Ad hoc announcement pursuant to Art. 53 LR

First half results 2023/24: Substantial acceleration in sales growth expected as temporary headwinds subside

Stäfa (Switzerland), November 21, 2023 – Sonova Holding AG, a leading provider of hearing solutions, today announces its results for the first half of the 2023/24 financial year. Group sales reached CHF 1,753.0 million, up 1.6% in local currencies. As anticipated, the development was held back by the non-renewal of a large contract. Adjusted EBITA was CHF 350.0 million, an increase of 2.5% in local currencies, representing a margin of 20.0%. Due to unfavorable exchange rate movements, sales were down 5.1% and adjusted EBITA declined by 12.1% as reported in Swiss francs. Continued strong execution in the Audiological Care business, a further strengthening of the hearing care market and improving momentum in the Hearing Instruments business provide a solid foundation for a substantial acceleration in sales growth in the second half. For the 2023/24 financial year, Sonova continues to expect consolidated sales to grow by 3-7% at constant exchange rates. Reflecting higher investments to sustain the positive trajectory, adjusted EBITA is now expected to increase by 4-8% at constant exchange rates, implying continued margin expansion in the second half.

Arnd Kaldowski, CEO of Sonova, says: "After an expected slow start, the development picked up over the course of the first half. We maintained growth investments in innovation, our digital ecosystem and the expansion of our audiological care network, while remaining focused on integrating our recent strategic acquisitions. This is in line with our strategy, which is geared towards above-market growth and long-term margin expansion. Our consistent efforts have yielded a steady improvement of our business performance over the course of the first half, which continued into October. Building on the positive momentum and further supported by an increase in investments, we are confident that we will achieve a substantial acceleration in sales growth in the second half."

Sonova Group key figures – First half 2023/24 in CHF m

	1H-2023/24	1H-2022/23	Change in CHF	Change in local currencies
Sales	1,753.0	1,846.6	-5.1%	+1.6%
EBITA (adjusted)[1)]	350.0	398.1	-12.1%	+2.5%
EBITA margin (adjusted)[1)]	20.0%	21.6%		
EPS (adjusted, CHF)[1)]	4.34	4.90	-11.3%	+8.1%
Operating free cash flow	150.5	185.3	-18.8%	

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 2023/24.

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Slow start to the year – Improving momentum over the course of the period

Sonova Group sales reached CHF 1,753.0 million in the first half of financial year 2023/24, up 1.6% in local currencies but down 5.1% in Swiss francs. The development was held back by the non-renewal of a large contract with a single US customer and temporary operational challenges. After a slow start, the overall hearing care market gradually improved, in part helped by an easing comparison base, although regional differences persist. For the Group, this resulted in an organic sales decline of 0.4% in local currencies but an increase of 3.0% in local currencies excluding the previously mentioned non-renewal of a large contract. Acquisitions in the reporting period (including the full-year effect of prior year acquisitions) contributed 2.0% to sales growth. Exchange rate fluctuations had a significant negative impact, reducing reported sales by CHF 123.7 million or 6.7%.

Volatile market development despite gradual improvement

Sales in Europe, Middle East and Africa (EMEA) rose by 4.8% in local currencies. Good growth in a number of key markets, including Germany, Belgium, the Netherlands and Poland, was partly offset by a weaker development in France, Italy and Sweden. Growth was supported by the continued expansion of the audiological care network.

In the United States, sales declined by 4.6% in local currency. While benefiting from a solid market recovery and the expansion of our audiological care network, the previously mentioned non-renewal of a large contract heavily weighed on growth during the reporting period.

Sales in the rest of the Americas (excluding the US) fell by 1.2% in local currencies, held back by a soft development in Canada, primarily related to the previously mentioned non-renewal of a large contract. This was partly offset by bolt-on acquisitions in our Audiological Care business.

Sales in the Asia Pacific (APAC) region rose by 7.8% in local currencies, driven by the acquisition of HYSOUND in China and strong growth in Japan, but dampened by a weak performance in Australia and New Zealand.

Profitability held back by strong currency headwinds and moderate sales development

As a result of additional structural optimization initiatives, including the build-up of a new operations facility in Mexico, the Group incurred restructuring costs of CHF 10.2 million (1H 2022/23: CHF 2.8 million). Transaction and integration costs related to acquisitions, including HYSOUND, the Sennheiser Consumer Division and Alpaca Audiology, amounted to CHF 6.5 million (1H 2022/23: CHF 2.5 million). In the prior year period, the Group had incurred legal costs of CHF 1.0 million, mainly related to an ongoing patent litigation.

Adjusted figures and growth rates in this financial review exclude these items. For more details, please refer to the table "Reconciliation of non-GAAP financial measures" in the financial review of the Semi-Annual Report 2023/24.

Reported gross profit reached CHF 1,251.6 million. Adjusted gross profit was CHF 1,255.2 million, an increase of 5.8% in local currencies but a decline of 2.3% in Swiss francs. This was supported by prior year price increases implemented to offset inflationary pressures as well as a shift in the business mix due to the strong growth in our Audiological Care business. The development was further helped by a gradual easing of headwinds from transport and component costs. As a result, the adjusted gross profit margin reached 71.6%, up by 2.0 percentage points in Swiss francs or 2.8 percentage points in local currencies.

Excluding acquisition-related amortization, reported operating expenses were CHF 918.3 million (1H 2022/23: CHF 891.8 million). Impacted by the previously mentioned shift in the business mix, which was in part driven by acquisitions, and reflecting the slow sales development, adjusted operating expenses before acquisition-related amortization rose by 7.2% in local currencies or by 2.1% in Swiss francs to CHF 905.2 million (1H 2022/23: CHF 886.3 million). Adjusted research and development (R&D) expenses before acquisition-related amortization declined by 0.6% in local currencies to CHF 115.6 million, reflecting stable investments in innovation.

Adjusted sales and marketing costs before acquisition-related amortization were up by 8.2% in local currencies to CHF 625.3 million or 35.7% of sales (1H 2022/23: 33.2%). Growth was largely driven by acquisitions as well as the previously mentioned shift in the business mix resulting from the higher share of the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group. Adjusted general and administration costs before acquisition-related amortization increased by 10.8% in local currencies, reaching CHF 163.8 million or 9.3% of sales (1H 2022/23: 8.3%). Adjusted other expenses were CHF 0.5 million (1H 2022/23: zero).

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 350.0 million (1H 2022/23: CHF 398.1 million), up 2.5% in local currencies but down 12.1% in Swiss francs. The adjusted EBITA margin was 20.0%, a decline of 1.6 percentage points in Swiss francs but an increase of 0.2 percentage points in local currencies compared to the prior year period. The strong headwind from exchange rate developments reduced adjusted EBITA by CHF 58.0 million and the margin by 1.7 percentage points. Reported EBITA declined by 0.4% in local currencies or 14.9% in Swiss francs to CHF 333.3 million (1H 2022/23: CHF 391.8 million). Acquisition-related amortization amounted to CHF 27.8 million (1H 2022/23: CHF 28.0 million).

Reported operating profit (EBIT) reached CHF 305.6 million (1H 2022/23: CHF 363.8 million), down 0.7% in local currencies or 16.0% in Swiss francs. Net financial expenses, including the result from associates, declined from CHF 13.3 million in the prior year period to CHF 11.9 million. Income taxes amounted to CHF 44.1 million, representing an underlying tax rate of 15.0% (1H 2022/23: 15.5%). Basic earnings per share (EPS) reached CHF 4.11, up 5.0% in local currencies but down 14.6% in Swiss francs. Adjusted EPS increased by 8.1% in local currencies but decreased 11.3% in Swiss francs to CHF 4.34, compared to CHF 4.90 in the prior year period.

Hearing Instruments segment – Modest growth driven by strong performance in Audiological Care

Sales in the Hearing Instruments segment reached CHF 1,620.3 million, an increase of 1.8% in local currencies but down 4.9% in Swiss francs compared to the prior year period. The strong performance in the Audiological Care business partly offset the impact from the non-renewal of a large contract with a single US customer in the Hearing Instruments business and headwinds from temporary operational challenges. This resulted in a slight organic sales decline of 0.3%. The contribution from acquisitions, including HYSOUND, lifted sales by 2.2% or CHF 37.1 million. Exchange rate fluctuations reduced reported sales by CHF 114.2 million or 6.7% in Swiss francs.

The Hearing Instruments business generated sales of CHF 824.5 million, down by 4.3% in local currencies. Excluding the impact from the previously mentioned non-renewal of a large contract, the sales rose by 2.4% in local currencies. The development was supported by a lift in the global average selling price (ASP) as a result of prior year price increases. Phonak successfully expanded the Lumity platform with Sky, Naída and CROS to meet the unique requirements of kids, teenagers and adults with severe-to-profound hearing loss. Recent data shows a further 30% improvement in reliability of the Phonak Lumity platform over its already strong predecessor, which is communicated to hearing care professionals through a dedicated campaign. Unitron successfully introduced its new Vivante™ platform as part of our strategic commitment to roll out our latest technologies across our brands.

Sales in Consumer Hearing business reached CHF 120.3 million. This represents a decline of 1.9% in local currencies against a high comparison base and is reflecting fewer product introductions than in the prior year period. However, the business performed in line with its peers in a challenging consumer electronic market. As part of its broader range of Sennheiser-branded hearing solutions, the business introduced All-Day Clear, a new self-fitting hearing aid, which marks the entry into the over-the-counter (OTC) market in the United States. The launch of the AMBEO Soundbar Mini at the end of August and of the ACCENTUM wireless headphones in September are expected to support sales in the second half of the financial year.

The Audiological Care business reported a strong performance with sales up 11.5% in local currencies to CHF 675.5 million. Organic growth reached 5.7%, driven by solid growth in most European markets, supported by both higher volume and ASP. Acquisitions (including the full-year effect of prior year acquisitions) lifted sales by 5.8%. A key contributor was HYSOUND in China, which performed ahead of plan, supported by our strong digital presence in this high-growth market. In addition, there were smaller bolt-on acquisitions across all regions.

Reported EBITA for the Hearing Instruments segment amounted to CHF 323.9 million, an increase of 1.8% in local currencies. Adjusted EBITA rose by 4.2% in local currencies to CHF 337.6 million, corresponding to a margin of 20.8% (1H 2022/23: 22.2%). Excluding the adverse currency development, the adjusted EBITA margin rose by 0.5 percentage points compared to the prior year period.

Cochlear Implants segment – Improving market but held back by competitor product launch

Sales in the Cochlear Implants segment reached CHF 132.6 million, a decrease of 0.9% in local currencies and 7.5% in Swiss francs versus the prior year period. System sales rose by 2.8% in local currencies. This was helped by a continued market improvement as hospital staffing shortages abated, but was held back by pressure following the launch of a new sound processor from the largest competitor. Sales of upgrades and accessories fell by 7.8% in local currencies. With the Marvel sound processors entering their third year after the launch in 2021, the installed base of recipients waiting for an upgrade is tapering off. In addition, the development was impacted by residual supply chain issues, which have been largely resolved by now.

Reported EBITA for the Cochlear Implants segment reached CHF 9.7 million. The adjusted EBITA reached CHF 12.7 million (1H 2022/23: CHF 19.5 million), representing a margin of 9.5% (1H 2022/23: 13.6%). Lower sales and production volumes, adverse shifts in the geographic and product mix, as well as residual supply chain issues weighed on the gross margin. The margin development was also impacted by continued investments in sales and marketing to drive future sales.

Cash flow and balance sheet

Cash flow from operating activities reached CHF 252.8 million (1H 2022/23: CHF 303.0 million). The decline was almost entirely driven by lower income before taxes as a result of adverse currency developments against the prior year period and was further compounded by higher tax payments. This was partly compensated by a lower cash outflow from changes in net working capital. Coupled with lower capital expenditure versus the prior year period this resulted in an operating free cash flow of CHF 150.5 million (1H 2022/23: CHF 185.3 million).

Cash consideration for acquisitions amounted to CHF 59.9 million (1H 2022/23: CHF 85.7 million), reflecting the further expansion of our audiological care network through bolt-on acquisitions. In summary, this resulted in a free cash flow of CHF 90.6 million (1H 2022/23: CHF 99.5 million). The cash outflow from financing activities of CHF 290.3 million mainly reflects the dividend payment of CHF 274.1 million.

Cash and cash equivalents stood at CHF 250.6 million compared to CHF 413.9 million at the end of the 2022/23 financial year. Net working capital rose to CHF 207.6 million, compared to CHF 89.5 million at the end of the 2022/23 financial year. Capital employed increased to CHF 3,802.9 million compared to CHF 3,727.3 million at the end of the 2022/23 financial year. The Group’s equity of CHF 2,130.6 million represents an equity ratio of 39.5%, slightly down from 40.2% at end of the 2022/23 financial year. This was mainly driven by dividend payments and negative currency effects. The net debt position increased to CHF 1,672.3 million compared to CHF 1,495.9 million at the end of the 2022/23 financial year. The net debt/EBITDA ratio reached 1.8x, rising above the Group’s target range of 1.0-1.5x due to seasonal factors.

Outlook 2023/24

The continued strong execution in the Audiological Care business, a further strengthening of the hearing care market and improving momentum in the Hearing Instruments business provide a solid foundation for a substantial acceleration in sales growth in the second half. For the 2023/24 financial year, Sonova continues to expect consolidated sales to grow by 3-7% at constant exchange rates. Reflecting higher investments to sustain the positive trajectory in the Hearing Instruments and Audiological Care business, adjusted EBITA is now expected to increase by 4-8% (previously: 6-10%) at constant exchange rates. This implies a continued margin expansion in the second half.

Reflecting exchange rates as of early November 2023, Sonova anticipates reported sales growth in Swiss francs to be reduced by 6-7% percentage points and adjusted EBITA growth in Swiss francs to be negatively affected by 12-14% percentage points in FY 2023/24.

The complete Semi-Annual Report 2023/24 is available on our website:
https://www.sonova.com/en/financial-reports

The presentation of the Half-Year Results 2023/24 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	2023	2022
Sales	**1,753.0**	**1,846.6**
change compared to previous year (%)	(5.1)	15.1
Gross profit	**1,251.6**	**1,283.7**
in % of sales	71.4	69.5
Gross profit (adjusted)[1]	**1,255.2**	**1,284.4**
in % of sales (adjusted)	71.6	69.6
Research & development costs	**117.0**	**119.2**
in % of sales	6.7	6.5
Sales & marketing costs	**631.5**	**617.4**
in % of sales	36.0	33.4
Operating profit before acquisition-related amortization (EBITA)	**333.3**	**391.8**
in % of sales	19.0	21.2
Operating profit before acquisition-related amortization (EBITA) (adjusted)[1]	**350.0**	**398.1**
in % of sales (adjusted)	20.0	21.6
Operating profit (EBIT)	**305.6**	**363.8**
in % of sales	17.4	19.7
Income after taxes	**249.6**	**296.2**
in % of sales	14.2	16.0
Income after taxes (adjusted)[1]	**263.8**	**301.8**
in % of sales (adjusted)	15.1	16.3
Basic earnings per share (CHF)	**4.11**	**4.81**
Basic earnings per share (CHF) (adjusted)[1]	**4.34**	**4.90**
Net debt[2]	**1,672.3**	**1,497.3**
Net working capital[3]	207.6	125.7
Capital expenditure (tangible and intangible assets)[4]	53.1	68.6
Capital employed[5]	3,802.9	3,498.1
Total assets	5,387.4	5,197.2
Equity	2,130.6	2,000.8
Equity financing ratio (%)[6]	39.5	38.5
Free cash flow[7]	90.6	99.5
Operating free cash flow[8]	**150.5**	**185.3**
Number of employees (end of period)	**17,636**	**17,073**

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 2023/24.
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 2022/23 financial year, the Group generated sales of CHF 3.7 billion, with a net profit of CHF 658 million. Over 17,000 employees are working on achieving Sonova's vision of a world where everyone enjoys the delight of hearing.

For more information please visit www.sonova.com.

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