

William Demant



*17 October 2018*

# Management Presentation EUHA 2018

**Søren Nielsen**  
President & CEO of William Demant Holding

**Jes Olsen**  
President of Oticon Medical



# Agenda

1. Key take-aways from Interim Report 2018
2. Hearing Devices
3. Hearing Implants
4. Diagnostic Instruments
5. Miscellaneous topics
6. Q&A

Please note that we are in quiet period prior to release of our Interim Management Statement on **6 November 2018**

# Key take-aways from Interim Report 2018 (1)



Growth of 9% for the Group in local currencies – organic growth of 7%, substantial across all business activities



Hearing aid wholesale business saw strong organic growth of 11% – product portfolio to be expanded significantly across all brands



Hearing aid retail business saw growth of 8% in local currencies – organic growth of 1% with material differences between our markets



Hearing Implants delivered organic growth of 9% driven by cochlear implants business

## Key take-aways from Interim Report 2018 (2)



Continued positive momentum in Diagnostic Instruments with 11% organic growth

**11%**

Adjusted EBIT grew by 11% to DKK 1,272 million with EBIT margin expansion of 1.2 pp to 18.8%. Reported EBIT grew by 16% to DKK 1,226 million with EBIT margin expansion of 1.8 pp to 18.1%. EPS grew by 15%



Outlook for 2018 adjusted to EBIT of DKK 2.65-2.85 billion (previously DKK 2.55-2.85 billion) before restructuring costs of DKK 120 million (previously DKK 150 million)



A pair of dark blue, behind-the-ear hearing aids with clear earbuds and thin wires, resting on a black, textured mousepad. The mousepad is on a green and white checkered surface. In the background, a colorful, abstract pattern is visible.

# Hearing Devices

# New styles and price points across all brands

	New custom products in existing product families	New products in essentials category
<b>oticon</b> PEOPLE FIRST	Oticon Opn	Siya 1 Siya 2
<b>bernafon</b> ®	Bernaфон Zerena	Zerena 1 Zerena 2
<b>SONIC</b>	Sonic Enchant	Enchant 40 Enchant 20

- Announced in August
- Launch activities in all major markets in September and October
- Primary impact will be in Q4 2018





**oticon**  
PEOPLE FIRST

# Opn has introduced a paradigm shift in hearing care

“My only regret is I waited 10-15 years instead of getting it sooner.”

*Karen Underwood, Oticon Opn user*

“Now, it’s great to be with my friends and family – with no embarrassment about not hearing or participating in the event.”

*Henry Eksteen, Oticon Opn user*

“My whole aural environment is so much richer than it had been before.”

*Rona Bromley, Oticon Opn user*

“I can’t remember that I was ever so enthusiastic. Oticon Opn is a revelation.”

*Henkjan Bosch, hearing care professional and Oticon Opn user*



# Introducing Oticon Opn custom styles

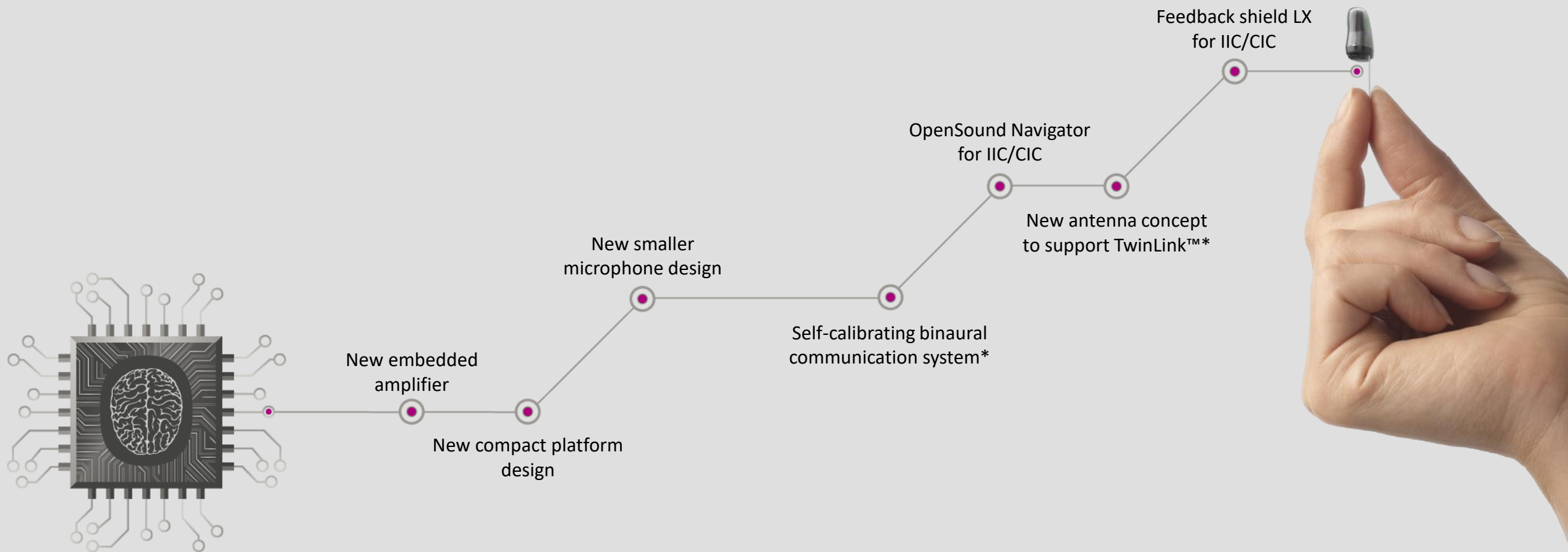
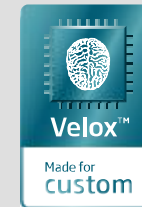
Further advancements and optimisations of components equal smaller hearing aids



- IIC completely invisible in 8 out of 10 ears
- Oticon CIC, the smallest CIC we have ever made
- ITC, ITE HS, ITE FS also benefits from size reduction of components
- NFMi available for CIC, ITC and ITE styles
- 2.4 GHz connectivity available for ITC and ITE styles

# Powered by Velox™

Fast and precise enough to support the brain in making sense of sound



\*For styles with wireless technology

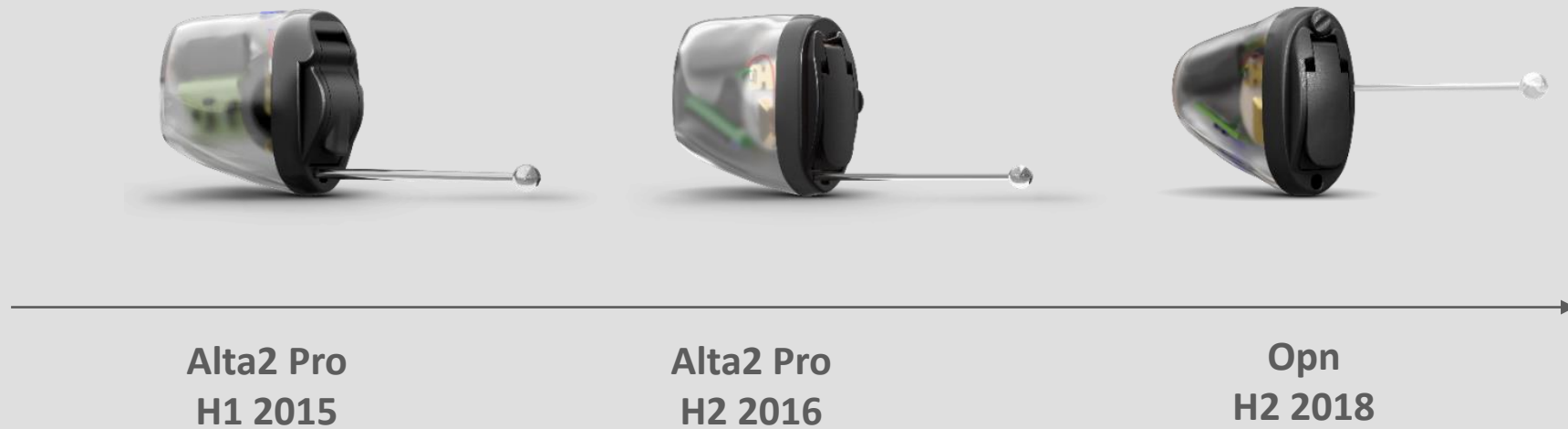
# Oticon Opn Invisible-In-Canal

The smallest hearing aid we have ever made





# Progression over time



# OpenSound Navigator™

The key to the open sound experience in all styles



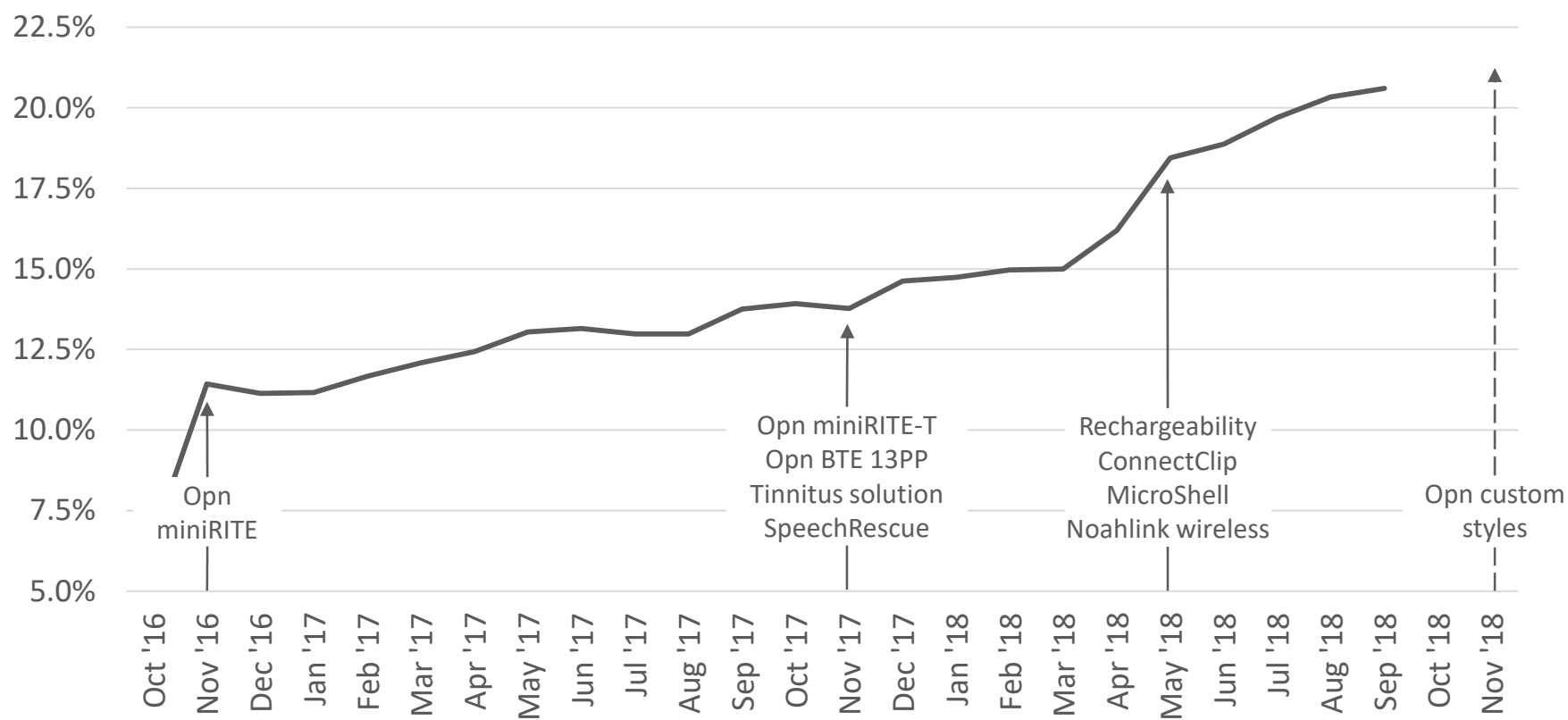
# Custom styles to support strong development in VA

Will be launched in VA on 1 November 2018



VA market share (units) increased from 6.7% in October 2016 (last month before launch of Oticon Opn in VA) to 20.6% in September 2018

Development in VA market share (units) since launch of Oticon Opn





**Oticon  
Siya  
Seize the  
day!**



**OTICON | Siya**





# New comprehensive offering in the essentials category

A wide range of styles to meet client needs

**IIC**

Invisible-In-Canal

**CIC**

Completely-In-Canal

**ITC**

In-The-Canal

**ITE HS and  
ITE FS**

In-The-Ear  
Half Shell and Full Shell

**miniRITE**

Receiver-In-The-Ear

**miniRITE T**

Receiver-In-The-Ear  
(with telecoil)

**BTE**

Behind-The-Ear

**BTE PP**

Behind-The-Ear  
Power Plus

OTICON  
SIYA  
ONLY

# OTICON | Siya

# Quantum leap forward in the essentials category



**OTICON | Siya**

Velox platform

2.4 GHz wireless  
technology

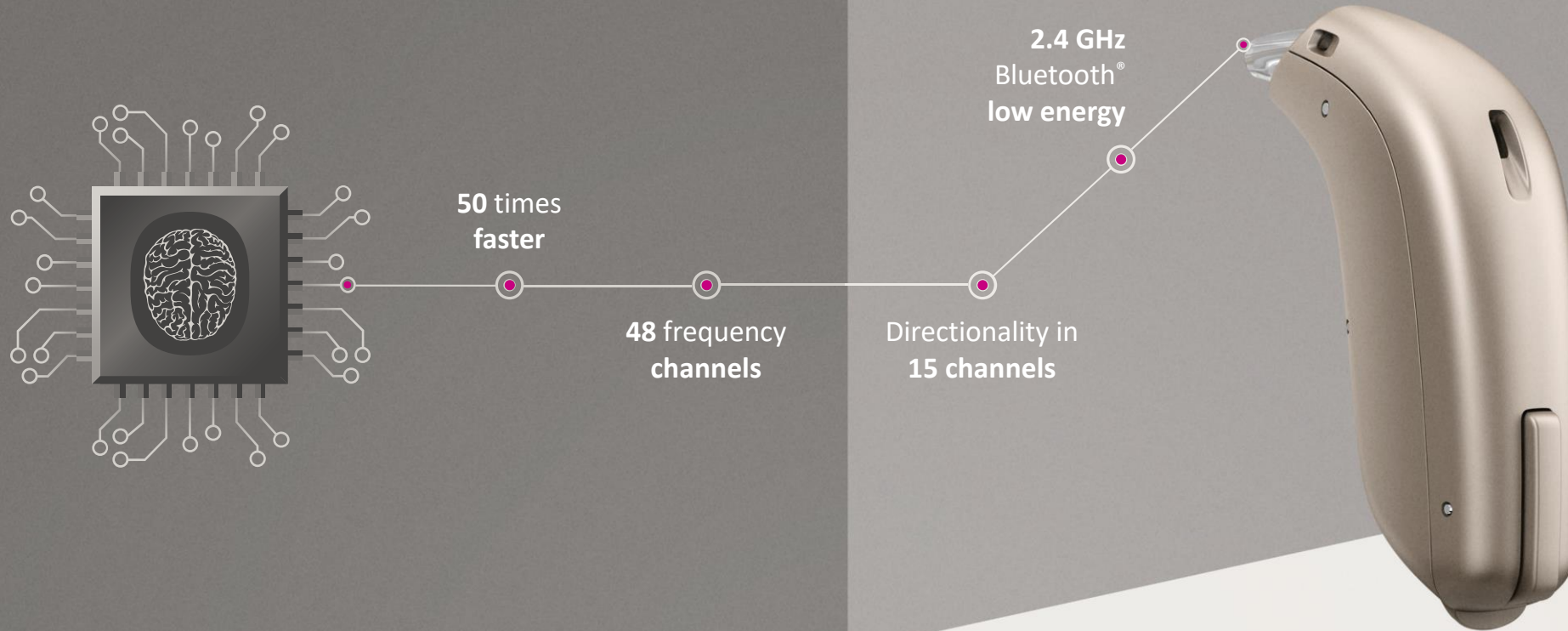
Best essential  
Oticon sound quality

Comprehensive  
family offering



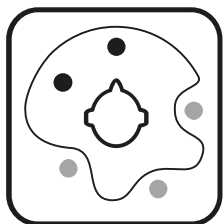
# Category leading performance

Quicker, faster, and more detailed

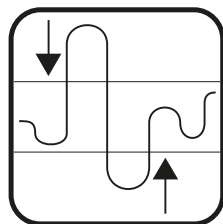


# Powered by Velox

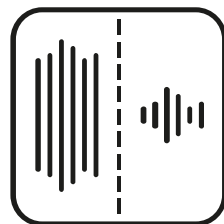
Advanced features raise the standard for everyone



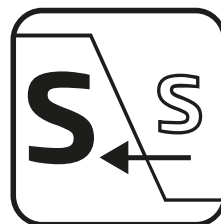
Multiband  
Adaptive  
Directionality LX



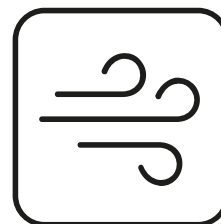
Single  
Compression LX



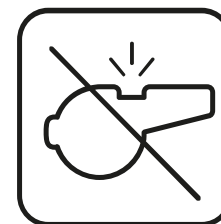
Noise  
Reduction LX



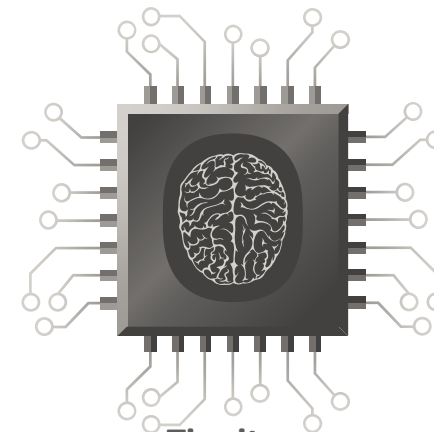
Speech  
Rescue™ LX



Wind Noise  
Management



Feedback  
shield LX



Tinnitus  
SoundSupport™

## OTICON | Siya

# HearingFitness™

The world's first hearing fitness app

- Award-winning new element of Oticon ON App
- Aims to motivate and improve hearing aid use
- Uses data analytics to combine data
- Promotes health benefits of hearing
- HearingFitness is the first step in a journey





# HearingFitness collects data

**Oticon hearing aids**  
(use time and sound environment)

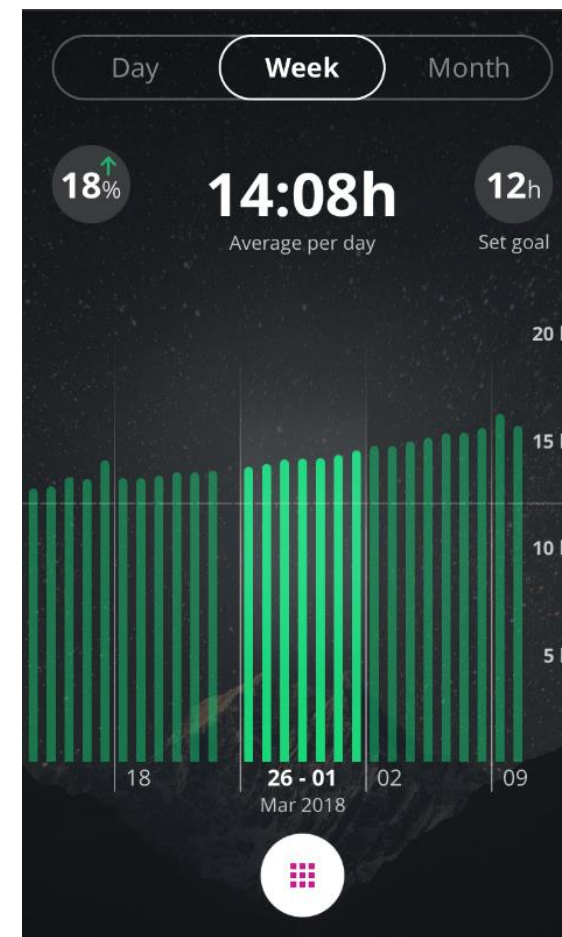
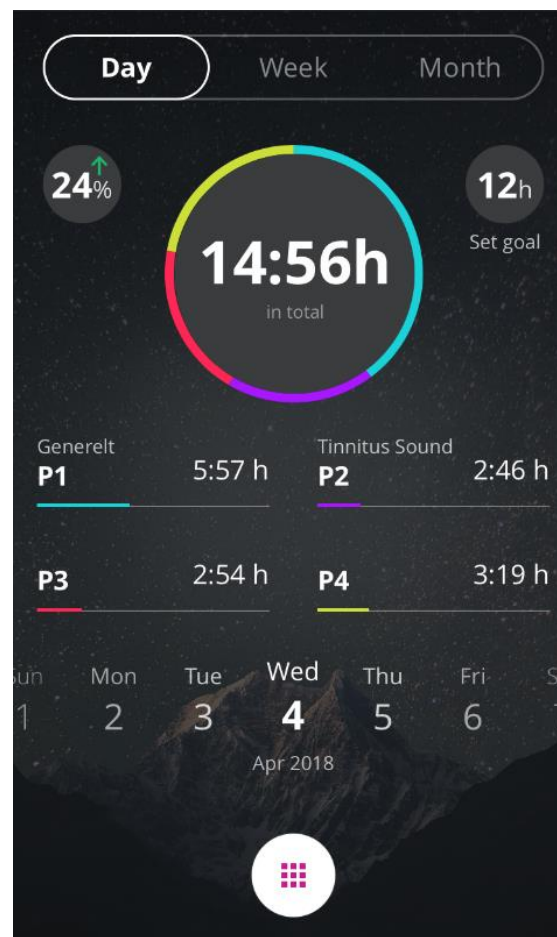
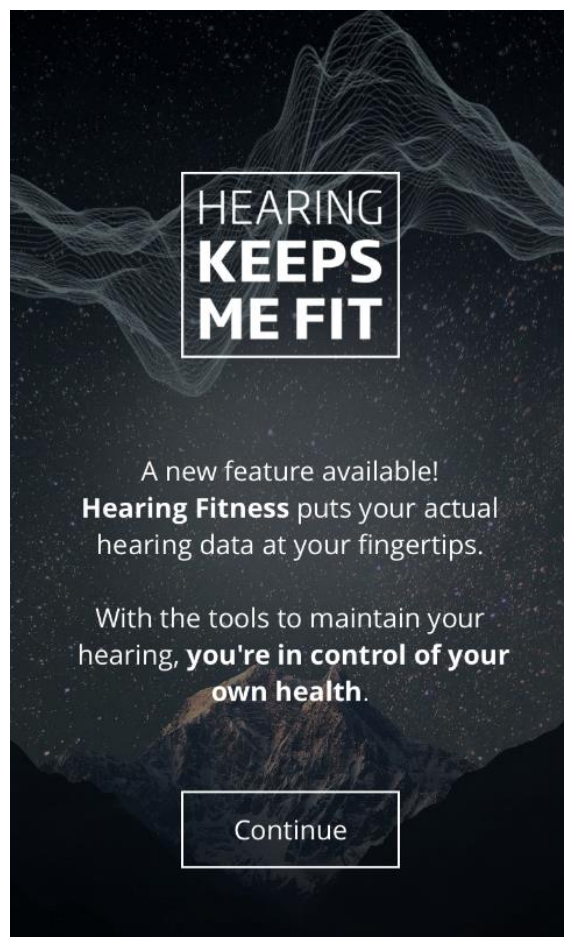
**Apple Health App**  
(sleep, pulse, exercise etc.)



*Please note: data sharing is purely based on user consent*

# Oticon ON app with HearingFitness

## Examples

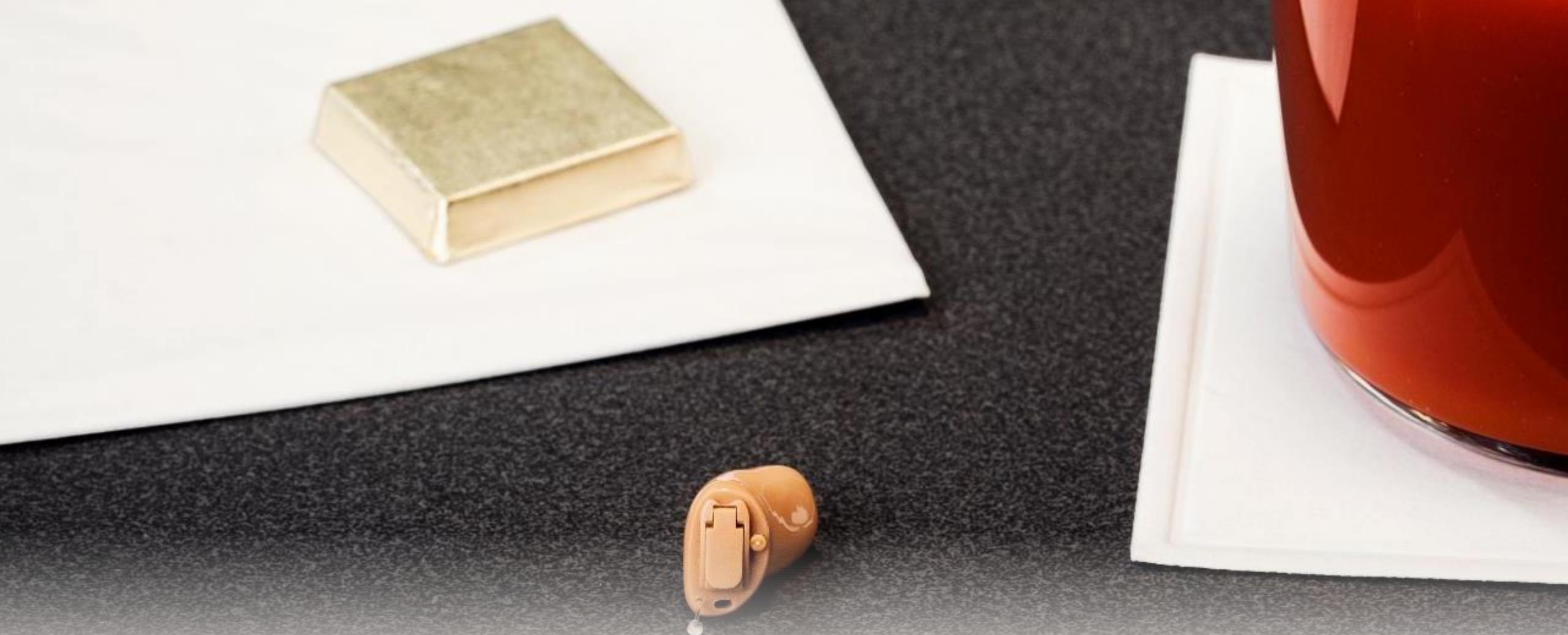


# Expected user benefits of HearingFitness

- Facilitates involvement, control, and empowerment
- Motivates users to improve behaviour and fulfil their hearing potential
- Helps to create healthier habits
- Provides targeted and individualised feedback







***bernafon*** 

# Introducing custom instruments in all price points

- Invisible and discrete
- Excellent cosmetic appeal
- Smallest IIC and CIC built by Bernafon
- New components allowing:
  - New sleek faceplate design
  - Embedded amplifier
  - Smaller microphones
  - Flatter battery door for size 10



# Zerena 9|7|5|3|1: Full Product Portfolio



Dual-radio chip technology with Bluetooth® 2.4 GHz connectivity and NFMI system

9

7

5

NEW

3

NEW

1



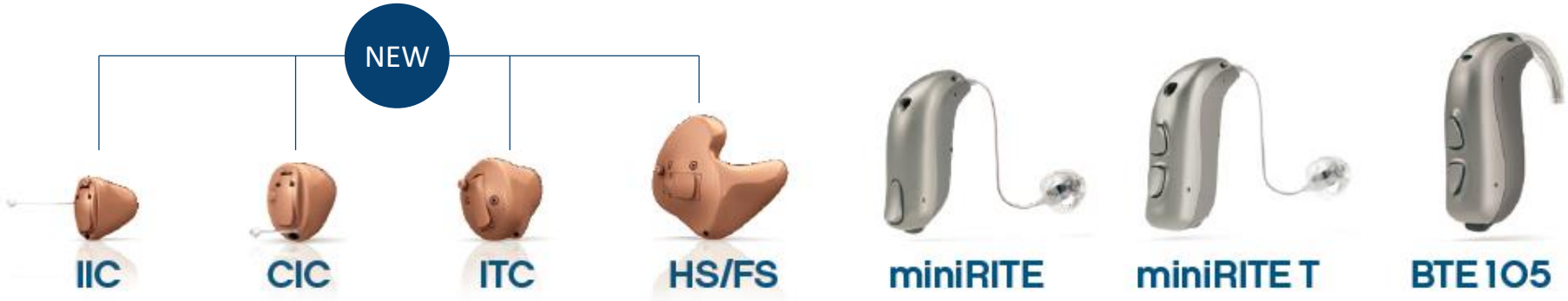
SONIC | **enchant**



enchant™

# Enchant in all styles and all price points

## Model Overview



## Enchant Feature Overview\*

	enchant <sup>100</sup>	enchant <sup>80</sup>	enchant <sup>60</sup>	enchant <sup>40</sup>	enchant <sup>20</sup>
Sound Quality					
Signal Processing	« Speech Variable Processing »				
SmartCompress	10 Options	6 Options	2 Options		



A photograph of two men in a parking garage. The man on the right, with a beard and a red plaid jacket over a teal hoodie, is smiling and gesturing with his hand. The man on the left, wearing a grey sweatshirt, is seen from the back, looking towards the first man. The background is filled with graffiti on the walls and concrete pillars, with a white car parked in the distance.

# Hearing Implants



# Cochlear Implants

# The Neuro cochlear implant system

Neuro 2



+1'000

From February 12<sup>th</sup>  
to September 2018

US FDA

Process on track – expect to  
submit premarket approval  
(PMA) application in 2019



+200

CI centers implanting Neuro Zti

+30

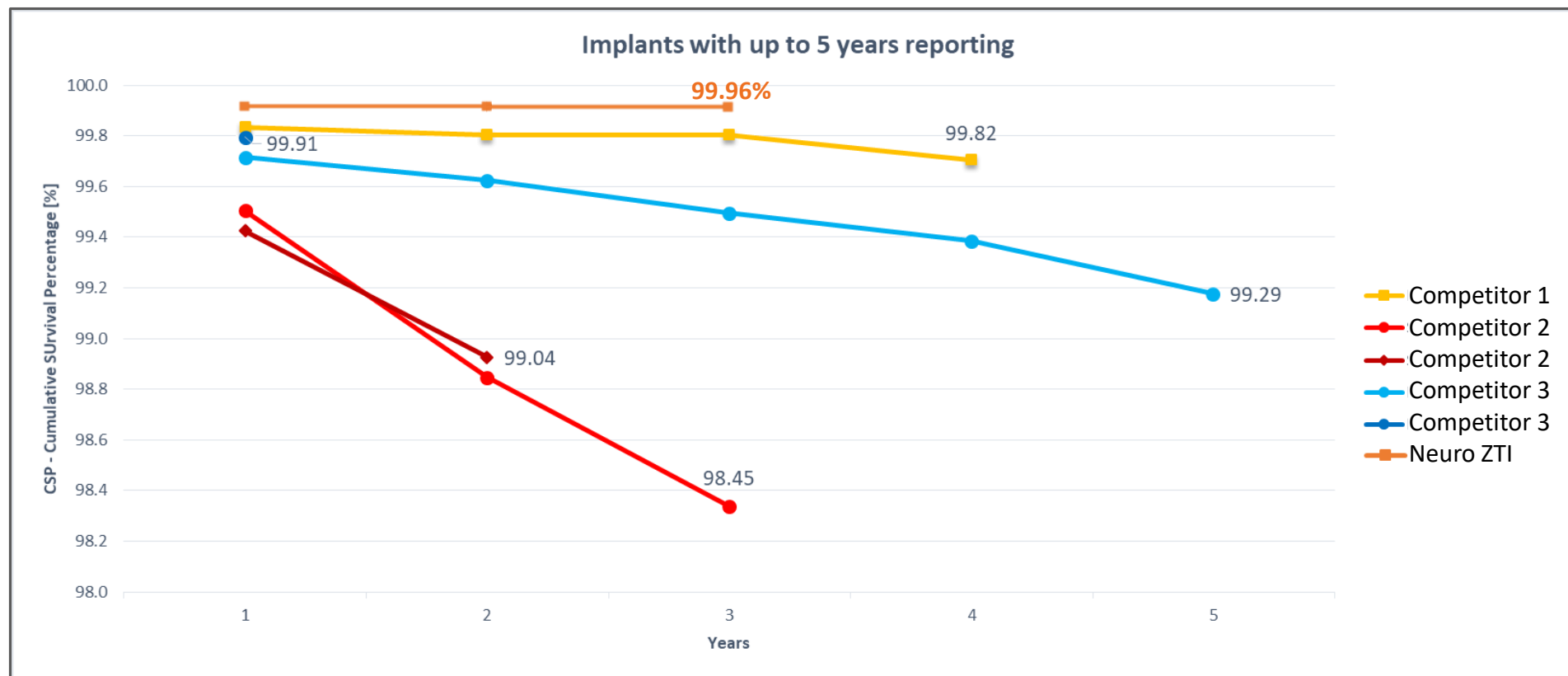
Countries equipped with Neuro Zti



# A reliable implant

Implants with up to 5 years reporting<sup>1,2,3,4</sup>

The Neuro Zti implant receiver is **one of the most reliable implants in the industry**



**99.96%**  
CSP after 3 years  
including accident-related  
issues combining  
EVO and Classic<sup>3</sup>

CSPs of  
Oticon Medical  
implants include  
accident-related  
issues

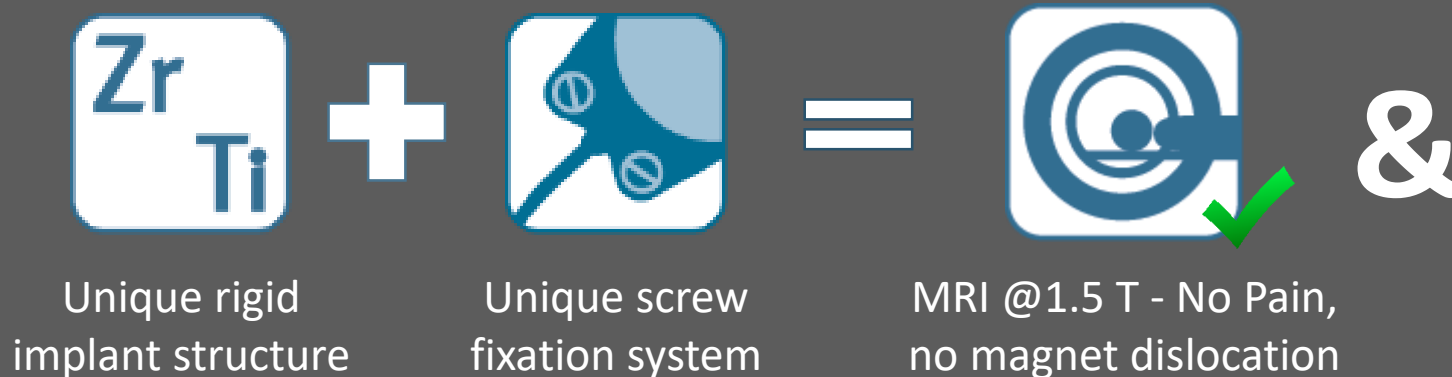
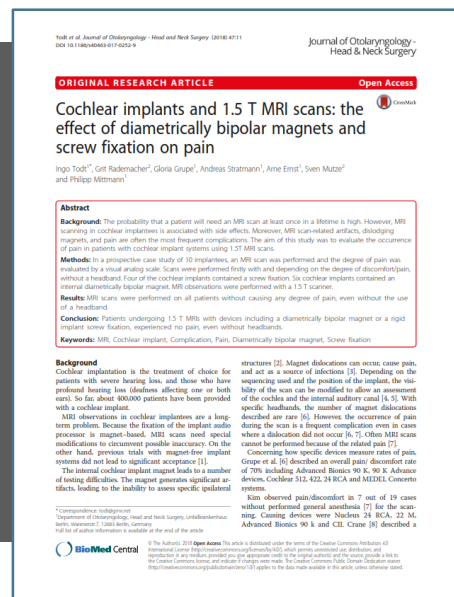
[www.oticonmedical.com/for-professionals/cochlear-implant/reliability-report](http://www.oticonmedical.com/for-professionals/cochlear-implant/reliability-report)

1. Oticon Medical Reliability data 2018. Data as of June 30th 2018
2. Cochlear Reliability Report, Volume 16, December 2017. Data as of December 31<sup>st</sup> 2017
3. MedEl Reliability Report ([www.medel.com/reliability-reporting](http://www.medel.com/reliability-reporting)). Data as of April 2018
4. AB 2017 Global Implant Reliability Report. Data as of June 1<sup>st</sup>, 2018



# MRI safety confirmed by independent study

An independent study from Berlin confirms that Neuro Zti prevents pain and magnet dislocation during MRI

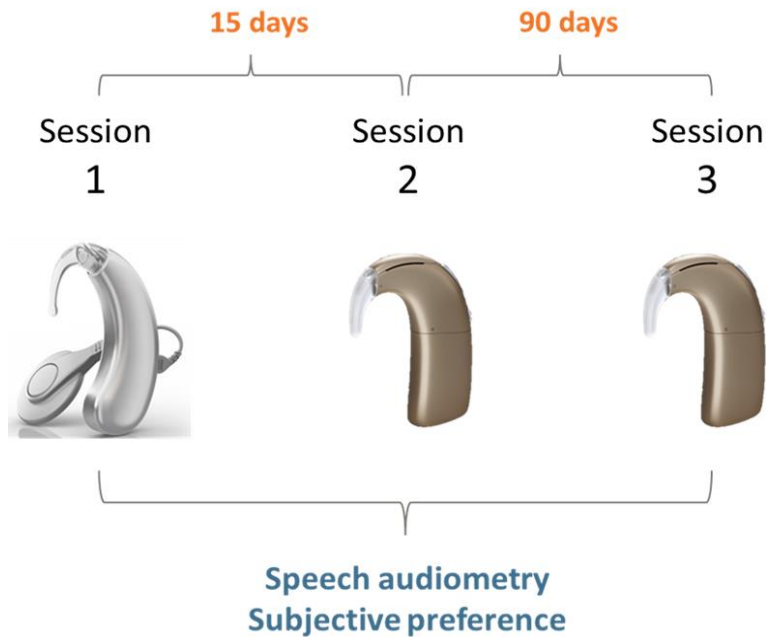


Thanks to its unique rigid implant structure<sup>5</sup> and unique screw fixation system<sup>5</sup>, **Neuro Zti prevents pain and magnet dislocation** during MRI exams at 1.5T with magnet in place<sup>6</sup>.

The rigid implant structure is also designed to ensure multiple magnet removals without damaging the body of the implant.

5. Oticon Medical CI Unique – April 2018 (the Oticon Medical Unique logo Indicates an Oticon Medical unique technology or accessory in the CI industry at the time of this publication)
6. Todt, I., Rademacher, G., Grupe G., Stratmann A., Ernst, A., Mutze S., Mittmann P. (2018). Cochlear implants and 1.5 T MRI scans: the effect of diametrically bipolar magnets and screw fixation on pain. Journal of Otolaryngology - Head and Neck Surgery (2018) 47:11

# Speech audiometry – Neuro 2 upgrade protocol



- **Session 1:** Neuro 1 (3-6 months experience)
- **Session 2:** Neuro 2 activation / upgrade visit
- **Session 3:** Neuro 2 + 3 months habituation

## Global:

**73 inclusions total**

**43 adults**

**30 children**

- **8 centers:** Lille, Bordeaux, Paris (PSL), Nice, Nantes, Nancy, Lyon incl. 2 exclusively pediatric centers: Hosp. Necker (Paris), Hospital Lenval (Nice)

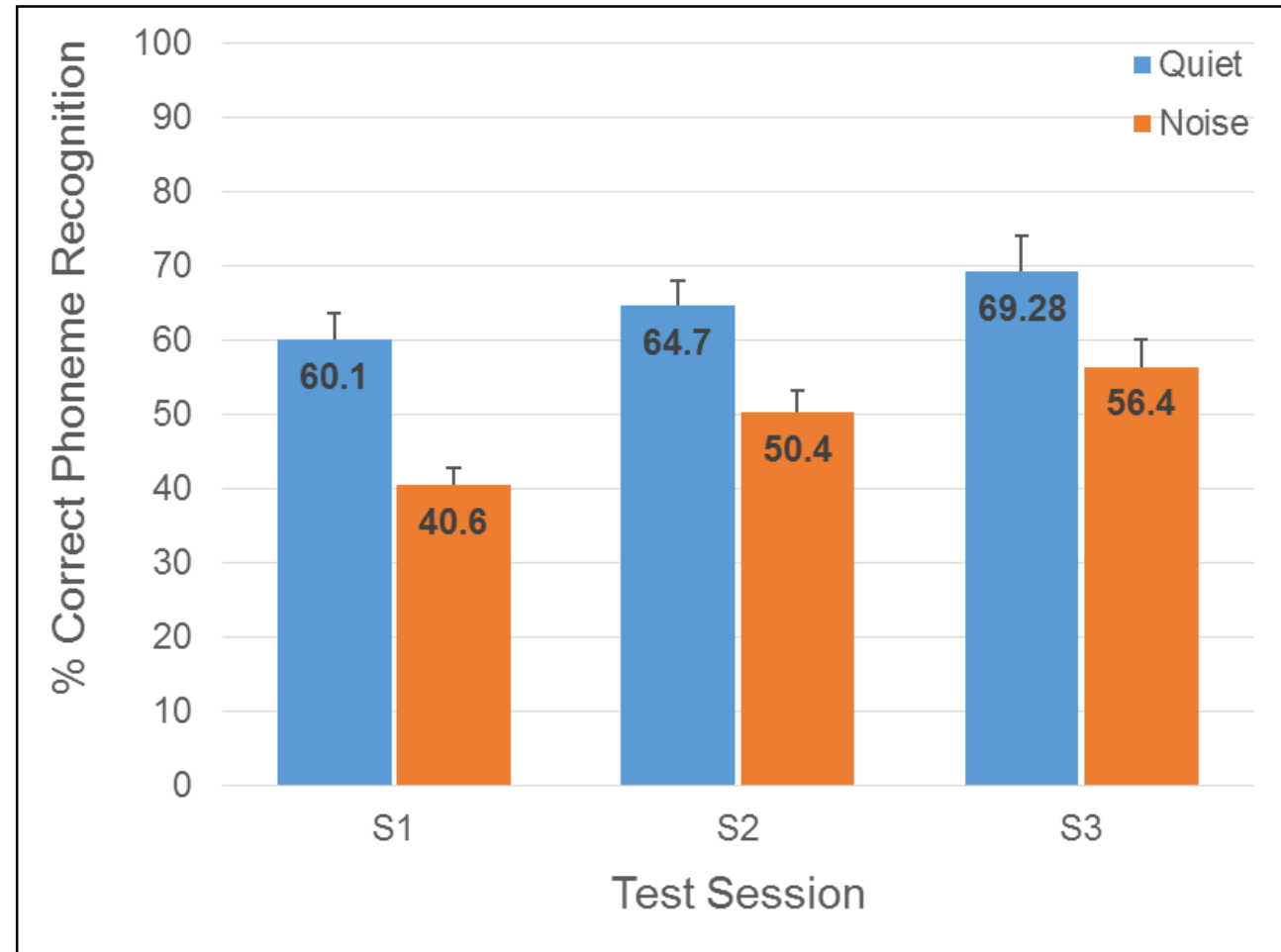
First implanted Neuro patients

- **Speech audiometry:** Lafon monosyllabic words (scores in % words and/or % phonemes)
  - In Quiet
  - In Noise at +10dB SNR speech derived noise
- **Subjective evaluation:** 10 questions exploring general satisfaction with sound / design / usability

Patients follow a regular clinical follow-up program, all patients have a quiet and a noise program and some small fine-tunings could occur at each visits

# Speech audiometry – results

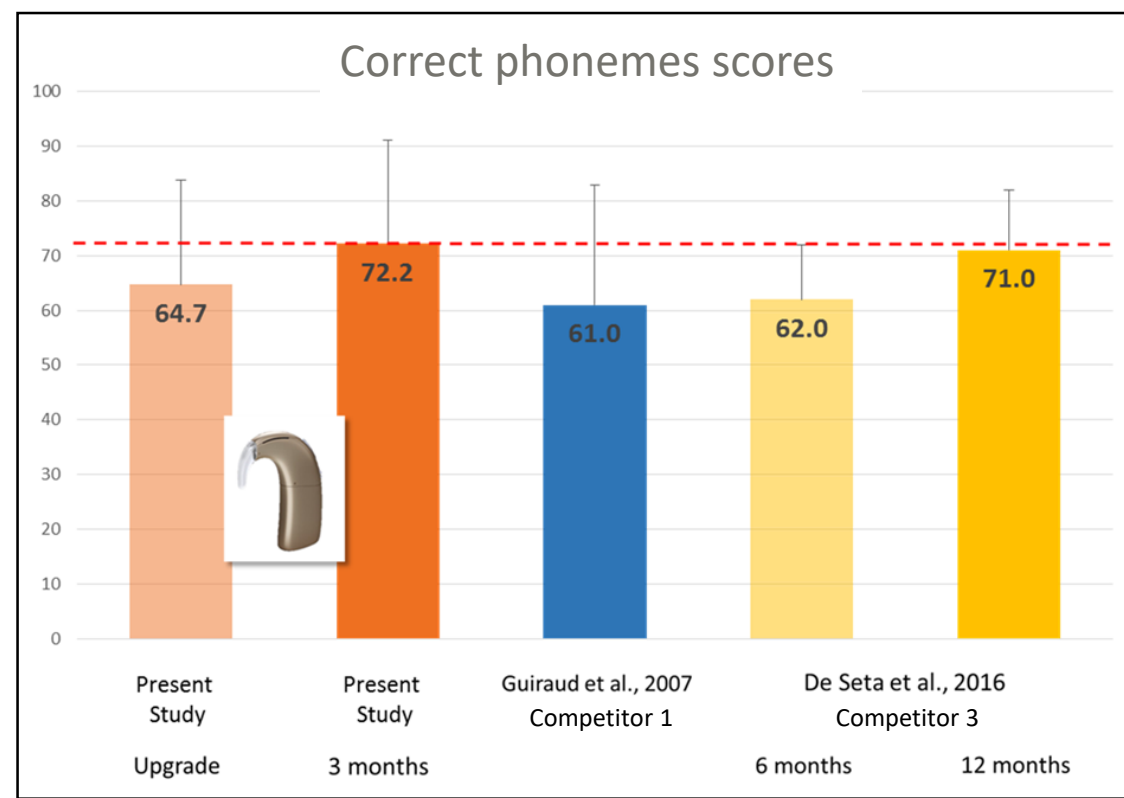
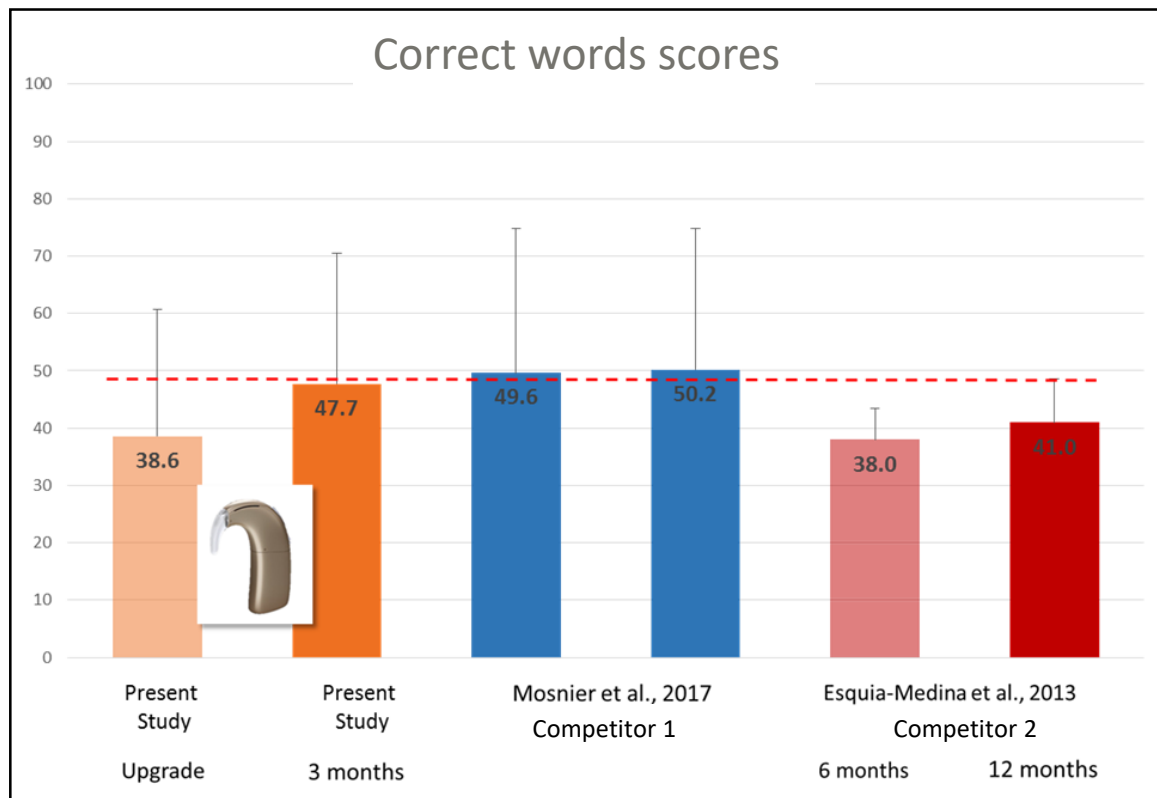
- Numer of inclusions:  
Session 1/Session 2: 40  
Session 3: 25
- Measuring monosyllabic word recognition scores  
(mean +/- stdv. correct phonemes)



*Preliminary results – unpublished data*



# Speech audiometry – comparisons

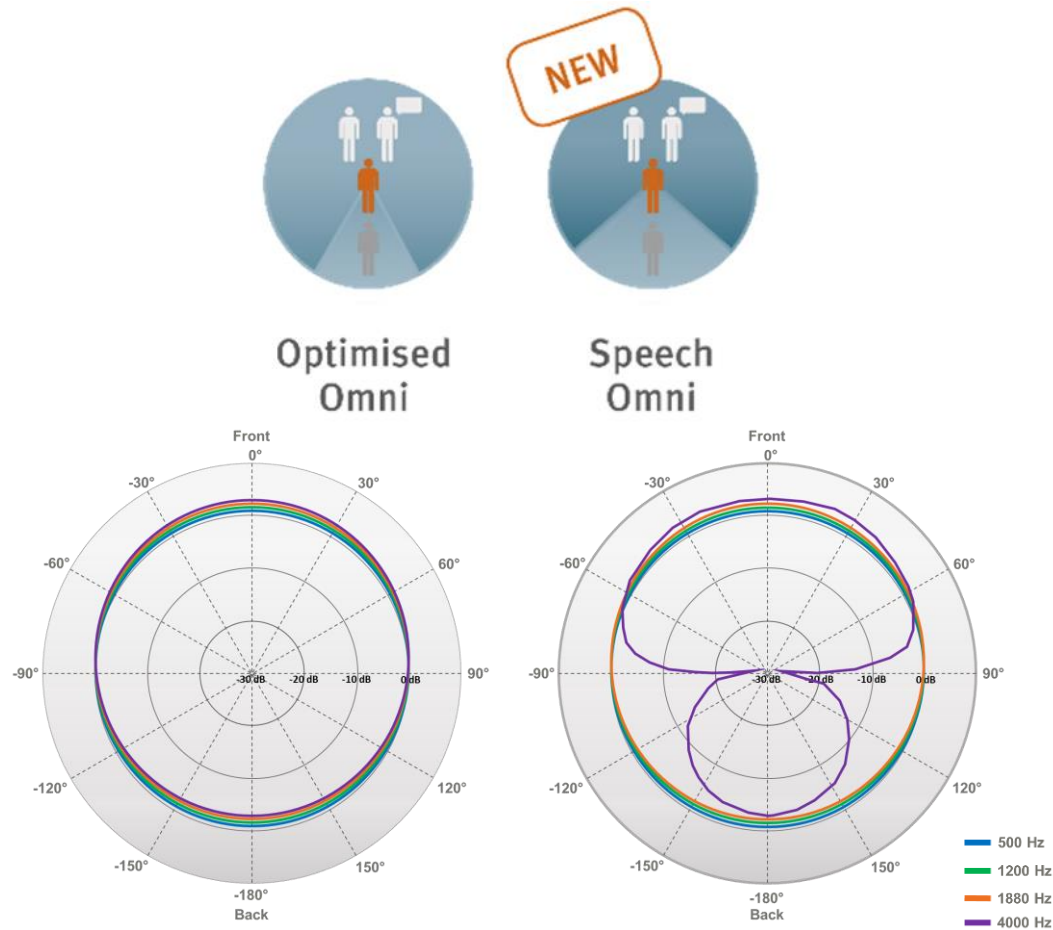


*Preliminary results – unpublished data*

**But it is not  
the whole story**



# Optimised Omni vs. Speech Omni



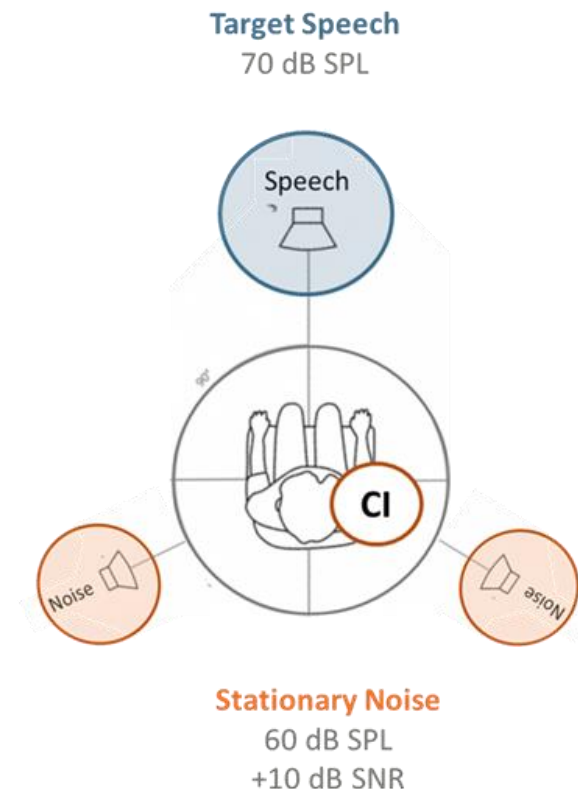
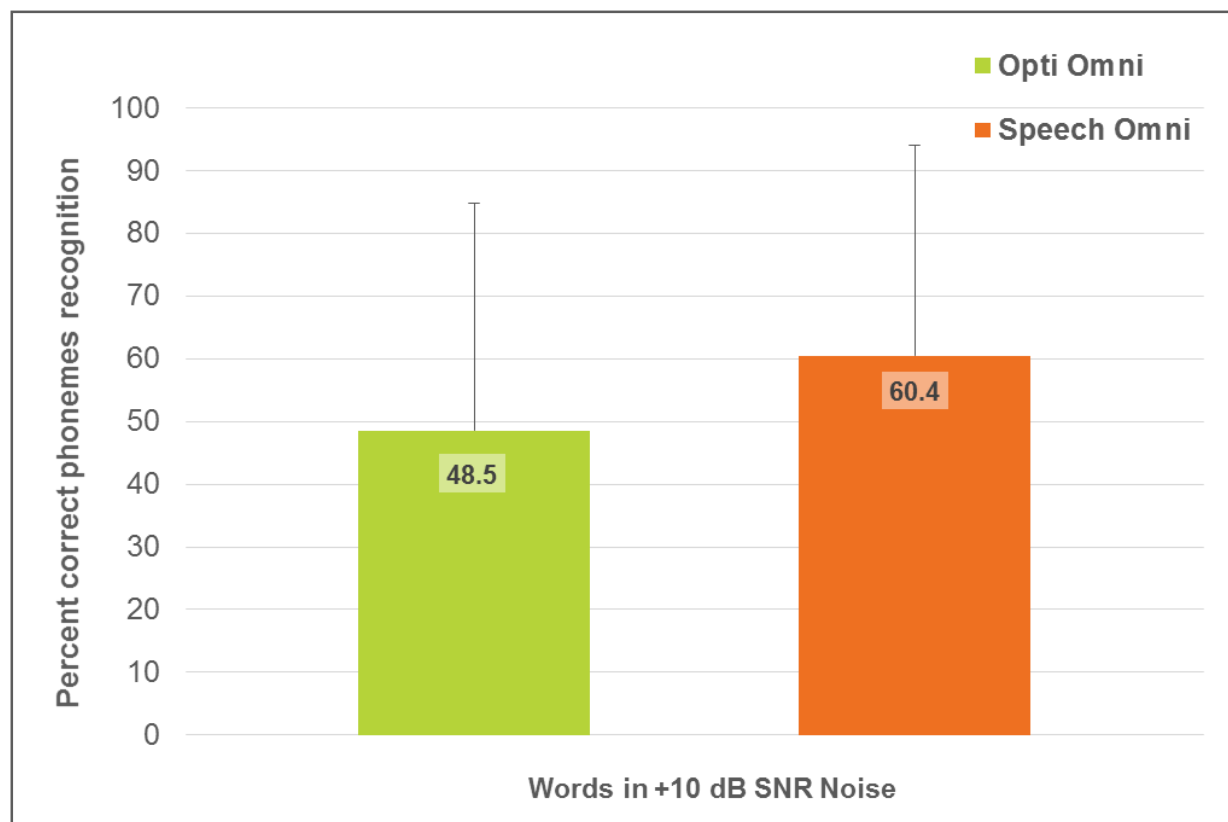
## Speech Omni

- Light directional mode
- High frequency cut-off between directional and omnidirectional at 1880 Hz
- Favoring speech cues coming from the front direction while maintaining good spatial sensation
- Think of it like the effect of putting a hand behind the ear



# Optimised Omni vs. Speech Omni

Results (N=6)

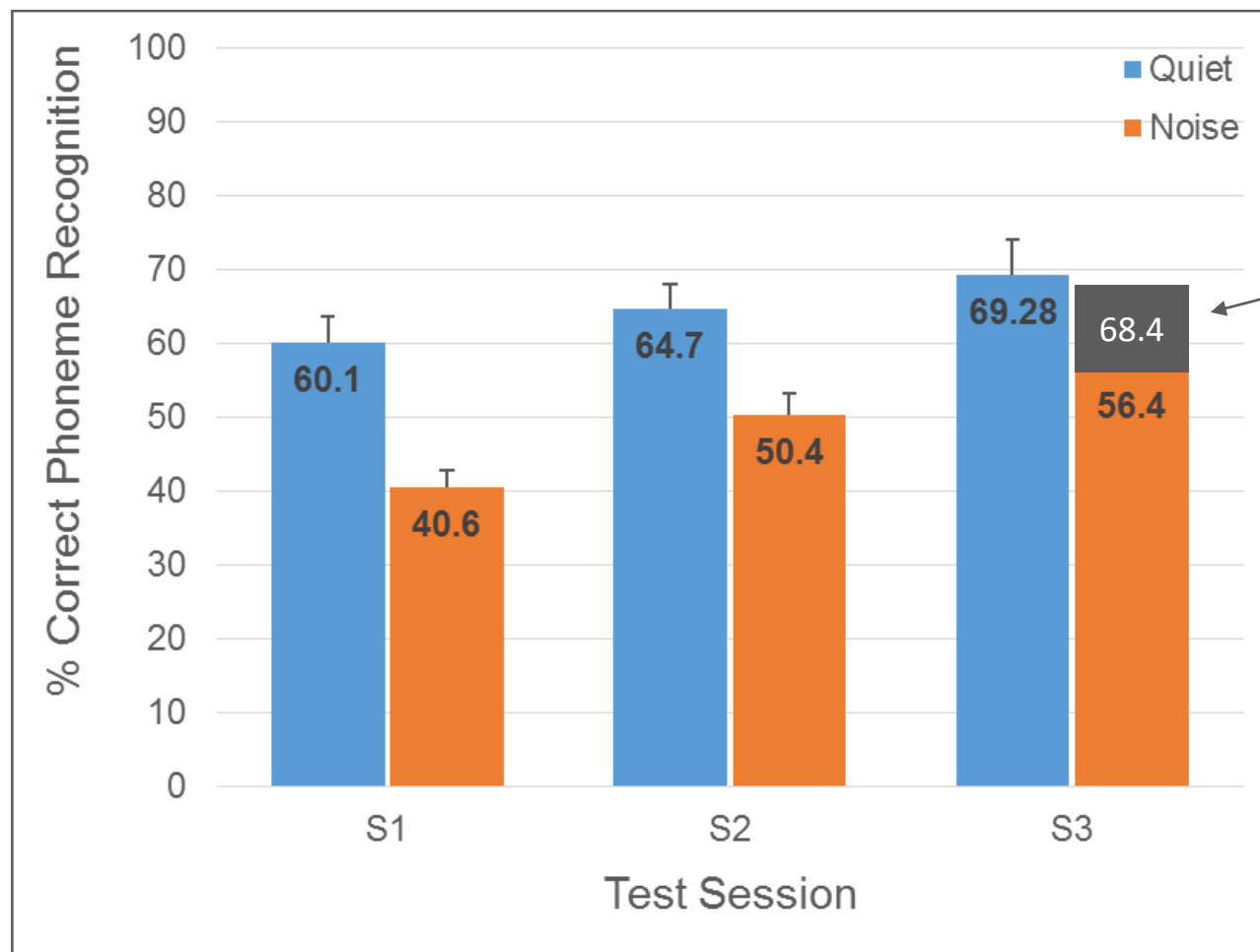


## Speech Omni

- **+12% better speech in noise** observed compared to Optimised Omni
- Favors front directionality

# Outcomes with Speech Omni simulation

- Numer of inclusions:  
Session 1/Session 2: 40  
Session 3: 25
- Measuring monosyllabic word recognition scores (mean +/- stdv. correct phonemes)



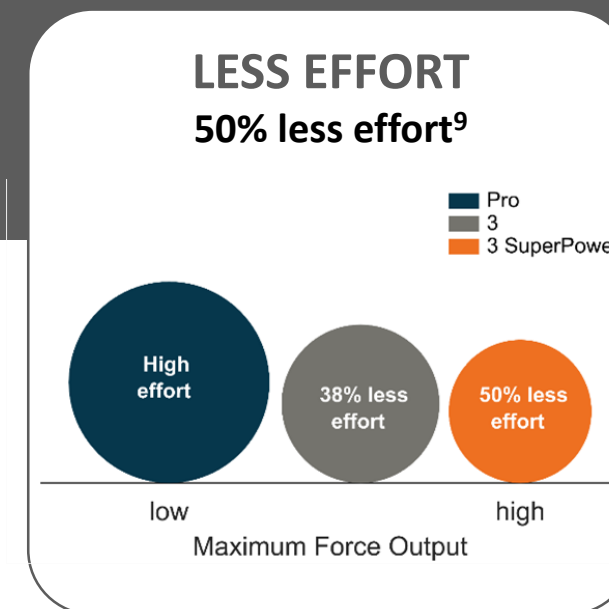
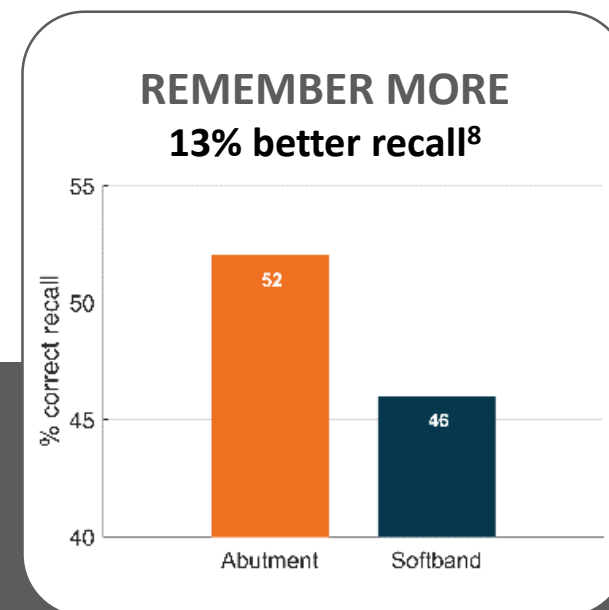
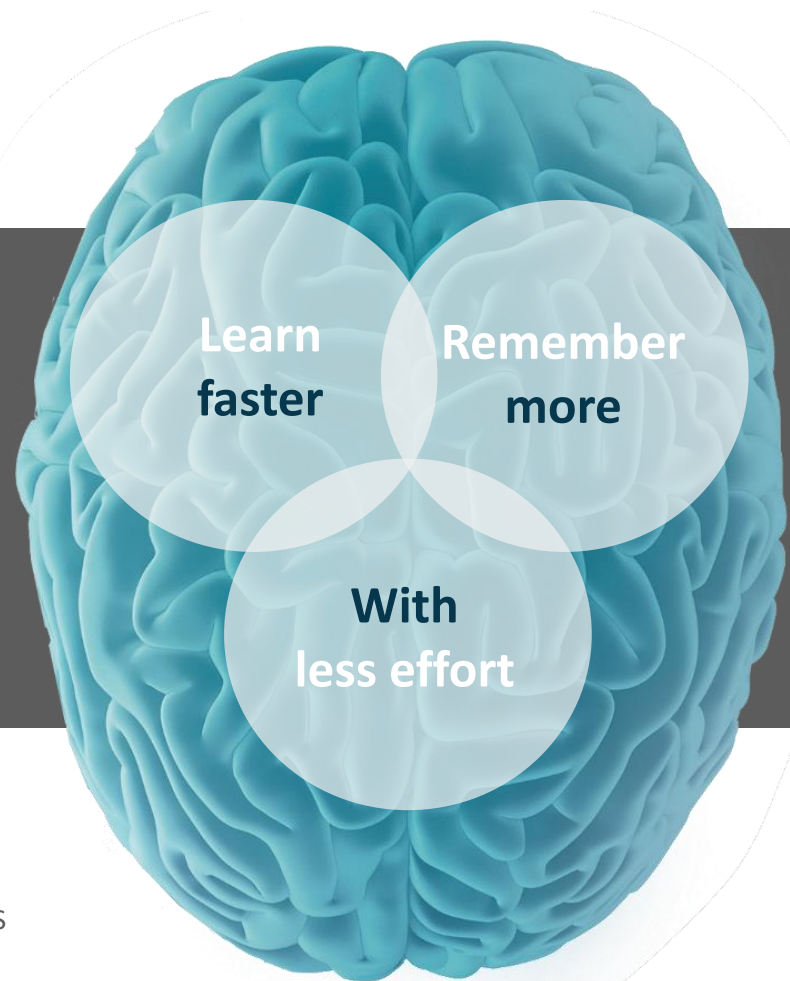
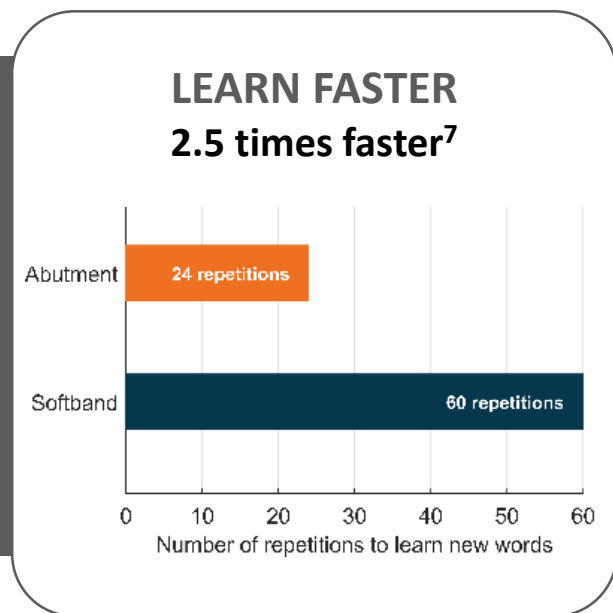
Predicted improvement from Speech Omni processing

*Preliminary results – unpublished data*

# Bone-Anchored Hearing Systems

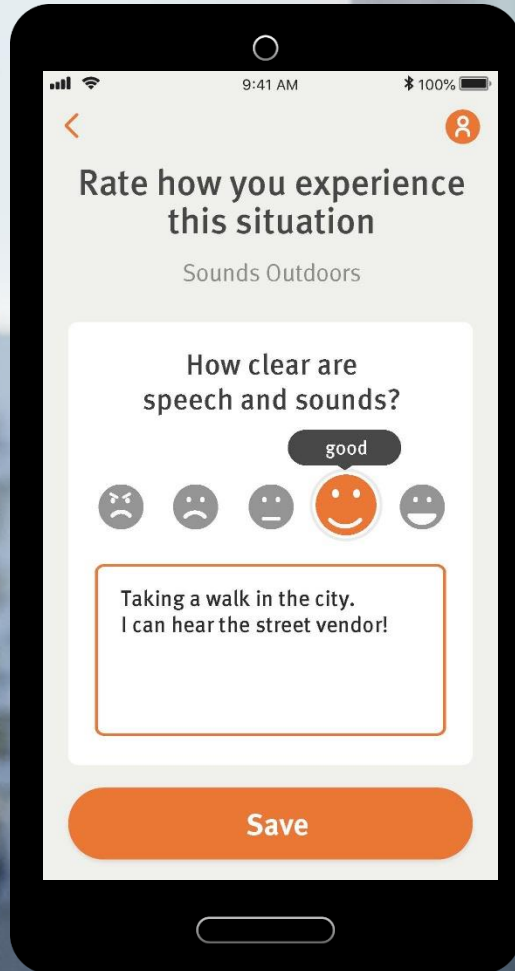


# Evidence beyond hearing



- 7. Pittman, Ear & Hearing, submitted
- 8. Lunner et al. (2016), Ear & Hearing, 37, supp. 1, 145S-154S
- 9. Bianchi et al., Ear & Hearing, submitted

# Ponto Trial Companion

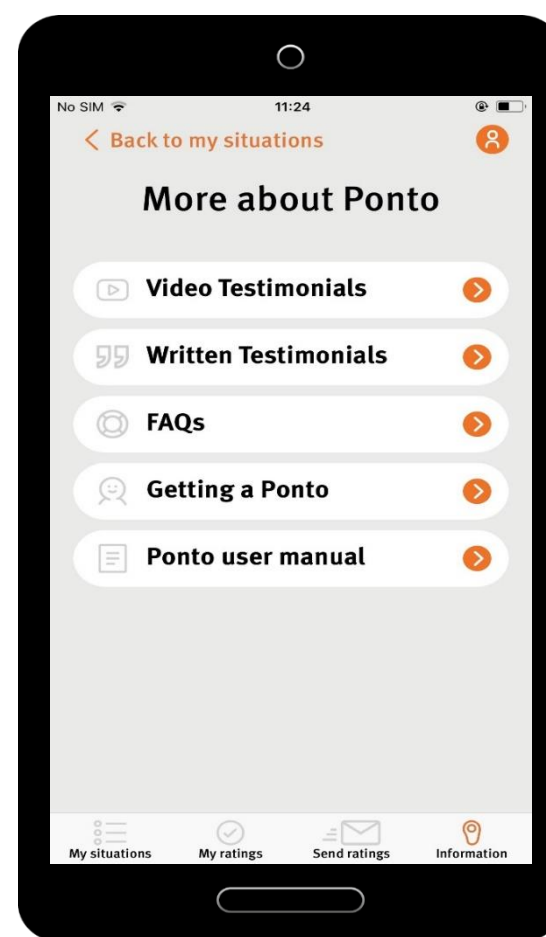
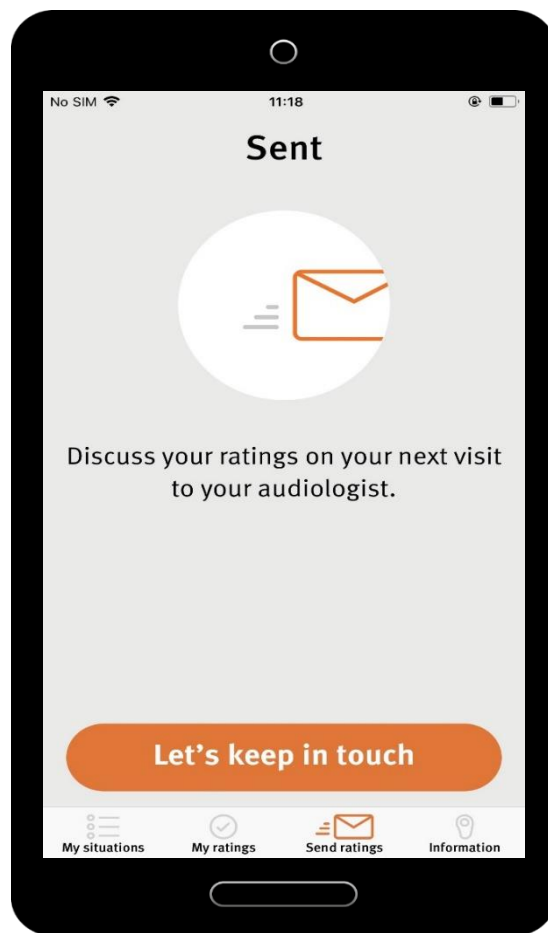
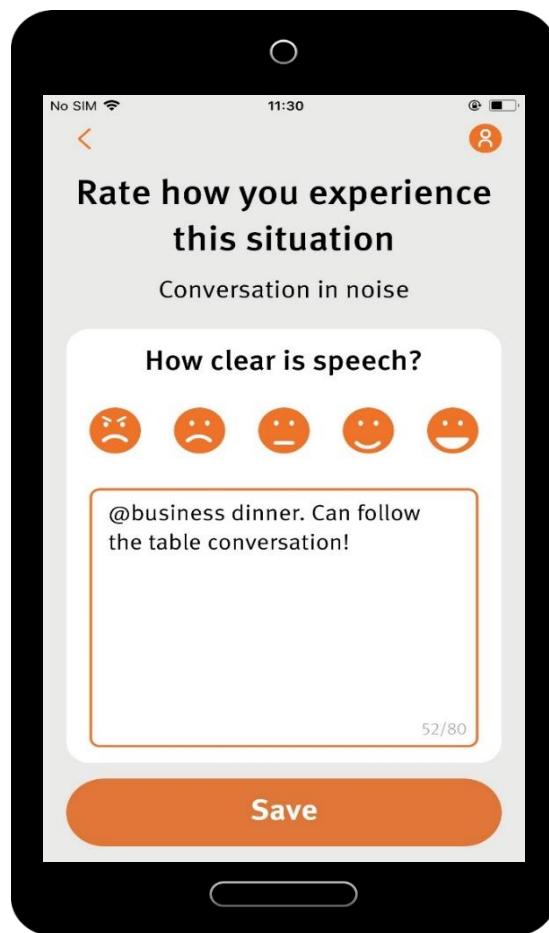


**Increase  
conversion rate**

**Support and engage  
candidates in the trial**

**Connect professionals  
and candidates**

# Roll-out of Ponto Trial Companion



Controlled rollout in selected clinics

Available in English for iOS and Android in November 2018

More language versions and broader launch by end 2018 and beginning 2019



# Diagnostic Instruments



# A successful growth strategy

## Multi-brand strategy



## Innovative product portfolio

Innovation power driving continuous new product launches across all brands

## Strong distribution set-up

Full range of solutions including ongoing service and supplies driving close relationships with customers

## New business areas

Leveraging innovation and distribution capabilities to grow new business areas

### Examples



**AMTAS:**  
Patient-directed diagnostic or screening audiometry



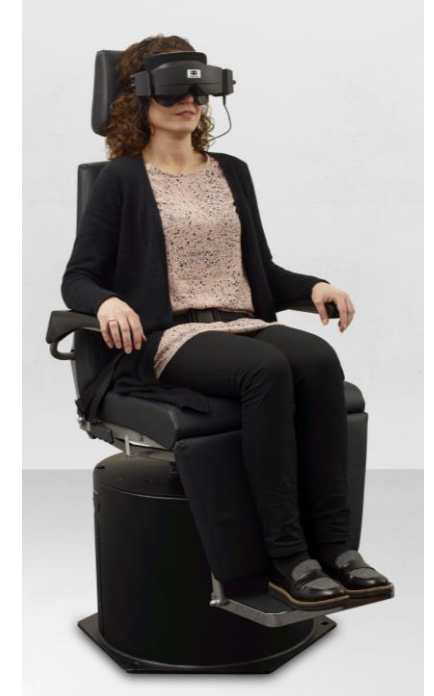
**e3 Diagnostics:**  
US-based network of Special Instrument Distributors



**Newborn hearing screening service business**

# New products from Interacoustics

- New Eclipse OAE Suite for **optimized otoacoustic emissions (OAE) measurements**
- New Orion Rotary Chair for **enhanced vestibular assessment** (Micromedical by Interacoustics)
- VisualEyes™ 515/525 software upgrade for videonystagmography (VNG) and new goggle options with precise eye tracking offering a **superior solution for advanced balance assessment**





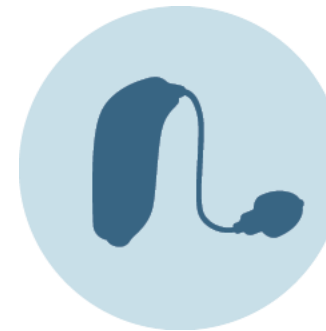


# Miscellaneous topics



# William Demant and Philips partner in hearing healthcare

- We share the vision to improve the lives of people through innovative healthcare
- We will take connected hearing healthcare to the next level
- A highly trusted consumer brand combined with market-leading hearing care technologies
- Bringing Philips branded hearing solutions: a perfect match with our multi-brand strategy



# Sennheiser Communications evolves in different set-ups

**William Demant and Sennheiser electronic GmbH and Co. KG (Sennheiser) have decided to end their joint venture**

- To exploit great opportunities ahead, both William Demant and Sennheiser wish to dedicate focus on different business segments with full end-to-end responsibility
  - Gaming and Enterprise Solutions (CC&O) segments will evolve as an independent business as part of the William Demant Group
  - Mobile Music segment will be part of the Sennheiser Consumer business
  - Ending the Sennheiser Communications joint venture
- Separation will take effect on 1 January 2020





# Direct connectivity to Android devices

## New proprietary Audio Streaming for Hearing Aids (ASHA) specification from Google announced in August 2018

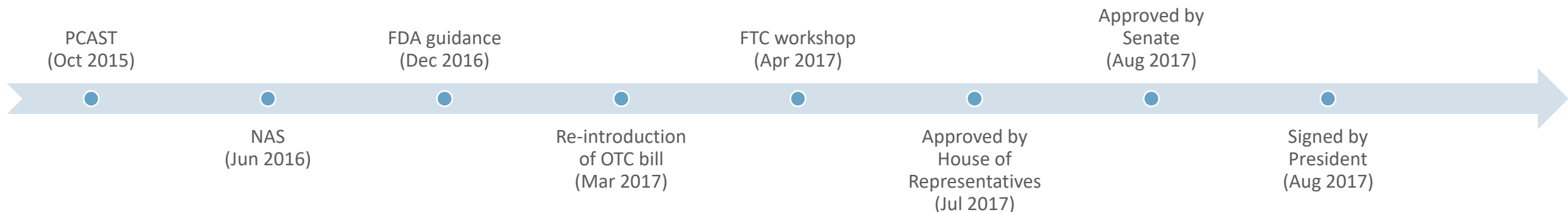
- Similar in concept to Apple's proprietary Low Energy Audio (LEA) specification (i.e. one-way stereo audio streaming) based on Bluetooth Low Energy (BLE)
- Open specification that can be used by everybody
- Timing uncertain and depending on multiple factors including timing of new android release and subsequent adaption by smartphone manufacturers
- European Hearing Instrument Manufacturers Association (EHIMA) continues its work towards establishing a new common Bluetooth standard for hearing aids (based on BLE)





# US over-the-counter (OTC) hearing aids

- Regulation of over-the-counter (OTC) hearing aids passed in the US in August 2017
  - FDA must introduce an OTC category for the US market within three years from enactment (plus 180 days comment period)
  - Once category is established, OTC devices targeted at mild to moderate hearing losses may be sold without involvement of 'credentialed' dispensers
- We still believe that safety and efficacy for the end-user are crucial factors for obtaining high penetration and satisfaction rates and support the regulation of hearing aids – be they OTC or not – as medical devices



# FDA approval for self-fitting hearing aid

- FDA news release on 5 October 2018
  - New hearing aid approved through De Novo premarket review pathway
  - *“...intended to amplify sounds for individuals 18 years or older with perceived mild to moderate hearing impairment (hearing loss).”*
  - *“...enables users to fit, program and control the hearing aid on their own, without assistance from a health care provider.”*
  - *“...must comply with applicable federal and state laws regarding the sale of hearing aids, including state laws that might require hearing aids to be purchased from or dispensed by a licensed hearing aid dispenser.”*
- Not an OTC device as that category has not been established yet

# New category of hearing aids established

FDA reclassification order defining a *Self-Fitting Air-Conduction Hearing Aid*

*“A self-fitting air-conduction hearing aid is a wearable sound amplifying device that is intended to compensate for impaired hearing and incorporates technology, including software, that allows users to program their hearing aids. This technology integrates user input with a self-fitting strategy and enables users to independently derive and customize their hearing aid fitting and settings.”*

- Regulated as Class II medical device
  - 510(k) premarket notification
  - Good manufacturing practice requirements, labelling and post-marketing reporting
  - Special controls, e.g. clinical data to evaluate effectiveness of the self-fitting strategy, performance data and labelling
  - All current controls for wireless air conducting hearing aids will apply to the new class

# Q&A



# Roadshows and conferences

07 November	<b>Paris</b> (JP Morgan) & <b>The Netherlands</b> (Danske Bank)
08 November	<b>Milan</b> (Kepler Cheuvreux) & <b>Brussels</b> (Danske Bank)
12 November	<b>Frankfurt</b> (12th HSBC European Healthcare Day)
13 November	<b>London</b> (UBS European Conference 2018)
14 November	<b>London</b> (Jefferies London Healthcare Conference)
27 November	<b>Stockholm</b> (Nordea Tech & Medtech-Life Science Seminar)
04 December	<b>Copenhagen</b> (Danske Bank Winter Seminar 2018)
05 – 06 December	<b>New York</b> (Citi Global Healthcare Conference)

Financial  
calendar 2018

**6 November 2018:**  
Interim Management  
Statement

# IR Contacts



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William Demant

Thank you

