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Initiation of restructuring plan for EPOS to obtain profitability and continuous commitment to divest the business

Demant has concluded on the review of strategic options for its Communications business area operating under the EPOS brand. The purpose of the review was to explore whether a different owner would be better positioned to accelerate growth and allow EPOS to realise its full potential in the markets for premium enterprise audio and video solutions.

The EPOS business has good exposure in the market, offering leading technology, a robust go-to-market set-up and a strong brand, but the current loss-making financial condition has been a barrier for reaching an agreement with a potential buyer. Consequently, we have decided to initiate a significant restructuring plan for the EPOS business, which entails an intention to rightsize the organisation and create a more focused business. The process will commence immediately, and following the restructuring, we intend to carry on with the divestment of EPOS.

“With our review of the strategic options for the Communications business area, the aim was to ensure the success of the EPOS business, but its loss-making financial condition has made it difficult to reach an agreement with a new owner, and therefore we intend to initiate a restructuring process to obtain profitability. In the meantime, we remain fully committed to running the business and serving our customers and partners across all existing product segments, and I thank our employees whose continuous contribution to running the business is crucial,” says Søren Nielsen, President & CEO of Demant.

The restructuring plan will result in a significant reduction of our operating expenses to a level of around DKK 250 million annually, which is a reduction of more than 50% compared to 2023. With these adjustments, we expect the Communications business area to become profitable at EBIT level already in Q4 2024.

Expected financial impact of the restructuring on net profit from discontinued operations

The intended restructuring of EPOS is expected to result in one-off costs of DKK 400 million, which will be recognised in H2 2024 under net loss for discontinued operations. Of this amount, around DKK 325 million consists of non-cash charges and relates to the impairment of a part of goodwill and write-down of parts of the inventory. The remaining DKK 75 million, which relates to the adjustment of the size of the business and to various other payment liabilities, will have a cash flow effect.

Combined with a weaker-than-expected performance in H1, we now expect the net loss in Communications to be around DKK 500 million (previously DKK 100-150 million) for 2024. For accounting purposes, the Communications business will continue to be recognised as part of our discontinued operations.

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