

Media Release

AB initiates voluntary field corrective action – Strong performance of the Hearing Instruments business

Stäfa (Switzerland), February 18, 2020 – Sonova Holding AG, a leading provider of hearing solutions, informs of a voluntary field corrective action by its US subsidiary Advanced Bionics LLC (AB). AB has notified relevant regulatory bodies that it will retrieve un-implanted devices of the initial version of HiRes Ultra and Ultra 3D cochlear implant devices, which are currently superseded by a recently approved new version of the devices. The voluntary field corrective action is expected to temporarily affect the sales and earnings development of AB during the deployment of the new version of the product.

Further, Sonova is pleased to announce that the Hearing Instruments business has developed stronger than expected following the publication of the half-year report. Reflecting the strong performance of the Hearing Instruments business and despite the temporary negative effects of the voluntary field corrective action of AB, Sonova raises its outlook for FY 2019/20. The Group now expects sales to grow by 9-11% (from 8%-10%) and the adjusted EBITA to rise between 14%-17% (from 12%-15%), both measured in local currencies. This excludes one-time costs that are currently estimated in the range of CHF 40-50 million, related to the voluntary field corrective action of AB.

AB initiates voluntary field corrective action – New implant version currently rolled out

Upon observing reports of decreased hearing performance of a limited number of HiRes Ultra and Ultra 3D cochlear implant devices and reflecting AB's efforts to continually enhance its products, improvements were developed with the help of independent health care practitioners. The new version of the device recently received regulatory approvals in major markets and is currently rolled out based on availability.

However, in an abundance of caution, AB will initiate a voluntary field corrective action relating to the HiRes Ultra and Ultra 3D cochlear implant devices, which includes the retrieval of un-implanted devices without those improvements as well as further appropriate steps. This is in response to AB's quality system which recorded recent increases in the number of explants of devices, related to lower impedances and reports of decreased hearing performance. To date, less than 0.5% of recipients have been explanted and, based on AB's quality system monitoring, the vast majority of HiRes Ultra and Ultra 3D implants continue to function properly. This situation does not present a device related safety issue to the recipients.

Strong development of the Hearing Instruments business

Since the publication of the results for the first half of FY 2019/20, Sonova's Hearing Instruments business has developed stronger than expected. The business achieved continued strong growth across key markets despite a more challenging comparison base after the anniversary of the Phonak Marvel launch at the end of November. This was driven by the success of new solutions and features introduced with Marvel 2.0 in August 2019. In addition, the increased investments into the sales coverage and marketing capabilities initiated during the first half of FY 2019/20 supported growth in the second half. A key highlight was the US, where Sonova expanded its market share across channels, driven by a further expansion of its leading position with the US Department of Veterans Affairs (VA), a new private label contract with a large US retailer and strong growth in the independent channel. Sonova thus expects the result of the Hearing Instruments business to exceed previous expectations.

Updated outlook 2019/20

In light of the strong development of the Hearing Instruments business and despite the temporary negative effects of the voluntary field corrective action of AB, Sonova raises the outlook for FY 2019/20. The Group now expects sales to grow by 9%-11% (from 8%-10%) and the adjusted EBITA to rise between 14%-17% (from 12%-15%), both measured in local currencies. The outlook for adjusted EBITA growth excludes one-time costs that are currently estimated in the range of CHF 40-50 million, related to the voluntary field corrective action of AB. As a consequence of the strengthening of the Swiss franc and based on current exchange rates, Sonova anticipates reported sales growth to be reduced by around 3 percentage points and the adjusted EBITA growth in Swiss francs to be negatively affected by around 6 percentage points in FY 2019/20. In reported Swiss francs, this implies an increase in sales between 6%-8% and a rise in the adjusted EBITA between 8%-11%.

Due to the outbreak of the novel coronavirus (COVID-19), Sonova's operations in China resumed their activities after the Chinese New Year one week later than previously planned. At this time, this is not expected to materially impact Sonova's results.

Arnd Kaldowski, CEO of Sonova, says: "While the voluntary field corrective action announced today is disappointing, it demonstrates our continued commitment to put patients first. Our Cochlear Implants business is an important element of our ambition to provide a solution for every type of hearing loss and we are confident about the potential for the business going forward. I am very happy about the continued strong development of our Hearing Instruments business and the overall sales and profitability development of the Group, clearly demonstrating the success of our strategy."

Conference call

Sonova will host a conference call for members of the media, today, February 18, 2020, at 09.30 AM CET to discuss today's announcement.

The conference call can be accessed at:

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About Sonova

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

Pursuing a unique vertically integrated business strategy, the Group operates through three core businesses – hearing instruments, audiological care and cochlear implants – along the entire value chain of the hearing care market. The Group's sales and distribution network, the widest in the industry, comprises over 50 own wholesale companies and more than 100 independent distributors. This is complemented by Sonova's audiological care business, which offers professional audiological services through a network of around 3,500 locations in 19 key markets.

Founded in 1947, the Group has a workforce of over 14,000 dedicated employees and generated sales of CHF 2.76 billion in the financial year 2018/19 as well as a net profit of CHF 460 million. Across all businesses, and by supporting the Hear the World Foundation, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

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

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