



sonova
HEAR THE WORLD

Investor & Analyst Day 2019

Stäfa, October 15, 2019

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Investor & Analyst Day 2019

Agenda

08.30	Reception, coffee and croissants
09.00	Introduction Arnd Kaldowski, CEO
09.10	Market and strategy update – Driving momentum on a solid foundation Arnd Kaldowski, CEO
09.45	Marvel 2.0 – More love at first sound Jason Mayer, VP Commercial Sales & Angela Pelosi, Director Global Audiology
10.45	Coffee break
11.15	Audiological Care – Elevating our execution in a changing environment Christophe Fond, GVP Audiological Care
12.00	Lunch break and product demonstrations
13.30	Advanced Bionics – 10 years with Sonova – Gaining momentum Victoria E. Carr-Brendel, GVP Cochlear Implants
14.30	Summary and Q&A Arnd Kaldowski, CEO & Hartwig Grevener, CFO
14.45	Optional factory tour



Market and strategy update

Driving momentum on a solid foundation

Arnd Kaldowski, CEO

Stäfa, October 15, 2019

ATTRACTIVE MARKET

- Attractive secular growth drivers
- Low penetration rate in both HI & CI
- Continued potential to innovate “Better Hearing”
- New growth opportunities through connectivity and IoT

LEADING MARKET POSITION

- Leading positions in key market segments
- Broadest most advanced product offering
- Global and differentiated distribution network



STRONG FINANCIALS

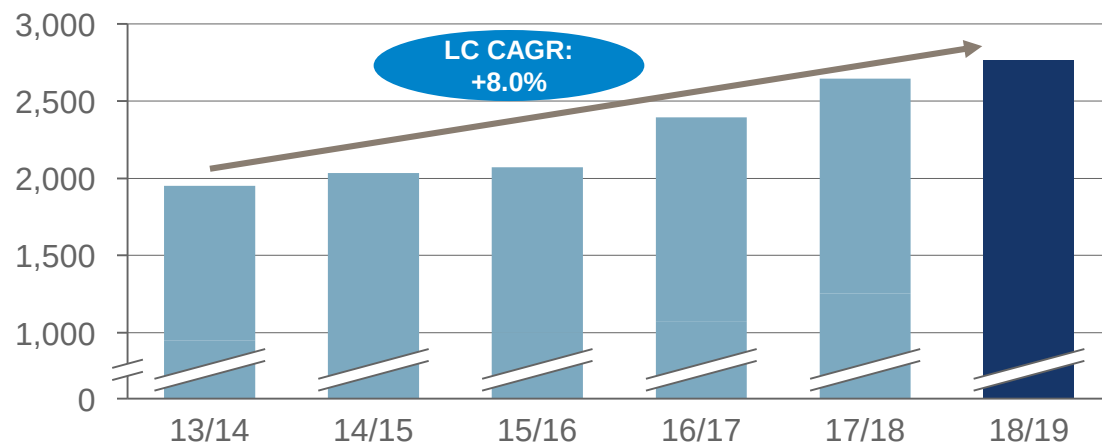
- Attractive margin with further upside
- Solid balance sheet
- High free cash flow and low tax rate

► Strong fundamentals and attractive growth potential across geographies & product categories

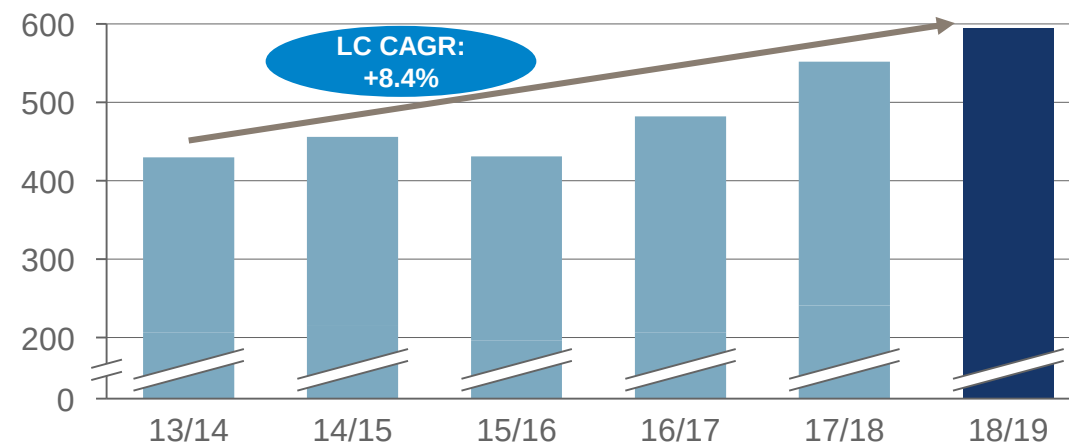
Introduction

Sonova Group – Performance history

Sales
in CHF million



EBITA (adj.)
in CHF million



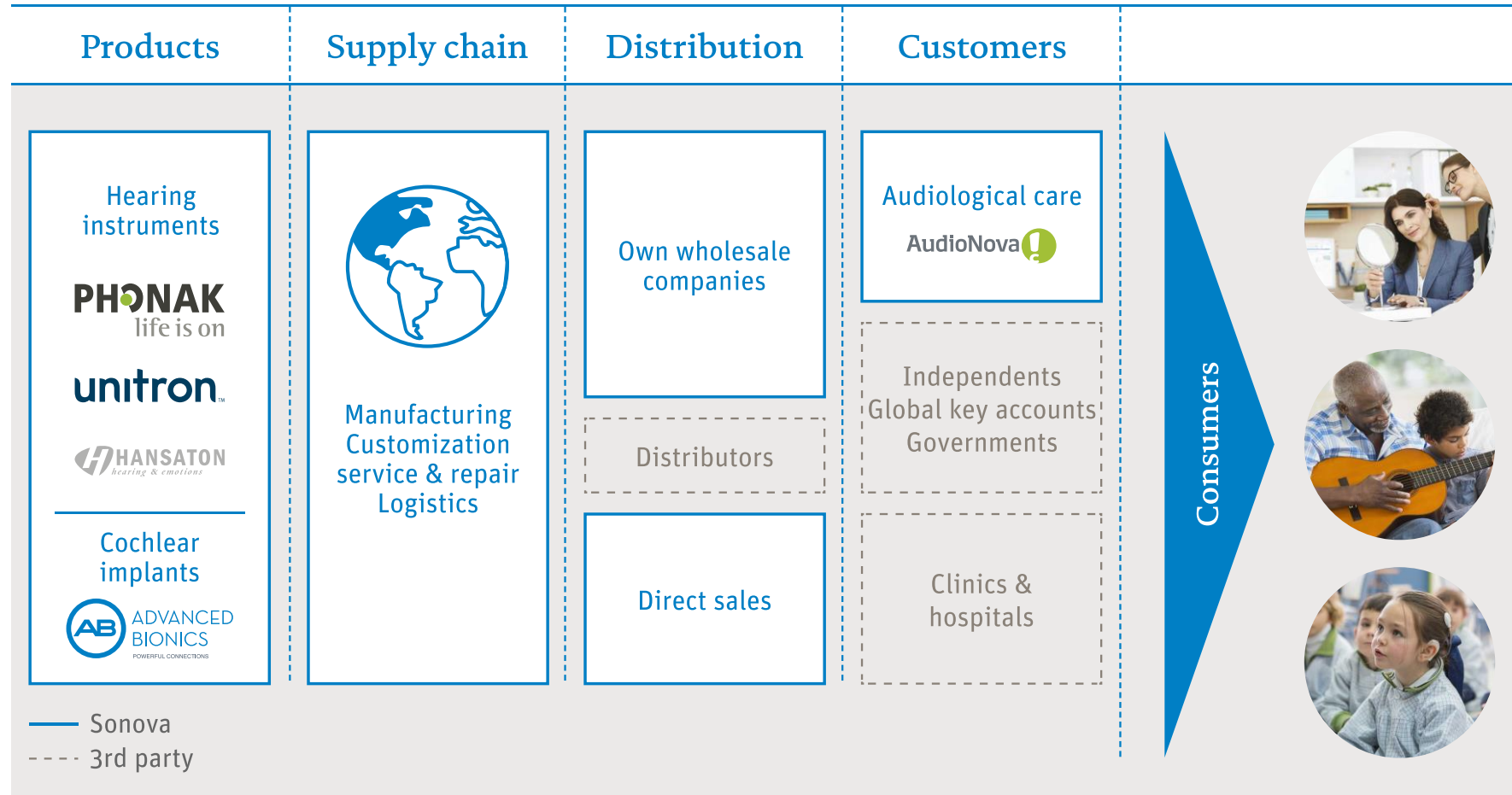
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	CAGR 5Y
Sales growth reported	+4.3%	+1.8%	+15.6%	+10.4%	+4.4%	+7.2%
Sales growth in LC	+6.2%	+5.8%	+15.3%	+9.0%	+4.1%	+8.0%
Organic sales growth in LC	+5.1%	+2.2%	+4.3%	+3.8%	+4.9%	+4.0%
EBITA Margin (adj.)	22.4%	20.8%	20.1%	20.8%	21.5%	n/a

► Solid growth in sales and EBITA in recent years

Note: adj. refers to figures adjusted for transaction and integration costs related to the AudioNova acquisition (FY 2016/17 and FY 2017/18) and restructuring costs (FY 2018/19)

Introduction

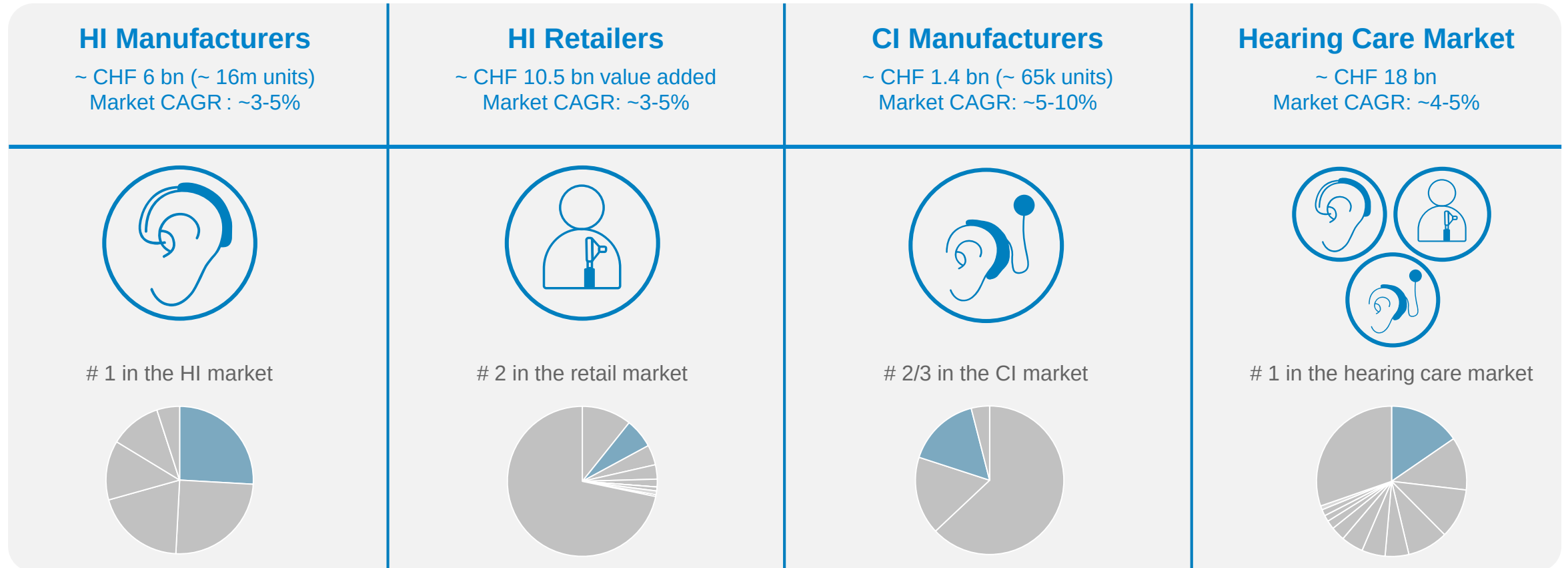
Unique vertically integrated business model – Focused on customer and consumer value



► Covering the whole value chain from product to the consumer

Market

The hearing care market – Attractive size and growth potential



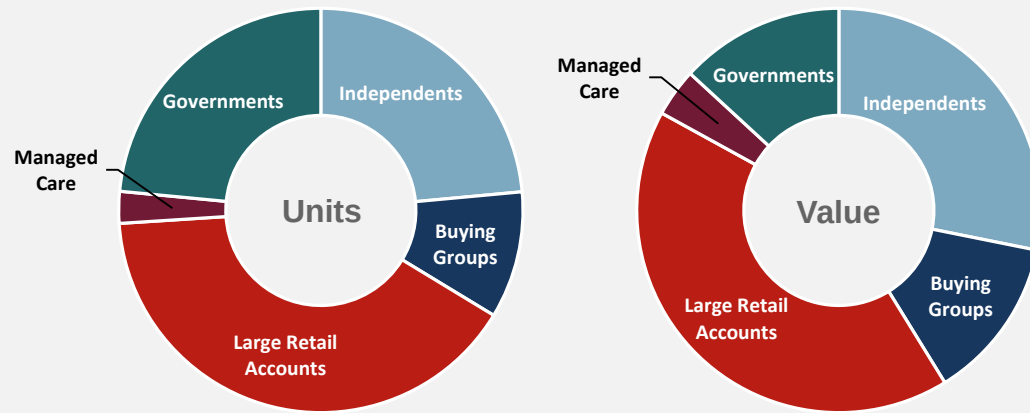
► Sonova – #1 position in the overall hearing care market

Note: Market size and share estimates for CY 2018; Market CAGR refers to mid-term growth estimate

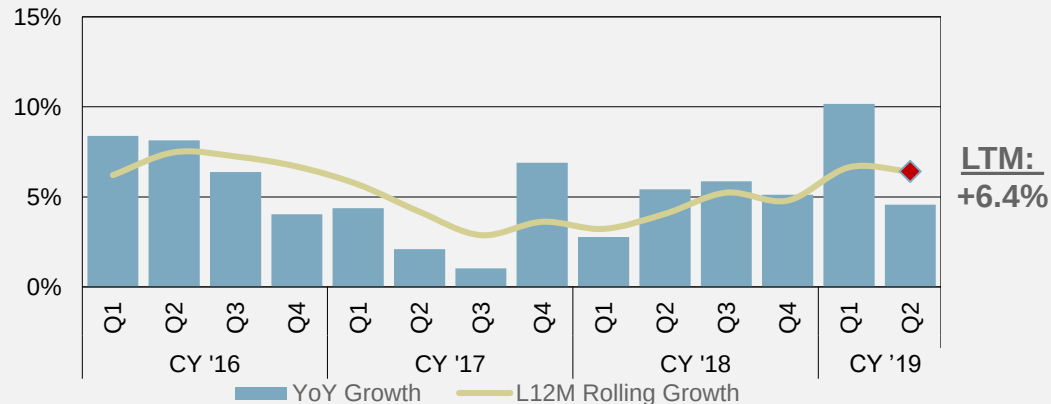
Market

Hearing instruments – Global (tracked markets)

Units/Value split



Unit Growth – Global (tracked markets)



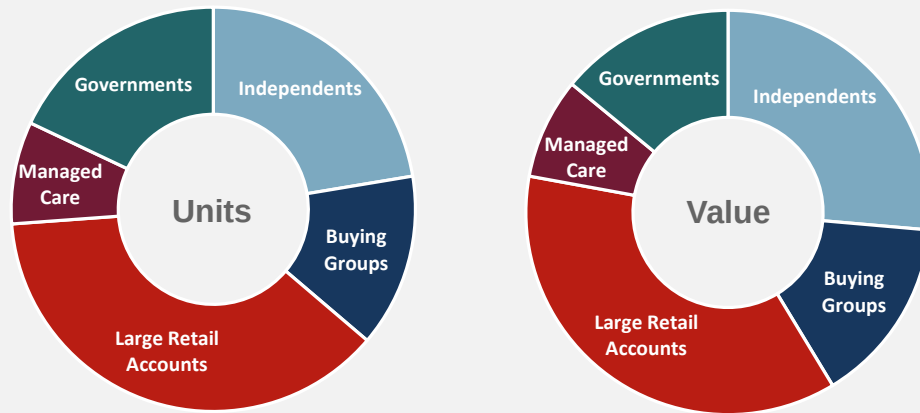
Recent market trends

- Solid long-term unit growth driven by an ageing population as well as increased adoption and insurance coverage
- Most recent 12 month rolling unit growth of 6.4% in tracked markets, above long term average of 3-5%
- Developing Markets growth exceeding tracked markets, driven by rising penetration rates from a low base
- Increasing coverage through managed care in the US
- Positive ASP effect from innovations (e.g. connectivity, rechargeability) offsetting moderate structural pricing headwind in recent periods

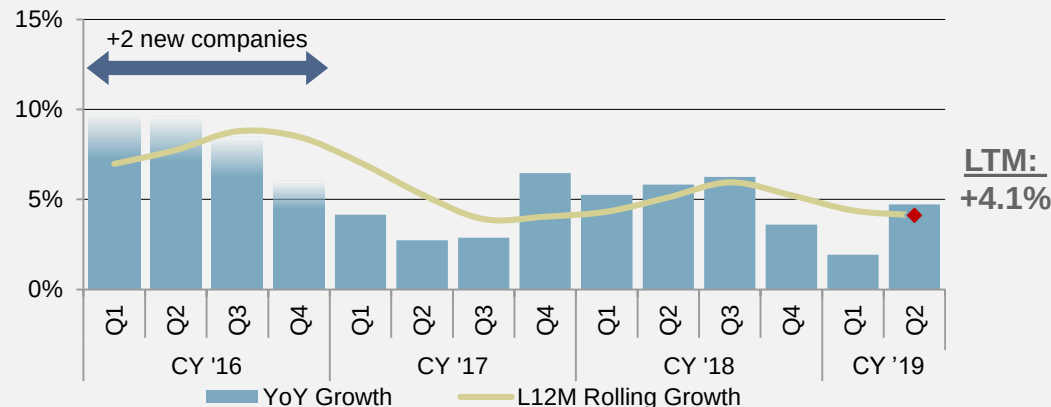
Market

Hearing instruments – North America

Units/Value split



Unit Growth – North America



Recent market trends

United States:

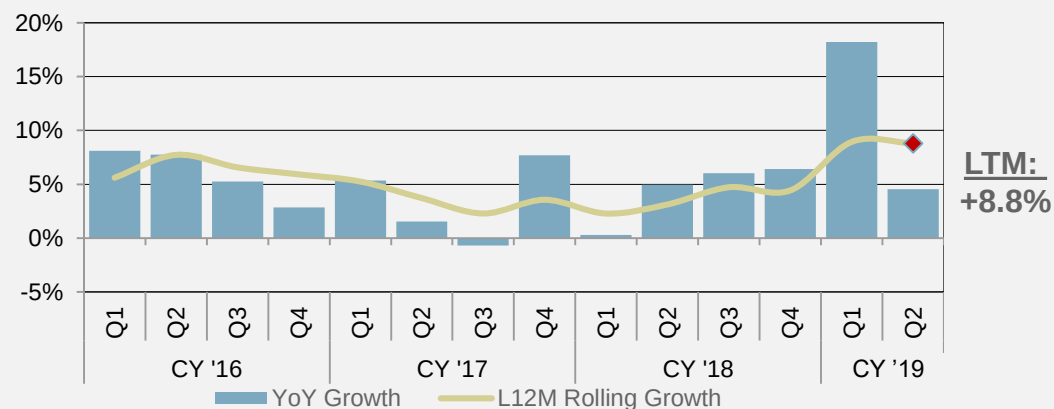
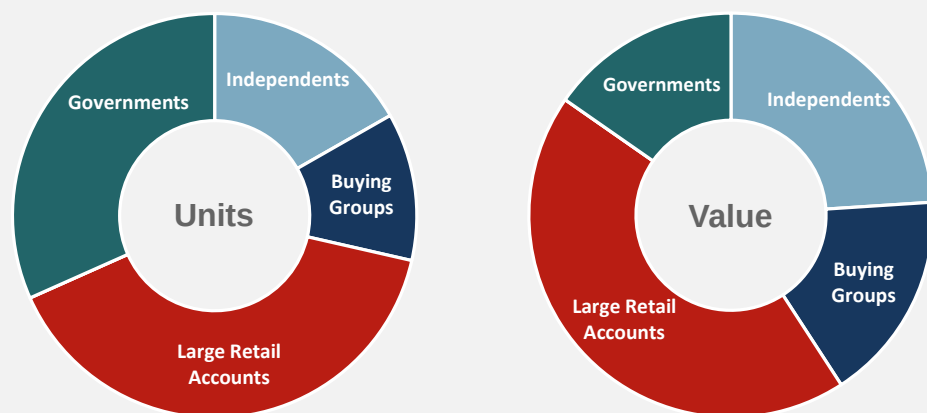
- YTD unit growth in both private and government markets:
 - Private market: Growth driven by continued momentum of rechargeability and connectivity
 - Increased coverage from managed care
 - Continued strong momentum of Costco
- VA: Growth driven by acceleration in the encased rechargeable segment and increased VA capacity
- RIC form factor continues to take share from BTE and ITE

Canada:

- Continued growth in line with mid-term market trend
- Ongoing consolidation affects market development

Note: Units and value split: Sonova estimates for US, CA. Unit growth: Sonova market observations for US, CA
US market growth boosted by around 4-5% due to the inclusion of two new companies in HIA in CY 2016. Starting in Q1-2017, YoY growth rates comparable

Units/Value split



Recent market trends

Germany:

- Success of Phonak Marvel partially driving market growth in Q1 19
- Low double-digit growth in Q2 19, mainly from RIC but also ITE in both the premium and basic segment

France:

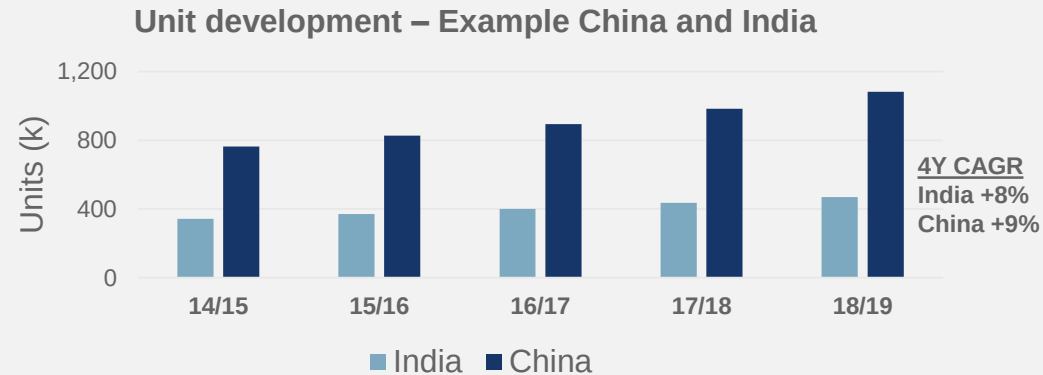
- Slowdown in spring 2019 due to “wait and see” attitude in expectation of free-to-consumer solution in January 2021
- Price pressure from reimbursement change, increasing influence of private insurances, higher prevalence of shop-in-shop concepts

UK:

- Private market: Driven by growth of high street chains & independents mainly in premium segment and RIC
- Public market: Strong growth in Q1 19 in preparation for Brexit with subsequent slowdown in Q2 19

Hearing instruments – Developing markets

Market characteristics



Market size and growth:

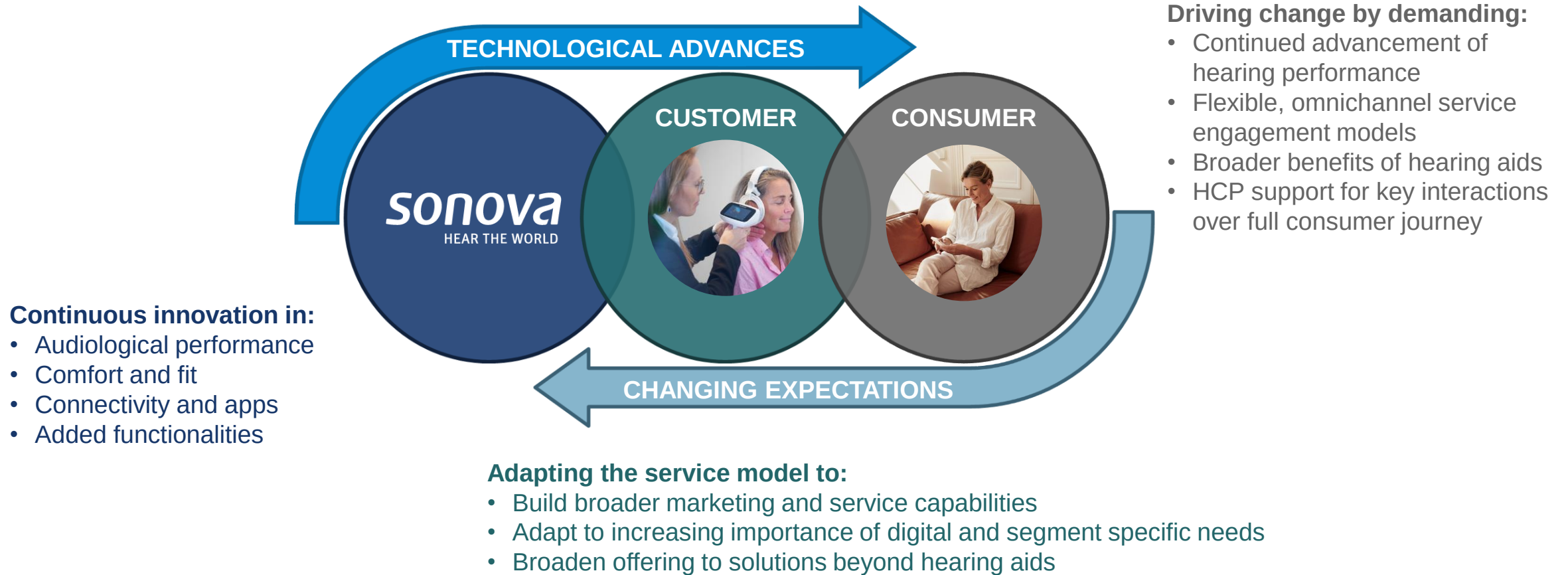
- China and India together account for >1.5 Mio units today
- Outpacing developed markets, growing at high single to low double-digit rates in units in most recent years

Market dynamics

- Aging population and rising affluence
- Low single-digit penetration of hearing aids, >10 times below developed markets
- Limited government budget is gradually shifting to reimbursement coverage
- More investment in college education and professional qualification addressing the hearing care talent shortage (~55k people per POS vs 2k in developed markets)
- Increasing affordability of middle class consumption leading to rising demand for more premium hearing aids
- Digitalization is driving attractiveness of direct connectivity

Market trends

Evolving consumer and customer expectations



► Sonova's opportunity: Innovation leadership to elevate consumer and customer journey

Sonova's strategy

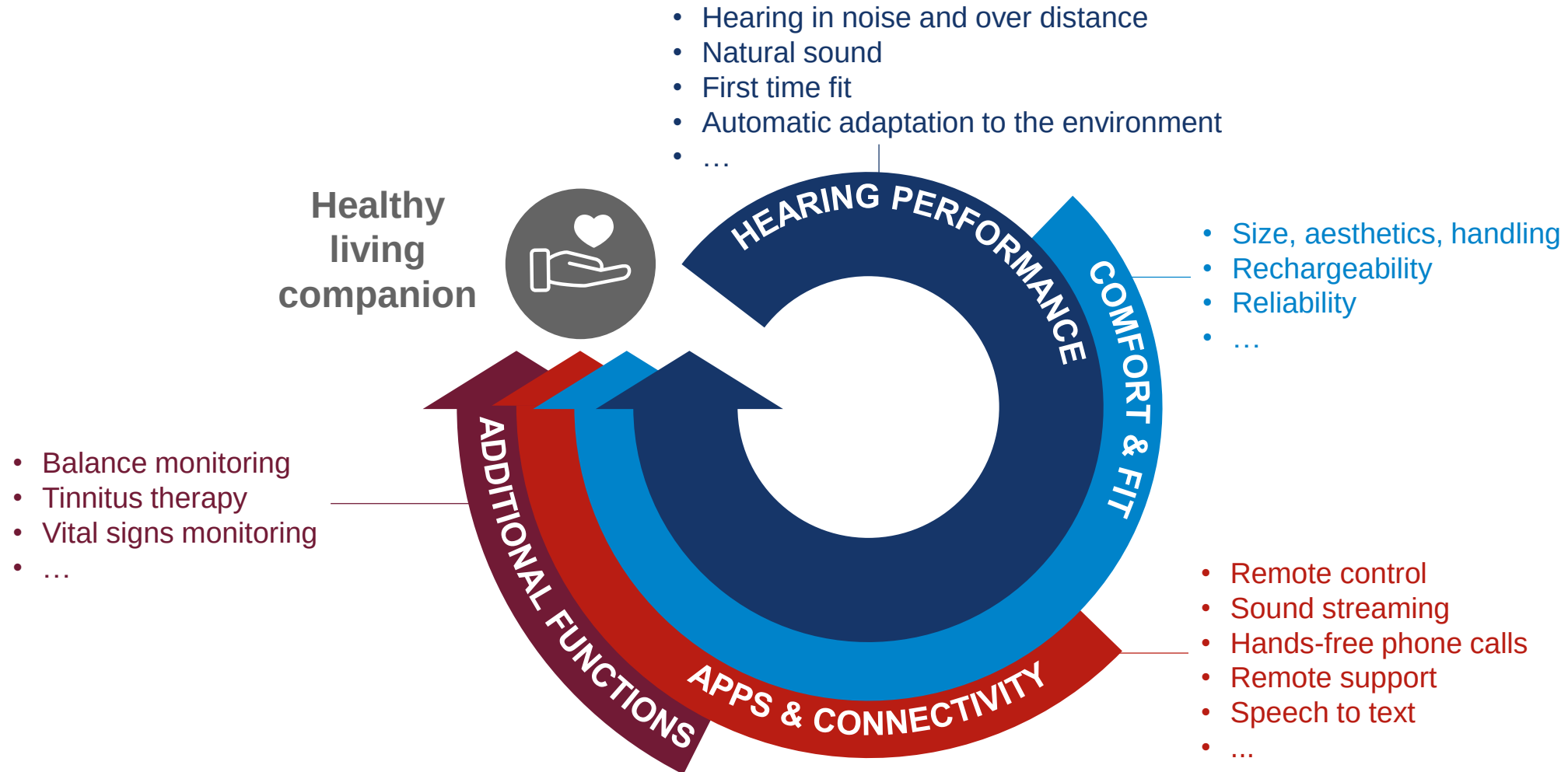
Strategic pillars



► Leadership in hearing care through innovation and consumer access, leveraging emerging digitization

Lead innovation

Innovation framework



► Driving innovation to elevate hearing aids to become healthy living companions

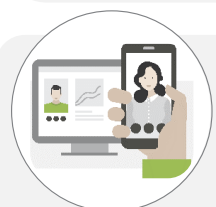
Lead innovation

Example: Launch of Phonak Marvel



Clear and rich sound

- AutoSense OS™ 3.0 and Binaural VoiceStream Technology™
 - Exceptional sound quality from the first fit¹
 - Better speech understanding in noise²
 - Reduced listening effort in noise³
 - Top rated streamed sound quality⁴



Smart Apps

- **Real time** remote support in Target
- myCall-to-Text app allowing for live transcription of phone calls

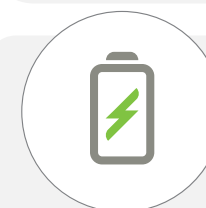


Leading edge innovation



Connectivity

- Standard Bluetooth Classic & direct streaming to all existing players (iOS, **Android** and feature phones)
- Only company offering hands-free phone calls & MFA
- RogerDirect™



Rechargeable

- Extending Rechargeable lead with new and improved features

► Strong customer feedback: «Hands-down choice with clear sound, rechargeability and connectivity»

Source: ¹Jansen, S. & Woodward, J. (2018). Love at first sound: the new Phonak precalculation. Phonak Insight, retrieved from www.phonakpro.com/evidence, accessed 17.10.2018.

²Stewart, E., Rakita, L. & Drexler, J. (2019). StereoZoom Part 1: The benefit of wirelessly connected narrow directionality in Phonak hearing aids for speech intelligibility. Phonak Compendium, retrieved from www.phonakpro.com/evidence, accessed 26.02.2019

³Winneke, A., Latzel, M. & Appleton-Huber (2018). Less listening- and memory effort in noisy situations with StereoZoom, Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed 17.10.2018.

⁴Legarth, S., Latzel, M. & Rodrigues, T. (2018). Media streaming: The sound quality wearers prefer, Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed 17.10.2018

Lead innovation

Our most recent product launches

PHONAK



Audéo™ Marvel

A multifunctional marvel
– Love at first sound

unitron



Moxi™ Jump R

MFA hearing aids with
freedom of rechargeability



AIM™ – Active Insertion Monitoring

Tool for surgeons and
hearing care professionals

FY-18/19

1H-19/20



HiRes™ Ultra 3D

Hassle free MRI-compatible
cochlear implant

HANSATON
hearing & emotions



Hansaton Excite

SWORD functionalities with
sophisticated designer
housing

PHONAK



Marvel 2.0

New form factors,
Roger Direct™



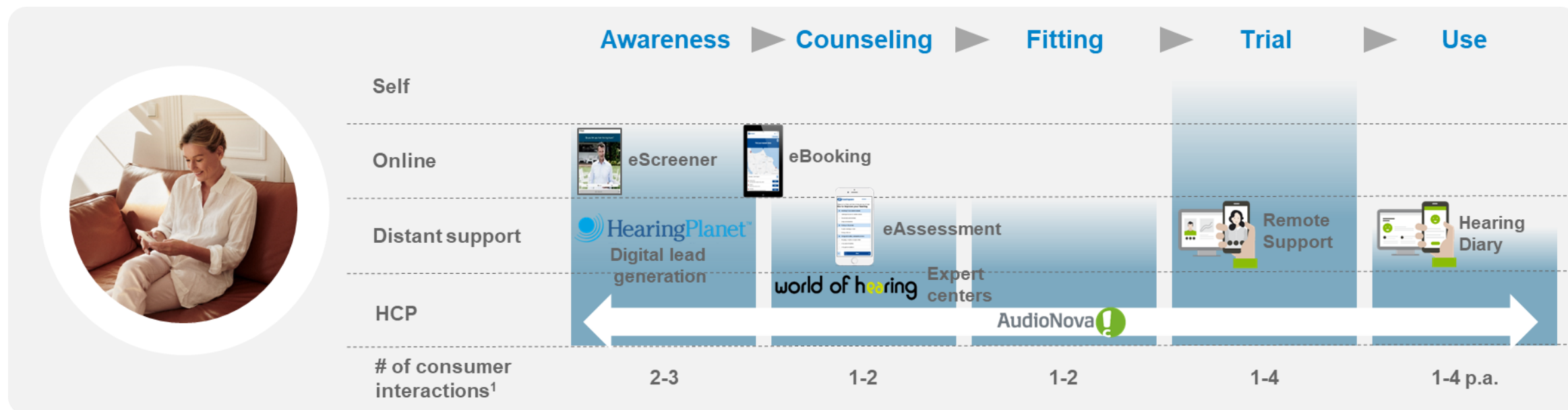
myPhonak App

All in one
consumer App

► Sonova continues to advance its innovative product portfolio

Differentiated Audiological Care network

Different consumer types have different needs along their journey



- While **consumers demand more flexible engagement models**, counseling, fitting and service will remain HCP-centric
- AC business is **building omnichannel consumer journey** with required IT and data analytics capabilities
- Integrated business model creates **positive feedback loop** to understand and anticipate changing consumer needs
- The Group offers a **comprehensive range of solutions and services** along the consumer journey

► **Broad range of solutions and services along the consumer journey – Well positioned with our eSolutions**

¹ Average numbers based on Sonova estimates

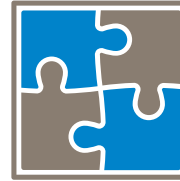
Extending reach through commercial excellence

Driving growth beyond product innovation (example HI WHS business, also deployed in CI business)



Enabling sustainable market share gains

- Elevating commercial execution to drive market penetration
- Driving growth beyond product launches and innovation



Three workstreams

1

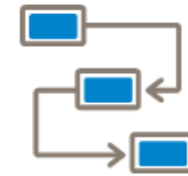
Sales excellence: Improving funnel management and targeting to increase # of visits/rep and to target segments with biggest growth potential

2

Sales coverage: Right size territories and expand feet on the street where growth potential exists

3

Marketing excellence: Improving B2B marketing to increase market visibility and ability to drive segment specific campaigns



Rollout plan

- Current focus on key markets
- Processes and learnings to be standardized for global deployment

► Project initiated in 1H 19/20 to grow customer base through better coverage and commercial execution

Process improvement & structural optimization

Harvest cost savings opportunities for structural optimization

Structural cost improvements

- Shift of operational tasks to lower cost locations
- Creation of regional labs / service hubs
- Optimization of logistics network and digitization of order process
- Reduction of site footprint

Continuous process improvements

- Procurement processes (direct and indirect)
- Assembly processes
- Design for reliability
- Portfolio streamlining / SKU reduction

Structural cost initiatives:

Announced initiatives on track:

-  Service lab  (Q3 19/20)
-  WHS integration (Hansaton)  (Q3 19/20)
-  Repair center  (Q1 19/20)

→ Expected CHF 7 million run-rate savings p.a. confirmed

Additional initiatives teed up:

-  Integration of all WHS back-office functions at one site
-  Streamlining of AC back-office functions
-  Creation of Center of Excellence for WHS marketing execution

► Created ability to optimize footprint at higher pace

Process improvement & structural optimization

Increased focus on continuous improvement

Phase one: Focus on fundamentals at Sonova

- Implementing daily management in all major operation sites
- Conducting first Kaizens to improve quality, productivity and working capital
- Train all operation leaders in lean fundamentals
- Building up dedicated continuous improvement leaders

Example: AB processor assembly Kaizen

Achievements

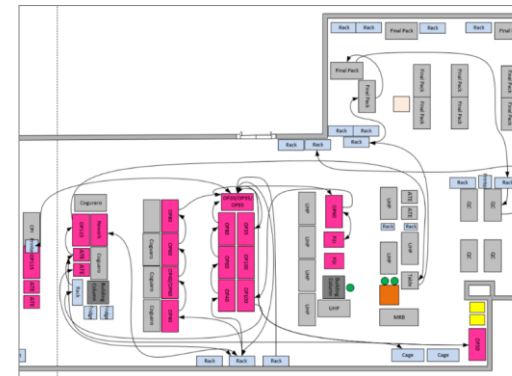
- Hours/unit ➔ **Labor productivity improvement of > 40%**
- Inventory in work cell ➔ **Reduction of > 30%**

Key changes

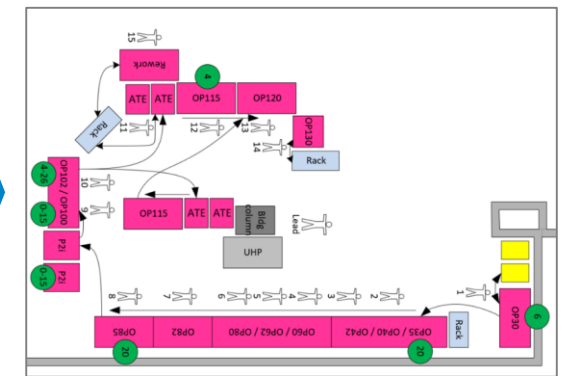
- Reduced operator movement and integrated work-steps
- Separated rework from production
- Balanced work load between operators



Before



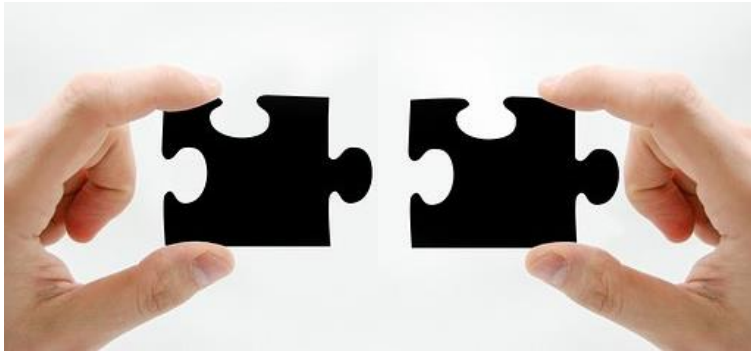
After



► Continuous improvement conversion initiated – current focus on larger Sonova operations sites

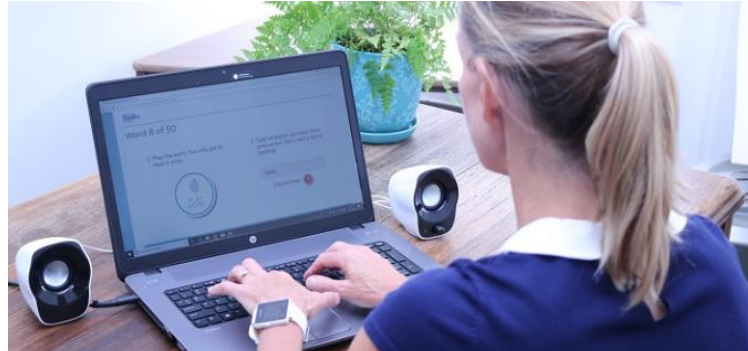
Leverage M&A to accelerate growth strategically

Acquisitions in the area of AC bolt-ons and novel retail & distribution formats



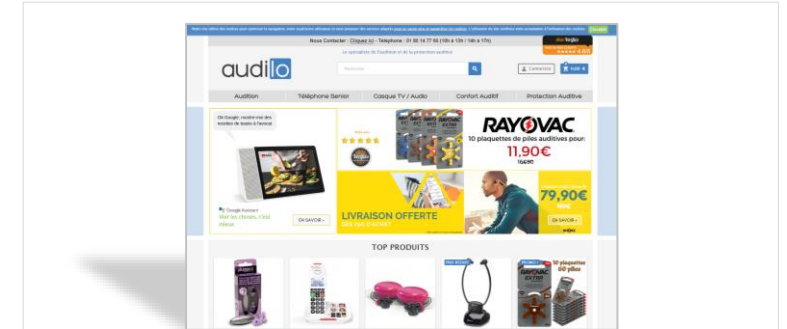
Bolt-ons

- Continuation of bolt-on acquisitions to expand and optimize our differentiated audiological care network
- Target remains to add 2-3% incremental sales p.a. in AC



Blamey Saunders hears

- Australian omnichannel hearing aid retailer with a distinctive blended service model
- Addressing younger customers
- Acquired in April 2019



Audilo

- Leading French online provider of batteries and accessories for hearing aid users
- Strong customer database offers significant marketing and cross-selling opportunities
- Acquired in February 2019

► M&A supports our strategy to extend our differentiated audiological care network

Sonova's commitment to sustainable success

Corporate Responsibility is integrated in our business and culture

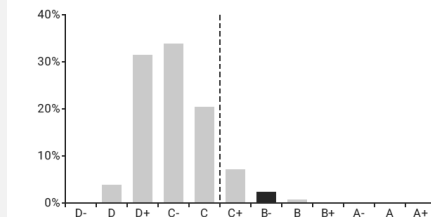
Sonova ranking



B-

Status: Prime (C+ or better)

127 companies in the industry



A

As of 12/2018, Sonova received an MSCI ESG Rating of A.



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Low risk

17.2 /100 Low



	Rank (1 st = lowest risk)	Percentile (1 st = lowest risk)
Global Universe	1371 out of 12699	12th
Healthcare (Industry Group)	19 out of 491	5th
Medical Devices (Subindustry)	1 out of 153	1st



Member

Status: Member DJSI world (69 or better) and DJSI Europe (64 or better)

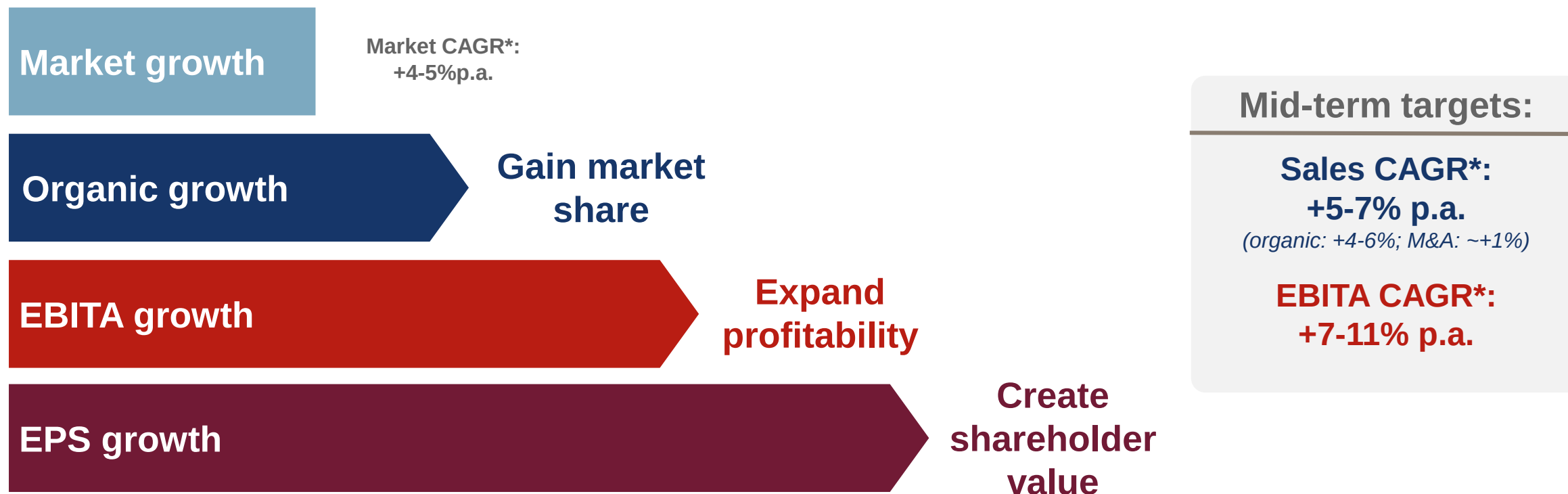
91st Percentile

74 Scoring: 1-100

► Major rating agencies confirm Sonova's industry-leading ESG performance

Financial implications

The four pillars of growth and our mid-term targets



► Create shareholder value and generate investment capacity for future growth – Mid-term targets confirmed

Key take-aways

- Broad product portfolio and vertically integrated business model represent a **strong foundation**
- Strategic focus on **innovation leadership** and consumer access
- **Leveraging Marvel launch** and SWORD technology to win new customers and consumers
- **Accelerating investments** into innovation, commercial execution and consumer access
- **Accelerating productivity gains** to expand investment capacity for growth





Marvel 2.0 – More love at first sound

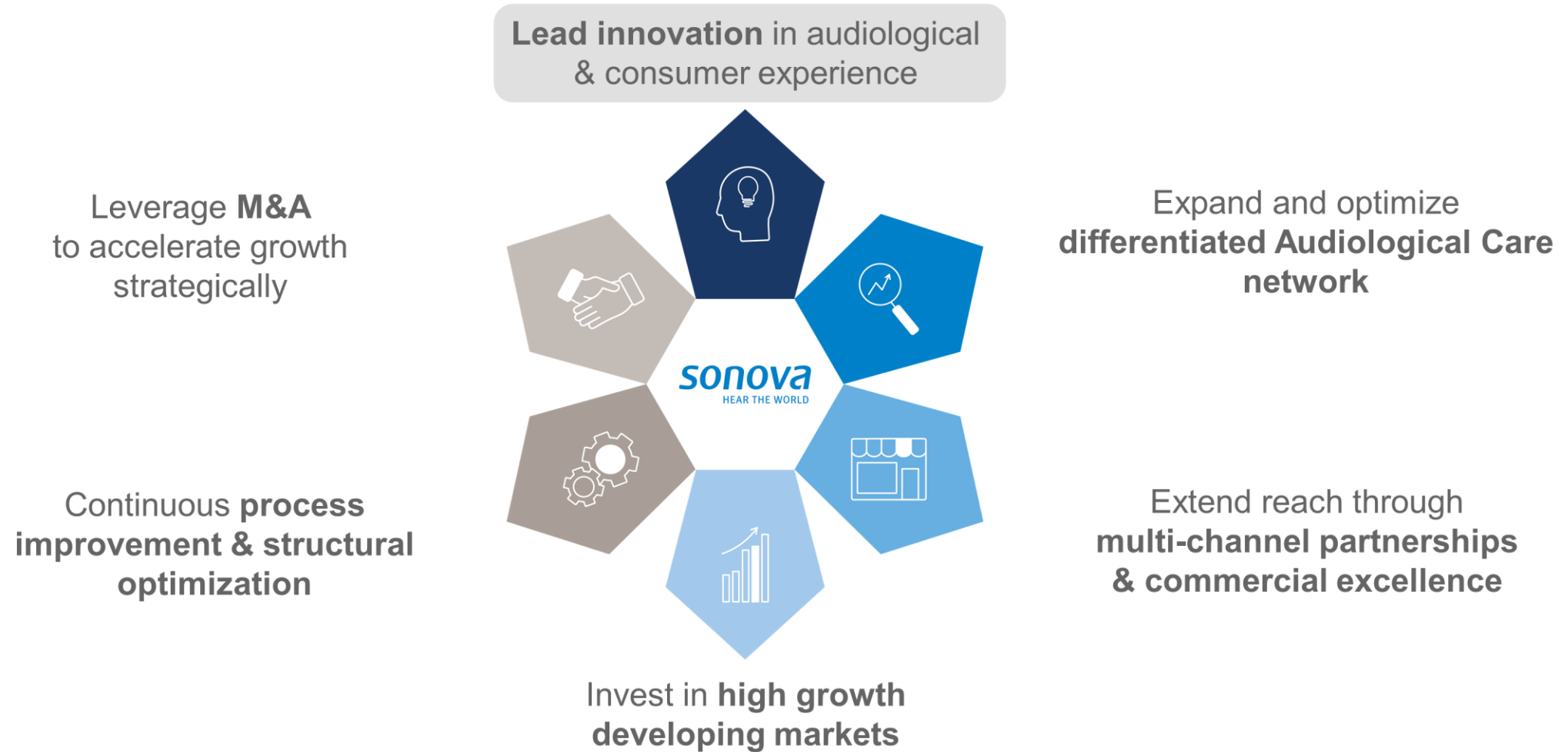
Jason Mayer, VP Commercial Sales & Angela Pelosi, Director Global Audiology

A Sonova brand

PHONAK
life is on

Sonova's strategy

Strategic pillars



► Leadership in hearing care through innovation and consumer access, leveraging emerging digitization

Hearing care professionals love Marvel



Ronnie L. Boling
Practice Manager
Brentwood Hearing
Center, Nashville, USA



“We demonstrate hearing devices to each patient who can benefit from amplification

Marvel is their hands-down choice... with its clear sound, rechargeability, remote programming and connectivity with both iPhone® and Android™.

Phonak Marvel is a game-changer for both our patients and our audiology practice.”

Would recommend Audéo Marvel to other HCP's



9 out of 10 HCP's report: “Audéo Marvel provides first time users with exceptional sound quality from the first fit”

“The biggest advantage of Audéo Marvel is combining rechargeability and connectivity without compromising on sound quality”



Marvel – The most successful launch in Phonak's history



>1'000'000

devices sold just
10 months after
the launch

Phonak Marvel has been very well received by customers and consumers, reaching this important milestone faster than any previous launch in the company's history

November 2018... A success story unfolds

Audéo™



Audéo M-312
RIC



Audéo M-R
RIC



Audéo M-RT
RIC



Audéo M-312T
RIC



Audéo M-13T
RIC

Bolero™



Bolero M-M
BTE



Bolero M-PR
BTE

Sky™



Sky M-M
Pediatric



Sky M-PR
Pediatric



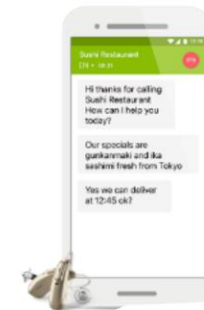
Sky M-SP
Pediatric

Available
early 2020

APPs



myPhonak app



Phonak myCall-to-Text app

Note: Audéo M-312T/M-13T were launched in February 2019;



= launched in Aug/Sep 2019

Marvel – the combination of all things great

Clear,
rich sound

Connects to
smartphones,
TV and more

Smart
apps

Rechargeable



Love at first sound

Marvel – for clear, rich sound



**Exceptional sound
quality** from the
first fit¹



**Better speech
understanding**
in noise²



**Reduced listening
effort** in noise³



**Top rated
streamed sound
quality**⁴

¹ Jansen, S. & Woodward, J. (2018). Love at first sound: the new Phonak precalculation. Phonak Insight, retrieved from www.phonakpro.com/evidence, accessed October 17th, 2018.

² Stewart, E., Rakita, L. & Drexler, J. (2019). StereoZoom Part 1: The benefit of wirelessly connected narrow directionality in Phonak hearing aids for speech intelligibility. Phonak Compendium, retrieved from www.phonakpro.com/evidence, accessed February 26th, 2019.

³ Winneke, A., Latzel, M. & Appleton-Huber (2018). Less listening- and memory effort in noisy situations with StereoZoom, Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed October 17th, 2018.

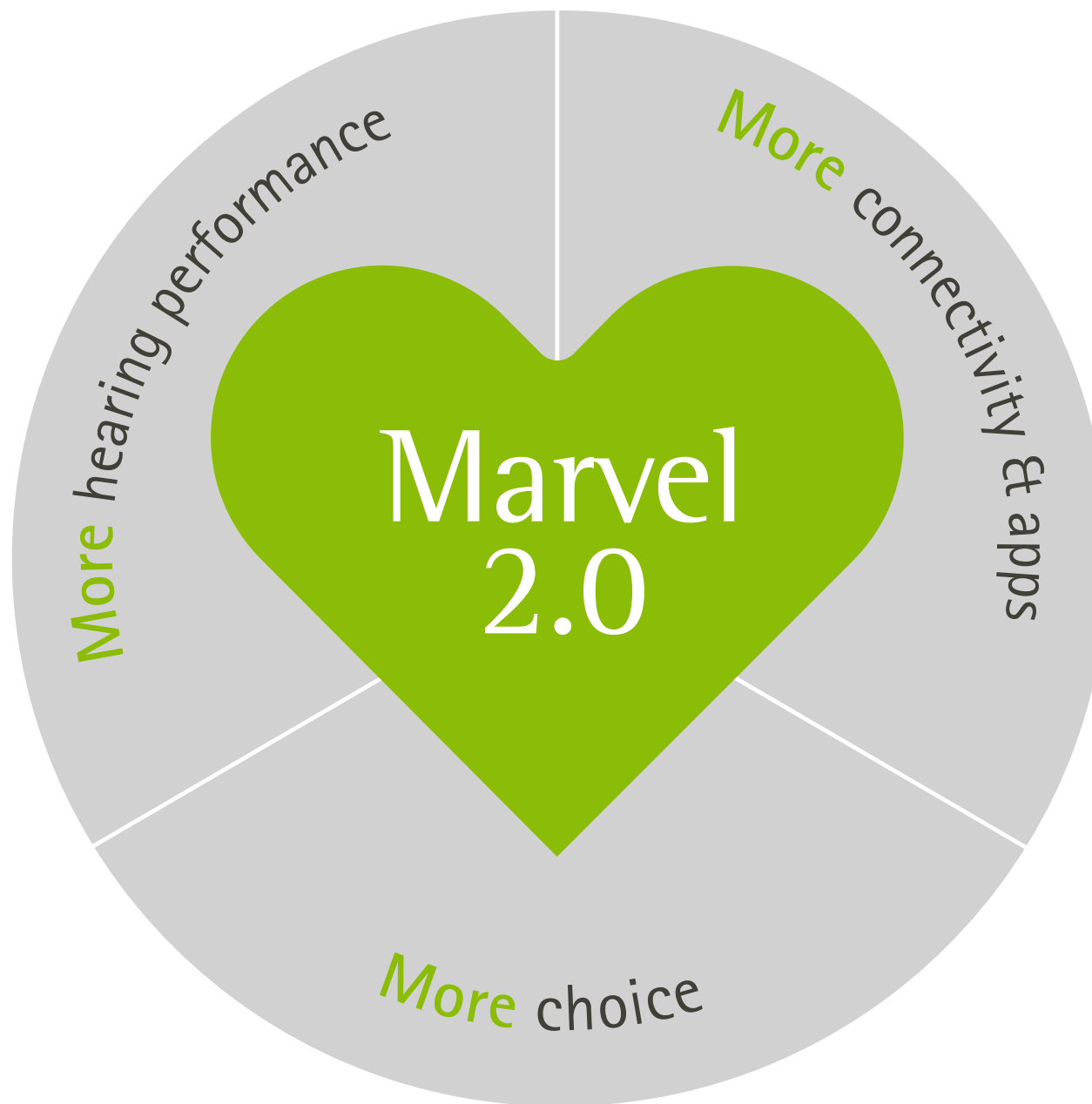
⁴ Legarth, S., Latzel, M. & Rodrigues, T. (2018). Media streaming: The sound quality wearers prefer, Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed October 17th, 2018.



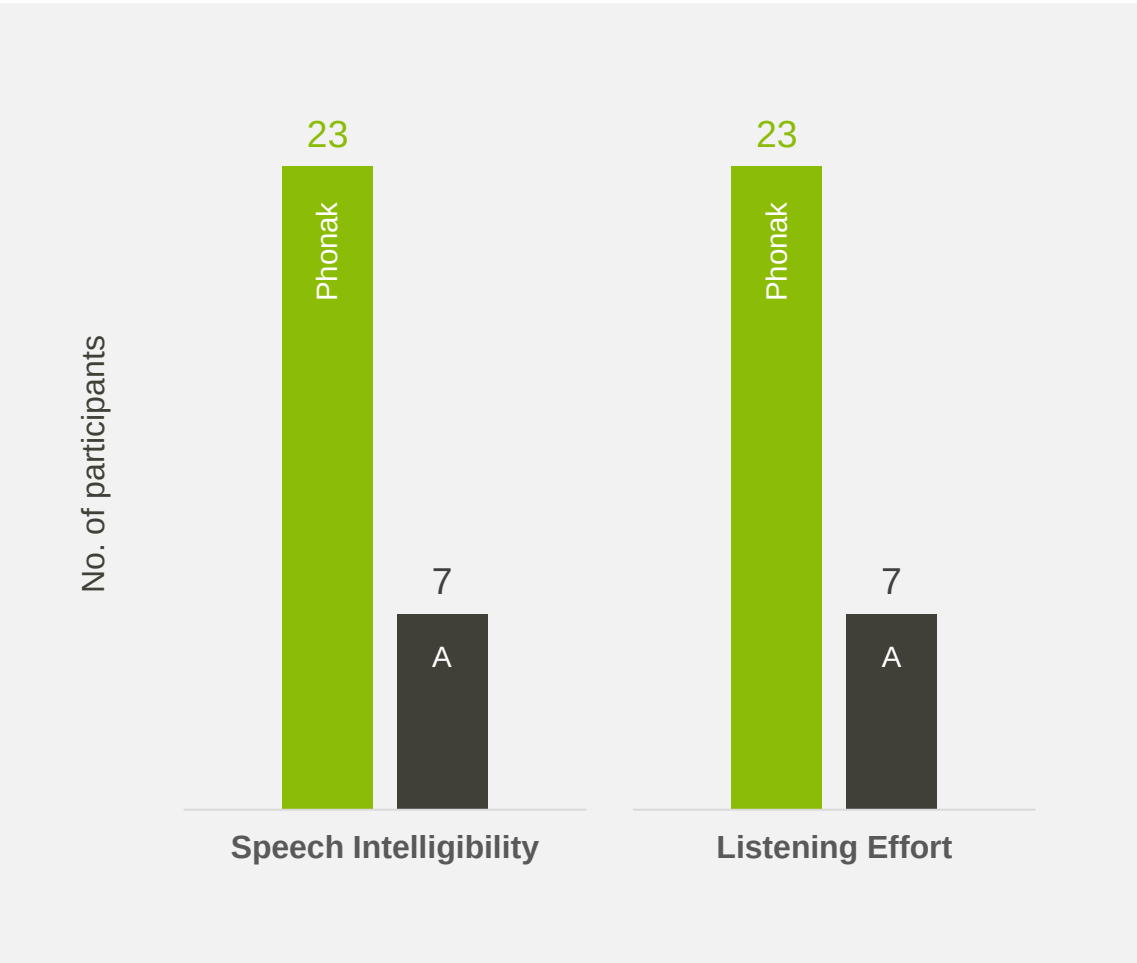
Marvel 2.0 – **More** love at first sound

A Sonova brand

PHONAK
life is on



Phonak vs. competitor A in a complex listening situation



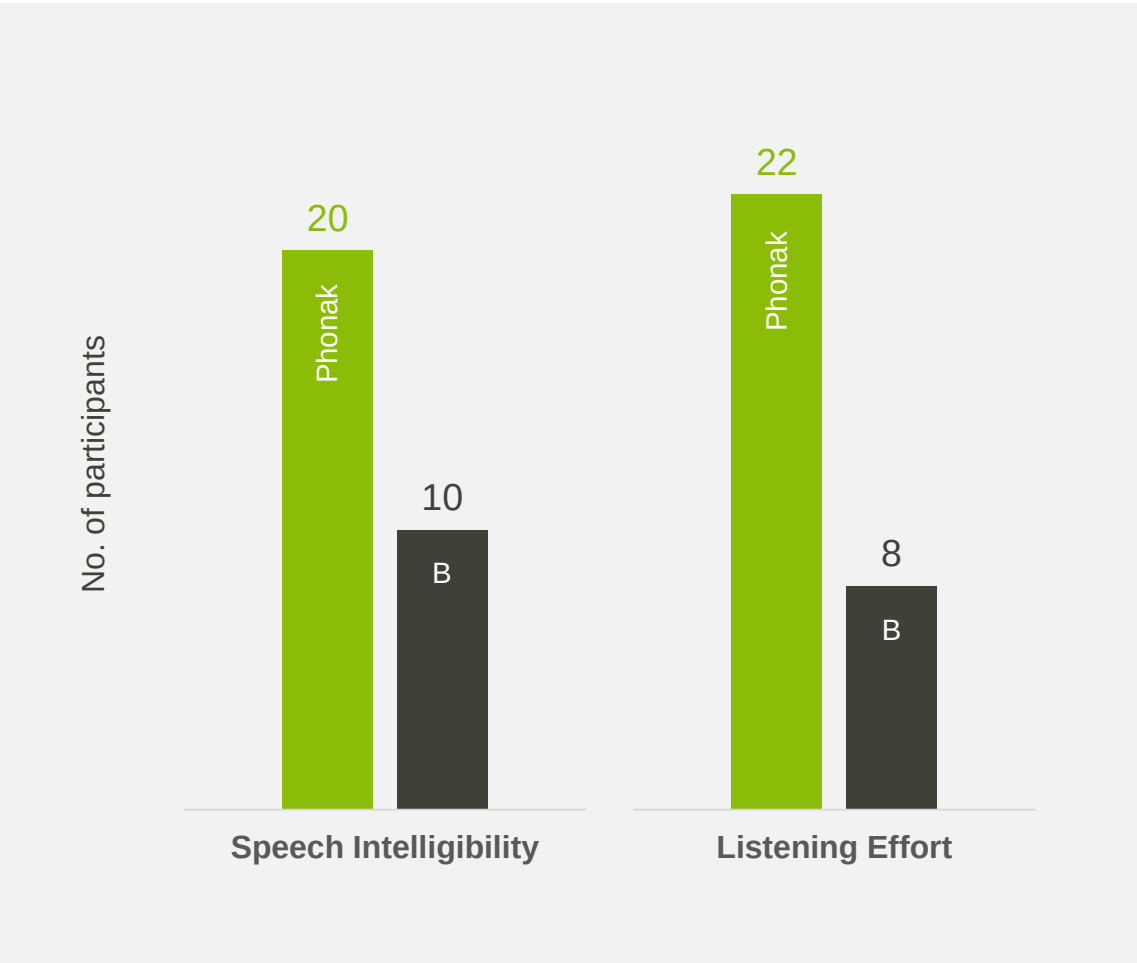
More than
3 times
as many participants preferred
Phonak hearing aids to Competitor A



AutoSense OS – Superior speech intelligibility and less listening effort in complex listening situations, Phonak Field Study News in preparation

* Participants were fitted with Phonak Audéo B90-312T (equivalent in performance to Audéo Marvel for the specific aspects tested in this study) hearing aids plus two premium hearing aids from two different competitors

Phonak vs. competitor B in a complex listening situation



More or equal to
2 times
as many participants preferred
Phonak hearing aids to Competitor B

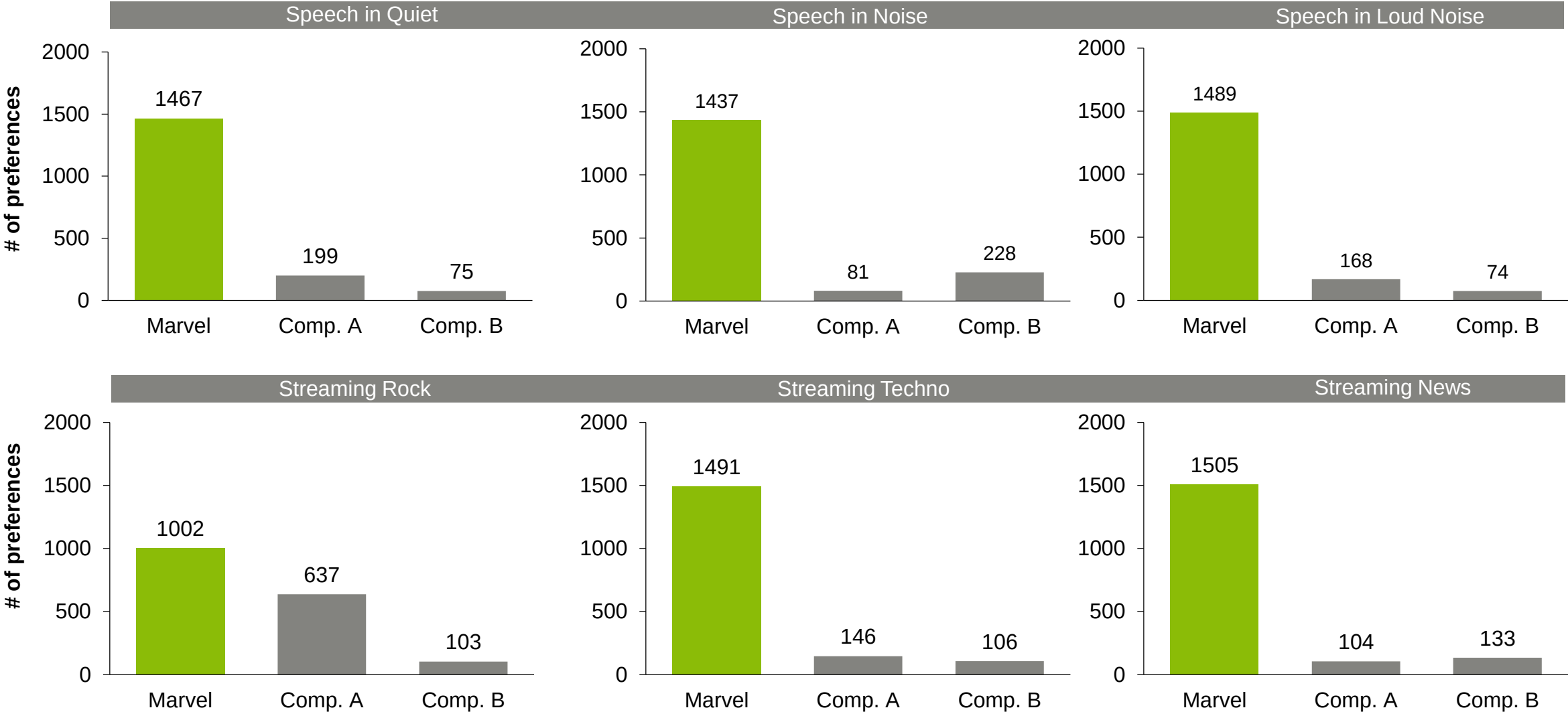


AutoSense OS – Superior speech intelligibility and less listening effort in complex listening situations, Phonak Field Study News in preparation

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Hearing is Believing

Subjective preference of listening preference across several sound scenes (n >1700)



More hearing performance with Roger™ technology

roger

RogerDirect™

StereoZoom

UltraZoom

Real Ear Sound



Marvel 2.0 including RogerDirect™

Easy access to even more hearing performance¹

No external receiver
needs to be attached

Direct streaming to
Marvel hearing aids



Before

After

Up to

42%

smaller*

On average

27%

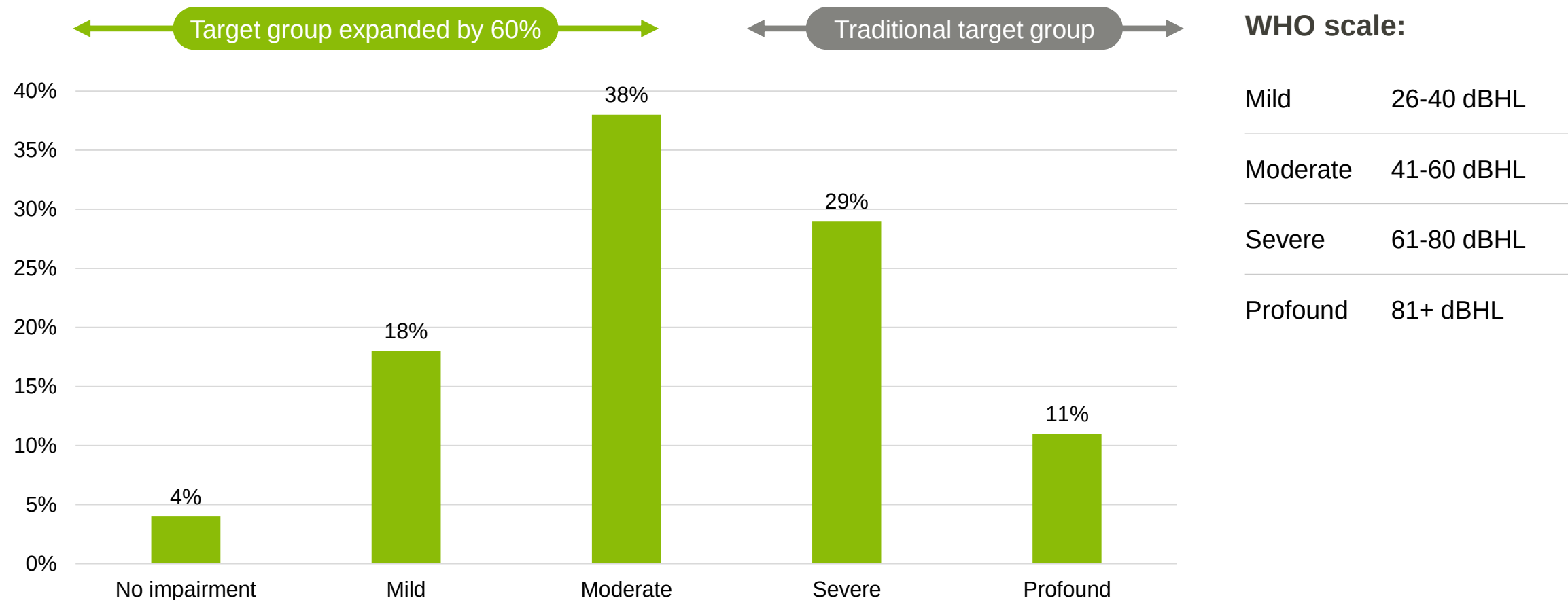
less battery
consumption*

All Audéo and BTE models
are Roger compatible

¹ Thibodeau, L. (2014). Comparison of speech recognition with adaptive digital and FM wireless technology by listeners who use hearing aids. American Journal of Audiology, 23(2), 201-210.

* with RogerDirect compared to the previous generation with Roger 18.

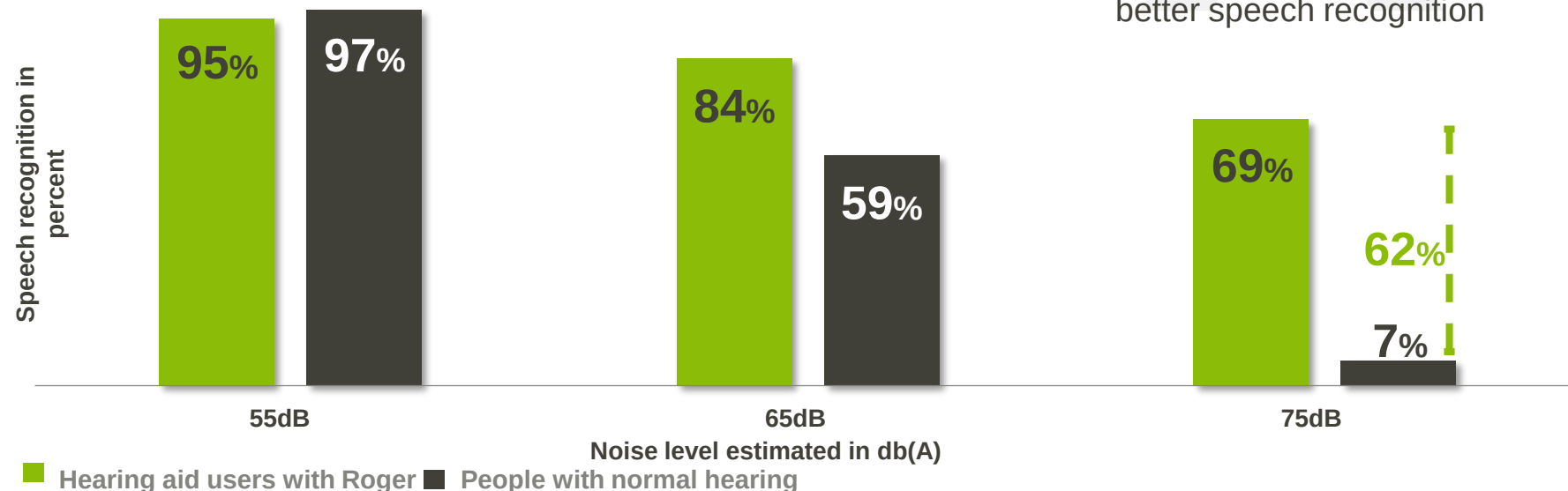
Marvel 2.0 - Roger suitable for more users than ever before



HL level – Roger Pen (Sample 698 – Nr Patients)
Senn. M., Baney L., (2018). An analysis of programs Roger Pen distribution across hearing loss – Phonak target fitting data. Unpublished data

Roger technology

Outstanding performance in noise and over distance¹



62 percentage points = almost

10 times

better speech recognition



of current Roger users would recommend a Roger microphone to their friends and family.²

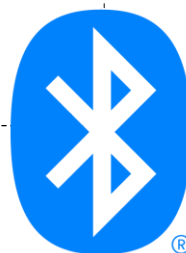
¹ Thibodeau, L. (2014). Comparison of speech recognition with adaptive digital and FM wireless technology by listeners who use hearing aids. American Journal of Audiology, 23(2), 201-210

² Taphuntsang, D. (2019). Market Research ID 1299. Please contact marketinsight@phonak.com if you are interested in further information.



The only hearing aid
offering hands-free calls
from iOS™ and Android™

More Bluetooth® Classic connectivity



New with
2 pairings





Hearing aid wearers like control and involvement

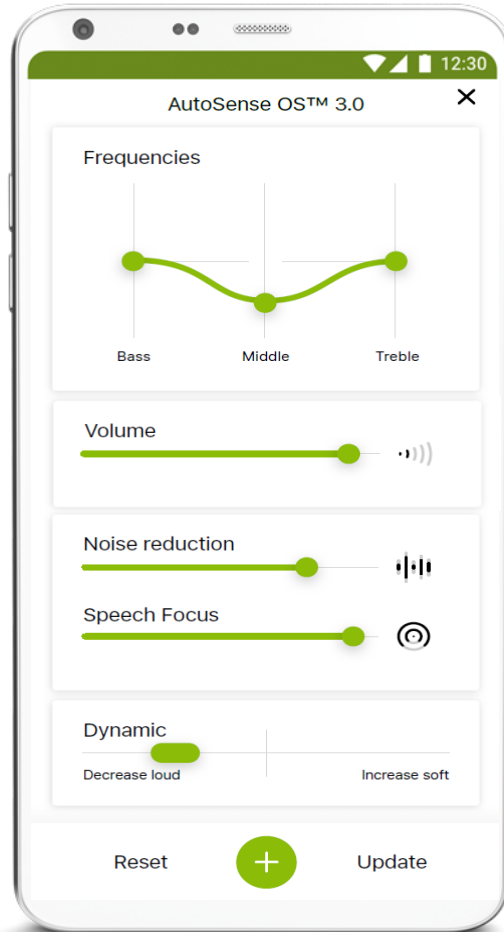
- Increases perceived sound quality¹
- Increases hearing aid satisfaction²

1 Boothroyd, A. & Mackersie, C. (2017). A "Goldilocks" Approach to Hearing-Aid Self-Fitting: User Interactions. *Am J Audiol.* 26(3S): 430-435.

2 Guerra-Zúñiga, M., Cardemil-Morales, F., Albertz-Arévalo, N. & Rahal-Espejo, M. (2014). Explanations for the non-use of hearing aids in a group of older adults. A qualitative study. *Acta Otorrinolaringol.* 65: 8-14.
<https://doi.org/10.1016/j.otoeng.2014.02.013>

Remote Control in myPhonak app

More personalized hearing experience

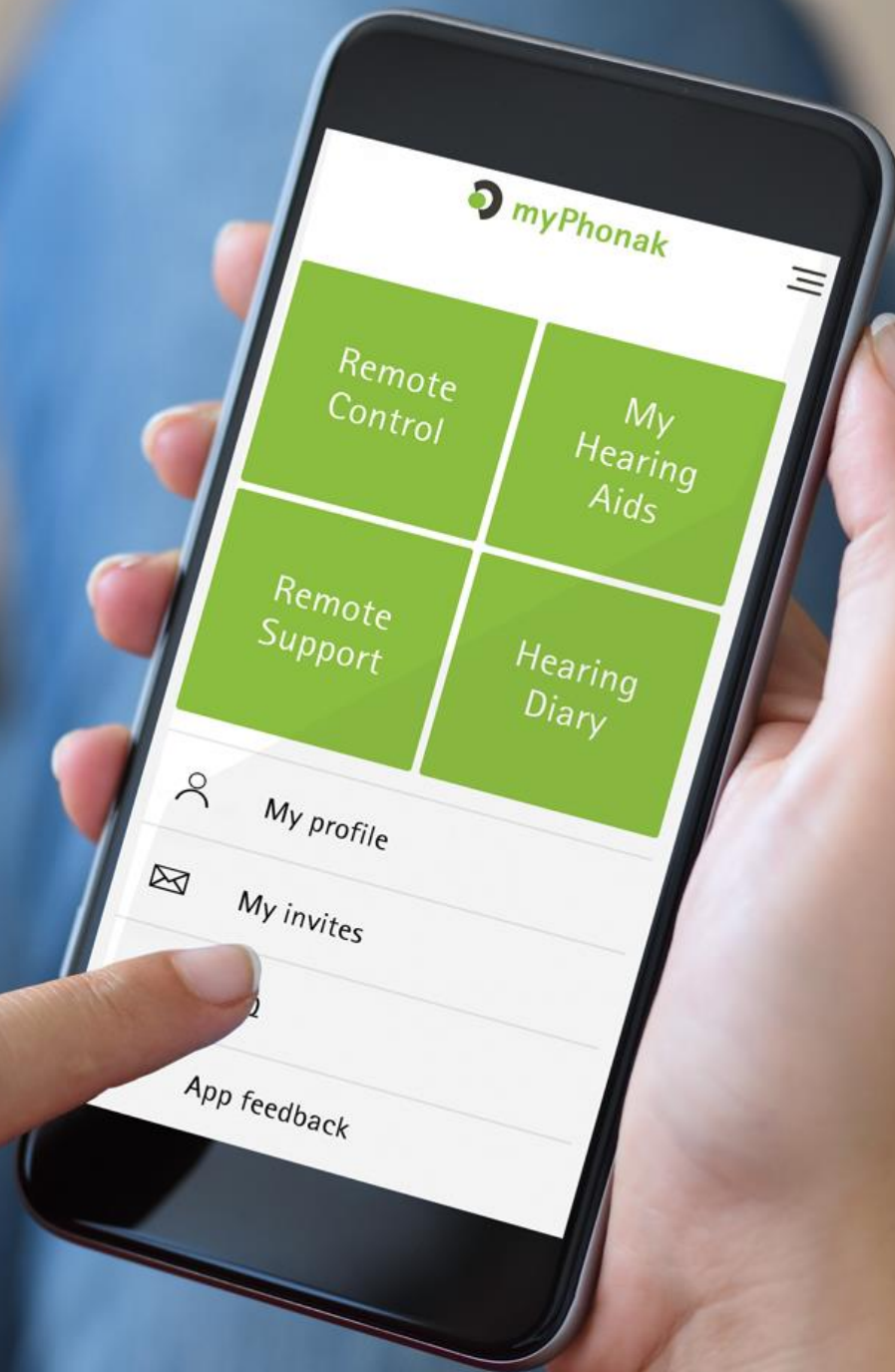


New

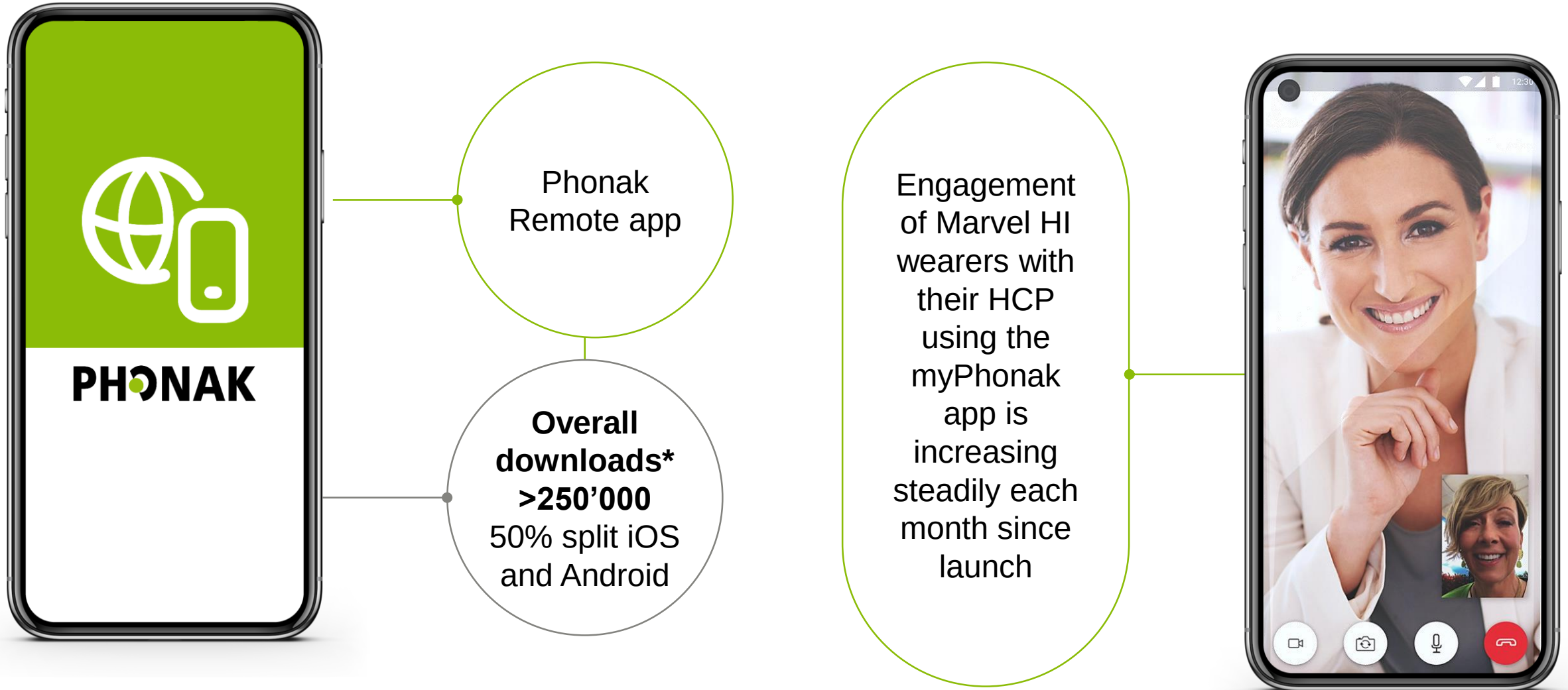
Personalize the sound of the hearing aid

Select standard pre-settings and save personalized programs

myPhonak app – more than just an app



Phonak Remote app current usage numbers



* Downloads from November 2018 to August 2019

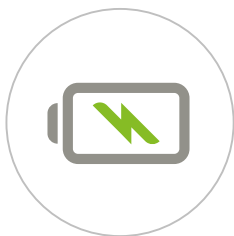
Phonak Audéo™ M-RT

The all-in-one



PHONAK
life is on

Rechargeable



T-Coil



Direct connectivity
to Android & iOS



roger

RogerDirect™



Binaural
VoiceStream
Technology™



Hands-free calls

Phonak Audéo just got more marvelous

New

cShell Titanium
available



Audéo
M-312



Audéo
M-R



Audéo
M-312T



Audéo
M-13T



Audéo
M-RT



Already launched



Marvel 2.0

Why BTE's are an important part of our portfolio offering



Severe to profound hearing loss



Adults with cognitive,
visual and dexterity challenges



Heavy cerumen



Personal preference



Pediatrics

Phonak Bolero™ M – Marvel performance now in BTE

Bolero M-M
BTE



Bolero M-PR
BTE



Marvel BTEs

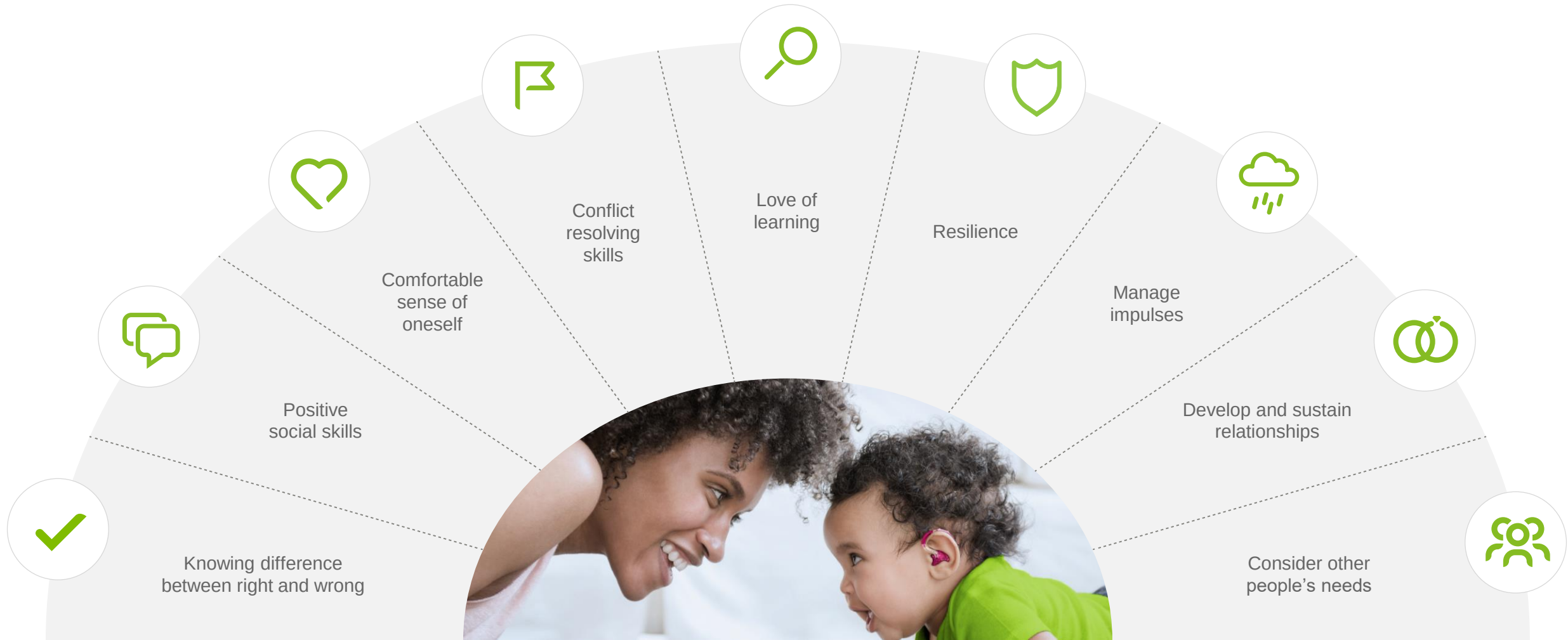
With IP68* rating
for reliability and robustness

NEW SlimTube

Up to 3 dB SPL more output
Designed to offer an ergonomic fit

Note: IP68 indicates that the hearing aid is water resistant and dust tight. It survived continuous immersion in 1 meter of water for 60 minutes and 8 hours in a dust chamber as per the IEC60529 standard. No traces of dust were evident within the housing.

The love story continues with Phonak Sky Marvel



National Scientific Council on the Developing Child. (2004). Young children develop in an environment of relationships. Retrieved from <https://46y5eh11fhgw3ve3ytpwxt9r-wpengine.netdna-ssl.com/wp-content/uploads/2004/04/Young-Children-Develop-in-an-Environment-of-Relationships.pdf>, accessed August 19th, 2019.

Phonak Sky™ M & Roger™ – The perfect pair for every child

Phonak is a leader in bringing children and their families the most comprehensive portfolio of products, services & resources that provide every child an opportunity to live their lives to the fullest



Roger Select™



Roger
Touchscreen Mic

Clear, rich sound thanks to AutoSense Sky OS 3.0 and SoundRecover2

PHONAK
life is on

World's
First



The **world's first** operating system designed for children – accurately recognizes and classifies their hearing situations



24% better speech understanding in noise*



Maximum access to all speech sounds

Wolfe, J., Jones, C. & Rakita, L. (2018). Noise technologies: What do kids need and what do they want?, Phonak Field Study News, Retrieved from www.phonakpro.com/evidence, accessed August 19th 2019

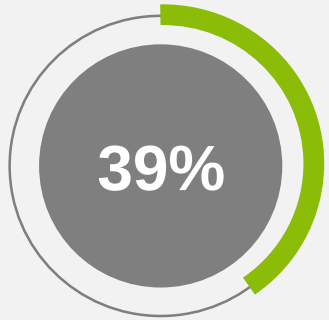


Benefits of AutoSense Sky OS



Up to 30% more precise Speech in Noise classification during noisy classroom activities

Giving children access to directional microphones more often throughout the day



Up to 39% more precise Comfort in Noise classification

Improving comfort by being better at recognizing shouting and yelling as noise

Smart devices – clever kids

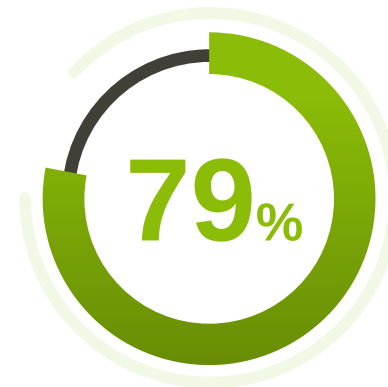


Tablet and smartphone use is widespread



of elementary school students report that they regularly use a tablet or smartphone

Schools have adopted them in education



of surveyed schools reported use of tablets in school

Connects to smartphones, Roger mics and more

World's
First



The **world's first** pediatric hearing aids with direct streaming of Roger

World's
First



The **world's first** pediatric hearing aids that directly stream from **both iOS™ and Android™** devices



Enjoy direct streaming from multimedia sources through the TV Connector



Sky Marvel and Roger

Up to **42%**

Smaller*

Up to **32%**

Lighter*

100%

Roger
performance

*Sky M-M vs Sky B-P + Roger 18 (Design Integrated Receiver)



Roger at home and in school

54% better speech understanding compared to other remote mic technologies¹

5300

more words
per day!²

12%

more child-
directed speech³

Better

receptive discourse
skills⁴

**Significantly better access to both quantity
and quality of language**

1. Thibodeau, L. (2014). Comparison of speech recognition with adaptive digital and FM remote microphone hearing assistance technology by listeners who use hearing aids. *American Journal of Audiology*, 23(2), 201–210.

2. Benitez-Barrera, C..R, Angley G., & Tharpe, A.M. (2018). Remote microphone system use at home: Impact on caregiver talk. *Journal of Speech, Language and Hearing Research*, Vol. 61, 399-409.

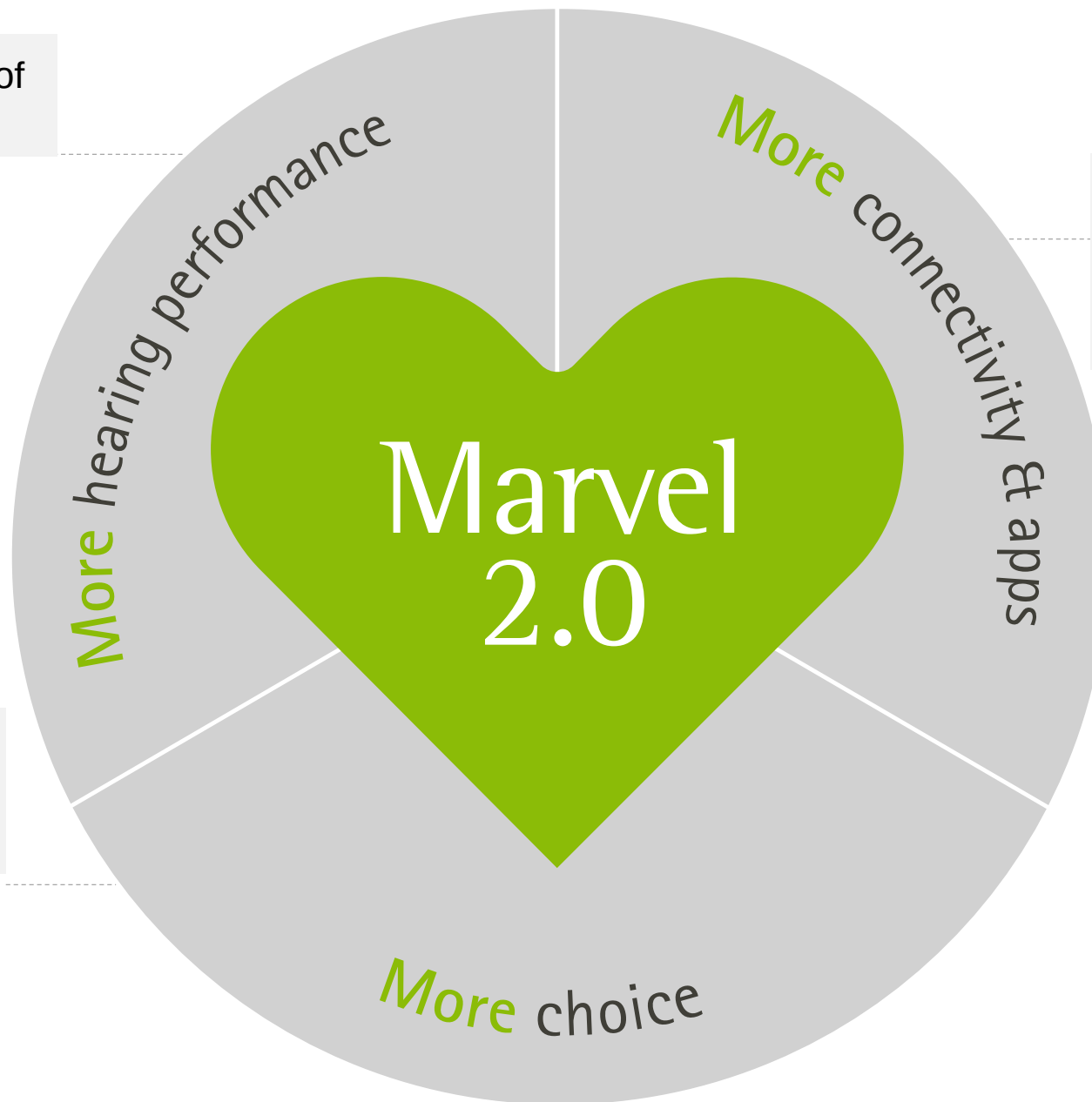
3. Bacic, L. & Tharpe, A.M. (2019). Impact of remote microphone system use on access to child-directed speech when used in homes of children with hearing loss. *Field Study News*, in preparation.

4. Curran, M., Walker, E., Roush, P., & Spratford, M. (2019). Using Propensity Score Matching to Address Clinical Questions: The Impact of Remote Microphone Systems on Language Outcomes in Children Who Are Hard of Hearing. *Journal of Speech, Language, and Hearing Research*. 62 (3): 564-576.

Unbeatable combination of
Roger and Marvel



Marvel technology for
**every age and
lifestyle**



**Unrivalled connectivity
&
seamless personalization**
via new app





sonova
HEAR THE WORLD

Audiological Care

*Elevating our execution
in a changing environment*

Christophe Fond, GVP Audiological Care
Stäfa, October 15, 2019

Sonova's strategy

Strategic pillars



► Leadership in hearing care through innovation and consumer access, leveraging emerging digitization

Sonova's Audiological Care business

A mutually beneficial combination



Benefits for the Sonova Group:

- **Direct consumer access** and market coverage
- **Develop differentiation** throughout the consumer journey
- Platform to **elevate** Sonova's product **brand awareness**
- Identifying potential **CI candidates**



Benefits for Audiological Care:

- **Combined lead generation** and database marketing
- Access to **Sonova brands** with full range of products and solutions
- Access to **Sonova's audiological expertise** in products and services
- **Leveraging Sonova's capabilities** to improve operational efficiency and productivity
- **Attracting** and retaining the best **audiologists and employees**

► Audiological Care is key to our vertically integrated business model

Sonova's Audiological Care business

Over 3,500 stores and clinics – 7,000 employees

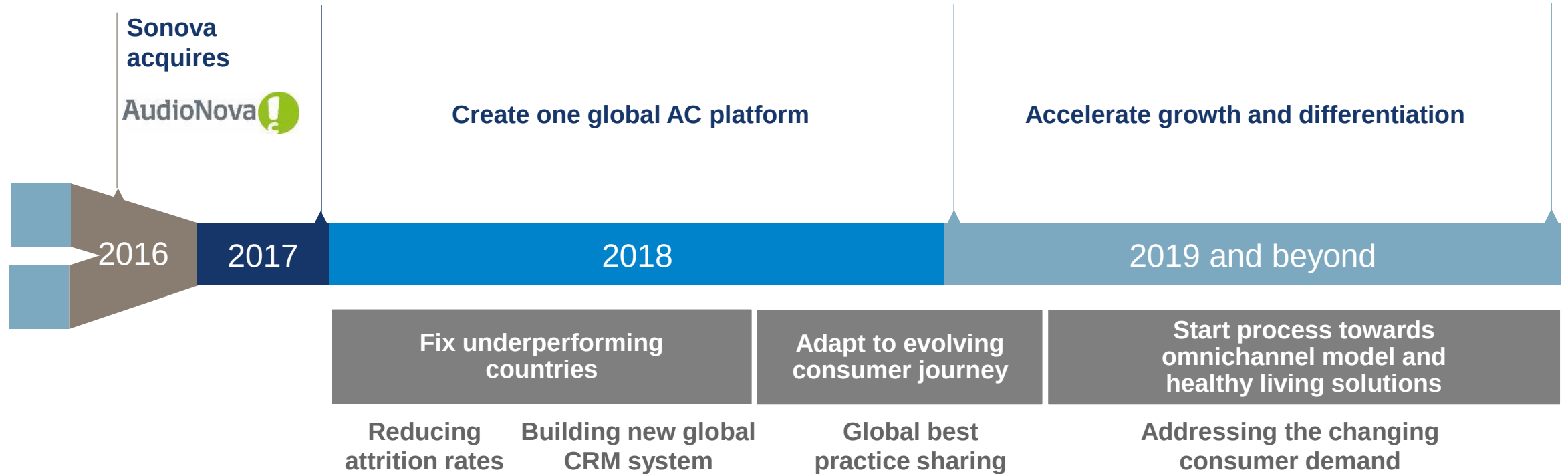
- A leading global platform of over **3,500 stores and clinics**
- Over **7,000 employees** in Sonova Audiological Care (AC) across **19 markets**
- High concentration of networks in **Europe** with over **2,600** stores in 13 countries
- Surpassed **CHF 1bn revenues** in FY 2018/19
- Active in eCommerce for accessories in **7 markets** today



► No. 2 global provider with ample growth runway

Our Audiological Care journey

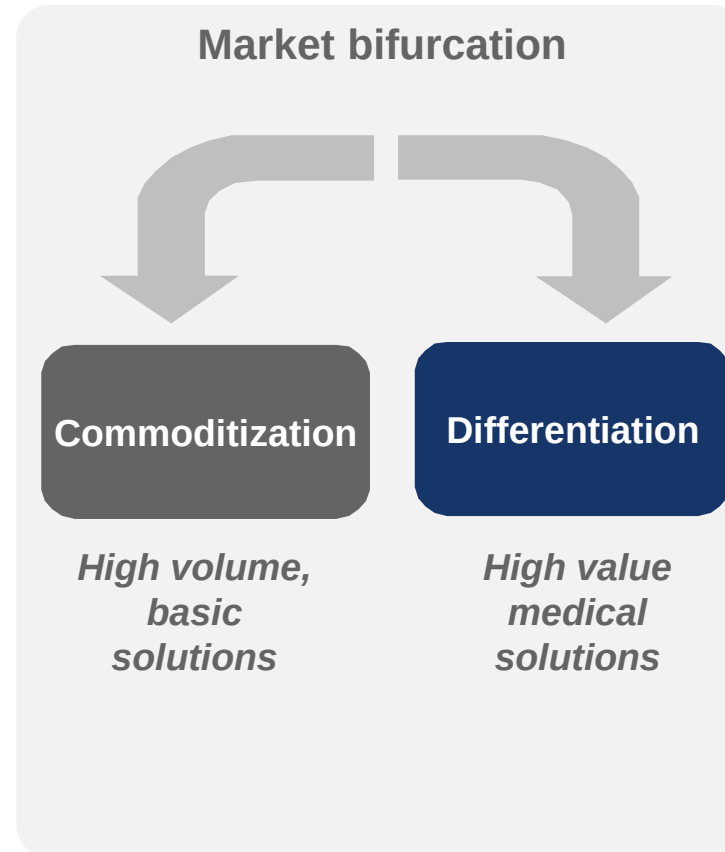
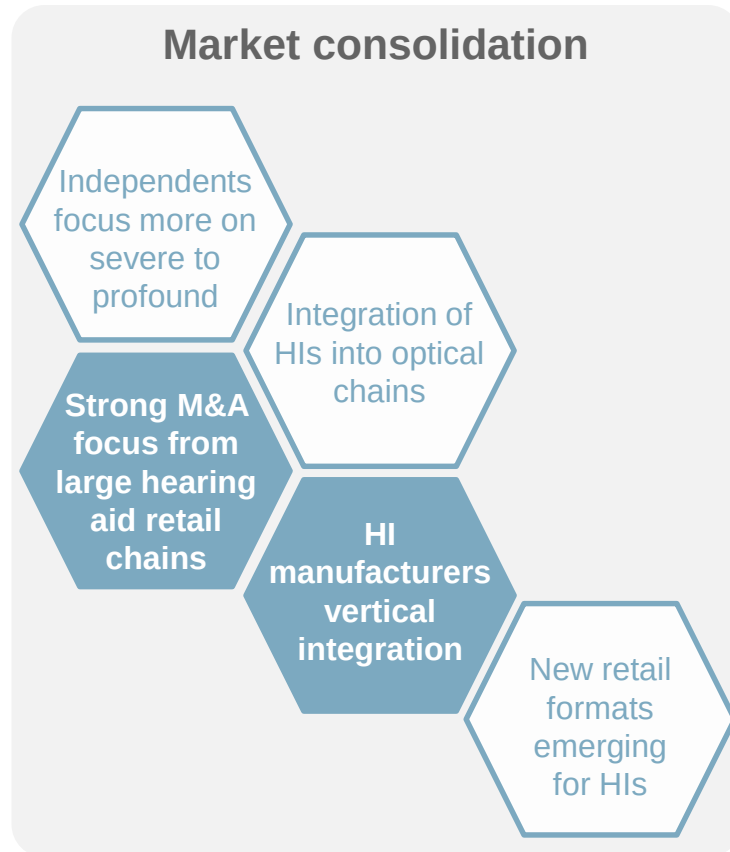
Recent developments



► Solid foundation established – Now approaching omnichannel and healthy living solutions

Market and consumer trends

Relevance of enhancement of retail footprint



Baby Boomers preferences¹



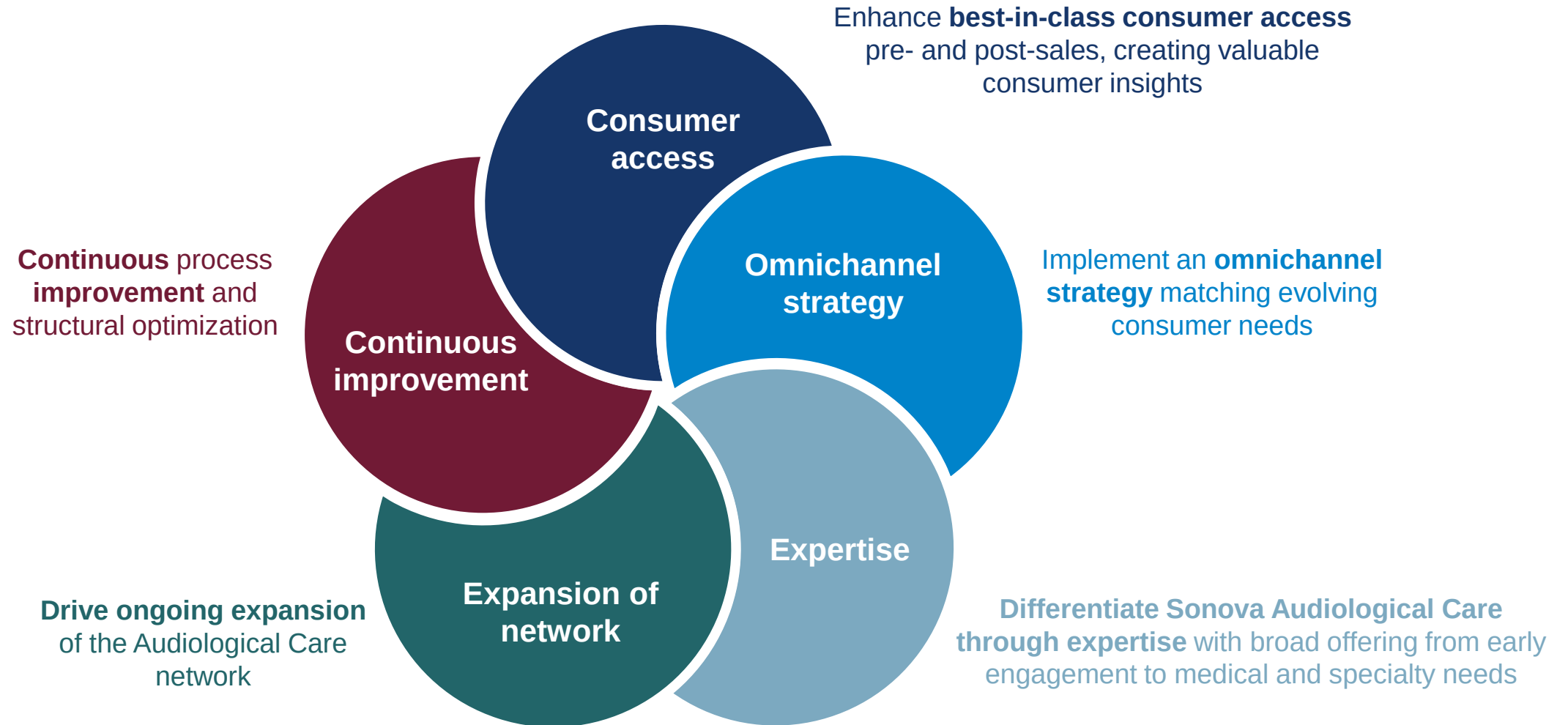
- **62% have the best shopping experience at a brick & mortar store** (compared to 19% with online-only retailer)
- **2/3 would pay a premium** to companies offering superior services
- Demand **access to information and support anytime, anyplace**

► Footprint is key to address consolidation, market bifurcation and to match Baby Boomers' preferences

¹ Source: OECD-Forum, Eurostat; Colorado University, Salesforce.com, Neustar, Nielsen / BoomAgers

Strategic outlook

Key priorities



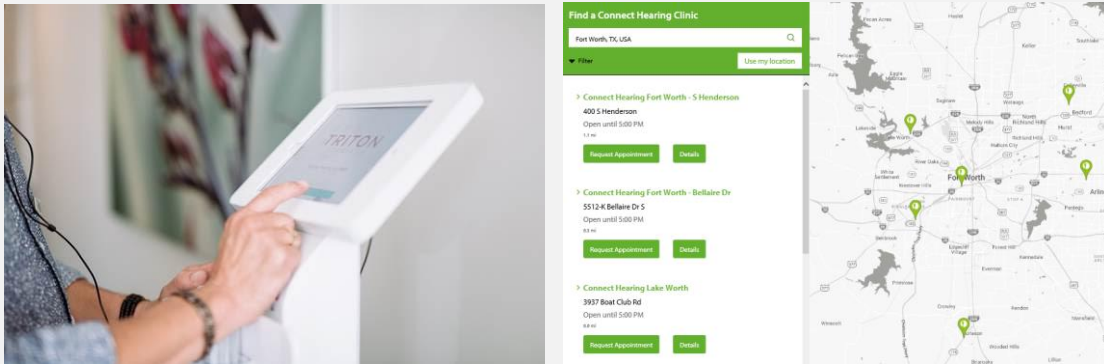
► Driving growth by consistently executing our key strategic priorities

Enhance best-in-class consumer access

Range of digital tools to interact with the consumers

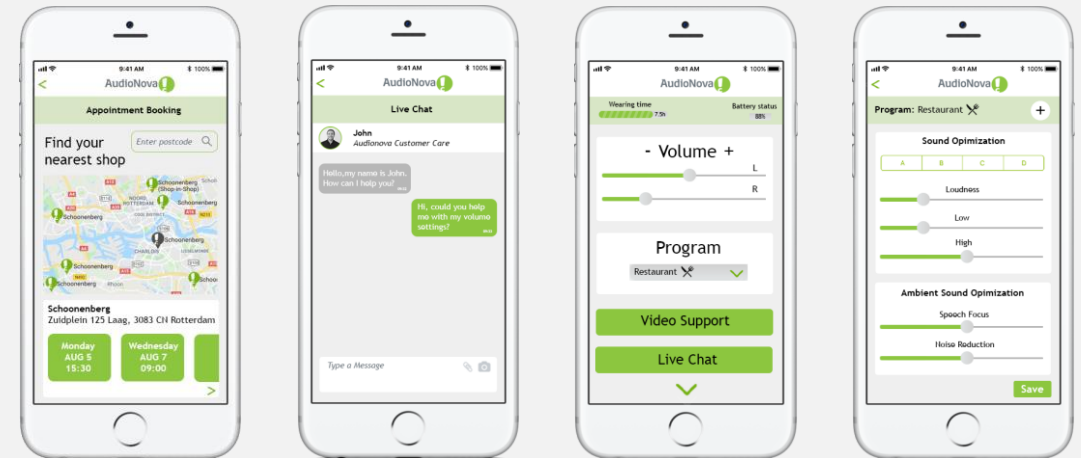
Pre-sale consumer access

- Social media and search engine marketing
- Hearing kiosk (self-screening stations at partner stores)
- QR-Codes on store windows
- Website with store locator, eShop and online portal



Post-sale interaction: AudioNova app

- AudioNova app connecting with all Sonova hearing aids
- Interactive hearing companion for the entire consumer journey
- Real-time personalized support anytime, anywhere
- Instant hearing aid adjustments by user or customer care
- Fully integrated with CRM for true omnichannel experience



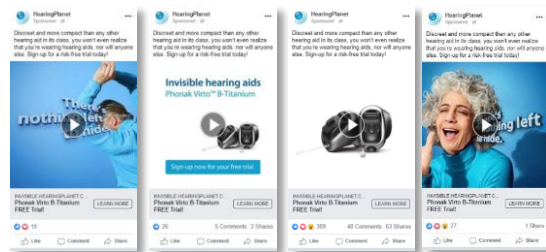
► Enhancing best-in-class consumer access through digital tools along the life-long consumer journey

Enhance best-in-class consumer access

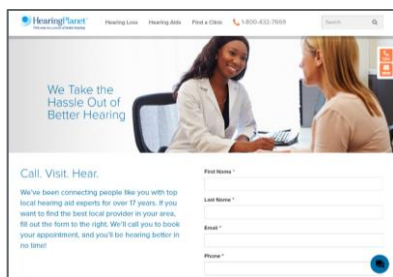
US new business model



Digital marketing campaigns



Lead generation



Website form submission



Phoned-in orders



Phone-in orders



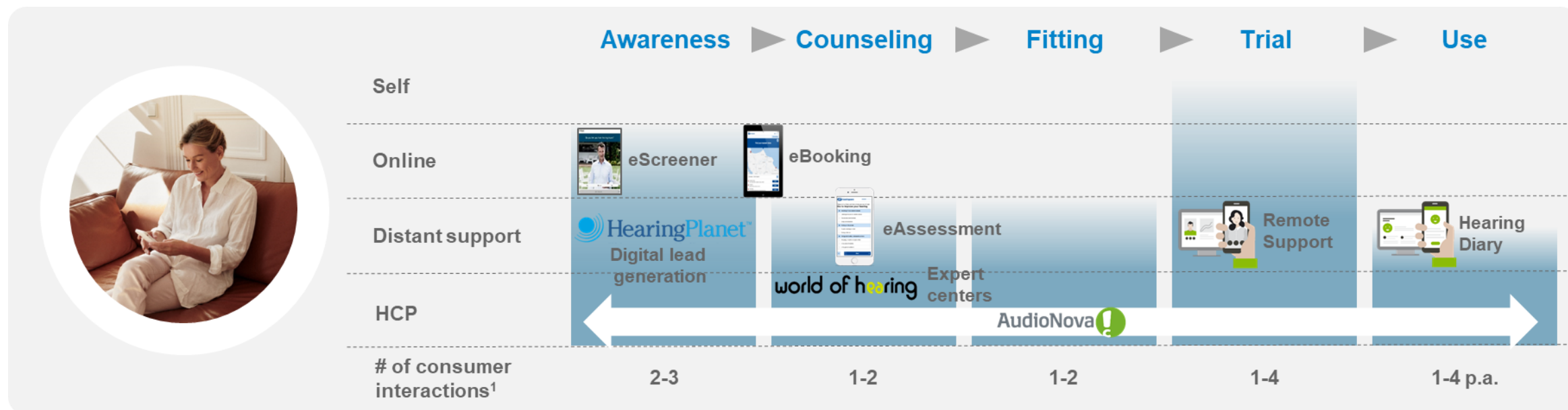
All appointments scheduled
into Connect Hearing Clinics



► Online and offline touchpoints to address evolving consumer needs

Implement omnichannel strategy

Omnichannel – touchpoints offered pre- and post-sale through many different channels



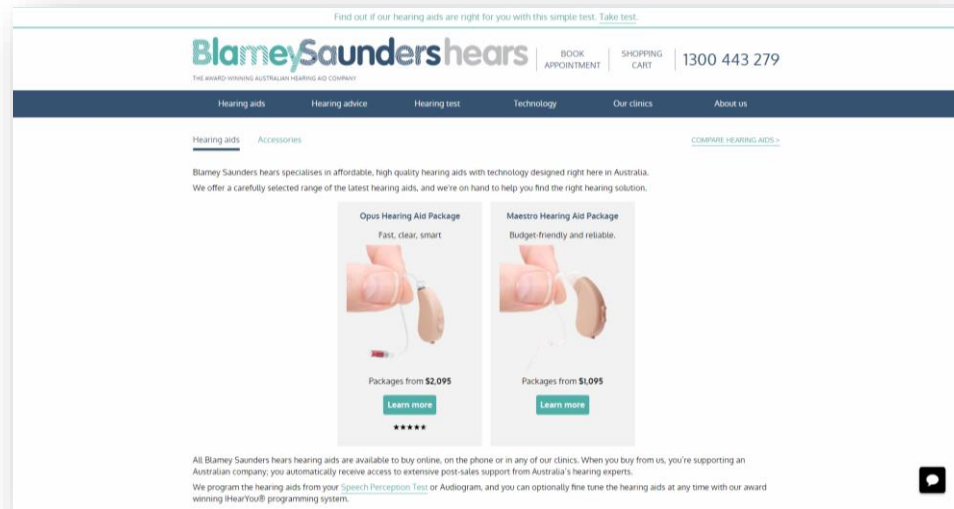
- While **consumers demand more flexible engagement models**, counseling, fitting and service will remain HCP-centric
- AC business is **building omnichannel consumer journey** with required IT and data analytics capabilities
- Integrated business model creates **positive feedback loop** to understand and anticipate changing consumer needs
- The Group offers a **comprehensive range of solutions and services** along the consumer journey

► **Omnichannel approach is vital to match evolving consumer preferences**

¹ Average numbers based on Sonova estimates

Implement omnichannel strategy

Example: Acquisition of Blamey Saunders hears (BSH)



BlameySaundershears

Business Model

- Acquired in April 19
- Australian hearing health provider with a distinctive blended service model
- Full online consumer journey with call-center support or purchase online and visit a clinic for fitting / follow-up
- Go-to-market approach is well positioned to exploit opportunities arising from teleaudiology

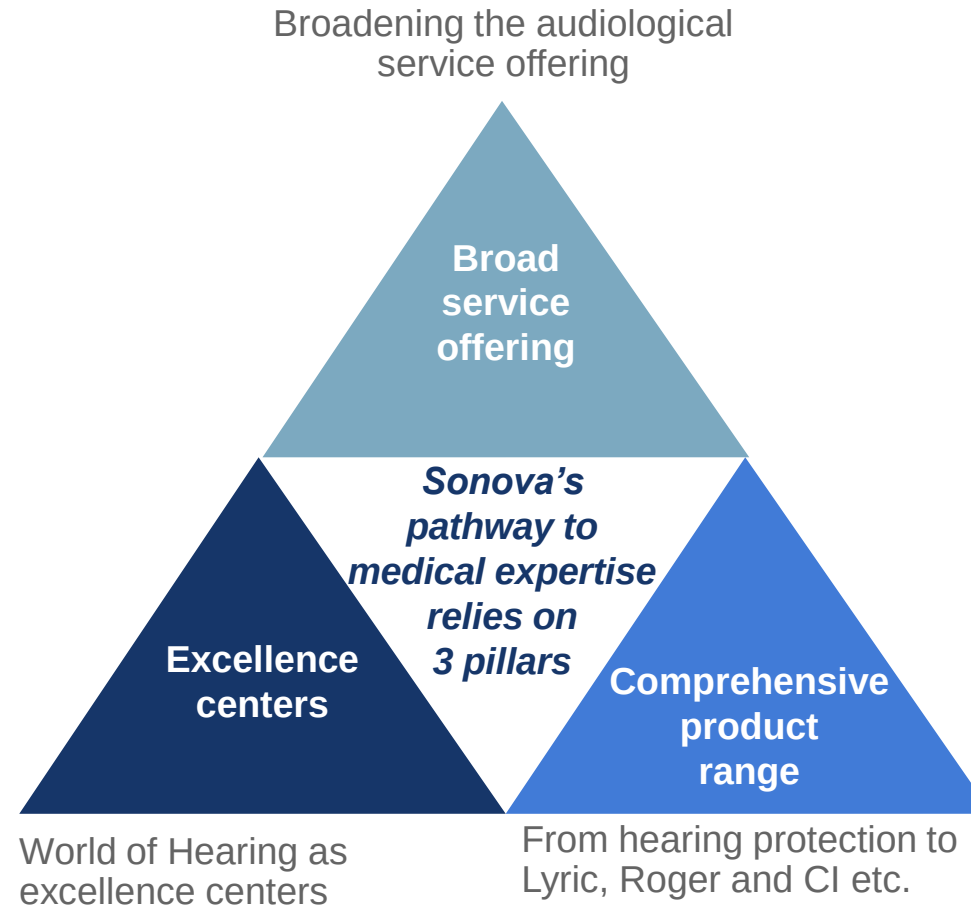
Acquisition benefits

- Increase market share in Australia by leveraging BSH's powerful business model
- Gain valuable real-life insight into omnichannel approach and new consumer journeys
- Learn new marketing approaches to consumers especially younger consumers with higher willingness to spend

► Vast majority of consumers demand interaction with HCP (remote or in-store)

Differentiate Audiological Care through expertise

Many customers and more valuable ones look for expertise



- Enhancing the service offering to elevate product mix and deliver more value to consumers

Differentiate Audiological Care through expertise

Cluster concept to address differing needs

world of hearing

Excellence centers

- Expert personnel offering extended medical services in the area of tinnitus therapy, pediatrics and cochlear implants etc.
- Offering the most discrete solution possible, including fully invisible Lyric HI
- Customized services, made to measure HI with comfortable digital scanning services
- Innovative demonstrations, comparative testing in life situations, test drive
- Offering distance support
- Goal: every customer leaves with a solution, same day



Satellite offices

- Audiological personnel providing standard testing and fitting service
- Focus to provide all consumers standard services on fast timelines
- Evaluate the needs of consumers for extended medical services and refer these to the centers
- Leveraging advantages of excellence centers through referrals, to ensure that every consumer receives needed level of medical service

► Extended service model allows increased consumer reach for the full network

Differentiate Audiological Care through expertise

Excellence centers – Example: World of Hearing store



Consumer experience



Broad audiological care



All Sonova products

- Experiential environment with innovative approach
- Consumers are in the driving seat through interactive motivational conversations and advice
- Meaningful real life, personalized experience
- Expert team with medical treatment specialists
- Building awareness with consumers and medical community
- Tinnitus coaching and advice; tinnitus and Lyric events
- Experience days
- From hearing protection to CI
- Latest product innovation
- Enable best possible hearing experience
- Interactive motivation based communication at wall sections with hearing instruments displays

Results exceeding initial expectations:

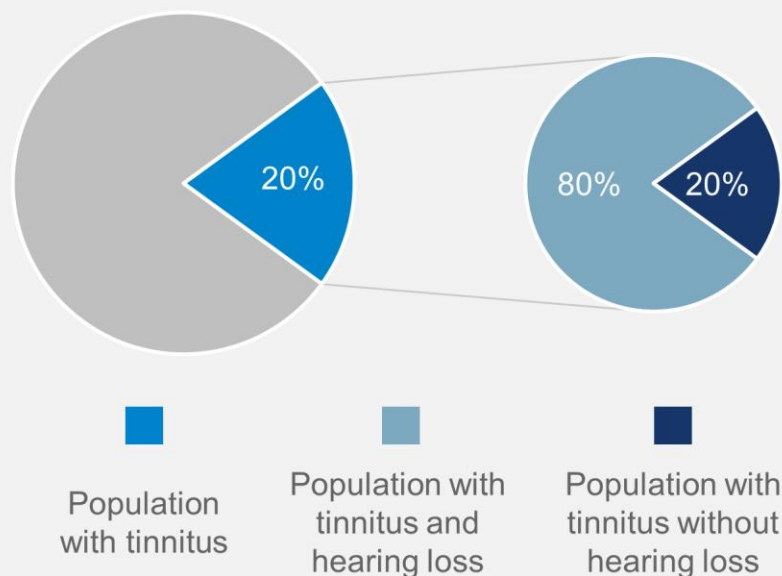
- ✓ Increased **conversion rate**
- ✓ Higher **premium product sales**
- ✓ **Younger customer age group**

► World of Hearing concept is achieving all our business case objectives

Differentiate Audiological Care through expertise

Broadening our offering – Example tinnitus therapy in BE and NL

Few facts about tinnitus¹



- Tinnitus is associated with hearing loss, noise exposure, ageing and stress

Example in tinnitus treatment

Lapperre



world of hearing

- Lapperre has addressed tinnitus treatment for years through a successful hub & spoke model:
 - **Spoke centers:** each audiologist is trained on basic counselling for tinnitus management
 - **Hub centers:** audiologists specifically trained, provide Tinnitus Retraining Therapy (TRT) as 2nd line treatment
- Similarly to Lapperre, World of Hearing (WoH) in the Netherlands, acts as a medicalized flagship store offering TRT
- WoH new openings across countries will foster the roll-out of the tinnitus treatment approach

► Tinnitus treatment / management enables diversification of service offering

1) Source: Figure adapted from: Baguley D, McFerran D and Hall D (2013). Tinnitus. The Lancet-D-12-08329

Continuous improvement and structural optimization

Branding strategy – Key principles

1	Single store brand per country	Switch from multiple to one store brand per country, leveraging established awareness on local brand
2	Consistent rebranding approach	The transition in every country follows same key principles , despite differences among countries
3	Leveraging Sonova's product brands	Phonak brand introduced in all countries , leveraging the full potential of our vertically integrated business model

► Branding strategy consistent across countries leveraging awareness around one single local champion

Continuous improvement and structural optimization

Rebranding success story – Example Belgium



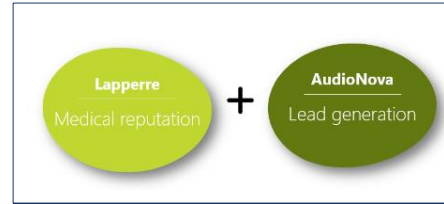
One brand

- Integration and **rebranding of all shops** under new Lapperre brand
- **Broader customer reach** combining best of Lapperre and AudioNova
- **New assortment** leveraging Sonova product brands



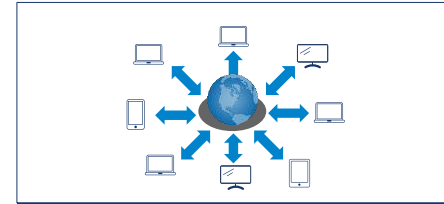
One company

- **Onboarding** of more than 100 employees
- **New sales structure**, well working ENT approach and consumer journey
- **Building on respective strengths:** medical reputation and lead generation



One network

- **Increasing total capacity** by 30% through new consolidated network



One system

- **Integration and enhancement** of existing system
- Uniformity in reporting



One reward

- **Alignment of roles** in store, work schedule, salary package, training process etc.

► Delivering growth in net sales and operating margin while confirming our leadership position

Continuous improvement and structural optimization

Rebranding success story – Example market and brand leadership in Germany

Sonova AC Germany – Q2 2017



LINDACHER
akustik

GEERS

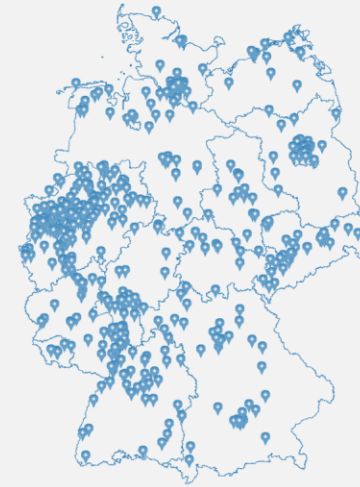
vitakustik
HÖRGERÄTE

ISMA
SCHÖN ZU HÖREN

FIEBING®
BESSER HÖREN

- 25 Brands, 5 headquarters, 5 legal entities
- 816 shops
- 5 ERP systems
- 2 production sites (4 different suppliers for earmold production)
- Market but not brand leadership

Sonova AC Germany – 2020



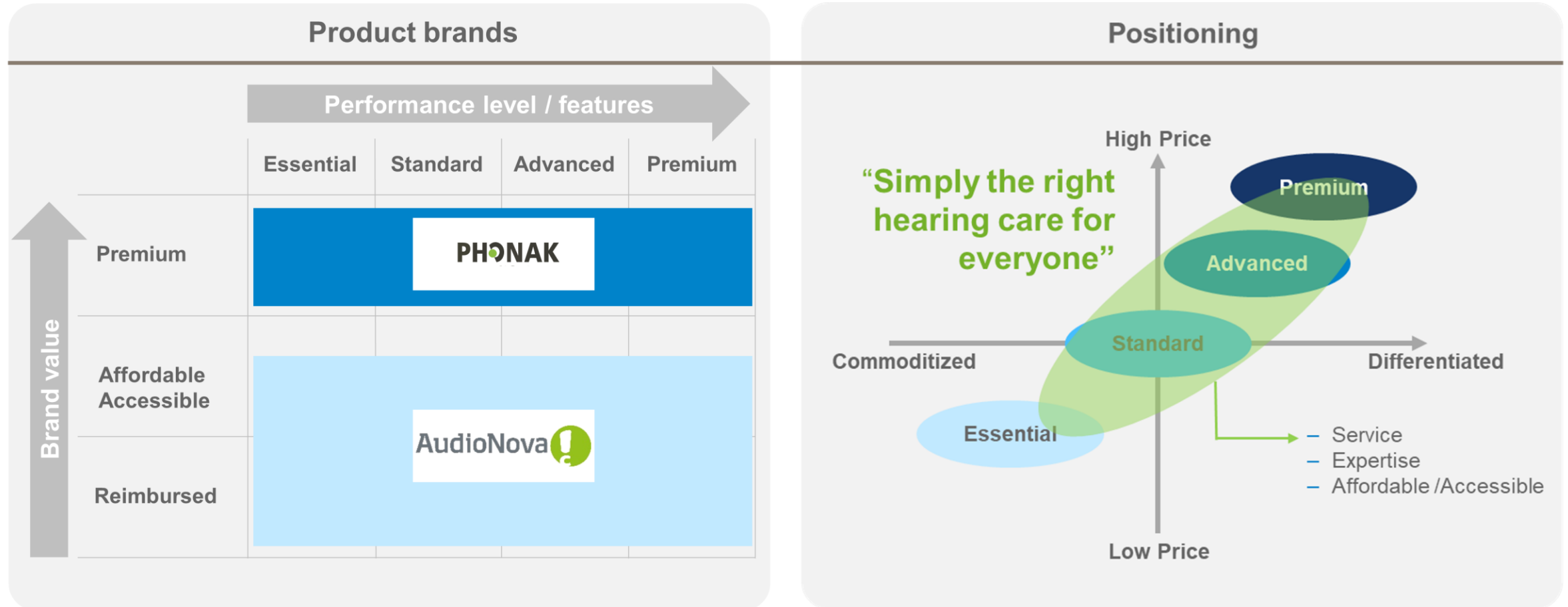
GEERS

- One brand, 1 headquarter
- ~ 860 Shops
- 1 ERP system
- 1 production site
- **Market and brand leadership**

► From 25 brands in 2017 to one single brand in 2020 – GEERS

Continuous improvement and structural optimization

Building a sustainable product brand structure to reinforce our expertise and consumer access



► Creating brand equity for Phonak and AudioNova brands

Continuous improvement and structural optimization

Elevating in-store execution to drive growth

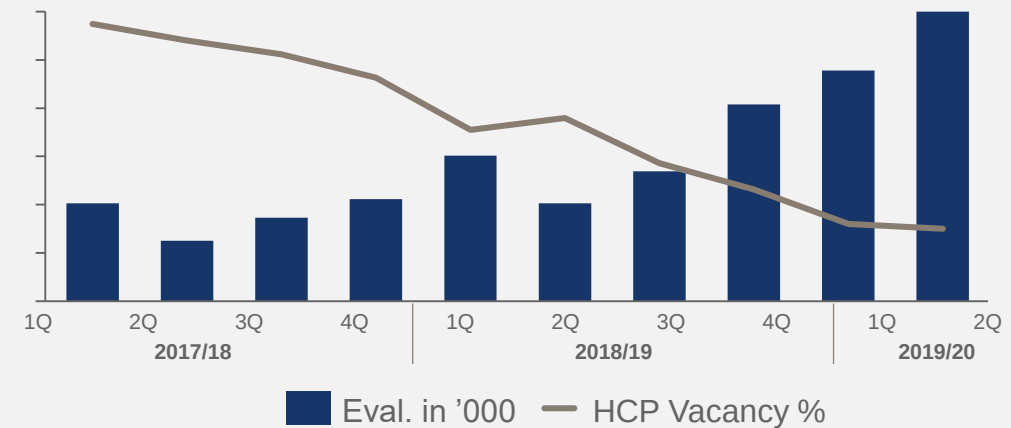
Steps taken

- Leverage consumer database management, digital marketing tools and local marketing efforts to improve lead generation
- Implement continuous store performance monitoring and encourage best practice sharing to **increase in-store sales conversion**
- **Foster talent management and retention** through systematic identification and training



Results so far: Example US from 1Q-17/18 to 2Q-19/20

- Number of quarterly customer evaluations: **+28%**
 - Closure rate: **+6%-pts**
 - HCP vacancy rate: **-10%-pts**
- ➔ **KPI improvements driving significant sales growth**



► Continued improvements in lead generation, talent management and sales processes drive improvements

Continuous improvement and structural optimization

BEYOND – Investing into business applications for effective lead and database management

Consumer and business benefits

- **Guided sales process** to raise conversion rate and ASP
- **Marketing automation** to drive qualified leads into the store
- **Improved data management** to increase efficiency and transparency
- **Integration with WHS ERP** to automate supply-chain, reduce customer turn times and improve satisfaction

BEYOND building blocks



Program kick-off

Successful
pilot run in Italy

Global template
within 1st year
in DK/SE

Roll-out in most European
countries within 2nd year:
localization = < 10%

80% POS
online

Roll-out of building
blocks to remaining
countries

2018

2019

2020-2023

► Significant IT investment to drive effective lead generation and consumer journey

Continuous improvement and structural optimization

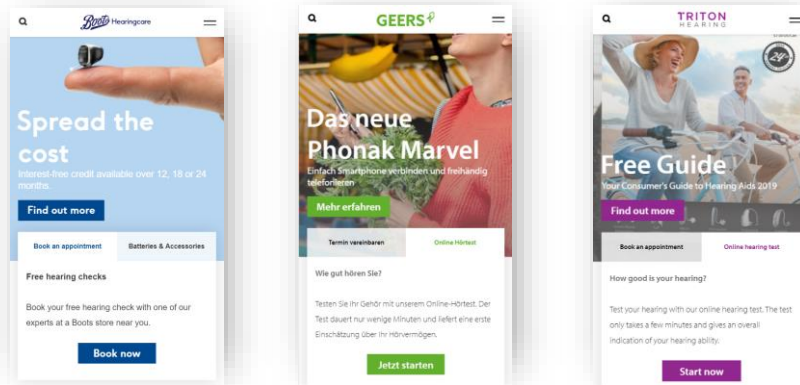
Global harmonization of internet approach

Steps taken

- Global template with local flavor
- Shared technology and backend
- Easy-to-use website interface with personas based design
- Possibility of eBooking, chat in selected geographies
- Local search + SEO

Benefits

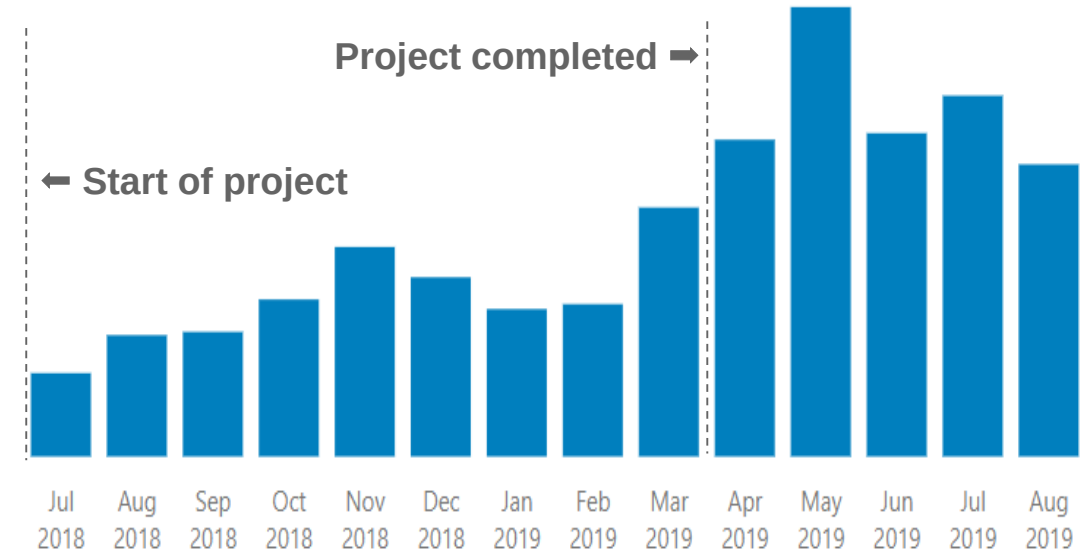
- Single flexible global system
- Tool to empower digitalization
- Integrated with global CRM/ERP
- Fresh look to improve consumer interactions and increase traffic
- Comparable KPIs across countries to measure success



Results so far

- ➔ Double-digit traffic increase since website harmonization
- ➔ 65% of this incremental traffic is organic

Organic website visits growth (yoy) in %



- ▶ Successful website harmonization leading to significant increase in overall traffic

Key take-aways

- Significant progress in **building the right foundation and elevating the business** over the last 2 years
- Building an **omnichannel model**, with online and offline presence to match evolving consumer preferences
- Increasing **differentiation through expertise** with broad offering from early engagement to medical and specialty needs
- Implementing **consistent branding strategy**, leveraging established awareness of local brands and strong Sonova product brands
- Investing into **innovative tools** for effective lead and database management





sonova
HEAR THE WORLD

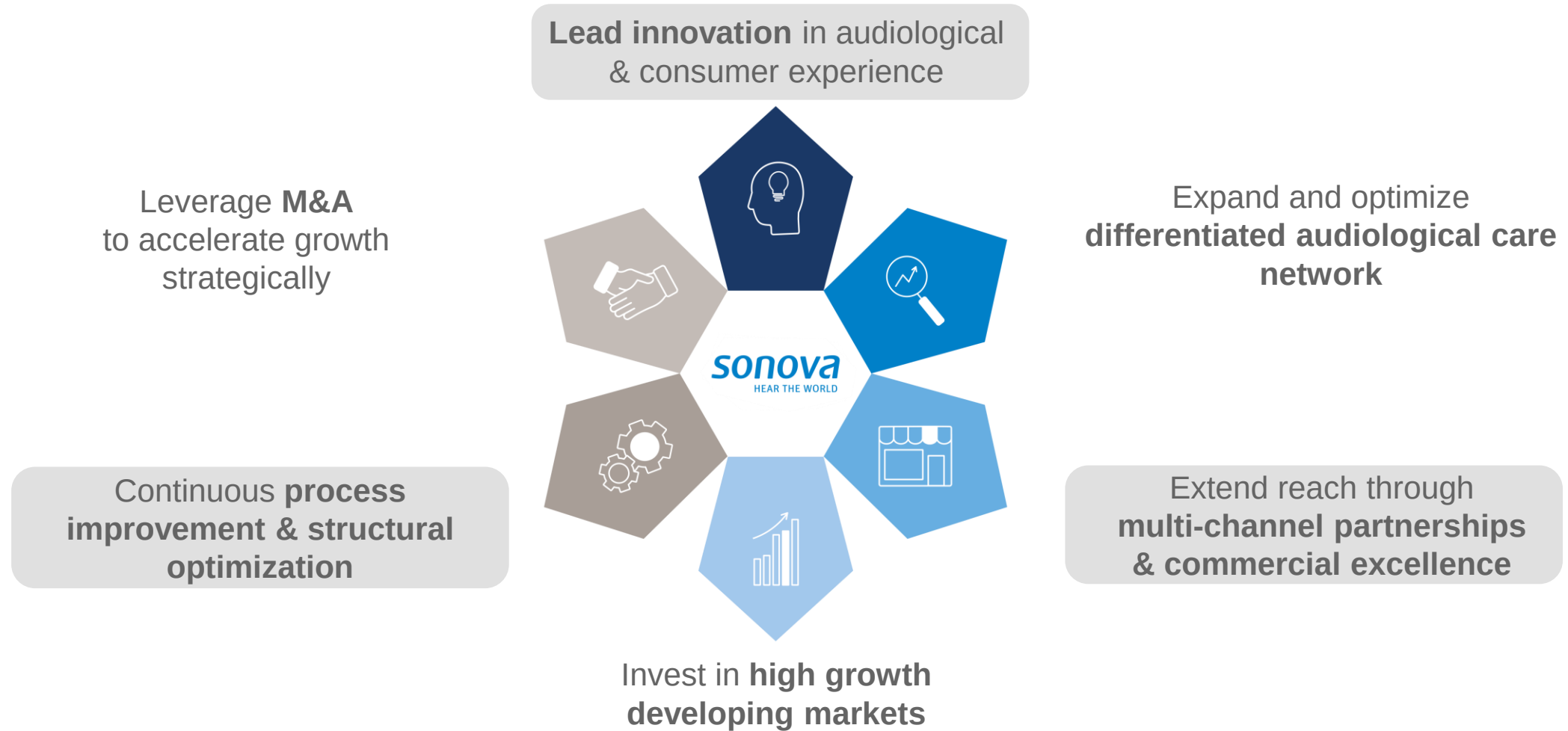
Advanced Bionics

10 years with Sonova – Gaining momentum

Victoria E. Carr-Brendel, GVP Cochlear Implants
Stäfa, October 15, 2019

Sonova's strategy

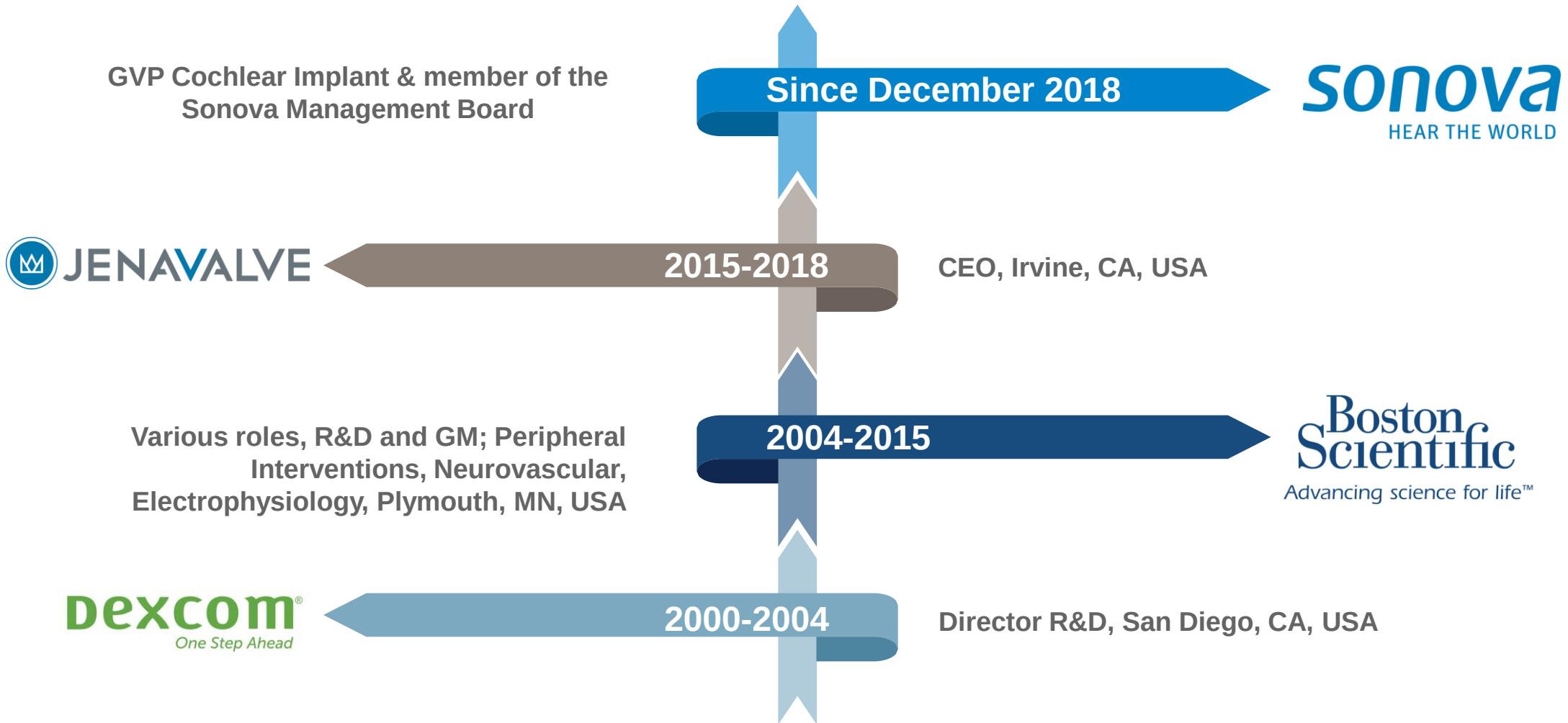
Strategic pillars



► Leadership in hearing care through innovation and consumer access, leveraging emerging digitization

Professional Experience

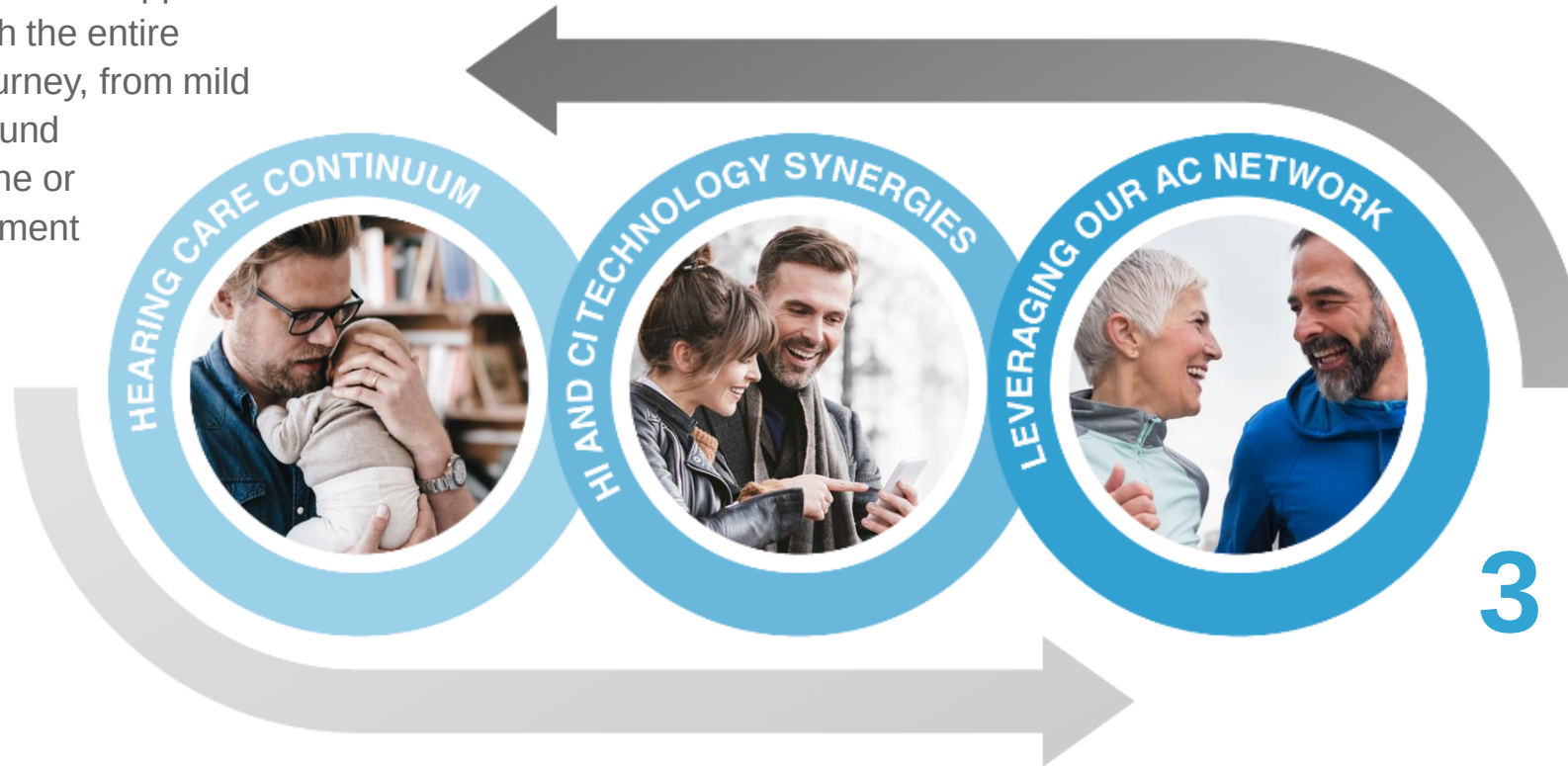
Victoria E. Carr-Brendel, Ph.D. – Global Vice President Cochlear Implants



Sonova and Advanced Bionics

The synergistic relationship

- 1** The Sonova portfolio supports patients through the entire hearing loss journey, from mild to severe/profound hearing loss, one or two ear involvement



- 2** Phonak technology advancements incorporated into CI products – Front end processing, chip development, and Bluetooth® technology

- 3** WHS and AC consumers supported when hearing loss advances to severe/profound — utilizing the referral pathway

► The three businesses of Sonova cover the entire patient journey and benefit from significant synergies

The 10 year journey with Sonova

1

Stabilize
and improve
product quality

2

Drive innovation

Expand R&D capacity,
utilize Sonova technologies,
expand AB portfolio

3

Expand sales
and geographical
coverage

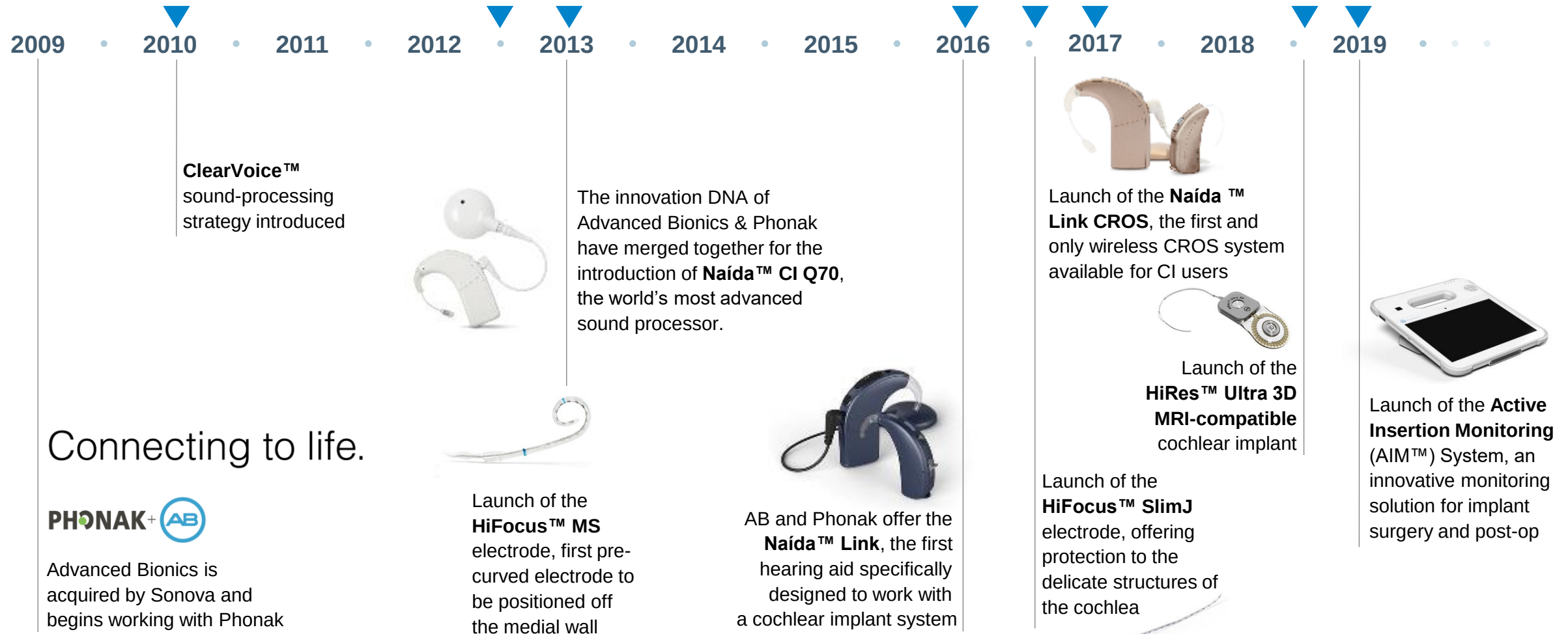
4

Improvement
of profitability



Drive innovation

Important milestones in Advanced Bionics' innovation history



► Increasing cadence of product launches

▼ = significant new product launch

Drive innovation

Product development focused on improving hearing outcomes



	 at acquisition	 now
Electrodes	2 configurations	4 configurations
Implant generation	1 configuration	3 configurations
Ease of use	No web based solutions	My AB, AB Express, Apps
Processors	Body worn processor BTE processor	Body worn, BTE processor, waterproof processor: 8 versions
Bimodal technology	none	~20% of Naída have Phonak HI (CROS, Link)
R&D	1x employees	2x employees

► Investment in technology has improved options to benefit surgeons, audiologists and consumers

Drive innovation

Expanding our implantable platforms

Needs & requirements

- **Best hearing outcomes** for a diverse patient population
- **Broad portfolio** addressing both surgeon and patient needs
- **Futureproof implant** compatible with common medical procedures (e.g. MRI)

Recent product innovations

- **Competitive electrode portfolio**



- **AIM™ - Active Insertion Monitoring**



- **HiRes™ Ultra 3D cochlear implants**



Benefits

- **Atraumatic electrode design** for structural preservation and easy handling
- **Realtime monitoring** and feedback of the health of the cochlea during electrode insertion
- **Compact cochlear implant design** with futureproof technology
- **MRI compatibility** up to 3 Tesla

► Implant technology enables structural preservation with design intent of preserving residual hearing

Drive innovation

Example: HiRes™ Ultra 3D cochlear implant

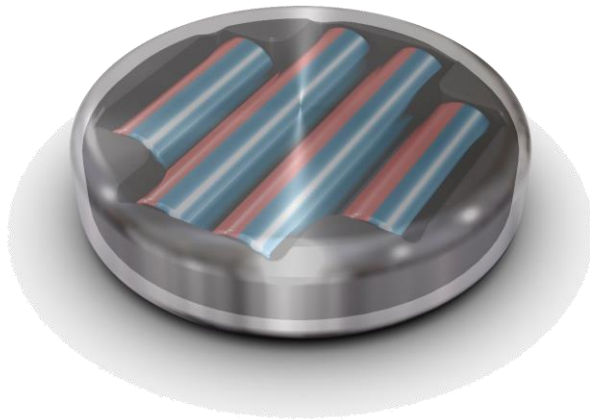
- Allows for **hassle free** MRI procedure: with the unique multi-magnet assembly left in place and no head-bandaging required
- **Pain free** MRI as the magnet system in the Ultra 3D provides 3D magnetic alignment with the MRI field in all three dimensions
- Benefit of **uninterrupted hearing** for patient makes MRI hassle free



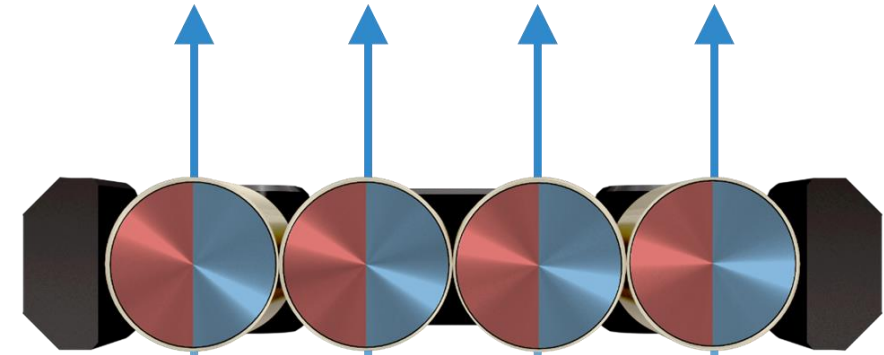
- The hassle free and pain free choice for recipients who may need to undergo MRI examinations

Drive innovation

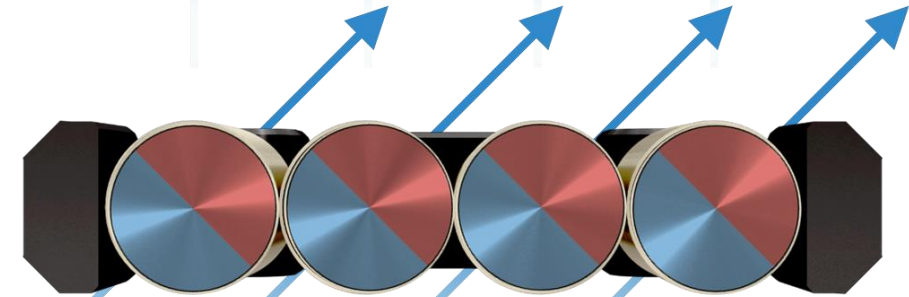
Example: HiRes™ Ultra 3D cochlear implant



MRI **OFF**



MRI **ON**



- The multi-magnet assembly design provides 3D magnetic alignment to external magnetic field

Drive innovation

Example: AIM™ – Active Insertion Monitoring

- Using the advanced measurement capabilities of AB's implant for **fast and real-time electrocochleography measurements**
- At a click of a button the AIM system can **perform objective audiometry** in seconds using the patient's implant
- AIM system **motivates many clinics to perform studies** to better understand the response of the cochlea during electrode insertion



► Realtime monitoring of the health of the cochlea during electrode insertion

Drive innovation

Combining Phonak's technologies with AB's coding strategies

Needs & Requirements

- **Best hearing performance** for a more diverse patient population
- **Smooth transition** from HI to CI
- Ongoing **management of growing patient base** and increasing pressure to **improve efficiency**
- **Lifestyle support** for different listening demands

Recent product innovations

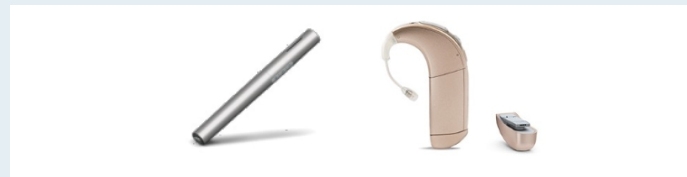
- **Performance / customized solutions**



- **Programming software, portals & apps**



- **Connectivity and Lifestyle Support**



Benefits

- **Complete portfolio of solutions** for unilateral, bilateral, and bimodal patients with integrated Phonak automation and features
- **Reduced programming time** through simplified workflows
- Rapidly **expanding digital solutions** for HCPs and patient to improve access to information and reduce transaction times
- **Bluetooth® streaming** and support for very challenging listening environments

► Combining Phonak's and AB's technology elevates hearing performance

Drive innovation

Investment in clinical trials

- **6x investment** in clinical evidence from 2009 – 2019
- **Global Clinical Impact** - research in all major geographical segments with key opinion leaders
- **Research segmentation** divided between basic science and applied science to further CI field and product improvements
 - Bimodal hearing studies
 - Regulatory studies for product approvals (e.g. Ultra implants)
 - Hearing in noise



► Growing investments in clinical research improved targeting of CI product development

Expand sales and geographical coverage

Investment in technology has outpaced investment in commercial structure so far



	 at acquisition	 now
Lead generation	Referrals from ENTs, audiologists	Referrals from ENTs, audiologists and from WHS and AC
Commercial FTEs	1x	1.4x
Commercial organization	Clinical sales specialists	Clinical sales & consumer specialists, inside sales, consumer outreach
Installed base (units)	~25k	~80k
Revenue (CHFm)	123 (2009)	241 (2018/19)
Direct sales countries	65	85

► Increasing investment into commercial team offers growth runway

Expand sales and geographical coverage

Raising awareness, generating leads, and supporting recipients

Lead generation

- Direct to consumer marketing activities supported by CRM and digital marketing
- Collaboration with Audiological Care and hearing aid retailers to identify candidates
 - Database mining
 - Training on CI technology
- Joint Sonova lead generation activities in 13 countries

Consumer sales

- Dedicated consumer sales force
- Upgrade sales team
- Consumer outreach



► Increased lead generation and ways of reaching the consumer

Expand sales and geographical coverage

Jointly serving the needs of those with hearing loss together

Rehabilitation

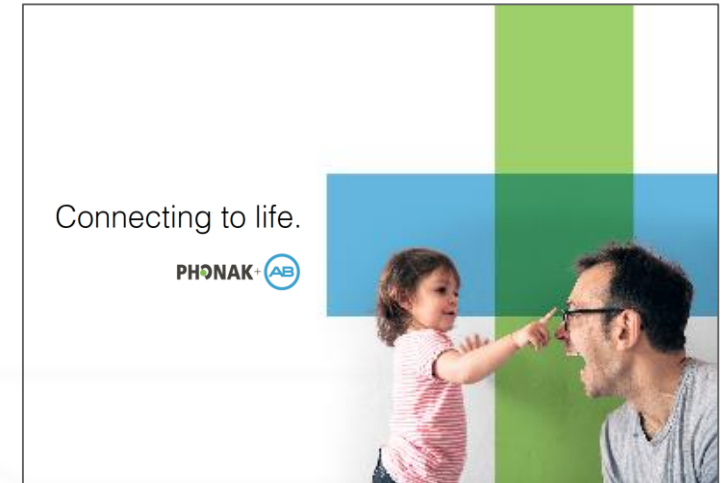
- Improving hearing outcomes and raising awareness of AB solutions
 - Computer/apps
 - Lead generation

Collaboration with Phonak

- Jointly establishing a continuum of care for people with severe to profound hearing loss
- Phonak benefiting from AB rehabilitation investments

Rebrand

- Benefit centered communication
- Position as sister company of Phonak



Phonak Naída hearing instruments
sold in the last 12 years

~3 million

➔ Significant cross-selling potential

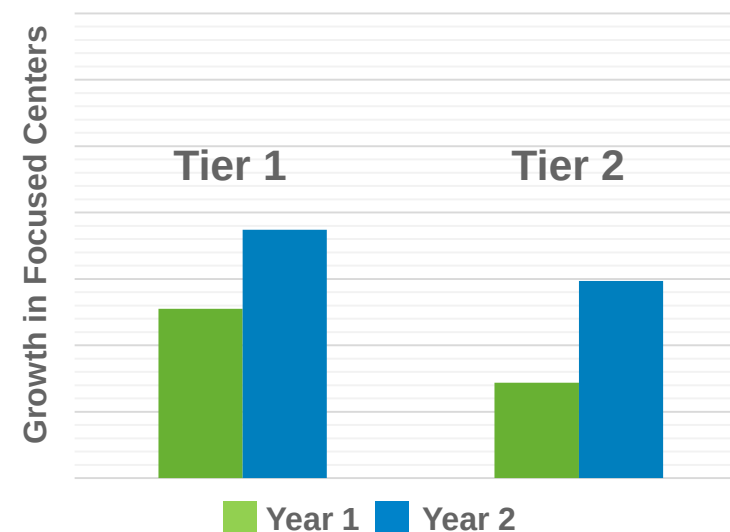
► Raising awareness of consumers for the broad range of solutions provided by Sonova

Expand sales and geographical coverage

Next phase – Elevating commercial execution

- **Increased focus on high margin countries (US and EU)**
- **Impactful product launches**
 - Rapid introduction of new technologies with benefits
 - Drive fast market adoption of new technologies
- **Strategic sales process**
 - Targeted approach to high potential clinical partners
 - Standardized sales funnel management
- **Investment in sales Force**
 - Sales force expansion
 - Introduction of standardized territory planning
- **Strengthening penetration through Sonova:**
 - EMEA revenue doubled over last 10 years
 - US account penetration from 250 to 400 active accounts, ~65% account penetration

Example North America



► **Commercial excellence – Focus on right centers, right message and appropriate investment in sales force**

Improvement of profitability

Focused continuous improvement efforts since two years in place

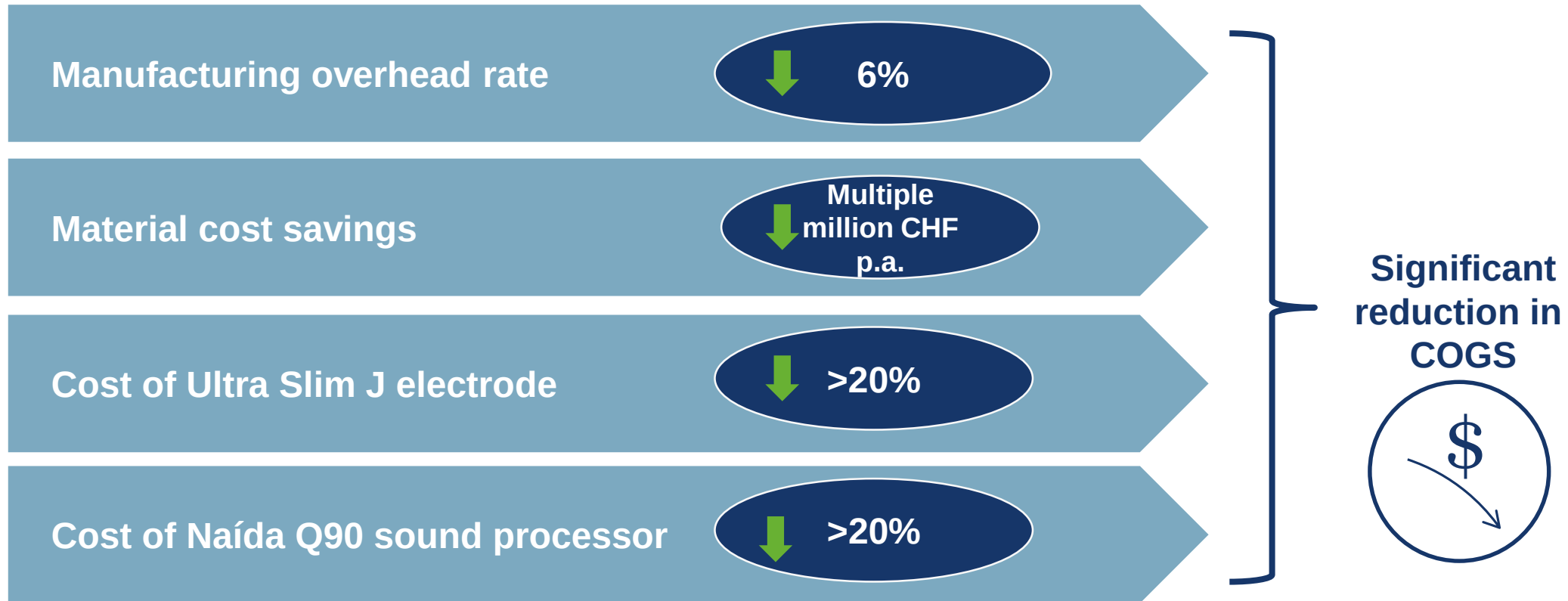


	 at acquisition	 now
EBITA margin	-13.8%	8.2% Positive EBITA since 2016/17
Labor hour improvement		~25% for HiRes Ultra implant since 2016 launch
Installed base (units)	~25k	~80k
System product launch cadence	7 years	2.5 years

- The focus on continuous improvement has led to improved profitability and offers further upside

Improvement of profitability

Continuous improvement over last two years



► Focus on continuous improvement has significantly reduced cost of goods sold

Improvement of profitability

Proactively balancing COGS and ASP (YTD) in North America and Western Europe

ASP & gross margin actions

- Price lists process for ASP management
- COGS management: Optimizing kit content & tiering based on customer needs
- Increased penetration in “high” ASP accounts, target center approach
- HiRes Ultra 3D contracting strategy, speed of execution

Example Europe ASP Improvement

Fiscal year	X% change relative to 2016/17
2017/18	+1.4%
2018/19	+2.8%
2019/20 (YTD)	On track for further increase

► Focus on ASP and price to value has led to improved profitability

Key take-aways

- We continue to invest in **innovation** and strengthen the technology **partnership with Phonak**
- We **drive growth through** our Sonova **partnerships** with wholesale and audiological care as well as with key clinics/accounts
- We **drive clinical excellence** by proving that our technology is truly differentiated
- We enforce a **continuous improvement culture** to achieve EBITA expansion
- We continue to **expand our commercial sales force** and drive commercial excellence



► Sonova and Advanced Bionics – The successful journey continues