# Investor Presentation

December 2023

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# 1

# Strategy and growth drivers

# Sustainable market leader in an attractive industry

## Attractive market

- Attractive secular growth drivers
- Significant penetration potential in mild and moderate hearing loss population and high growth developing markets
- Continued potential to innovate "Better Hearing"
- Opportunity to elevate hearing aid adoption and value capture through focus on known comorbidities

## Leading market position

- Leading position in the Hearing Industry
- Advanced vertically integrated business model
- Broadest and most advanced product offering
- Global and differentiated distribution network, with scaled direct consumer access

## Focus on sustainability

- Strong purpose and positive impact on society by providing advanced hearing health care
- *IntACT* ESG strategy executed Group-wide
- Ambitious climate actions linked to science-based targets
- Industry leading ESG performance, recognized by major rating agencies

## Strong financials

- Attractive profit margins
- Strong balance sheet and cash generation
- Moderate leverage and long-term debt structure at low interest rates
- Significant capacity for organic and inorganic growth investments
- Low tax rate

► The fundamentals of Sonova's business remain strong and offer attractive value creation opportunities

# Product and service offering

Broadest and most advanced offering of hearing care solutions

## Audiological Care

AudioNova

- Individual diagnostics and analysis
- Hearing assessments and counseling, personalized fitting of hearing aids
- After care and hearing aid maintenance services



## Hearing Instruments

PHONAK unitron

Receiver-In-Canal (RIC) hearing instruments

In-The-Ear (ITE) hearing instruments

Behind-The-Ear (BTE) hearing instruments

Roger wireless systems

## Consumer Hearing

SENNHEISER A brand licensed by Sonova

Premium & True Wireless headphones

Audiophile

Enhanced hearing

Self-fitting hearing aids (OTC)

## Cochlear Implants

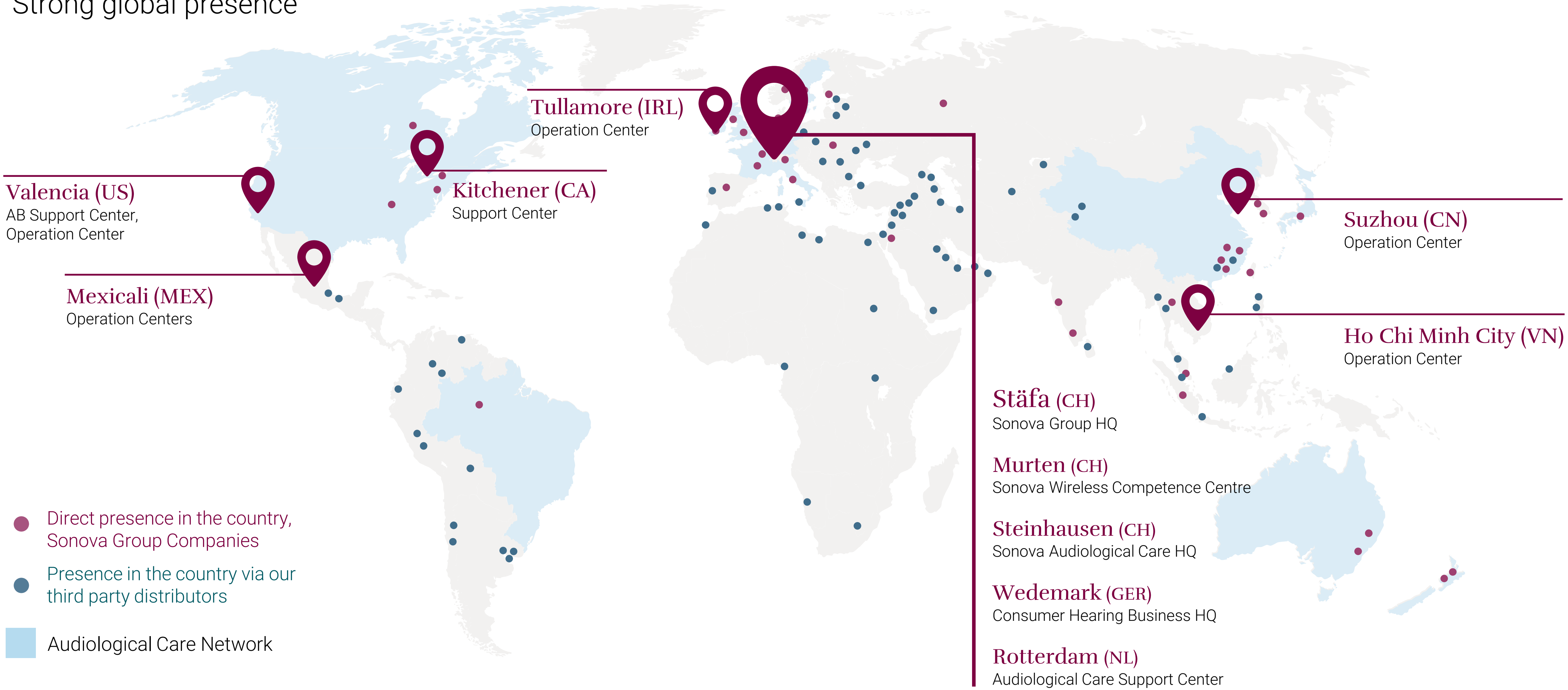
ADVANCED BIONICS

Sound processors

Cochlear implant systems with electrodes

# Our footprint

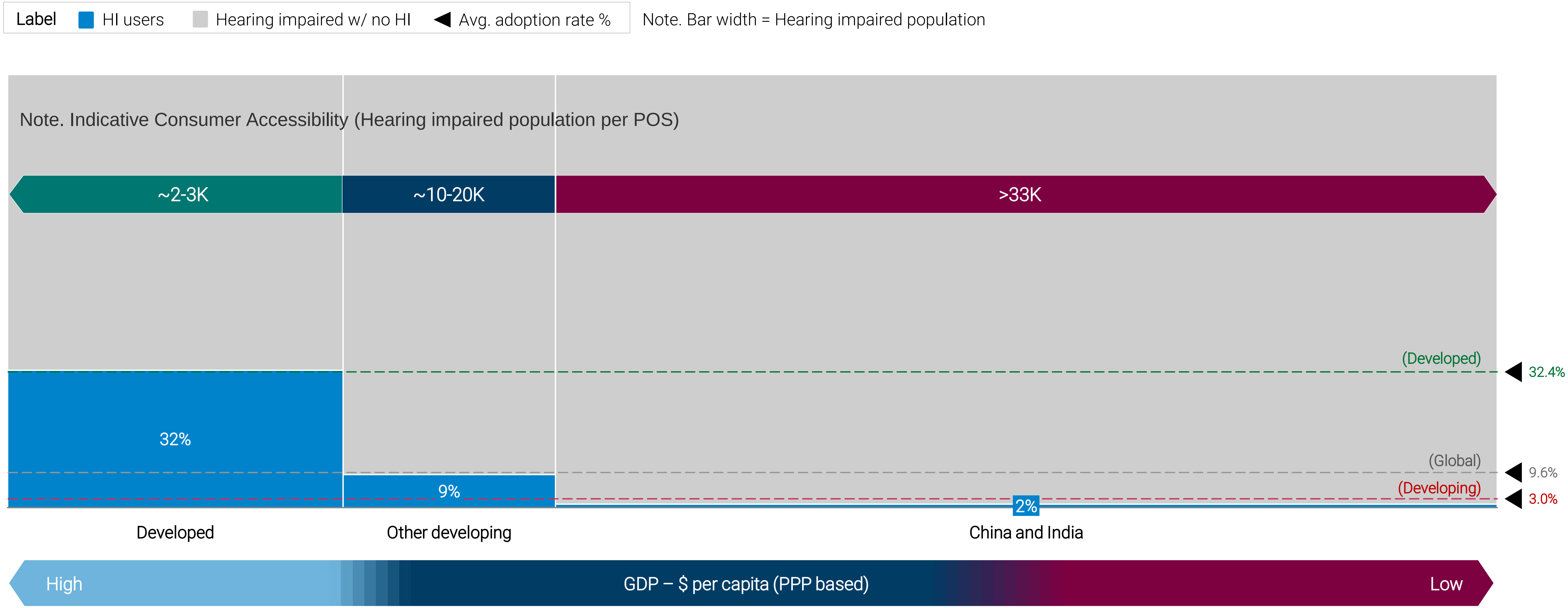
Strong global presence




► Active in >100 countries through subsidiaries in >30 countries and a network of independent distributors

# Market potential

## Market penetration and access to hearing care

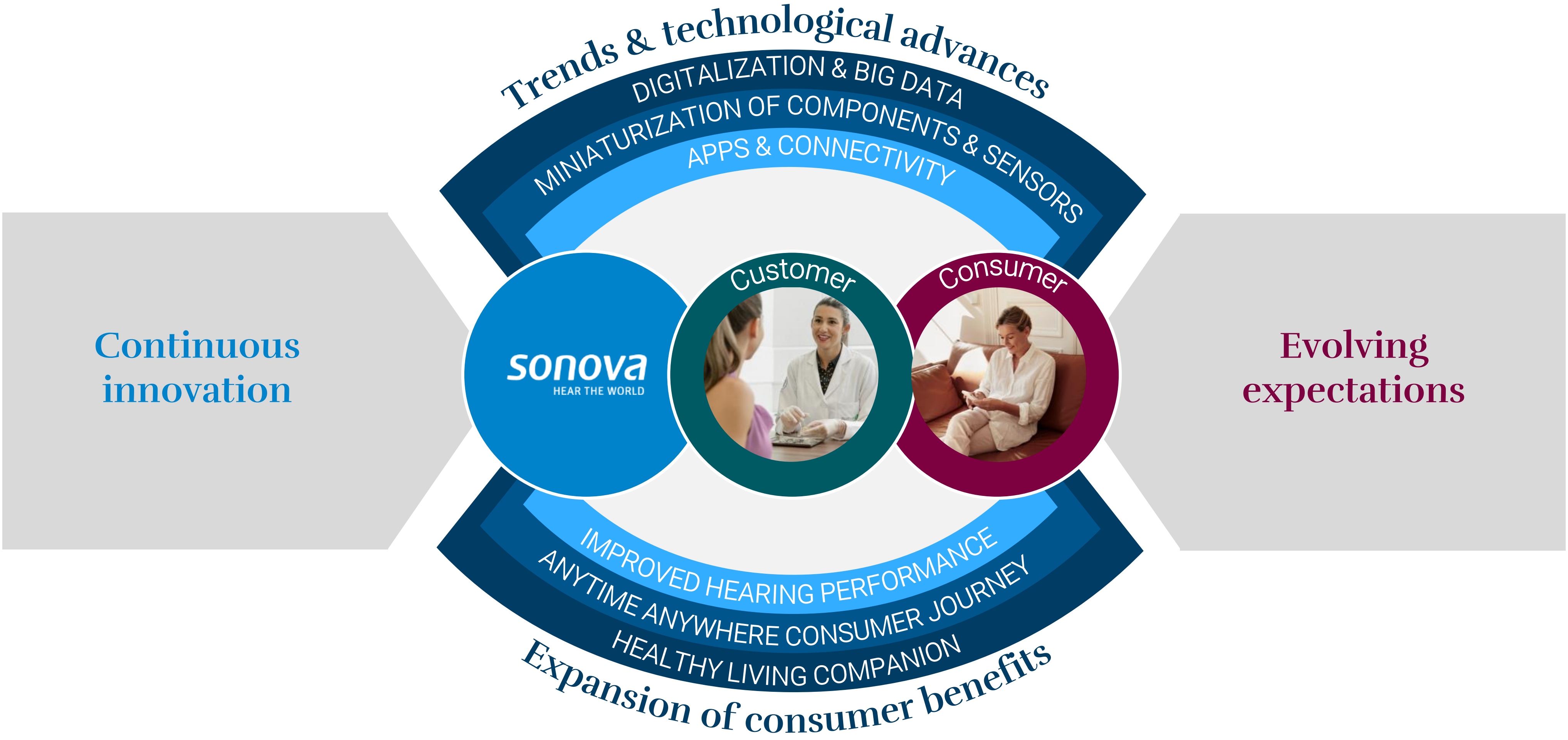



Note: Based on CIA Factbook – Gross domestic product converted to international dollars using purchasing power parity (PPP) rates and divided by total population

▶ Current penetration levels and improving consumer access to hearing care offers significant upside

# Market trends

Technological advances and expansion of consumer benefits




► Sonova’s opportunity: Innovation leadership to address megatrends and to elevate consumer journey

# Our 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**

► Consistent implementation of our proven strategy continuing

# Our growth ambition

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Ambition to gain market share through customer-focused growth strategy and strong execution capability

## Mid-term targets

Sales CAGR
6-9% p.a. in LC
*organic: +5-7%*
*M&A: ~+1-2%*

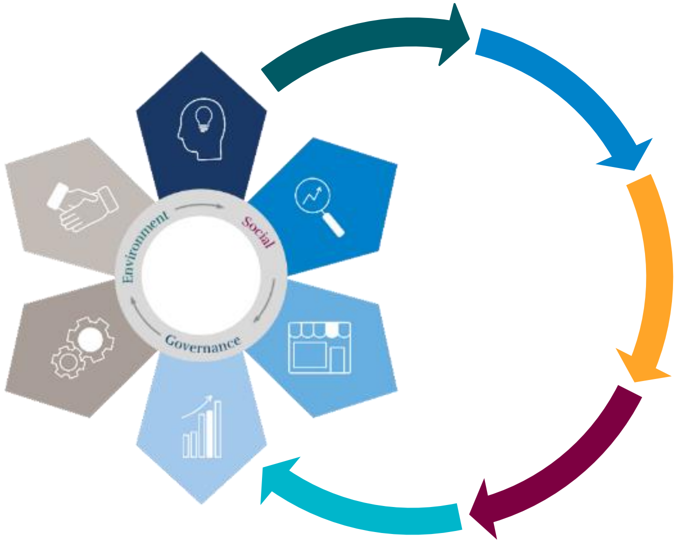
adj. EBITA CAGR
7-11% p.a. in LC

## Market growth (in value)

Mid-term CAGR
4-6% p.a.

## Sonova growth strategy

Executing on our strategic pillars to drive above-market growth




## Key focus areas

Targeted growth initiatives in 5 focus areas enabled by continued growth investments

**Lead innovation**
- Advance audio-logical performance
- Expand consumer value

**Broaden consumer access**

**Deliver commercial excellence**

**Accelerate high growth markets**

► Mid-term targets and strategy unchanged – Continuing to drive above-market growth and margin expansion

# Key growth drivers

Customer centricity and growth initiatives driving sustainable, above-market growth

| Lead innovation | | Broaden consumer access | Deliver commercial excellence | Accelerate high growth markets |
|---|---|---|---|---|
| Advance audiological performance | Expand consumer value | | | |
| Pioneer technology & deliver best-in-class audiological performance | Deliver consumer-centric value-add through differentiated solutions | Provide broad consumer access to pinnacle audiological services & solutions | Be the partner of choice through state-of the art & customer-oriented service | Expand presence in markets with high growth potential |
| **Key growth drivers** | | | | |
| – Elevate core hearing performance by expanding processing power and algorithms (incl. AI technologies) | – Enhance consumer value though technology-enabled medical services and expand category with early-entry hearing devices | – Expand network through M&A and greenfield openings<br>– Elevate consumer journey through digitization and omni-channel interaction | – Elevate relationships with B2B customers through value-added services, feet on the street investments and commercial excellence | – Scale up Audiological Care business network and further build on consumer audio brand in China |

► Key growth drivers, each with more than CHF 100 million sales upside

# Advance hearing innovation & expand consumer value

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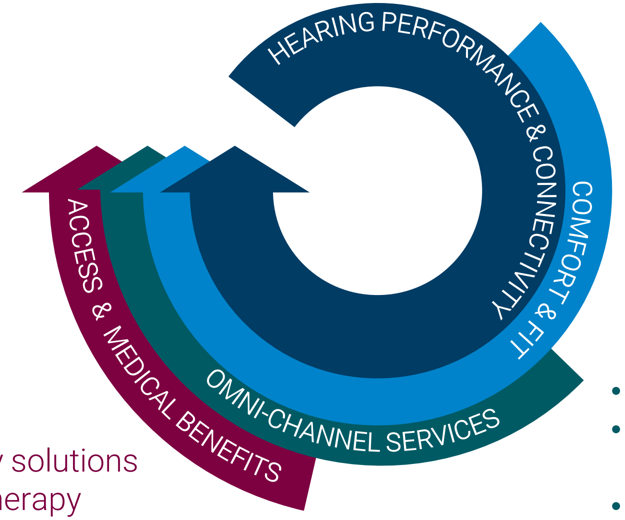
Building on core strength in hearing aids and driving market expansion

## Innovation framework

- Effortless communication in daily life
- Natural and authentic sound quality
- Seamless adaptation to environment
- Multi-media streaming
- …




- Wearing comfort
- Size, aesthetics, handling
- Rechargeability
- Reliability
- Waterproof
- …

- Fitting tool innovation
- Personalization / user empowerment
- Audiology Service Innovation
- …

- Early-entry solutions
- Tinnitus therapy
- Clinical comorbidities
- …

► Expanding R&D investments

## Our R&D focus investments

➡ Continued expansion of processing power
- – Proprietary processing and connectivity chip technologies

➡ Elevating algorithms to enhance hearing performance
- – Augmenting existing algorithm technology with AI technologies

➡ Expanding access and enhancing consumer experience
- – Broadening portfolio to range of early-entry solutions
- – Developing digital solutions to facilitate flexible and personalized omni-channel consumer journey

➡ Enriching functionality towards additional medical benefits
- – Collaborations with medical institutions on clinical research of comorbidities
- – Developing technology enabled services beyond hearing

# Advance hearing innovation– The Lumity platform

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The Lumity platform roll-out

## Key benefits

**Improved speech understanding** in challenging hearing situations[1,2]

**Easy to use & rechargeable**

**Universal** connectivity to a multitude of Bluetooth enabled devices

### August 2022

### Phonak Audéo Lumity

- New Phonak **SmartSpeech™ Technology** with Speech Enhancer and StereoZoom 2.0

### August 2022

### Phonak Audéo Life

- Second generation of the **world's first waterproof,** rechargeable hearing aid

### April 2023

### Phonak Slim

- **Stylish new form factor**, building on proven Lumity features
- Unique **ergonomic shape**, contoured to naturally nestle behind the ear

### August 2023

### Phonak Naída, CROS, Sky & Audéo Fit

- Extension of the platform **to all ages and levels of hearing loss**
- Incl. **battery models**

1 Appleton, J. (2020) AutoSense OS 4.0- significantly less listening effort and preferred for speech intelligibility. *Phonak Field Study News* retrieved from www.phonakpro.com/evidence
2 Woodward,J and Latzel, M (2022) New implementation of directional beamforming configurations show improved speech understanding and reduced listening effort. *Phonak Field Study News* in preparation.

► **Bringing the key benefits of the Lumity platform to additional form factors and consumer groups**

# Enhance consumer journey

Creation of digital omni-channel ecosystem to address existing consumer needs and pain points

**From…**

One-size-fits-all experience,
all interactions required visit in clinic

**…To**

Customers flexibly choosing when, where and
how they get served, 24/7/365

| BEFORE SALES | | DURING SALES | | | AFTER SALES | | |
|---|---|---|---|---|---|---|---|
| Awareness | Consideration | Evaluation | Fitting | Purchase | Adoption & Use | New HI interest | Repurchase |

Web – SilentCloud – Contact Center – App

World of Hearing – Clinic – Shop in Shop – Contact Center

Web – App – Contact Center – App

*Key enablers*: New website and content management system – OneBrand – Consolidated Customer Database – myAudionva App – Single front- and back-office system

► Digital application suite developed to complement in store consumer experience

# The relationship of hearing solutions and cognitive health

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Phonak's ECHHO Program – Enhancing Cognitive Health via Hearing Optimization

## What we have learned

**89%** of HCPs rate cognition as important[1)]

**48%** slower loss of thinking & memory[2)]

**Stable cognition** for HA users[3)]

## Our belief

**Hearing well is vital to living well** and linked to social-emotional, cognitive and physical dimensions of well-being

## How we respond

– **Raise awareness** (e.g. ACHIEVE & ENHANCE studies)
– **Train & equip the HCP**
– **Educate potential hearing aid users**

| Benefits for HCPs | Benefits for Sonova |
| --- | --- |
| – Differentiated care & better outcomes<br>– Increased hearing aid adoption<br>– Enhanced lead generation | – Enhanced loyalty and trust by HCPs<br>– Addressing consumers earlier |

1) Audiological Care survey (2023). HCP N=203 CA, US, NL (39 male, 163 female, 1 did not disclose)
2) In older adults at increased risk for cognitive decline, hearing intervention slowed down loss of thinking and memory abilities by 48% over 3 years (ACHIEVE).
3) The cognitive health of participants who received hearing care remained stable over 3 years (ENHANCE)

► Evidence of link between hearing loss and comorbidities driving awareness and ultimately HI penetration

# 2 ESG Strategy

# Sonova's commitment to sustainable success

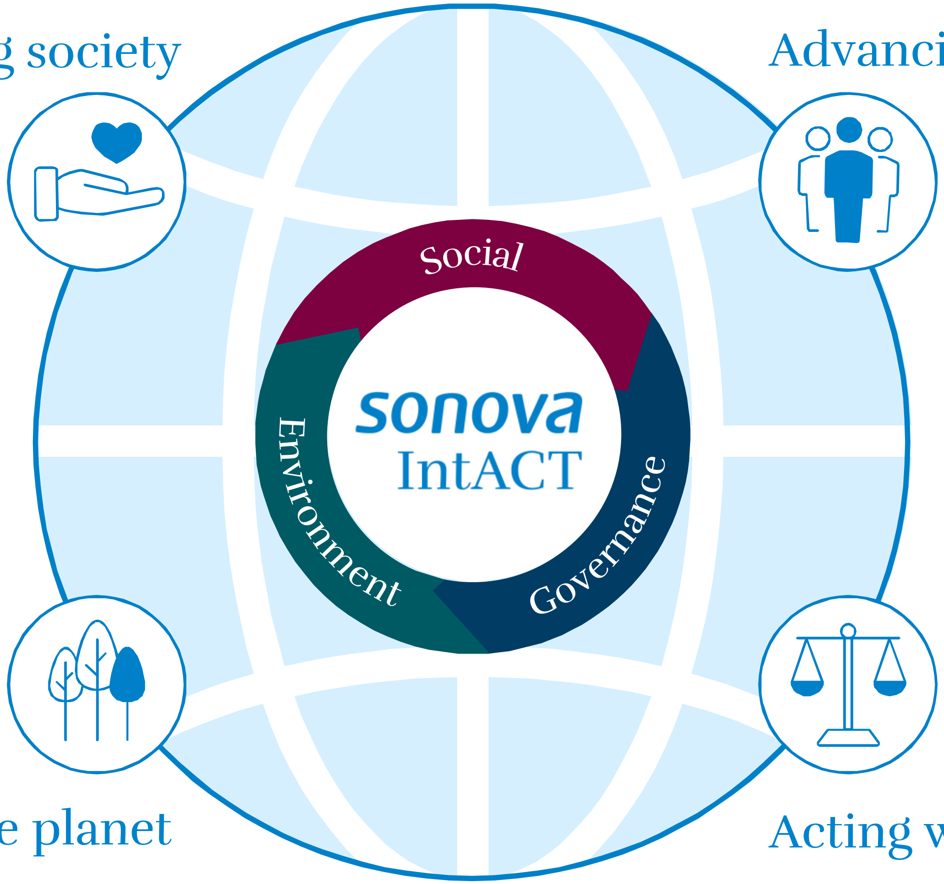
## IntACT – Sonova's ESG Strategy

### Serving society

We constantly innovate in hearing health care, improve access for people in under-served areas and engage actively with our communities.

### Advancing our people

We foster our employees' development, well-being and engagement in an inclusive work environment that embraces diversity.




We drive the transition to a resource-efficient and low-carbon future of our operations throughout the lifecycle of our products and services.

### Protecting the planet

We behave ethically and apply the highest quality and safety standards to everything we do.

### Acting with integrity

► ESG strategy clustered around four strategic areas

# Shaping a sustainable business

Continued investment across all ESG pillars – Industry leading rating with major rating agencies

## Strong progress of internal leadership development

- In 1H 2023/24, ~72% of Sonova's leadership positions were filled by internal candidates – rate at a high level and further progress made compared to 66% in FY 2022/23
- Improved share of women in middle management to 38.2% (+1.8 ppts vs. FY 2022/23) and in senior management to 25.2% (+3.2 ppts vs. FY 2022/23)

SCIENCE BASED TARGETS

## Science-based $CO_2$ reduction targets approved

- Committed to reduce combined absolute scope 1 and 2 greenhouse gas (GHG) emissions by 78.3% and 32.5% in scope 3 by 2032 compared to 2019 – thereby aligning with the 1.5° C scenario for scope 1 and 2, and with the "well below 2° C" scenario for scope 3
- The Science Based Targets initiative (SBTi) officially approved our targets, representing an important milestone on Sonova's journey to drive impactful actions for our society and the planet

SUSTAINALYTICS

## Industry-leading sustainability rating

- Sonova ranking 2nd out of over 200 assessed companies in the medical devices industry according to Sustainalytics (September 2023)

► Further progress achieved in 1H 2023/24 – Industry leading sustainability rating maintained

# ESG ratings

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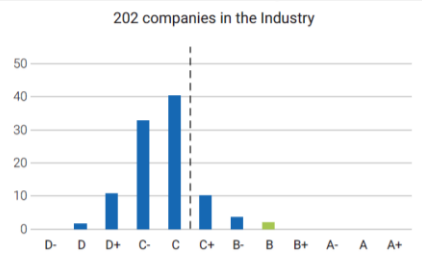
Overview of Sonova's rating results for environmental, social, and governance (ESG) factors

## Sonova ESG ratings

| Corporate ESG Performance – RATED BY ISS ESG – Prime | MSCI – MSCI ESG RESEARCH INC. | SUSTAINALYTICS – a Morningstar company | Member of Dow Jones Sustainability Indices – Powered by the S&P Global CSA |
|---|---|---|---|
| **B** | **AAA** | **Low ESG risk** | **DJSI member** |

**ISS ESG**

Status: Prime (C+ or better)
Industry position: Top 2%




**Last rating update:** 21 Nov 2022

**MSCI**

MSCI ESG Rating of AAA in 2023, up from AA in 2022

MSCI ESG RATINGS – AAA

CCC | B | BB | BBB | A | AA | AAA

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**Last rating update:** 24 Nov 2023

**Sustainalytics**

Score and Risk Category

**16.0** Low Risk

| Negligible | Low | Medium | High | Severe |
|---|---|---|---|---|
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ |

| Legend | Rank \| Percentile (1st = Top Score) |
|---|---|
| Industry (Healthcare) | 41 / 608 \| 8th |
| Subindustry (Medical Devices) | 2 / 210 \| 1st |

**Last rating update:** 4 Sept 2023

**DJSI**

Member of indices DJSI World & DJSI Europe for 10 consecutive years

4th

4th out of 279 assessed companies in the medical devices industry

**Last rating update:** 18 Dec 2023

► Leading the way with top ESG ratings from prominent agencies

# 3

# Financial information

# Summary 1H 2023/24

- Market environment remained volatile with sequential slowdown in 2Q 2023 – re-acceleration in 3Q 2023
- Good market growth in North America, additional contribution from higher growth in developing markets while Europe remaining subdued
- Value growth supported by ASP lift from pricing initiatives in both HI and AC
- HI business started to regain positive momentum – improving net promoter score and gaining back share sequentially in key markets
- Strong execution driving good growth in AC business, organically and through acquisitions
- Continued focus on executing our proven strategy – sustained growth investments into innovation, our digital ecosystem and AC network expansion
- Muted sales and profitability development, held back by the non-renewal of a large contract, fading temporary operational challenges and a significant strengthening of the CHF – operational effects expected to reverse in 2H
- Higher investments to sustain the positive trajectory in HI and AC to accelerate sales in the second half while expecting continued margin expansion

# Sonova Group results

Key highlights – 1H 2023/24

## Sales

CHF 1,753 m

+1.6% in LC

-5.1% in CHF

## EPS (adj.)

CHF 4.34 per share

+8.1% in LC

-11.3% in CHF

## Sales outlook

+3-7%

growth in LC
in FY 2023/24

## EBITA (adj.)

CHF 350.0 m

+2.5% in LC

-12.1% in CHF

## Consumer access & innovation

Continued AC network expansion, investments in digital ecosystem and broadened HI portfolio offering

## EBITA (adj.) outlook

+4-8%

growth in LC
in FY 2023/24

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

# Financial highlights

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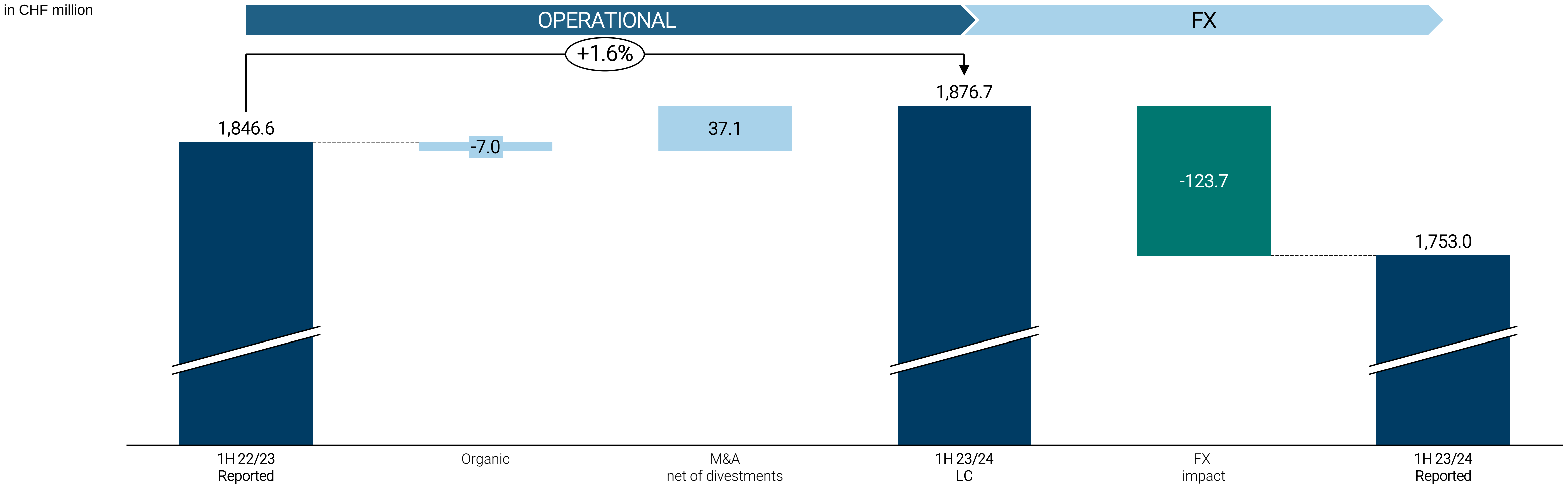
Sonova Group

| | |
|---|---|
| Sales | – Sales of CHF 3,738.4 million<br>– Growth of +14.6% in LC (organic +2.3%), +11.1% in CHF – significant negative FX impact: CHF -116.3 million (-3.5%)<br>– 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<br>– EBITA (adj.) of CHF 840.4 million, up +6.1% in LC, margin of 22.5%, down -190bps in LC<br>– Margins impacted by expected dilution from M&A and gross profit headwinds<br>– 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<br>– 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<br>– 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<br>– Net debt position at CHF 1,495.9 million, mainly driven by acquisitions, dividend payment and share buyback program<br>– 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 Appendix – Non-GAAP adjustments.

# Sonova Group results

## Sales components




| | Organic | M&A net of divestments | 1H 23/24 LC | FX impact | 1H 23/24 Reported |
|---|---|---|---|---|---|
| YOY growth components | -0.4% | +2.0% | +1.6% | -6.7% | -5.1% |
| *excl. non-renewal of large US contract* | *+3.0%* | | | | |

► Sales held back by operational challenges and non-renewal of large HI contract – Material FX headwinds

# Hearing Instruments segment

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Highlights

**Sales**
**CHF 1,620m**
+1.8% vs. PY in LC
-0.3% organic growth

**EBITA (adj.)**
**CHF 338m**
+4.2% vs. PY in LC
Margin: 20.8%
Margin YOY: +50bps in LC

**HI business**
**Sales:**
**CHF 825m**
-4.3% vs. PY in LC*

* +2.4% excl. non-renewal of contract with large US customer

**CH business**
**Sales:**
**CHF 120m**
-1.9% vs. PY in LC

**AC business**
**Sales:**
**CHF 675m**
+11.5% vs. PY in LC
+5.7% organic growth

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

## Segment sales

- Soft start into the year with momentum improving over the course of the reporting period
- Strong execution in AC in both Europe and China offsetting fading headwinds in HI business
- Momentum supported by positive market response to the Lumity platform expansion, the improvement of the hearing care market as well as the pick-up in the HI business

## Segment profitability

- Benefitting from lower component costs and last year’s pricing initiatives in all businesses
- Shift in business mix towards AC lifting gross margin, but at higher OPEX in percentage of sales
- Sales development in HI limiting operating leverage
- Increasing investments to sustain sales momentum

▶ Strong execution in AC offsetting fading headwinds in HI – Investing to sustain positive trajectory

# Cochlear Implants segment

Highlights

**Sales**
**CHF 132.6m**
-0.9% vs. PY in LC

**EBITA (adj.)**
**CHF 12.7m**
-30.5% vs. PY in LC
Margin: 9.5%
Margin YOY: -400bps in LC

**System sales**
**CHF 89.3m**
+2.8% vs. PY in LC

**Upgrade sales**
**CHF 43.4m**
-7.8% vs. PY in LC

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

## Cochlear implant systems

- Solid system sales in light of new processor launch of largest competitor
- Held back by residual supply chain challenges, which are solved by now
- Continued market improvement as hospital staffing shortages abated

## Upgrades and accessories

- Upgrade sales at high level but declining YoY due to the stage in the product cycle as Marvel sound processers enter 3rd year after the launch

## Segment profitability

- Held back by sales development, mix shifts and higher costs from supply chain issues
- Continued investments in sales and marketing to drive future growth

► System sales supported by improved market, upgrades facing challenges – Profitability declining

# Gross margin development

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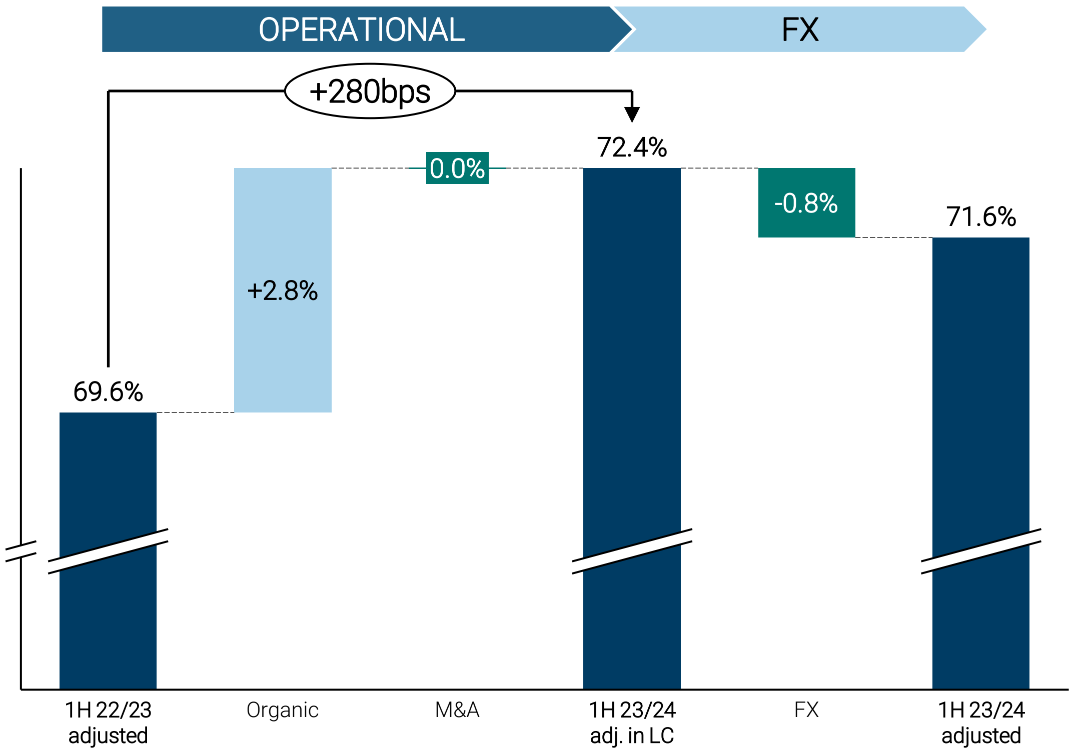


Note: adj. refers to adjusted figures; for details, please refer to the Appendix– Non-GAAP adjustments.

- Gross margin (adj.) increased by +200bps in CHF to 71.6% or operationally by +280bps in LC
- Margin increase mainly driven organically by:
  - Prior year price increases
  - Continued progress from continuous improvement initiatives
  - Shift in the business mix due to the strong growth in AC
  - Easing of headwinds from transport and component costs
- Adverse FX development weighing on GP margin

► Improvement driven by PY ASP increases, productivity gains, business mix shift and easing cost headwinds

# Development of operating expenses

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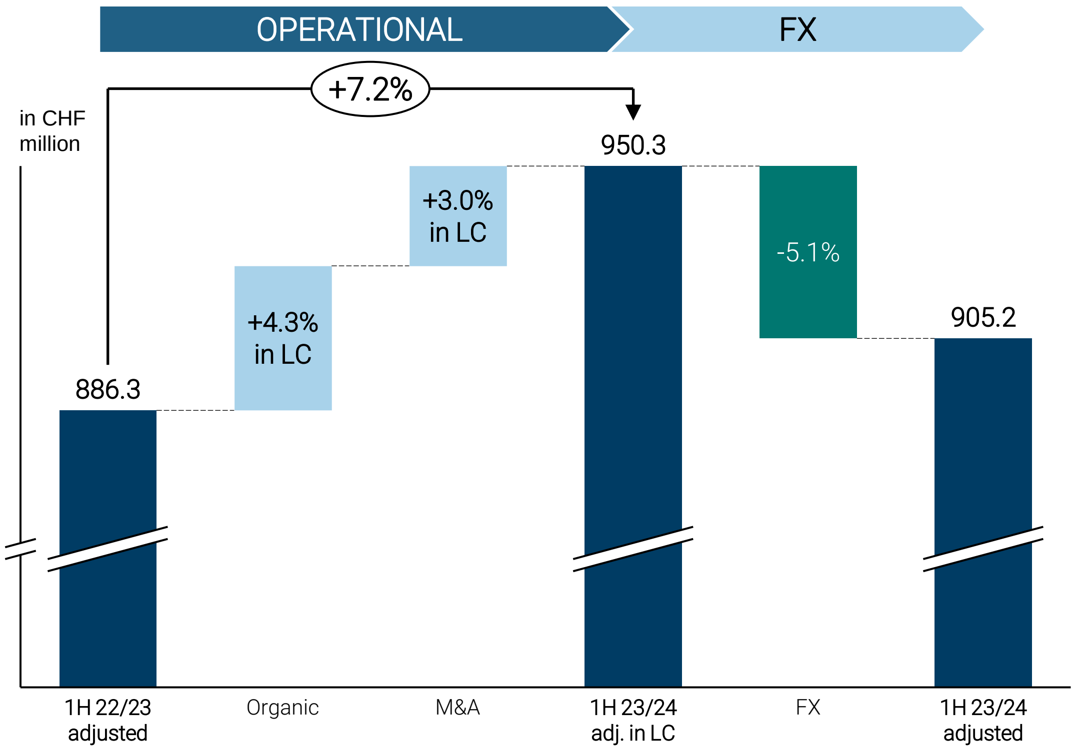



Note: adj. refers to adjusted figures; for details, please refer to Appendix – Non-GAAP adjustments.

- Organic OPEX development driven by business mix shift due to faster growth in the AC business and continued investments in sales & marketing to drive future sales
- Additional increase related to continued acquisitions to expand AC network incl. HYSOUND in China
- FX development reducing OPEX growth in CHF, however, resulting in -100bps negative impact on adj. EBITA margin due to currency mismatch of sales vs. OPEX

► OPEX growth driven by shift in business mix, investments to drive future sales and M&A

# Development of operating expenses

Sonova Group – Expense by category excluding acquisition-related amortization

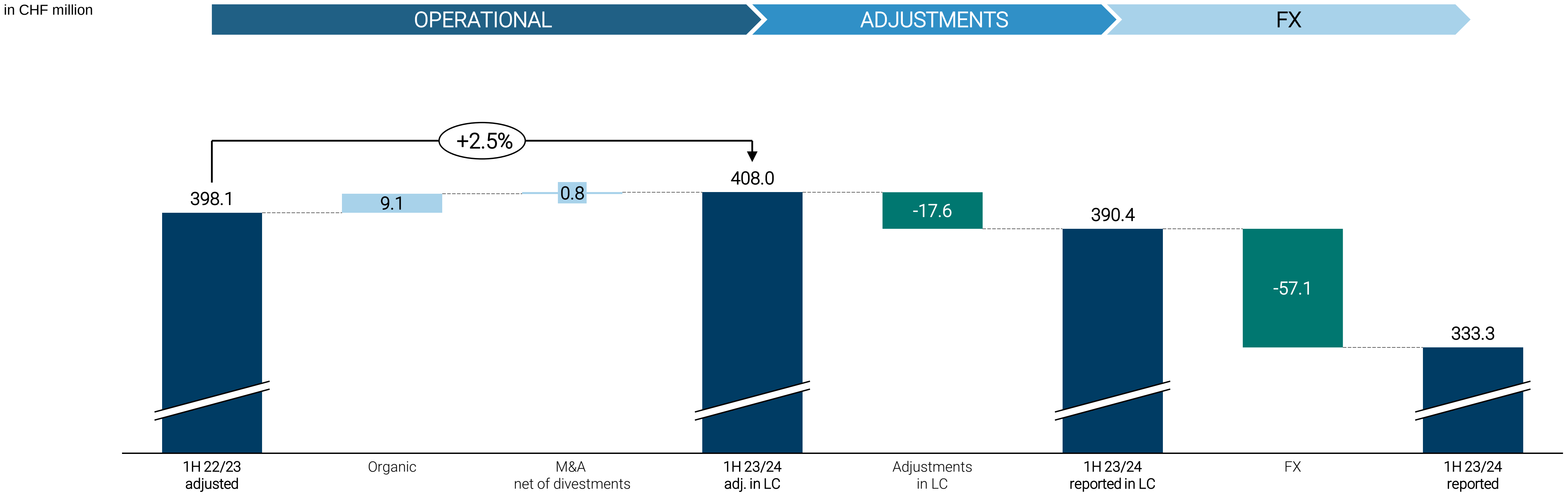
| | 1H 2023/24 | | 1H 2022/23 | |
|---|---|---|---|---|
| | CHF m | Δ % in LC | CHF m | Comments |
| Research & development (adj.)<br>in % of sales | -115.6<br>6.6% | -0.6% | -119.2<br>6.5% | – Stable investments in innovation<br>– Phasing of certain larger projects |
| Sales & marketing (adj.)<br>in % of sales | -625.3<br>35.7% | +8.2% | -613.1<br>33.2% | – >75% of increase related to acquisitions<br>– Continued investment in sales & marketing to drive future sales |
| General & administration (adj.)<br>in % of sales | -163.8<br>9.3% | +10.8% | -154.0<br>8.3% | – Inflationary impact on energy and maintenance costs<br>– Harmonization of merit after larger acquisitions |
| Other income/expenses (adj.) | -0.5 | NM | -0.0 | |
| **Total OPEX (adj.)**<br>in % of sales | **-905.2**<br>51.6% | **+7.2%** | **-886.3**<br>48.0% | |
| Adjustments | -13.1 | NM | -5.5 | – Costs related to structural optimization initiatives, bolt-on acquisitions and integration costs of past acquisitions |
| **Total OPEX (reported)**<br>in % of sales | **-918.3**<br>52.4% | **+8.1%** | **-891.8**<br>48.3% | |

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

► Cost development reflecting recent acquisitions and investments to enable future growth

# EBITA Components

Sonova Group




| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Margin | 21.6% | +0.6% | -0.4% | 21.7% | -0.9% | 20.8% | -1.8% | 19.0% |

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

▶ Operational margin improvement more than offset by significant FX headwinds

# Key financials

Sonova Group

| | 1H 2023/24 | | | | |
|---|---|---|---|---|---|
| | CHF m | Margin | Δ % in LC | Δ margin in LC | Comments |
| Sales (reported) | 1,753.0 | | +1.6% | | |
| Gross profit (adj.) | 1,255.2 | 71.6% | +5.8% | +280bps | |
| OPEX (adj.) | 905.2 | | +7.2% | | |
| EBITA (adj.) | 350.0 | 20.0% | +2.5% | +20bps | |
| Adjustments | -16.7 | | | | – Restructuring, transaction and integration costs |
| EBITA (reported) | 333.3 | 19.0% | -0.4% | -40bps | |
| Acq. rel. amortization | -27.8 | | | | |
| EBIT (reported) | 305.6 | 17.4% | -0.7% | -50bps | |
| Financial result | -11.9 | | | | |
| Tax | -44.1 | | | | – Underlying tax rate of 15.0% (1H 2022/23: 15.5%) |
| Net profit (reported) | 249.6 | 14.2% | +3.3% | +30bps | |
| EPS (adj. in CHF) | 4.34 | | +8.1% | | – Lifted by lower share count from PY buyback and by lower reported tax rate<br>– Significant FX headwind resulting in EPS decline in CHF of -11.3% |
| EPS (reported. in CHF) | 4.11 | | +5.0% | | |

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

# Balance sheet

Sonova Group

| CHF m | 30 Sep 2023 | 30 Sep 2022 | Comments |
|---|---|---|---|
| Days sales outstanding (DSO) | 57 | 52 | – Increase largely driven by improved sales momentum towards the end of 1H 2023/24 |
| Days inventory outstanding (DIO) | 165 | 162 | – Affected by elevated safety stock levels and transition effects during global supply chain optimization |
| Capital employed | 3,802.9 | 3,498.1 | – Driven by acquisitions and higher net working capital |
| ROCE (reported) | 18.9% | 23.4% | – Mainly due to lower business result in CHF and increased levels of capital employed from acquisitions, incl. the Sennheiser Consumer Division and Alpaca |
| Net debt | 1,672.3 | 1,497.3 | – Increase mainly due to acquisitions in the last 12 months, and lower cash levels due to FX impact |
| Net debt/EBITDA | 1.8x | 1.5x | – Above target range of 1.0-1.5x due to seasonal factors including dividend payment<br>– Solid long-term debt structure at low interest rates |

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

► Leverage temporarily above target range – Balance sheet impacted by acquisitions and FX development

# Total shareholder return & cash deployment strategy

Sonova Group

| | Sonova TSR strategy | 1H 2023/24 |
|---|---|---|
| 1. Acquisitions | – Bolt-ons: CHF 70-100 million p.a.<br>– Strategic and technology acquisitions | – **Total M&A cash-out: CHF 60 million** investment into further AC network expansion |
| 2. Attractive dividend | – Maintain payout ratio of around 40% | – **CHF 274 million distributed, dividend up** +5% YOY with payout ratio of 41% |
| 3. Healthy balance sheet | – Targeting net debt/EBITDA ratio of 1.0-1.5x | – Equity ratio of 39.5%<br>– **Net Debt/EBITDA ratio of 1.8x** |
| 4. Share buyback | – Three-year buyback program of up to CHF 1.5 billion from April 2022 until April 2025 | – **No shares bought back in 1H 2023/24** and **no share repurchases foreseen in FY 2023/24**<br>– **Balanced approach in FY 2023/24, continuing to** prioritize leverage target range and healthy balance sheet |

► TSR strategy unchanged

# 4 Outlook

# Outlook

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## Recap of 1H 2023/24 and guidance for FY 2023/24

| | Recap 1H 2023/24 | Considerations for 2H 2023/24 |
|---|---|---|
| HI Segment | – Volatile market environment – slowdown in 2Q but reacceleration in 3Q 2023<br>– HI sales held back by the non-renewal of the large US contract in HI and temporary operational challenges – improving momentum in 2Q<br>  – QoQ improvement of global market share in key markets<br>  – Improving NPS for Phonak building fundament for further recovery<br>– Strong execution in AC with good organic and inorganic growth partly offsetting fading headwinds in HI<br>– CH business performing in line with peers in a challenging market | – Re-acceleration of global hearing care markets in 3Q 2023 as foundation for positive development in second half – short-term uncertainties persist<br>– Expecting market share gains in HI – positive development in NPS and sequential market share gains in 1H boding well for growth acceleration in 2H<br>– Large client contract annualized – no further impact on business performance<br>– Continued solid momentum in AC expected, both organic and inorganically<br>– CH launch cycle skewed towards 2H vs 1H in PY<br>– Higher investments in HI and AC to drive substantial acceleration in sales growth in 2H, while expecting continued margin expansion |
| CI Segment | – Solid system sales considering new processor launch of largest competitor<br>– Upgrade sales lower due to already high penetration of Marvel processor | – Momentum supported by market recovery but YoY headwind from high PY processor sales to continue, resulting in growth headwind |
| FX | – Substantial FX headwinds due to strong appreciation of the Swiss franc<br>– Sales growth reduced by 6.7% and adj. EBITA growth reduced by 14.6% | – Continued negative impact: FY 2023/24 sales growth in CHF expected to be reduced by 6-7%-pts and adj. EBITA growth in CHF by 12-14%-pts* |

Note: * Reflecting average exchange rates YTD and exchange rates as of early November for the remainder of FY 2023/24

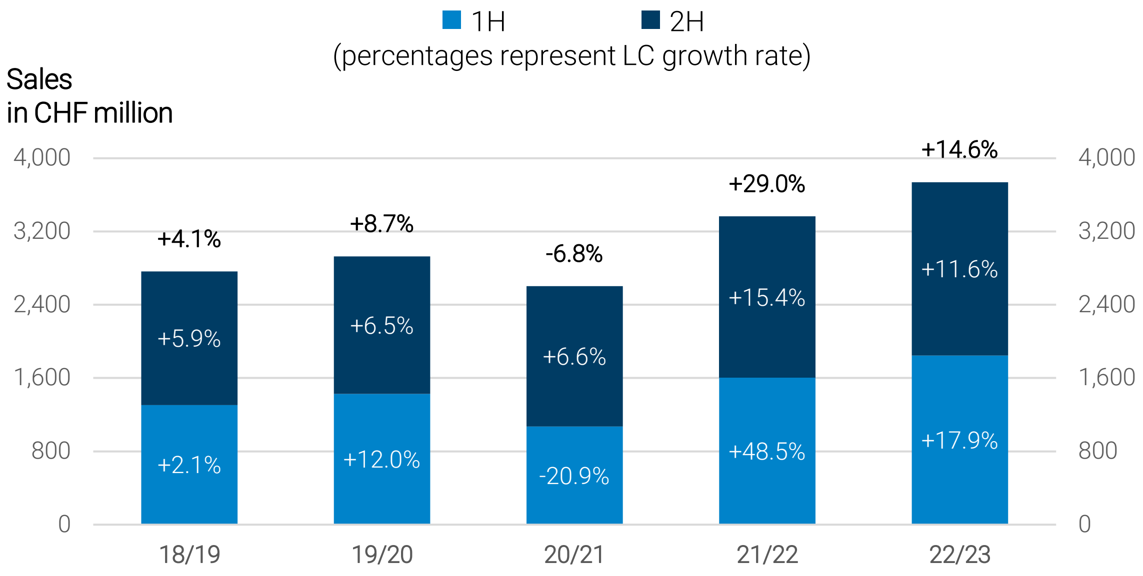
| in local currencies (LC) | Guidance FY 2023/24 | Mid-term Target |
|---|---|---|
| Sales growth (incl. M&A) | +3% to +7% | +6% to +9% p.a. |
| adj. EBITA growth | +4% to +8% (previous: +6% to +10%) | +7% to +11% p.a. |

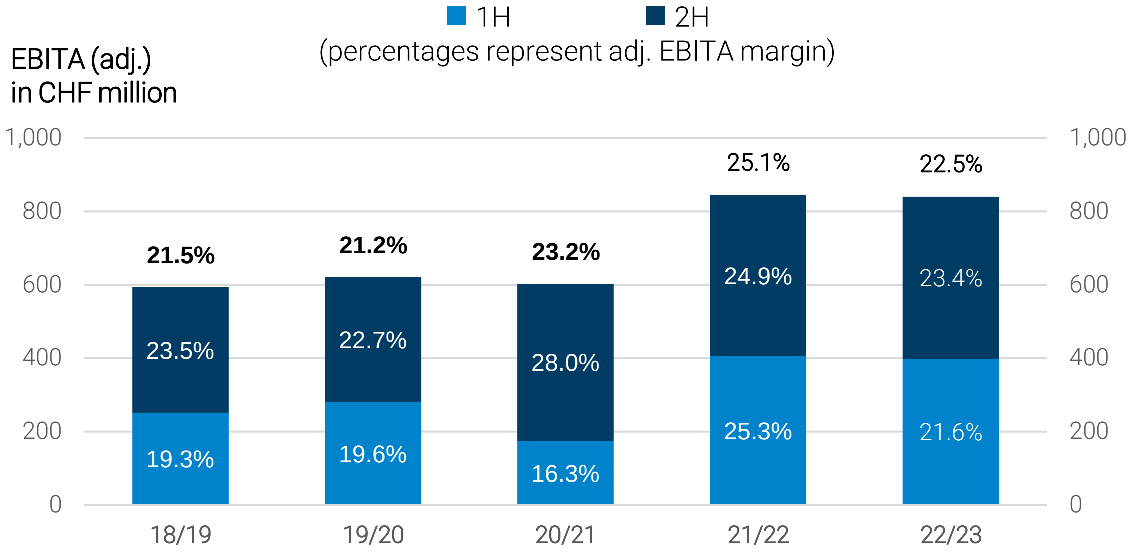
► Driving substantial sales growth acceleration in 2H, while expecting continued margin expansion

# 5 Appendix

# Appendix

## Performance history




| | FY 2018/19 | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 |
|---|---|---|---|---|---|
| Sales growth reported | +4.4% | +5.6% | -10.8% | +29.3% | +11.1% |
| Sales growth in LC | +4.1% | +8.7% | -6.8% | +29.0% | +14.6% |
| Organic sales growth in LC | +4.9% | +8.1% | -7.1% | +26.6% | +2.3% |
| EBITA Margin (adj.) | 21.5% | 21.2% | 23.2% | 25.1% | 22.5% |

Note: adj. refers to non-GAAP financial measures adjusted for non-recurring items.

► Solid sales growth supported by acquisitions – Held back in FY 2022/23 by non-renewal US contract and FX

# Appendix

Sonova Group – Sales by regions and key markets

| | 1H2023/24 | | | 1H 2022/23 | |
|---|---|---|---|---|---|
| | CHF m | Δ % in LC | % Group sales | CHF m | % Group sales |
| EMEA | 881.6 | +4.8% | 51% | 879.8 | 47% |
| USA | 530.7 | -4.6% | 30% | 602.7 | 33% |
| Americas (excl. USA) | 126.5 | -1.2% | 7% | 140.1 | 8% |
| Asia / Pacific | 214.2 | +7.8% | 12% | 224.0 | 12% |
| **Total Sonova** | **1,753.0** | **+1.6%** | **100.0%** | **1,846.6** | **100%** |

**EMEA**

- Good growth in several key markets, including Germany, Belgium, the Netherlands and Poland
- Weaker development in France, Italy and Sweden
- Growth supported by the continued expansion of the audiological care network

**US**

- Strong benefit from solid market recovery and the expansion of our audiological care network
- Growth heavily impacted by non-renewal of contract with large US customer in the HI business

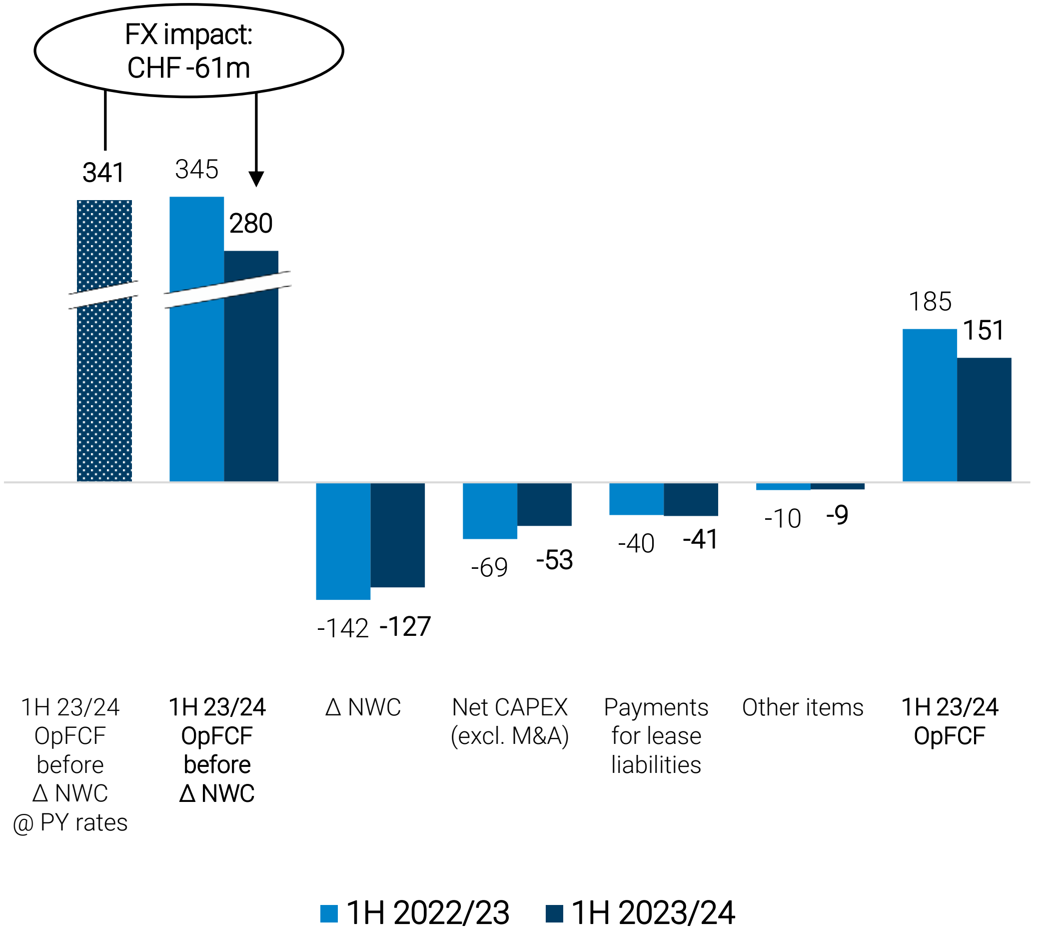
**Other**

- Growth in the Americas (excl. the US) held back by soft development in Canada, due to non-renewal of large contract
- Development in APAC driven by the HYSOUND acquisition in China performing ahead of plan and strong growth in Japan but held back by slower development in Australia and New Zealand

► Good growth in our key market Europe offsetting weakness in the US – Strong growth in emerging markets

# Appendix

## Sonova Group – Operating Free Cash Flow




- **OpFCF before changes in NWC:** Driven by lower income before tax due to CHF 61 million adverse FX impact as well as CHF 8 million higher tax payments and a positive impact of CHF 4 million on other items
- **Change in NWC:** Slight improvement, helped by prior year build-up in working capital for the Consumer Hearing business, following the acquisition of the Sennheiser Consumer Division
- **CAPEX:** Lower vs. 1H 2022/23, which had included catch-up effects after the pandemic

► YOY development driven by significant adverse FX impact on profits – Partly offset by NWC improvement

# Appendix

Cash flow statement

| | 1H 2023/24 | | 1H 2022/23 |
|---|---|---|---|
| | CHF m | Δ % in CHF | CHF m |
| Income before taxes | 293.7 | -16.2% | 350.5 |
| *Depreciation & amortization* | *121.3* | *+1.9%* | *119.0* |
| *Working capital* | *-127.0* | *-10.7%* | *-142.1* |
| *Other cash effects* | *3.1* | *NM* | *-2.1* |
| *Tax paid* | *-45.6* | *+22.1%* | *-37.3* |
| *Financial result* | *7.1* | *-52.3%* | *15.0* |
| Operating cash flow | 252.8 | -16.6% | 303.0 |
| *Payments for lease liabilities* | *-40.8* | *+3.4%* | *-39.5* |
| *Capex* | *-52.9* | *-23.0%* | *-68.7* |
| *Other movements in financial assets* | *-8.5* | *-11.2%* | *-9.6* |
| Operating free cash flow | 150.5 | -18.8% | 185.3 |
| *Net M&A* | *-59.9* | *-30.2%* | *-85.7* |
| Free cash flow | 90.6 | -8.9% | 99.5 |
| Cash flow from financing activities | -290.3 | -37.4% | -463.6 |

# Appendix

Key financials – As reported and adjusted

| in CHF million | 1H 2023/24 Reported | Adjustments: 1 Restructuring | Adjustments: 2 Transaction & integration | Adjustments: Total | 1H 2023/24 Adjusted |
|---|---|---|---|---|---|
| Sales | 1,753.0 | - | - | - | 1,753.0 |
| Cost of sales | -501.3 | +3.6 | - | +3.6 | -497.8 |
| Gross profit | 1,251.6 | +3.6 | - | +3.6 | 1,255.2 |
| *Research & Development* | *-117.0* | *+1.5* | *-* | *+1.5* | *-115.6* |
| *Sales & Marketing* | *-631.5* | *+2.8* | *+3.4* | *+6.2* | *-625.3* |
| *General & Administration* | *-169.3* | *+2.4* | *+3.1* | *+5.5* | *-163.8* |
| *Other income/(expenses)* | *-0.5* | *-* | *-* | *-* | *-0.5* |
| Total OPEX | -918.3 | +6.6 | +6.5 | +13.1 | -905.2 |
| EBITA | 333.3 | +10.2 | +6.5 | +16.7 | 350.0 |
| EPS (in CHF) | 4.11 | +0.15 | +0.09 | +0.24 | 4.34 |

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

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

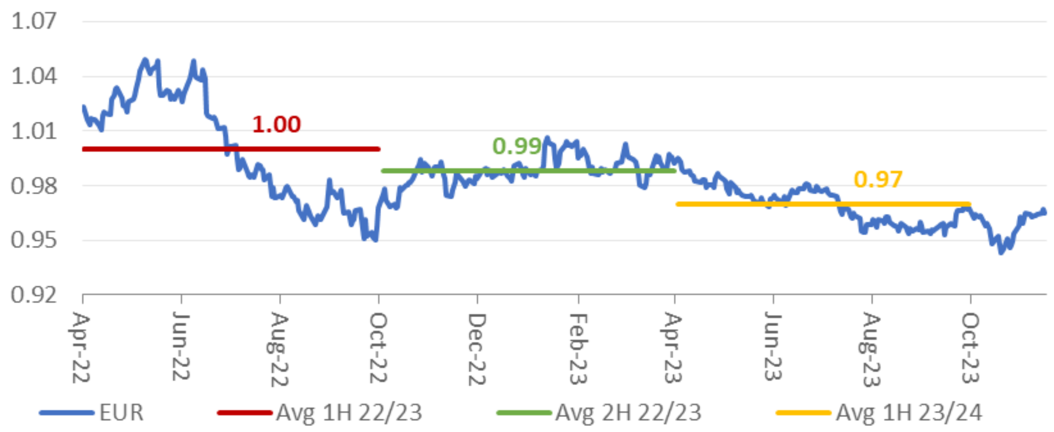
2 **Transaction & integration:** costs related to the acquisitions of AC business bolt-ons and integrations (Sennheiser CD, Alpaca and Hysound)

# Appendix

Sonova Group – FX impact on sales and margins

## USD/CHF

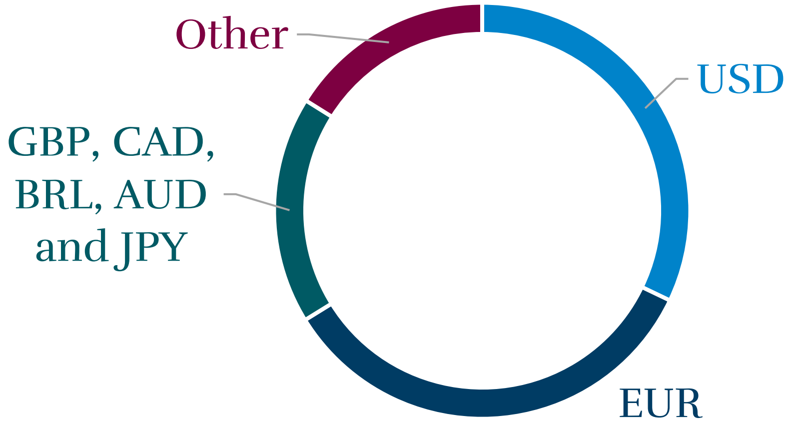

## EUR/CHF




| | Rate | Sales | EBITA |
|---|---|---|---|
| USD/CHF | +/- 5% | +/- CHF 59 million | +/- CHF 17 million |
| EUR/CHF | +/- 5% | +/- CHF 65 million | +/- CHF 23 million |

# Appendix

Sonova Group – Sales by currency and FX rates




| | 1H-22/23 | 1H-23/24 | Δ YOY in % | 2H-22/23 | FY-22/23 | Spot Nov-2023 |
|---|---|---|---|---|---|---|
| USD | 0.97 | 0.89 | -7.7% | 0.94 | 0.96 | 0.90 |
| EUR | 1.00 | 0.97 | -3.0% | 0.99 | 0.99 | 0.96 |
| GBP | 1.17 | 1.12 | -4.5% | 1.13 | 1.15 | 1.10 |
| CAD | 0.75 | 0.66 | -11.2% | 0.70 | 0.72 | 0.65 |
| AUD | 0.67 | 0.59 | -12.7% | 0.63 | 0.65 | 0.58 |
| BRL | 0.19 | 0.18 | -4.7% | 0.18 | 0.19 | 0.18 |
| JPY 100 | 0.72 | 0.63 | -12.3% | 0.69 | 0.70 | 0.61 |

# Investor relations contacts

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**Thomas Bernhardsgruetter**
Senior Director Investor Relations

+41 58 928 33 44
+41 79 618 28 07
Thomas.Bernhardsgruetter@sonova.com

**Jessica Grassi**
Director Investor Relations

+41 58 928 33 22
+41 79 416 28 76
Jessica.Grassi@sonova.com

**Nicole Jenni**
Investor Relations Associate

+41 58 928 33 21
Nicole.Jenni@sonova.com

## Sonova Group Headquarters

Laubisrütistrasse 28
CH-8712 Stäfa
Switzerland
ir@sonova.com
Switchboard: +41 58 928 01 01