

William Demant

Leading in hearing healthcare

Søren Nielsen
COO, William Demant

Søren Nielsen

COO (Deputy CEO) of William Demant and President of Oticon

Curriculum

- Born in 1970
- M.Sc. in Industrial Management and Product Development from the Technical University of Denmark
- COO and Deputy CEO since 2015
 - Overall responsible for hearing aid wholesale
- President of Oticon since 2008
- Employed with William Demant since 1995

Board positions

- Sennheiser Communication



Agenda

- The hearing healthcare market
- William Demant's strategy
- Position and competition



Introducing the hearing healthcare market



The hearing healthcare market

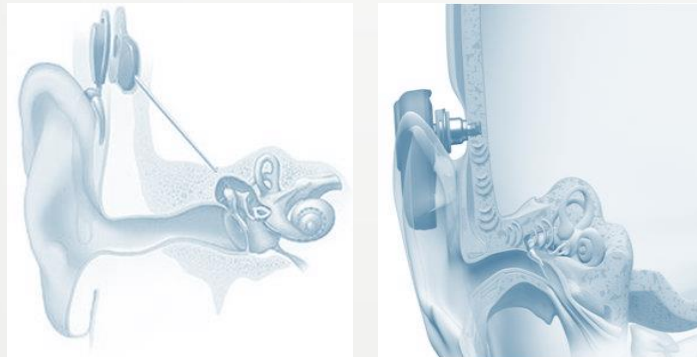
Hearing Devices

Hearing instruments and accessories



Hearing Implants

Bone-anchored hearing systems and cochlear implants



Diagnostic Instruments

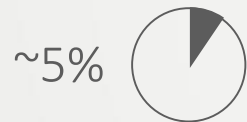
Wide range of hearing-related equipment



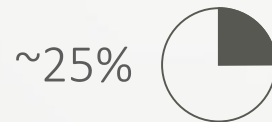
Hearing devices value chain in commercial market



Percentage of value chain



- Components
- Consolidated market



- Six main players
- Tough competition
- Fight for market access



- Fragmented market
- Consolidation
- Expanding through existing and new distribution models



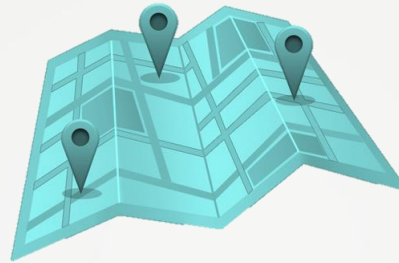
- Private market
- Public market

Solid structural growth drivers in hearing devices



Demography

- Growing ageing population
- Increasing life expectancy



Increasing points of sales

- Greenfield store openings
- New channels being tested with a few showing sustainability
- Increased marketing
- Increased access to reimbursed hearing aids



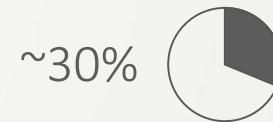
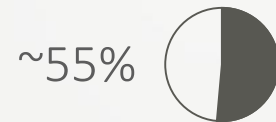
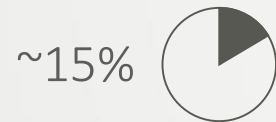
Emerging markets

- Demography
- Growing penetration rates
- Improved healthcare systems
- Higher average income
- Improving access to hearing aids

Diagnostic instruments value chain



Percentage of value chain



- Components

- Three large players
- Critical mass is crucial
- Wide range of product segments to address

- BtB
- SIDs
- Consolidation in main market

- Hearing aid dispensers
- Hearing clinics etc.
- Government services
- ENTs and general practitioners

Positive growth outlook for diagnostic instruments



New business areas

- Balance measurements/diagnostics
- New-born screening
- eHealth



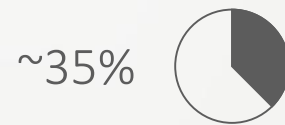
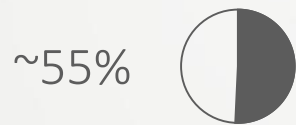
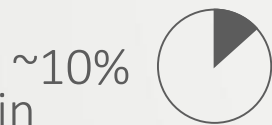
Emerging markets

- Building infrastructure
- Improved healthcare systems
- Higher average income
- Increasing life expectancy

Hearing implants value chain



Percentage of value chain



- Components

- Four competitive players

- Manufacturers in most cases

- Hospitals
- Private clinics

- Reimbursement
- Insurance

Note: Surgeon fees, follow-up costs etc. are not included in the value chain, and the value chain in general differs from country to country

Long-term attractive growth potential in hearing implants



Increasing reimbursement

- Reimbursement schemes are key to growing penetration



Continuous market expansion

- Significant number of new-born who qualify for a hearing implant
- Increased life expectancy
- Converting Super Power users
- Cosmetic benefits could make hearing implant solution more attractive for end-users



New markets

- New indications
- Emerging markets

Attractive value and growth in hearing healthcare

	Market size (value)	Market growth (value)
Hearing Devices	USD 4bn	1-3%
Cochlear Implants	USD 1.4bn	10-12%
Bone Conduction Systems	USD 170m	10-15%
Diagnostic Instruments	USD 500m	3-5%
Hearing Healthcare		~5%*

Above number estimates represent wholesale value

*2015 to 2020 CAGR - growth rates increasing as hearing implants become bigger part of total market

Attractive value and growth in hearing healthcare

- Modest growth in Hearing Devices
- Modest growth in Diagnostic Instruments
- Strong growth in Hearing Implants



Note: Above numbers represent wholesale value



William Demant's strategy



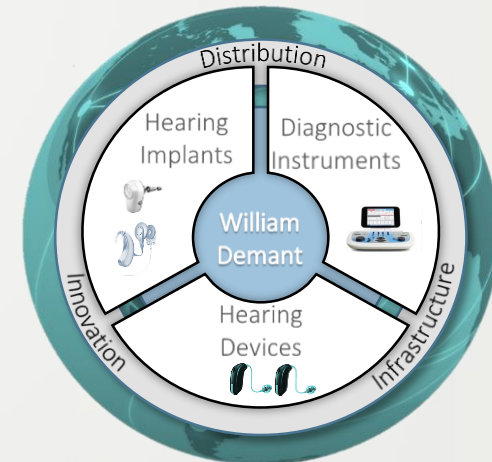
William Demant's overall vision

To make a life-changing difference to people living with hearing loss



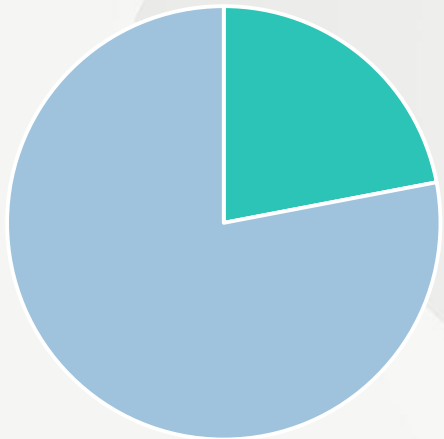
William Demant's overall strategy

We want to further develop our position as a leading hearing healthcare company with the broadest and deepest product offering based on **true innovation** – delivered to customers and end-users through a **multi-brand** approach backed by a comprehensive **global distribution** set-up and efficient **shared services**

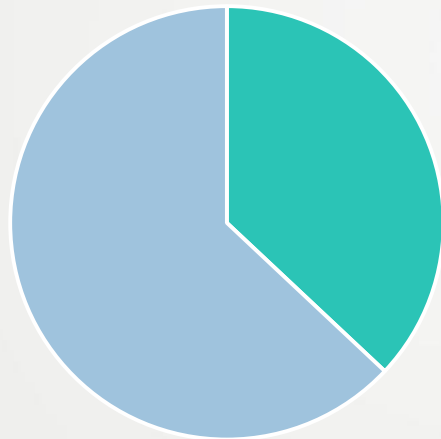


William Demant's value market share

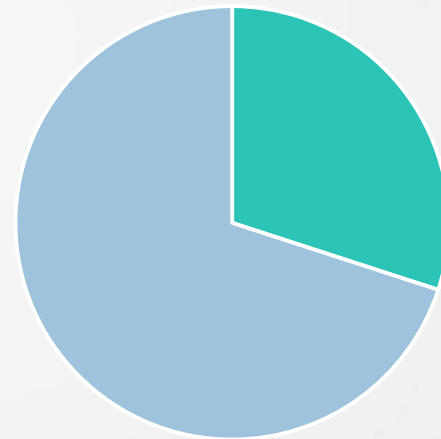
Hearing aid
wholesale



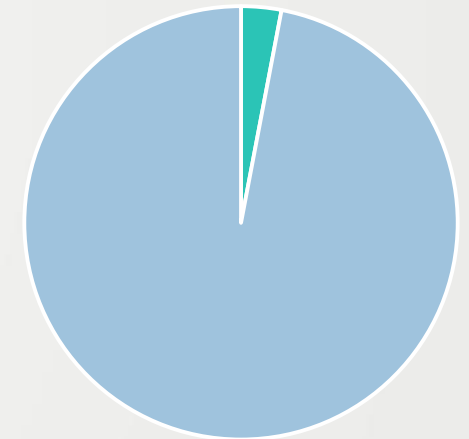
Diagnostic
instruments



Bone-anchored
hearing systems



Cochlear implants



Strategy of delivering profitable long-term growth

Hearing Devices

- Maintain technology leadership
- Multi-brand strategy
- Be present in all channels and segments
- Take measures to expand and develop retail where needed
- Get closer to end-users

Diagnostic Instruments

- Strengthen distribution model
- Pursue new market opportunities
- Generate organic and acquisitive growth
- Push for synergies with related businesses

Hearing Implants

- Maintain insight into and knowledge from acquired companies
- Develop and grow the business by benefitting from William Demant technology and distribution platform

DGS

- New global ERP backbone
- Global approach to operation and supply chain
- Shared services approach across IT, HR and Finance
- Large scale and cost effective operation to ensure competitive unit cost



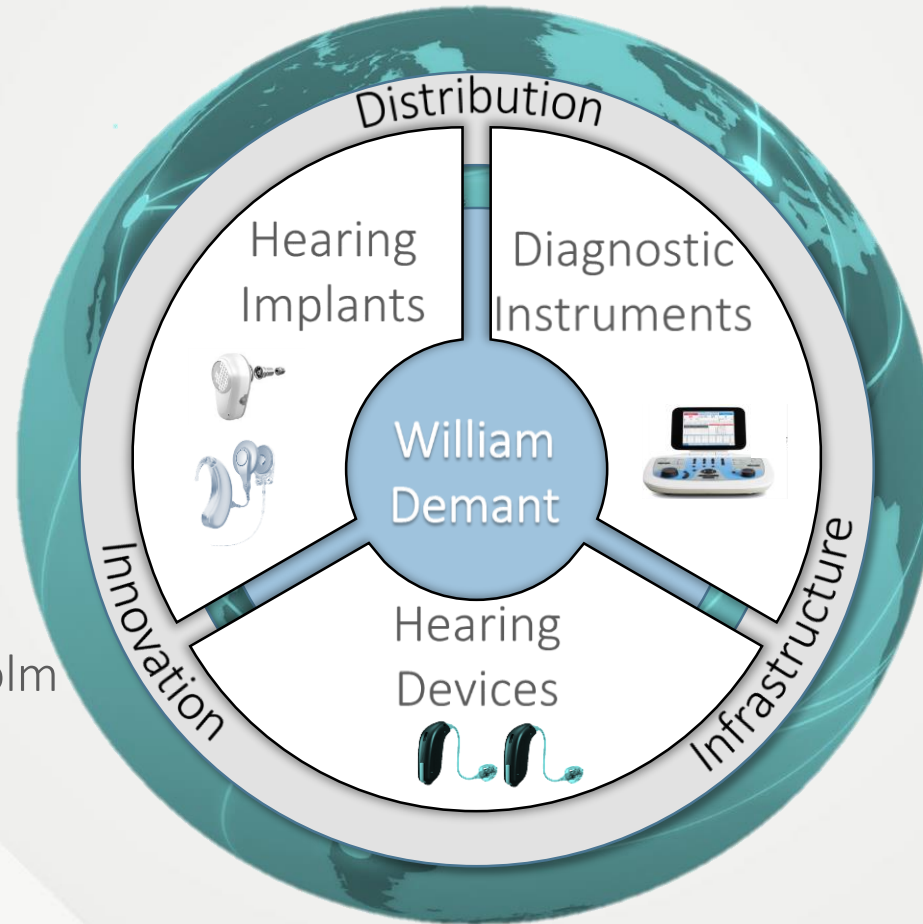
Positioned to grow in all business activities in an efficient way

- Profitable organic growth
- Strategic acquisitions
- Multi-brand approach

Synergies from our hearing healthcare approach

Innovation

- Sharing core platform (DSP, wireless)
- Advanced digital signal processing
- Total fitting flow
- Cross-product integration
- Quality assurance
- Long-term research at Eriksholm
- eHealth



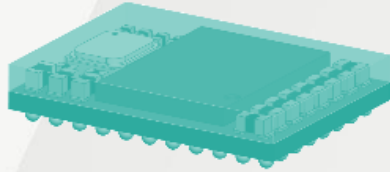
Distribution

- Commercial cross-business synergies
- Lead generation across businesses
- Global distribution platform
- Market insight
- Critical mass in local markets

Infrastructure

- Shared sales companies in more than 30 countries
- Global IT platform serving all business units
- Strong global supply chain
- Strong operational footprint in Poland and Mexico

Real-life synergies



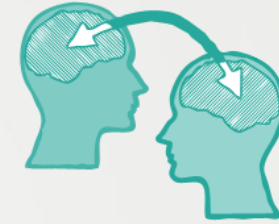
Hearing aid technology in hearing implants

- Leveraging sound processing from hearing aids
 - DSP chip and signal processing in Oticon Medical (CI and BAHS)
 - Ponto fitting system built on back of hearing aid fitting system
- Sharing audiological know-how
- Exploiting purchasing power and in-house development capacity from hearing aids
- Strong synergies in mechanical tool development



Market access for Oticon Medical through existing customer relations

- Existing relationships to ENT doctors through Diagnostic Instruments improve Oticon Medical's position
- Oticon Medical builds on strong Oticon brand legacy

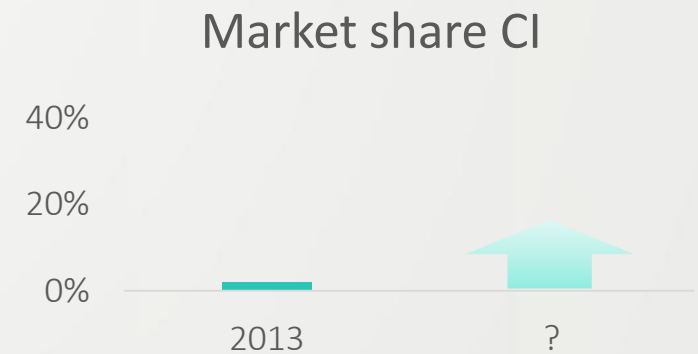
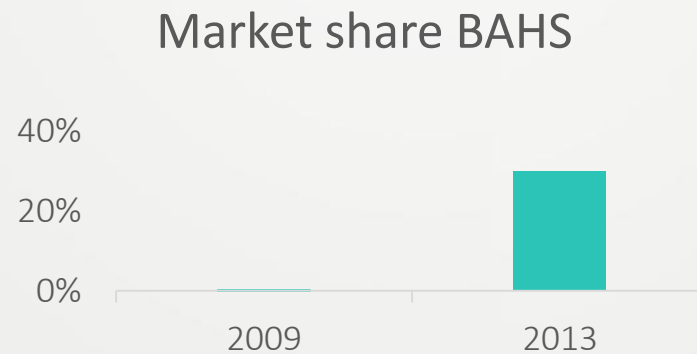
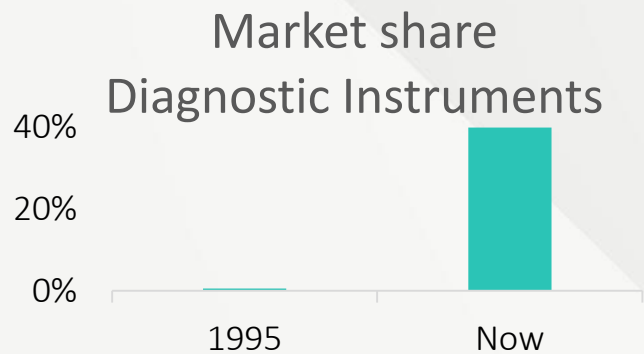


Developing state-of-the-art fitting process

- End-user knowledge from retail
- Product knowledge from wholesale
- Technology knowledge from Diagnostic Instruments
- First live, end-to-end eHealth solution

Strong platform for new growth opportunities

- Through the strategic focus on innovation, distribution and infrastructure, William Demant has built a strong platform on which to execute on additional future growth opportunities
- Diagnostic Instruments and BAHS are both successful additions to William Demant's Hearing Devices business activity
- Cochlear implants hold great commercial potential
































Position and competitive landscape



We have a strong foundation for growth

Offerings		William Demant	sonova	ivantor	ReSound	Starkey	WIDEX	Cochlear	MED-EL	amplion
Hearing aid wholesale 										
Cochlear implants 										
Bone-conducting systems 										
Diagnostic instruments 										
Controlling distribution 										

 = Relative strength in business segment

Hearing healthcare trends and strategies

Current trends likely to evolve

1. Product complexity continues to rise
2. Modest value growth due to consolidation in retail and increasing competition among manufacturers in zero-sum markets
3. Further expansion of distribution channels and increased complexity
4. Strong growth expected to continue in Hearing Implants
5. Growing direct end-user engagement at wholesale level

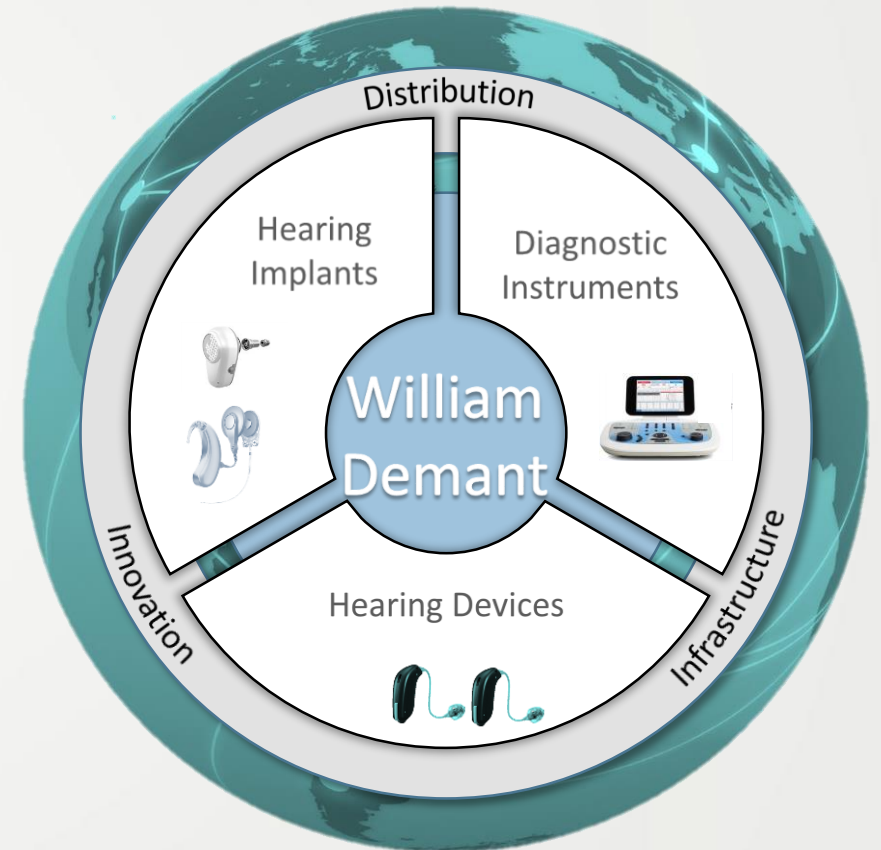
Strategies supporting long-term profit


1. Ever growing and innovative R&D organisation remains king – manufacturers need leverage on R&D spending and size matters
2. Manufacturers experience pressure to lower unit costs, while seeking diversification to obtain synergies and growth – size matters
3. Manufacturers need to be present in all markets and all channels
4. Hearing Implants' attractive growth opportunities hold significant synergies to core hearing aid wholesale cost base
5. Increased focus on effective channels for end-user communication – especially web

William Demant well positioned to win

Diversification is key to success

- William Demant is able to meet high investment requirements and R&D spend
- William Demant is well positioned to benefit from growth in all parts of the hearing healthcare value chain from a broadly based presence
- William Demant has a strong track record when it comes to building new profitable businesses
- William Demant has sufficient size and a strong platform for obtaining internal synergies





William Demant

Thank you