

William Demant



Sennheiser Communications evolves in new set-ups

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Sennheiser Communications evolves in different set-ups

William Demant and Sennheiser electronic GmbH and Co. KG (Sennheiser) have decided to end their joint venture

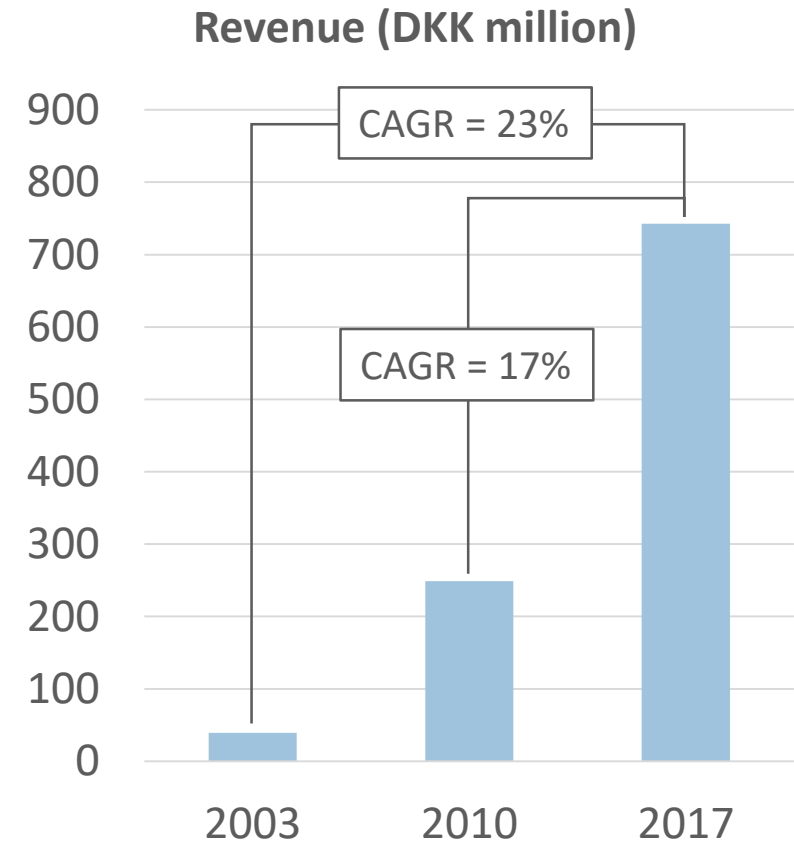
- To exploit great opportunities ahead, both William Demant and Sennheiser wish to dedicate focus on different business segments with full end-to-end responsibility
 - Gaming and Enterprise Solutions (CC&O) segments will evolve as an independent business as part of the William Demant Group
 - Mobile Music segment will be part of the Sennheiser Consumer business
 - Ending the Sennheiser Communications joint venture
- Separation will take effect on 1 January 2020



Sennheiser Communications: A successful journey

Founded in 2003 as 50/50 joint venture between William Demant and Sennheiser

- Addressing attractive opportunities in headset market
- High level of technology synergies
- Strong revenue growth since foundation
- Three business segments:
 - Mobile Music
 - Gaming
 - Enterprise Solutions (CC&O)
- Focused on product development and production while distribution activities are anchored with Sennheiser



32% growth in first half of 2018

Significant increase in contribution to Group EBIT from Sennheiser Communications

- 45% growth in reported revenue
- Net of inventory effects, underlying revenue grew by 32%
 - High growth in Gaming and Mobile segments
 - Solid growth in CC&O segment despite tough comparative figures
- Contribution from joint venture to William Demant Group's EBIT increased by DKK 31 million to DKK 45 million



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Great opportunities ahead

- Great opportunities lie ahead in all three business segments
 - Increased need for dedicated end-to-end focus
 - Increased need for dedicated R&D focus on each separate business segment
- Both parties wish to dedicate their focus on different business segments with full end-to-end responsibility



Sennheiser Communications evolves in new set-ups

- Gaming and Enterprise Solutions (CC&O) segments will evolve as an independent business as part of the William Demant Group
- Mobile Music segment will be part of the Sennheiser Consumer business
- The new set-up represents a roughly even split of earnings, i.e. impact on earnings will be roughly neutral
- Separation happens in good faith and the partners intend to continue cooperation where synergies and opportunities exist



Gaming and Enterprise Solutions (CC&O)



William Demant will take over the business segments of Gaming and Enterprise Solutions (CC&O) including distribution

- Both segments have highly attractive product portfolios and strong roadmaps
- R&D synergies with the rest of William Demant Group expected to grow with the emerging trend of intelligent audio and small form factors
- New opportunity to take distribution set-up to the next level through a dedicated end-to-end focus
- Current President of Sennheiser Communications Jeppe Dalberg-Larsen will spearhead new entity after separation
- Continuation of license agreement for the Sennheiser brand for Gaming and Enterprise Solutions portfolios

Addressing attractive markets

- Market growth of approx. 7-10% for both Gaming and Enterprise Solutions
 - Global #3 within Enterprise Solutions
 - Leading player in premium gaming headsets
- Well-positioned to take further market shares in both business segments
- Key core competence within R&D and important synergies with rest of William Demant Group
 - Wearing comfort
 - Physical design
 - Wireless technologies
 - High sound quality and noise reduction



Timeline and consolidation of new entity

- The end of the joint venture formally implies a cash free split of ownership structure
 - The separation is planned for 1 January 2020
 - Careful preparation of separation to ensure seamless and smooth transition for employees, customers, suppliers and partners
 - Throughout 2018 and 2019, profit sharing of Sennheiser Communications will remain as today
- Will be fully consolidated in William Demant Group financial statements from 1 January 2020

Q&A

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