

Annual Report 2019: GN delivers another outstanding year with 15% organic revenue growth and 19% EBITA growth

Financial highlights 2019

- GN delivered DKK 12.6 billion revenue with organic growth of 15%
- EBITA increased 19% to DKK 2.3 billion
- EPS was DKK 11.12, an increase of 20% compared to 2018
- DKK 1.4 billion was returned to shareholders via dividends and share buybacks during the year

By winning in the market through innovation, GN has successfully completed its 2017 – 2019 strategy. GN's ability to commercialize innovation is considerably strengthened during the past strategy period. The financial and strategic goals set in 2016 have been more than achieved. This provides GN with a solid foundation for continued innovation and growth in the years to come, making GN better positioned than ever before.

GN Hearing continued to execute on the global rollout of the ReSound LiNX Quattro product family, including the launch of custom hearing aid variants during 2019. The new portfolio includes the world's first Completely-in-Canal (CIC) 2.4 GHz hearing aid with ear-to-ear connectivity and direct streaming to iOS and Android devices. The performance during the year led to 7% organic revenue growth.

GN Audio continued the exceptional performance based on a leading product portfolio and best-in-class commercial execution during 2019. In the enterprise business targeting the Call Center & Office (CC&O) market, GN Audio achieved exceptional organic revenue growth throughout 2019. This was particularly driven by the Unified Communications (UC) segment. GN Audio accelerated its market share gains on the back of its leading product portfolio and continued strong execution across the organization, which resulted in an unprecedented 26% organic revenue growth.

Financial highlights 2019:

	GN Hearing			GN Audio			GN Store Nord		
DKK million	2019	2018	Growth	2019	2018	Growth	2019	2018	Growth
Revenue	6,351	5,833	9%	6,233	4,774	30%	12,574	10,607	19%
Organic growth	7%	7%		26%	21%		15%	13%	
Gross profit	4,380	4,034	9%	3,202	2,540	26%	7,582	6,574	15%
Gross margin	69.0%	69.2%		51.5%	53.2%		60.3%	62.0%	
EBITA	1,284	1,194	8%	1,192	905	32%	2,321	1,956	19%
EBITA margin	20.2%	20.5%		19.2%*	19.0%		18.5%	18.4%	
Earnings per share (EPS) - DKK							11.12	9.25	20%
Free cash flow excl. M&A	672	574	17%	849	798	6%	1,296	1,110	17%

*20.0% excluding transaction related costs associated with the Altia Systems acquisition



Shareholder returns – Dividend and share buyback proposal

GN continued to deliver attractive shareholder returns enabled by solid cash flow generation during 2019. GN has distributed around DKK 1.4 billion to shareholders in 2019 via dividends and share buybacks.

At the Annual General Meeting on March 11, 2020, the Board of Directors will propose to pay out DKK 1.45 per share in dividend for the fiscal year 2019, compared to DKK 1.35 per share in 2018.

The current one-year DKK 1 billion share buyback program will be concluded no later than March 10, 2020. As part of the current capital structure policy, it is GN's ambition to continue to buy back shares in order to continue to focus on creating shareholder value, subject to approvals by Annual General Meetings.

GN strategy 2020 and beyond

GN will in the years ahead drive growth by delivering uniquely individualized customer experiences. We will continue enabling people to Hear More, Do More and Be More. Specifically, in the years ahead we will grow by offering increasingly individualized products and solutions.

Utilizing the synergies derived from GN's audio and hearing technologies and expertise, the group is now able to significantly improve and personalize customers' hearing and listening experiences. Enabling a whole new level of individualization, GN will continue to deliver industry-leading innovation that addresses real life challenges for people with hearing loss, for businesses seeking productivity gains and for audio consumers looking for experiences beyond what can be delivered today.

GN's strategy for 2020 and beyond is to take individualized customer experience to a whole new level, and:

- to further broaden the reach and appeal of GN's hearing and audio product portfolios, where management sees ample opportunities for continued growth
- and, as new market segments open up, to leverage GN's technological expertise and commercial platform, where these provide a particular competitive advantage

Mid-term financial targets

Based on the updated strategy, GN expects continued market share gains in the mid-term with the following financial targets:

- - GN Store Nord

In the mid-term, GN will continue to invest in growth through innovation to deliver double-digit organic growth rates. We expect to continue delivering a strong EBITA margin in line with existing levels and competition, and to deliver double-digit growth in earnings per share.

GN expects to maintain a conservative capital structure policy of net interest-bearing debt to EBITDA of 1.0 - 2.0x, where excess liquidity will be distributed to shareholders through share buybacks and dividends.

- - GN Hearing

In the mid-term, GN Hearing expects the global hearing aid market to continue to grow at around 4 - 6% in volumes with an ASP decline of around 1 - 2% annually. GN Hearing expects to continue to grow faster than the market and to achieve organic revenue growth above this level. Assuming a stable environment and stable currency exchange rates, the expected organic revenue growth and operational leverage should lead to an EBITA margin of >20%, on top of investments in growth opportunities, as we operate in attractive markets.

- - GN Audio

In the mid-term, GN Audio expects its markets to continue to grow at around 10% in value when assuming a stable macro environment. GN Audio expects to continue to grow faster than the market and to achieve organic revenue growth above this level. Assuming a stable environment and stable currency exchange rates, the expected organic revenue growth and operational leverage should lead to an EBITA margin of >20%, on top of investments in growth opportunities, as we operate in attractive markets.

Financial guidance for 2020

The financial guidance for 2020 assumes continued strong profitable growth:

Financial guidance for 2020*	GN Hearing	GN Audio	GN Store Nord
Organic revenue growth	>6%	>14%	
EBITA margin	>20%	>20%	
Growth in earnings per share			~15%

* Based on foreign exchange rates as of February 1, 2020

EBITA in "Other" is expected to be around DKK (185) million. GN will continue to actively research and explore future business opportunities outside the current area of operation in GN Hearing and GN Audio, leveraging on the core knowledge and competencies of the Group.

The financial guidance does not include any impact from the Coronavirus outbreak. Based on our current knowledge we expect to see an impact on Q1 financials. Provided that the situation resolves during February, we assume to follow guidance for the rest of the year.

Quotes from executive management

Gitte Aabo, CEO of GN Hearing, comments: *"Our talented organization again in 2019 delivered great innovation to the benefit for people in need of hearing care, leading to strong financial results. Going forward, we will build on these strengths and take hearing solutions much further towards individualized customer experiences. We see ample opportunities for helping more people even better and, thereby, driving further profitable growth as we apply our strong innovation engine to deliver unmatched customer experience, both for users of hearing aids and hearing care professionals."*

René Svendsen-Tune, CEO of GN Audio, comments: *"Our strong team delivered cutting-edge innovation and exceptional commercial drive yet again in 2019. The demand for our industry-leading enterprise solutions continues to increase and our consumer business shows impressive growth rates. Going forward, we will maintain and further refine our ability to take advantage of*



major technology shifts in targeted and profitable high-growth market segments, where we can deliver even better customer experiences.”

Marcus Desimoni, CFO of GN Store Nord, comments: *“In 2019, we delivered better than our initial guidance and returned DKK 1.4 billion to our shareholders via dividends and share buybacks.”*

Teleconference

GN Store Nord will host a teleconference at 11.00 a.m. CET today. Please visit www.gn.com/investor to access the teleconference. Presentation material will be available on the website prior to the start of the teleconference.

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About GN Group

The GN Group is a global leader in intelligent hearing, audio and video collaboration solutions that let you hear more, do more and be more than you ever thought possible. Our pioneering 150-year journey has taken us from telegraph cables to radio waves and intelligent audio engineering. With our unique competences in medical, professional and consumer audio solutions, we strive to meet individual customer needs and transform lives through the power of sound.

GN was founded with a truly innovative and global mindset. Today, we honor that legacy with world-leading expertise in the human ear, sound, wireless technology, miniaturization and collaborations with leading technology partners. GN's solutions are marketed by the brands ReSound, Beltone, Interton, Jabra, FalCom and BlueParrott in 100 countries. Founded in 1869, the GN Group employs 6,000 people and is listed on Nasdaq Copenhagen (GN.CO).

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