cash flow, although **CFFO and FCF** were lower than last year, primarily due to higher financial expenses



Outlook for 2024 maintained:
Organic revenue growth of 2-4%
EBIT before special items of DKK 4,300-4,600 million

Business area (DKK million)	Revenue		Growth				
	Q3 24	Q3 23	Org.	Acq.	LCY	FX	Rep.
Hearing Aids, total revenue	3,004	2,924	2%	2%	5%	-2%	3%
Hearing Aids, internal revenue	-600	-494	18%	4%	22%	0%	21%
Hearing Aids, external revenue	2,404	2,430	-1%	2%	1%	-2%	-1%
Hearing Care	2,400	2,152	7%	5%	11%	0%	12%
Diagnostics	597	625	-4%	0%	-4%	-1%	-4%
Group	5,401	5,207	2%	3%	5%	-1%	4%

Business area review



The hearing aid market in Q3

Unit growth in Q3 2024 vs. Q3 2023

- We estimate that overall unit growth was 3%, slightly below the low end of the normal 4-6% range
- Growth was primarily driven by commercial markets whereas government channels grew at a slower pace in the period

Geographical unit growth:

- Growth in **Europe** was slightly positive in Q3. In France, growth was flat as the market continued to normalise, and in Germany growth was also flat. In the UK, growth in the NHS was negative due to strong comparative figures, while growth in the commercial market was solid
- In **North America**, the US commercial market drove growth, driven equally by private pay and managed care, while growth in VA was negative. Canada saw positive growth
- In our **Rest of world** region, growth in Japan was slightly negative, whereas easy comparative figures led to growth in China, although overall market dynamics remain challenging. Australia saw good growth

Unit growth ¹	2024			
	Q1	Q2	Q3	YTD
Europe	1%	8%	1%	3%
North America	10%	6%	4%	6%
US (commercial)	13%	6%	5%	8%
US (VA)	-1%	1%	-1%	-1%
Rest of world	1%	2%	4%	2%
Global	3%	5%	3%	3%

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



Hearing Aids in Q3

Growth slightly below expectations in a soft hearing aid market

Comments

- Organic growth of -1% in sales to external customers, slightly below expectations in a soft hearing aid market and despite a strong comparison base
 - Increased competitive environment
 - Continued impact from updated US brand strategy
- Very positive ASP development due to strong product and channel mix was more than offset by negative unit growth. We estimate on a sequential basis we maintained our market share

Europe

- Good performance in many medium-sized markets
- Negative growth in Germany and the UK due to lower sales to certain large accounts

North America

- Slightly positive growth in Canada
- Negative growth in the US, impacted by a strong comparative base and increased competitive environment

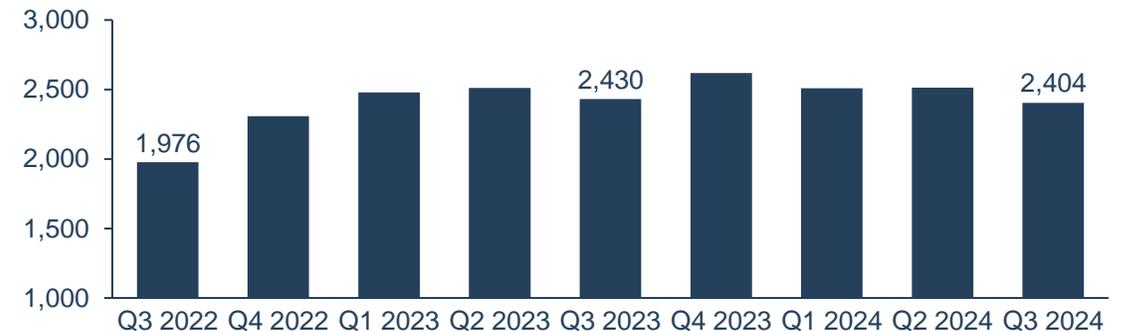
Asia/Pacific/Other

- Positive growth in Asia, despite continuously weak market dynamics in China
- Negative organic growth in the Pacific region

Revenue and growth

Revenue (DKK million)	Q3 24	Q3 23	Growth				
			Org.	Acq.	LCY	FX	Rep.
Total revenue	3,004	2,924	2%	2%	5%	-2%	3%
Internal revenue	-600	-494	18%	4%	22%	0%	21%
External revenue	2,404	2,430	-1%	2%	1%	-2%	-1%

Revenue by quarter





Hearing Care in Q3

Very strong performance, significantly outgrowing the market

Comments

- Very strong growth, with a number of Hearing Care markets performing very well
- Continued contribution from acquisitions, primarily in Germany and Belgium, in line with our strategy
- Growth primarily driven by units, with slight ASP tailwind from positive product and geography mix changes

Europe

- Strong organic growth in several medium sized markets
- Flat growth in France, in line with market developments

North America

- Strong organic growth in the US despite lower traffic generated by customers covered by managed care
- Continuously strong momentum in Canada

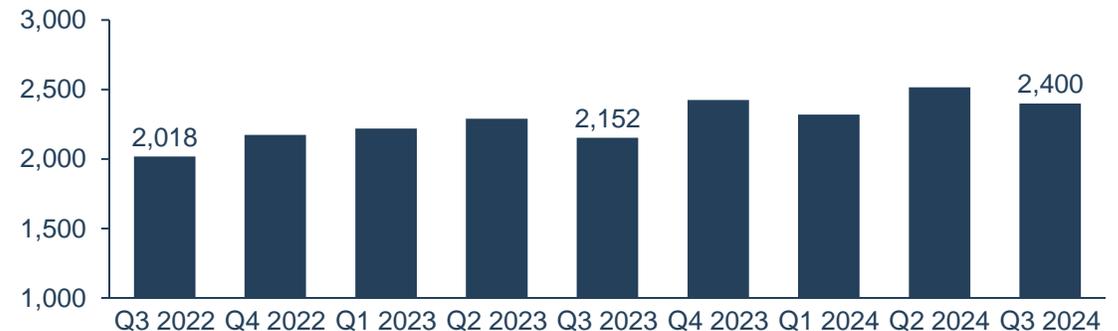
Asia/Pacific/Other

- Very strong organic growth in Australia
- Negative growth in China due to weak underlying market dynamics

Revenue and growth

Revenue (DKK million)	Q3 24	Q3 23	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Care	2,400	2,152	7%	5%	11%	0%	12%

Revenue by quarter





Diagnosics in Q3

Growth lower than original expectations driven by negative market developments

Comments

- A soft market for diagnostic instruments, particularly in China due to Made in China initiatives, led to negative market growth, although we estimate that we continued to take market share in Q3 compared to the same period last year
- Continuously negative growth in balance equipment further impacted performance
- We saw growth in our services and consumables business

Europe

- Positive growth, particularly in Germany and France

North America

- Positive growth in Canada
- Negative growth in the US driven partly by negative growth in balance

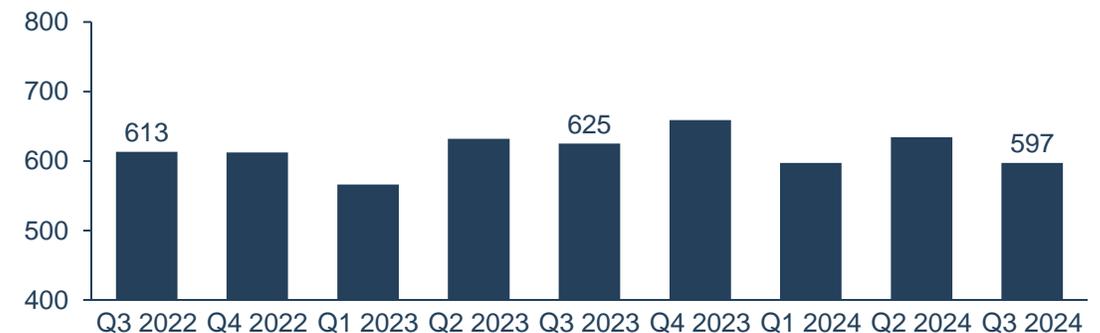
Asia/Pacific/Other

- Particularly negative growth in Asia which predominately relates to China

Revenue and growth

Revenue (DKK million)	Q3 24	Q3 23	Growth				
			Org.	Acq.	LCY	FX	Rep.
Diagnosics	597	625	-4%	0%	-4%	-1%	-4%

Revenue by quarter





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Outlook for 2024

Outlook assumptions

Key outlook assumptions below¹

Market

- **Following lower-than-assumed market growth in the first nine months of the year, we expect the unit growth rate for the global hearing aid market in 2024 to be at the low end of the structural growth rate of 4-6% and the hearing aid market to see flattish ASP development for the year**

Demant Group

- 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 the total loss after tax related to discontinued operations to be around DKK 550 million:
 - We expect the loss after tax related to Communications to be DKK 500 million. This follows a higher operating loss than expected in H1 as well as one-off costs of DKK 400 million related to the 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 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 unchanged and 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

For modelling purposes, we provide further assumptions for 2024 below, which are updated as at 4 November 2024:

Acquisitive growth	2% based on revenue from acquisitions completed as at 4 November 2024
FX growth	-1% based on foreign exchange rates as at 4 November 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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Q&A

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Roadshows and conferences:

06 Nov	London (DNB Bank, virtual)
06 Nov	Copenhagen (Danske Bank)
12 Nov	London (UBS European Conference)
19 Nov	London (ABG Nordic Opportunities Seminar)
20 Nov	London (Jefferies Healthcare Conference)
27 Nov	Copenhagen (Danske Bank Winter Seminar)
28 Nov	Paris (Bernstein SG Premium Review Conference)
03 Dec	Miami (Citi Global Healthcare Conference)