

## Investor news

29 August 2023

### Demant to gradually wind down activities in Gaming and sharpen focus on core Enterprise Solutions within its Communications segment

Today, Demant announces the decision to gradually wind down its Gaming business and sharpen the focus of its Communications segment on the core business of Enterprise Solutions, which will continue to operate under the EPOS brand. The decision follows a review of the future growth potential and competitiveness of the Gaming business and follows a period of weaker-than-expected results due to weak market conditions and a lack of scale and critical mass. Going forward, Demant will sharpen its focus on its Enterprise Solutions business, which continues to show highly attractive long-term growth potential and synergies with the rest of the Group. Demant established its headset activities as a separate business segment with effect from 2020.

*“Since the demerger of our joint venture with the Sennheiser group, our Gaming business has faced a volatile market environment. Following extraordinary demand sparked by the pandemic in 2020, the gaming market has slowed down significantly due to weak consumer sentiment, and we do not see a viable path to creating a profitable business without significant investments in products, brand and distribution. We of course regret the impact our decision will have on affected employees and would like to thank all employees who have worked very hard to build the Gaming business under difficult circumstances,”* says Søren Nielsen, President & CEO of Demant.

The wind-down of the Gaming business will be carried out gradually, and EPOS will continue to service and support customers while the inventory of existing products is reduced. Demant expects this process to be completed during 2024.

In Enterprise Solutions, EPOS will focus on solidifying its position in a number of target markets by further strengthening its product portfolio of premium audio and video solutions for enterprises and by expanding distribution partnerships. We will carefully balance the need to improve short-term profitability against investments in future growth. Overall, we continue to see attractive synergies with our Hearing Healthcare segment in terms of processing sounds in noisy environments. And with a sharpened focus on the enterprise market, which continues to enjoy high entry barriers, we are confident that our Communications segment will deliver attractive growth and returns over the medium to long term.

The gradual wind-down may result in minor one-off costs in Communications in 2023, most of which will be non-cash, but there are no changes to the Group’s financial outlook for the year or in the medium to long term. In H1 2023, the Gaming business accounted for around 15% of the revenue generated in Communications.

In combination with previous cost-saving initiatives, we expect the gradual wind-down to lead to a reduction of OPEX in Communications to DKK 450-500 million annually in 2024 due to reductions in the number of employees as well as to reduced sales, marketing and administrative spend in Gaming. Initially, the wind-down is expected to have a negative gross margin impact, but once completed, it will support a gross margin improvement. Altogether, the wind-down of Gaming activities and sharpened focus on Enterprise Solutions will support our drive towards a less negative EBIT in Communications in 2024 compared to 2023, and it will help shorten the path back to profitability.

*Further information:*

Søren Nielsen, President & CEO  
Phone +45 3917 7300  
[www.demant.com](http://www.demant.com)

*Other contacts:*

René Schneider, CFO  
Mathias Holten Møller, Head of Investor Relations  
Peter Pudselykke, Investor Relations Officer  
Trine Kromann-Mikkelsen, VP Corporate Communication & Sustainability