

William Demant



Commitment to long-term shareholder value

René Schneider
CFO



René Schneider

Chief Financial Officer, William Demant Holding

Curriculum

- Born in 1973
- M.Sc. in Economics from Aarhus university
- CFO in William Demant Holding since 2015
- Background in pharmaceuticals (Novo Nordisk and NeuroSearch)





Update on strategic initiatives (2016-2018)



Strategic initiatives on track

The ***strategic initiatives*** announced in 2016 are designed to create the best possible platform for future growth and are all on track

Major initiatives

- Transfer of activities from the production site in Thisted, Denmark, to Poland to be completed in December 2018
- Eagan site has been closed down, and all activities have been transferred
- Successful ramp-up in Mexico continues
- Transfer of R&D in Switzerland to Denmark and Poland completed
- New site for R&D software development has been opened in Warsaw and is expanding
 - 115 FTE currently working in the new Demant Technology Centre in Warsaw



Continuous focus on operational efficiency

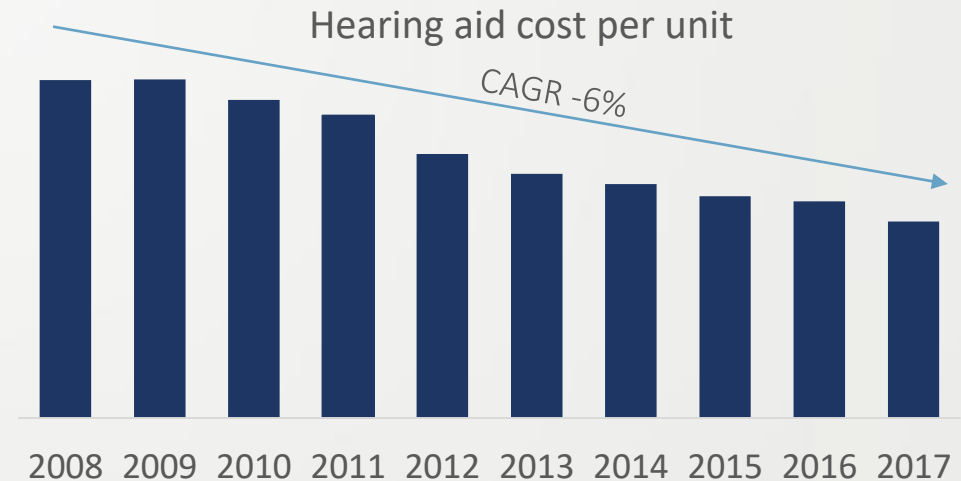
Expanding industry-leading gross margins despite lower prices

Lower prices
(negative for gross margin)

Operational efficiency
(positive for gross margin)

Economies of scale
(positive for gross margin)

Retail acquisitions
(positive for gross margin)

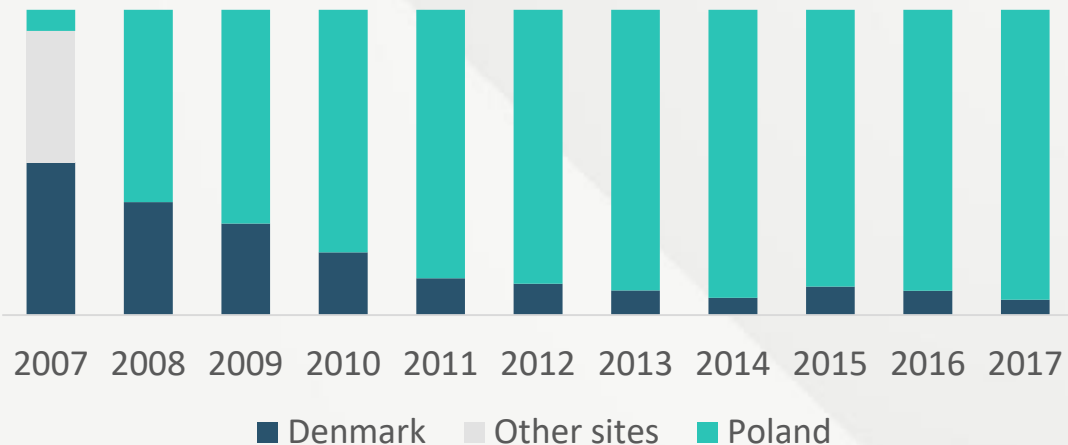


Streamlined global operations footprint

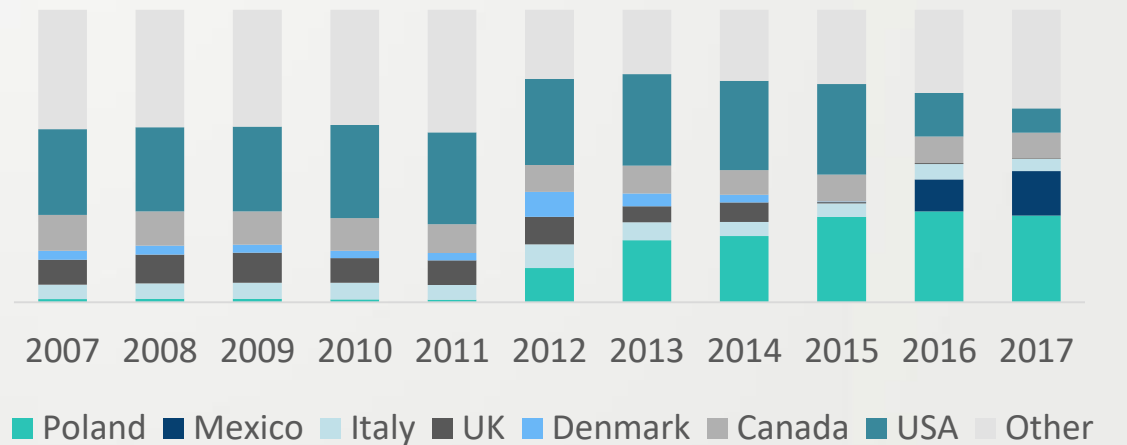
- Central production
- Leveraging economies of scale
- Future ambition to build two main production hubs



Manufacturing of standard products

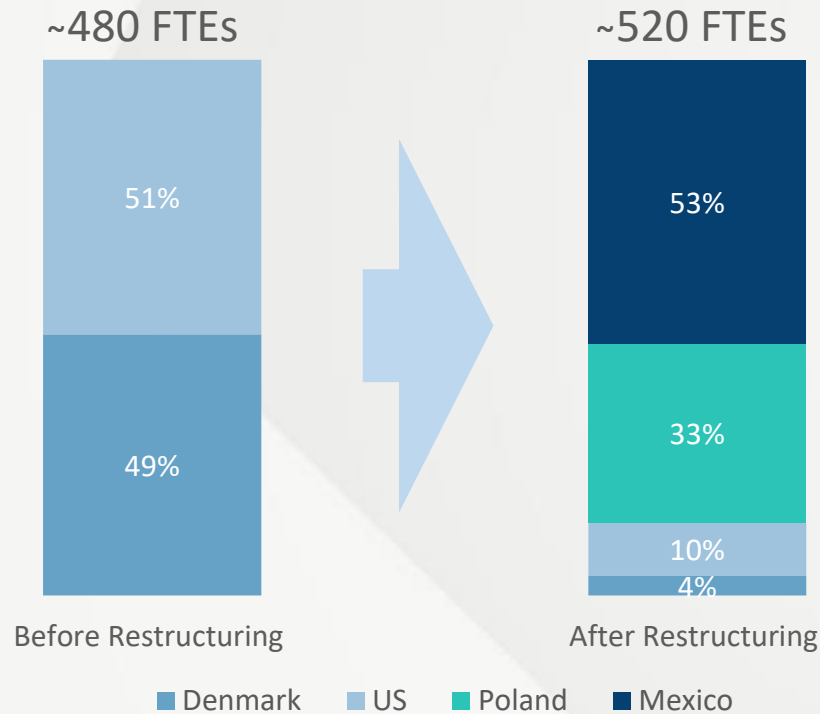


Manufacturing of custom products



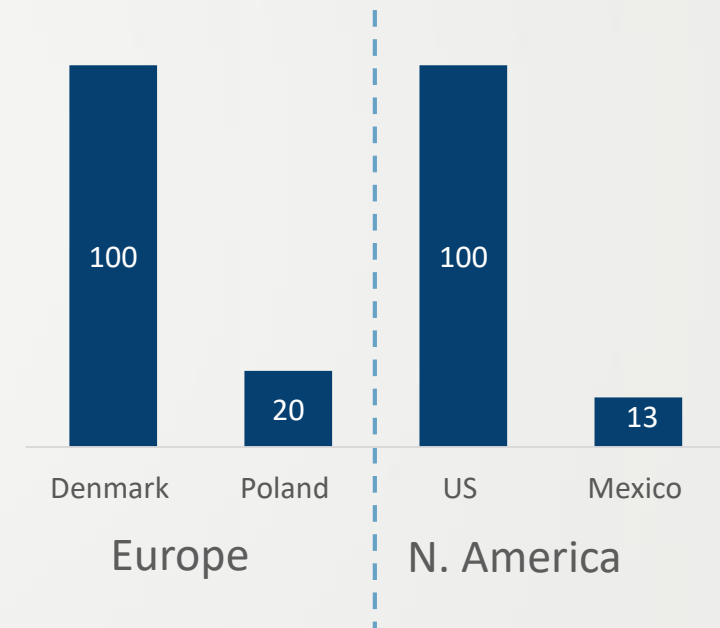
FTE development across affected production sites

FTE share per production site



- Building central, cost-efficient production hubs
- Blue collar in Poland ~20% of cost in Denmark
- Blue collar in Mexico ~13% of cost in US

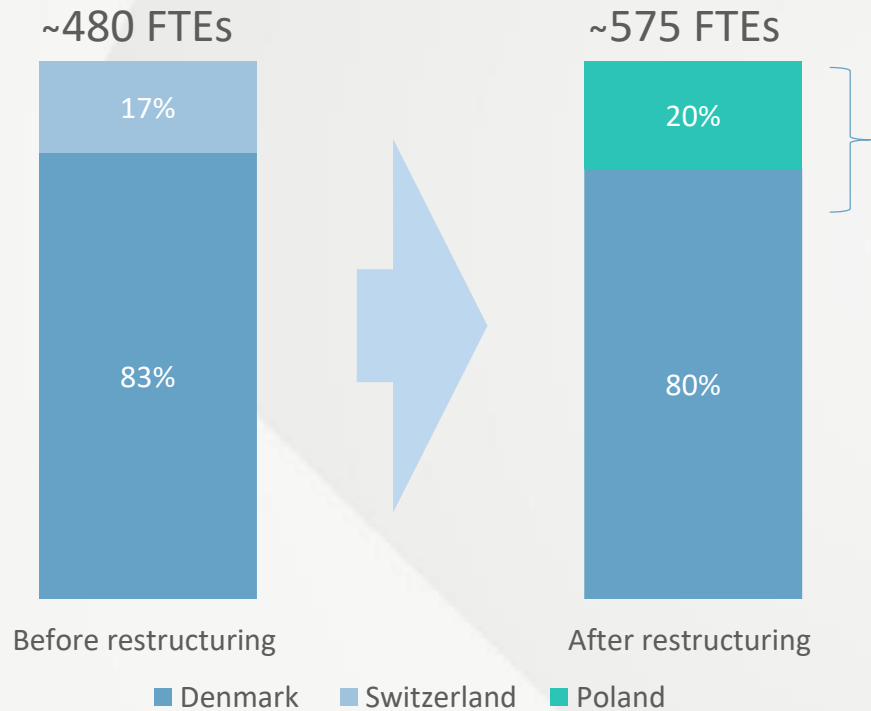
Salary index – blue collar



Salary index: Denmark = 100 for Europe, US = 100 for North America

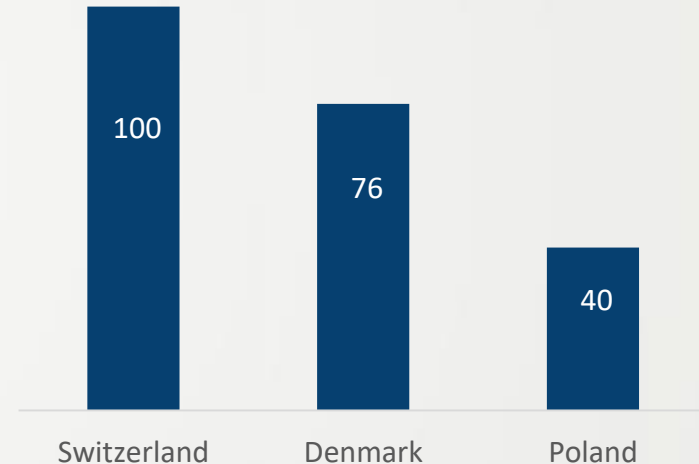
FTE development across affected R&D sites

FTE share per R&D site



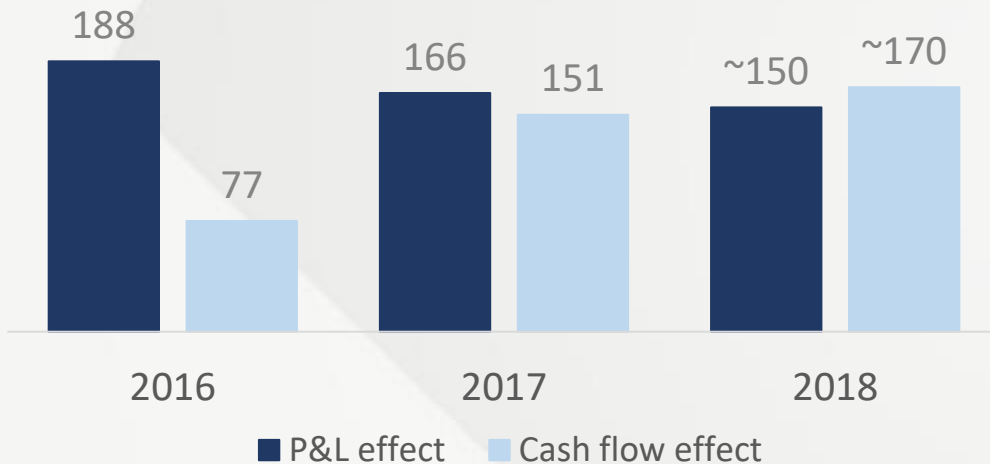
- R&D set-ups to grow and become more cost-efficient
- The cost of an FTE in Poland is approx. 40% of an FTE in Switzerland

Salary index



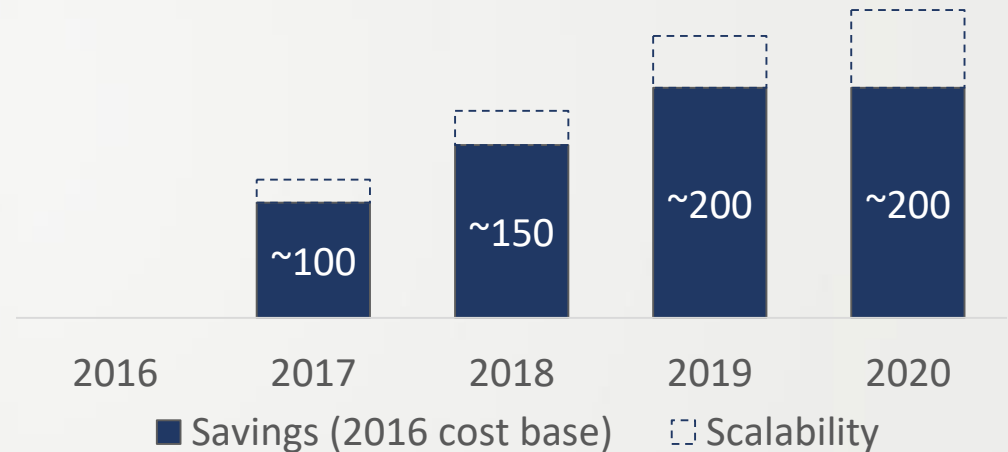
Financials from strategic initiatives

Restructuring costs
(DKK million)



Restructuring costs of approx. DKK 500 million from 2016 to 2018 (cash flow effect of approx. DKK 400 million)

Savings
(DKK million)



Savings of DKK 200 million on 2016 cost base when initiatives are fully implemented as well as improved future scalability



Driving long-term shareholder value

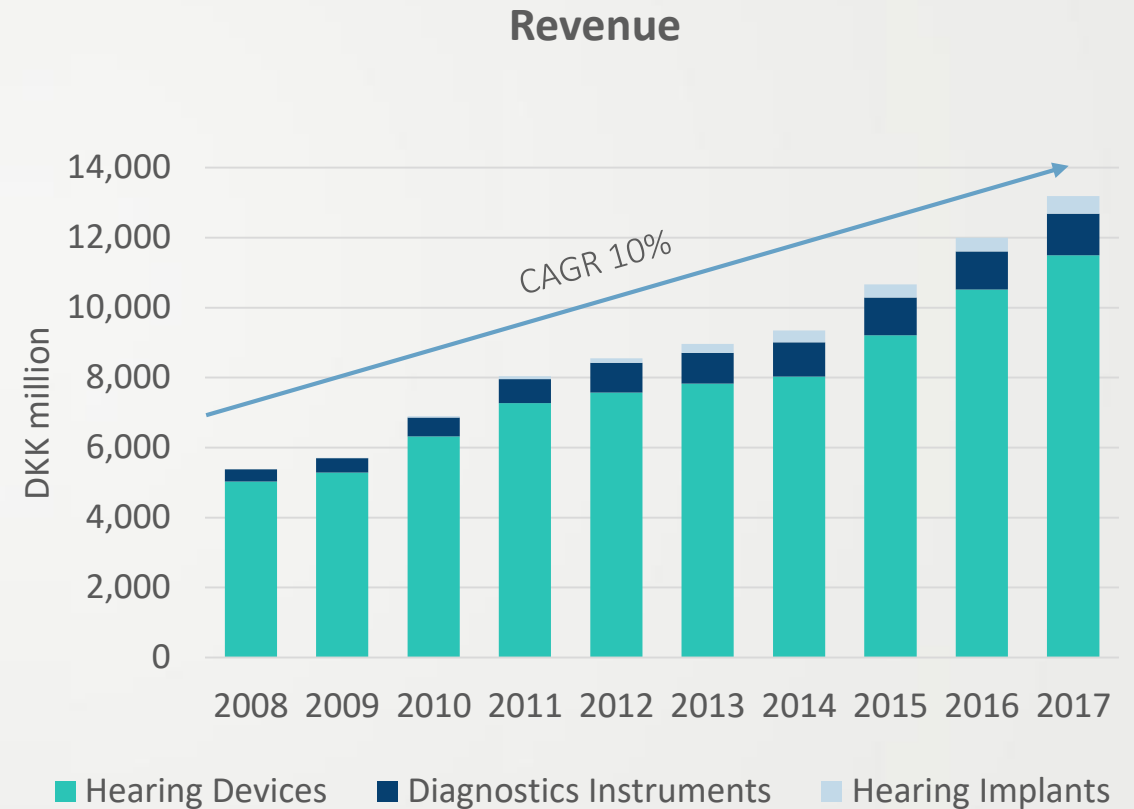


Well-positioned for continued growth

Future growth drivers

- + Hearing healthcare market growth of 5+%
- + Market share gains across all business areas
- + Launch of innovative new products and services in all business areas
- + Selected bolt-on acquisitions

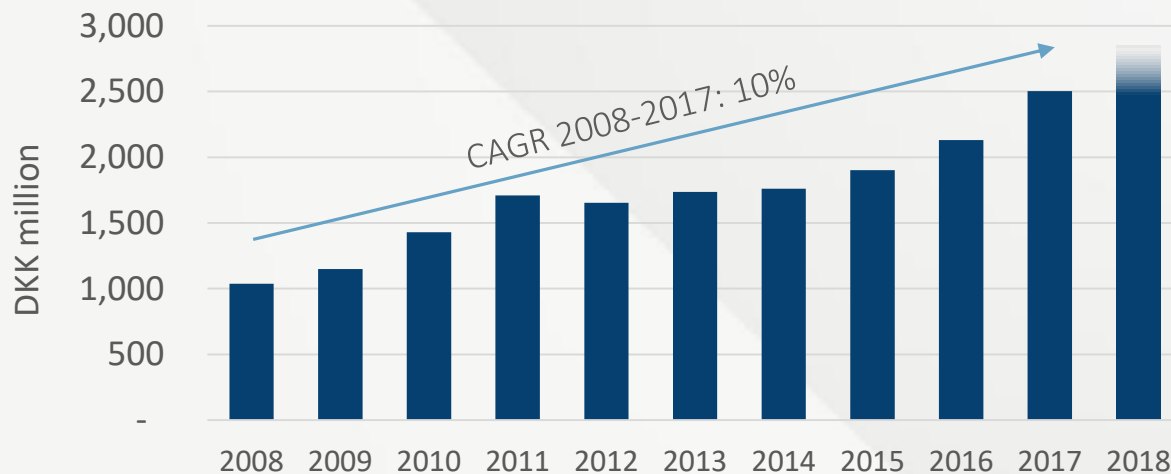
■ 1-2% decline in wholesale ASP per year



Several profitability drivers in all business activities

Group	Hearing Devices Wholesale	Hearing Devices Retail	Hearing Implants	Diagnostic Instruments
<ul style="list-style-type: none"> Scalability on global infrastructure Further leverage Shared Services Centre Scalability in central functions 	<ul style="list-style-type: none"> Continued growth Continued consolidation of operations Improvements in supply chain 	<ul style="list-style-type: none"> Digital marketing, lead generation etc. Operational efficiency supported by IT 	<ul style="list-style-type: none"> Market share gains and access to high-value markets 	<ul style="list-style-type: none"> Scalability in operations R&D leverage Emergence of new business models (software and service)

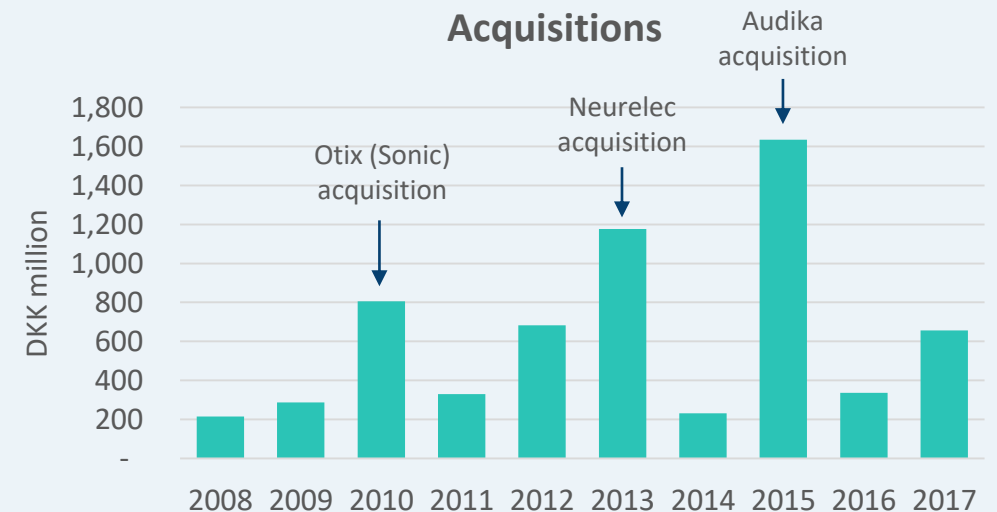
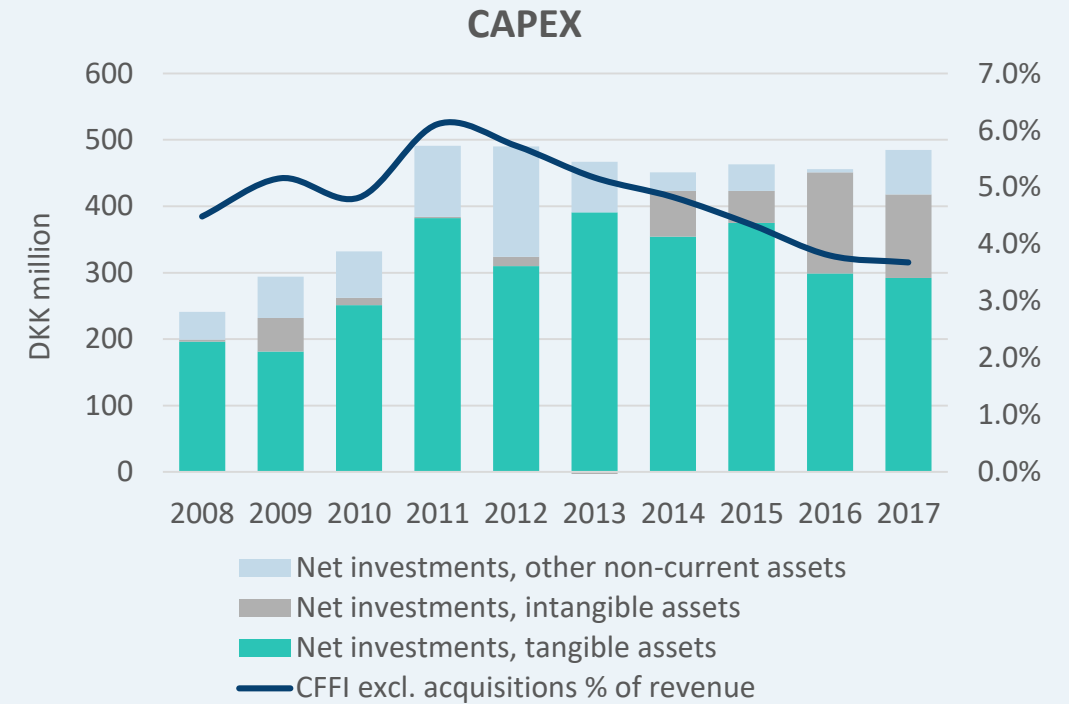
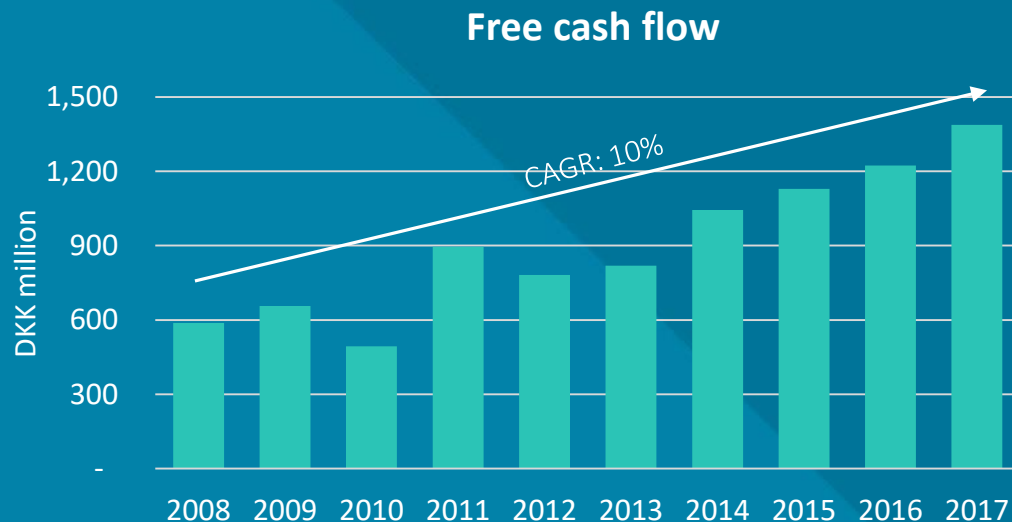
Operating profit (EBIT) (adjusted for 2016-2018)



- Ambition to improve profitability in all business activities over time subject to mix changes (geographies, channels, brands and products)
- Profitability on Group level subject to changes in mix between business activities

Strong free cash flow generation

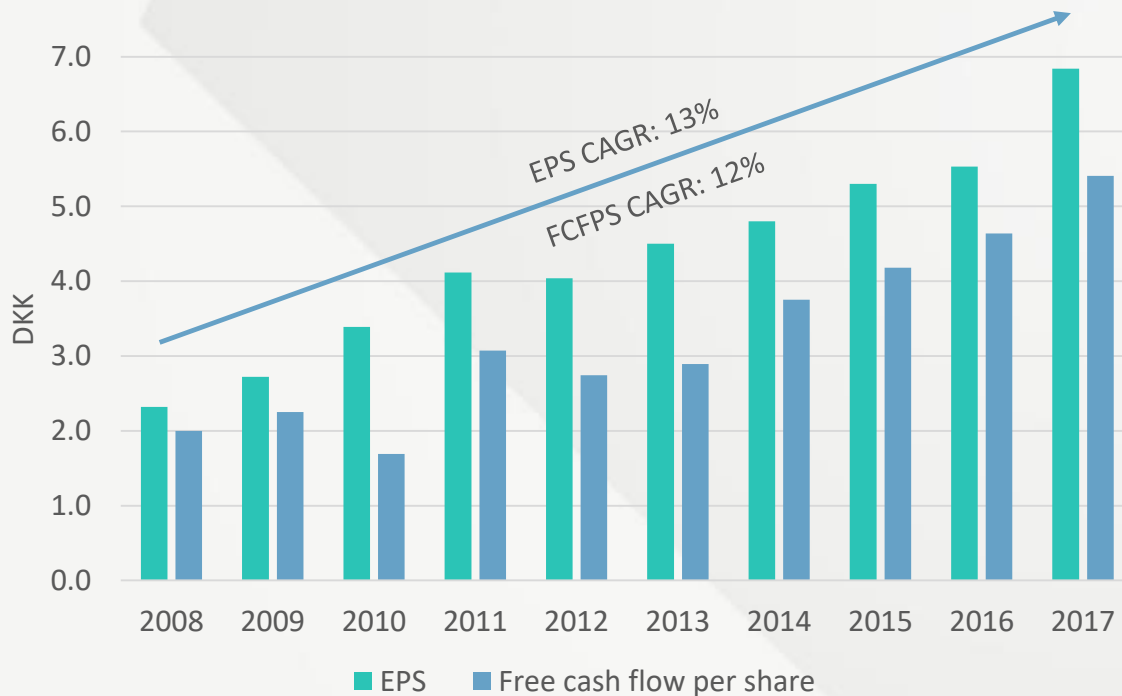
- Stable development of CAPEX in an asset-light industry
- Continued bolt-on acquisitions and selected major transactions



Focus on driving shareholder value

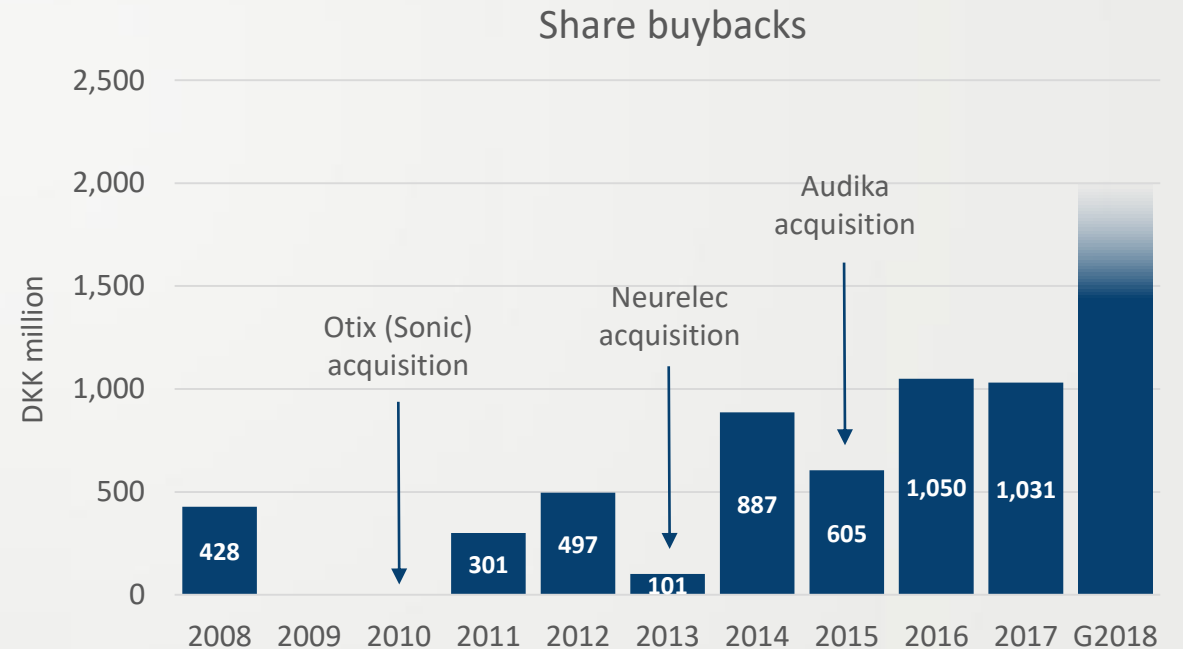
Continued growth in:

- Earnings per share: 13% CAGR (10 years)
- Free cash flow per share: 12% CAGR (10 years)



Significant increase in share buybacks:

- FY2017: DKK 1,031 million
- Guidance for FY2018: DKK 1,500-2,000 million



An attractive investment case

Key investment highlights:



Global leader in hearing healthcare industry comprising hearing aids, hearing implants and diagnostic equipment



Attractive market growth of ~5% driven by strong structural demographic trends including ageing population and increased life-expectancy



An industry characterised by **high level of complexity** in terms of technology, distribution and diverse regulatory environments



Unique positioning with ability to address all customers across all channels and markets through multi-business and multi-brand strategy



Significant synergies between business areas and **economies of scale** in all parts of the value chain



Innovation leader with world-leading miniaturisation capabilities, dedicated in-house chipset design and core research facility



Focus on **long-term value creation** backed by a highly stable ownership structure with Oticon Foundation as majority shareholder



Strong growth track record: 10-year CAGR of 10% in sales and 13% in EPS combined with high level of cash generation and share buy-backs