William Demant

Broad hearing healthcare strategy driving long-term growth

Søren Nielsen
President & CEO

Søren Nielsen

President & Chief Executive Officer, William Demant Holding

Curriculum

- Born in 1970
- M.Sc. in Industrial Management and Product Development from the Technical University of Denmark
- CEO since 2017
- President of Oticon since 2008
- Employed with the Group since 1995

Board positions

- Sennheiser Communications
- Vision RT

Founded on care in 1904

Hans Demant was passionate about helping his hearing-impaired wife

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Our vision is to make a life-changing difference to people living with hearing loss

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Stable ownership and focus on long-term value creation

- Majority shareholding owned by the Oticon Foundation
- Charter of the foundation ensuring long-term ownership
- Focused on long-term value creation with a strong track record

Oticon Fonden
(William Demants and Wife Ida Emilies Foundation)

100%

William Demant **Invest**

~55-60%

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Hearing healthcare

Grant activities

~50% ÖSSUR
Orthopaedics

~42% jeudan
Real estate

~22% Vitrolife
In vitro fertilisation

~85% visionrt
Surface guided radiation therapy

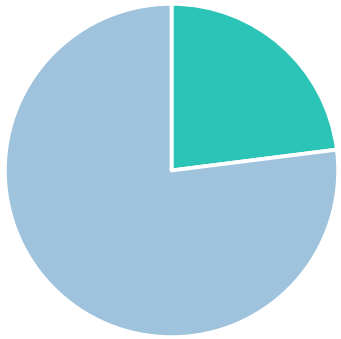
~19%
Wind farm Borkum Riffgrund I

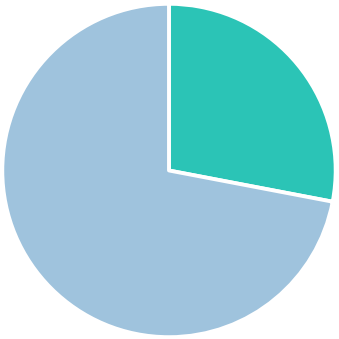
Other investments

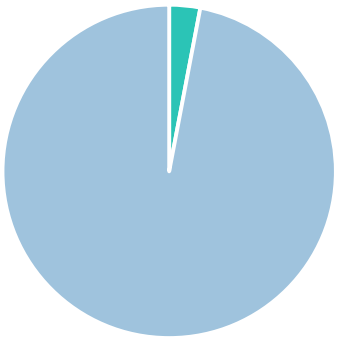
From starting point as pure-play wholesaler to leader in hearing healthcare

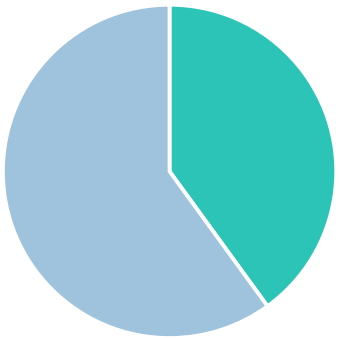
Market leader in wholesale of hearing aids	Successfully forward-integrated into distribution	Major player in bone-anchored hearing systems	On a journey to become a leading player in cochlear implants	Market leader in diagnostic instruments

Wholesale value market share









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Other

Note: Company estimates

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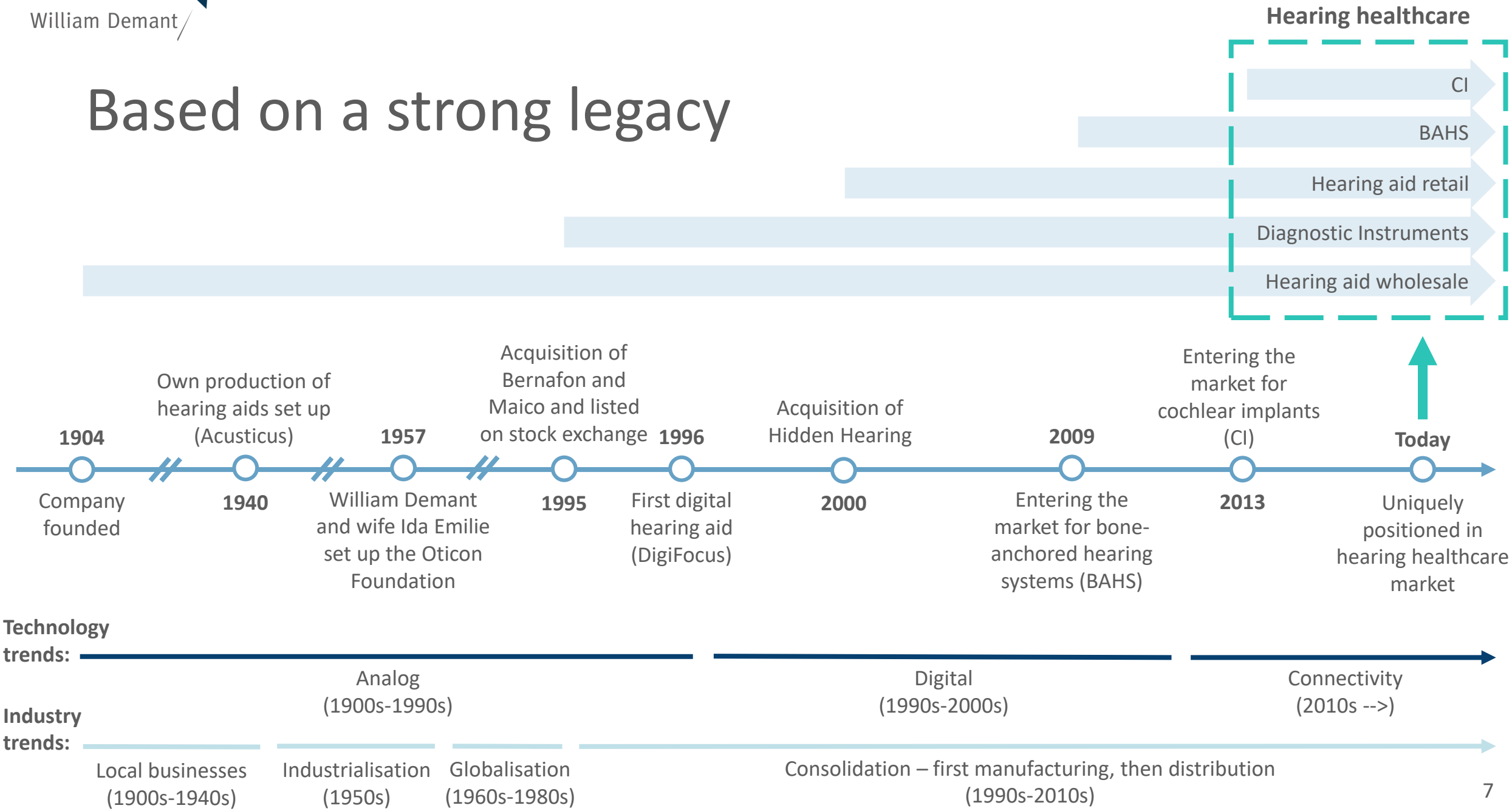
Based on a strong legacy



Competitive situation in the industry

Announced intention to merge

Offerings	William Demant	sonova	sivantos	GN	Starkey	WIDEX	Cochlear	MED-EL	amplifon	natus
Hearing aid wholesale 	◔	◔	◑	◑	◔	◔				
Cochlear implants 	◔	◑					●	◔		
Bone-conducting systems 	◑						●	◔		
Diagnostic instruments 	◔									◔
Distribution 	◑	◔	◔	◑	◔	◔			◔	

◔ = Relative strength in business segment

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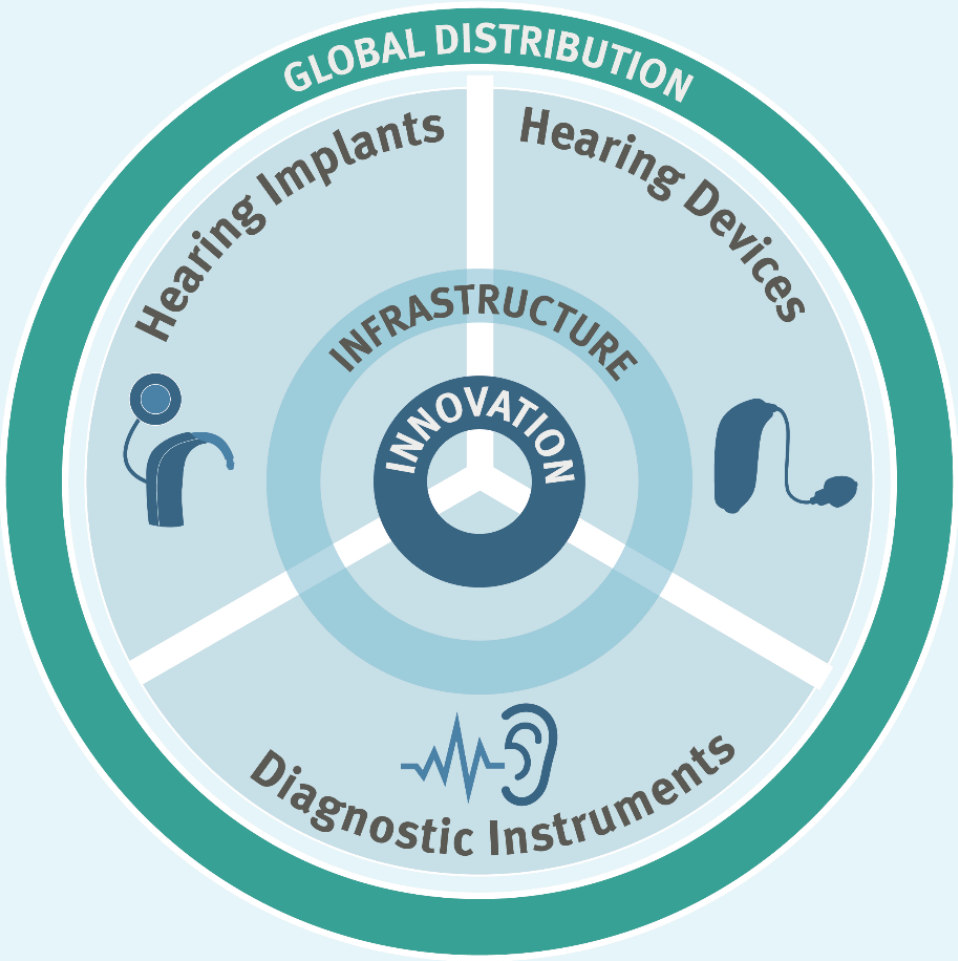
Very significant cross-business synergies



Innovation
- Sharing core platform (DSP, wireless etc.)
- Advanced digital signal processing
- Total fitting flow
- Long-term research at Eriksholm
- eHealth, connectivity and cloud solutions

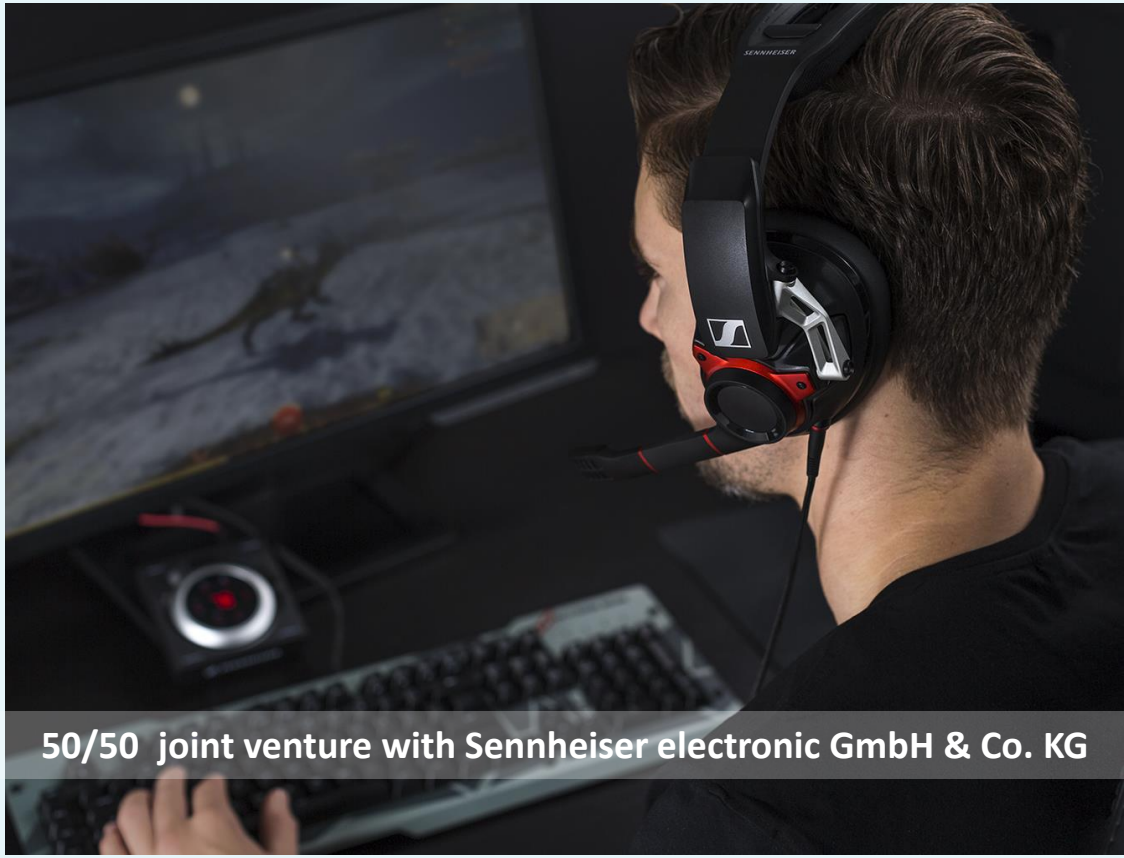
Global distribution
- Lead generation across businesses
- Global sales and distribution platform with strong back-office
- Market insight across businesses and channels
- Critical mass in local markets
- Experience in regulatory affairs

Infrastructure
- Shared sales companies in more than 30 countries
- Global IT platform serving all business units
- Strong global supply chain
- Strong operational footprint in Poland and Mexico

Closer to consumers with Personal Communication

SENNHEISER COMMUNICATIONS

- Three business segments: CC&O (Unified Communications), Mobile and Gaming
- Closer to traditional consumers, e.g.
  - Technology requirements
  - Brand awareness
  - Engagement with customers
  - Direct-to-consumer
- Significant technology synergies to rest of Group



50/50 joint venture with Sennheiser electronic GmbH & Co. KG

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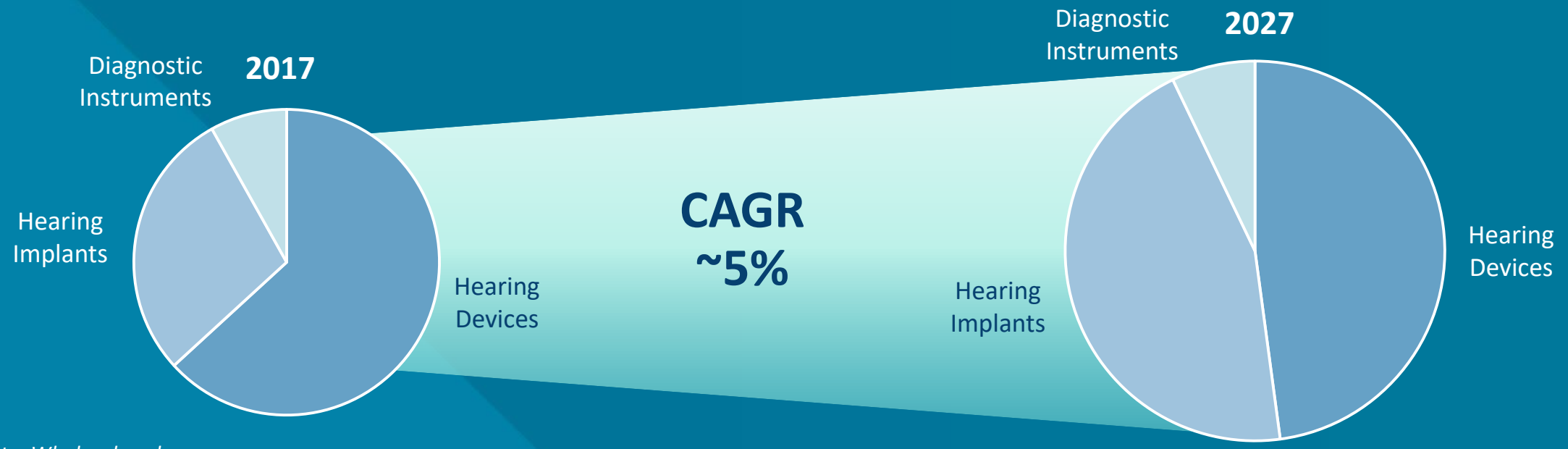
Attractive structural growth in hearing healthcare

Structural growth drivers behind solid value growth rates in hearing healthcare market, particularly in hearing implants

Hearing Devices	Hearing Implants	Diagnostic Instruments
2-4%	10-15%	3-5%



Note: Wholesale values

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The modern senior

Baby Boomers (age 65-75)

- Claim their rights
- Life expectancy is high
- Use modern technologies
- Less trust in authorities
- Invest in themselves
- Take advantage of networks to engage in active social activities

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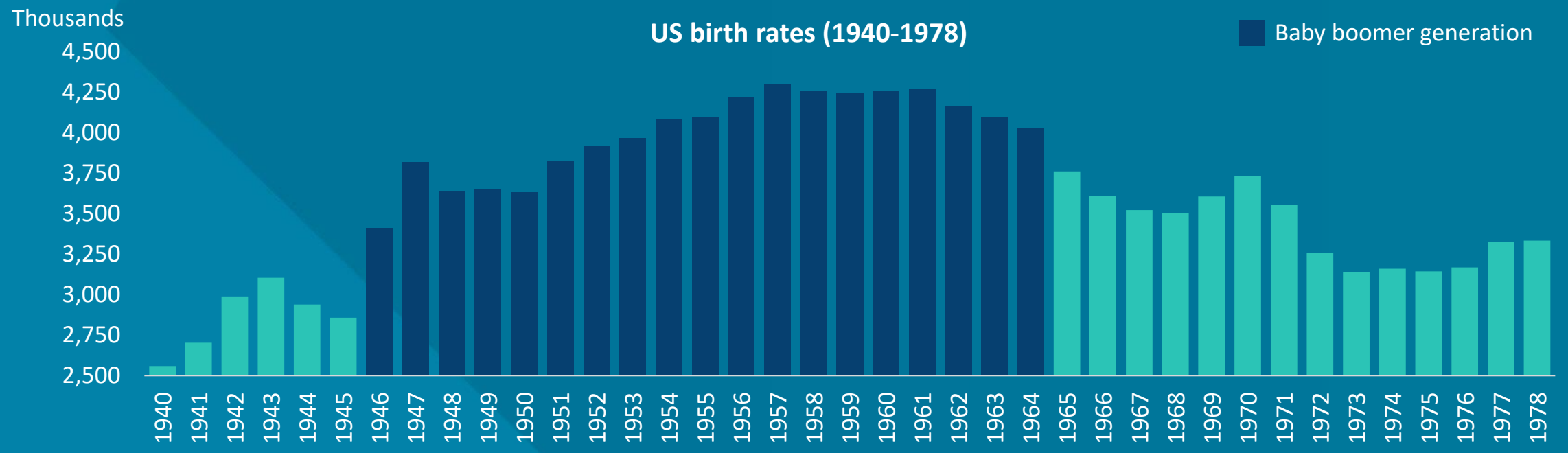
Growth driven by baby boomers in developed markets…

72 years old
Age of the first baby boomers

~69 years old
Average age of first-time user

We live longer lives
Increasing life-expectancy

Active and tech-savvy
Characteristics of baby boomers



Source: William Demant estimates and data from OECD.stat and US Census

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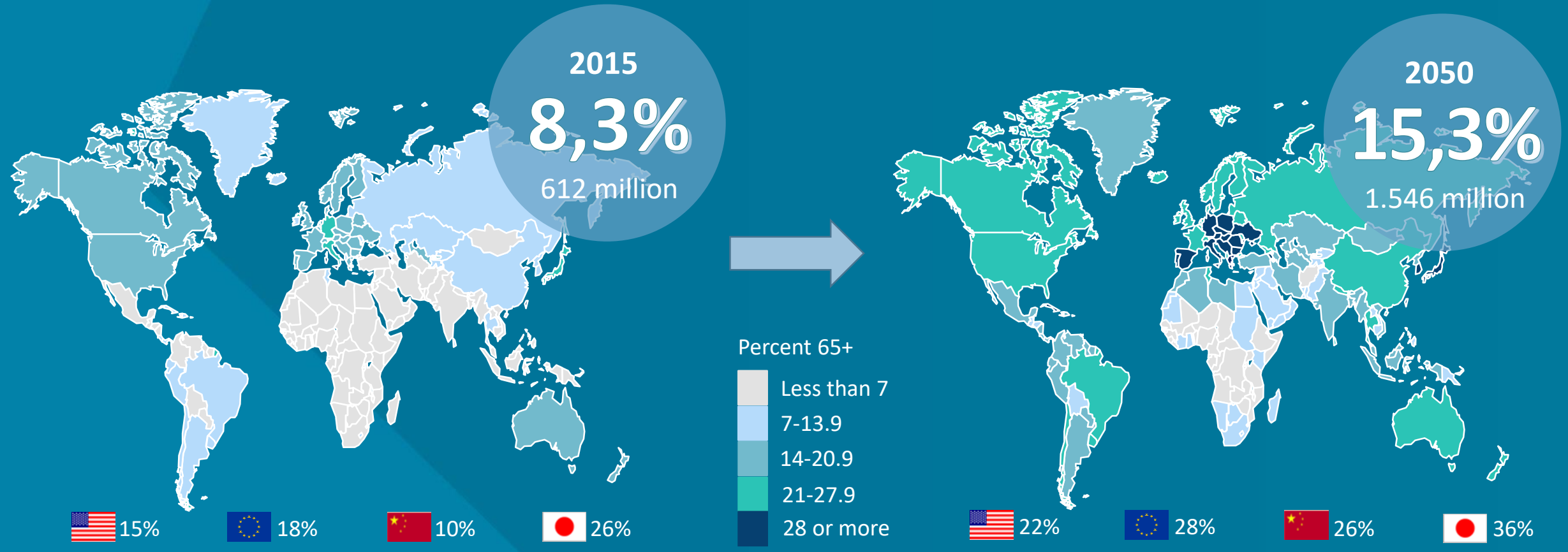
…and an ageing population across the world

Significant increase in share and size of 65+ population



Source: United Nations, Population Division, Department of Economics and Social Affairs; World Population Prospects; The 2017 Revision

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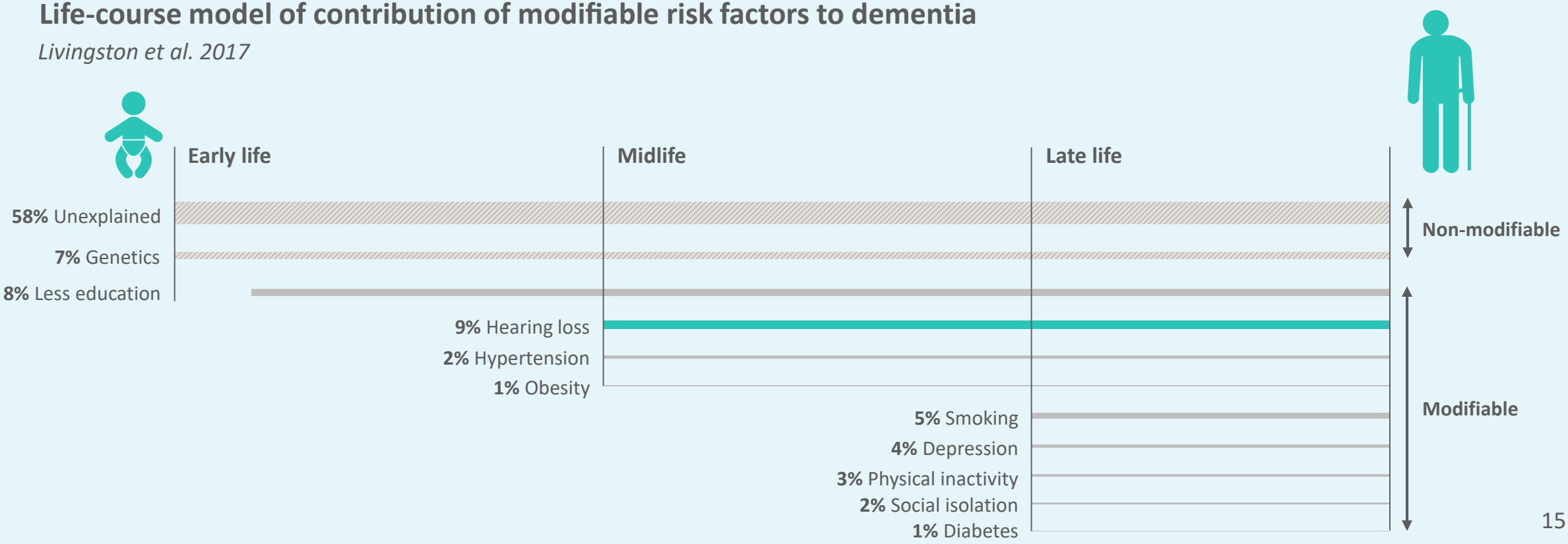
Hearing care is healthcare: Link to dementia

Hearing loss affects overall health and may accelerate cognitive decline and lead to social isolation, e.g. it is shown to be the biggest modifiable risk factor related to dementia

Life-course model of contribution of modifiable risk factors to dementia

Livingston et al. 2017



With hearing aids, ability to remember what is heard is less impacted by aging

Factor	Coefficient (Standard Error) P-Value Model 1	Model 2
Intercept	17.89 (0.36) <.001	15.32 (0.4) <.001
Age (before using hearing aid)	–0.11 (0.00) <.001	–0.1 (0.00) <.001
Age (after using hearing aid)	–0.03 (0.00) <.001	–0.02 (0.00) <.001
Hearing aid use	2.13 (0.41) <.001	1.53 (0.41) <.001
Female		1.11 (0.09) <.001
Married		0.16 (0.07) .04
Education (reference <high school)		
High school		0.97 (0.12) <.001
≥College		1.84 (0.11) <.001
Wealth tertile (reference 1 (poorest))		
2		0.33 (0.07) <.001
3 (wealthiest)		0.58 (0.08) <.001
Smoking (reference nonsmoker)		
Past smoker		0.08 (0.09) .36
Current smoker		–0.05 (0.13) .68
Drinking behavior		0.01 (0.00) .001
Vigorous physical activity		0.17 (0.05) .001
Depression score		–0.11 (0.01) <.001
Number of comorbidities		–0.13 (0.03) <.001

Table 2. Hearing aid Use and Episodic Memory Scores, Coefficients and Standard Errors: Health and Retirement Study 1996-2014

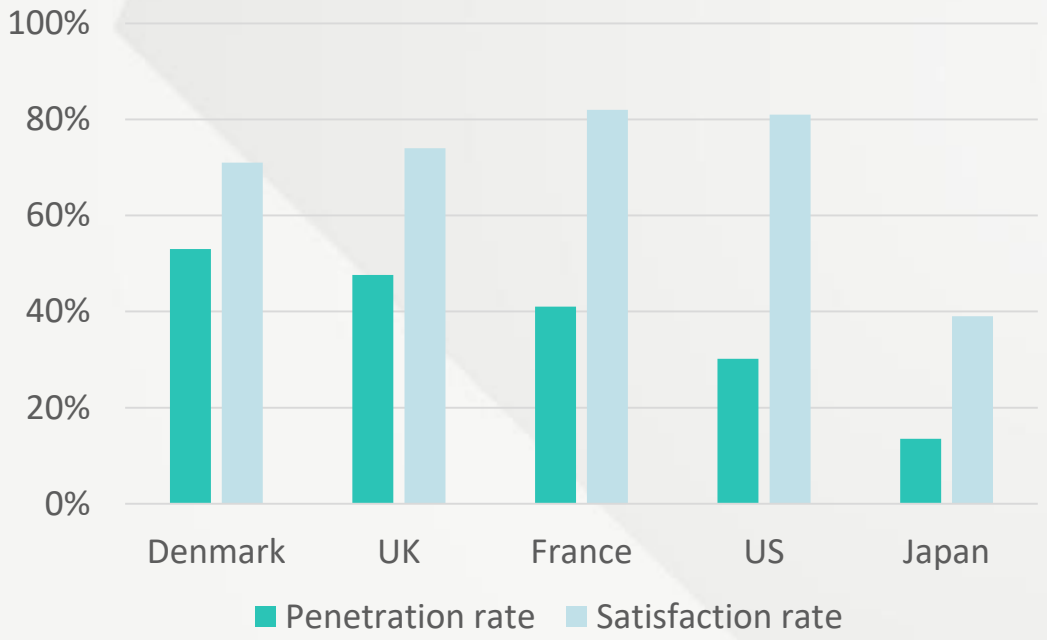
- New independent research* on age, hearing aid use and memory:
  - 2040 hearing aid users aged 50+
  - Hearing aid use 2nd largest factor after education to preserve formation of new memories as we age
  - After starting hearing aid use, ability to remember what is heard is less impacted by aging compared to before

** Maharani et al., 2018 "Longitudinal Relationship Between Hearing Aid Use and Cognitive Function in Older Americans", J. Am. Geriatrics Soc.*

Penetration levels vary greatly across markets

Penetration of hearing healthcare products driven by awareness, market infrastructure, public healthcare systems and income levels and emerging markets remain underpenetrated

Hearing aid penetration and satisfaction rates in selected markets



Source: EuroTrak (2016 & 2018), MarkeTrak (2015) and JapanTrak (2016) studies

- Satisfaction rates (for hearing aids) high in markets where end-users can freely choose technology and hearing care professional and have ”skin in the game” (e.g. US and France)
- We remain focused on delivering better outcomes through best-in-class technology to improve satisfaction rates
- **Involvement of a professional remains key for awareness as well as for quality of counselling, fitting and after-sales-service**

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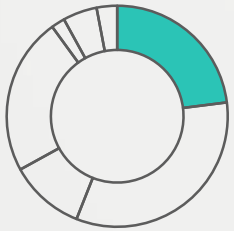
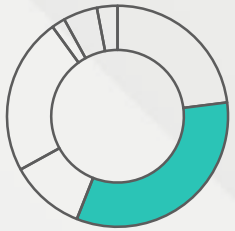
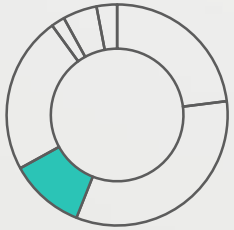
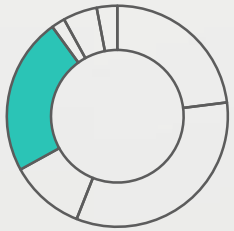
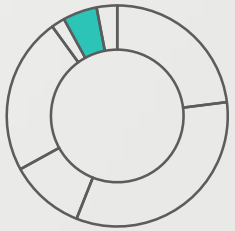
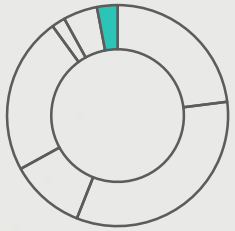
The role of the professional

Stigma still key barrier for widespread adoption of hearing healthcare products and professional involvement is needed to overcome this

- Customer journey involves multiple interactions with a professional and is similar for most sales channels
- Digitalisation is opening up new opportunities to improve customer journey, e.g. ***AMTAS™*** and ***Oticon RemoteCare***…

Typical customer journey

Multitude of sales channels for hearing aids

	Public / hospital settings	Conventional Independents	Buying groups / networks	Conventional retail chains	Direct online sales	Specialty retailers	Multi-line retailers
Description	• **Professional sourcing** • Work with manufacturers with high audiological content and the ability to demonstrate user benefits via clinical studies etc. • Capacity is often the main challenge, and **efficient fitting processes** and highly reliable products are the main drivers	• Owners are an integral part of the operation and typically have a background in hearing instruments and are **dedicated and specialised** • Often **loyal to their main suppliers** based on long term relationship and maybe also financial tie-ins to their suppliers	• Many independents seek help from buying groups to compete in commercial markets • This service is normally financed through negotiation of **discounts with suppliers** • Typically require a high-priced market with margins to finance these services	• Typically have strong marketing and process control as well as strong, central, corporate functions • Strong focus on low purchase price • **High marketing spend** • They expect leading suppliers and always up-to-date technology	• Model tested in many shapes and forms in a number of markets • Challenging to combine online sales with the need for personal counselling and fitting of the hearing instruments • **May rely on one or more physical channels** for actual fitting in exchange for fitting fee	• Pharmacies, opticians etc. • In some markets, attractive alternative source of revenue for opticians • **Leveraging on existing traffic** but limited other synergies • Professional and commercial retailers who expect products that are easy to sell	• Big box retailers • Professional – but not specialised • Leveraging high level of traffic and operating at low margins • Looking for partners who can generate the best retail value • They want top-tier brands • **Low marketing spend**
Level of specialisation	Specialised professional						Complementary business
Players	NHS		AUDIGY, elite HEARING NETWORK, AHAA AMERICAN HEARING AID ASSOCIATES	amplifon, KIND HEARING	audibene einfach gut hören, embracehearing	fielmann, Specsavers, Boots	COSTCO WHOLESALE, Sam's Club
Market split (Volume 2017)							

Note: Company estimates

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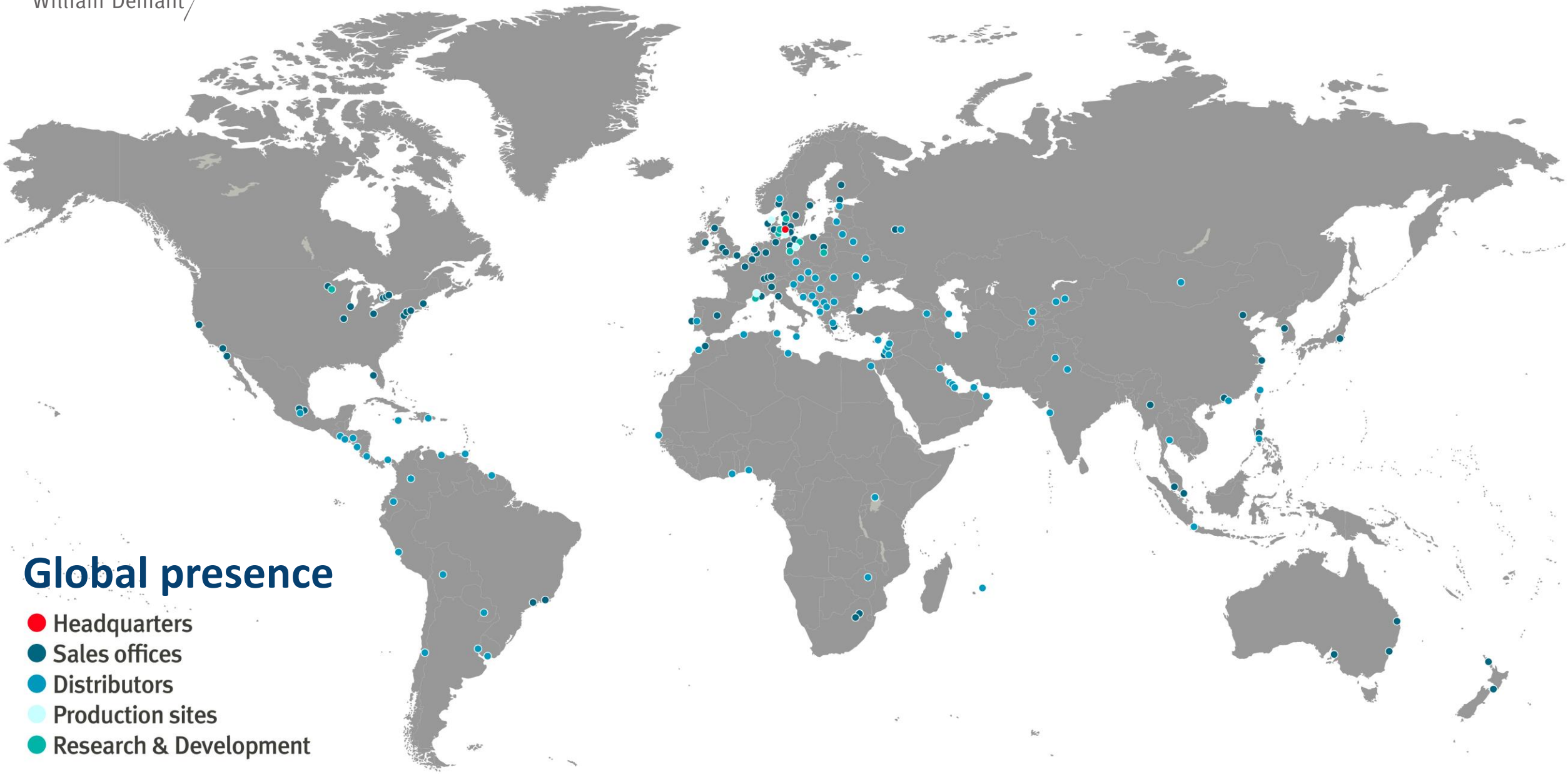

Global presence

- Headquarters
- Sales offices
- Distributors
- Production sites
- Research & Development

Well-positioned for long-term growth

- Innovation remains key for continued growth
  - Hearing care is healthcare and we stay focused on securing best possible outcomes for patients
- Access to global distribution and support is also key
  - Own retail an important strategic element
  - No single channel or model will "take it all"
- Demographics will support high growth in market for hearing implants
- Diagnostic Instruments business activity ensures understanding of entire spectrum of the market

> *"Our vision is to make a life-changing difference to people living with hearing loss*