

# HI 2019 Results

Milan, July 30<sup>th</sup>, 2019



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## IFRS 16 & IFRS 15

From January 1<sup>st</sup>, 2019 the Group has adopted the principle IFRS 16 “Leases”, which has led to changes in accounting policies and in some cases adjustments to the amounts recognized in the financial statements. The comparative data for 2018 has not been restated, while the key data for 2019 is also presented without the application of IFRS 16. Thus the comparative analysis of this presentation refers, unless otherwise specified, to 2019 key data without the application of IFRS 16.

From January 1<sup>st</sup>, 2018 the Group has also adopted the principle IFRS 15 “Revenue from contracts with customers”. All 2018 and 2019 data provided herein is with the application of IFRS 15. Therefore is to be noted that the growth rates of revenues reported herein are not comparable to the revenue growth rates reported in 2018 results presentations and press releases, as these were calculated without IFRS 15 application.

## Statement

*In compliance with Article 154 bis of the “Uniform Financial Services Act” (Legislative Decree 58/1998), the Financial Reporting Officer, Gabriele Galli, declares that the accounting information reported in this presentation corresponds to the underlying documentary reports, books of account and accounting entries.*

# Q2 & H1 2019 Key takeaways

## Excellent momentum continues

- Continued outstanding top-line growth (Q2 2019: +24.7% in LC; H1 2019: +25.0% in LC)
  - Strong organic growth, above market and further improving in Q2 (+5.6%)
  - Extraordinary contribution from M&A
- Continued excellent performance of Spain
  - Double-digit organic growth also in Q2
  - Integration activities fully on track
- Strong profitability improvement, even after GAES integration
  - EBITDA recurring margin up 30 bps in H1 2019 (20 bps in Q2 2019)
    - Strong marketing investments: ~+35% in H1 2019 (~+15% at same perimeter)
  - Net profit recurring and EPS adjusted up, respectively, 31.6% and 37.7% vs H1 2018
- Ongoing network expansion: 82 shops in addition to GAES network
  - Bolt-on acquisitions of 64 shops primarily in France and Germany
    - Net cash-out totaled €27.7 million
  - Openings of 18 shops
- Very strong cash generation
  - Operating cash flow recurring up 51.6% vs H1 2018
- First positive results from the initial roll-out of the Amplifon Product Experience in the Netherlands and Germany

# Q2 2019 Financial highlights

Outstanding performance across the board, supported again by Spain's excellent results

| Data in €m     | Q2 2019  |            | Q2 2018    | Δ%     |
|----------------|----------|------------|------------|--------|
|                | w/IFRS16 | w/o IFRS16 | w/o IFRS16 |        |
| REVENUES       | 440.1    | 440.1      | 350.2      | +25.7% |
| Organic growth |          |            |            | +5.6%  |
| Acquisitions   |          |            |            | +19.1% |
| FX             |          |            |            | +1.0%  |
| EBITDA Rec.    | 107.6    | 84.9       | 66.7       | +27.2% |
| Margin %       | 24.5%    | 19.3%      | 19.1%      |        |

- Another quarter of excellent top-line growth of ~+25% in LC, despite negative impact from IFRS15 (~-1%)
  - Strong organic growth at +5.6% (excluding GAES), above market and further improving from Q1 2019
  - Extraordinary M&A contribution at +19.1%, fostered by
    - GAES consolidation as of January 1<sup>st</sup> 2019
    - GAES double-digit top-line growth vs. last year
    - Bolt-on acquisitions in core countries
- Currency tailwind at +1.0%, primarily thanks to USD appreciation vs Euro
- Continued profitability improvement also after GAES integration
  - EBITDA recurring of €84.9 million, up 27.2% or EBITDA recurring margin up 20 bps over Q2 2018
    - Marketing: ~+40% (~+18% at same perimeter)
  - Net Profit recurring of €41.9 million, +29.3% vs Q2 2018
- Very strong free cash flow generation
- EBITDA recurring w/IFRS16 at €107.6 million with margin at 24.5%

# HI 2019 Financial highlights

## Excellent half-year results

| Data in €m     | HI 2019  |            | HI 2018    | Δ%     |
|----------------|----------|------------|------------|--------|
|                | w/IFRS16 | w/o IFRS16 | w/o IFRS16 |        |
| REVENUES       | 832.0    | 832.0      | 659.6      | +26.1% |
| Organic growth |          |            |            | +4.8%  |
| Acquisitions   |          |            |            | +20.2% |
| FX             |          |            |            | +1.1%  |
| EBITDA Rec.    | 186.6    | 141.2      | 109.9      | +28.4% |
| Margin %       | 22.4%    | 17.0%      | 16.7%      |        |

- Outstanding top-line growth of +25.0% in LC
  - Strong organic growth at ~+5% (excluding GAES), above market
  - Extraordinary M&A contribution at +20.2%, fostered by
    - GAES consolidation as of January 1<sup>st</sup> 2019
    - GAES double-digit top-line growth vs. last year
    - Bolt-on acquisitions in core countries
  - Currency tailwind at ~+1%, primarily thanks to USD appreciation vs Euro
- Strong operating leverage, supported by better than expected GAES performance
  - EBITDA recurring of €141.2 million, up 28.4% or EBITDA recurring margin up 30 bps over HI 2018
    - Marketing: ~+35% (~+15% at same perimeter)
  - Net Profit recurring of €61.9 million, +31.6% vs HI 2018
- Strong free cash flow recurring at €64.8 million up 45.7% vs HI 2018
- Net financial debt stable at €841.1 million, after dividend payment of €30.9 million, with Net Debt/EBITDA reducing to 2.23x
- EBITDA recurring w/IFRS16 at €186.6 million with margin at 22.4%

For comparability purpose commentary and figures refers to data prepared without the adoption of IFRS 16 ("w/o IFRS16")

# Financial results by Region

EMEA: outstanding performance boosted by organic growth acceleration in Q2 and by the excellent results of Spain

| Data in €m      | HI 2019      |              | HI 2018      | Δ%     |
|-----------------|--------------|--------------|--------------|--------|
|                 | w/IFRS16     | w/o IFRS16   | w/o IFRS16   |        |
| REVENUES        | 607.1        | 607.1        | 463.0        | +31.1% |
| Organic growth  |              |              |              | +5.5%  |
| Acquisitions    |              |              |              | +25.4% |
| FX              |              |              |              | +0.2%  |
| EBITDA Rec.     | 147.3        | 109.2        | 82.0         | +33.1% |
| <b>Margin %</b> | <b>24.3%</b> | <b>18.0%</b> | <b>17.7%</b> |        |

| Data in €m      | Q2 2019      |              | Q2 2018      | Δ%     |
|-----------------|--------------|--------------|--------------|--------|
|                 | w/IFRS16     | w/o IFRS16   | w/o IFRS16   |        |
| REVENUES        | 323.4        | 323.4        | 247.2        | +30.8% |
| Organic growth  |              |              |              | +6.9%  |
| Acquisitions    |              |              |              | +23.6% |
| FX              |              |              |              | +0.3%  |
| EBITDA Rec.     | 85.4         | 66.3         | 51.6         | +28.5% |
| <b>Margin %</b> | <b>26.4%</b> | <b>20.5%</b> | <b>20.9%</b> |        |

- Outstanding revenue growth of ~+31% in LC
  - Strong organic growth at +5.5% (excluding GAES), above market and improving in Q2 to ~+7%
  - M&A contribution of +25.4% for the combined effect of
    - GAES consolidation as of January 1<sup>st</sup> 2019
    - GAES double-digit top-line growth vs. HI 2018
    - Bolt-on M&A primarily in our core German and French markets
- Strong organic growth in Italy fostered by the ongoing successful roll-out of the Amplifon Product Experience
- Excellent and above expectations organic performance of Spain – for both GAES (reported in M&A) and Amplifon businesses - growing double-digit vs last year
- Robust performance in France, despite adverse phasing for the new regulation in Q1 and back to double-digit growth in Q2
- Excellent performance in Germany fostered by strong organic growth, further accelerating in Q2, and acquisitions
- Very positive preliminary results from the initial roll-out of the Amplifon Product Experience in the Netherlands and Germany
- EBITDA recurring up 33.1% or margin up 30 bps over HI 2018
  - EBITDA margin recurring slightly contracting in Q2 2019 due to GAES different seasonality

# Financial results by Region

## AMERICAS: strong top-line and excellent profitability improvement

| Data in €m      | HI 2019      |              | HI 2018      | Δ%     |
|-----------------|--------------|--------------|--------------|--------|
|                 | w/IFRS16     | w/o IFRS16   | w/o IFRS16   |        |
| REVENUES        | 131.9        | 131.9        | 109.3        | +20.6% |
| Organic growth  |              |              |              | +2.3%  |
| Acquisitions    |              |              |              | +11.4% |
| FX              |              |              |              | +6.9%  |
| EBITDA Rec.     | 29.1         | 27.0         | 20.8         | +29.6% |
| <b>Margin %</b> | <b>22.1%</b> | <b>20.5%</b> | <b>19.1%</b> |        |

| Data in €m      | Q2 2019      |              | Q2 2018      | Δ%     |
|-----------------|--------------|--------------|--------------|--------|
|                 | w/IFRS16     | w/o IFRS16   | w/o IFRS16   |        |
| REVENUES        | 68.8         | 68.8         | 57.5         | +19.5% |
| Organic growth  |              |              |              | +1.7%  |
| Acquisitions    |              |              |              | +12.0% |
| FX              |              |              |              | +5.8%  |
| EBITDA Rec.     | 16.4         | 15.3         | 11.9         | +29.0% |
| <b>Margin %</b> | <b>23.9%</b> | <b>22.3%</b> | <b>20.7%</b> |        |

- Strong revenue growth of +13.7% in LC
  - Organic growth at +2.3%, after ~1% negative impact from IFRS15
    - Organic growth in Q2 at +1.7%, after IFRS15 negative impact of over 1%
      - Good performance of Miracle-Ear and AHHC more than compensating softer performance of Elite Hearing Network and Canada
  - Significant contribution from M&A, primarily reflecting GAES LATAM business consolidation as of January 1<sup>st</sup>, 2019, further boosted by a double-digit organic growth in the period (reported in M&A)
  - Significant currency tailwind for USD appreciation vs. Euro
- Excellent EBITDA Recurring at €27.0 million, up +29.6% vs HI 2018, with margin improving by 140 bps
  - Acceleration in profitability in Q2 2019 with EBITDA margin up 160 bps vs Q2 2018
  - Strong operational efficiency more than compensating dilutive effect of GAES LATAM consolidation

# Financial results by Region

APAC: robust and above-market sales performance; profitability reflecting lower fixed cost absorption

| Data in €m      | HI 2019      |              | HI 2018      | Δ%    |
|-----------------|--------------|--------------|--------------|-------|
|                 | w/IFRS16     | w/o IFRS16   | w/o IFRS16   |       |
| REVENUES        | 91.0         | 91.0         | 86.1         | +5.7% |
| Organic growth  |              |              |              | +3.4% |
| Acquisitions    |              |              |              | +3.4% |
| FX              |              |              |              | -1.1% |
| EBITDA Rec.     | 27.3         | 22.1         | 23.6         | -6.4% |
| <b>Margin %</b> | <b>30.0%</b> | <b>24.3%</b> | <b>27.4%</b> |       |

| Data in €m      | Q2 2019      |              | Q2 2018      | Δ%     |
|-----------------|--------------|--------------|--------------|--------|
|                 | w/IFRS16     | w/o IFRS16   | w/o IFRS16   |        |
| REVENUES        | 46.6         | 46.6         | 44.8         | +4.0%  |
| Organic growth  |              |              |              | +1.9%  |
| Acquisitions    |              |              |              | +3.3%  |
| FX              |              |              |              | -1.2%  |
| EBITDA Rec.     | 13.3         | 10.7         | 12.0         | -10.3% |
| <b>Margin %</b> | <b>28.5%</b> | <b>23.0%</b> | <b>26.7%</b> |        |

- Solid revenue growth of +6.8% in LC
  - Organic growth at 3.4%, above market
    - Organic growth in Q2 at ~+2%, despite 1 trading day less and a still flattish market environment in Australia and New Zealand
  - M&A contribution related to the Chinese JV
  - Challenging comparison basis (+7.4% in LC in HI 2018 vs HI 2017; +7.1% in Q2 2018 vs Q2 2017)
  - Currency headwind
- Robust performance, above market, in Australia driven by solid organic growth
- Soft performance in New Zealand due to still low returning customers for regulatory change anniversary
- Strong start in July for both Australia and New Zealand
- EBITDA at €22.1 million in HI and €10.7 million in Q2
  - EBITDA margin contraction
    - Lower fixed cost absorption due to flattish market environment and fewer trading days
    - Dilutive effect from Chinese JV consolidation
- Profitability expected to improve in H2



# Q2 2019 Financial results

Outstanding increase in Net Profit Recurring by ~+30% and EPS Adjusted by ~+36%, fostered by improved operating leverage, financial expenses and tax rate

| Data in €m<br>(unless specified) | Q2 2019 w/IFRS16 |          | Q2 2019 w/o IFRS16 |          | Q2 2018 | Δ% Rec. w/o IFRS16 |
|----------------------------------|------------------|----------|--------------------|----------|---------|--------------------|
|                                  | Recurring        | Reported | Recurring          | Reported |         |                    |
| REVENUES                         | 440.1            | 440.1    | 440.1              | 440.1    | 350.2   | +25.7%             |
| EBITDA <sup>1</sup>              | 107.6            | 103.2    | 84.9               | 80.5     | 66.7    | +27.2%             |
| Margin %                         | 24.5%            | 23.5%    | 19.3%              | 18.3%    | 19.1%   | --                 |
| ORDINARY D&A                     | (37.3)           | (37.3)   | (15.7)             | (15.7)   | (12.1)  | -29.8%             |
| PPA-RELATED AMORTIZATION         | (9.3)            | (9.4)    | (9.3)              | (9.4)    | (5.1)   | -80.7%             |
| EBIT <sup>2</sup>                | 61.1             | 56.6     | 59.9               | 55.4     | 49.5    | +21.0%             |
| Margin %                         | 13.9%            | 12.9%    | 13.6%              | 12.6%    | 14.1%   | --                 |
| NET FINANCIAL EXPENSES           | (6.2)            | (6.2)    | (3.4)              | (3.4)    | (5.1)   | +33.1%             |
| PBT <sup>2</sup>                 | 54.8             | 50.4     | 56.5               | 52.0     | 44.4    | +27.1%             |
| TAXES                            | (14.3)           | (13.6)   | (14.6)             | (13.9)   | (12.0)  | -21.5%             |
| % on PBT                         | 26.0%            | 27.1%    | 25.8%              | 26.8%    | 27.0%   | --                 |
| MINORITY                         | (0.0)            | (0.0)    | (0.0)              | (0.0)    | (0.0)   | --                 |
| NET PROFIT <sup>3</sup>          | 40.6             | 36.8     | 41.9               | 38.1     | 32.4    | +29.3%             |
| Margin %                         | 9.2%             | 8.4%     | 9.5%               | 8.7%     | 9.3%    | --                 |
| EPS Reported (Euro)              | --               | 0.166    | --                 | 0.172    | 0.154   | --                 |
| EPS Adjusted (Euro) <sup>4</sup> | 0.217            | --       | 0.223              | --       | 0.165   | +35.7%             |

1. Negative one-off in Q2 2019 of €4.38 million for costs related to GAES integration. No one-offs in Q2 2018

2. Negative one-off in Q2 2019 of €4.45 million related to GAES integration

3. Negative one-off in Q2 2019 of €3.81 million related to items in Notes above net of taxes

4. EPS adjusted for one-offs and PPA-related amortization (net of taxes)

# HI 2019 Financial results

Delivering excellent results in all P&L items; Net Profit ~+32% and EPS Adjusted ~+38%

| Data in €m<br>(unless specified)       | HI 2019 w/IFRS16 |              | HI 2019 w/o IFRS16 |              | HI 2018      | Δ% Rec. w/o<br>IFRS16 |
|--|------------------|--------------|--------------------|--------------|--------------|-----------------------|
|  | Recurring        | Reported     | Recurring          | Reported     |              |                       |
| <b>REVENUES</b>                        | <b>832.0</b>     | <b>832.0</b> | <b>832.0</b>       | <b>832.0</b> | <b>659.6</b> | <b>+26.1%</b>         |
| <b>EBITDA<sup>1</sup></b>              | <b>186.6</b>     | <b>180.8</b> | <b>141.2</b>       | <b>135.4</b> | <b>109.9</b> | <b>+28.4%</b>         |
| <i>Margin %</i>                        | 22.4%            | 21.7%        | 17.0%              | 16.3%        | 16.7%        | --                    |
| ORDINARY D&A                           | (72.7)           | (72.2)       | (29.9)             | (29.9)       | (23.7)       | -26.2%                |
| PPA-RELATED<br>AMORTIZATION            | (18.5)           | (18.6)       | (18.5)             | (18.6)       | (10.2)       | -81.6%                |
| <b>EBIT<sup>2</sup></b>                | <b>95.4</b>      | <b>89.5</b>  | <b>92.8</b>        | <b>86.9</b>  | <b>76.1</b>  | <b>+22.0%</b>         |
| <i>Margin %</i>                        | 11.5%            | 10.8%        | 11.2%              | 10.4%        | 11.5%        | --                    |
| NET FINANCIAL EXPENSES                 | (12.8)           | (12.8)       | (7.1)              | (7.1)        | (9.8)        | +27.1%                |
| <b>PBT<sup>2</sup></b>                 | <b>82.6</b>      | <b>76.7</b>  | <b>85.6</b>        | <b>79.8</b>  | <b>66.3</b>  | <b>+29.2%</b>         |
| TAXES                                  | (23.2)           | (22.2)       | (23.7)             | (22.7)       | (19.3)       | -23.2%                |
| <i>% on PBT</i>                        | 28.1%            | 28.9%        | 27.7%              | 28.5%        | 29.1%        | --                    |
| MINORITY                               | (0.0)            | (0.0)        | 0.0                | 0.0          | (0.1)        | --                    |
| <b>NET PROFIT<sup>3</sup></b>          | <b>59.4</b>      | <b>54.5</b>  | <b>61.9</b>        | <b>57.0</b>  | <b>47.0</b>  | <b>+31.6%</b>         |
| <i>Margin %</i>                        | 7.1%             | 6.5%         | 7.4%               | 6.9%         | 7.1%         | --                    |
| <b>EPS Reported (Euro)</b>             | <b>--</b>        | <b>0.247</b> | <b>--</b>          | <b>0.258</b> | <b>0.215</b> | <b>--</b>             |
| <b>EPS Adjusted (Euro)<sup>4</sup></b> | <b>0.330</b>     | <b>--</b>    | <b>0.341</b>       | <b>--</b>    | <b>0.248</b> | <b>+37.7%</b>         |

1. Negative one-off in HI 2019 of €5.80 million for costs related to GAES integration. No one-offs in HI 2018

2. Negative one-off in HI 2019 of €5.87 million related to GAES integration

3. Negative one-off in HI 2019 of €4.87 million related to items in Notes above net of taxes

4. EPS adjusted for one-offs and PPA-related amortization (net of taxes)

# HI 2019 Financial results

Excellent cash flow generation: Operating Cash Flow recurring over +50% vs HI 2018

| Data in €m   | HI 2019 <sup>1</sup> | HI 2018 <sup>2</sup> | Δ           |
|--|----------------------|----------------------|-------------|
| <b>Operating cash flow before repayment of lease liabilities</b>     | <b>139.5</b>         | <b>70.4</b>          | <b>69.0</b> |
| Repayment of lease liabilities                                       | (39.7)               | --                   | (39.7)      |
| <b>Operating cash flow</b>   | <b>99.8</b>          | <b>70.4</b>          | <b>29.4</b> |
| Capex (net)  | (42.0)               | (26.0)               | (16.0)      |
| <b>Free cash flow</b>  | <b>57.9</b>          | <b>44.5</b>          | <b>13.4</b> |
| Acquisitions (net)   | (27.7)               | (37.6)               | 9.8         |
| <b>Cash provided by (used in) operating and investing activities</b> | <b>30.1</b>          | <b>6.9</b>           | <b>23.2</b> |
| Cash provided by (used) financing activities                         | (29.7)               | (30.6)               | 1.0         |
| <b>Net cash flow for the period</b>                                  | <b>0.4</b>           | <b>(23.7)</b>        | <b>24.2</b> |

|   |                |                |                |
|---|----------------|----------------|----------------|
| <b>Net financial position (opening date)</b>                | <b>(840.9)</b> | <b>(296.3)</b> | <b>(544.6)</b> |
| Change in net financial position                            | 0.4            | (23.7)         | 24.2           |
| Effect of FX & discontinued operation on financial position | (0.7)          | 0.3            | (1.0)          |
| <b>Net financial position (closing date)</b>                | <b>(841.1)</b> | <b>(319.6)</b> | <b>(521.4)</b> |

1. Non recurring cash-out of ~€7 million in HI 2019 for costs related to GAES acquisition

2. No non recurring cash-out in HI 2018

# HI 2019 Financial results

Net Debt stable vs YE 2018 with Net Debt/EBITDA reducing to 2.23x

| Data in €m  | 30/06/2019     | 31/12/2018 <sup>1</sup> |
|---|----------------|-------------------------|
| Cash  | (128.8)        | (89.9)                  |
| Short-term debt                                     | 157.7          | 53.1                    |
| Medium/long-term debt                               | 812.2          | 877.7                   |
| <b>Net financial debt</b>                           | <b>841.1</b>   | <b>840.9</b>            |
| Lease liabilities                                   | 436.0          | --                      |
| <b>Total financial debt &amp; lease liabilities</b> | <b>1,277.0</b> | <b>840.9</b>            |
| <b>Total net equity</b>                             | <b>625.5</b>   | <b>595.9</b>            |
| Net debt/EBITDA <sup>2</sup>                        | 2.23x          | 2.46x                   |
| Net debt/Equity <sup>2</sup>                        | 1.34x          | 1.41x                   |

1. 2018 balance sheet figures have been restated after the temporary GAES purchase price allocation

2. Ratios as of 30/06/2019 and as of 31/12/2018 calculated as per re-definition of covenants agreed with banks and investors in the first months of 2019. Net debt/Equity intended as Net debt/ Shareholder's Equity

# 2019 Outlook

## Strong momentum to persist

- Entering H2 with a very strong H1 behind
- Overall positive market outlook
- Positive and above market sales momentum expected to continue
  - Contribution from all Regions
  - Solid organic growth
  - Spain expected to continue performing strongly
  - Contribution from bolt-on acquisitions, primarily in France and Germany
- Profitability improvement above initial expectations
  - EBITDA recurring margin higher than 2018 margin even after consolidating GAES
- Moving fast forward in the execution of our 2020 strategic plan
  - Continue delivering on GAES integration
  - Outpace the market through the Amplifon Product Experience roll-out
    - France, Australia & US in Q3

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