Ad hoc announcement pursuant to Art. 53 LR

First half results 2021/22: Sustained positive growth momentum and further progress on profitability

Stäfa (Switzerland), November 15, 2021 – Sonova Holding AG, a leading provider of hearing solutions, today announces its results for the first half of financial year 2021/22. Group sales reached CHF 1,603.8 million, up by 48.5% in local currencies. This was partly attributable to the solid market recovery as well as a low comparison base in the prior year period. Compared to pre-pandemic levels in the first half of the financial year 2019/20 this represents a two-year compound annual growth rate (CAGR) of 8.5%. Adjusted for restructuring costs and transaction costs related to the planned acquisition of the Sennheiser Consumer Division, operating profit before acquisition-related amortization (EBITA) increased by 129.3% in local currencies to CHF 406.4 million. Maintaining the outlook provided at the start of the financial year 2021/22, Sonova expects consolidated sales to increase by 24%-28% and adjusted EBITA to grow in the range of 34%-42% in 2021/22, both measured at constant exchange rates.

Arnd Kaldowski, CEO of Sonova, says: "We are very pleased with the dynamic start to the year and have sustained our positive momentum. The strong result was accomplished despite residual headwinds related to the COVID-19 pandemic and the impact of some supply chain challenges toward the end of the period. Innovation continues to be a key performance driver as evidenced by the ongoing success of the Phonak Paradise platform and two new sound processors rolled out in our Cochlear Implants business. At the same time, we were able to achieve sustainable efficiency improvements, resulting in a continued positive margin development and the ability to further step up our growth investments. We are confident that we will continue to drive profitable growth for the remainder of the financial year and beyond."

Sonova Group key figures – First half 2021/22 in CHF m

	1H-2021/22	1H-2020/21	Change in CHF	Change in local currencies
Sales	1,603.8	1,069.6	49.9%	48.5%
EBITA (adjusted)[1)]	406.4	174.3	133.1%	129.3%
EBITA margin (adjusted)[1)]	25.3%	16.3%		
EPS (adjusted, CHF)[1)]	4.86	1.97	146.5%	142.0%
Operating free cash flow	337.3	245.8	37.2%	

1) Non-GAAP financial measure adjusted for nonrecurring items; see financial review and for details see the table "Reconciliation of non-GAAP financial measures" in the Semi-Annual Report 2021/22.

Ongoing market recovery, despite some residual headwinds

Sonova Group sales increased by 48.5% in local currencies in the first half of financial year 2021/22. This was helped by low comparative figures in the prior year period, when the development had been heavily impacted by the COVID-19 pandemic. Compared to pre-pandemic levels in the first half of the financial year 2019/20, sales were up 17.7% in local currencies, representing a two-year compound annual growth rate (CAGR) of 8.5%. The market recovery continued, despite residual challenges in some countries. Growth was supported further by the continued strong sales momentum of our recent product innovations and the positive market response to our latest introductions. Growth from acquisitions accounted for 1.8%, while exchange rate fluctuations added 1.5%. This resulted in Group sales of CHF 1,603.8 million, an increase of 49.9% in Swiss francs.

Substantial growth in all regions, led by the United States and the Americas

Sales in Europe, Middle East and Africa (EMEA) were up by 41.3% in local currencies, driven by strong growth in the UK and France. The latter saw a strong positive impact from the change in the reimbursement system at the start of the calendar year 2021. On the other hand, a slower recovery in certain markets including Germany, Belgium and the Netherlands slowed down the overall growth in the region.

Sales in the United States rose by 70.3% in local currency versus the prior year period. Growth was supported by the ongoing success of the Phonak Paradise platform as well as the renewal of a private label contract with a large US hearing aid retailer. Furthermore, Sonova defended its leading position with the US Department of Veterans Affairs (VA). This market segment, which had been particularly hard hit by the pandemic, experienced a strong recovery in the period under review.

Sales in the rest of the Americas (excluding the US) increased by 56.9% in local currencies, helped by acquisitions but held back by a slow recovery in Canada. Sales in the Asia Pacific (APAC) region were up 23.2% in local currencies, supported by a solid development in China but held back by temporary lockdowns in Australia and New Zealand.

Strong margin development reflecting sustainable efficiency gains

Sonova continued to make strong progress on profitability despite further stepping up growth investments. The Group further advanced its structural optimization initiatives, resulting in restructuring costs of CHF 7.4 million (1H 2020/21: CHF 21.9 million). In total, restructuring costs in financial year 2021/22 are expected to amount to CHF 12–18 million, resulting in annual cost savings of around CHF 15–20 million once fully implemented by the end of the financial year. In addition, transaction costs of CHF 5.0 million related to the planned acquisition of the Sennheiser Consumer Division were recorded in the period under review. In the first half of financial year 2020/21, the Group had recorded a one-time income of CHF 99.0 million from damages awarded in a patent infringement lawsuit. Adjusted figures and growth rates in this financial review exclude these items. For more details, please refer to the table “Reconciliation of non-GAAP financial measures” in the financial review of the Semi-Annual Report 2021/22.

Reported gross profit reached CHF 1,181.7 million, an increase of 57.7% in local currencies. Adjusted gross profit grew by 57.6% in local currencies or 59.8% in Swiss francs to CHF 1,183.1 million. The adjusted gross profit margin was 73.8%, up 4.6 percentage points in Swiss francs over the prior year period. The improvement was driven by structural and continuous improvement measures as well as by higher sales volumes. It was partly offset by some pressure on average selling prices (ASPs) due to a normalization of the channel mix and higher transportation and component costs, in part as a result of the pandemic.

Excluding acquisition-related amortization, reported operating expenses were CHF 787.8 million. Adjusted operating expenses before acquisition-related amortization reached CHF 776.7 million (1H 2020/21: CHF 566.0 million), an increase of 35.6% in local currencies or 37.2% in Swiss francs. Reflecting the Group’s long-term commitment to continuously invest in innovation and to further advance Sonova’s industry leading portfolio of products and services, adjusted research and development (R&D) expenses before acquisition-related amortization rose 47.0% in local currencies to CHF 114.8 million.

Adjusted sales and marketing costs before acquisition-related amortization were up 38.0% in local currencies to CHF 517.4 million or 32.3% of sales (1H 2020/21: 34.4%). Adjusted general and administration costs before acquisition-related amortization increased by 19.0% in local currencies, reaching CHF 144.1 million or 9.0% of sales (1H 2020/21: 11.2%). The lower sales ratios reflect the strong top-line growth as well as the annualization of last year's structural optimization initiatives. It also considers ongoing investments into the renewal of our Audiological Care IT system aimed at improving in-store and cross-business process efficiency. Adjusted other expense was CHF 0.5 million (1H 2020/21: CHF 0.5 million income).

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 406.4 million (1H 2020/21: CHF 174.3 million), an increase of 129.3% in local currencies or 133.1% in Swiss francs. Compared to pre-pandemic levels in the first half of the financial year 2019/20, adjusted EBITA was up by 59.5% in local currencies. The adjusted EBITA margin reached 25.3%, up 8.9 percentage points versus the prior year period and up 7.0 percentage points compared to the first half of financial year 2019/20. Exchange rate developments lifted the adjusted EBITA by CHF 6.7 million and the margin by 0.1 percentage points. Compared to the prior year period, reported EBITA increased by 54.1% in local currencies or 56.7% in Swiss francs to CHF 393.9 million.

Reported operating profit (EBIT) reached CHF 372.2 million (1H 2020/21: CHF 230.0 million), up 59.1% in local currencies and 61.8% in Swiss francs. Net financial expenses, including the result from associates, increased from CHF 10.3 million to CHF 19.2 million, driven by increased borrowings during the pandemic. Income taxes amounted to CHF 51.1 million, representing a tax rate of 14.5%. This compares to a tax rate of 13.5% after adjusting for the non-recurring benefit in the context of the damages awarded in a patent infringement lawsuit in the prior year period. Basic earnings per share (EPS) reached CHF 4.69, up 44.6%. Adjusted EPS increased by 142.0% in local currencies or 146.5% in Swiss francs to CHF 4.86, compared to CHF 1.97 in the prior year period.

Hearing Instruments segment – Sustained positive momentum of Phonak Paradise

The Hearing Instruments segment posted sales of CHF 1,465.6 million, an increase of 46.9% in local currencies compared to the prior year period. Sales were up 18.4% versus the first half of financial year 2019/20, representing a two-year CAGR of 8.8%. Despite some remaining challenges related to the pandemic in certain countries, the market rebound continued. Growth was supported by the sustained positive market response to the Phonak Paradise platform launched in August 2020. Organic sales growth reached 44.9% whereas the contribution from acquisitions in the reporting period and the annualization of prior year acquisitions lifted sales by 2.0% or CHF 19.8 million. Exchange rate fluctuations contributed CHF 16.5 million or 1.7% in Swiss francs, resulting in a reported sales growth of 48.6%.

Sales in the Hearing Instruments business were up 46.2% in local currencies, reaching CHF 890.2 million. The good momentum was driven by the continued success of the Phonak Paradise platform, which was further expanded in August 2021 with the introduction of Audéo Life, the world's first rechargeable and fully waterproof hearing aid, as well as ActiveVent™, the world's first intelligent hearing aid receiver. Powered by the same Sonova PRISM™ chip as the Phonak Paradise platform, Unitron successfully launched the BLU platform in April 2021, supporting good growth in the reporting period.

The Audiological Care business posted sales of CHF 575.4 million, an increase of 48.0% in local currencies. While also benefiting from the market rebound, a slower recovery in important markets such as Germany, Belgium and the Netherlands and temporary lockdowns in Australia and New Zealand weighed on the sales momentum. Organic growth was 42.7% with acquisitions contributing 5.2% as bolt-on M&A activity accelerated with a focus on the United States, France and Germany.

Reported EBITA for the Hearing Instruments segment reached CHF 376.9 million, up 127.3% in local currencies. Adjusted EBITA increased by 107.9% in local currencies or 110.7% in Swiss francs to CHF 388.4 million, corresponding to a margin of 26.5% (1H 2020/21: 18.7%). Exchange rate fluctuations did not have a material impact on the margin development compared to the prior year period.

Cochlear Implants segment – Re-capturing market share and realizing strong progress on profitability

Driven by the successful launch of two new sound processors – Naída™ CI Marvel for adults and Sky CI™ Marvel designed for children – as well as a further pick-up in elective surgeries, sales in the Cochlear Implants segment reached CHF 138.3 million, up 67.3% in local currencies and 66.4% in Swiss francs. The strong market response to the latest product introductions also helped to re-capture market share lost after the voluntary field corrective action in February 2020. Growth was led by upgrade sales, which increased by 122.9% in local currencies, whereas system sales rose by 46.6% in local currencies.

Reported EBITA for the Cochlear Implants segment reached CHF 17.1 million. In the prior period, reported EBITA had included a one-time income of CHF 99.0 million from damages awarded in a patent infringement lawsuit and amounted to CHF 87.7 million. Supported by the strong revenue development and further added to by good progress on structural and continuous improvement measures, the adjusted EBITA reached CHF 18.0 million (1H 2020/21: adjusted EBITA loss of CHF 10.1 million). This resulted in an adjusted EBITA margin of 13.0%, reaching double-digits for the first time in the history of the segment.

Solid cash flow and balance sheet

Cash flow from operating activities reached CHF 409.8 million, up 28.6% versus the prior year period. Operating free cash flow increased by 37.2% to CHF 337.3 million. With M&A activity for the expansion of the Audiological Care network picking up, the cash consideration for acquisitions amounted to CHF 73.7 million. In summary, this resulted in a free cash flow of CHF 263.6 million (1H 2020/21: CHF 240.6 million). The cash outflow from financing activities of CHF 546.6 million reflects the dividend payment of CHF 201.6 million and net share repurchases of CHF 297.9 million, mainly related to the share buyback program. Cash and cash equivalents stood at CHF 1.5 billion.

Net working capital was largely stable at CHF 40.5 million versus CHF 29.6 million at the end of March 2021. Receivable collection continued to be strong while the Group allowed for an increase in inventories related to safety stock to manage supply shortages of microelectronic components. Trade payables were reduced by CHF 20.0 million. Other changes in net working capital had a negative impact of CHF 5.6 million, mainly driven by the payment of restructuring costs. Capital employed slightly increased to CHF 2,917.2 million compared to CHF 2,855.7 million at the end of March 2021.

The Group's equity of CHF 2,572.0 million represents an equity ratio of 44.8%, down from 46.8% at end of March 2021. This was mainly driven by the start of the share buy-back program announced in May 2021. Purchases of CHF 249.3 million under the new program also impacted the net debt position which increased to CHF 345.3 million compared to CHF 83.3 million at the end of March 2021.

Outlook 2021/22

The Group expects the resilience of consumer demand coupled with a further release of pent-up demand to support the ongoing recovery of the hearing care market in the second half of financial year 2021/22. The outlook does not reflect any additional headwinds from the current supply chain constraints. Maintaining the outlook provided at the start of the financial year 2021/22, Sonova expects consolidated sales to increase by 24%–28% and adjusted EBITA to grow in the range of 34%–42% in 2021/22, both measured at constant exchange rates. The planned acquisition of the Sennheiser Consumer Division is not yet included in the outlook.

The complete Semi-Annual Report 2021/22 is available on our website:
https://www.sonova.com/en/financial-reports

The presentation of the Half-Year Results 2021/22 can be downloaded at:
https://www.sonova.com/en/investor-presentations

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Key figures Sonova Group (consolidated)

April 1 to September 30, in CHF million unless otherwise specified	2021	2020
Sales	**1,603.8**	**1,069.6**
change compared to previous year (%)	49.9	(25.0)
Gross profit	**1,181.7**	**739.0**
in % of sales	73.7	69.1
Gross profit (adjusted)[1]	**1,183.1**	**740.3**
in % of sales	73.8	69.2
Research & development costs	**114.8**	**78.3**
in % of sales	7.2	7.3
Sales & marketing costs	**521.8**	**384.8**
in % of sales	32.5	36.0
Operating profit before acquisition-related amortization (EBITA)	**393.9**	**251.4**
in % of sales	24.6	23.5
Operating profit before acquisition-related amortization (EBITA) (adjusted)[1]	**406.4**	**174.3**
in % of sales	25.3	16.3
Operating profit (EBIT)	**372.2**	**230.0**
in % of sales	23.2	21.5
Income after taxes	**301.9**	**203.2**
in % of sales	18.8	19.0
Income after taxes (adjusted)[1]	**312.5**	**123.2**
in % of sales	19.5	11.5
Basic earnings per share (CHF)	**4.69**	**3.25**
Basic earnings per share (CHF) (adjusted)[1]	**4.86**	**1.97**
Net debt[2][9]	**345.3**	**394.6**
Net working capital[3][9]	40.5	(19.7)
Capital expenditure (tangible and intangible assets)[4]	37.8	41.0
Capital employed[5][9]	2,917.2	2,673.9
Total assets[9]	5,738.8	5,418.0
Equity[9]	2,572.0	2,279.2
Equity financing ratio (%)[6][9]	44.8	42.1
Free cash flow[7]	263.6	240.6
Operating free cash flow[8][9]	**337.3**	**245.8**
Number of employees (end of period)	**14,922**	**14,349**

1) Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financial review of the full Semi-Annual Report 2021/22.
2) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.
3) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.
4) Excluding goodwill and intangibles relating to acquisitions.
5) Equity + net debt
6) Equity in % of total assets.
7) Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.
8) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates.
9) Key figure for 2020 was restated as disclosed in Note 6 in the Semi-Annual Report 2021/22.

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About Sonova
Sonova, headquartered in Stäfa, Switzerland, is a leading provider of innovative hearing care solutions. The Group operates through its core business brands Phonak, Unitron, Hansaton, Advanced Bionics and the brands of the Audiological Care business, e.g. AudioNova, Geers, Boots Hearing Care, Connect Hearing and Lapperre. Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing instruments to cochlear implants to wireless communication solutions.

Pursuing a unique vertically integrated business strategy, the Group operates through three core businesses – Hearing Instruments, Audiological Care and Cochlear Implants – along the entire value chain of the hearing care market. The Group's sales and distribution network, the widest in the industry, comprises over 50 own wholesale companies and more than 100 independent distributors. This is complemented by Sonova's Audiological Care business, which offers professional audiological services through a network of around 3,200 locations in 20 key markets.

Founded in 1947, the Group has a workforce of over 14,000 dedicated employees and generated sales of CHF 2.6 billion in the financial year 2020/21 as well as a net profit of CHF 585 million. Across all businesses, and by supporting the Hear the World Foundation, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

For more information please visit www.sonova.com and www.hear-the-world.com.

Sonova shares (ticker symbol: SOON, Security no: 1254978, ISIN: CH0012549785) have been listed on the SIX Swiss Exchange since 1994. The securities of Sonova have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the applicable securities laws of any state of the United States of America, and may not be offered or sold in the United States of America except pursuant to an exemption from the registration requirements under the U.S. Securities Act and in compliance with applicable state securities laws, or outside the United States of America to non-U.S. Persons in reliance on Regulation S under the U.S. Securities Act.