

# HI 2020 Results

Milan, July 29<sup>th</sup>, 2020



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# Q2 2020: Revenues affected by Covid-19 particularly in April but materially improving during the quarter

## Actions on costs and cash flow delivering impressive results

- Revenues down 42.8% at constant FX due to Covid-19 outbreak, still outpacing the global hearing care retail market
  - Organic contraction at -44.1%
  - +1.3% contribution from M&A
- As expected, Q2 resulted in the toughest quarter due to the impact of full lockdown measures in most markets during April
- The pace of recovery was better than expected, with strong sequential improvement month-over-month
- Our organization reacted extremely quickly and decisively thanks to everyone's contribution
  - Strong actions to reduce costs and generate cash
  - Completion of refinancing program ensuring over €650 million of headroom
- Excellent profitability, despite lower revenues, reflecting decisive and timely actions on costs
  - EBITDA at €66.4 million, with margin at 26.5%, up 200bps vs Q2 2019
- Outstanding cash flow generation with Free cash flow at €72.1 million in H1 2020 vs €57.9 million in H1 2019, +24.6%
- Excellent Net Financial Position at €765.3 million, further improving vs. December 2019 and March 2020 despite negative impact from Covid-19 outbreak, and with leverage at 2.18x

# Trading update

## Faster-than-expected recovery, July trading above previous year

- Impressive pace of recovery, improving sequentially during the quarter and strongly correlated with the ease of lockdown restrictions
  - April running at ~65% vs prior year with ~35%<sup>I</sup> of network operating
  - May at ~45% vs prior year with ~50%<sup>I</sup> of network operating
  - June at ~20% vs prior year with ~70%<sup>I</sup> of network operating
- Pace of recovery across markets
  - Europe was heavily impacted in Q2 as most of our core markets experienced severe lockdown measures in April - with the exception of Germany - but recovered strongly from early May
  - The US was amongst the most impacted markets during the month of April but the fastest to recover since end of April/early May
  - APAC led the recovery in Q2, driven by a good contribution throughout all the period of Australia where operations have always been running, New Zealand which exited the total lockdown in mid-May and recovered fast thereafter, and China already at previous year revenue level in May
- Momentum is continuing in July with network globally almost entirely operating and with revenues currently growing vs. previous year
- Significant market share gains across the board
- Recovery trend demonstrating once again the resilience of our business and no change to industry's fundamentals

# Q2 2020 Financial highlights

Financials far better-than-expected with impressive results on profitability and cash flow, thanks to timely and effective measures

Data in €m	Q2 2020	Q2 2019	Δ%
REVENUES	250.4	440.1	-43.1%
Organic growth			-44.1%
Acquisitions			+1.3%
FX			-0.3%
EBITDA	66.4	107.6	-38.3%
<b>Margin %</b>	<b>26.5%</b>	<b>24.5%</b>	-

- Revenues down 42.8% in LC
  - Organic performance at -44.1%, due to Covid-19 outbreak
  - M&A contribution at +1.3%
  - FX impact at -0.3%
- Trading heavily impacted by Covid-19 in April but quickly improving thereafter with the ease of restrictions in most markets
- Excellent profitability, despite lower revenues, reflecting decisive and timely actions on costs
  - EBITDA at €66.4 million, with margin at 26.5%, up 200 bps vs Q2 2019
  - Significant decrease in labour cost primarily thanks to the activation of Government social schemes and other employment support tools as well as productivity improvements
  - Strong reduction of marketing spending (~65% vs Q2 2019)
  - Significant achievements in the renegotiation of rent agreements (~€7 million income according to the application of the Covid-19-related rent concessions amendment to IFRS 16 issued by the IASB)
  - Other costs benefitting from tight control on discretionary costs and successful renegotiation of supplier contracts

# HI 2020 Financial highlights

Highly encouraging results reflecting solid speed of recovery and strong ability in managing cost base and cash flow

Data in €m	HI 2020	HI 2019	Δ%
REVENUES	613.9	832.0	-26.2%
Organic growth			-27.8%
Acquisitions			+1.8%
FX			-0.2%
EBITDA	131.3	186.6	-29.6%
<b>Margin %</b>	<b>21.4%</b>	<b>22.4%</b>	-

- Revenues down 26.0% in LC
  - Organic performance at -27.8%, due to Covid-19 outbreak
  - M&A contribution at +1.8%
  - FX impact at -0.2%
- Trading impacted by Covid-19 from March, then improving since end of April/early May at a better-than-expected pace
- Very limited profitability decline despite lower revenues
  - Timely and decisive actions on costs
  - EBITDA at €131.3 million, with margin at 21.4%, down only 100bps vs HI 2019
- Strong operating and free cash flow at €121.6 million and €72.1 million, despite negative impact from Covid-19 outbreak
- Effective actions implemented to generate cash flow and improve NFP
  - Capex at €21.8 million (€5.3 million in Q2) vs €42.0 million in HI 2019
  - No M&A cash-out in Q2 leading to €41.8 million in HI 2020 vs €27.7 million in HI 2019
  - No dividend distribution vs €30.9 million cash-out in HI 2019
  - Tight control of operating and non-operating working capital

# Financial results by Region

EMEA: performance affected by Covid-19 but significantly improving both on top-line and profitability since end of April

Data in €m	HI 2020	HI 2019	Δ%
REVENUES	437.5	607.1	-27.9%
Organic growth			-29.6%
Acquisitions			+1.5%
FX			+0.2%
EBITDA	102.9	147.3	-30.2%
Margin %	23.5%	24.3%	-

Data in €m	Q2 2020	Q2 2019	Δ%
REVENUES	179.2	323.4	-44.6%
Organic growth			-45.7%
Acquisitions			+1.0%
FX			+0.1%
EBITDA	52.3	85.4	-38.7%
Margin %	29.2%	26.4%	-

- Revenues down 28.1% in LC
  - Organic performance at -29.6% due to Covid-19 outbreak
  - M&A contribution of +1.5% for bolt-on M&A in Germany and France
- Trading impacted by Covid-19 from March, initially in Italy, then following in other EMEA countries
- Faster-than-expected recovery since end of April/early May with the lift-up of restrictive measures
- Very good performance despite Covid-19 in Germany due to less restrictive measures
- Robust performance in France, thanks to an impressive recovery pace with the ease of lockdown, and reaching flat exit run-rate at the end of June
- Sequential and better-than-expected improvement in Q2 in Italy and Spain, countries initially more affected by the health emergency and severe lockdown measures
- EBITDA at €102.9 million, with margin at 23.5%, down only 80bps vs HI 2019
- Impressive results from the actions implemented on costs in Q2, delivering an EBITDA margin at 29.2%, up 280bps vs Q2 2019

# Financial results by Region

AMERICAS: varied timing and impact of Covid-19 across the Region, with the core US market showing the strongest speed of recovery

Data in €m	HI 2020	HI 2019	Δ%
REVENUES	104.6	131.9	-20.7%
Organic growth			-21.3%
Acquisitions			+0.4%
FX			+0.2%
EBITDA	22.7	29.1	-22.1%
<b>Margin %</b>	<b>21.7%</b>	<b>22.1%</b>	-

Data in €m	Q2 2020	Q2 2019	Δ%
REVENUES	40.2	68.8	-41.5%
Organic growth			-41.4%
Acquisitions			+0.2%
FX			-0.3%
EBITDA	10.8	16.4	-34.1%
<b>Margin %</b>	<b>26.9%</b>	<b>23.9%</b>	-

- Revenues down 20.9% in LC
  - Organic performance at ~-21%, due to Covid-19 outbreak
  - Contribution from M&A at +0.4% related to Canada
  - Currency tailwind, despite reverse of Euro appreciation vs. US Dollar in Q2
- Covid-19 impact materialization from end of March in the US and thereafter in Canada and Latin America
- US market, heavily impacted by Covid-19 during the month of April, showed the fastest recovery pace
  - Miracle-Ear reported a good performance with positive growth in June and strong share gains
  - Canada and Latin America severely impacted by the pandemic in Q2
- EBITDA at €22.7 million, with margin at 21.7%, down only 40bps vs HI 2019
- Impressive results from the actions implemented on costs in Q2, delivering EBITDA margin at 26.9%, up 300bps vs Q2 2019



# Financial results by Region

APAC: leading the recovery on the top-line and showing an outstanding operating leverage

Data in €m	HI 2020	HI 2019	Δ%
REVENUES	71.8	91.0	-21.1%
Organic growth			-23.5%
Acquisitions			+5.7%
FX			-3.3%
EBITDA	22.7	27.3	-16.9%
<b>Margin %</b>	<b>31.5%</b>	<b>30.0%</b>	-

Data in €m	Q2 2020	Q2 2019	Δ%
REVENUES	31.0	46.6	-33.6%
Organic growth			-36.0%
Acquisitions			+5.2%
FX			-2.8%
EBITDA	12.5	13.3	-5.7%
<b>Margin %</b>	<b>40.5%</b>	<b>28.5%</b>	-

- Revenues down -17.8% in LC
  - Organic performance at -23.5%
  - M&A contribution at +5.7% related to Attune acquisition
  - Currency headwind
- Good performance in Australia affected by Covid-19 emergency to a lesser extent compared to other markets thanks to less restrictive measures
- New Zealand strongly impacted by the pandemic from end of March to mid-May due to the adoption of total lockdown measures (including closure of our network), but quickly recovering thereafter
- China, first market to be affected by Covid-19, back to growth in Q2
- EBITDA at €22.7 million, with margin at 31.5%, up 150bps vs HI 2019
- Impressive results from mitigation measures in Q2, delivering an EBITDA margin at 40.5%, up 12p.p. vs Q2 2019

# Q2 2020 Financial results

Results far better-than-expected despite extraordinary Covid-19 impact on business

Data in €m (unless specified)	Q2 2020	Q2 2019		Δ% Rec.
		Recurring	Reported	
<b>REVENUES</b>	<b>250.4</b>	<b>440.1</b>	<b>440.1</b>	<b>-43.1%</b>
<b>EBITDA<sup>1</sup></b>	<b>66.4</b>	<b>107.6</b>	<b>103.2</b>	<b>-38.3%</b>
<i>Margin %</i>	26.5%	24.5%	23.5%	--
ORDINARY D&A	(39.5)	(37.3)	(37.3)	-6.0%
PPA-RELATED AMORTIZATION	(9.9)	(9.3)	(9.4)	-6.6%
<b>EBIT<sup>2</sup></b>	<b>17.0</b>	<b>61.1</b>	<b>56.6</b>	<b>-72.1%</b>
<i>Margin %</i>	6.8%	13.9%	12.9%	--
NET FINANCIAL EXPENSES	(6.8)	(6.2)	(6.2)	-8.3%
<b>PBT<sup>2</sup></b>	<b>10.3</b>	<b>54.8</b>	<b>50.4</b>	<b>-81.2%</b>
TAXES	(2.9)	(14.3)	(13.6)	79.7%
<i>% on PBT</i>	28.2%	26.0%	27.1%	--
MINORITY	(0.0)	(0.0)	(0.0)	--
<b>NET PROFIT<sup>3</sup></b>	<b>7.4</b>	<b>40.6</b>	<b>36.8</b>	<b>-81.7%</b>
<i>Margin %</i>	3.0%	9.2%	8.4%	--
<b>EPS Reported (€)</b>	<b>0.033</b>	<b>--</b>	<b>0.166</b>	<b>-79.9%</b>
<b>EPS Adjusted<sup>3</sup> (€)</b>	<b>0.068</b>	<b>0.217</b>	<b>--</b>	<b>-68.6%</b>

1. No one-offs in Q2 2020. Negative one-off in Q2 2019 of €4.4 million for costs related to GAES integration

2. No one-offs in Q2 2020. Negative one-off in Q2 2019 of €4.4 million related to GAES integration

3. No one-offs in Q2 2020. Negative one-off in Q2 2019 of €3.8 million related to items in Notes above net of taxes

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

# HI 2020 Financial results

Results far better-than-expected despite extraordinary Covid-19 impact on business

Data in €m (unless specified)	HI 2020	HI 2019		Δ% Rec.
		Recurring	Reported	
<b>REVENUES</b>	<b>613.9</b>	<b>832.0</b>	<b>832.0</b>	<b>-26.2%</b>
<b>EBITDA<sup>1</sup></b>	<b>131.3</b>	<b>186.6</b>	<b>180.8</b>	<b>-29.6%</b>
<i>Margin %</i>	21.4%	22.4%	21.7%	--
ORDINARY D&A	(80.2)	(72.7)	(72.2)	-10.4%
PPA-RELATED AMORTIZATION	(19.6)	(18.5)	(18.6)	-5.7%
<b>EBIT<sup>2</sup></b>	<b>31.5</b>	<b>95.4</b>	<b>89.5</b>	<b>-66.9%</b>
<i>Margin %</i>	5.1%	11.5%	10.8%	--
NET FINANCIAL EXPENSES	(13.7)	(12.8)	(12.8)	-7.2%
<b>PBT<sup>2</sup></b>	<b>17.8</b>	<b>82.6</b>	<b>76.7</b>	<b>-78.5%</b>
TAXES	(5.3)	(23.2)	(22.2)	-77.1%
<i>% on PBT</i>	29.9%	28.1%	28.9%	--
MINORITY	(0.1)	(0.0)	(0.0)	--
<b>NET PROFIT<sup>3</sup></b>	<b>12.6</b>	<b>59.4</b>	<b>54.5</b>	<b>-78.8%</b>
<i>Margin %</i>	2.0%	7.1%	6.5%	--
<b>EPS Reported (€)</b>	<b>0.056</b>	--	<b>0.247</b>	<b>-77.2%</b>
<b>EPS Adjusted<sup>3</sup> (€)</b>	<b>0.121</b>	<b>0.330</b>	--	<b>-63.4%</b>

1. No one-offs in HI 2020. Negative one-off in HI 2019 of €5.8 million for costs related to GAES integration
2. No one-offs in HI 2020. Negative one-off in HI 2019 of €5.9 million related to GAES integration
3. No one-offs in HI 2020. Negative one-off in HI 2019 of €4.9 million related to items in Notes above net of taxes
4. EPS adjusted for one-offs and PPA-related amortization (net of taxes)

# HI 2020 Financial results

Outstanding cash flow generation with Free cash flow up +24.6%, despite Covid-19 outbreak

Data in €m	HI 2020 <sup>1</sup>	HI 2019 <sup>2</sup>	Δ
<b>Operating cash flow before repayment of lease liabilities</b>	121.6	139.5	(17.9)
Repayment of lease liabilities	(27.7)	(39.7)	12.0
<b>Operating cash flow</b>	<b>93.9</b>	<b>99.8</b>	<b>(5.9)</b>
Capex (net)	(21.8)	(42.0)	20.2
<b>Free cash flow</b>	<b>72.1</b>	<b>57.9</b>	<b>14.2</b>
Acquisitions (net)	(41.8)	(27.7)	(14.1)
<b>Cash provided by (used in) operating and investing activities</b>	<b>30.3</b>	<b>30.1</b>	<b>0.2</b>
Cash provided by (used) financing activities	(7.7)	(29.7)	22.0
<b>Net cash flow for the period</b>	<b>22.6</b>	<b>0.4</b>	<b>22.2</b>

<b>Net financial position (opening date)</b>	<b>(786.7)</b>	<b>(840.9)</b>	<b>54.2</b>
Change in net financial position	22.6	0.4	22.2
Effect of FX & discontinued operation on financial position	(1.2)	(0.7)	(0.6)
<b>Net financial position (closing date)</b>	<b>(765.3)</b>	<b>(841.1)</b>	<b>75.7</b>

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

2. Non recurring cash-out of €7.0 million in HI 2019

# HI 2020 Financial results

Excellent NFP with leverage at 2.18x and further strengthened financial profile

Data in €m	30/06/2020	31/12/2019
Cash	(427.2)	(138.4)
Short-term debt	66.4	172.4
Medium/long-term debt	1,126.2	752.6
<b>Net financial debt</b>	<b>765.3</b>	<b>786.7</b>
Lease liabilities	442.7	424.6
<b>Total financial debt &amp; lease liabilities</b>	<b>1,208.0</b>	<b>1,211.3</b>
<b>Total net equity</b>	<b>700.0</b>	<b>696.1</b>
Net debt/EBITDA	2.18x	1.90x
Net debt/Equity	1.10x	1.13x

- Completed refinancing securing ~€370 million additional finance as well as extending maturities
- Headroom (cash on balance sheet & undrawn committed revolving credit facilities) of over €650 million

# 2020 Outlook

## Looking ahead with confidence

- Whilst we remain cautious about the future developments of the Covid-19 outbreak, we believe the worst is behind us
- The impressive speed of recovery since the easing of restrictive measures and the actual July run rate clearly demonstrate the resilience of our business
- In fact, industry fundamentals and consumer behaviors have not been affected by Covid-19
- Although the situation remains uncertain, given our recent performance and assuming no further significant re-tightening of lockdown restrictions, we are positive about the second half of the year and we now expect Q3 at a similar revenue level to previous year
- We also look positively to FY 2021 both in terms of sales and profitability
  - Regarding profitability, the strong measures implemented to reduce our cost base and improve productivity will allow us to be more efficient going forward
- We are moving in the right direction to transform this unprecedented crisis into an opportunity and to emerge from it even stronger than before

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