

Investor news

Capital Markets Day 2021

27 September 2021

Delivering sustained growth post coronavirus

On Monday 27 September at 11:00 CET, Demant hosts a Capital Markets Day (CMD) in Copenhagen for investors and analysts, and the event will be open for both physical and virtual attendance. During the event, we will outline how we aim to deliver sustained growth and realise the potential for margin expansion that we see in all our business areas. We will also highlight the resilience of our business model and our ability to service users of today and tomorrow. The presentations and livestream will be available at our [CMD microsite](#) shortly before the event.

Background

In 2021, Demant has seen very strong business momentum driven by Hearing Healthcare, which has performed excellently and has more than compensated for softening demand experienced by Communications. With the current guidance, we are on track to deliver on our ambitious growth plans and to realise all-time high profits.

The strong performance comes after a couple of years where the Group has gone through significant changes with the IT incident in September 2019 and coronavirus that started in the beginning of 2020. During this time, the Group has successfully launched new innovative products offering industry-leading audiology in Hearing Aids, transformed and accelerated the digital journey in Hearing Care and improved profitability, reinforced the position of Diagnostics as market leader and positioned Hearing Implants well for the future with new products and access to the large US market for cochlear implants following pre-market approval by the FDA. At the same time, we have demerged our Sennheiser Communications joint venture and instead established EPOS as a player in the market for enterprise and gaming headsets, allowing us to address this highly attractive market more ambitiously than previously.

We thus emerge from recent years' significant changes as a stronger company, and we are set for strong financial results in 2021. Assuming that revenue will be at the midpoint of our current guidance range, this represents a compound annual growth rate of 10% in local currencies in the ten years since 2012, with 6% organic growth and 4% acquisitive growth. This successful track record over a long time period is a strong testament to our ability to deliver sustained growth, which we also aim to do in the coming years.

Key messages from today's Capital Markets Day

Under the heading of "Delivering sustained growth post coronavirus", the key messages of today's Capital Markets Day will be:

- In line with historical levels, we aim to generate revenue growth for the Group of 7-10% p.a. in local currencies in the medium to long term. This comprises organic growth of 6-8% p.a. supplemented by acquisitive growth from bolt-on acquisitions of 1-2% p.a. We thus aim for both Hearing Healthcare and Communications to deliver organic growth above the estimated structural market growth rates of approx. 4% (unchanged) and approx. 12% (previously 8-10%) p.a., respectively.
- In the coming years, we expect pent-up demand to support volumes in the hearing aid market. Relative to normal expectations, we estimate that the total shortfall in units sold during the pandemic amounts to around 3.7 million, and we consider it probable that a significant share of these units will come back as pent-up demand in the coming years.
- We continue to see potential for margin expansion in all business areas with scope for *incremental* improvements in Hearing Aids, Hearing Care and Diagnostics and scope for *transformative* improvements in Hearing Implants and Communications, as we expand these businesses in the coming years.
- We remain deeply focused on innovation and consider scale key for ensuring long-term success. In particular, we focus on remaining leaders in audiological performance across our business areas as we believe that such leadership will also prove to be a competitive advantage in the future.

- We still believe strongly in the value of professional, in-person counselling in hearing healthcare, and the coronavirus pandemic has only confirmed that such counselling remains the preferred choice for the vast majority of users.
- With strong focus on user-centred care, we have made substantial progress in Hearing Care in recent years and successfully established market-leading positions in several important markets. Along with the consolidation of brands and investments in digital capabilities, this has supported growth and significantly improved our profitability.
- Up until now, our Communications business has in 2021 seen a significant revenue slowdown and is currently in a transition phase. Combined with significant investments in future growth, this has led to negative profitability, but we see a clear path back to profitability in 2023 with steadily improving profitability in subsequent years, driven by revenue growth above the market growth rate from 2022 and onwards.
- We expect continued strong cash flow generation in the coming years and are committed to efficient capital allocation focused on value-adding acquisitions and return of cash to shareholders in the form of share buy-backs.
- We are a positive impact business, and we act sustainably to contribute positively to society, while ensuring long-term success for the company. In recognition of the importance of sustainability in all areas of our business, we are committed to continuously improving on ESG parameters (Environmental, Social and Governance), and in the area of “Environmental”, we are pleased to announce today our official commitment to the Science Based Targets initiative.

“We are seeing very positive developments for the Demant Group, and our ambition for the years to come is to continue to build a leading hearing healthcare and audio technology Group that is able to sustain an attractive growth rate thanks to a combination of leadership, innovation and strong, structural demand drivers. We are in very good shape and on track to deliver all-time high profits for the Group in 2021, and we see potential for further improvements in profitability in the coming years. We are thus excited about the future and have confidence in the path that we are on as a company – not only when it comes to financial performance, but also when it comes to contributing positively to the world around us through our work with sustainability for the benefit of people, our society and our planet,” says Søren Nielsen, President & CEO of Demant.

Agenda

11:00	Welcome	Mathias Holten Møller <i>Head of Investor Relations</i>
11:10	Delivering sustained growth post coronavirus	Søren Nielsen <i>President & CEO, Demant</i>
12:15	Audiological leadership through BrainHearing	Thomas Behrens <i>Vice President, Audiology and Applied Research, Hearing Aids</i>
12:45	Lunch break	
13:45	A transformational journey in Hearing Care	Niels Wagner <i>President, Hearing Care</i>
14:45	EPOS: Becoming the preferred premium audio brand	Jeppe Dalberg-Larsen <i>President, EPOS</i>
15:45	Break	
16:15	Sustained growth with potential for margin expansion	René Schneider <i>CFO, Demant</i>
17:00	Final Q&A and concluding remarks	
17:30	End of event	

Outlook for 2021 is reiterated

We continue to be on track towards strong financial performance in 2021 and reiterate our guidance for the year, which includes organic growth of 26-30% and an EBIT of DKK 3,150-3,450 million for the Group, albeit with further skewing towards Hearing Healthcare than previously expected. The performance in Hearing Healthcare remains very strong thanks to Hearing Care, including continued support from the hearing healthcare reform in France, but also thanks to the continued success of Oticon More in Hearing Aids and to market share gains in Diagnostics. Hearing Implants is still impacted by coronavirus, however with improving sales. Communications is currently in a transition phase, and sales continue to be at a lower-than-expected level. We therefore now expect revenue in Communications to decline by more than 10% in H2 relative to H1 2021, and consequently expect EBIT to be negative by DKK 50-100 million in H2. However, the structural demand drivers are intact, and we consider the revenue slowdown to be temporary, which is supported by the fact that new orders have picked up recently.

With registration opening at 10:30 CET, the event will start at 11:00 CET at Industriens Hus, H. C. Andersens Boulevard 18, 1553 Copenhagen, Denmark. The presentations and livestream will be available at our [CMD microsite](#) shortly before the event. Each presentation will be followed by a short Q&A session, and questions from attendees that participate virtually must be submitted through a live chat function in the online player.

Further information:

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