

William Demant



# Interim Management Statement

Covering the period year-to-date

6th November 2018





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







# Key take-aways



# Key take-aways year-to-date



Satisfactory development with substantial organic growth in addition to growth from acquisitions



Strong organic growth in wholesale of hearing aids – exceeding market growth rate in value – driven by industry-leading product portfolio and supported by ongoing roll-out of new products across all brands



Hearing aid retail growth primarily driven by acquisitions with low organic growth – expect an organic growth rate for the full year in line with the low organic growth seen in the first half-year



Significant growth in many markets for Hearing Implants driven by continued roll-out of the Neuro cochlear implant system but negative impact from our decision to reduce activity level in select markets with lower prices. Likely to generate lower growth in the second half-year than in the first half-year



Strong organic growth and market share gains in Diagnostic Instruments



Strong performance in Sennheiser Communications driven by high growth in the Gaming and Mobile Music segments – solid growth in Enterprise Solutions (CC&O) despite tough comparative figures



Outlook for 2018 maintained at EBIT of DKK 2.65-2.85 billion before restructuring costs of DKK 120 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

# The global hearing aid market year-to-date

We estimate that the global hearing aid market has year-to-date seen growth rates in line with our general expectation of 4-6% unit growth per year

- Growth in North America driven by continued strong growth in the US of 6%, primarily the private market
- Growth in Europe of 3-4% driven by France and Germany but adversely impacted by negative growth in the large public channel in the UK, NHS
- Solid unit growth in Japan and Australia although slowing in the third quarter – presumably high growth in China
- We estimate a flat to slightly negative wholesale ASP and overall value growth of 2-4%
- Retail ASP in individual channels relatively stable

**Global hearing aid market volume growth of 4-6%**







# Expanding our industry-leading product portfolio

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

Announced in August with launch activities in all major markets during September and October – primary impact in fourth quarter





# HearingFitness™: The world's first hearing fitness app

- Award-winning new element of Oticon ON App
- Uses data analytics to combine data
- Motivates and improves hearing aid use and promotes health benefits of hearing
- Facilitates involvement, control, and empowerment
- HearingFitness™ is the first step in a journey

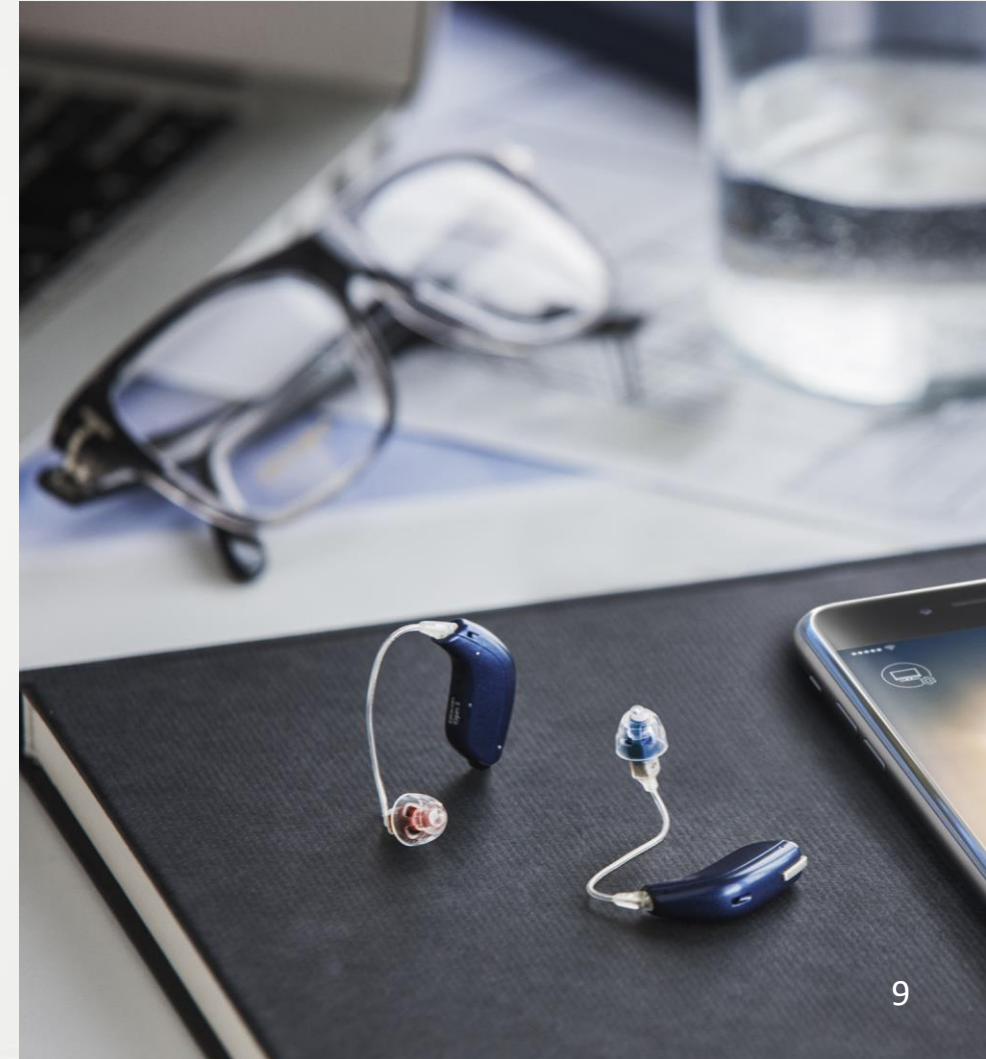




# Strong organic growth in hearing aid wholesale

Market share gains in value supported by ongoing roll-out of new products across all brands

- Strong momentum in **North America** with high organic growth rates in both Canada and the US
  - Growth in the US driven by VA and increasing sales to independents
  - Increased competition in the second half-year in the US independent channel
- Solid organic growth in **Europe** led by France, Spain and Italy
- Strong organic growth in **Asia** led by China and Japan
- Maintaining leading position in a competitive market
  - Oticon Opn is still a superior product in the market
  - Ongoing roll-out of new products across all brands
  - Continuing to invest heavily in R&D



# Increasing ASP the growth driver year-to-date



Factors driving ASP growth year-to-date:

- Increasing sales to independents
- Higher premium share of overall product mix in all brands
- Strong growth in North America
- Increasing sales of value-added products and accessories (e.g. rechargeable solution and ConnectClip) add to growth in both ASP and production costs
- Three factors had material effect on mix between ASP and unit growth in H1 but unit growth has been positive in H2 as these effects are gradually diluted
  - Loss of sales to a large customer in late H1 last year (acquired by a competitor)
  - Two large but low-priced tenders in comparative period
  - Negative growth in the large public channel in the UK, NHS



# Retail growth driven by acquisitions

Low organic growth with material differences between our markets

- Growth in **North America** driven by acquisitions
  - Organic growth in the US has improved gradually into the second half of 2018 but still below market growth rate
- Retail growth in **Europe** driven by France delivering very solid organic growth rate above the market combined with growth from acquisitions
- **Australia** has been negatively impacted by low efficiency in our lead generation
- Overall, we expect organic growth for the full year to be in line with the 1% organic growth seen in the first half-year



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 car visible in the distance.

# Hearing Implants





# Significant growth in several key Neuro markets

## Cochlear implants (CI)

- Continued roll-out of Neuro system – many new relationships with important clinics
- Negative impact from our decision to reduce activity level in select CI markets with lower prices
- Almost concluded upgrade of existing Neuro One users to Neuro 2 – expect to see a gradual positive sales uptake
- Expansion of R&D and global sales and support organisation continues
- Overall, Hearing Implants likely to generate lower growth in the second half-year than in the first half-year where organic growth was 9%

## Bone-anchored hearing implants (BAHS)

- Modest growth above market growth rate
- Continues to be driven by Ponto 3, particularly the unique Ponto 3 Super Power
- Strong contribution from North America driven by US
- Market growth temporarily slowed year-to-date due to limited product introductions



# Diagnostic Instruments







# Strong organic growth in Diagnostic Instruments

Continued market share gains in a healthy market

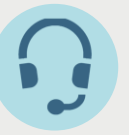


- Growth centred in North America, Europe and Pacific
  - Particularly strong performance by e3 Diagnostics, our US-based network of Special Instrument Distributors
- All other regions also contributed positively to growth
- The overall market for our solutions is healthy and has slightly exceeded our general estimate of 3-5% growth per year

A person with short brown hair is shown from the side, wearing a black and red Sennheiser gaming headset. They are sitting in a black leather gaming chair, looking at a computer monitor. The monitor displays a game with a dinosaur-like creature in a dark, rocky environment. A black keyboard is visible in the foreground, and a hand is seen typing on it. The scene is dimly lit, with the primary light source being the monitor. A semi-transparent dark grey horizontal band is overlaid across the middle of the image, containing the text "Personal Communication" in white.

Personal Communication





# Strong performance in Personal Communication

- High growth rates in Gaming and Mobile Music segments
- Solid growth rate in the Enterprise Solutions (CC&O) segment despite tough comparative figures
- Separation of joint venture announced on 11th September 2018
  - Gaming and Enterprise Solutions (CC&O) will evolve as an independent business as part of the William Demant Group
  - Mobile Music segment will be part of the Sennheiser Consumer business
  - Separation will take effect on 1st January 2020



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



**SENNHEISER**  
**COMMUNICATIONS**



# Other matters





# Other matters

## Strategic initiatives

- Executing according to plan
- Expected annual savings of around DKK 200 million compared to 2016 cost base when fully implemented in 2019
  - Expect DKK 150 million in savings for full-year 2018 compared to DKK 100 million in 2017
- Expected restructuring costs for 2018 of DKK 120 million

## Share buy-back

- Bought back shares worth DKK 1,447 million year-to-date
- Expect buy-back of shares worth DKK 1.5-2.0 billion for 2018
- Holding of treasury shares corresponds to approx. 2.3% of share capital



# Outlook for 2018

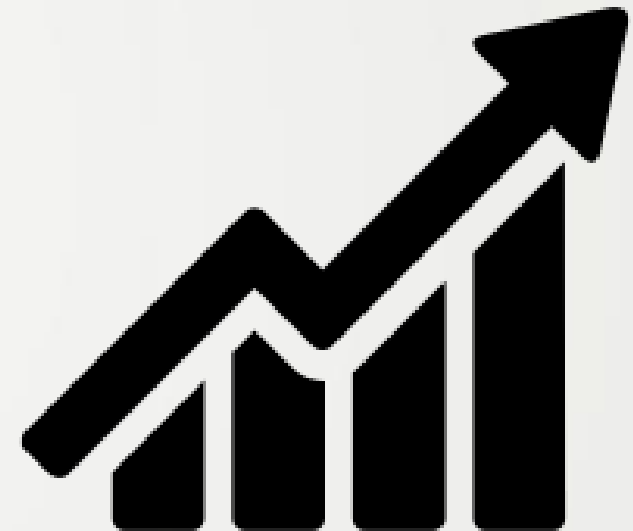




# The hearing healthcare market in 2018

**Total hearing healthcare market still estimated to see value growth rate of 5% in 2018**

- We still expect the hearing aid wholesale market to grow by 2-4% in value terms
  - Unit growth rate expected to be 4-6%
  - Slight decline in the ASP
- The hearing implants market is estimated to see a value growth rate of 10-15% in total, but with growth for the BAHS market below this range
- The diagnostic equipment market is expected to see a value growth rate of 5-7%



# Outlook 2018

- We maintain our expectation to generate substantial organic sales growth in 2018 with expected exchange rate effects of around -3%, including the impact of exchange rate hedging
- We still expect share buy-backs worth DKK 1.5-2.0 billion with a gearing multiple of 1.5-2.0 measured as NIBD (net interest-bearing debt) relative to EBITDA
- We maintain our full-year outlook for an EBIT of DKK 2.65-2.85 billion before restructuring costs of DKK 120 million



# Q&A

# Roadshows and conferences

|                  |   |
|------------------|---|
| 07 November      | <b>Paris</b> (JP Morgan)                                      |
| 07 November      | <b>The Netherlands</b> (Danske Bank)                          |
| 08 November      | <b>Brussels</b> (Danske Bank)                                 |
| 08 November      | <b>Milan</b> (Kepler Cheuvreux)                               |
| 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)           |



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