# Full-Year Results 2022/23

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# Good strategic progress in a challenging environment

- Solid sales performance driven by acquisitions and organic growth but held back by macroeconomic headwinds and non-renewal of large contract with US customer – significant step-up in 4Q after softer than expected 3Q
- Muted profitability development due to the expected dilution from M&A, inflation and FX, partly offset by active price and cost countermeasures
- Strong progress on strategic M&A, expanding consumer access through AC network expansion and by building new Consumer Hearing business
- Significant advances in innovation with successful launch of Phonak Lumity and first new early-entry hearing solution
- Outlook reflecting mid-term targets, after adjusting for loss of large contract with market uncertainties continuing


# 1 Sonova Group

# Sonova Group results

Key highlights – FY 2022/23

## Sales

**CHF 3,738 m**

+14.6% in LC

+11.1% in CHF

## EPS (adj.)

**CHF 11.14 per share**

+11.5% in LC

+3.5% in CHF

## Sales outlook

**+3-7%**

growth in LC
in FY 2023/24

## EBITA (adj.)

**CHF 840.4 m**

+6.1% in LC

-0.5% in CHF

## Consumer access

Continued AC network expansion & addressing broader range of consumer needs through innovation

## EBITA (adj.) outlook

**+ 6-10%**

growth in LC
in FY 2023/24

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

# Sonova's strategy

Strategic pillars

**Lead innovation** in audiological performance & consumer experience

Leverage **M&A** to accelerate growth strategically

Expand consumer access through **omni-channel audiological care network** and **consumer device** business


Continuous **process improvement** through Sonova X **& structural optimization**

Extend reach through **multi-channel, value-adding partnerships & commercial excellence**

Invest in **high growth developing markets**

► Further progress achieved on our proven strategy, especially on expansion of our consumer access

# Lead innovation

Hearing Instruments business – Recent product introductions

## Phonak Audéo Lumity

Aug 22

- **Enhanced speech understanding** with SmartSpeech™ technology
- 2nd generation **waterproof** and sweatproof
- **Easy to use, rechargeable** with new charger
- **Universal direct connectivity**

Strong customer response with penetration rate tracking well with previous platforms

## Phonak Slim Lumity

Apr 23

- **Stylish new form factor**, building on proven Lumity features
- **Rechargeable** with a new charger
- **Easy to use** with Tap Control & push button
- **Universal direct connectivity**

## Unitron Vivante

Apr 23

- **New HyperFocus** for conversations in loud noise environments
- **360 conversation in car** manual program
- Brand **new charger** with magnetic insertion
- **Universal direct connectivity**

▶ Successful launch of Lumity platform – Now expanding to additional form factors and Unitron brand

# Lead innovation

Consumer Hearing business – Speech-enhanced hearables

- Sonova is addressing the entire hearing continuum


Sennheiser is a brand licensed by Sonova

First speech-enhanced hearables launched in January 2023 with the Sennheiser Conversation Clear Plus earbuds

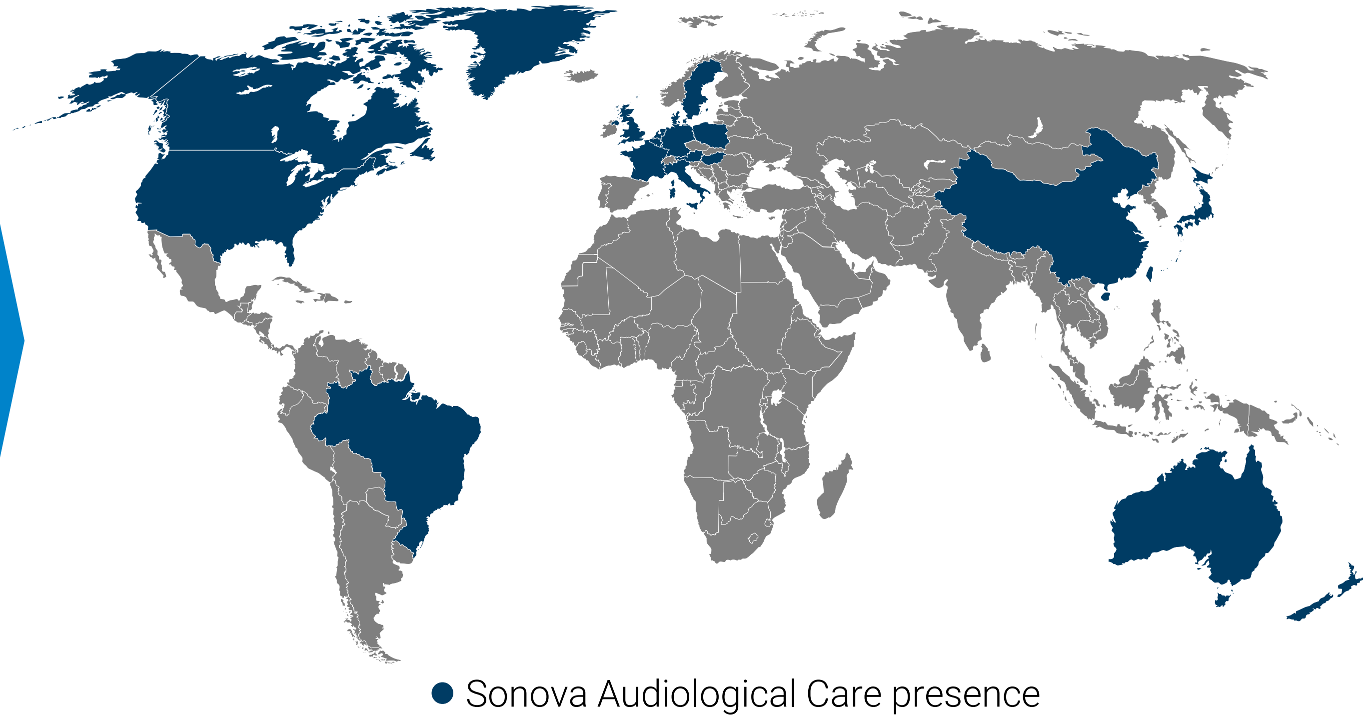
- Self fitting
- Clarity boost & auto scene detection
- Hybrid ANC
- Improved phone calls

**Creating new market opportunities under the Sennheiser brand through earlier consumer engagement**

# Expand consumer access – AC network expansion

Continued high level of acquisitions and greenfield openings

- **Over CHF 260 million invested in FY 22/23:**
  - HYSOUND acquisition in China, closed in December 2022, adding over 200 POS
  - More than 140 additional POS through bolt-ons with focus on US, Canada, Germany and France
- **Expanding through greenfield openings** with attractive new stores and formats while optimizing existing network




Strategic growth markets 

► Continued investment in network expansion in FY 2022/23 – Reaching over 3,900 clinics globally

# Structural optimization

New operations facility for the Americas

- New operations facility in Mexico to serve the entire Americas region
- Expanding Sonova's global manufacturing capabilities for the Hearing Instruments and Cochlear Implants businesses
- Built according to LEED* standards

Key benefits:

➡ **Faster delivery times** through closer proximity to customers
➡ **Cost-efficient** operations with access to highly skilled talents
➡ Improved **supply chain security** due to supply in the region
➡ Support the achievement of **$CO_2$ emissions targets** by reducing product transfer from Asia to the Americas

* Leadership in Energy and Environmental Design

► Further optimizing supply chain while mitigating new risks – Significant investment with attractive return

# ESG highlights

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Overview of selected tangible achievements highlighting progress towards our ESG commitments

## Environmental

- On a comparable basis*, reduced **greenhouse gas emissions** across the whole value chain (Scope 1-3) by 22% vs. 2019
- **100% renewable electricity** globally within our own operations
- Established **ambitious climate targets,** committing us to significantly reducing $CO_2$ emissions across our whole value chain (pending validation by the Science Based Targets initiative)

*Including the Sennheiser consumer business and Alpaca for all years.

## Social

- **270 hearing care professionals trained** in the SIHA program since 2021/22 in low- and middle-income countries
- Maintained consistently high level of **employee engagement** over the past years, currently at 82%
- More than 54% of Sonova **people leaders are women**
- Implemented global **employee health & wellbeing** measures, with particular focus on mental health

## Governance

- Launched a new **tool to assess sustainability risks for our suppliers** and engage with them to improve their practices
- Launched global **Human Rights Policy** and further advanced implementation of human rights due diligence
- 10% of the variable cash **compensation** of the Management Board is linked to ESG performance

► Substantial progress on our *IntACT* ESG strategy achieved in FY 2022/23

# Sonova Group results

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## Summary FY 2022/23

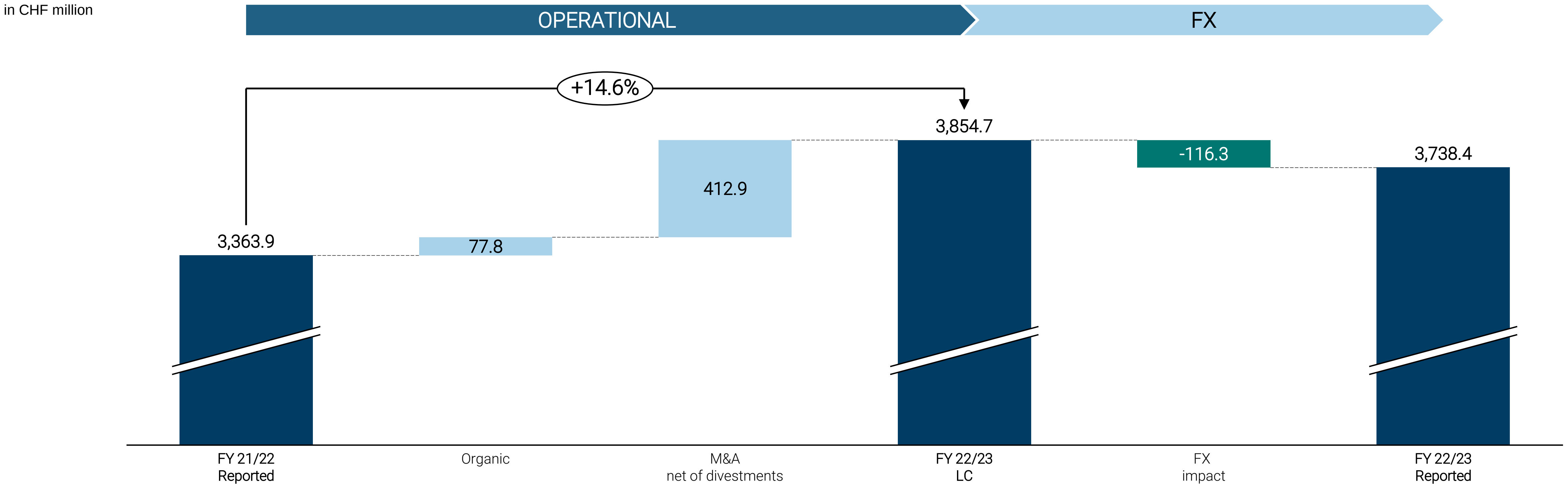
| | |
|---|---|
| **Group** | – Sales of CHF 3,738.4 million up +14.6% in LC (organic: +2.3%), +11.1% in CHF<br>– EBITA (adj.) of CHF 840.4 million, up +6.1% in LC<br>– EBITA margin (adj.) of 22.5%, down -190bps in LC – held back by expected dilution from M&A<br>– EPS (adj.) up +11.5% in LC to CHF 11.14 – Reported EPS up +3.2% in CHF to CHF 10.75 |
| **Hearing Instruments (HI)** | – Sales of CHF 1,809.3 million (+0.2% in LC), +4.1% in LC excluding the non-renewal of contract with large US customer<br>– Favorable customer response to new Phonak Audéo Lumity platform<br>– Successful execution of pricing initiatives resulting in positive ASP development |
| **Consumer Hearing (CH)** | – Sales of CHF 284.3 million – first full year of consolidation<br>– Integration of Sennheiser Consumer Division on track and delivering on expectations<br>– Performance driven by successful launches, incl. Momentum TW 3 earbuds and the Momentum 4 headphones |
| **Audiological Care (AC)** | – Sales of CHF 1,357.8 million (+15.7% in LC) – solid organic growth of +4.5% and M&A contributing +11.2%<br>– Benefiting from successful integration of Alpaca, which doubled our US clinic network<br>– Meaningful extension into the fast-growing China market through the acquisition of highly regarded HYSOUND business |
| **Cochlear Implants (CI)** | – Sales of CHF 286.9 million (+2.8% in LC)<br>– Growth driven by system sales despite supply headwinds and continued hospital staffing shortages<br>– Upgrade sales supported by continued global rollout of Marvel sound processors in 2nd year after launch |

Note: adj. refers to adjusted figures; for details, please refer to slide 30 Appendix – Non-GAAP adjustments.

► Solid performance considering macroeconomic headwinds

# Sonova Group

Sales components




| | | | | | |
|---|---|---|---|---|---|
| YOY growth components | +2.3% | +12.3% | +14.6% | -3.5% | +11.1% |
| *excl. non-renewal of large US contract* | *+4.5%* | | | | |

► Organic growth held back by non-renewal of large US contract and FX – Strong contribution from M&A

# Sonova Group results

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## Sales by regions and key markets

| | FY 2022/23 | | 2H 2022/23 | | 1H 2022/23 | |
|---|---|---|---|---|---|---|
| | CHF m | Δ % in LC | CHF m | Δ % in LC | CHF m | Δ % in LC |
| EMEA | 1,868.2 | +13.1% | 988.4 | +11.5% | 879.8 | +14.9% |
| USA | 1,150.0 | +9.5% | 547.2 | +5.0% | 602.7 | +14.2% |
| Americas (excl. USA) | 274.0 | +11.2% | 133.9 | +6.6% | 140.1 | +16.1% |
| Asia / Pacific | 446.2 | +40.3% | 222.2 | +34.3% | 224.0 | +47.1% |
| **Total Sonova** | **3,738.4** | **+14.6%** | **1,891.7** | **+11.6%** | **1,846.6** | **+17.9%** |

**EMEA**

- Robust development in NL, AT, the Nordics and in distributor markets despite macroeconomic headwinds
- Weak development in France, softness in UK private market and slowing momentum in DE
- Growth lifted by acquisition of Sennheiser Consumer Division and continued expansion of AC clinic network

**US**

- Growth driven by the acquisition of Alpaca
- Private market negatively impacted by weak consumer sentiment, partly offset by growth in VA
- Significant negative impact from the non-renewal of contract with large US customer affecting 2H development

**Other**

- Americas (excl. the US) helped by acquisitions – solid AC performance in CA and BR – HI affected by non-renewal in 2H
- APAC driven by acquisition of Sennheiser Consumer Division and HYSOUND – low comparison base due to PY lockdowns

► All regions and key markets contributing to growth performance

# Sonova Group results

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## Key financials – Half-year view

| CHF m | FY 2022/23 | Δ % in LC | 2H 2022/23 | Δ % in LC | 1H 2022/23 | Δ % in LC |
|---|---|---|---|---|---|---|
| Sales | 3,738.4 | +14.6% | 1,891.7 | +11.6% | 1,846.6 | +17.9% |
| Gross profit (adj.) | 2,645.1 | +11.8% | 1,360.7 | +11.3% | 1,284.4 | +12.3% |
| - Gross profit margin (adj.) | 70.8% | | 71.9% | | 69.6% | |
| OPEX (adj.) | 1,804.7 | +14.7% | 918.4 | +12.4% | 886.3 | +17.2% |
| EBITA (adj.) | 840.4 | +6.1% | 442.3 | +9.0% | 398.1 | +3.0% |
| - EBITA margin (adj.) | 22.5% | | 23.4% | | 21.6% | |
| - Δ EBITA margin (adj.) | -260bps | -190bps | -150bps | -60bps | -380bps | -320bps |

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

- Weaker than expected 3Q growth – good recovery in 4Q
- Organic sales development in 2H held back by non-renewal of large contract with US customer
- Profitability in 2H supported by full impact of price increases, Lumity launch, easing cost pressures and benefit from cost initiatives

► Strong sequential improvement in profitability in 2H – Driven by gross margin improvement

# 2

## Hearing Instruments segment

# Hearing Instruments segment

Highlights

**Sales**
CHF 3,451m
+15.7% vs. PY in LC
+2.3% organic growth

**EBITA (adj.)**
CHF 804m
+5.7% vs. PY in LC
Margin: 23.3%
Margin YOY: -230bps in LC

**HI business**
Sales:
CHF 1,809m
+0.2% vs. PY in LC
+0.1% organic growth

**CH business**
Sales:
CHF 284m
+16.6% vs. PY in LC*

* pro forma

**AC business**
Sales:
CHF 1,358m
+15.7% vs. PY in LC
+4.5% organic growth

## Segment sales

- Growth strongly supported by acquisitions
- Favorable customer response to product launches in both the HI and CH business
- Organic development affected by slower than anticipated market momentum
- Significant headwind in 2H from non-renewal of contract with a large US customer

## Segment profitability

- Positive ASP development in all businesses reflecting disciplined execution of price increases
- Expected dilutive effect from first time consolidation of acquisition of the Sennheiser Consumer Division
- Headwinds from high freight and component costs but easing towards end of the year

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

► Strong sales contribution from M&A – Profitability reflects input costs and dilutive effect from acquisitions

# Hearing Instruments business

Sales dynamics

HI business
sales: CHF 1,809m

+0.2% vs. PY in LC

+0.1% organic growth*

* +4.1% excl. non-renewal of contract with large US customer

- Slower than anticipated momentum in key hearing care markets affecting growth
- Favorable market response to the new Phonak Lumity platform, which was now further expanded in April 2023
- Non-renewal of contract with large US customer strongly impacting development in 2H
- Successful implementation of price increases to offset inflationary cost pressures and to reflect continued innovation

► Impact from slow markets and non-renewal of contract – Partly offset by Lumity launch and ASP increases

# Consumer Hearing business

Sales dynamics

**CH business sales: CHF 284m**

+16.6% vs. PY in LC*

* pro forma

- Acquired Sennheiser Consumer Division delivering on plan
- Quick and smooth transition into a combined business
- Gaining market share in challenging consumer devices sector, driven by successful product launches
- Successfully entered market segment for early-entry hearing solutions with launch of Sennheiser Conversation Clear Plus

► Sennheiser Consumer Division delivering on plan – Strong growth in first year and entry into new segment

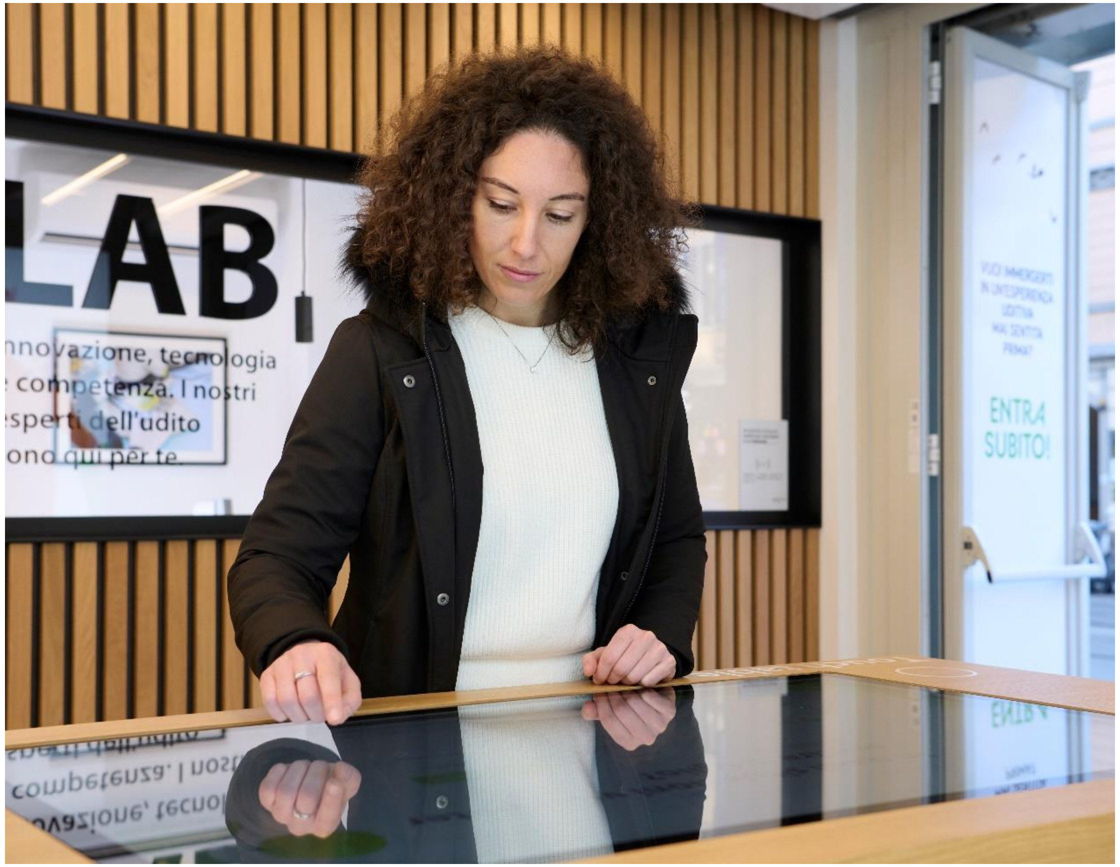
# Audiological Care business

Sales dynamics

**AC business sales: CHF 1,358m**

+15.7% vs. PY in LC

+4.5% organic growth




- Adding >400 clinics through M&A and greenfield openings
- Successful integration of Alpaca Audiology in the US
- Further expanding into the fast-growing China market through the acquisition of HYSOUND
- Extending successful Digital Lead Generation Hub concept to serve 5 major markets
- Broadening consumer value proposition by expanding medical services through SilentCloud™ app to manage tinnitus

► Solid organic growth and lift from acquisitions – Expanding in China and broadening consumer access

# 3 Cochlear Implants segment

# Cochlear Implants segment

Highlights

**Sales**
CHF 286.9m
+2.8% vs. PY in LC

**EBITA (adj.)**
CHF 35.9m
+14.6% vs. PY in LC
Margin: 12.5%
Margin YOY: +150bps in LC

**System sales**
CHF 185.4m
+5.1% vs. PY in LC

**Upgrade sales**
CHF 101.5m
-1.0% vs. PY in LC

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

## Cochlear implant systems

- Held back by supply shortages, continued hospital staffing challenges and competitive pressure
- Injunction in DE related to patent dispute – lifted in October 2022 through a preliminary suspension
- Positive sales impact through refined patient segmentation and improved sales practices

## Upgrades and accessories

- Supported by continued global rollout of sound processors based on proven Marvel technology
- Strong 2-year development– growth in FY 22/23 impacted by high comparison base in prior year

## Segment profitability

- Solid margin expansion in LC, despite lower growth and input factor headwinds
- CHF development impacted by strength of USD

► Growth in system sales despite market headwinds – Solid profitability development

# 4 Financial Information

# Financial highlights

Sonova Group

**Sales**

- Sales of CHF 3,738.4 million
- Growth of +14.6% in LC (organic +2.3%), +11.1% in CHF – significant negative FX impact: CHF -116.3 million (-3.5%)
- Good performance considering market challenges and loss of large US contract – strong contribution from acquisitions

**Profitability**

- Gross profit margin (adj.) of 70.8%, -180bps in LC – significant sequential improvement in 2H of +230bps
- EBITA (adj.) of CHF 840.4 million, up +6.1% in LC, margin of 22.5%, down -190bps in LC
- Margins impacted by expected dilution from M&A and gross profit headwinds
- EPS (adj.) of CHF 11.14, up +11.5% in LC reflecting earnings development, share buyback and temporary tax benefits

**OpFCF**

- Operating free cash flow (OpFCF) at CHF 535.6 million, down -29.9% YOY
- YOY development driven by increase in NWC – mainly due to FY 2021/22 benefit from higher payables and a build up in NWC of ~CHF 30 million related to the acquisition of the Sennheiser Consumer Division
- Cash conversion reflecting rise in NWC and normalization of CAPEX levels

**TSR & Balance Sheet**

- New share buyback program started in April –CHF 421.5 million bought back by March 31, 2023
- Net debt position at CHF 1,495.9 million, mainly driven by acquisitions, dividend payment and share buyback program
- Net debt/EBITDA ratio of 1.5x – at upper end of target range of 1.0-1.5x

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

# Gross margin development

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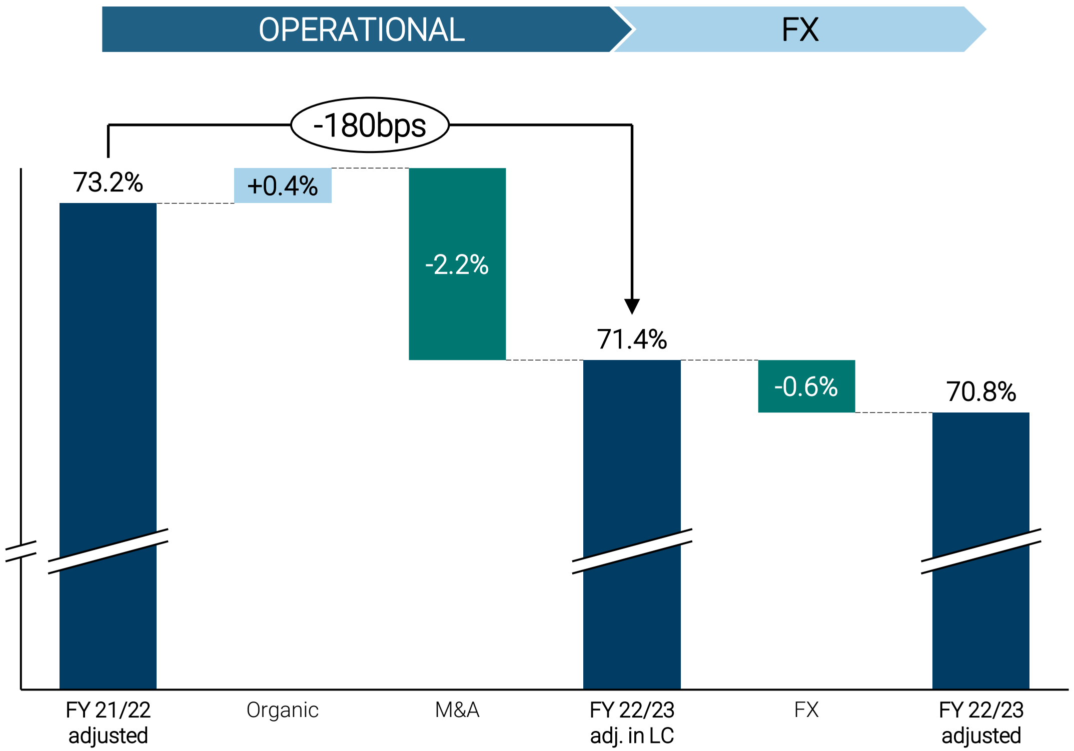


Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

- Gross profit margin (adj.) decreased by -240bps in CHF or -180bps in LC to 70.8%
  - Expected dilutive effect from acquisition of the Sennheiser Consumer Division
  - Adverse ASP impact from country mix, offset by price increases in all businesses
  - Elevated freight and component costs, easing towards the end of the financial year, offset by continuous improvement and disciplined cost management
  - Adverse currency development
- Solid sequential improvement of +230bps in CHF in the second half of FY 22/23

► Development affected by cost headwinds and acquisitions – Solid sequential improvement in 2H

# Development of operating expenses

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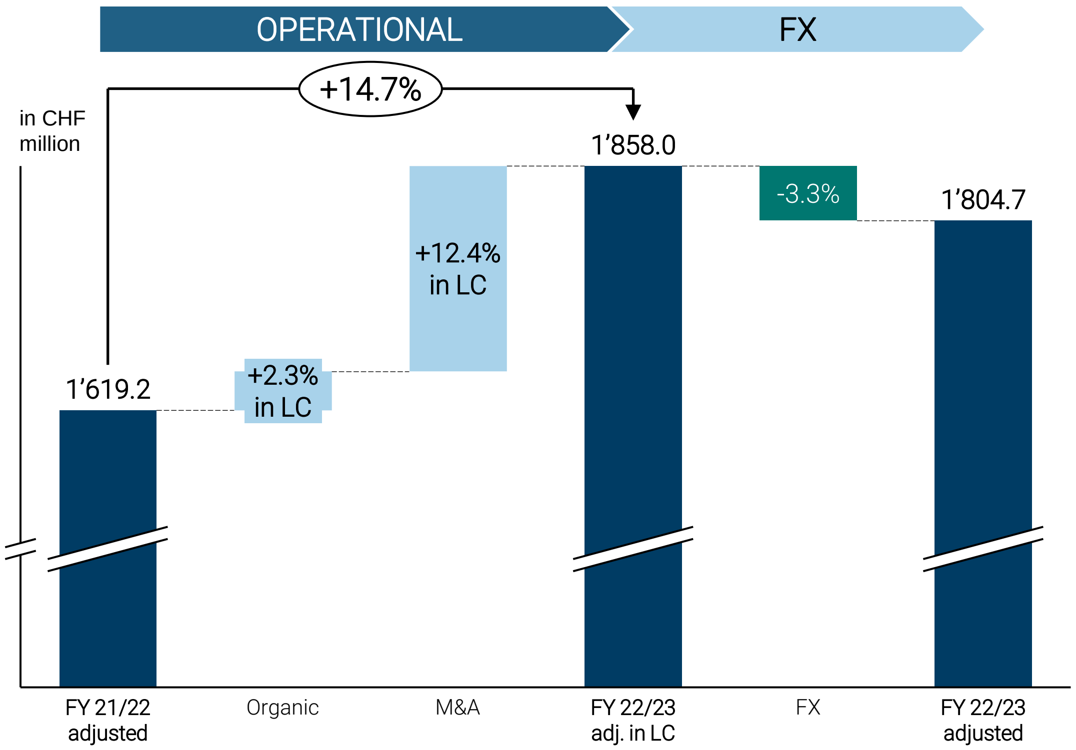


- Disciplined cost management – low single-digit organic OPEX growth, despite inflationary pressures, shift in business mix due to faster AC growth and lower than expected sales momentum
- Growth driven by acquisition of Sennheiser Consumer Division and AC network expansion
- Benefits from structural optimization initiatives on indirect spend

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

► Good cost management in inflationary environment – OPEX growth mainly driven by acquisitions

# Development of operating expenses

Sonova Group – Expense by category excluding acquisition-related amortization

| | FY 2022/23 | | FY 2021/22 | |
|---|---|---|---|---|
| | CHF m | Δ % in LC | CHF m | Comments |
| Research & development (adj.)<br>in % of sales | -242.9<br>6.5% | +6.2% | -229.4<br>6.8% | – Continued investments in innovation |
| Sales & marketing (adj.)<br>in % of sales | -1,250.6<br>33.5% | +19.1% | -1,090.1<br>32.4% | – >75% of increase related to recent acquisitions |
| General & administration (adj.)<br>in % of sales | -311.9<br>8.3% | +6.3% | -299.8<br>8.9% | – Increase exclusively driven by acquisitions<br>– Tight cost management – organic decline in G&A expenses |
| Other income/expenses (adj.) | +0.6 | n/m | 0.0 | |
| **Total OPEX (adj.)**<br>in % of sales | **-1,804.7**<br>48.3% | **+14.7%** | **-1,619.2**<br>48.1% | |
| Adjustments | -31.0 | n/m | -38.5 | – Costs related to restructuring, M&A and legal |
| **Total OPEX (reported)**<br>in % of sales | **-1,835.8**<br>49.1% | **+14.0%** | **-1,657.7**<br>49.3% | |

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

► Cost development reflecting recent acquisitions and good organic cost management

# EBITA components

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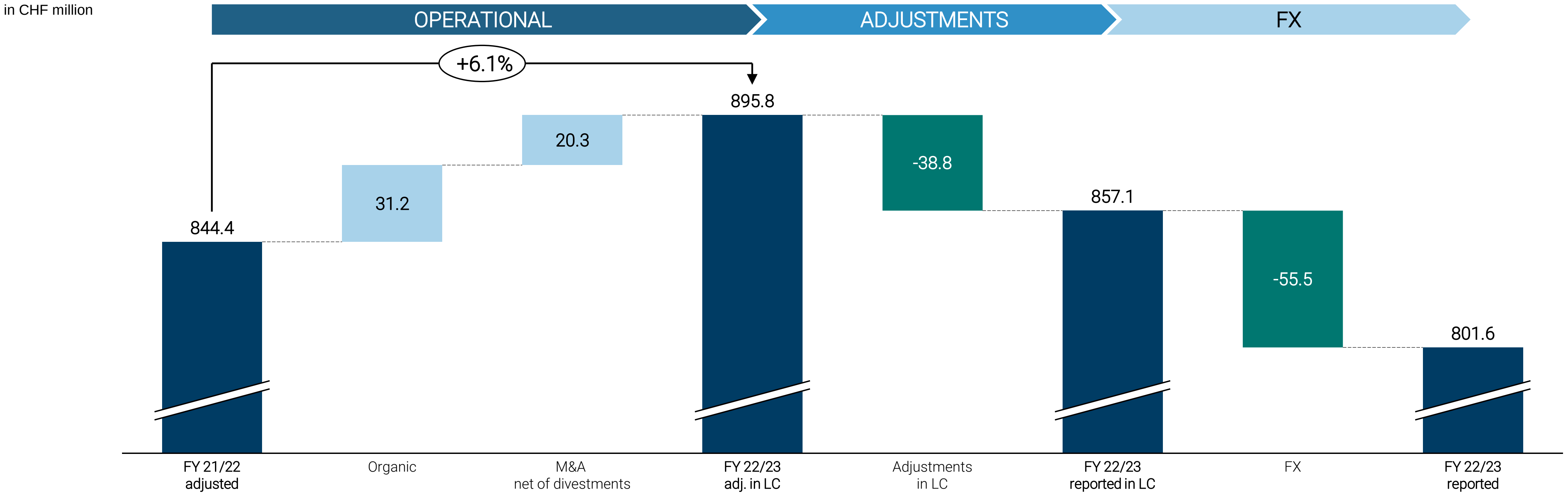


| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Margin | 25.1% | +0.3% | -2.2% | 23.2% | -1.0% | 22.2% | -0.8% | 21.4% |

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

► Organic margin improvement driven by strong development in 2H – Dilution from FX and acquisitions

# Key financials

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## Sonova Group

| | FY 2022/23 | | | | | |
|---|---|---|---|---|---|---|
| | CHF m | Margin | Δ % in CHF | Δ % in LC | Δ margin in LC | Comments |
| Sales (reported) | 3,738.4 | | +11.1% | +14.6% | | |
| Gross profit (adj.) | 2,645.1 | 70.8% | +7.4% | +11.8% | -180bps | |
| OPEX (adj.) | 1,804.7 | | +11.5% | +14.7% | | |
| EBITA (adj.) | 840.4 | 22.5% | -0.5% | +6.1% | -190bps | |
| Adjustments | -38.8 | | | | | – Restructuring, transaction and integration costs, patent/legal expenses |
| EBITA (reported) | 801.6 | 21.4% | -0.2% | +6.7% | -170bps | |
| Acq. rel. amortization | -54.9 | | | | | – Increase driven by acquisitions, incl. Sennheiser Consumer Division |
| EBIT (reported) | 746.7 | 20.0% | -1.7% | +5.2% | -190bps | |
| Financial result | -31.0 | | | | | |
| Tax | -57.4 | | | | | – Underlying tax rate of 9.7% (FY 2021/22: 14.5%),<br>– Temporary impact of later than expected implementation of Pillar 2 and initial safe harbor exemptions and related impact on deferred tax balances |
| Net profit (reported) | 658.3 | 17.6% | -0.8% | +7.1% | -130bps | |
| EPS (adj. in CHF) | 11.14 | | +3.5% | +11.5% | | – Partly lifted by share buyback and lower reported tax rate |
| EPS (reported. in CHF) | 10.75 | | +3.2% | +11.4% | | |

Note: adj. refers to adjusted figures; for details, please refer to slide 30 and Appendix – Non-GAAP adjustments.

# Overview of adjustments

Key financials – As reported and adjusted

| in CHF million | FY 2022/23 Reported | Adjustments: 1 Restructuring | 2 Transaction & integration | 3 Patent / legal litigation | 4 Other | Total | FY 2022/23 Adjusted |
|---|---|---|---|---|---|---|---|
| Sales | 3,738.4 | - | - | - | - | - | 3,738.4 |
| Cost of sales | -1,101.0 | +7.6 | +0.2 | - | - | +7.7 | -1,093.3 |
| Gross profit | 2,637.4 | +7.6 | +0.2 | - | - | +7.7 | 2,645.1 |
| *Research & Development* | *-243.0* | *+0.2* | - | - | - | *+0.2* | *-242.9* |
| *Sales & Marketing* | *-1,263.1* | *+6.4* | *+6.2* | - | - | *+12.5* | *-1,250.6* |
| *General & Administration* | *-330.2* | *+1.5* | *+10.6* | *+6.2* | - | *+18.3* | *-311.9* |
| *Other income/(expenses)* | *+0.6* | - | - | - | - | - | *+0.6* |
| Total OPEX | -1,835.8 | +8.0 | +16.8 | +6.2 | - | +31.0 | -1,804.7 |
| EBITA | 801.6 | +15.6 | +17.0 | +6.2 | - | +38.8 | 840.4 |
| EPS (in CHF) | 10.75 | +0.20 | +0.24 | +0.10 | -0.15 | +0.39 | 11.14 |

Note: positive values indicate a positive impact on the adjusted vs. the respective reported financial metric and vice versa.

1 **Restructuring:** costs related to structural optimization initiatives (incl. build-up of new operations facility in Mexico)

2 **Transaction & integration:** costs related to the acquisitions and integrations (Sennheiser Consumer Division, Alpaca and HySound)

3 **Patent / legal litigation:** costs largely related to patent litigation with MED-EL

4 **Other:** positive impact from tax reforms

# Cash flow development

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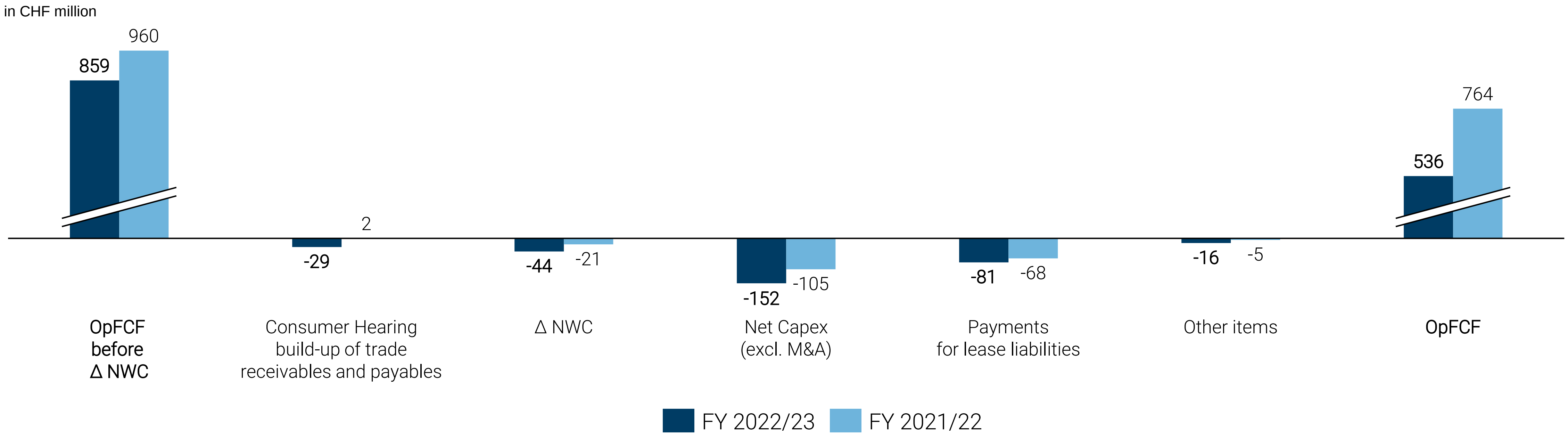
## Sonova Group – Operating Free Cash Flow




- **OpFCF before changes in NWC:** Affected by higher taxes paid and decrease in long-term provisions
- **Build-up in NWC for Consumer Hearing business:** Acquisition of Sennheiser Consumer Division largely without trade receivables and payables
- **NWC:** Maintaining higher safety stock after build-up in PY, FY 2021/22 benefit from higher payables related to inventory increase
- **CAPEX:** Investments in infrastructure, incl. new operating facility for the Americas, AC store upgrades and digitization initiatives
- **Lease liabilities:** Increased lease payments related to AC network expansion

► Build-up of NWC in CH business and growth investments in Audiological Care

# Balance sheet

Sonova Group

| CHF m | 31 Mar 2023 | 31 Mar 2022 | Comments |
|---|---|---|---|
| Days sales outstanding (DSO) | 54 | 54 | – Continued solid receivable collection |
| Days inventory outstanding (DIO) | 154 | 182 | – Improvement driven by reduction in safety stock and product launches in prior year |
| | | | |
| Capital employed | 3,727.3 | 3,439.1 | – Driven by higher net debt level related to share buyback<br>– Higher intangibles from acquisitions |
| ROCE (reported) | 20.8% | 24.1% | – YOY development driven by increase in average capital employed from higher M&A activity in the past 2 years and higher net debt vs. stable reported EBIT |
| | | | |
| Net debt | 1,495.9 | 1,006.3 | – Increase largely related to acquisitions, dividend payments and share buyback program |
| Net debt/EBITDA | 1.5x | 1.0x | – At upper end of target range of 1.0-1.5x net debt / EBITDA |

Note: DSO and DIO calculated on a 360 days basis; net debt/EBITDA ratio calculated based on net debt as of 30 March 2023, divided by 12-months rolling reported EBITDA.

▶ Higher leverage as a result of acquisitions, dividend payments and share buyback program

# Total shareholder return & cash deployment strategy

Sonova Group

| | Sonova TSR strategy | FY 2022/23 |
| --- | --- | --- |
| **1. Acquisitions** | – Bolt-ons: CHF 70-100 million p.a.<br>– Strategic and technology acquisitions | – Total M&A cash-out: more than CHF 260 million, mainly spent for further AC network expansion |
| **2. Attractive dividend** | – Maintain payout ratio of around 40% | – CHF 268 million distributed<br>– Dividend of CHF 4.60 per share proposed, +5% YOY |
| **3. Healthy balance sheet** | – Targeting net debt/EBITDA ratio of 1.0-1.5x | – Equity ratio of 40.2%<br>– Net Debt/EBITDA ratio of 1.5x |
| **4. Share buyback** | – Three-year buyback program of up to CHF 1.5 billion from April 2022 until April 2025 | – Shares worth CHF 421.5 million bought back<br>– Balanced approach in FY 2023/24 prioritizing leverage target range and healthy balance sheet<br>– No share repurchases foreseen in FY 2023/24 |

► TSR strategy aimed at creating shareholder value – Phasing of buyback following order of priorities

# 5 Outlook

# Outlook

## Guidance and mid-term target

### FY 2023/24 hearing care market assumptions

- Attractive hearing care market fundamentals remain intact
- Short-term uncertainties in macroeconomic environment remain
- Consumer sentiment improved in 1Q 2023 and is expected to gradually improve further throughout the year
- Potential support from pent-up demand driven by postponed replacements

➡ Markets remain volatile and uncertainty remains high in terms of the market development in FY 2023/24

### FY 2023/24 Sonova business assumptions

- High comparison base in 1H 22/23, easing in the second half
- Non-renewal of contract with large US customer in HI business to reduce group revenue growth by around 4% in 1H 2023/24
- Cost pressure expected to ease gradually and benefits from improvement initiatives expected to increasingly contribute to profitability
- Restructuring and integration costs of around CHF 20-25 million planned in FY 2023/24

➡ YOY sales and adj. EBITA growth in LC expected to be significantly lower in 1H vs. 2H

### FY 2023/24 expected currency impact

- Reflecting exchange rates as of May 2023, reported sales growth in Swiss francs are expected to be reduced by ~4-5%-pts and adj. EBITA growth in Swiss francs to be negatively affected by ~8-9%-pts in FY 2023/24 due to currency impact

| In LC | Guidance FY 2023/24 | Mid-term Target |
|---|---|---|
| Sales growth | +3% to +7% | +6% to +9% p.a. |
| adj. EBITA growth | +6% to +10% | +7% to +11% p.a. |

Note: adj. refers to adjusted figures; for details, please refer to Appendix – Non-GAAP adjustments.

► Stronger 2H expected driven by comparison base and headwind from non-renewal of US contract in 1H

# Outlook

Upcoming events

| Date | Event |
|---|---|
| May 17-30 | FY 2022/23 results roadshow |
| June 12 | Sonova Annual General Shareholders’ Meeting (Zurich) |
| October 18-20 | International EUHA Congress (Nuremberg) |
| November 21 | Publication of Half-Year Results 2023/24 |

# 6

## Q&A

# Thank you!

# 7 Appendix

# Appendix

## Sales by segment and sales components – Half-year view

| | FY 2022/23 | | | 2H 2022/23 | | | 1H 2022/23 | | |
|---|---|---|---|---|---|---|---|---|---|
| | CHF m | Δ % in CHF | Δ % in LC | CHF m | Δ % in CHF | Δ % in LC | CHF m | Δ % in CHF | Δ % in LC |
| *HI business* | 1,809.3 | -1.6% | +0.2% | 879.3 | -7.3% | -4.6% | 930.0 | +4.5% | +5.3% |
| *CH business** | 284.3 | +12.4% | +16.6% | 151.3 | +28.0% | +32.7% | 133.0 | -1.6% | +2.0% |
| *AC business* | 1,357.8 | +9.8% | +15.7% | 717.7 | +8.5% | +14.3% | 640.1 | +11.3% | +17.3% |
| HI segment | 3,451.5 | +11.9% | +15.7% | 1,748.3 | +8.0% | +12.3% | 1,703.2 | +16.2% | +19.3% |
| CI segment | 286.9 | +2.5% | +2.8% | 143.4 | +1.3% | +2.7% | 143.5 | +3.8% | +3.0% |
| Total Sonova | 3,738.4 | +11.1% | +14.6% | 1,891.7 | +7.5% | +11.6% | 1,846.6 | +15.1% | +17.9% |
| Δ organic | +77.8 | | +2.3% | -2.4 | | -0.1% | +80.2 | - | +5.0% |
| Δ acquisitions | +413.3 | | +12.3% | 205.9 | | +11.7% | +207.4 | - | +12.9% |
| Δ disposals | -0.4 | | -0.0% | -0.0 | | -0.0% | -0.4 | - | -0.0% |
| Δ FX | -116.3 | -3.5% | | -71.9 | -4.1% | | -44.4 | -2.8% | - |

* pro forma

# Appendix

Business performance – Hearing Instruments and Audiological Care businesses

## Hearing Instruments business

| | FY 2022/23 | | | 2H 2022/23 | | | 1H 2022/23 | | |
|---|---|---|---|---|---|---|---|---|---|
| | CHF m | Δ % in CHF | Δ % in LC | CHF m | Δ % in CHF | Δ % in LC | CHF m | Δ % in CHF | Δ % in LC |
| Sales | 1,809.3 | -1.6% | +0.2% | 879.3 | -7.3% | -4.6% | 930.0 | +4.5% | +5.3% |
| Δ organic | +2.1 | | +0.1% | -44.7 | | -4.7% | +46.8 | - | +5.3% |
| Δ acquisitions | +1.4 | | +0.1% | +0.6 | | +0.1% | +0.8 | - | +0.1% |
| Δ disposals | -0.4 | | -0.0% | -0.0 | | -0.0% | -0.4 | - | -0.0% |
| Δ FX | -32.2 | -1.8% | | -24.9 | -2.6% | | -7.3 | -0.8% | - |

## Audiological Care business

| | FY 2022/23 | | | 2H 2022/23 | | | 1H 2022/23 | | |
|---|---|---|---|---|---|---|---|---|---|
| | CHF m | Δ % in CHF | Δ % in LC | CHF m | Δ % in CHF | Δ % in LC | CHF m | Δ % in CHF | Δ % in LC |
| Sales | 1,357.8 | +9.8% | +15.7% | 717.7 | +8.5% | +14.3% | 640.1 | +11.3% | +17.3% |
| Δ organic | +55.4 | | +4.5% | +26.0 | | +3.9% | +29.3 | - | +5.1% |
| Δ acquisitions | +138.3 | | +11.2% | +68.4 | | +10.3% | +69.9 | - | +12.2% |
| Δ FX | -72.6 | -5.9% | | -38.1 | -5.8% | | -34.5 | -6.0% | - |

# Appendix

## Non-GAAP adjustments

| in CHF m | 2022/23 FY | 2022/23 2H | 2022/23 1H | 2021/22 FY | 2021/22 2H | 2021/22 1H |
|---|---|---|---|---|---|---|
| Restructuring | +15.6 | +12.8 | +2.8 | +13.5 | +6.1 | +7.4 |
| *thereof HI segment* | *+14.6* | *+11.8* | *+2.8* | *+12.9* | *+6.4* | *+6.5* |
| *thereof CI segment* | *+1.0* | *+1.0* | *+0.0* | *+0.6* | *-0.3* | *+0.9* |
| Transaction and integration costs | +17.0* | +14.4 | +2.5 | +12.0 | +7.0 | +5.0 |
| Patent / legal litigation | +6.2 | +5.2 | +1.0 | +16.0 | +16.0 | - |
| *thereof HI segment* | *+1.5* | *+1.5* | - | - | - | - |
| *thereof CI segment* | *+4.7* | *+3.7* | *+1.0* | *+16.0* | *+16.0* | - |
| **Total adjustments to EBITA** | **38.8** | **+32.4** | **+6.3** | **+41.5** | **+29.1** | **+12.5** |
| | | | | | | |
| Impact from tax reforms (affecting net profit and EPS) | -9.2 | -9.2 | 0 | -17.5 | -17.5 | - |

Note: positive values indicate a positive impact on the adjusted vs. the respective reported financial metric and vice versa.
*The acquisition of the Sennheiser Consumer Division, Alpaca Audiology, and HYSOUND resulted in transaction and integration costs of CHF 17.0 million (2021/22: CHF 12.0 million)

# Appendix

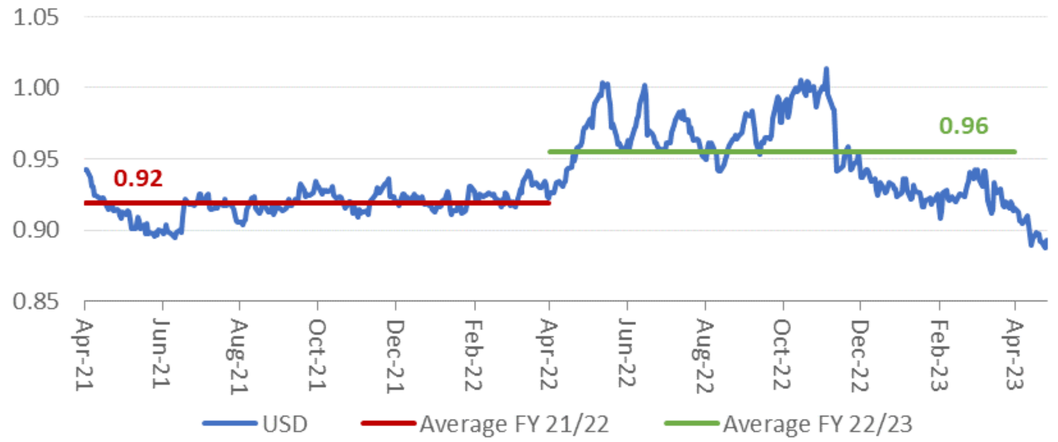
Cash flow statement

| | FY 2022/23 CHF m | FY 2022/23 Δ % in CHF | FY 2021/22 CHF m |
|---|---|---|---|
| Income before taxes | 715.6 | -1.7% | 728.2 |
| *Depreciation & amortization* | *239.7* | *+13.5%* | *211.1* |
| *Working capital* | *-73.7* | *+289.9%* | *-18.9* |
| *Other cash effects* | *-25.5* | *n/m* | *32.6* |
| *Tax paid* | *-86.8* | *+85.9%* | *-46.7* |
| *Financial result* | *14.6* | *-58.2%* | *34.9* |
| Operating cash flow | 783.9 | -16.7% | 941.1 |
| *Payments for lease liabilities* | -81.1 | *+20.0%* | *-67.6* |
| *Capex* | -154.3 | *+44.7%* | *-106.6* |
| *Other movements in financial assets* | -12.9 | *+403.1%* | *-3.2* |
| Operating free cash flow | 535.6 | -29.9% | 763.7 |
| *Net M&A* | *-261.1* | *-56.0%* | *-596.1* |
| Free cash flow | 274.4 | +63.8% | 167.6 |
| Cash flow from financing activities | -545.2 | -60.8% | -1,392.4 |

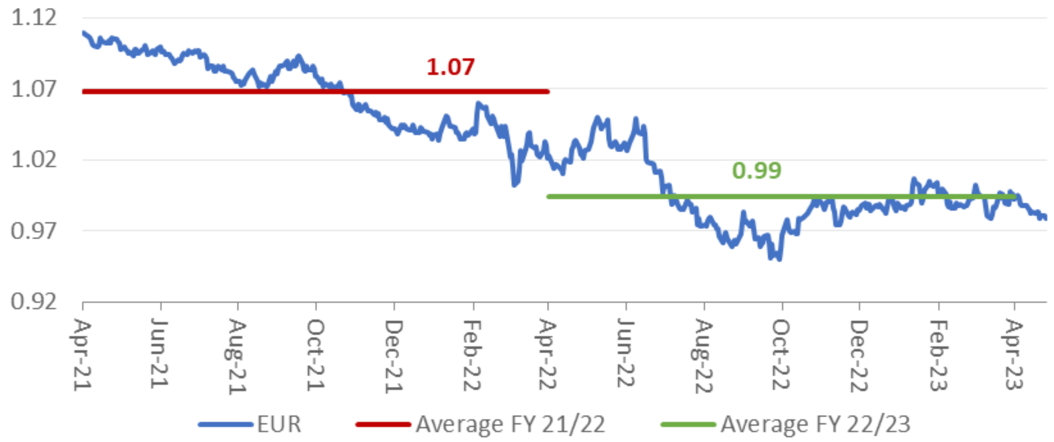
# Appendix

Sonova Group – FX impact on sales and margins

## USD/CHF



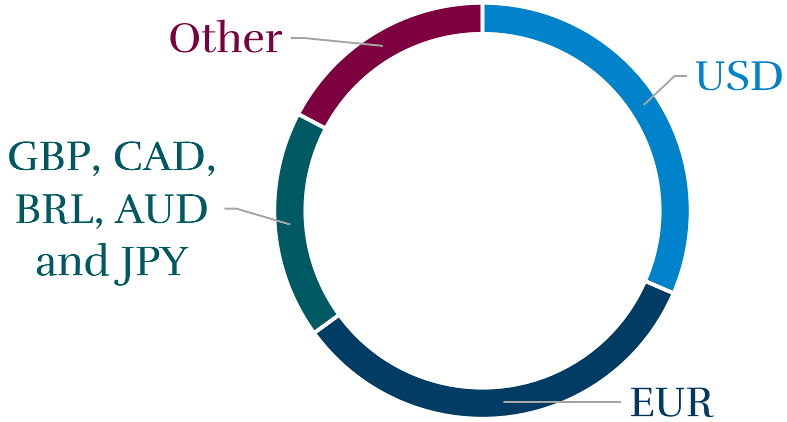

## EUR/CHF




| | Rate | Sales | EBITA |
|---|---|---|---|
| USD/CHF | +/- 5% | +/- CHF 61 million | +/- CHF 19 million |
| EUR/CHF | +/- 5% | +/- CHF 68 million | +/- CHF 28 million |

# Appendix

Sonova Group – Sales by currency and FX rates




| | FY-21/22 | 1H-22/23 | 2H-22/23 | FY-22/23 | Effect FY-22/23 | Spot May-2023 |
|---|---|---|---|---|---|---|
| USD | 0.92 | 0.97 | 0.94 | 0.96 | + | 0.89 |
| EUR | 1.07 | 1.00 | 0.99 | 0.99 | - | 0.98 |
| GBP | 1.26 | 1.17 | 1.13 | 1.15 | - | 1.11 |
| CAD | 0.73 | 0.75 | 0.70 | 0.72 | - | 0.66 |
| AUD | 0.68 | 0.67 | 0.63 | 0.65 | - | 0.59 |
| BRL | 0.17 | 0.19 | 0.18 | 0.19 | + | 0.18 |
| JPY 100 | 0.82 | 0.72 | 0.69 | 0.70 | - | 0.65 |

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