Group Media & Investor Release

Ad hoc announcement pursuant to Art. 53 LR

Sonova first half year results 2024/25: Solid sales growth in the first half, acceleration through successful platform launches expected

Staefa (Switzerland), November 19, 2024 – Sonova Holding AG, a leading provider of hearing solutions, today announces results for the first half of its 2024/25 financial year. Group sales reached CHF 1,833.2 million, an increase of 5.9% in local currencies, driven by a strong performance of the Hearing Instruments and Cochlear Implants businesses. Adjusted EBITA was impacted by planned additional launch-related costs in the Hearing Instruments business as well as elevated lead-generation costs coupled with limited organic growth in the Audiological Care business. It reached CHF 325.2 million, a decrease of 3.7% in local currencies, resulting in a margin of 17.7%. Unfavorable exchange rate movements impacted the results in Swiss francs, leading to a 4.6% increase in sales and a 7.1% decline in adjusted EBITA. As previously projected, profitability is expected to grow significantly in the second half, driven by higher average selling prices, significantly lower launch costs and targeted cost initiatives. Sonova therefore continues to expect a consolidated sales growth of 6-9% and an adjusted EBITA increase of 7-11% for the financial year 2024/25, both at constant exchange rates.

Arnd Kaldowski, CEO of Sonova, says: "We achieved solid sales growth in the first half of the year, despite weaker than expected market conditions. With our successful launch of the Phonak Infinio and Phonak Sphere™ Infinio platforms, Sonova brings new hearing solutions to the market that enable substantial advancement in benefits for and care of people with hearing loss. We are proud to introduce this groundbreaking innovation, utilizing the power of real-time Artificial Intelligence for real time speech enhancement in our hearing aids for the first time. Thanks to our proprietary AI and chip technology, we can now significantly and further improve speech understanding, especially in noisy environments. An overwhelmingly positive customer response to these new platforms indicates a positive trajectory and increasing momentum, which provides the foundation for substantial sales growth in the second half of the

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year. We also expect a significant increase in profitability, driven by stronger sales momentum, higher average selling prices, and launch costs winding down. We are therefore confirming our outlook for the full year."

Sonova Group key figures – First half 2024/25 in CHF million

	1H 2024/25	1H 2023/24	Change in CHF	Change in local currencies
Sales	1,833.2	1,753.0	+4.6%	+5.9%
EBITA (adjusted)[1)]	325.2	350.0	-7.1%	-3.7%
EBITA margin (adjusted)[1)]	17.7%	20.0%		
EPS (adjusted, CHF)[1)]	3.74	4.34	-13.9%	-9.6%
Operating free cash flow	104.2	150.5	-30.7%	

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 2024/25.

Solid sales start to the year – strong reception of new products

Sonova Group sales reached CHF 1,833.2 million in the first half of financial year 2024/25, an increase of 5.9% in local currencies and 4.6% in Swiss francs. This represents a solid development, especially given a somewhat weaker-than-expected hearing care market, and competitive pressure leading up to the launch of the new hearing aid platforms. Although the new Infinio and Sphere Infinio platforms had a limited impact on sales, the market response was overwhelmingly positive, contributing to growth in the final weeks of the reporting period. In summary, the Group achieved organic sales growth of 4.5% in local currencies. Acquisitions during the reporting period, along with the full-year effect of previous acquisitions, contributed 1.4% to overall sales growth. Exchange rate fluctuations negatively impacted reported sales, reducing them by CHF 23.2 million or 1.3%.

Growth across all regions despite weaker-than-expected market in Europe

Sales in Europe, Middle East and Africa (EMEA) increased by 4.5% in local currencies. Growth was adversely affected by weaker-than-expected market conditions in Germany, France and the UK private market. This was partially offset by market share gains following the launch of the new platforms in the final weeks of the reporting period, as well as by bolt-on acquisitions, mainly in Germany.

In the United States, sales rose by 7.1% in local currency. As expected, the commercial market segment slowed in the first half of the 2024/25 financial year. Growth was driven by share gains in the commercial segment and the positive market reaction to the platform launches after the flagship launch event in early August. Sonova maintained its leading position with the US Department of Veterans Affairs (VA), although this market segment experienced a slight sales decline.

Sales in the rest of the Americas (excluding the US) were up 11.5% in local currencies. Growth was fueled by strong developments in both Canada and Brazil, partly due to the further expansion of the store network in the Audiological Care business through bolt-on acquisitions.

Sales in the Asia Pacific (APAC) region rose by 5.5% in local currencies. Strong growth was achieved in Australia, in part from bolt-on acquisitions. A sluggish hearing aid market in China impacted the performance of the Hearing Instruments and Audiological Care business, while both the Cochlear Implants and Consumer Hearing business achieved robust double-digit growth.

Temporary factors and currency headwinds impacting profitability

As a result of continued structural optimization initiatives, including the build-up of a new operations facility in Mexico, the Group incurred restructuring costs of CHF 14.2 million (1H 2023/24: CHF 10.2 million). Transaction and integration costs related to acquisitions amounted to CHF 3.1 million (1H 2023/24: CHF 6.5 million).

Adjusted figures and growth rates in this financial review exclude the items in the foregoing paragraph. For more details, please refer to the table “Reconciliation of non-GAAP financial measures” in the financial review of the Semi-Annual Report 2024/25.

Reported gross profit amounted to CHF 1,311.7 million. Adjusted gross profit was CHF 1,318.5 million, an increase of 6.6% in local currencies and 5.0% in Swiss francs. The development was supported by higher volume in the Hearing Instruments business as well as lower costs of components. It was held back by pressure on the average selling prices (ASP) leading up to the launch of the new platforms and costs related to the ramp up of manufacturing. As a result, the adjusted gross profit margin reached 71.9%, up by 0.3 percentage points in Swiss francs or 0.5 percentage points in local currencies.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,003.8 million (1H 2023/24: CHF 918.3 million). Adjusted operating expenses before acquisition-related amortization rose by 10.6% in local currencies or by 9.7% in Swiss francs to CHF 993.4 million (1H 2023/24: CHF 905.2 million). The cost increase is related to substantial investments in the launch of the new hearing aid platforms, elevated lead generation costs combined with lower-than-expected growth in the Audiological Care business as well as labor cost inflation. Adjusted research and development (R&D) expenses before acquisition-related amortization reached CHF 113.4 million, a stable development in local currencies, following the successful completion of two parallel platform developments.

Adjusted sales and marketing costs before acquisition-related amortization increased by 12.5% in local currencies to CHF 696.8 million or 38.0% of sales (1H 2023/24: 35.7%). This exceeded the sales development, primarily driven by significant launch investments, elevated lead generation costs, and acquisitions. Adjusted general and administration costs before acquisition-related amortization increased by 12.7% in local currencies, reaching CHF 183.2 million or 10.0% of sales (1H 2023/24: 9.3%). Nearly half of the increase was due to higher IT investments and costs related to the positive share price development on equity-linked compensation instruments. Adjusted other expenses were zero (1H 2023/24: CHF 0.5 million).

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 325.2 million (1H 2023/24: CHF 350.0 million), reflecting a decrease of 3.7% in local currencies and 7.1% in Swiss francs. The adjusted EBITA margin was 17.7%, down 2.3 percentage points in Swiss francs and 1.8 percentage points in local currencies compared to the same period last year. The strong headwind from exchange rate developments reduced adjusted EBITA by CHF 11.8 million and the margin by 0.4 percentage points. Reported EBITA fell by 4.1% in local currencies or 7.6% in Swiss francs, totaling CHF 307.9 million (1H 2023/24: CHF 333.3 million). Acquisition-related amortization was CHF 28.8 million (1H 2023/24: CHF 27.8 million).

Reported operating profit (EBIT) amounted to CHF 279.2 million (1H 2023/24: CHF 305.6 million), down 4.9% in local currencies or 8.6% in Swiss francs. Net financial expenses, including the result from associates, rose from CHF 11.9 million in the prior year period to CHF 20.8 million, reflecting the impact of the positive share price development on equity-linked compensation instruments, increased hedging costs, and certain non-recurring benefits in the prior year period. Income taxes amounted to CHF 46.6 million, impacted by the partial implementation of the OECD global minimum tax laws in Switzerland from 2024 onwards. Basic earnings per share (EPS) reached CHF 3.50, down 10.2% in local currencies and 14.7% in Swiss francs. Adjusted EPS decreased by 9.6% in local currencies and 13.9% in Swiss francs to CHF 3.74, compared to CHF 4.34 in the prior year period.

Hearing Instruments segment – sound start to the year and successful product launches

Sales in the Hearing Instruments segment totaled CHF 1,685.7 million, reflecting an increase of 5.4% in local currencies and 4.0% in Swiss francs compared to the prior year period. The development was tempered by softer-than-expected market growth and competitive pressure leading up to the launch of the new hearing aid platforms. Organic sales growth was 3.9% while acquisitions contributed an additional 1.5%, equating to CHF 24.0 million. Exchange rate fluctuations reduced reported sales by CHF 21.5 million, or 1.3% in Swiss francs.

The Hearing Instruments business achieved sales of CHF 868.2 million, up 7.0% in local currencies. Strong unit growth was partly offset by pressure on average selling prices (ASP) prior to the introduction of the new products. A key highlight was the launch of the Phonak Audéo Infinio and Audéo Sphere Infinio hearing aid families in August in the U.S. and expanding to major markets in September. While the new products contributed only modestly to sales in the first half, customer response was very positive, resulting in significant market share gains in major markets in the final weeks of the reporting period.

The Audiological Care business reported sales of CHF 700.8 million, representing an increase of 4.6% in local currencies. Organic growth reached 1.1%. This was held back by a high prior year comparison, lower demand – particularly in Europe – and a modest pipeline of prospective customers coming into the financial year. Convincing customers to visit the hearing care clinic and make a purchase decision continues to be a challenge, resulting in elevated lead generation costs. Acquisitions (including the full-year effect of prior year acquisitions) lifted sales by 3.5%.

Sales in Consumer Hearing business were down 1.7% in local currencies to CHF 116.7 million, reflecting ongoing challenges in the consumer electronics market. Overall, the business maintained its market share, with gains in the audiophile category. A key contributor to sales was the premium product line MOMENTUM 4, which includes Bluetooth headbands and the new true wireless earbuds.

Reported EBITA for the Hearing Instruments segment was CHF 296.5 million, down 5.0% in local currencies. Adjusted EBITA fell by 4.9% in local currencies to CHF 309.7 million, corresponding to a margin of 18.4% (1H 2023/24: 20.8%). Profitability was affected by adverse currency developments and exceptional factors related to the product launch. Additionally, elevated lead generation costs in the Audiological Care business, combined with lower-than-expected growth weighed on profitability. Excluding the adverse currency development, the adjusted EBITA margin fell by 2.0 percentage points compared to the prior year period.

Cochlear Implants segment – strong system sales driving market share gains

Sales in the Cochlear Implants segment amounted to CHF 147.6 million, reflecting an increase of 12.5% in local currencies and 11.3% in Swiss francs versus the prior year period. This growth was primarily fueled by strong system sales, which rose by 18.2% in local currencies, indicating market share gains. The segment's performance was bolstered by a healthy overall market, supported by Advanced Bionics' recently launched Remote Programming solution as well as by effective commercial execution. Sales of upgrades and accessories increased by 0.8% in local currencies. The lower growth in upgrades can be attributed to a decline in the recipients seeking upgrades, three years following the introduction of the Marvel sound processors in 2021.

Reported EBITA for the Cochlear Implants segment reached CHF 11.8 million. The adjusted EBITA reached CHF 15.8 million (1H 2023/24: CHF 12.7 million), representing a margin of 10.7% (1H 2023/24: 9.5%). Adverse shifts in the geographic sales mix weighed on the gross margin, which was more than offset by strict control of operating costs.

Cash flow and balance sheet

Cash flow from operating activities totaled CHF 215.1 million (1H 2023/24: CHF 252.8 million). The decline was primarily driven by lower income before taxes, partly due to adverse currency developments. Cash outflow from changes in net working capital was stable, impacted by the build-up of inventories in connection with the launch of the new platforms, which was partially compensated by benefits from improved payment terms. Coupled with higher capital expenditures, mainly due to a more linear phasing compared to last year, operating free cash flow reached CHF 104.2 million (1H 2023/24: CHF 150.5 million).

Cash consideration for acquisitions amounted to CHF 52.5 million (1H 2023/24: CHF 59.9 million), reflecting the further expansion of the audiological care network through bolt-on acquisitions, mainly in Australia and Canada. In summary, this resulted in a free cash flow of CHF 51.7 million (1H 2023/24: CHF 90.6 million). The cash outflow from financing activities of CHF 330.9 million mainly reflects the dividend payment of CHF 256.2 million.

Cash and cash equivalents stood at CHF 266.3 million compared to CHF 513.6 million at the end of the 2023/24 financial year. Net working capital rose to CHF 225.7 million, compared to CHF 93.2 million at the end of the 2023/24 financial year, reflecting higher inventory related to the recent launches, lower provisions for warranty and repair related to improved product reliability, as well as seasonal effects. Capital employed remained largely stable at CHF 3,883.0 million compared to CHF 3,850.9 million at the end of the 2023/24 financial year. The Group's equity of CHF 2,309.7 million represents an equity ratio of 42.3%, slightly down from 43.0% at end of the 2023/24 financial year. This was mainly driven by dividend payments and negative currency effects. The net debt position increased to CHF 1,573.2 million compared to CHF 1,359.5 million at the end of the 2023/24 financial year. The net debt/EBITDA ratio reached 1.8x, unchanged compared to September 2023 but up from 1.5x at the end of the 2023/24 financial year.

Outlook 2024/25

The strong market reception of the new Infinio and Sphere Infinio platforms provides a solid foundation for a substantial acceleration in sales growth in the second half, despite a slower-than-expected hearing care market. Sonova has initiated targeted cost initiatives, which are expected to drive profitability for the remainder of the financial year and going forward. Coupled with a stronger sales momentum, significantly lower launch costs, and higher ASPs, profitability is expected to grow strongly in the second half. For the 2024/25 financial year, Sonova therefore continues to expect to see a year-on-year growth of 6%-9% in consolidated sales, and of 7%-11% in adjusted EBITA, both measured at constant exchange rates.

Reflecting exchange rates as of early November 2024, Sonova anticipates reported sales growth in Swiss francs to be reduced by 1-2 percentage points and adjusted EBITA growth in Swiss francs to be negatively affected by 4-5 percentage points in FY 2024/25.

The complete Semi-Annual Report 2024/25 is available on our website:
https://www.sonova.com/en/financial-reports

The presentation of the Half-Year Results 2024/25 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	2024	2023
Sales	**1,833.2**	**1,753.0**
change compared to previous year (%)	4.6	(5.1)
Gross profit	**1,311.7**	**1,251.6**
in % of sales	71.5	71.4
Gross profit (adjusted)[1]	**1,318.5**	**1,255.2**
in % of sales (adjusted)	71.9	71.6
Research & development costs	**113.4**	**117.0**
in % of sales	6.2	6.7
Sales & marketing costs	**697.8**	**631.5**
in % of sales	38.1	36.0
Operating profit before acquisition-related amortization (EBITA)	**307.9**	**333.3**
in % of sales	16.8	19.0
Operating profit before acquisition-related amortization (EBITA) (adjusted)[1]	**325.2**	**350.0**
in % of sales (adjusted)	17.7	20.0
Operating profit (EBIT)	**279.2**	**305.6**
in % of sales	15.2	17.4
Income after taxes	**211.7**	**249.6**
in % of sales	11.5	14.2
Income after taxes (adjusted)[1]	**225.9**	**263.8**
in % of sales (adjusted)	12.3	15.1
Basic earnings per share (CHF)	**3.50**	**4.11**
Basic earnings per share (CHF) (adjusted)[1]	**3.74**	**4.34**
Net debt[2]	**1,573.2**	**1,672.3**
Net working capital[3]	225.7	207.6
Capital expenditure (tangible and intangible assets)[4]	70.2	53.1
Capital employed[5]	3,883.0	3,802.9
Total assets	5,456.0	5,387.4
Equity	2,309.7	2,130.6
Equity financing ratio (%)[6]	42.3	39.5
Free cash flow[7]	51.7	90.6
Operating free cash flow[8]	**104.2**	**150.5**
Number of employees (end of period)	**18,554**	**17,636**

[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 2024/25.
[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 2023/24 financial year, the Group generated sales of CHF 3.6 billion, with a net profit of CHF 610 million. Over 18,000 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.