

Q1 2020 Results

Milan, April 29th, 2020



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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.

Q1 2020: a strong start impacted by Covid-19 unprecedented crisis

Strong and decisive mitigation measures quickly implemented across the Group

- Revenues down 7.2% at constant FX due to Covid-19 outbreak, still outpacing the global hearing care retail market
 - Organic contraction at -9.5%
 - +2.3% contribution from M&A
- Strong top-line performance in January and February, in line with strong momentum over the last quarters
- Performance impacted by Covid-19 outbreak from the beginning of March, as virus spread initially in Italy then followed by the other EMEA, Americas and APAC countries
- Profitability impacted by Covid-19 outbreak
 - EBITDA at €64.9 million, down 17.8% vs Q1 2019, with margin at 17.8%
- Excellent cash flow generation vs Q1 2019
 - Operating cash flow at €60.7 million, up 74% vs Q1 2019
 - Free cash flow at €44.2 million, ~2.7x Q1 2019
- Net Financial Position at €790.7 million, with leverage at 1.99x, also after €41.7m cash-out for M&A and despite negative impact from Covid-19 outbreak and seasonality
- Quick and strong reaction to this unprecedented crisis to ensure Amplifon is best positioned as the conditions improve
 - First and foremost priority on measures to protect health and safety of our employees and support our customers
 - Continuous monitoring and modeling of different scenarios to prepare the Company with a set of contingency and precautionary actions
 - Decisive actions already activated to reduce costs and preserve cash, thus mitigating negative financial impact
 - Further strengthening of Company's Balance Sheet with access to significant and increased liquidity
 - Results deriving from implementation of mitigation actions mainly realized from Q2 onwards

Measures to protect stakeholders during Covid-19 emergence

Health and safety of our people while serving safely our customers is our top priority

Measures for core stakeholders

- Company task force both at Group and country level
- Health & safety measures for all employees, according to the specific stage of virus spread and to the local authorities' directions in each country
 - Strict guidelines and new Store Protocol for colleagues in the stores
 - Progressive adoption of smart working for colleagues in the HQ and back-office
 - Warehouses ensuring operations whilst complying with health and safety regulations
- Continued support and superior service to our customers in strict compliance with local authorities' directions and recommendations

Amplifon Store Protocol



- Hearing Care Professionals and Client Advisors trained on strict health protocols
- Adoption of personal protective equipment



- Visits on appointment-only
- In-depth telephonic triage prior to appointment to assess customers' health conditions



- Social distancing in store
- Only customers allowed in Solution Rooms
- Correct turn-out in the store



- Masks provided to all customers and accompanying persons
- Strict hygiene in-store procedures

**Prompt adoption of stricter safety measures, including
new store protocol and working practices,
while ensuring continuous support & superior service to our customers**

Current trading conditions under Covid-19 emergence

April likely to be the most impacted month by Covid-19 emergence due to current full lockdown measures in place in most countries

- In January and February the Company delivered strong growth, in line with recent past performance
- Trading started to be impacted by Covid-19 emergence from March, initially in Italy then rapidly followed in most of the other countries
- In most markets hearing care retail is categorized as essential service and allowed to operate
- The escalation of the pandemic, with the progressive adoption of restrictive and, moreover, full lockdown measures caused a general drop in footfall and store traffic in our network
- Amplifon immediately adopted a strong and decisive contingency plan
 - The experience of the impact of Covid-19 in Italy allowed the Company to move even quicker with activation of ad-hoc measures in the other countries
- Situation in core markets as of today
 - Most countries in Europe – such as Italy, Spain, France – are in lockdown with performance significantly down
 - The US – which was impacted to a lesser extent in Q1 due to varied timing of diffusion and adoption of measures – is particularly down
 - New Zealand adopted a total lockdown for more than one month since end the of March¹ with closure of all business activities, thus including hearing care
 - Germany, the Netherlands and Australia are the countries where operations are currently still running
- Q2 is expected to be heavily impacted although still to an uncertain extent, depending on the duration of the lockdown measures and the timing of the consequent return to normality as different countries are currently planning measures to re-open some activities during May

Actions to mitigate financial impacts related to Covid-19

Strong and decisive cost containment measures quickly adopted

Main cost categories¹

Labour (~40% on revenues)	<ul style="list-style-type: none">▪ Activation of Government social schemes and other employment support tools (primarily from April)<ul style="list-style-type: none">- Available in most markets where the Company operates- Implementation according to sales volumes and legal rules in the country▪ Appropriate reduction of variable component▪ Voluntary salary reduction by management (CEO, ELT and key managers)▪ Hiring freeze and other
Marketing (~10% on revenues)	<ul style="list-style-type: none">▪ Significant reduction of marketing spending
Other costs (~10% on revenues)	<ul style="list-style-type: none">▪ Suspension – i.e., deferring or cancelling – of all discretionary spending▪ Renegotiation of several supplier contracts and rent agreements

Rigorous cost management while ensuring Amplifon is well positioned to meet pent-up demand when crisis recedes

Actions to mitigate financial impacts related to Covid-19

Material reduction of investments and cash-outs to protect Cash Flow

Capex (~€90 million)	<ul style="list-style-type: none">▪ Suspension of all non-essential Capex starting from March- Essential Capex represents ~20-25% of usual annual Capex spending
Cash-out for M&A (~€90 million)	<ul style="list-style-type: none">▪ Temporary suspension of all cash-outs for M&A starting from March
Dividends (~€35 million)	<ul style="list-style-type: none">▪ Amplifon's Board of Directors resolution on March 20th to allocate all 2019 profit to retained earnings, then approved by Shareholders Meeting on April 24th

**Ready to re-activate growth investments and M&A
as conditions improve**

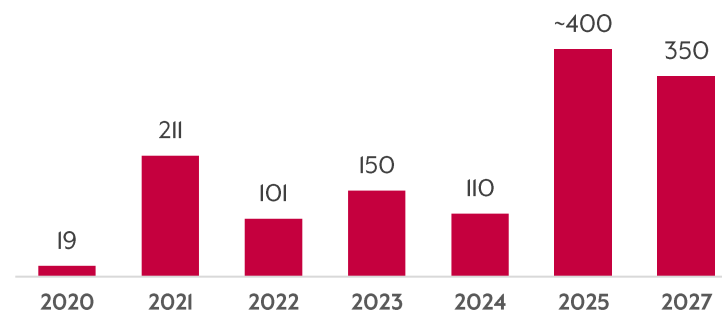
Company's financial solidity further reinforced

Refinancing securing additional ~€300 million credit lines and extending maturities almost completed

Committed credit lines after refinancing (€m)

	Principal	Maturity
Bond 7-yr	350	2027
Private placement	101	2020-23-25
GAES Term Loan Tranche A ¹	199	2023
Existing Term Loans	193	<ul style="list-style-type: none"> 13 2021 180 2024-25
Revolving Credit Facilities	195	<ul style="list-style-type: none"> 165 2021-22 30 2025
Additional finance	~300	2024-25
Total committed lines	~1,335	

Committed credit lines maturity after refinancing (€m)



- Since March the Company initiated refinancing actions to secure ~€300 million additional finance as well as extending maturities
 - Completed refinancing² for around €490 million
 - Around €280 million additional credit lines with very favorable pricing terms and maturities almost entirely at 2025
 - €210 million existing lines extended almost entirely to 2025
- No material short-term debt maturities, with weighted average debt maturity of around 5 years post-refinancing

Strong liquidity profile supported by cash on balance sheet & undrawn committed revolving credit facilities of ~€550 million at completion of refinancing

Q1 2020 Financial highlights

Strong performance across the board in January and February, with Covid-19 emergence impacting from March

Data in €m	Q1 2020	Q1 2019	Δ%
REVENUES	363.5	392.0	-7.3%
Organic growth			-9.5%
Acquisitions			+2.3%
FX			-0.1%
EBITDA	64.9	78.9	-17.8%
Margin %	17.8%	20.1%	-

- Revenues down 7.2% in LC
 - Organic performance at -9.5%, due to Covid-19 emergence impact in March
 - M&A contribution at +2.3%, primarily related to piecemeal acquisitions in Germany and France and Attune's acquisition in Australia
- Revenues in January-February up ~+10% in LC vs same period of 2019, boosted by a strong organic growth at +7.4%
- Trading was impacted by Covid-19 in March, initially in Italy then following in most of the other markets in the second half of the month
- Profitability declined as a result of lower revenues
 - EBITDA recurring of €64.9 million, down 17.8%, with margin at 17.8%
- Results from the implementation of the mitigation actions mainly realized from Q2 onwards
- Outstanding free cash flow at €44.2 million, ~2.7x Q1 2019 despite negative impact from Covid-19 outbreak
- Net financial debt at €790.7 million, also after €41.7m cash-out for M&A, with Net Debt/EBITDA at 1.99x

Financial results by Region

EMEA: double-digit top-line performance until early March, with Covid-19 impacting thereafter

Data in €m	Q1 2020	Q1 2019	Δ%
REVENUES	258.3	283.8	-9.0%
Organic growth			-11.4%
Acquisitions			+2.0%
FX			+0.4%
EBITDA	50.5	61.9	-18.4%
Margin %	19.6%	21.8%	-

- Revenues down 9.4% in LC
 - Organic performance at -11.4% due to Covid-19 emergence impact in March
 - M&A contribution of +2.0% for bolt-on M&A in Germany and France
- Revenues in January-February up ~+10% in LC vs same period of 2019, boosted by an outstanding organic growth at +7.5%
- Trading was impacted by Covid-19 from March, initially in Italy, then following in other EMEA countries
- Despite in most countries our services are categorized as essential, the footfall – primarily in Italy, Spain and France – dropped due to the lockdown measures adopted by the different Governments
- Strong performance was reported, despite Covid-19 emergence, in Germany, the Netherlands, Switzerland and BeLux, countries affected by less restrictive measures
- EBITDA at €50.5 million, down 18.4% vs. Q1 2019, with margin at 19.6%
 - Lower fixed cost absorption as a result of revenue decline for Covid-19 in March
- Results from the implementation of the mitigation actions mainly realized from Q2 onwards

Financial results by Region

AMERICAS: positive top-line performance thanks to an excellent first two months and a varied timing of the Covid-19 impact across the Region

Data in €m	Q1 2020	Q1 2019	Δ%
REVENUES	64.4	63.1	+2.0%
Organic growth			+0.7%
Acquisitions			+0.6%
FX			+0.7%
EBITDA	11.9	12.7	-6.6%
Margin %	18.5%	20.2%	-

- Revenues growth of +1.3% in LC
 - Organic growth at ~+1%, despite Covid-19 emergence in March
 - Very good performance of Miracle-Ear and AHHC, reporting mid-single digit organic growth in the quarter
 - Contribution from M&A at +0.6% related to Canada
 - Currency tailwind for USD appreciation vs. Euro
- Extraordinary revenue growth in January-February up +16% in LC vs same period of 2019, basically all organic, thanks to an outstanding double-digit performance of Miracle-Ear, AHHC and Canada
- Covid-19 impact materialized more towards the second part of March and with a different timing across the different US states
- EBITDA at €11.9 million, down 6.6% vs Q1 2019, with margin at 18.5%
 - Profitability contraction due to lower revenue growth
- Results from the implementation of the mitigation actions mainly realized from Q2 onwards

Financial results by Region

APAC: top-line performance impacted by bushfires in Australia in January and Covid-19 emergence mainly in March

Data in €m	Q1 2020	Q1 2019	Δ%
REVENUES	40.9	44.4	-8.0%
Organic growth			-10.3%
Acquisitions			+6.2%
FX			-3.9%
EBITDA	10.1	14.0	-27.6%
Margin %	24.7%	31.4%	-

- Revenues down -4.1% in LC
 - Organic performance at ~-10%
 - M&A contribution related to Attune acquisition
 - Currency headwind
- Low-single digit revenue growth in LC in January-February due to bushfires in Australia and total lockdown in China
- Negative top-line performance in Australia due to
 - Bushfires during the whole month of January (effectively extinguished only at the beginning of March)
 - Covid-19 emergence towards the end of the quarter, although to a lesser extent compared to other markets thanks to less restrictive measures
- Performance in New Zealand, India and China impacted by Covid-19 emergence and total lockdown measures (including closure of our network), although with different timings
- EBITDA at €10.1 million down 27.6% vs Q1 2019
 - Lower fixed cost absorption due to lower revenues
- Results from the implementation of the mitigation actions mainly realized from Q2 onwards

Q1 2020 Financial results

P&L lines impacted by Covid-19 emergence in March

Data in €m (unless specified)	Q1 2020	Q1 2019		Δ% Rec.
		Recurring	Reported	
REVENUES	363.5	392.0	392.0	-7.3%
EBITDA¹	64.9	78.9	77.5	-17.8%
<i>Margin %</i>	<i>17.8%</i>	<i>20.1%</i>	<i>19.8%</i>	--
ORDINARY D&A	(40.7)	(36.3)	(36.3)	-12.1%
PPA-RELATED AMORTIZATION	(9.7)	(8.4)	(8.4)	-15.7%
EBIT¹	14.5	34.3	32.9	-57.8%
<i>Margin %</i>	<i>4.0%</i>	<i>8.8%</i>	<i>8.4%</i>	--
NET FINANCIAL EXPENSES	(7.0)	(6.6)	(6.6)	-6.2%
PBT¹	7.5	27.7	26.3	-72.9%
TAXES	(2.4)	(8.9)	(8.6)	72.8%
<i>% on PBT</i>	<i>32.4%</i>	<i>32.2%</i>	<i>32.5%</i>	--
MINORITY	(0.1)	(0.0)	(0.0)	--
NET PROFIT²	5.1	18.8	17.7	-72.7%
<i>Margin %</i>	<i>1.4%</i>	<i>4.8%</i>	<i>4.5%</i>	--
EPS Reported (€)	0.023	--	0.080	-71.3%
EPS Adjusted³ (€)	0.053	0.112	--	-52.7%

1. No one-offs in Q1 2020. Negative one-off in Q1 2019 of €1.4 million for costs related to GAES integration

2. No one-offs in Q1 2020. Negative one-off in Q1 2019 of €1.1 million related to items in Note I net of taxes

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

Q1 2020 Financial results

Outstanding cash flow generation, with Operating and Free cash flow up +74% and +172% respectively, despite Covid-19 emergence

Data in €m	Q1 2020 ¹	Q1 2019 ²	Δ
Operating cash flow before repayment of lease liabilities	80.8	54.5	26.3
Repayment of lease liabilities	(20.1)	(19.6)	(0.5)
Operating cash flow	60.7	34.8	25.8
Capex (net)	(16.5)	(18.6)	2.1
Free cash flow	44.2	16.2	27.9
Acquisitions (net)	(41.7)	(14.4)	(27.4)
Cash provided by (used in) operating and investing activities	2.4	1.9	0.6
Cash provided by (used) financing activities	(4.9)	1.1	(6.0)
Net cash flow for the period	(2.5)	3.0	(5.4)
Net financial position (opening date)	(786.7)	(840.9)	54.2
Change in net financial position	(2.5)	3.0	(5.4)
Effect of FX & discontinued operation on financial position	(1.6)	(0.1)	(1.5)
Net financial position (closing date)	(790.7)	(838.0)	47.2

1. Non recurring cash-out of €0.8 million in Q1 2020

2. Non recurring cash-out of €3.1 million in Q1 2019

Q1 2020 Financial results

Net Debt/EBITDA at 1.99x

Data in €m	31/03/2020	31/12/2019
Cash	(272.1)	(138.4)
Short-term debt	223.9	172.4
Medium/long-term debt	838.9	752.6
Net financial debt	790.7	786.7
Lease liabilities	428.1	424.6
Total financial debt & lease liabilities	1,218.8	1,211.3
Total net equity	666.3	696.1
Net debt/EBITDA	1.99x	1.90x
Net debt/Equity	1.19x	1.13x

2020 Outlook

- Great uncertainty still remains on the length and depth of this unprecedented health, social and economic crisis related to Covid-19 as well as on the speed of normalization, thereafter, making not yet possible today to assess the potential impact for the current year
- Given this ongoing uncertainty, the Company is withdrawing its 2020 guidance issued in March 2018 and subsequently upgraded for GAES inclusion in March 2019 and will not update guidance until the effects of Covid-19 become clearer
- In March the Company promptly initiated implementing strong and decisive measures to reduce costs and sustain cash flow while further reinforcing its balance sheet
- The results of these actions will be realized mainly in the second quarter, expected to be the toughest quarter of the year due to the impact of full lockdown measures in most of EU countries, the US and New Zealand
- Despite the negative short-term impact on the demand in the hearing care retail market, the Company still expects to over-perform the market
- Beyond this period of uncertainty arising from Covid-19, the Company continues to look forward with great confidence thanks to its undisputed competitive positioning supplemented by the strong and unchanged fundamentals of the market

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