

Demant

Demant A/S: Annual Report 2024 and review of H2 2024

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Annual Report 2024 and review of H2 2024

Revenue growth of 4% (2% organic) in 2024 as expected, driven by strong performance in Hearing Care

EBIT before special items of DKK 4,404 million, resulting in an EBIT margin before special items of 19.6%

Very strong cash flow with CFFO of DKK 4,080 million and FCF of DKK 3,486 million

Outlook for 2025: Organic growth of 3-7% and EBIT of DKK 4,500-4,900 million

"In 2024, we took important steps to become a more focused hearing healthcare company and concentrate our efforts on our core business. We delivered on our ambition to help as many people as possible by improving the lives of 11 million people based on our life-changing hearing solutions and personalised care. I am pleased that the Group achieved a solid operating profit before special items of DKK 4.4 billion and a very strong cash flow for the year, which allows us to continue to invest in growth and innovation. All our hearing aid brands launched new products in 2024, and our flagship product, Oticon Intent, was a strong sales driver, particularly for our Hearing Care business area, which generated solid growth in 2024.

Also in 2025, Demant will continue to invest in hearing solutions based on artificial intelligence, and the possibilities to help users seem limitless, which includes the launch of new AI-powered in-the-ear devices in our smallest form factors already in the first quarter, so we have entered the year with optimism, energy and commitment to drive sustainable growth and to help even more people hear better through innovation," says Søren Nielsen, President & CEO of Demant.

Financial review of FY 2024

| Business area | Revenue (DKK million) | | Growth | | | | | |
|---------------------------------------|------------------------------|----------------|----------------|--------------------|------------|------------|-----------------|--|
| | FY 2024 | FY 2023 | Organic | Acquisitive | LCY | FX | Reported | |
| <i>Hearing Aids, total revenue</i> | 12,413 | 12,112 | 3% | 1% | 4% | -1% | 2% | |
| <i>Hearing Aids, internal revenue</i> | -2,391 | -2,076 | 12% | 3% | 15% | 0% | 15% | |
| <i>Hearing Aids, external revenue</i> | 10,022 | 10,036 | 1% | 1% | 2% | -2% | 0% | |
| <i>Hearing Care</i> | 9,932 | 9,083 | 5% | 4% | 9% | 0% | 9% | |
| <i>Diagnostics</i> | 2,465 | 2,482 | 0% | 0% | 0% | 0% | 0% | |
| Group | 22,419 | 21,601 | 2% | 2% | 5% | -1% | 4% | |

- The Group generated **revenue** of DKK 22,419 million. Organic growth was 2%, with acquisitive growth adding 2% and exchange rate effects -1%. Total reported growth for the Group was thus 4% in 2024.

- Supported by an improvement in the gross margin, but offset by higher OPEX growth, **EBIT before special items** amounted to DKK 4,404 million in 2024, down 2% compared to 2023 and in line with our revised outlook for the year.
- The Group continues to be highly cash-generative and thus delivered **CFFO** of DKK 4,080 million for the full year. The Group's **share buy-backs** amounted to DKK 2,301 million in 2024, which is in line with our expectations.
- Following a positive development in profit after tax and supported by the share buy-backs, the Group realised **earnings per share (EPS) for continuing operations** of DKK 13.31 in 2024, corresponding to 5% year-over-year growth.

Financial review of H2 2024

| | Revenue (DKK million) | | Growth | | | | | |
|---------------------------------------|-----------------------|--------------|-----------|-------------|-----------|-----------|-----------|--|
| Business area | Q4 2024 | Q4 2023 | Organic | Acquisitive | LCY | FX | Reported | |
| <i>Hearing Aids, total revenue</i> | 3,179 | 3,100 | 2% | 2% | 4% | -1% | 3% | |
| <i>Hearing Aids, internal revenue</i> | -583 | -482 | 18% | 3% | 21% | 0% | 21% | |
| Hearing Aids, external revenue | 2,596 | 2,618 | -1% | 2% | 0% | -1% | -1% | |
| Hearing Care | 2,698 | 2,423 | 7% | 4% | 11% | 0% | 11% | |
| Diagnostics | 637 | 659 | -3% | 0% | -3% | 0% | -3% | |
| Group | 5,931 | 5,700 | 2% | 3% | 4% | 0% | 4% | |

| | Revenue (DKK million) | | Growth | | | | | |
|---------------------------------------|-----------------------|---------------|-----------|-------------|-----------|------------|-----------|--|
| Business area | H2 2024 | H2 2023 | Organic | Acquisitive | LCY | FX | Reported | |
| <i>Hearing Aids, total revenue</i> | 6,183 | 6,024 | 2% | 2% | 4% | -1% | 3% | |
| <i>Hearing Aids, internal revenue</i> | -1,183 | -976 | 18% | 3% | 21% | 0% | 21% | |
| Hearing Aids, external revenue | 5,000 | 5,048 | -1% | 2% | 1% | -2% | -1% | |
| Hearing Care | 5,098 | 4,575 | 7% | 4% | 11% | 0% | 11% | |
| Diagnostics | 1,234 | 1,284 | -4% | 0% | -4% | 0% | -4% | |
| Group | 11,332 | 10,907 | 2% | 3% | 5% | -1% | 4% | |

Unless otherwise indicated, the commentary below relates to H2 2024.

- The **Group** generated organic growth of 2% (Q4: 2%) driven by Hearing Care. Acquisitive growth added 3% (Q4: 3%) and exchange rate effects -1% (Q4: 0%), resulting in total reported growth of 4% (Q4: 4%).
 - Hearing Aids** saw organic growth from external customers of -1% (Q4: -1%), as growth continued to be impacted by strong comparative figures with 20% organic growth in the same period the year before. In the period under review, we saw an intense competitive environment and a continued impact from the loss of revenue from managed care customers in Q2. Despite these factors, we estimate that our market share remained stable in Q4 compared to Q3. Growth in our total Hearing Aids revenue was driven by a positive development in the average selling price (ASP) of 5% due to strong product and channel mix. Our unit growth was -1%, which is a sequential improvement compared to H1, aided by positive unit growth in Q4.
 - Hearing Care** continued to perform strongly and delivered an above-market organic growth rate of 7% (Q4: 7%), driven by continuously strong growth in many of our medium-sized markets and in North America. In

France, growth was slightly positive in H2 following a return to growth in Q4. In H2, growth was predominantly driven by unit sales, but it was also supported by a positive ASP development due to favourable product mix changes following the launch of our premium product, Oticon Intent, in February 2024, and by positive geography mix changes. In line with our strategic priorities, we continue to expand our distribution network by acquiring hearing clinics, which contributed considerably with 4% growth in the period.

- **Diagnostics** saw weak momentum with organic growth of -4% (Q4: -3%), because of a continuously very soft market for diagnostic instruments as well as negative growth in sales of our portfolio of balance products. In China, we continue to see adverse effects of our limited access in public markets. Despite this negative market development, we estimate that our organic growth rate was above the estimated market growth rate in the period.
- The Group's **gross margin** was 75.7%, but despite a positive impact of changes in the business mix and a continuously good ASP in Hearing Aids, the gross margin decreased by 0.4 percentage points compared to H2 2023. The developments in foreign exchange rates and an increasing share of rechargeable units both had a negative impact, which more than offset the previously mentioned factors.
- **OPEX** grew organically by 2%, in line with our assumptions, reflecting cost-saving measures taken across the Group in H1, which took effect in H2, leading to lower OPEX and a better balance between revenue and OPEX growth. Acquisitions added an additional 4 percentage points of growth, while exchange rates were flat.
- **EBIT before special items** amounted to DKK 2,336 million, reflecting flat year-over-year development. The EBIT margin before special items was 20.6%, a decrease of 0.9 percentage points compared to H2 2023, and was negatively impacted by foreign exchange rates and by lower operating leverage, particularly in Hearing Aids. The Group did not incur any **special items** in H2, resulting in a **reported EBIT** of DKK 2,336 million.
- The Group delivered very strong **cash flow** with CFFO of DKK 2,589 million and FCF of DKK 2,329 million. Following a higher-than-normal level of activity in H1, the acquisition level continued to be high, with cash spent on acquisitions amounting to DKK -471 million in H2, which relates entirely to acquisitions in Hearing Care.
- The Group's **share buy-backs** amounted to DKK 1,164 million. Supported by strong cash flow generation and despite a continuously high level of acquisitions, the Group's gearing multiple was 2.3 at the end of 2024, which is in line with our medium- to long-term target of 2.0-2.5.
- Profit after tax from **discontinued operations**, which comprise Communications (EPOS) and Hearing Implants (our bone anchored hearing systems business), amounted to DKK -350 million. The loss was entirely related to Communications, which incurred DKK 430 million in one-off costs related to the restructuring of EPOS. Following the successful divestment of our cochlear implants business in Q2 and the restructuring of EPOS in Q3, we delivered profit after tax in both businesses in Q4.

Sustainability review of FY 2024

- We are proud to introduce a series of new and updated sustainability targets for 2030 for our Group. These are guided by our ambition, as the leading hearing healthcare company, to improve as many lives as possible and by our commitment to operate our business in a responsible and sustainable manner.
- Enacting Demant's purpose, in 2024, the Group improved 10.9 million lives through its solutions and by providing personalised care to hearing aid users. By comparison, the number was 10.3 million in 2023. Furthermore, we carried out 1.5 million hearing tests in our hearing care clinics during the year.
- Demant reduced its scope 1 and 2 market-based **greenhouse gas (GHG) emissions** by 11% compared to 2023 and by 8% compared to the 2019 baseline year from which our climate targets are set. The decrease in GHG emissions is driven by an increase in our consumption of renewable electricity, which represented 35% of Demant's total electricity consumption in 2024.
- The Group saw an improvement in **gender diversity** of 2 percentage points, with the share of women in top-level management increasing to 31% in 2024. By comparison, the share was 29% in 2023. We have thus achieved our 2025 target of 30% women in top-level management.
- Demant reached an **employee engagement** score of 4.13 (on a scale from 1 to 5), which is a small increase from 4.11 in 2023. With an inclusivity score of 4.27, we see a very small increase from 4.26 in 2023 regarding employees' experience of **inclusion**.
- To increase excellence in **business conduct**, 76% of highly exposed employees were trained in Demant's code of conduct.

Outlook for 2025

Our outlook for 2025 is summarised in the table below:

| Metric | Outlook for 2025 |
|-----------------|-----------------------------|
| Organic growth | 3-7% |
| EBIT | DKK 4,500-4,900 million |
| Share buy-backs | More than DKK 1,500 million |

The outlook is based on a number of key assumptions as described below:

- We expect the unit growth rate in the global hearing aid market in 2025 to be in line with the structural growth rate of 4-6% and the hearing aid market to see flattish ASP development for the year.
- We expect the French market to grow in the high-single digits in units in 2025.
- We expect the organic growth rate in Q1 to be below our full-year outlook, caused by the phasing of growth in Hearing Aids, due to managed care dynamics. However, we expect to see significant improvement in the growth rate in the subsequent quarters.
- We expect the cash allocated to bolt-on acquisitions in 2025 to be at a higher-than-normal level due to a continuously good pipeline of attractive opportunities.
- We have not included any significant financial impacts of the potential introduction of tariffs in 2025 in our outlook.
- Our Communications business area and our business for bone anchored hearing systems are recognised as part of discontinued operations, and for the full year 2025, the combined net profit after tax in these businesses is expected to be DKK 0-50 million. This relates entirely to an expected operating profit for the businesses and does not include any financial impact related to our intended divestment of the businesses.

For modelling purposes, we provide further assumptions for 2025 below:

| Metric | Assumption for 2025 |
|-------------------------------------|--|
| Acquisitive growth | 2% based on revenue from acquisitions completed as at 4 February 2025 |
| FX growth | 1% based on exchange rates as at 4 February 2025 and including the impact of hedging |
| Effective tax rate | Around 23% |
| Profit from discontinued operations | DKK 0-50 million |

Conference call details

Demant will host a conference call on 5 February 2025 at 14:00 CET. A live webcast of the call will be available on our website www.demant.com. If you would like to attend the conference call to ask questions, please pre-register [here](#) to receive the dial-in numbers and access codes. A presentation for the call will be uploaded on our website shortly before the call.

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Key financial figures and ratios

| (DKK million) | H2 2024 | H2 2023 | Change | FY 2024 | FY 2023 | Change |
|--|---------|---------|--------|---------|---------|--------|
| Income statement | | | | | | |
| Revenue | 11,332 | 10,907 | 4% | 22,419 | 21,601 | 4% |
| Organic growth | 2% | 13% | | 2% | 14% | |
| Gross profit | 8,580 | 8,303 | 3% | 17,090 | 16,320 | 5% |
| EBITDA | 3,066 | 3,010 | 2% | 5,963 | 5,799 | 3% |
| Operating profit before special items | 2,336 | 2,344 | 0% | 4,404 | 4,506 | -2% |
| Special items | - | - | n.a. | 124 | - | n.a. |
| Operating profit (EBIT) | 2,336 | 2,344 | 0% | 4,528 | 4,506 | 0% |
| Net financial items | -402 | -399 | 1% | -812 | -761 | 7% |
| Profit after tax - continuing operations | 1,538 | 1,452 | 6% | 2,892 | 2,823 | 2% |
| Profit after tax - discontinued operations | -350 | -236 | 48% | -504 | -1,025 | -51% |
| Profit for the period | 1,188 | 1,216 | -2% | 2,388 | 1,798 | 33% |
| | | | | | | |
| Cash flow statement | | | | | | |
| Cash flow from operating activities (CFFO) | 2,589 | 2,540 | 2% | 4,080 | 4,458 | -8% |
| Acquisition of enterprises, participating interests and activities | -471 | -622 | -24% | -1,234 | -935 | 32% |
| Investment in property, plant and equipment, net | 259 | 320 | -19% | 545 | 621 | -12% |
| Free cash flow (FCF) | 2,329 | 2,071 | 12% | 3,486 | 3,622 | -4% |
| Share buy-backs | 1,164 | 829 | 40% | 2,301 | 846 | 172% |
| | | | | | | |
| Balance sheet | | | | | | |
| Equity | 9,644 | 9,338 | 3% | 9,644 | 9,338 | 3% |
| Total assets | 32,450 | 30,546 | 6% | 32,450 | 30,546 | 6% |
| Net interest-bearing debt (NIBD) | 13,545 | 12,280 | 10% | 13,545 | 12,280 | 10% |
| Net working capital (NWC) | 3,289 | 3,630 | -9% | 3,289 | 3,630 | -9% |
| | | | | | | |
| Financial ratios | | | | | | |
| Gross margin | 75.7% | 76.1% | | 76.2% | 75.6% | |
| EBIT margin | 20.6% | 21.5% | | 19.6% | 20.9% | |
| Effective tax rate | 20.5% | 25.3% | | 22.2% | 24.6% | |
| Gearing multiple | 2.3 | 2.1 | | 2.3 | 2.1 | |
| | | | | | | |
| Share ratios | | | | | | |
| Earnings per share (EPS) - continuing operations, DKK | 7.08 | 6.50 | 9% | 13.31 | 12.64 | 5% |

| | | | | | | |
|---|--------|--------|------|--------|--------|------|
| Earnings per share (EPS), DKK | 5.47 | 5.44 | 1% | 10.99 | 8.04 | 37% |
| Share price, end of period/year, DKK | 264.20 | 296.00 | -11% | 264.20 | 296.00 | -11% |
| | | | | | | |
| We refer to section 9.1 of Annual Report 2024 for a description of the accounting policies used for reporting key figures and financial ratios. | | | | | | |
| | | | | | | |

Key sustainability figures and ratios

| | FY 2024 | FY 2023 | Change |
|---|---------|---------|--------|
| Sustainability impacts | | | |
| Number of lives improved (million) | 10.9 | 10.3 | 6% |
| | | | |
| Environment | | | |
| Scope 1 and 2 GHG emissions market-based (tonnes of CO2e) ¹ | 29,426 | 33,103 | -11% |
| Scope 1 and 2 GHG emissions location-based (tonnes of CO2e) ¹ | 33,686 | 33,323 | 1% |
| Scope 3 GHG emissions (tonnes of CO2e) ¹ | 464,103 | 492,026 | -6% |
| Share of renewable electricity | 35% | 21% | 14pp |
| | | | |
| Social | | | |
| Gender diversity, top-level management (women/men) | 31/69% | 29/71% | 2pp |
| Gender diversity, all managers (women/men) | 50/50% | 48/52% | 2pp |
| Inclusion score (1-5) | 4.27 | 4.26 | 0% |
| Engagement score (1-5) | 4.13 | 4.11 | 0% |
| Average number of full-time employees (FTE) | 21,381 | 20,690 | 3% |
| All employees (headcounts) | 22,639 | 22,240 | 2% |
| | | | |
| Governance | | | |
| Code of Conduct training of highly exposed employees | 76% | n.a. | n.a. |
| Whistleblower reports | 87 | 90 | -3% |
| ¹ 2023 numbers are restated due to methodological improvement. | | | |
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Demant is a world-leading hearing healthcare group that offers solutions and services to help people with hearing loss connect with the world around them. In every aspect, from hearing devices, hearing implants, diagnostics to audio and video solutions and hearing care all over the world, Demant is active and engaged. Our innovative technologies and know-how help improve people's health and hearing. We create life-changing differences through hearing health.

Attachments

- [2025-02 Annual Report 2024.pdf](#)
- [Demant Annual Report 2024.pdf](#)
- [DEMAND-2024-12-31-en.zip](#)