

## Pre-close brief Q3 2021

Ahead of the upcoming Q3 2021 Interim Report, we would like to highlight the following:

**GN Store Nord**

- The COVID-19 situation is strongly impacting GN's operational performance, and is also impacting predictability and visibility across GN's markets, channels and supply chain

**GN Audio**

- Solid underlying demand across enterprise and consumer
- Financial guidance for the year suggests +5% organic growth for H2 2021. Due to the comparison bases and traditional seasonality, the growth is expected to be skewed with higher growth in Q4 2021 than in Q3 2021
- Q1 2021 was extraordinary strong from a supply perspective, with extraordinary revenue from a decrease of the order backlog and the general ability to start shipping to inventory in the distribution channel
- Gross margin continues to be impacted by tariffs (tariffs impacted gross margin negatively with around 1%p in 2020), but the impact year-over-year is annualized. The impact from additional freight and production costs due to COVID-19 is also starting to get annualized year-over-year, but the freight market continues to be elevated compared to Q3 2020
- In Q3 2020, Other operating expenses were positively impacted by a DKK 114 million gain from legal settlements and litigation. Excluding this settlement, total OPEX was DKK 689 million and EBITA margin was 22.7% in Q3 2020
- As part of our guidance for 2021, we will continue to increase investments into future growth opportunities year-over-year across OPEX, particular into R&D, IT, marketing and branding
- In Q3 2021 shipment of Jabra Panacast 50 was initiated along with the Jabra Panacast 20. Due to the COVID-19 situation in Malaysia the ramp-up of the two new video solutions has been slower than expected
- Certain components remain in global shortage impacting many different industries. Relevant components are secured with suppliers to deliver on the current financial guidance, but the situation is increasingly challenging

**GN Hearing**

- GN Hearing and the overall hearing aid market continue to be impacted by COVID-19
- The market recovery continues to vary significantly across regions and countries with especially US seeing good recovery with volumes currently being above 2019 levels. Many countries across Europe and Rest of the World continue to struggle with COVID-19 restrictions
- VA: GN Hearing market share development (value):

	Jul-20	Aug-20	Sep-20	...	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
GN Hearing	13.9%	13.1%	12.5%	...	11.6%	11.1%	10.8%	10.3%	8.9%	8.8%	8.5%	8.5%

- As of July 2021, physical visits were temporarily allowed in VA after more than a year of tight restrictions. However, mid-August 2021 the restrictions were again reinforced, which means that the sales reps are not expected to be allowed to visit the VA clinics for the remainder of the year
- We continue to believe that the inability to visit the VA clinics due to COVID-19 restrictions combined with the fact that the VA channel is still operating with reduced capacity and backlog of patients, is the main reason for the market share decline, as ReSound ONE is a completely new and groundbreaking technology that requires training
- We continue to be very confident on the performance and market share development of ReSound ONE
- Current assumption for the remainder of the year includes a Q3 2021 organic revenue level to improve sequentially quarter over quarter but remains slightly below Q3 2019 level, while the Q4 2021 organic revenue level is expected to be higher than Q4 2019. This will bring FY 2021 to an organic revenue growth of more than 25%, in line with the financial guidance
- As previously communicated, our supply chain is set up to reflect the resilient nature of the business and currently approximately 75% of our production costs are variable, impacting the gross margin in the short term
- Compared to prior years, the gross margin is also negatively impacted by the divestment of Beltone retail shops (as retail in general includes higher gross margins than wholesale), as well as the continued penetration of rechargeable hearing aids in our product portfolio
- GN Hearing continues to take prudent measures to the cost management. DKK 50 million sustainable quarterly cost savings were highlighted in Q2 2020
- As part of our guidance for 2021, we will continue to invest across the business under the assumption that the hearing aid market will reset and normalize in H2 2021
- Due to the prudent cost measures and fixed amount of production costs, it is still the assumption that the EBITA margin will be somewhat correlated with the revenue development
- Certain components remain in global shortage impacting many different industries. Relevant components are secured with suppliers to deliver on the current financial guidance, but the situation is increasingly challenging

### **Financial guidance 2021 (as of September 20, 2021) – as communicated on August 19, 2021**

#### **COVID-19 risks**

Due to the ongoing COVID-19 pandemic – which impacts GN in many ways – it must be stressed that the basic assumptions behind the guidance remain significantly more uncertain than normal.

The COVID-19 situation has and will not only strongly impact GN's operational performance in 2021, but is also impacting predictability and visibility across GN's markets, channels and supply chain.

Certain components remain in global shortage impacting many different industries. GN has commitment from component suppliers to deliver on the guidance. This is based on an assumption that the GN suppliers will not face unexpected reductions in access to raw materials. The financial guidance is contingent on a gradual reopening of society and no major disruptions in the supply chain.

#### **GN Hearing**

The fundamental assumptions behind the financial guidance for GN Hearing are that the global hearing aid market in H1 2021 was heavily impacted by COVID-19 and the consequential volatile

regional and local restrictions. As hearing care professionals and end-users in our main markets had access to the vaccine throughout H1 2021, the expectation earlier in the year was that the market would reset and normalize in H2 2021. Due to the Delta variant and consequential reinforced local restrictions the normalization has not yet materialized in all markets. GN Hearing will continuously aim to outgrow the market and invest in maintaining its innovation leadership and improving the IT infrastructure.

For full year 2021, GN Hearing expects an organic revenue growth of more than 25% and an EBITA margin of more than 16%. It is expected that the EBITA margin in a more normalized market in H2 2021 is recovering to our mid-term targets of more than 20%.

### **GN Audio**

The fundamental assumption behind the financial guidance for GN Audio is that the demand for collaboration solutions from enterprises and organizations will continue in 2021 and beyond. It is expected that the GN Audio organic revenue growth will be significantly higher in H1 2021 than in H2 2021, mainly due to difference in comparison base. GN Audio will continuously aim to outgrow the market and invest in future growth opportunities.

For full year 2021, GN Audio expects organic revenue growth to be more than 25% and an EBITA margin of more than 21%. GN Audio expects to deliver growth in the remaining quarters of 2021, on top of the significant growth rates delivered in Q3-Q4 2020.

### **Other and EPS**

For full year 2021, EBITA in "Other" is expected to be around DKK -185 million

GN Store Nord expects a growth in EPS of more than 60% for full year 2021

### **Foreign exchange rates**

- *Impact on revenue* – in Q2 2020 GN Hearing and GN Audio experienced a headwind to revenue from changes in FX – primarily related to the depreciating USD. In Q3 2021, the USD continues to be at a slightly lower level compared to the average of Q3 2020 (USD/DKK 637)
- *Impact on EBITA* – the following table shows the sensitivity on EBITA (from 5% increase in currency) excluding any impact from hedging (Annual Report 2020 page 42):

DKKm	GN Hearing	GN Audio	GN Store Nord
USD/DKK	65	-61	4
GBP/DKK	3	36	39
JPY/DKK	9	14	23
AUD/DKK	0	19	20

- *Impact on financial items* – the following table shows the sensitivity on financial items (from revaluations of balance sheet items) from a 5% increase in USD/DKK (as of the year-end balance sheet – ref Annual Report page 90):

DKKm	2020	2019
Financial items	18	-93

For further information, please contact:

Henriette Wennicke  
Vice President – Investor Relations & Treasury  
Tel: +45 45 75 03 33

Or

Rune Sandager  
Director – Investor Relations & Treasury  
Tel: +45 45 75 92 57

**Forward-looking statements**

The forward-looking statements in this document reflect the management's current expectations of certain future events and financial results. Statements regarding the future are, naturally, subject to risks and uncertainties, which may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events, which may prove incorrect.

Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN's markets, changes in the demand for GN's products, competition, fluctuations in sub-contractor supplies and developments in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States).

Due to the COVID-19 situation – which impacts the company in many different ways – it must be stressed that the basic assumptions behind the guidance remain significantly more uncertain than normal.