Ad hoc announcement pursuant to Art. 53 LR

First half results 2022/23: Growth in all regions and further progress on strategic initiatives

Stäfa (Switzerland), November 14, 2022 – Sonova Holding AG, a leading provider of hearing care solutions, today announces its results for the first half of financial year 2022/23. Group sales reached CHF 1,846.6 million, up 17.9% in local currencies and 15.1% in Swiss francs. This was driven by solid organic growth of 5.0% and the contribution from recent acquisitions. Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 398.1 million, up 3.0% in local currencies and representing a margin of 21.6%. Subdued growth in higher price markets, combined with ongoing input cost challenges, the expected initial dilution from recent acquisitions and currency headwinds affected the profitability development. The outlook for financial year 2022/23 remains in place. Sonova now expects to reach the lower end of the guidance range.

Arnd Kaldowski, CEO of Sonova, says: "Over the course of the first half, we have seen a slowing momentum of the global hearing care market as a result of macroeconomic headwinds, which are expected to persist for the remainder of the financial year. Despite the challenges, we were able to achieve a sound performance across all businesses. The execution of our strategy remains on-track. We have taken significant steps to expand our digital engagement and consumer access in high-growth audiological care markets and to advance our innovative portfolio. In addition, we have put measures in place to address the current challenges while investing into the future growth of the Group."

Sonova Group key figures – First half 2022/23 in CHF million

	1H-2022/23	1H-2021/22	Change in CHF	Change in local currencies
Sales	1,846.6	1,603.8	15.1%	17.9%
EBITA (adjusted)[1)]	398.1	406.4	(2.0%)	3.0%
EBITA margin (adjusted)[1)]	21.6%	25.3%	-	-
EPS (adjusted, CHF)[1)]	4.90	4.86	0.8%	7.0%
Operating free cash flow	185.3	337.3	(45.1%)	-

1) Non-GAAP financial measure adjusted for nonrecurring items; see financial review and for details see the table "Reconciliation of non-GAAP financial measures" in the Semi-Annual Report 2022/23.

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Double-digit growth driven by solid organic growth and acquisitions

Sonova Group sales reached CHF 1,846.6 million in the first half of financial year 2022/23, up 17.9% in local currencies and 15.1% in Swiss francs. The development of certain key hearing care markets was slower than initially anticipated. The successful launch of the Phonak Lumity platform in August 2022 lifted sales in the final months of the reporting period. For the Group, this resulted in organic growth of 5.0%. Acquisitions, including the significant expansion of our audiological care network, in particular the acquisition of Alpaca Audiology in the United States, and the addition of the Sennheiser Consumer Division, contributed 12.9% to the growth. Exchange rate fluctuations had a significant negative impact, reducing reported sales by CHF 44.4 million or 2.8% due to a strengthening of the Swiss franc against a number of major currencies.

Subdued growth in key higher price markets

Sales in Europe, Middle East and Africa (EMEA) rose by 14.9% in local currencies. Growth was held back by softness in the UK private market and a weak development in France, following increased market volumes in the prior year period as a result of a change in the reimbursement system in 2021. Despite macroeconomic headwinds, the development in certain markets, including Germany, the Netherlands and Austria, remained robust. Growth was further lifted by the recent acquisition of the Sennheiser Consumer Division as well as the continued expansion of our audiological care network.

In the United States, sales increased by 14.2% in local currency, supported by the expansion of our audiological care network, in particular through the acquisition of Alpaca Audiology. After a strong recovery in the prior year period, the US private market declined in the first half of the 2022/23 financial year, negatively affecting the development of both volumes as well as global average selling prices (ASP). This was in part offset by positive growth in deliveries to the US Department of Veterans Affairs (VA), where Sonova continues to hold a leading position.

Sales in the rest of the Americas (excluding the US) increased by 16.1% in local currencies, helped by acquisitions and a solid performance in Canada. Sales in the Asia Pacific (APAC) region rose by 47.1% in local currencies, strongly supported by the acquisition of the Sennheiser Consumer Division. Growth was further lifted by a low comparison base in Australia, due to pandemic-related lockdowns in the prior year period, as well as bolt-on acquisitions within our Audiological Care business.

Profitability impacted by country mix, acquisitions and currency headwinds

The Group implemented additional structural optimization initiatives during the reporting period, resulting in restructuring costs of CHF 2.8 million (1H 2021/22: CHF 7.4 million). The acquisition of the Sennheiser Consumer Division and Alpaca Audiology resulted in transaction and integration costs of CHF 2.5 million (1H 2021/22: transaction costs of CHF 5.0 million). In addition, the Group incurred costs of CHF 1.0 million related to ongoing patent litigation. Adjusted figures and growth rates in this financial review exclude these items. For more details, please refer to the table “Reconciliation of non-GAAP financial measures” in the financial review of the Semi-Annual Report 2022/23.

Reported gross profit amounted to CHF 1,283.7 million. Adjusted gross profit rose by 12.3% in local currencies or 8.6% in Swiss francs to CHF 1,284.4 million. The previously mentioned subdued volume growth in higher price hearing care markets and distribution channels, in particular in the private market in the United States, resulted in pressure on the global ASP and thus on the gross margin. The development was further affected by continued headwinds from elevated transportation and component costs, despite some positive signs towards the end of the reporting period. Coupled with the expected dilutive effect from the acquisition of the Sennheiser Consumer Division as well as the adverse currency development, the adjusted gross profit margin declined 4.2 percentage points in Swiss francs to 69.6%. In local currencies, the gross profit margin was down 3.5 percentage points.

Excluding acquisition-related amortization, reported operating expenses were CHF 891.8 million (1H 2021/22: CHF 787.8 million). Adjusted operating expenses before acquisition-related amortization increased by 17.2% in local currencies or by 14.1% in Swiss francs to CHF 886.3 million (1H 2021/22: CHF 776.7 million). The Group continued to invest in innovation, with adjusted research and development (R&D) expenses before acquisition-related amortization up by 3.8% in local currencies to CHF 119.2 million.

Adjusted sales and marketing costs before acquisition-related amortization rose by 22.7% in local currencies to CHF 613.1 million or 33.2% of sales (1H 2021/22: 32.3%). This was largely driven by a shift in the business mix due to the continued expansion of the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group, as well as the acquisition of the Sennheiser Consumer Division. Adjusted general and administration costs before acquisition-related amortization increased by 8.9% in local currencies, reaching CHF 154.0 million or 8.3% of sales (1H 2021/22: 9.0%). Adjusted other expenses were zero (1H 2021/22: CHF 0.5 million).

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 398.1 million (1H 2021/22: CHF 406.4 million), up 3.0% in local currencies but down 2.0% in Swiss francs. The adjusted EBITA margin reached 21.6%, representing a decline of 3.7 percentage points in Swiss francs or 3.2 percentage points in local currencies compared to the prior year period. Exchange rate developments reduced the adjusted EBITA by CHF 20.4 million and the margin by 0.5 percentage points. Reported EBITA rose by 4.7% in local currencies but declined by 0.5% in Swiss francs to CHF 391.8 million (1H 2021/22: CHF 393.9 million). Acquisition-related amortization amounted to CHF 28.0 million (1H 2021/22: CHF 21.7 million).

Reported operating profit (EBIT) reached CHF 363.8 million (1H 2021/22: CHF 372.2 million), up 2.9% in local currencies but down 2.3% in Swiss francs. Net financial expenses, including the result from associates, fell from CHF 19.2 million in the prior year period to CHF 13.3 million. Income taxes amounted to CHF 54.3 million, representing an underlying tax rate of 15.5% (1H 2021/22: 14.5%). Basic earnings per share (EPS) reached CHF 4.81, up 8.9% in local currencies or 2.5% in Swiss francs. Adjusted EPS rose by 7.0% in local currencies or 0.8% in Swiss francs to CHF 4.90, compared to CHF 4.86 in the prior year period.

Hearing Instruments segment – Sound organic growth added to by acquisitions

Sales in the Hearing Instruments segment reached CHF 1,703.2 million, an increase of 19.3% in local currencies and 16.2% in Swiss francs compared to the prior year period. The development was impacted by subdued volume growth in higher price hearing care markets and distribution channels, in particular in the private market in the United States. Organic sales growth reached 5.2%, while the contribution from acquisitions in the reporting period (including the annualization of prior year acquisitions) lifted sales by 14.2% or CHF 207.0 million. This includes the acquisitions of the Sennheiser Consumer Division and Alpaca Audiology and smaller bolt-ons. Exchange rate fluctuations reduced reported sales by CHF 45.5 million or 3.1% in Swiss francs, resulting in a reported sales growth of 16.2%.

Sales in the Hearing Instruments business rose by 5.3% in local currencies to CHF 930.0 million. The good market response to the new Phonak Lumity platform launched at the end of August 2022 supported momentum during the final weeks of the reporting period. Shifts in the country and channel mix resulted in pressure on the global ASP. This was in part offset by recent price increases on existing products, which were implemented to offset general inflationary pressure.

Sales in the Audiological Care business were CHF 640.1 million, up 17.3% in local currencies. Organic growth reached 5.1%, supported by solid growth in Canada, the Netherlands, the Nordics and Austria. Acquisition activity remained high during the period. In total, acquisitions lifted sales by 12.2%. Including new store openings, the number of points of sale rose by about 600 in the past twelve months to around 3,800. One of the key drivers was the recent acquisition of Alpaca Audiology in the United States, which added around 220 clinics and doubled Sonova's US store network.

The recently formed Consumer Hearing business generated sales of CHF 133.0 million. Growth was mainly driven by premium headphones, after the successful launch of the MOMENTUM True Wireless 3 earbuds in May 2022 and the MOMENTUM 4 Wireless headphones in August 2022. The integration of the Sennheiser Consumer Division is well on track. With TV Clear, the business launched its first Sonova developed hearing solution under the Sennheiser brand.

Reported EBITA for the Hearing Instruments segment amounted to CHF 373.5 million, an increase of 3.7% in local currencies. Adjusted EBITA increased by 2.0% in local currencies to CHF 378.7 million, corresponding to a margin of 22.2% (1H 2021/22: 26.5%). Excluding the adverse currency development, the adjusted EBITA margin declined by 3.8 percentage points compared to the prior year period, largely related to acquisitions.

Cochlear Implants segment – Further improvement in profitability

The Cochlear Implants business achieved sales of CHF 143.5 million, an increase of 3.0% in local currencies and 3.8% in Swiss francs versus the prior year period, despite supply shortages. Against a high comparison base in the prior year period, sales of upgrades and accessories rose by 1.8% in local currencies. The development was driven by the ongoing success of the Naída™ CI Marvel and Sky CI™ Marvel sound processors. System sales were up by 3.6% in local currencies, held back by hospital staffing shortages as well as an injunction in Germany, which prevented Advanced Bionics from selling its HiRes™ Ultra 3D cochlear implant in and from Germany. Recently, the injunction has been preliminarily suspended.

Reported EBITA for the Cochlear Implants segment reached CHF 18.5 million. The adjusted EBITA reached CHF 19.5 million (1H 2021/22: CHF 18.0 million). The adjusted EBITA margin improved further by 2.8 percentage points in local currencies but this increase was largely offset by adverse currency developments. This resulted in a margin of 13.6% (1H 2021/22: 13.0%).

Cash flow and balance sheet

Cash flow from operating activities reached CHF 303.0 million (1H 2021/22: CHF 409.8 million). This was in part due to lower accruals, largely as a result of the timing of payments related to various projects across all businesses. It also reflects a drop in trade payables following the increase in inventories at the end of financial year 2021/22, which was related to safety stock and product launches. In addition, there was a the build-up of accounts receivables related to the acquisition of the Sennheiser Consumer Division. Coupled with a further normalization in capital expenditure after the pandemic, this resulted in an operating free cash flow of CHF 185.3 million (1H 2021/22: CHF 337.3 million).

The expansion of our audiological care network through bolt-on acquisitions continued at a high pace, resulting in an increase in the cash consideration for acquisitions to CHF 85.7 million (1H 2021/22: CHF 73.7 million). In summary, this resulted in a free cash flow of CHF 99.5 million (1H 2021/22: CHF 263.6 million). The cash outflow from financing activities of CHF 463.6 million reflects the dividend payment of CHF 267.6 million and net share repurchases of CHF 339.2 million, mainly related to the share buyback program, partly offset by net proceeds from borrowings of CHF 195.0 million.

Cash and cash equivalents stood at CHF 279.6 million. Due to the previously mentioned drivers, net working capital rose to CHF 125.7 million, compared to CHF –15.0 million at the end of March 2022. Capital employed increased to CHF 3,498.1 million compared to CHF 3,439.1 million at the end of March 2022. The Group’s equity of CHF 2,000.8 million represents an equity ratio of 38.5%, down from 43.5% at end of March 2022. This was mainly driven by share purchases under the share buyback program, dividend payments and negative currency effects. Purchases of CHF 304.3 million under the new program also impacted the net debt position which increased to CHF 1,497.3 million compared to CHF 1,006.3 million at the end of March 2022.

Outlook 2022/23

The outlook for financial year 2022/23 provided in August 2022 remains in place. Sonova now expects to reach the lower end of the guidance ranges of consolidated sales growth of 15%-19% and an adjusted EBITA increase of 6%-10%, both measured at constant exchange rates. This reflects the continued slowdown of the global hearing care market, indicating limited market growth for the remainder of the financial year, as well as ongoing macroeconomic challenges. It also considers the impact of the temporary suspension and unlikely renewal of a large contract with an individual customer in the US. The new Phonak Lumity hearing instrument platform as well as recent acquisitions are set to contribute to overall sales growth in the second half. Coupled with strict cost control and the positive impact from recent global price increases, this will help to partly offset the current market headwinds.

The complete Semi-Annual Report 2022/23 is available on our website:
https://www.sonova.com/en/financial-reports

The presentation of the Half-Year Results 2022/23 can be downloaded at:
https://www.sonova.com/en/investor-presentations

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Key figures Sonova Group (consolidated)

April 1 to September 30, in CHF million unless otherwise specified	2022	2021
Sales	**1,846.6**	**1,603.8**
change compared to previous year (%)	15.1	49.9
Gross profit	**1,283.7**	**1,181.7**
in % of sales	69.5	73.7
Gross profit (adjusted)[1]	**1,284.4**	**1,183.1**
in % of sales (adjusted)	69.6	73.8
Research & development costs	**119.2**	**114.8**
in % of sales	6.5	7.2
Sales & marketing costs	**617.4**	**521.8**
in % of sales	33.4	32.5
Operating profit before acquisition-related amortization (EBITA)	**391.8**	**393.9**
in % of sales	21.2	24.6
Operating profit before acquisition-related amortization (EBITA) (adjusted)[1]	**398.1**	**406.4**
in % of sales (adjusted)	21.6	25.3
Operating profit (EBIT)	**363.8**	**372.2**
in % of sales	19.7	23.2
Income after taxes	**296.2**	**301.9**
in % of sales	16.0	18.8
Income after taxes (adjusted)[1]	**301.8**	**312.5**
in % of sales (adjusted)	16.3	19.5
Basic earnings per share (CHF)	**4.81**	**4.69**
Basic earnings per share (CHF) (adjusted)[1]	**4.90**	**4.86**
Net debt[2]	**1,497.3**	**345.3**
Net working capital[3]	125.7	40.5
Capital expenditure (tangible and intangible assets)[4]	68.6	37.8
Capital employed[5]	3,498.1	2,917.2
Total assets	5,197.2	5,738.8
Equity	2,000.8	2,572.0
Equity financing ratio (%)[6]	38.5	44.8
Free cash flow[7]	99.5	263.6
Operating free cash flow[8]	**185.3**	**337.3**
Number of employees (end of period)	**17,073**	**14,922**

[1] Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financial review of the full Semi-Annual Report 2022 / 23.
[2] Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.
[3] Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.
[4] Excluding goodwill and intangibles relating to acquisitions.
[5] Equity + net debt
[6] Equity in % of total assets.
[7] Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.
[8] Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired / divested – cash consideration for associates.

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About Sonova
Sonova is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group was founded in 1947 and is headquartered in Stäfa, Switzerland.

Sonova operates through four businesses – Hearing Instruments, Audiological Care, Consumer Hearing and Cochlear Implants – and the core brands Phonak, Unitron, AudioNova, Sennheiser (under license) and Advanced Bionics as well as recognized regional brands. The Group's globally diversified sales and distribution channels serve an ever growing consumer base in more than 100 countries.

In the 2021/22 financial year, the Group generated sales of CHF 3.4 billion, with a net profit of CHF 664 million. Over 17,000 employees are working on achieving Sonova's vision of a world where everyone enjoys the delight of hearing.

For more information please visit www.sonova.com.

Sonova shares (ticker symbol: SOON, Security no: 1254978, ISIN: CH0012549785) have been listed on the SIX Swiss Exchange since 1994. The securities of Sonova have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the applicable securities laws of any state of the United States of America, and may not be offered or sold in the United States of America except pursuant to an exemption from the registration requirements under the U.S. Securities Act and in compliance with applicable state securities laws, or outside the United States of America to non-U.S. Persons in reliance on Regulation S under the U.S. Securities Act.