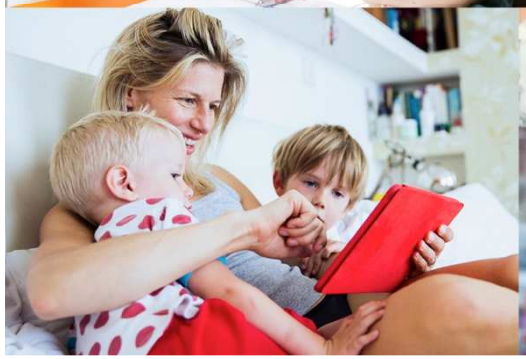
# SHAPING A NEW EXCITING GROWTH JOURNEY



**Analyst & Investor Day**
Milan – March 17th, 2016

# Disclaimer

This presentation contains management preliminary estimates and forward-looking statements, including information related to Amplifon's future financial performance and the expected development of the hearing aids industry. These statements are based on estimates and assumptions made by management of the company and are believed to be reasonable, as of this date, though by their nature future estimates are uncertain and difficult to predict. Actual results or experience could differ materially from the information contained herein.

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# What you can expect from today

- Get to know our Management Team
- Explore our view on the key global industry trends
- Get a better sense of our unique business model and distinctive value proposition
- Understand our aspiration and strategic guidelines
- Receive guidance on our 3-year ambitions (not including major acquisitions)

# Our Management Team

New

ENRICO VITA
Chief Executive Officer

UGO GIORCELLI
Chief Financial Officer

JOHN PAPPALARDO
Executive Vice President, APAC

IACOPO PAZZI
Executive Vice President, EMEA

HEINZ RUCH
Executive Vice President, Americas

GIULIO PIZZINI
Chief Strategic Development Officer

ANDREA FACCHINI
Chief Marketing Officer

GIOVANNI CARUSO
Chief HR Officer

CRISTIAN FINOTTI
Chief Procurement Officer

MASSIMILIANO GERLI
Chief Information Officer

# Today's agenda

| Timing | Topic | Speakers |
|---|---|---|
| 11.00-11.30 | **Shaping a new exciting growth journey: aspiration and guidelines** | **Enrico Vita, Chief Executive Officer** |
| 11.30-11.50 | Leading an attractive industry: global trends | Giulio Pizzini, Chief Strategic Development Officer |
| 11.50-12.10 | Pursuing marketing excellence and service model innovation | Andrea Facchini, Chief Marketing Officer |
| 12.10-13.00 | Strengthening market leadership in core markets | |
| | ▪ US: winning in the largest worldwide market | Heinz Ruch, Executive Vice President Americas |
| | ▪ APAC: reaping the value of our unique position | John Pappalardo, Executive Vice President APAC |
| | ▪ EMEA: consolidating retail market leadership | Iacopo Pazzi, Executive Vice President EMEA |
| 13.00-13.30 | *Lunch Break* | |
| 13.30-13.50 | Delivering robust financial performance | Ugo Giorcelli, Chief Financial Officer |
| 13.50-14.00 | Closing remarks | Enrico Vita, Chief Executive Officer |
| 14.00-15.00 | *Q&A Session* | |

# 2015 Record results

## Highlights

**All-time high revenues**

- Revenues: €1bln+, +16% vs. 2014
  - Outpacing global retail market
    - ~8% organic growth vs. ~4% market
    - Contribution from acquisitions (~3%)
  - Strong momentum across all Regions

**Continued profitability improvement**

- EBITDA[1]: €167m, +22% vs. 2014 (16.2% margin)
- Net profit[1]: €53m, +47% vs. 2014

**Strong cash flow generation**

- All-time high Free Cash Flow: €90m (after higher Capex)

**Solid capital structure**

- Net debt down to €205m (1.2x Net Debt/EBITDA)
- Average debt maturity of 5 years

1 Recurring

# Key global industry trends

**Long-term sustained growth** supported by secular trends (demographics, penetration)

**Retail market value concentrated** in developed countries, with emerging countries limited in value

**Fragmented retail market** with few international chains

**Customer choice driven by service and trust in the brand**, price not a key buying factor

**Typical healthcare sector**, characterized by resilient demand, centrality of service, need for regulation

# Amplifon competitive advantage

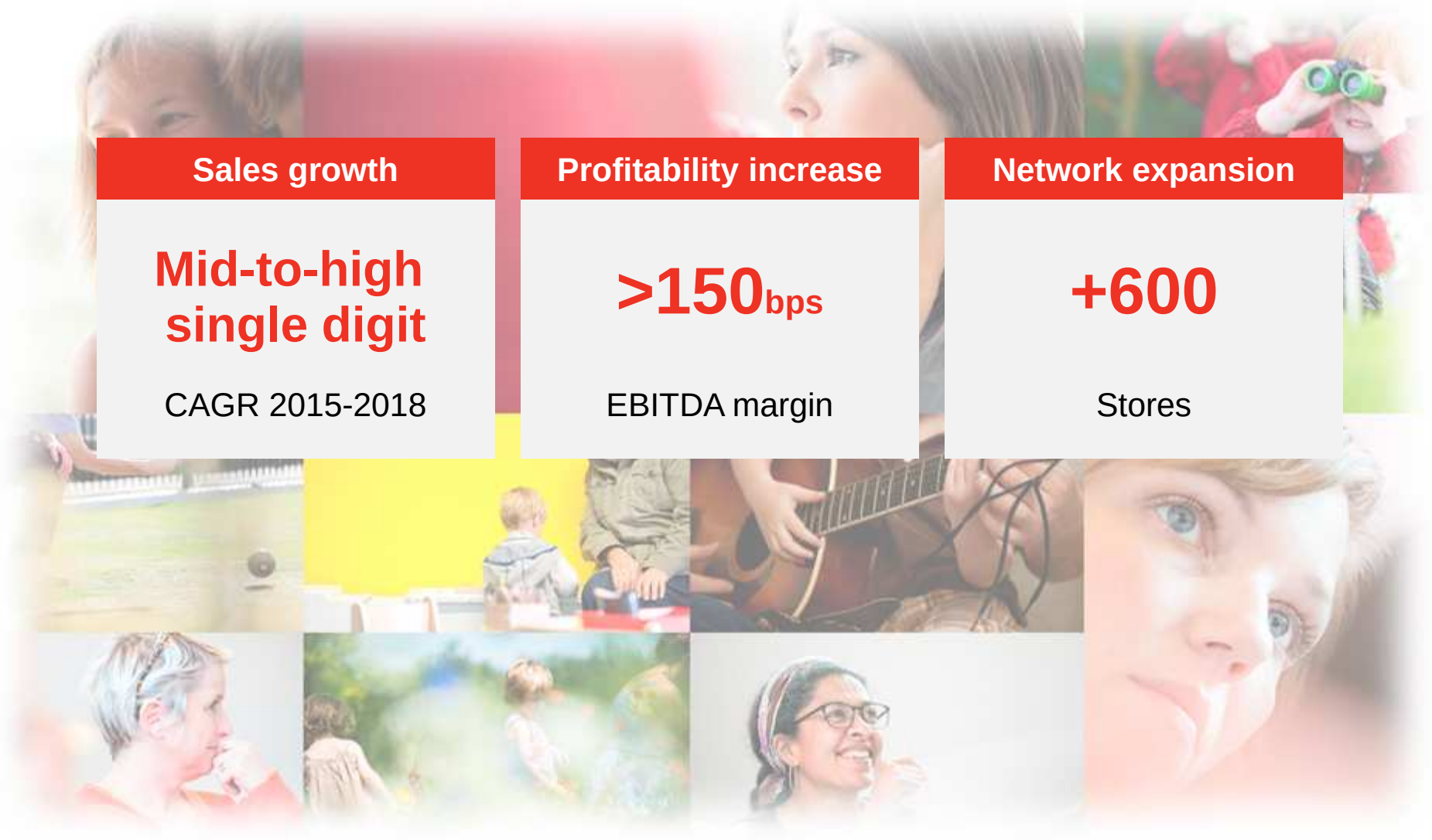
| | |
|---|---|
| **Clear global leader** | ▪ #1 global retailer<br>▪ ~9% global retail market share<br>▪ 2-3x closest retail competitors |
| **Unique business model** | ▪ Best-in-class medical and retail expertise<br>▪ 5,500+ hearing care professionals serving 3+ million customers<br>▪ Global coverage with ~9,000 PoS |
| **Unrivalled brand portfolio** | ▪ Strong brand recognition and awareness, leading the premium segment (vast majority of the retail market) |
| **Robust financial profile** | ▪ History of consistent healthy financial results<br>▪ Solid capital structure and strong cash flow generation |

# Amplifon 2018 aspiration

***"Further strengthen our global leadership position and deliver sustainable sales growth and margin expansion, leveraging our unique business model"***

# Amplifon 2018 ambitions

2018 vs. 2015, not including major acquisitions



| Sales growth | Profitability increase | Network expansion |
|---|---|---|
| **Mid-to-high single digit** | **>150bps** | **+600** |
| CAGR 2015-2018 | EBITDA margin | Stores |

# Amplifon strategic pillars

## 1 Strengthen market leadership

Clear and differentiated growth strategy, focused on top countries representing 70%+ of the global retail market

## 2 Marketing excellence

New brand identity, advanced digital/CRM strategy and increased marketing investments

## 3 Innovative service model

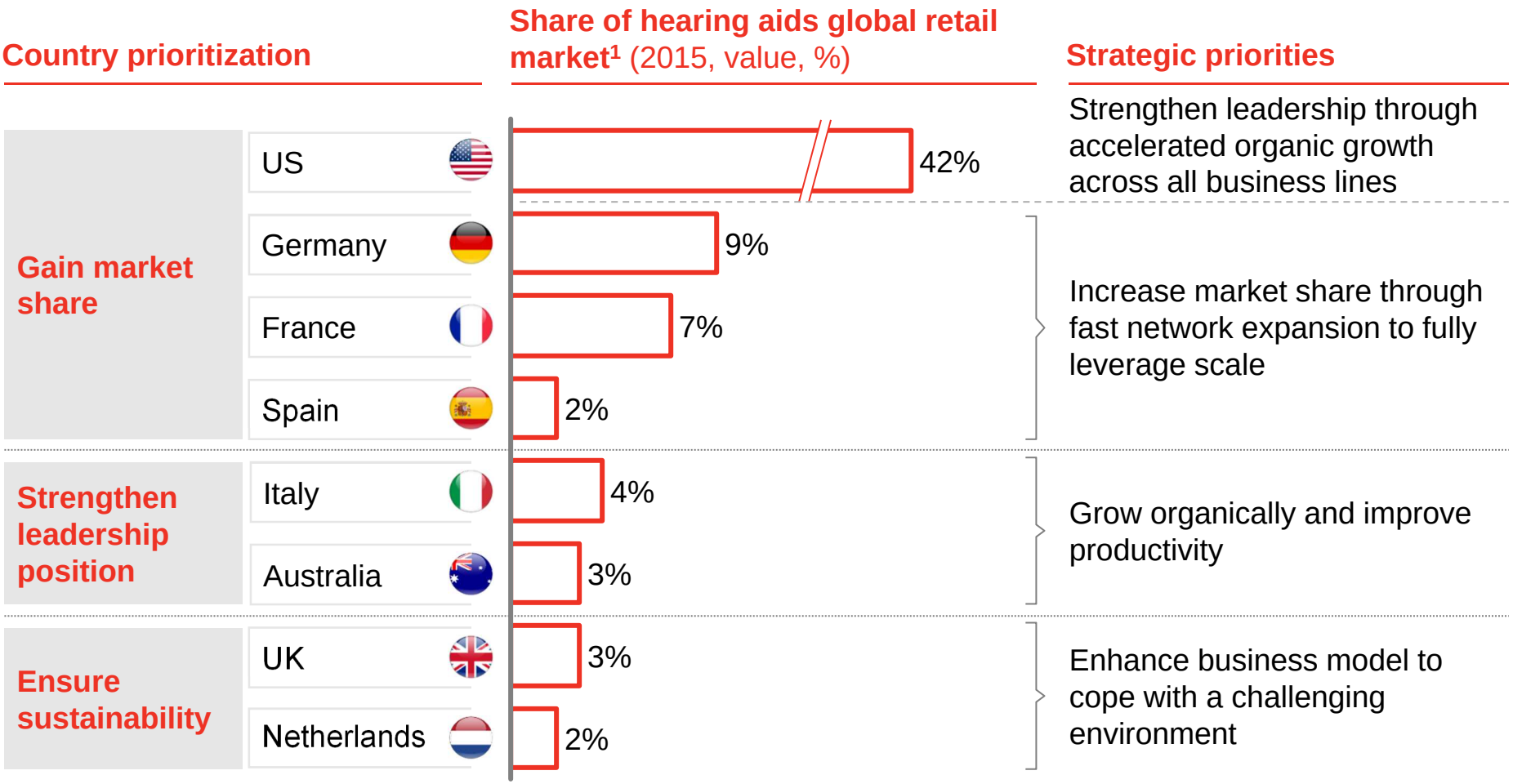
Unique knowledge, new service technology, multichannel approach

## 4 Effective execution capability

Top talent attraction, global best practices, integrated IT platform

# 1. Strengthen market leadership

Core countries for Amplifon growth




**Focus on more than 70% of hearing aids global retail market**

1 Private market only

SOURCE: Amplifon estimates

# 2. Marketing excellence

| Key elements | Strategic initiatives |
|---|---|
| **Brand strategy** | ▪ Evolve the global brand identity<br>▪ Continue to invest in customer intelligence to enhance value proposition |
| **Marketing effectiveness** | ▪ Improve marketing performance<br>▪ Optimize marketing mix<br>▪ Build synergies across countries |
| **Digital excellence** | ▪ Implement new website and improve SEO ranking<br>▪ Be the best-in-class player in digital marketing, integrating owned, paid and social media |
| **Advanced CRM** | ▪ Roll-out advanced CRM (multi-channel data collection, customer segmentation and predictive campaigns) |

# 3. Innovative service model

## Leading innovation in hearing care

- Lifecycle customer care, through upgraded in-store experience and innovative digital touch-points
- Unique proprietary knowledge on hearing care statistics and trends

## Proprietary service technology

- New state-of-the-art 360° hearing experience – going beyond the basic audiometric hearing test to fit a hearing aid
- New interactive counseling tool

## Setting new global standards

- Largest network of hearing care providers worldwide (~9,000 PoS), delivering consistent service/quality to more than 3 million customers

## Best professionals in the industry

- 5,500+ hearing care professionals
- Employer of choice in all key markets
- Point of reference for education and professional development

# 4. Effective execution capability

## Top talent attraction

**Attract and develop best hearing care professionals** and industry executives, through best in class career programs and education

## Global best practices

Systematically roll-out group-wide **commercial and operational best practices** through a dedicated **global task force**, maintaining strong local accountability and entrepreneurship

## Integrated IT platform

**Group-wide implementation of integrated IT platforms** to support critical business functions (e.g. CRM, shop information system)

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# Key global industry trends

1. **Long-term sustained growth** supported by secular trends (demographics, penetration)
2. **Retail market value concentrated** in developed countries, with emerging countries limited in value
3. **Fragmented retail market** with few international chains
4. **Customer choice driven by service and trust in the brand**, price not a key buying factor
5. **Typical healthcare sector**, characterized by resilient demand, centrality of service, need for regulation

# 1. Long-term sustained growth

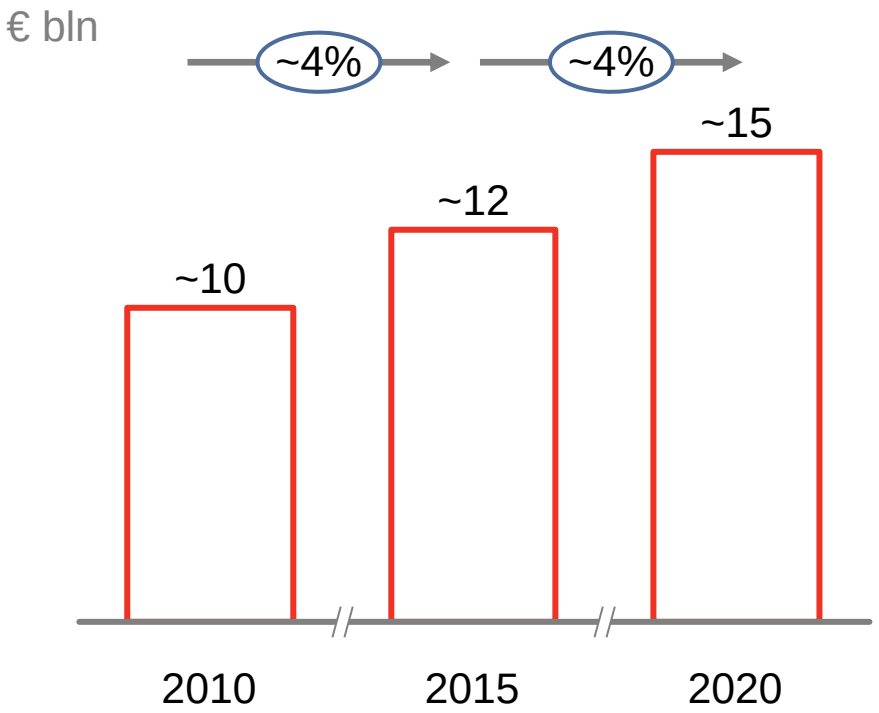
## Demographics

- Aging population especially in developed countries
- Increasing noise pollution

## Penetration

- Increasing awareness
- Improving technology
- Growing wellness relevance

## Hearing aids global retail market[1]

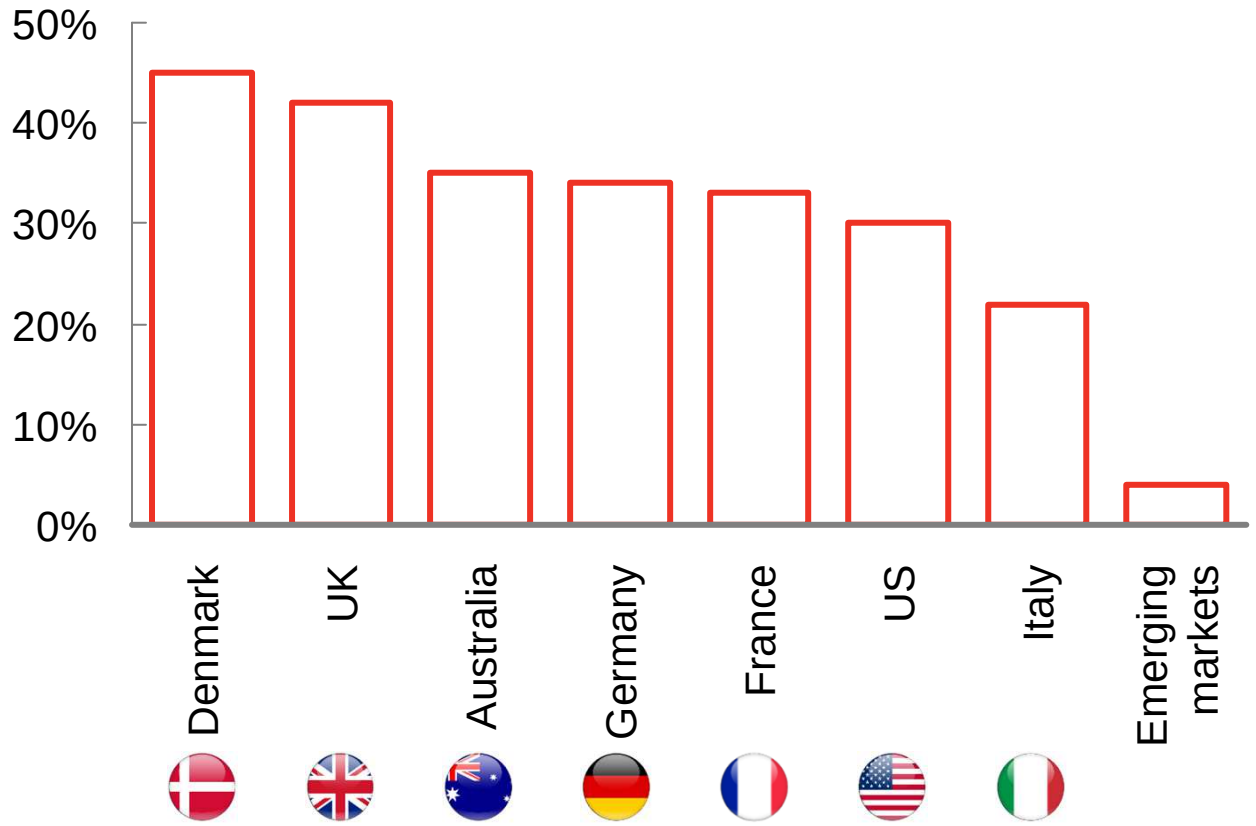



1 Private market only

SOURCE: Amplifon estimates

# 1. Key role of penetration

## Penetration rate[1]




- **Market still significantly under-penetrated**
- **Penetration growing consistently** and contributing to about half of total market growth
- **Communication and marketing key accelerators** to increase penetration

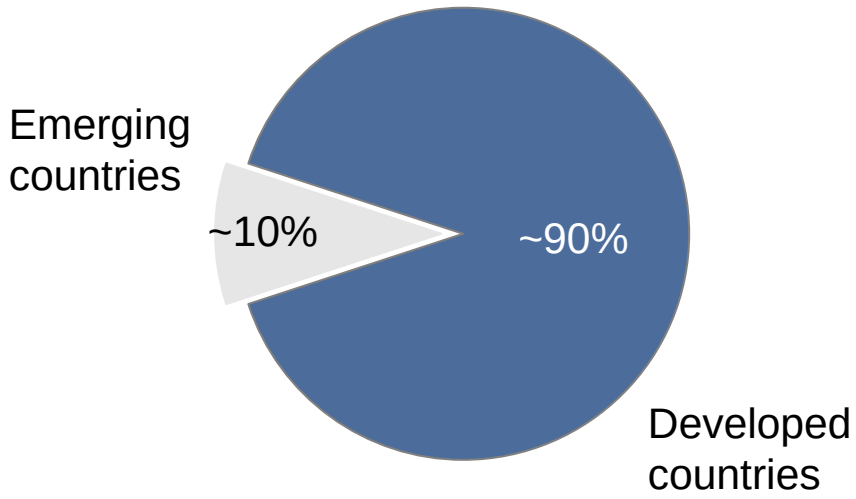
1 Share of people having hearing aids on total population with hearing impairment

SOURCE: Eurotrack, MT9, Amplifon estimates

# 2. Global retail market concentrated in developed countries

## Hearing aids global retail market[1]

Share of market value, 2015




### Developed countries:

- US alone represents ~40% of global retail market value
- Following 5 countries (Germany, France, Japan, Canada, Italy) account for additional ~30%

### Emerging countries:

- Growing faster than developed countries but still not relevant, in particular for premium segment

1 Private market only

SOURCE: Amplifon estimates

# 3. Fragmented global retail market

| | | |
|---|---|---|
| **Independents** | ▪ Players with <10 PoS still accounting for ~50% of the global retail market, albeit under pressure | **Still very relevant** |
| **Specialty retailers[1]** | ▪ Very few international retail players (only ~20% of the global retail market, of which almost half is represented by Amplifon)<br>▪ National retail chains accounting for ~15% of the global retail market | **Few international players** |
| **Non-specialty retailers** | ▪ Only ~10% of global retail market, with presence limited to selected countries, and experiencing long time to scale-up | **Limited and country-specific** |
| **Online players** | ▪ <2% of global retail market, with limited growth potential due to limitations in service model and customer acceptance | **Marginal** |

1 Including players owned by manufacturers

SOURCE: Amplifon estimates

# 4. Customer choice driven by service and trust in the brand

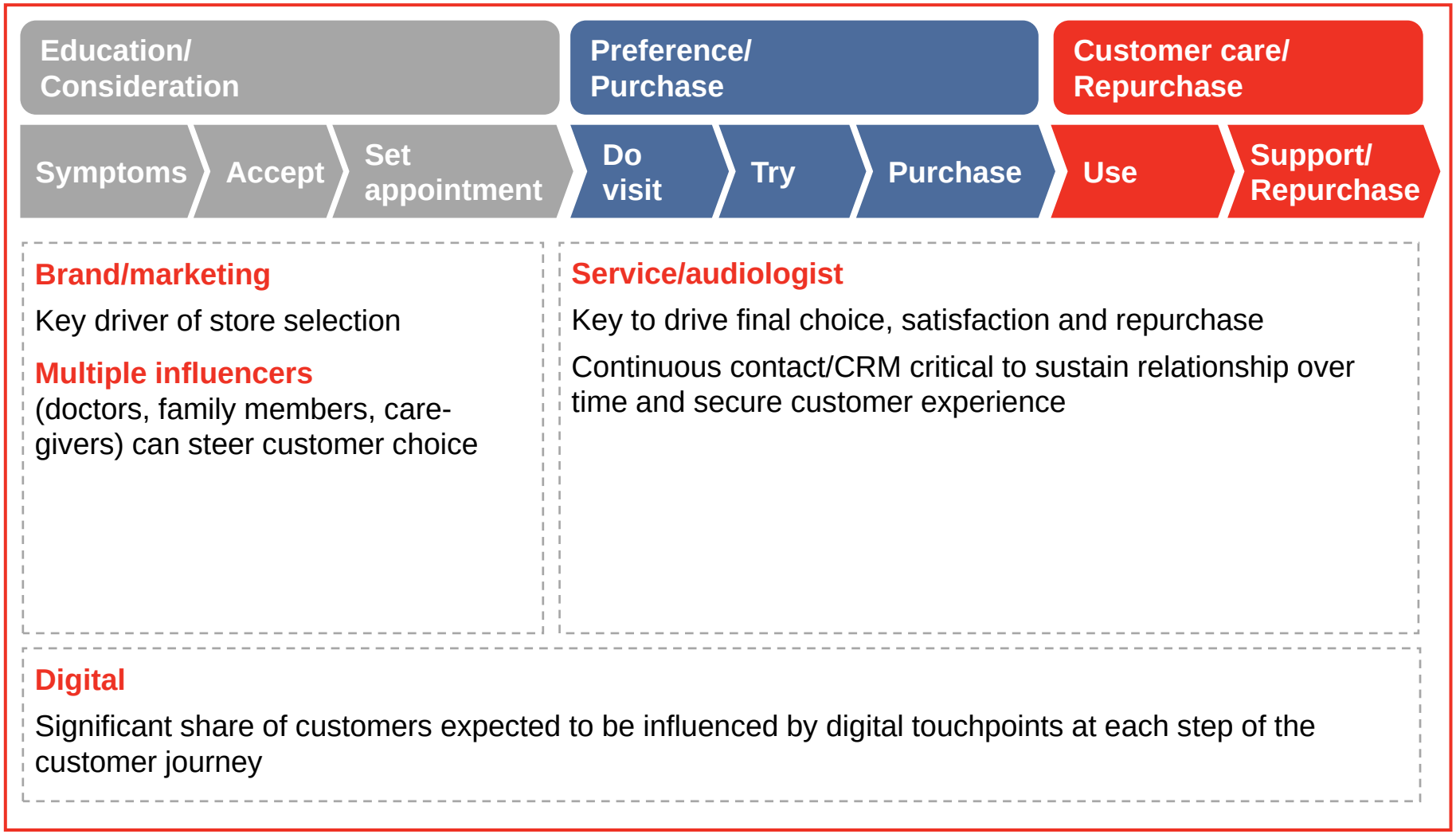
Purchasing drivers, sorted by relevance[1]

| | | |
|---|---|---|
| **Top priority** | Store brand | *"The store has a brand that I fully trust"* |
| | Service | *"Store personnel are knowledgeable and professional"* |
| | Product quality | *"The store provides good quality hearing products"* |
| **Medium priority** | Location | *"The store is located nearby and is easy to find"* |
| **Low priority** | Price | *"The store has the lowest price"* |

1 Based on Amplifon market research analysis

# 4. Marketing and service key to succeed along the customer journey

Customer journey



# 4. Digital influences mostly consideration and repurchase

✓✓✓ Highest
✓ Lowest

| Customer journey | | Level of digital influence |
|---|---|---|
| Education/ Consideration | First time buyers searching for information online | ✓✓✓ |
| | Influencers searching for information online | ✓✓ |
| Preference/ Purchase | E-commerce | ✓ |
| Customer care/ Repurchase | Repeat customers searching for information online | ✓✓✓ |

**Around half of new customers influenced by digital touchpoints**

SOURCE: Amplifon estimates

# 5. Typical healthcare sector

| | |
|---|---|
| **Resilient demand** | ▪ Demand mostly driven by aging and by hearing loss prevalence (rather than economic cycle)<br>▪ Increasing expectations of well-being and quality of life |
| **Centrality of service** | ▪ Customers choose service providers and trust them for product selection<br>▪ Relationship with healthcare professional is a key driver for satisfaction and repurchase |
| **Need for regulation** | ▪ Typical requirements of medical services (e.g., professional education, product approval, operating rules)<br>▪ Welfare policies dedicated to customer support (i.e., reimbursement scheme) |

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# Marketing excellence

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| **Advanced CRM** | ▪ Roll-out advanced CRM (multi-channel data collection, customer segmentation and predictive campaigns) |

# Amplifon brand portfolio in 2015

Strong brand awareness in key geographies

## Amplifon brand portfolio today

- Globally relevant
- Differentiated by geography with unmatched local brands
- Strong awareness in key countries
- Synonymous with the category
- Consistently perceived as high quality service

## Brand awareness

| | % | Ranking |
|---|---|---|
| | ~90% | 1st |
| | ~90% | 1st |
| | ~90% | 1st |
| | ~80% | 1st |
| | ~60% | 2nd |

**Amplifon can lead a cultural change, redefining customer education and customer relationship**

# New brand strategy

VIDEO

# Amplifon brand portfolio in 2018

Translate brand value into business results

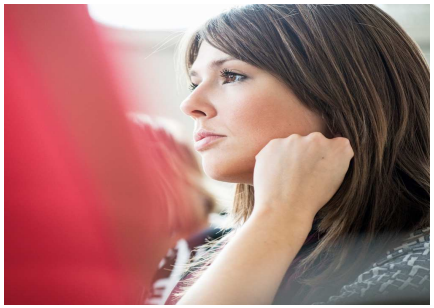
**At the top everywhere**

Best awareness in every core market

*Further increase brand value to support strategic goals*

**Accelerated marketing investments**

>10% CAGR 2015-2018



**Perceived as distinctive and unique**

Innovative and emotional

# Marketing effectiveness

Value proposition: 2015 Italy «Basta provarci»

## Video

## Website

## KPIs

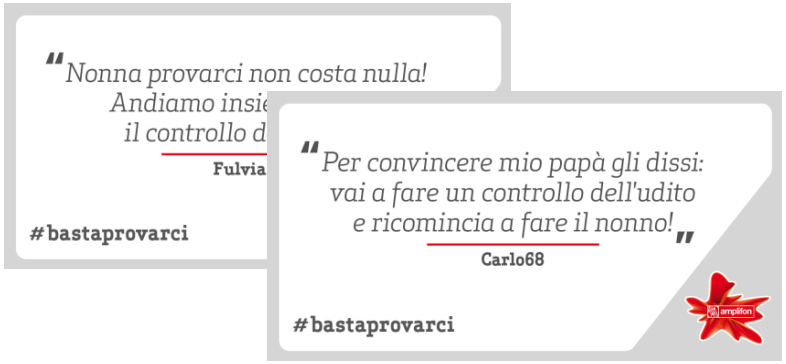
**155,000** visits to the web site

**1,500** video sharing / **400** registrations

YouTube **250,000** complete video views

**200,000** views

## Social media




**Marketing effectiveness drives market share and increases penetration**

# Marketing effectiveness

VIDEO

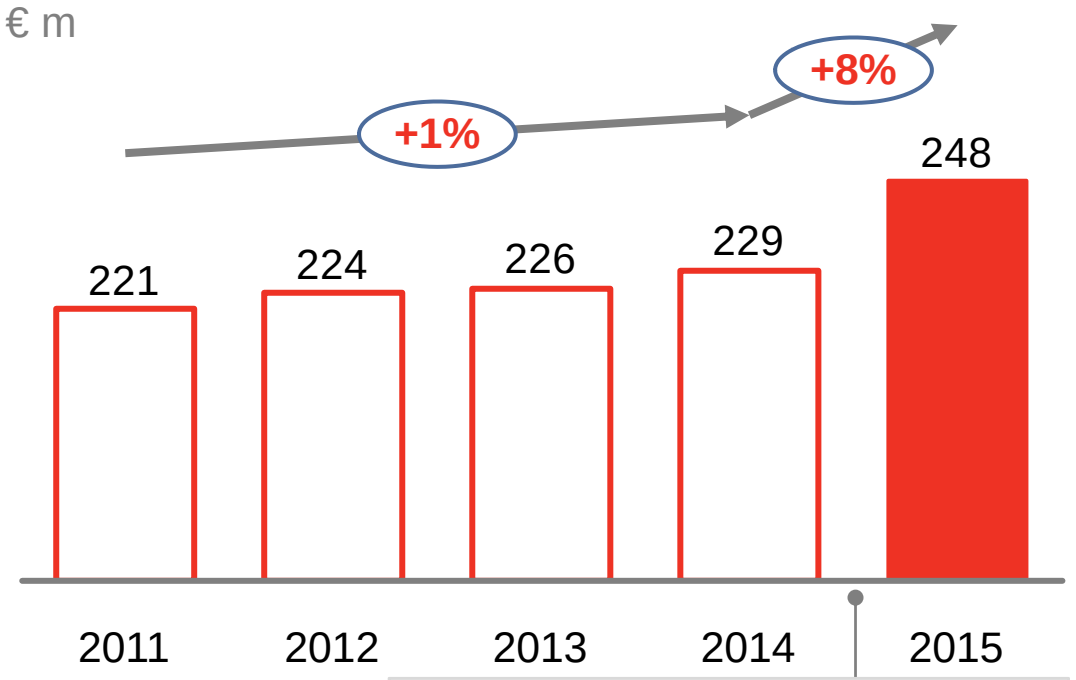
# Marketing effectiveness

Value proposition: 2015 Italy «Basta provarci»

CAGR

**Our proven strong capabilities in marketing excellence**

## Italy – Revenues 2011-2015



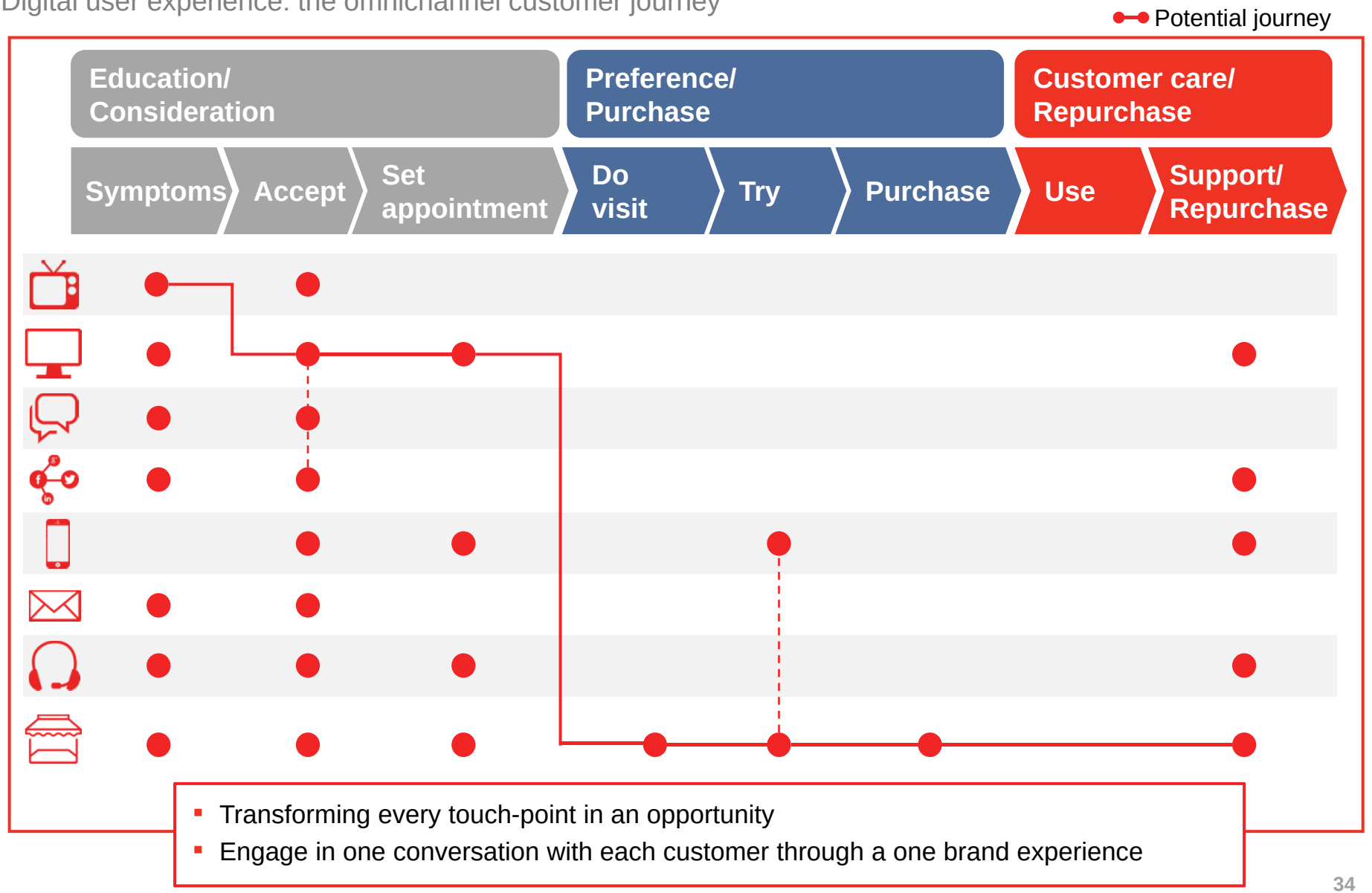

Q2 2015: Launch of «Basta Provarci» communication platform, boosted by integrated marketing initiatives

# New digital experience

VIDEO

# Digital & CRM strategy

Digital user experience: the omnichannel customer journey




- Transforming every touch-point in an opportunity
- Engage in one conversation with each customer through a one brand experience

# Innovative service model

## Leading innovation in hearing care

- Lifecycle customer care, through upgraded in-store experience and innovative digital touch-points
- Unique proprietary knowledge on hearing care statistics and trends

## Proprietary service technology

- New state-of-the-art 360° hearing experience – going beyond the basic audiometric hearing test to fit a hearing aid
- New interactive counseling tool

## Setting new global standards

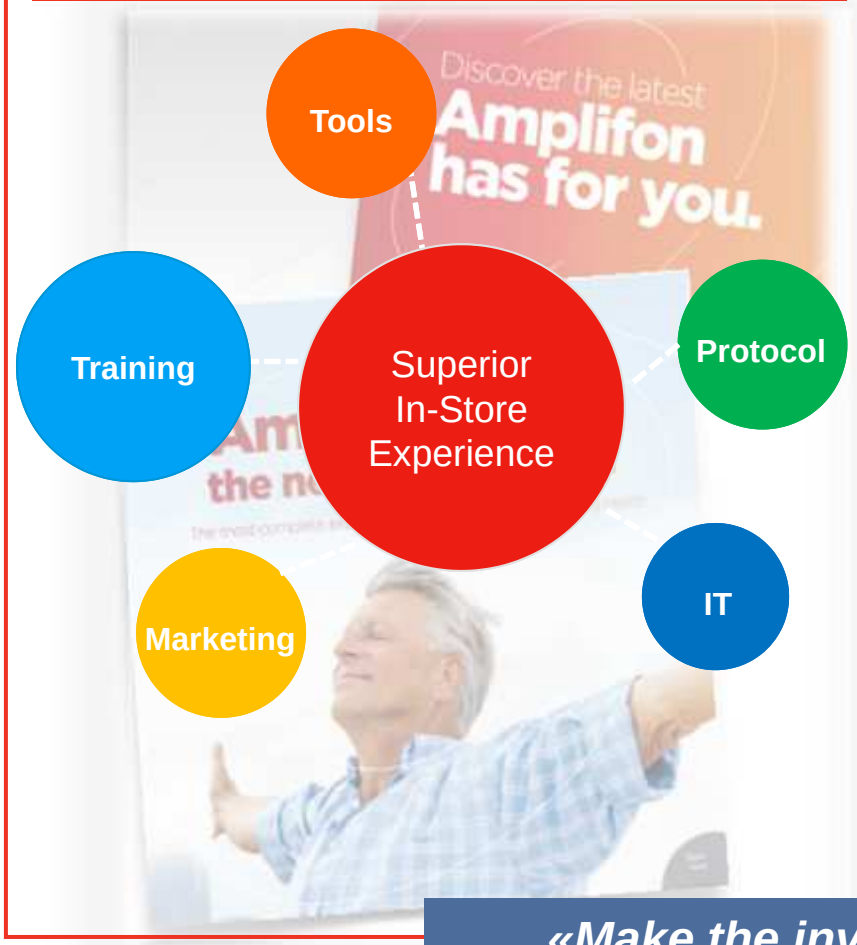
- Largest network of hearing care providers worldwide (~9,000 PoS), delivering consistent service/quality to more than 3 million customers

## Best professionals in the industry

- 5,500+ hearing care professionals
- Employer of choice in all key markets
- Point of reference for education and professional development

# Amplifon 360° experience

## Proprietary service technology




## Key features

- **Innovative approach** to assess customer needs across multiple tests
- **Unique, proprietary tool** to counsel customer and select hyper-personalized hearing solutions
- **Advanced program** to expand audiologists' skills and reach the highest level of expertise & professionalism
- An **evolution** in company's **communication and value proposition to customers**

***«Make the invisible visible»***

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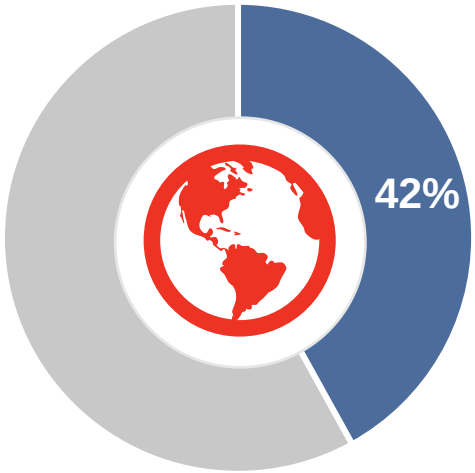
# US: the largest worldwide retail market, with high growth potential

## Largest worldwide retail market

% of value[1], 2015

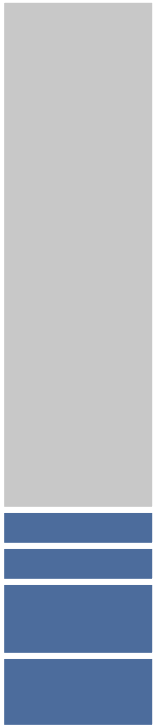



~2.6 million

units[1]

## Highly fragmented market

2015



Other players (mainly independents)

Top 4 players accounting for ~30%

## High growth potential

>4%

retail market value expected growth (CAGR 2015-18)

~30%

current penetration

1 Private market only

SOURCE: Amplifon estimates

# Amplifon has the ideal platform to succeed in the US

## Largest specialty retailer

- ~1,200 franchising stores
- Most recognized hearing care retail brand in the US

## Largest network for independents

- ~1,700 affiliates
- Unmatched member services and support
- Widest product offering

## Leading player in the managed care market

- Largest network of providers (~4,500)
- Unique proposition to insurers/sponsors

- Sales **~$210m** in 2015 (+16% vs. 2014)
- **Healthy profitability** on all business lines
- Leading player with **~10% market share**

# Amplifon strategic ambition in the US: winning in the largest worldwide market

## Aspiration

**Boost growth scaling-up our unrivalled platform** through accelerated marketing investments and enhanced capabilities

Miracle-Ear

*"Support franchisees' success increasing brand equity, spreading best retail capabilities and expanding retail network"*

elite HEARING NETWORK

*"Enhance business model distinctiveness and expand affiliates base"*

amplifon HEARING HEALTH CARE

*"Scale-up the business fast"*

# Miracle-Ear: accelerate growth through marketing and commercial excellence

## Ambitious growth plan

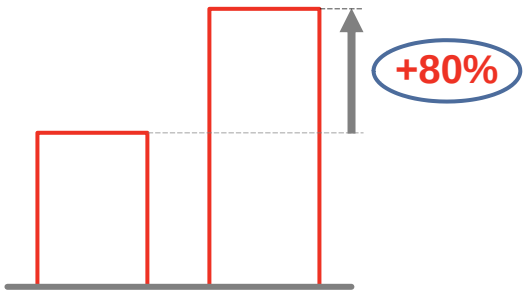
***"Support franchisees' success increasing brand equity, spreading best retail capabilities and expanding retail network"***

## Strategic initiatives

- Increase commercial productivity in franchising stores
- Optimize marketing spend and mix
- Achieve leadership in digital marketing
- Expand geographical footprint

## Supported by significant investments

### Marketing investments




Cumulated 2013-15 | Cumulated 2016-18

# Elite Hearing Network: deliver unique business proposition to our affiliates

## Ambitious growth plan

***"Enhance business model distinctiveness and expand affiliates base"***

## Strategic initiatives

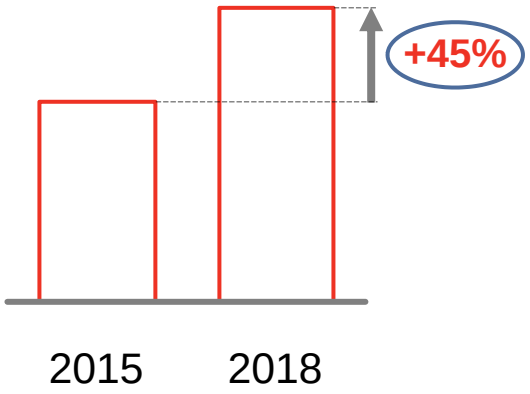
Enhance marketing services to increase net member acquisition

Strengthen reward program to increase share of wallet of members' business

Enhance proprietary tools to support members' business growth

## Supported by significant investments

**Number of resources**



# AHHC: winning in the still under-penetrated managed care market

## Ambitious growth plan

***"Scale-up the business fast"***

## Strategic initiatives

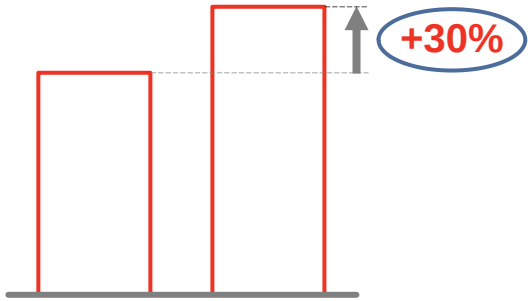
Boost coverage and acquisition of high-potential new accounts

Establish partnerships with supplemental benefit providers

Explore on-line B2C platform

## Supported by significant investments

### Marketing investments



# Amplifon 2018 ambition in the US

Not including major acquisitions

| Sales growth[1] | EBITDA margin | Marketing investments |
|---|---|---|
| **High-single digit** | ↗ | **+60%** |
| CAGR 2015-2018 | vs. 2015 | 2016-18 vs. 2013-15 |

1 In local currency

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| 11.30-11.50 | Leading an attractive industry: global trends | Giulio Pizzini, Chief Strategic Development Officer |
| 11.50-12.10 | Pursuing marketing excellence and service model innovation | Andrea Facchini, Chief Marketing Officer |
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| | ▪ **APAC: reaping the value of our unique position** | **John Pappalardo, Executive Vice President APAC** |
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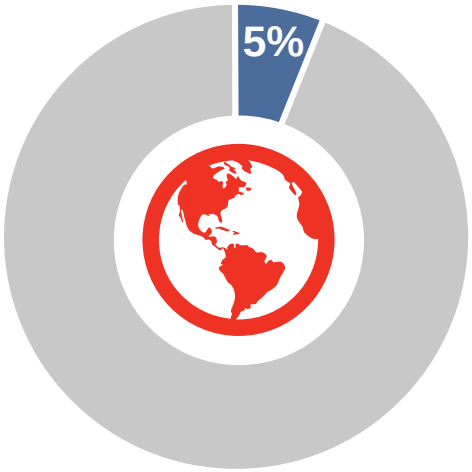
# Australia and New Zealand: consolidated and growing retail markets

## Sizeable retail markets

% of value[1], 2015




~0.5 million

units[1]

## Highly consolidated markets

2015

Australia

Top 3 players[2] accounting for ~70%

New Zealand

Top 2 players accounting for ~70%

## High growth potential

~4%

retail market value expected growth (CAGR 2015-18)

~35%

current penetration

1 Private market only

2 Including government owned player

SOURCE: Amplifon estimates

# Amplifon platform best positioned to win in both markets

## Australia

- **Largest private player** in the hearing care retail market
- **Distinctive, highly productive retail model**

## New Zealand

- **Clear market leader**
- **Dual brand strategy**
  - Bay Audiology: most recognized hearing care consumer brand
  - Dilworth: specialty brand with a “medical” identity

- Sales **~€140m** in 2015 (+10% vs. 2014[1])
- Regional leader with **~30% market share**

1 In local currency

# APAC: aspiration and strategic initiatives

## Australia

NATIONAL HEARING CARE

***"Deliver above-market growth"***

## New Zealand

BAY AUDIOLOGY

DILWORTH HEARING
Trusted by patients. Referred by GPs.

***"Differentiate beyond leadership positioning"***

Marketing diversification and digital leadership

Integrate and grow Dilworth brand

Retail network expansion

Advanced CRM

Best employer of choice for audiologists

# Amplifon 2018 ambition in APAC

Not including major acquisitions

| Sales growth[1] | EBITDA margin | Marketing investments |
|---|---|---|
| **Mid-to-high single digit** | ↔ | **+25%** |
| CAGR 2015-2018 | vs. 2015 | 2016-18 vs. 2013-15 |

1 At constant FX

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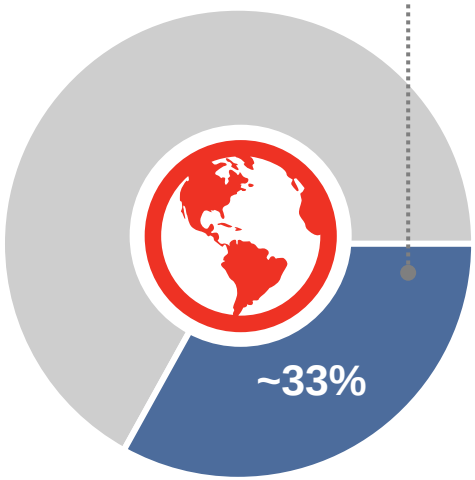
# EMEA: large and heterogeneous retail market

## Large retail market

% of value[1], 2015

*Top 3 countries (Germany, France, Italy) accounting for ~60% of EMEA*




**3.6 million**

units[1]

## Very heterogeneous across countries

**Market structure**

- Different level of maturity, from very consolidated (e.g. Spain, Netherlands) to fragmented (e.g. Germany, France)
- Optical and pharmaceutical chains relevant only in selected countries (e.g. UK, Netherlands, France)

**Penetration**

- Highly differentiated across countries (e.g. from <10% Eastern Europe to >40% Scandinavian countries)

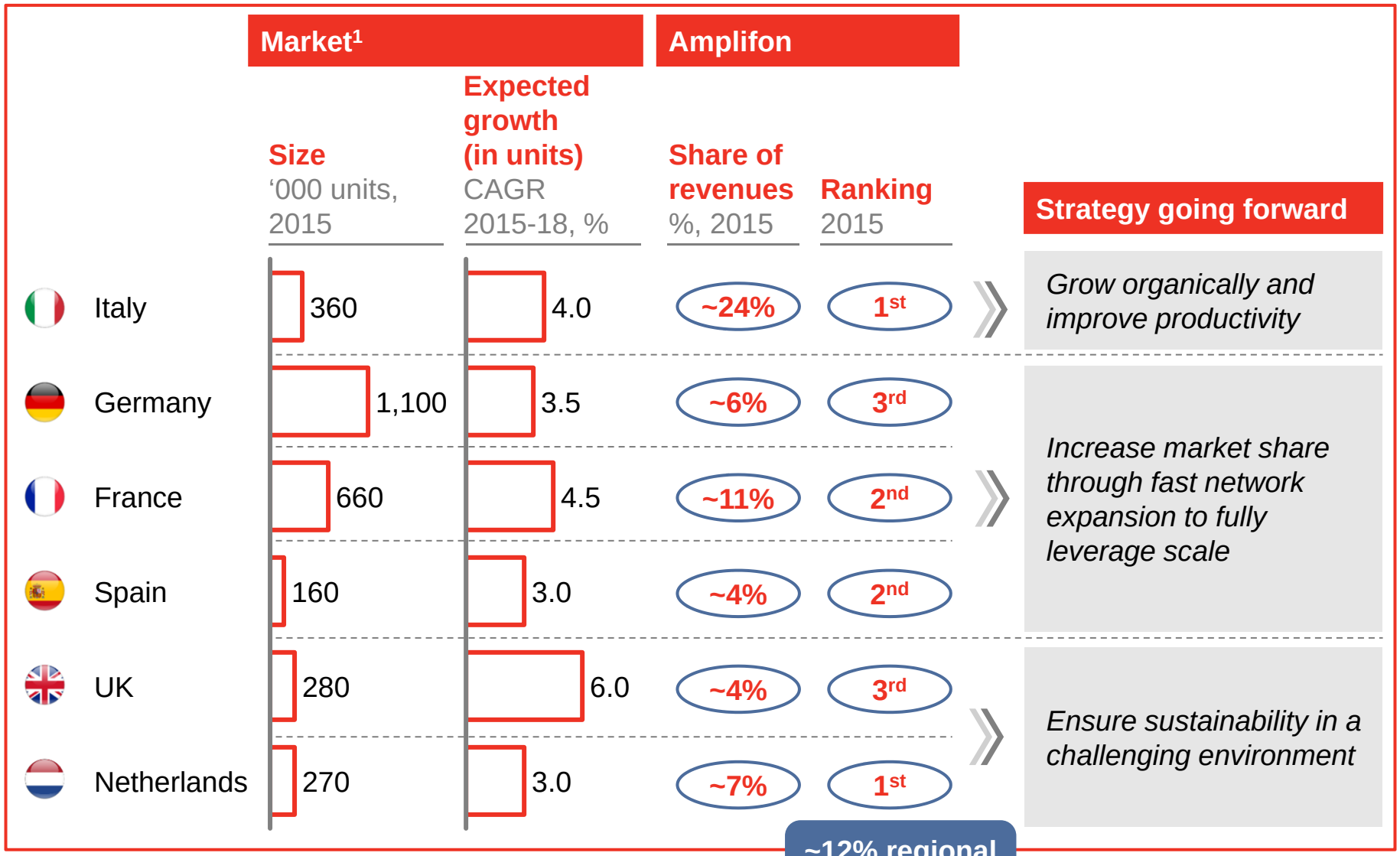
**Regulation**

- Different levels of welfare policies (e.g. strong social market in UK vs. mainly private in Spain)

1 Private market only

SOURCE: Amplifon estimates

# EMEA: different strategic postures across countries




1 Private market only

SOURCE: Amplifon estimates

# EMEA: aspiration and strategic initiatives

| Italy | Germany, France, Spain | UK, Netherlands |
|---|---|---|
| *"Grow organically and improve productivity"* | *"Increase market share through fast network expansion to fully leverage scale"* | *"Ensure sustainability in a challenging environment"* |
| Network sales excellence | Accelerated network expansion (and targets integration) | Enhanced business model to cope with challenging markets |
| Marketing excellence | | |
| Digital marketing leadership | | |
| Service model innovation to improve customer experience | | |

# Amplifon 2018 ambition in EMEA

Not including major acquisitions

| Sales growth[1] | EBITDA margin | Network expansion |
|---|---|---|
| **Mid-to-high single digit** | ↗↗ | **+500** |
| CAGR 2015-2018 | vs. 2015 | Stores vs. 2015 |

1 At constant FX

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# 2015 Record results

## Highlights

**All-time high revenues**

- Revenues: €1bln+, +16% vs. 2014
  - Outpacing global retail market
    - ~8% organic growth vs. ~4% market
    - Contribution from acquisitions (~3%)
  - Strong momentum across all Regions

**Continued profitability improvement**

- EBITDA[1]: €167m, +22% vs. 2014 (16.2% margin)
- Net profit[1]: €53m, +47% vs. 2014

**Strong cash flow generation**

- All-time high Free Cash Flow: €90m (after higher Capex)

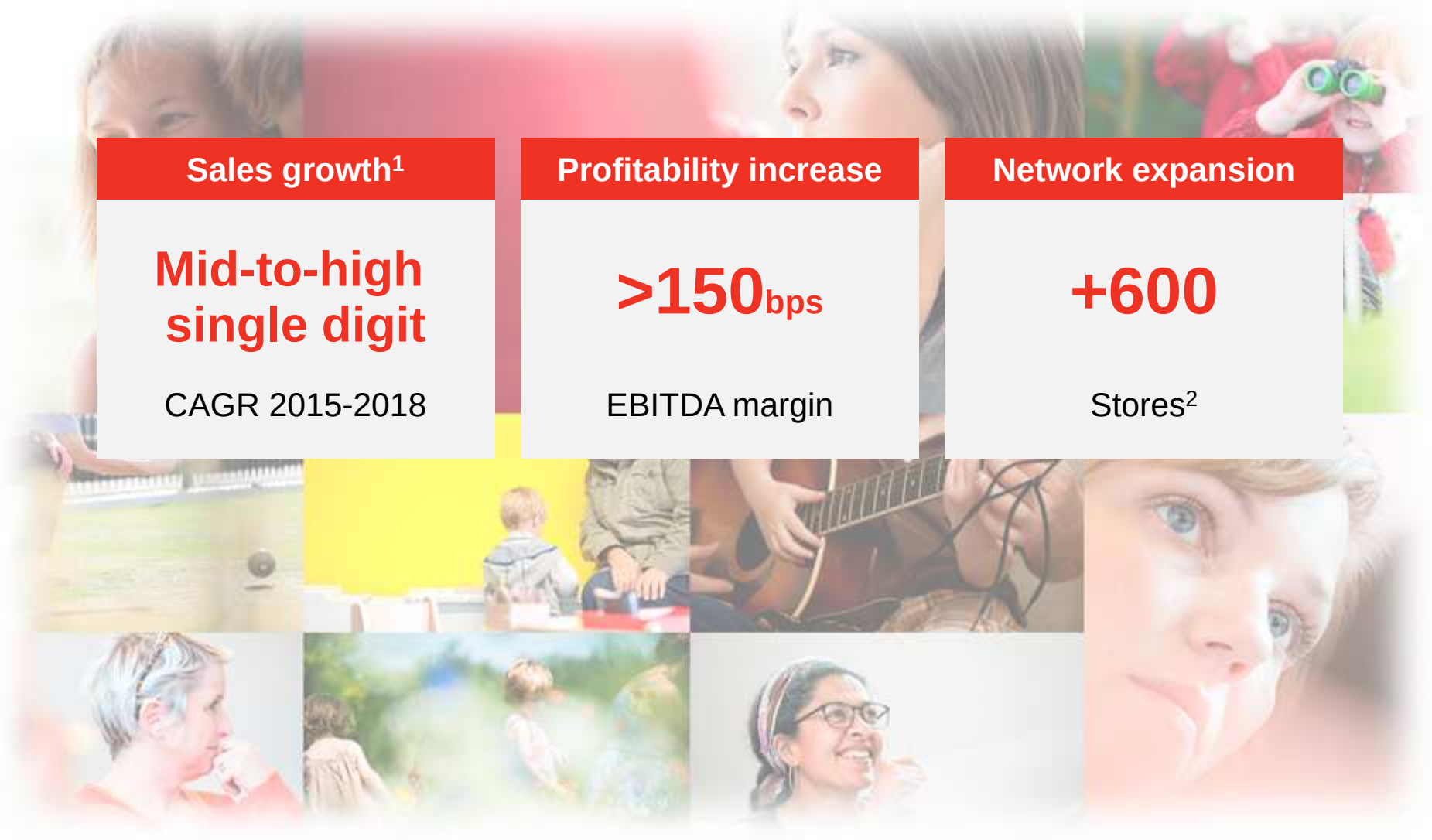
**Solid capital structure**

- Net debt down to €205m (1.2x Net Debt/EBITDA)
- Average debt maturity of 5 years

1 Recurring

# Amplifon 2018 ambition

2018 vs. 2015, not including major acquisitions



| Sales growth[1] | Profitability increase | Network expansion |
|---|---|---|
| **Mid-to-high single digit** | **>150bps** | **+600** |
| CAGR 2015-2018 | EBITDA margin | Stores[2] |

1 At constant FX
2 Including Corporate Stores and Shop-In-Shops

# Tailored value creation strategy in each Region

Not including major acquisitions

| | Sales growth[1] CAGR 2015-2018 | EBITDA margin 2018 vs. 2015 |
|---|---|---|
| Americas | High-single digit | ↗ |
| APAC | Mid-to-high-single digit | ↔ |
| EMEA | Mid-to-high-single digit | ↗↗ |

1 At constant FX

# Driving profitability through increased operating leverage

## Key drivers

- Increase store productivity
- Leverage increasing scale across all cost base
- Increased marketing investments (>10% 2015-18 CAGR) generating more than proportional revenues uplift

## Expected margin expansion

**>150bps**

EBITDA margin

**In addition, positive impact on net profit driven by decreasing tax rate**

# Strong cash flow generation will support cash-out for piecemeal acquisitions and capex

## Cash-out for piecemeal acquisitions

- Network expansion
  - ~60 stores p.a. in both Germany and France

## Capex

- Network expansion and upgrade
  - New openings
  - Relocations and refurbishments
- Digital transformation and innovative service model
- Maintenance capex

## Expected capex and cash-out

**~€300m**

Cumulated 2016-18

**Strong cash flow generation will lead to further deleverage**

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# Closing remarks

**Attractive retail market** concentrated in developed countries, with stable and resilient growth, driven by secular trends

**Amplifon global leader** with a clear competitive advantage, best positioned to capture market opportunities

**Strong 2018 aspiration** aimed at strengthening growth in core countries, through marketing excellence, innovative service model and effective execution capability

Firm commitment to deliver **ambitious financial performance**

# Our Management Team

ENRICO VITA
Chief Executive Officer

UGO GIORCELLI
Chief Financial Officer

JOHN PAPPALARDO
Executive Vice President, APAC

IACOPO PAZZI
Executive Vice President, EMEA

HEINZ RUCH
Executive Vice President, Americas

GIULIO PIZZINI
Chief Strategic Development Officer

ANDREA FACCHINI
Chief Marketing Officer

GIOVANNI CARUSO
Chief HR Officer

CRISTIAN FINOTTI
Chief Procurement Officer

MASSIMILIANO GERLI
Chief Information Officer

***Thank you!***

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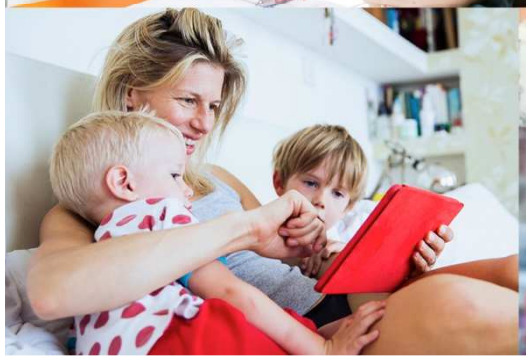
# Q&A



THANK YOU

# Investor relations contacts

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