

# Demant

## Demant A/S: Interim Report 2021

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Company announcement no 2021-11

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### Interim Report 2021

**Excellent Group performance in H1 with 51% organic growth and market share gains in Hearing Healthcare**

**Recovery in the global hearing healthcare market in H1 at least in line with our expectations**

**EBIT of DKK 1,638 million in H1, corresponding to an EBIT margin of 18.2%, exceeding our expectations**

**Positive trends expected to continue in H2 - 2021 organic growth outlook upgraded to 26-30% (prev. 24-28%)**

**EBIT guidance for 2021 upgraded to DKK 3,150-3,450 million (prev. DKK 3,000-3,300 million)**

Revenue and growth rates	Revenue (DKK million)		Growth H1 2021 vs H1 2020		Growth H1 2021 vs H1 2019		Acq.	LCY	Org.	Acq.	LCY
	H1 2021	H1 2020	H1 2019	Org.	Acq.	LCY					
Hearing Aids	4,416	2,937	3,852	55%	0%	55%	17%	1%	17%		
<i>Hereof sales to Hearing Care</i>	-871	-465	-607	90%	4%	94%	42%	6%	48%		
Hearing Care	3,737	2,154	3,128	72%	5%	78%	15%	7%	23%		
Hearing Implants	266	246	304	11%	0%	12%	-9%	1%	-8%		
Diagnostics	843	660	673	34%	1%	35%	29%	2%	31%		
<b>Hearing Healthcare</b>	<b>8,391</b>	<b>5,532</b>	<b>7,350</b>	<b>55%</b>	<b>2%</b>	<b>57%</b>	<b>14%</b>	<b>3%</b>	<b>17%</b>		
<b>Communications</b>	<b>621</b>	<b>546</b>	<b>-</b>	<b>16%</b>	<b>0%</b>	<b>16%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>		
<b>Group</b>	<b>9,012</b>	<b>6,078</b>	<b>7,350</b>	<b>51%</b>	<b>2%</b>	<b>53%</b>	<b>15%</b>	<b>11%</b>	<b>26%</b>		

Please note that there are no comparative figures for Communications in 2019, as EPOS was not consolidated until 2020. Unless otherwise indicated, 2020 figures are adjusted for one-offs related to the consolidation of EPOS with financial effect from 1 January 2020.

- In H1, **Group** revenue amounted to DKK 9,012 million, corresponding to growth of 53% in local currencies compared to H1 2020, with 51% organic growth and 2% acquisitive growth. Exchange rate effects were -5%. Compared to pre-pandemic levels in H1 2019, the Group saw growth of 26% in local currencies, with 15% organic growth and 11%

acquisitive growth. The latter can mainly be attributed to the consolidation of EPOS in 2020. Exchange rate effects were -3%.

- Our **Hearing Healthcare** segment saw growth of 57% in local currencies compared to H1 2020, reflecting both strong business performance and the severe negative impact of coronavirus on comparative figures. Hearing Aids and Hearing Care benefitted from the strong recovery of the hearing aid market, particularly in the US where we saw the release of some pent-up demand in Q2. We also saw a significant positive impact of the hearing healthcare reform in France, which we estimate added around DKK 200 million to revenue in H1 that will not recur to the same extent in H2. Furthermore, Hearing Aids gained market share thanks to the highly successful launch of new flagship hearing aids, including Oticon More and Philips HearLink. Diagnostics delivered very strong performance and gained market share and exited H1 with an all-time high number of orders in the order book. Hearing Implants continued to see a significant negative impact of the slow recovery in a number of our key cochlear implants markets. Relative to H1 2019, Hearing Healthcare grew by 17% in local currencies, with 14% organic growth and 3% acquisitive growth, which is significantly above the market growth rate.
- In **Communications**, growth was 16% in local currencies compared to H1 2020, all of which was organic growth. Following the very high double-digit organic growth rate realised in the first months of the year – also aided by extraordinarily low comparative figures – growth decelerated significantly. Besides higher comparative figures, the deceleration was driven by a softening in the number of new orders, particularly for low-priced wired headsets. While we view this as a temporary slowdown, it will also impact growth in H2 negatively.
- The Group realised a **gross margin** of 74.5% in H1, corresponding to growth of 4.5 percentage points compared to H1 2020 and to sequential growth of 2.0 percentage points compared to H2 2020. The improvement was mainly driven by higher production volumes and by strong growth in Hearing Healthcare, which has a structurally higher gross margin than the Communications segment.
- The Group's **OPEX** grew by 18% in local currencies compared to H1 2020, with organic growth of 16% and acquisitive growth of 2%. This reflects both the substantial sales growth and the very significant, temporary cost savings realised in the comparative period, including support from government schemes related to coronavirus. We continued to see material temporary savings in OPEX, although these, as expected, gradually diminished during the reporting period. While we will continue to benefit from the structural savings announced in October 2020, we only expect a limited impact of further temporary savings in H2.
- **EBIT** for the Group was better than expected and amounted to DKK 1,638 million in H1, corresponding to an EBIT margin of 18.2%. Hearing Healthcare delivered very strong profitability with an EBIT margin of 20.0% driven by a combination of strong revenue and temporary cost savings. Profitability was strongly supported by the success of the new flagship hearing aids, and we estimate that the reform in France added around DKK 100 million to EBIT in H1 that will not recur to the same extent in H2. Conversely, the slowdown in Communications resulted in an EBIT of DKK -44 million, as we continued to invest in R&D and distribution that will support our medium- to long-term growth.
- Reflecting the Group's improved profitability, cash flow was very strong, and both **CFFO** and **FCF** more than doubled to DKK 1,511 million and DKK 1,234 million, respectively. M&A activities have largely found their normal level with cash spent on acquisitions amounting to DKK 406 million, predominantly relating to Hearing Care.
- **Share buy-backs** amounted to DKK 1,813 million, while the Group's **gearing multiple** (NIBD/EBITDA) was 2.1 at the end of H1, which is in line with our medium- to long-term target of 2.0-2.5.

## Outlook for 2021

Based on expectations that our strong business momentum and market share gains in Hearing Healthcare will continue in H2 – despite tailwind from the French reform not recurring to the same extent as in H1 – we upgrade our guidance for the Group's organic growth rate for 2021 to 26-30% (previously 24-28%). Due to the slowdown in Communications, we now expect this segment to see negative organic growth in H2. As a result of the upgraded outlook for revenue growth, we also upgrade our guidance for Group EBIT for 2021 to DKK 3,150-3,450 million (previously DKK 3,000-3,300 million). In Communications, we expect to realise a negative EBIT for H2, as we will continue to invest in the business as originally planned to support our future growth and market position. Due to higher expectations in respect of our cash flow in H2, we now expect to buy back shares worth more than DKK 3.0 billion (previously more than DKK 2.5 billion).

Metric	Outlook for 2021
Organic growth	26-30% (previously 24-28%). For Communications, we expect negative organic growth in H2.
Acquisitive growth	1% based on revenue from acquisitions completed as of 11 August 2021.
FX growth	-1% (previously -2%) based on exchange rates as of 11 August 2021 and including the impact of hedging.
EBIT	DKK 3,150-3,450 million (previously DKK 3,000-3,300 million). For Communications, we expect a negative EBIT in H2.
Effective tax rate	Around 23%.

Gearing	Gearing multiple at the end of 2021 in line with medium- to long-term target of 2.0-2.5 (NIBD relative to EBITDA).
Share buy-backs	More than DKK 3.0 billion (previously more than DKK 2.5 billion).

*“Overall, we look at the first half-year with great satisfaction, we perform extremely well and win market share. We have once again been let into many people’s lives with our innovative technologies and services, and based on trustful collaboration, we continue to make life-changing differences for our customers and users around the world. With the launch of our flagship hearing aids Oticon More and Philips HearLink standing out, we have generally succeeded with our sales activities, leading to market share gains and sales above our original expectations. Our Hearing Aids, Hearing Care and Diagnostics businesses have performed particularly well, resulting in strong profitability for the period. Based on our expectations of continued strong performance in the second half-year, we now upgrade our guidance for growth and profit for the year,”* says Søren Nielsen, President & CEO of Demant.

Demant will host a conference call on 12 August 2021 at 14:00 CEST. To attend this call, please use one of the following dial-ins: +45 3544 5577 (DK), +44 3333 000 804 (UK) or +1 6319 131 422 (US). The pin code is 65378756#. A presentation for the call will be uploaded to [www.demant.com](http://www.demant.com) shortly before the call.

<p><i>Further information:</i> Søren Nielsen, President &amp; CEO Phone +45 3917 7300 <a href="http://www.demant.com">www.demant.com</a></p>	<p><i>Other contacts:</i> René Schneider, CFO Mathias Holten Møller, Head of Investor Relations Christian Lange, Investor Relations Officer Trine Kromann-Mikkelsen, VP Corporate Communications and Relations</p>
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## About Demant A/S

Demant is a world-leading hearing healthcare group that offers solutions and services to help people with hearing loss connect with the world around them. In every aspect, from hearing devices, hearing implants, diagnostics to audio and video solutions and hearing care all over the world, Demant is active and engaged. Our innovative technologies and know-how help improve people’s health and hearing. We create life-changing differences through hearing health.

## Attachments

- [2021-11 Interim Report 2021.pdf](#)