

## ASX / MEDIA RELEASE

11 FEBRUARY 2020

### **Cochlear reduces earnings guidance for FY20 due to coronavirus impact in Greater China**

Cochlear Limited today advises that it is reducing the guidance outlook for FY20 from \$290-300 million, a 9-13% increase on underlying net profit<sup>1</sup> for FY19, to \$270-290 million, a 2-9% increase on FY19 due to an expected impact from the novel coronavirus (2019-nCoV) in Greater China.

Hospitals across Greater China, which includes Hong Kong and Taiwan, are currently deferring surgeries, including cochlear implants, to limit the risk of infection from the coronavirus. Cochlear's CEO & President, Dig Howitt said, "It has become clear that the coronavirus will impact the number of cochlear implant surgeries in Greater China, a top 5 market for Cochlear. Limiting the risk of exposure to the virus is an appropriate precaution. While we cannot predict how long surgeries will be delayed, the low end of guidance factors in a significant decline in sales for Greater China for the second half.

"During the SARS epidemic, Cochlear experienced a material reduction in sales in China over a three-month period, followed by an uplift as the backlog of delayed surgeries cleared. We are confident that many of the delayed surgeries will progress once hospitals resume normal operations. No allowance has been made for any impact on sales outside Greater China."

Cochlear also assumes there will not be any material disruption to the supply chain, including the importation of components from China. Mr Howitt said, "Our Chinese suppliers are expected to resume production of components, which are used primarily for our sound processors and accessories, after the Lunar New Year shutdown. We have at least three months inventory of most components and at this stage do not expect any disruption to our ability to supply products to our customers."

Cochlear has been increasing its commitment to China over the last few years. Mr Howitt said, "Cochlear continues to invest in expanding its market presence and developing a manufacturing footprint in China as we believe in the long-term potential of the market. The Chinese cochlear implant market is important now and into the future and we remain committed to maintaining a leading position."

Cochlear will release its interim results on 18 February.

#### **Conference call**

Management will host a conference call at 11am today to discuss the announcement. Dial in details are as follows:

Australia      1800 908 299  
International   +617 3145 4005 (metered)

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<sup>1</sup> Underlying net profit excludes the revaluation of innovation fund investments

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Authorised for lodgement by Cochlear's Audit & Risk Committee.