Ad hoc announcement pursuant to Art. 53 LR

Financial year 2023/24: Sonova ends year on improving trajectory after growth picks up in second half

Stäfa (Switzerland), May 14, 2024 – Sonova Holding AG, a leading provider of hearing care solutions, today reports its results for the 2023/24 financial year. As expected, both sales and earnings growth picked up in the second half. The Group achieved sales of CHF 3,626.9 million, up 3.2% in local currencies. This was driven by a substantial acceleration in the Hearing Instruments and Cochlear Implants businesses in the second half and a continued good performance of the Audiological Care business. Adjusted Group EBITA reached CHF 771.4 million, an increase of 4.4% in local currencies. Unfavorable exchange rate movements significantly reduced the results in Swiss francs. As a consequence, sales were down 3.0% and adjusted EBITA declined by 8.2% as reported in Swiss francs. The Board of Directors will propose a dividend of CHF 4.30 per share to the Annual General Shareholders' Meeting. In the 2024/25 financial year, the Group expects consolidated sales to increase by 6%-9% and adjusted EBITA to grow in the range of 7%-11%, both measured at constant exchange rates, with stronger momentum in both during the second half-year.

Arnd Kaldowski, CEO of Sonova, says: "We ended the year on a positive note, driven by a stronger momentum in our Hearing Instruments and our Cochlear Implant businesses in the second half. We continued to execute our proven strategy, extending direct engagement with consumers, delivering continuous improvement in our operational and commercial execution and advancing our product portfolio. This included the expansion of the Phonak Lumity platform with new solutions for children and for adults with severe-to-profound hearing loss and the launch of a battery-powered Audéo Lumity hearing aid, for those who prefer multi-day power to daily recharging. We laid the foundation for a return to above-market growth and look forward to an exciting year with groundbreaking product launches in the upcoming months."

Sonova Group key figures – Financial year 2023/24 in CHF million

	FY 2023/24	FY 2022/23	Change in CHF	Change in local currencies
Sales	3,626.9	3,738.4	-3.0%	+3.2%
EBITA (adjusted)[1)]	771.4	840.4	-8.2%	+4.4%
EBITA margin (adjusted)[1)]	21.3%	22.5%		
EPS (adjusted, CHF)[1)]	10.06	11.14	-9.6%	+6.4%
Operating free cash flow	539.2	535.6	+0.7%	

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 Annual Report 2023/24.

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Sales momentum picking up in the second half-year – Strong headwind from currencies

Sonova Group sales reached CHF 3,626.9 million in the 2023/24 financial year, up 3.2% in local currencies and down 3.0% in Swiss francs. Development in the first half of the financial year was held back by temporary operational challenges and effects of the non-renewal of a large contract with a single US customer, but momentum picked up in the second half-year. This was supported by a positive market response to the expansion of the Phonak Lumity platform and a gradual improvement in the overall hearing care market, despite regional differences. Groupwide organic growth was 1.6%, or 3.2% excluding the previously mentioned non-renewal of a large contract. Acquisitions in the reporting period (including the full-year effect of prior-year acquisitions) contributed 1.6% to sales growth. Exchange rate developments had a significant negative impact, reducing reported sales by CHF 232.9 million and the reported sales growth in Swiss francs by 6.2 percentage points.

Hearing care market improving over the course of the year

Sales in Europe, Middle East and Africa (EMEA) rose by 3.8% in local currencies. Growth was supported by the continued expansion of the audiological care network. A number of key markets achieved robust sales growth, including Germany, the UK, Belgium, and the Netherlands. Regional growth was dampened, however, by weaker development in France.

In the United States, sales increased by 0.7% in local currency, supported by market growth and bolt-on acquisitions in the Audiological Care business. The country returned to solid growth in the second half of the 2023/24 financial year, as year-on-year development was no longer impacted by the previously mentioned non-renewal of a large contract.

Sales in the rest of the Americas (excluding the US) grew by 3.6% in local currencies, helped by acquisitions but held back in Canada during the first half of the financial year by the impact of the previously mentioned non-renewal of a large contract.

Sales in the Asia Pacific (APAC) region increased by 7.1% in local currencies, supported by the acquisition of HYSOUND in China (completed in December 2022) and strong growth in Japan, but dampened by weak performance in Korea, Australia, and New Zealand. In the second half of the financial year, development was impacted by a high comparison base in China, which had experienced strong growth in the prior year period after the lifting of pandemic related lockdowns.

Modest underlying margin improvement – Strong currency headwinds weigh on profitability

Additional structural optimization initiatives during the reporting period, largely driven by the buildup of a new operations facility in Mexico, resulted in restructuring costs of CHF 23.7 million (2022/23: CHF 15.6 million). Transaction and integration costs related to acquisitions, including HYSOUND, the Sennheiser Consumer Division, and Alpaca Audiology, amounted to CHF 10.5 million (2022/23: CHF 17.0 million). In addition, the Group incurred legal costs of CHF 10.2 million (2022/23: CHF 6.2 million). Income taxes were positively affected by CHF 39.1 million, as a result of tax reforms (2022/23: CHF 9.2 million).

Adjusted figures and growth rates in this financial review exclude the items in the foregoing paragraph. For more details, please refer to the “Reconciliation of non-GAAP financial measures” table at the end of the financial review of the Annual Report 2023/24.

Reported gross profit amounted to CHF 2,610.4 million. Adjusted gross profit was up by 6.3% in local currencies but down 0.9% in Swiss francs to CHF 2,621.5 million. Gross profit was supported by prior year price increases implemented to offset inflationary pressures, as well as by a business mix shift reflecting strong growth in the Audiological Care business, particularly in the first half-year. The development was further supported by continued efficiency gains in operations, lower costs for repairs as a result of improvements in product reliability as well as the gradual easing of headwinds from transport and component costs. The adjusted gross profit margin was up by 2.1 percentage points in local currencies and 1.5 percentage points in Swiss francs, to 72.3%.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,883.3 million (2022/23: CHF 1,835.8 million). The development was impacted by the previously mentioned business mix shift, which was partly driven by acquisitions in the Audiological Care business, and the moderate sales development in the Hearing Instruments business in the first half-year. As a result, adjusted operating expenses before acquisition-related amortization increased by 7.2% in local currencies or 2.5% in Swiss francs to CHF 1,850.1 million (2022/23: CHF 1,804.7 million). Adjusted research and development (R&D) expenses before acquisition-related amortization reached CHF 236.0 million (2022/23: CHF 242.9 million), representing a stable development in local currencies.

Adjusted sales and marketing costs before acquisition-related amortization rose by 7.9% in local currencies to CHF 1,278.6 million or 35.3% of sales (2022/23: 33.5%). This was largely driven by the previously mentioned business mix shift to a greater share for the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group. Adjusted general and administration costs before acquisition-related amortization rose by 11.3% in local currencies, reaching CHF 334.9 million or 9.2% of sales (2022/23: 8.3%), driven in part by ongoing investment in IT infrastructure. Adjusted other expenses totaled CHF 0.6 million (2022/23: CHF 0.6 million income).

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 771.4 million (2022/23: CHF 840.4 million), up by 4.4% in local currencies but down 8.2% in Swiss francs. The adjusted EBITA margin reached 21.3%, down 1.2 percentage points compared to the prior year but up 0.3 percentage points in local currencies. The strong headwind from exchange rate developments reduced adjusted EBITA by CHF 106.1 million and the margin by 1.5 percentage points. Reported EBITA grew by 3.6% in local currencies but declined by 9.3% in Swiss francs to CHF 727.0 million. Acquisition-related amortization amounted to CHF 57.1 million (2022/23: CHF 54.9 million), reflecting recent acquisitions. Reported operating profit (EBIT) reached CHF 669.9 million (2022/23: CHF 746.7 million), down 10.3% in Swiss francs.

Earnings per share

Net financial expenses, including the result from associates, were CHF 22.6 million, down from CHF 31.0 million in the prior year. Income taxes amounted to CHF 37.8 million (2022/23: CHF 57.4 million). Income taxes were reduced by CHF 39.1 million due to effects related to tax reforms (2022/23: CHF 9.2 million). They were also impacted by the recognition of deferred tax assets arising from losses incurred, as well as by an increase in tax provisions. Basic earnings per share (EPS) reached CHF 10.08, up 10.0% in local currencies but down 6.3% in Swiss francs. Adjusted EPS rose 6.4% in local currencies but fell by 9.6% in Swiss francs to CHF 10.06, compared to CHF 11.14 in the prior year.

Hearing Instruments segment – Growth accelerating in the second half

The Hearing Instruments segment generated sales of CHF 3,347.9 million, an increase of 3.2% in local currencies but down 3.0% in Swiss francs compared to the prior year. After a flat development in the first half-year, organic growth picked up, reaching 3.2% in the second half-year. The contribution from acquisitions in the reporting period (including the full-year effect of prior-year acquisitions) lifted sales by 1.8% or CHF 60.6 million. Exchange rate fluctuations reduced reported sales by CHF 214.5 million and the reported sales growth in Swiss francs by 6.2 percentage points.

Sales in the Hearing Instruments business reached CHF 1,697.7 million, up by 0.7% in local currencies. Excluding the impact from the previously mentioned non-renewal of a large contract, which held back the development in the first half, sales rose by 4.0% in local currencies and strongly accelerated in the second half-year. The development was supported by the expansion of the Phonak Lumity family of products throughout the year and by the introduction of the Unitron Vivante™ platform, along with the residual impact from prior-year price increases. The business also made further strong progress on product reliability, with the Phonak Lumity platform achieving a continued improvement compared to its already dependable predecessor – a trend that was well received by customers.

The Audiological Care business generated sales of CHF 1,410.5 million, up 9.2% in local currencies. Organic growth reached 4.7%, supported by strong growth in many European markets, including Belgium, the Netherlands, Poland, and Austria, and reflecting both higher volume and increased ASP. Acquisitions (including the full-year effect of prior-year acquisitions) lifted sales by 4.5%. These included the acquisition of HYSOUND in China (completed in December 2022), as well as further bolt-on acquisitions across all regions. HYSOUND has performed ahead of plan during its first full year with Sonova.

Sales in the Consumer Hearing business were down 9.3% in local currencies to CHF 239.7 million. Development was impeded by generally weak demand in the consumer electronics market. Moreover, an issue of inconsistent performance from some batteries provided by a now deselected external supplier for one of our key products resulted in a temporary gap in the product portfolio until its successor was launched later in the year. In June 2023, the business entered the over-the-counter hearing instrument market with the launch of the Sennheiser All-Day Clear. A number of new audio products were introduced, including ACCENTUM wireless headphones (launched in September 2023) and MOMENTUM True Wireless 4 earbuds (February 2024).

Reported EBITA for the Hearing Instruments segment amounted to CHF 701.7 million, up 4.2% in local currencies. Adjusted EBITA rose by 4.5% in local currencies to CHF 736.3 million, corresponding to an EBITA margin of 22.0% (2022/23: 23.3%). Excluding the adverse currency development, the adjusted EBITA margin rose by 0.3 percentage points compared to the prior year.

Cochlear Implants segment – System sales accelerating in the second half

Sales in the Cochlear Implants business reached CHF 278.9 million, up 3.6% in local currencies but down 2.8% in Swiss francs. System sales continued their year-on-year growth, increasing by 6.8% in local currencies with growth accelerating in the second half-year. Development was supported by higher volumes due to an improving market environment and the launch of the unique Remote Programming solution for the Marvel CI sound processor, but partly held back by an adverse impact of the country mix on ASP. Sales of upgrades and accessories were down by 2.1% in local currencies. With the Marvel sound processors entering their third year after the launch in 2021, the installed base of recipients waiting for an upgrade is tapering off. Development in the first half-year was also impacted by residual supply chain issues, which have since been resolved.

Reported EBITA for the Cochlear Implants segment was CHF 25.4 million. The adjusted EBITA reached CHF 35.1 million (2022/23: CHF 35.9 million), representing a margin of 12.6% (2022/23: 12.5%). A slow start to the year with residual supply chain issues, coupled with adverse shifts in the geographic and product mix, weighed on profitability. Development was also impacted by continued investments in innovation and commercial excellence.

Cash flow

Cash flow from operating activities was CHF 753.3 million (2022/23: CHF 783.9 million). The reduction was entirely driven by lower income before taxes as a result of adverse currency developments, partly offset by lower cash outflow from changes in net working capital and lower tax payments. Furthermore, the net purchase of tangible and intangible assets decreased to CHF 127.4 million (2022/23: CHF 152.3 million), reflecting elevated investments in infrastructure and IT projects in the prior year. This resulted in an operating free cash flow of CHF 539.2 million (2022/23: CHF 535.6 million).

As a result of the continued expansion of the Group’s audiological care network, the cash consideration for acquisitions amounted to CHF 101.6 million. This is down from CHF 261.1 million in the prior year, which included the acquisition of HYSOUND in China. In summary, this resulted in a free cash flow of CHF 437.6 million (2022/23: CHF 274.4 million). The cash outflow from financing activities of CHF 415.3 million mainly reflects the dividend payment of CHF 274.1 million as well as repayment of lease liabilities of CHF 75.1 million.

Balance sheet

Cash and cash equivalents stood at CHF 513.6 million compared to CHF 413.9 million at the end of the 2022/23 financial year. Net working capital was CHF 93.2 million (end of 2022/23: CHF 89.5 million). Receivable collection continued to be strong, while the Group maintained elevated safety stock during the buildup of its new operations facility in Mexico as part of the global supply chain optimization. Driven mainly by acquisitions, capital employed increased to CHF 3,850.9 million compared to CHF 3,727.3 million at the end of the 2022/23 financial year.

The Group's equity of CHF 2,491.3 million represents an equity ratio of 43.0%, up from 40.2% at end of the 2022/23 financial year. The net debt position decreased to CHF 1,359.5 million compared to CHF 1,495.9 million at the end of the 2022/23 financial year. The net debt/EBITDA ratio stood at 1.5x, stable compared to March 2023, and within Sonova's target range of 1.0 – 1.5x. The return on capital employed (ROCE) reached 17.7% compared to 20.8% in the prior year.

Returning cash to shareholders

At the Annual General Shareholders' Meeting (AGM) in June 2024, the Board of Directors will propose a dividend of CHF 4.30 per share. This represents a stable payout ratio, in line with our total shareholder return strategy, of around 40%. Over the past ten years, the dividend has risen by a compound annual growth rate of 9.2%.

The Group intends to maintain a healthy balance sheet in line with our moderate leverage target ratio of 1.0-1.5x net debt to EBITDA. In the absence of any larger acquisitions and subject to the cashflow development in Swiss francs, Sonova expects to resume share buybacks under its current program during the second half of the 2024/25 financial year.

Outlook 2024/25

Sonova's solid and improving performance over this financial year confirms the strong fundamentals of our business and the soundness of our strategy. We are well positioned to accelerate growth and to engage with yet more consumers at more points on their hearing journey. The coming financial year will include further significant product launches that will elevate our industry-leading performance and drive growth, particularly in the second half-year. We therefore expect to see a year-on-year rise of 6-9% in consolidated sales, and of 7-11% in adjusted EBITA measured at constant exchange rates, with stronger momentum in both in the second half-year.

Reflecting exchange rates as of May 2024, Sonova anticipates reported sales growth in Swiss francs to be lifted by 1-2 percentage points and adjusted EBITA growth in Swiss francs to be positively affected by 2-3 percentage points in FY 2024/25.

The online Annual Report 2023/24 is available at:
https://report.sonova.com/2024/en

The Annual Report 2023/24 is available on our website at:
https://www.sonova.com/en/financial-reports

The presentation of the Full-Year Results 2023/24 can be downloaded at:
https://www.sonova.com/en/presentations

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Key Figures Sonova Group (consolidated)

April 1 to March 31, in CHF million unless otherwise specified	2023/24	2022/23
Sales	**3,626.9**	**3,738.4**
change compared to previous year (%)	(3.0)	11.1
Gross profit	**2,610.4**	**2,637.4**
in % of sales	72.0	70.5
Gross profit (adjusted)[1]	**2,621.5**	**2,645.1**
in % of sales (adjusted)	72.3	70.8
Research & development costs	**237.5**	**243.0**
in % of sales	6.5	6.5
Sales & marketing costs	**1,290.4**	**1,263.1**
in % of sales	35.6	33.8
Operating profit before acquisition-related amortization (EBITA)	**727.0**	**801.6**
in % of sales	20.0	21.4
Operating profit before acquisition-related amortization (EBITA) (adjusted)[1]	**771.4**	**840.4**
in % of sales (adjusted)	21.3	22.5
Operating profit (EBIT)	**669.9**	**746.7**
in % of sales	18.5	20.0
Income after taxes	**609.5**	**658.3**
in % of sales	16.8	17.6
Income after taxes (adjusted)[1]	**608.7**	**681.5**
in % of sales (adjusted)	16.8	18.2
Basic earnings per share	**10.08**	**10.75**
Basic earnings per share (CHF) (adjusted)[1]	**10.06**	**11.14**
Dividend/distribution per share (CHF)	**4.30[2]**	**4.60**
Net cash/(debt)[3]	**(1,359.5)**	**(1,495.9)**
Net working capital[4]	93.2	89.5
Capital expenditure (tangible and intangible assets)[5]	128.6	154.3
Capital employed[6]	3,850.9	3,727.3
Total assets	5,791.8	5,552.5
Equity	2,491.3	2,231.4
Equity financing ratio (%)[7]	43.0	40.2
Free cash flow[8]	437.6	274.4
Operating free cash flow[9]	**539.2**	**535.6**
Return on capital employed (%)[10]	**17.7**	**20.8**
Number of employees (end of period)	**18,151**	**17,608**

1) Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financ the full Annual Report 2023/24.
2) Proposal to the Annual General Shareholders' Meeting of June 11, 2024.
3) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financ – non-current lease liabilities.
4) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – provisions.
5) Excluding goodwill and intangibles relating to acquisitions.
6) Equity – net cash/(debt).
7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.
9) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates.
10) EBIT in % of capital employed (average).

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About Sonova
Sonova is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group was founded in 1947 and is headquartered in Stäfa, Switzerland.

Sonova operates through four businesses – Hearing Instruments, Audiological Care, Consumer Hearing and Cochlear Implants – and the core brands Phonak, Unitron, AudioNova, Sennheiser (under license) and Advanced Bionics as well as recognized regional brands. The Group's globally diversified sales and distribution channels serve an ever growing consumer base in more than 100 countries.

In the 2023/24 financial year, the Group generated sales of CHF 3.6 billion, with a net profit of CHF 610 million. Over 18,000 employees are working on achieving Sonova's vision of a world where everyone enjoys the delight of hearing.

For more information please visit www.sonova.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.