

Hear now. And always



FY24 Result Presentation

15 August 2024

Dig Howitt

CEO & President

Stu Sayers

CFO



Our mission

We help people hear and be heard.

We **empower** people to connect with others and live a full life.

We **transform** the way people understand and treat hearing loss.

We **innovate** and bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.

FY24 Highlights



In FY24, we helped over 47,000 people hear with one – or two – of our cochlear or acoustic implants, providing an estimated net societal benefit of more than \$8 billion over the lifetime of the recipients from improved health outcomes, educational cost savings and productivity gains.¹

A lifetime of hearing solutions



- Invested over \$270m in R&D, 12% of sales revenue, with a strong pipeline of products and services in development
- Launched the 3T MRI compatible Cochlear™ Osia® Implant
- Positive study results from drug eluting electrode trial
- Delivered latest generation sound processors to over 50,000 prior generation cochlear implant recipients

A healthier and more productive society



- Helped over 47,000 more people to hear with a cochlear or acoustic implant
- Progress made in strengthening the referral pathway for adults
- Growing links between hearing loss and cognition in older adults
- Expanding indications and reimbursement in a number of countries

Thriving people



- Continued focus on shaping our culture through training and leadership development programs
- Employee engagement maintained at 80%
- > 1,000 roles filled: 48% female, 37% internal placements and 55% of promotions to female colleagues
- Continued to exceed gender targets with 43% women in senior manager roles and 38% women on the Board of directors

Environmental responsibility



- Reached 97% renewable energy at our manufacturing facilities, using 100% renewable energy in five of our six facilities
- Reduced our Scope 1 and 2 emissions by 70%, from our FY19 baseline
- Reduced the number of flights taken per full time employee by 40%, from our FY19 baseline
- Completed an inventory of our Scope 3 emissions
- Completed our first climate risk assessment

Sustained value



- Delivered record sales revenue, up 15% (12% in CC*)
- Underlying net profit** up 27% (15% in CC)
- Underlying net profit margin of 18% (pre cloud investment)
- Full year dividends up 24%
- Completed the acquisition of the Oticon Medical cochlear implant business
- Achieved milestones in strengthening our business processes and IT platforms to improve efficiency and agility

FY24 Financial summary

Sales revenue up 15% (12% in CC*) to \$2,258m

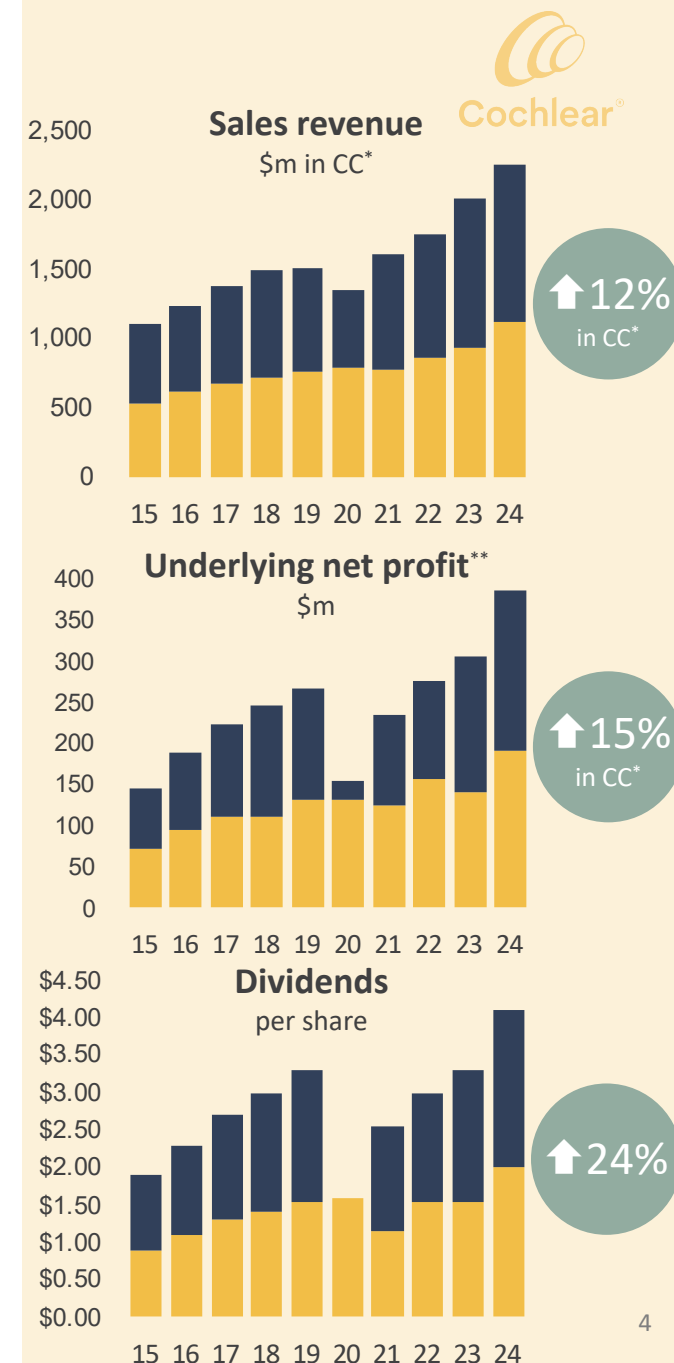
- Strong growth across all business units
- Cochlear implant units up 9% with strong growth across the developed markets driven by the adults and seniors segment
- Services revenue increased 15% (12% in CC) with solid upgrade demand for the Cochlear™ Nucleus® 8 Sound Processor

Underlying net profit** up 27% (15% in CC) to \$387m

- Statutory net profit increased 19% (8% in CC) to \$357m
- Underlying net profit increased 27% (15% in CC) to \$387m
- One-off and non-recurring items after-tax of \$30m primarily relating to restructuring costs for acquired Oticon Medical cochlear implant business
- Underlying net profit margin of 17% (18% pre cloud investment)

Strong financial position

- Strong balance sheet with net cash of \$514m. Operating cash flows sufficient to fund investing activities and capital expenditure whilst delivering dividends to shareholders
- Final dividend up 20% to \$2.10 per share, taking full year dividends to \$4.10 per share, up 24%
- FY25 underlying net profit guidance range is \$410-430 million, a 6-11% increase on FY24



FY24 Operational review



Cochlear implants

59% of sales revenue

Sales revenue up 18% (14% in CC*)

- Cochlear implant units up 9% to 48,040

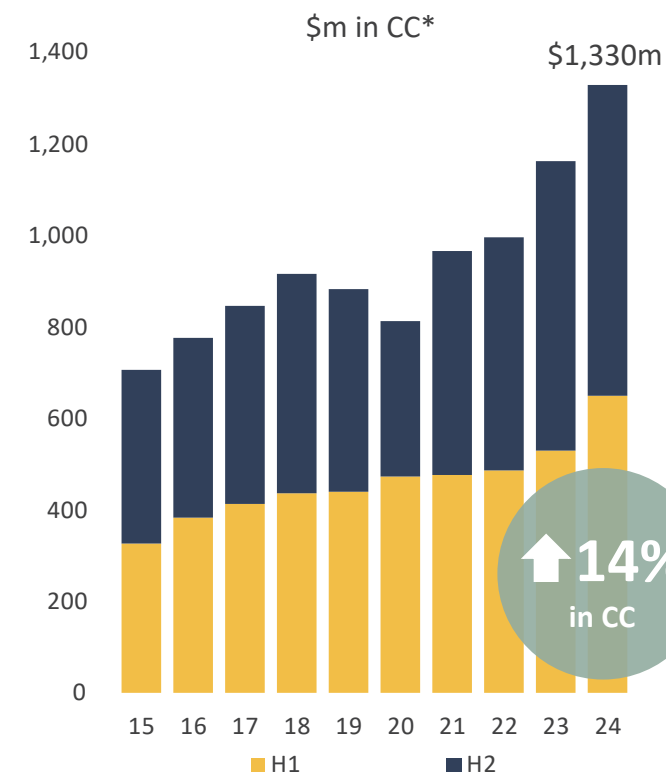
Developed markets

- Volumes up 11%, with ASP up 2% in CC
- Strong growth in the US and Western Europe driven by market growth and share gains following the launch of the Nucleus® 8 Sound Processor
- Seniors up 15% with increasing confidence that initiatives to strengthen the referral pathway for adult cochlear implant candidates is having an impact
- In the US, DTC contributes >30% of surgeries, with 70% of our lead generation coming from digital engagement with seniors. We are also experiencing a lift in professional referrals into our DTC funnel. As a result, time from awareness to surgery is reducing

Emerging markets

- Volumes up 5% with strong growth in H1 offset by a decline in H2
- Growth in China, Brazil and Central/Eastern Europe, with declines in countries including India and Argentina due to timing of tenders and the impact of political and economic conditions
- Mix shift to private pay units drove an increase in ASP

Cochlear implant sales revenue



FY24 Operational review



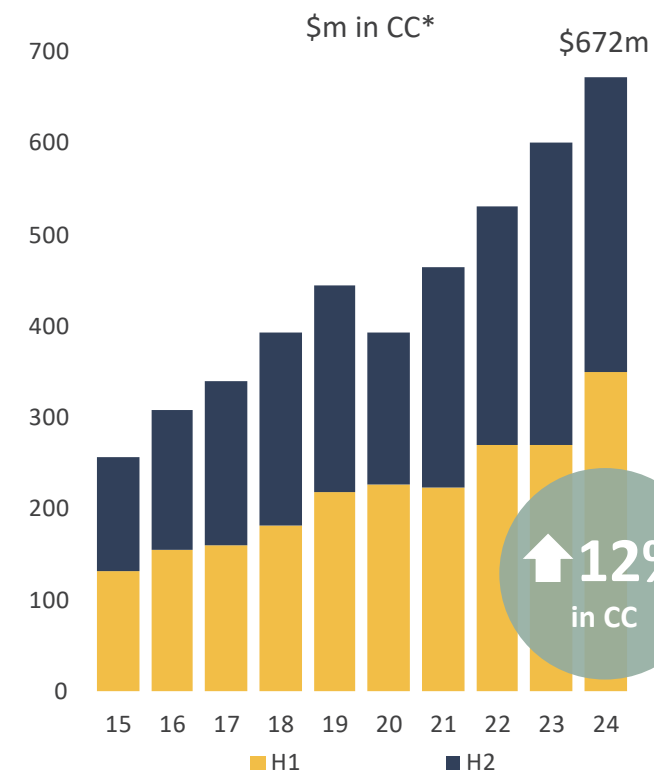
Services

30% of sales revenue

Services revenue up 15% (12% in CC*)

- Continuing solid uptake of the new sound processor across the developed markets
- Emerging market sound processor upgrade penetration is continuing to improve in a number of markets as funding improves

Services sales revenue



FY24 Operational review



Acoustics

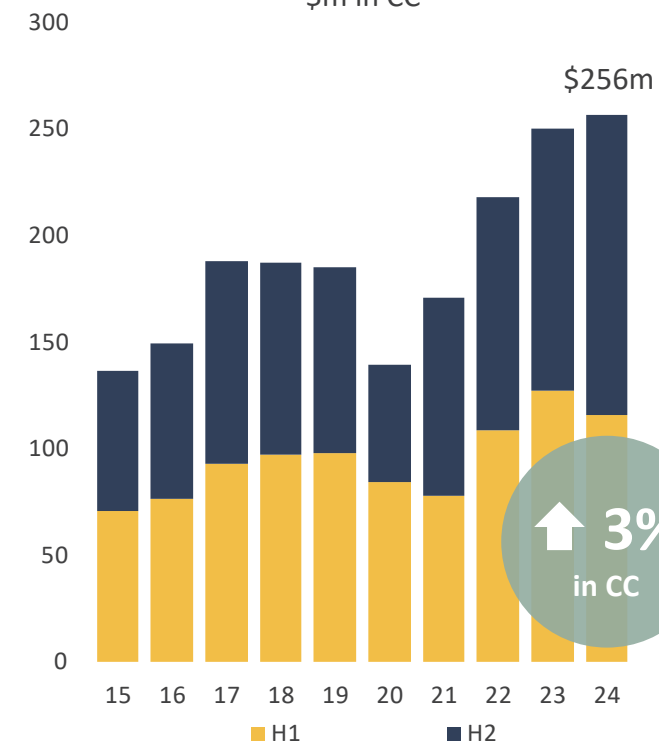
11% of sales revenue

Acoustics revenue up 7% (3% in CC*)

- Growth weighted to H2 – up 15% in CC
- The new 3 Tesla MRI compatible Cochlear™ Osia® Implant has driven strong demand since it was launched in the US in December
- Osia units grew >30% across the year driven by a combination of brand preference, market growth and expansion into new markets
- Acoustics growth was moderated by lower demand for upgrades to the Cochlear™ Baha® 6 Max Sound Processor following three years of strong demand

Acoustics sales revenue

\$m in CC*



Our strategy

Our goal is to help more people to hear, which contributes to building a healthier and more productive society.

We create value for our stakeholders by **empowering** people to connect with others and live a full life, **transforming** the way people understand and treat hearing loss and **innovating** and bringing to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.



A lifetime of hearing solutions

Innovating to build a market-leading portfolio of products and services that improve hearing outcomes and provide a lifetime of hearing solutions for recipients.



A healthier and more productive society

Delivering societal benefit through improved health outcomes, educational cost savings and productivity gains.



Thriving people

An engaged, capable, high-performing and diverse workforce that delivers on our strategy and supports the creation of sustained value.



Environmental responsibility

Minimising the impact of our operations on the environment.



Sustained value

Maximising spending to grow the market while maintaining our competitive position. Ensuring we operate fairly, honestly and legally.

Strategic priorities focus our time and resources

Retain market leadership

Grow the hearing implant market

Build a stronger organisation

Minimise environmental impact

Consistent and sustainable growth

Longer-term targets aim to provide clear stakeholder benefits

Customers

Develop market-leading technology and deliver a world-class customer experience to recipients and professional customers.

Society

Help at least 8% more people to hear each year with a cochlear or acoustic implant.

People

Retain employee engagement levels at or above 80%.

Planet

Net-zero carbon emissions in our operations by 2030 and across our value chain by 2050.

Shareholders

Sustainable and responsible business practices, targeting growth in sales revenue of around 10% per annum and an 18% net profit margin.

FY24 Key achievements



A lifetime of hearing solutions

Strategic priority: Retain market leadership

Growing investment in research and development

- Market-leading technology underpins >60% global market share*
- Invested >\$270m in R&D, 12% of sales revenue, with good progress made across our key projects
- Launched the Cochlear™ Osia® Implant, which is 1.5 and 3 tesla MRI compatible

Positive study results from drug eluting electrode trial

- Trial data¹ has demonstrated substantial impedance reduction, suggesting a drug/device combination has the potential to protect the cochlea, reducing inflammation and resultant fibrosis. We are examining whether reducing fibrosis will improve hearing preservation post-implantation

Helping recipients hear better

- Helped over 50,000 of our prior generation cochlear implant recipients to hear better, improving their hearing and quality of life



Albin,
Osia® recipient

FY24 Key achievements



A healthier and more productive society

Strategic priority: Grow the hearing implant market

Helping more people hear

- We helped over 47,000 people hear with one – or two – of our cochlear or acoustic implants, providing an estimated net societal benefit of more than \$8 billion over the lifetime of the recipients from improved health outcomes, educational cost savings and productivity gains² (up 9%)

Strengthening the referral pathway for adults

- Investing in awareness and access activities alongside industry professionals and advocacy groups
- Adapting the Living Guidelines into country-based clinical guidelines, which are being progressively rolled out
- China has started promoting hearing health for seniors

Growing links between hearing loss and cognition in older adults

- Growing body of research establishing a link between hearing loss and cognitive decline
- This year, an Australian study³ has demonstrated the potential role of cochlear implants in stabilising or improving cognition in older adults with severe-profound hearing loss, reporting a significant and sustained improvement in executive function and working memory in a group of older adults after four and a half years of cochlear implant use
- Combined with ACHIEVE trial interim outcomes⁴, these findings are a major advancement in understanding of the broader impact of hearing loss and the need for adults, policy makers and health professionals to prioritise the treatment of hearing loss. It not only helps people to hear but has the potential to slow cognitive decline for adults at high risk

Expanding indications and reimbursement

- Osia System achieved funding in a number of countries including France, Spain, Sweden and Israel, and in the US, obtained FDA clearance to lower the minimum age for implantation of the Osia System from 12 to 5 year-olds

FY24 Key achievements



Thriving people

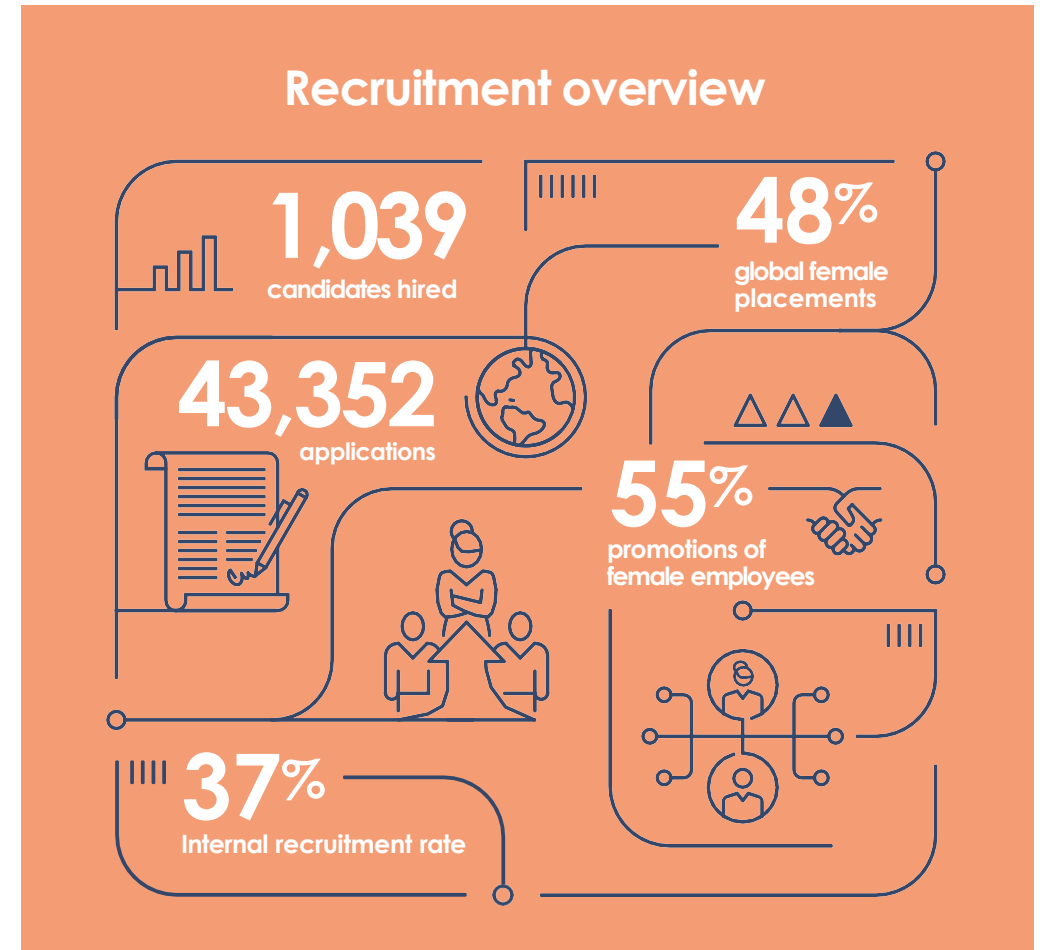
Strategic priority: Build a stronger organisation

Shaping our culture

- Continued focus on shaping our culture through training and leadership development programs with a focus on building enterprise leadership skills
- Employee engagement maintained at 80%
- > 1,000 roles were filled: 48% female placements, 37% roles filled by internal candidates and 55% of all promotions to female colleagues

Championing a diverse, equitable and inclusive workplace

- Continued to exceed gender targets:
 - 51% of our people are female
 - 43% women in senior manager roles
 - 38% women on the Board of directors



FY24 Key achievements



Environmental responsibility

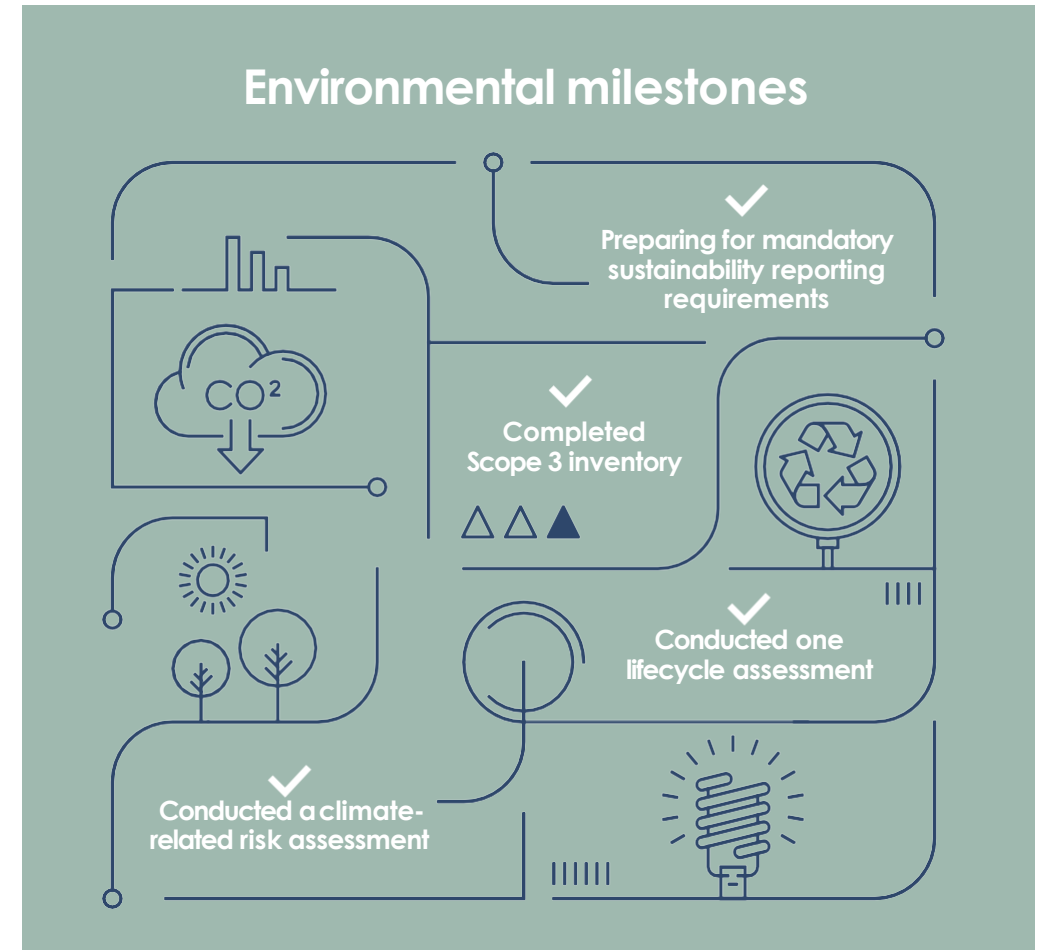
Strategic priority: Minimise environmental impact

Pathway to net-zero emissions

- Using 97% renewable energy at our manufacturing facilities, using 100% renewable energy in five of our six facilities
- Reduced Scope 1 and 2 emissions by 70% from our FY19 baseline
- Reduced the number of flights taken per full time employee by 40%, from our FY19 baseline
- Completed a full Scope 3 emissions inventory and our first climate risk and opportunity assessment

Sustainable innovation

- Conducted a Life Cycle Assessment of the Cochlear™ Nucleus® 8 Sound Processor to evaluate its environmental impact across the entire life cycle
- The assessment informs our product development and manufacturing teams on opportunities to strengthen our innovation process



FY24 Key achievements



Sustained value

Strategic priority: Consistent and sustainable growth

- Delivered record sales revenue with underlying net profit* up 27% (15% in CC**)
- Balance sheet remains strong with net cash of \$514 million. Operating cash flows sufficient to fund investing activities and capital expenditure whilst delivering dividends to shareholders
- Full year dividends up 24%
- Strengthening our business processes and IT platforms to improve efficiency and agility – invested >\$90m since 2021 in the \$150m program and have successfully deployed core cloud-based customer relationship and human capital management systems
- Completed the acquisition of the Oticon Medical cochlear implant business
- \$43m in shares bought back as part of the on-market buyback program



Cochlear warmly welcomes the Oticon Medical team in Vallauris, France

Profit and loss



\$m	FY24	FY23	Change (reported)	Change (CC)
Sales revenue	2,258.2	1,955.7	15%	12%
Gross margin %	75%	75%	- pt	- pt
Selling, marketing and general expenses	685.0	606.5	13%	10%
R&D expenses	277.0	244.9	13%	12%
<i>% of sales revenue</i>	<i>12%</i>	<i>13%</i>		
Administration expenses (excl cloud investment)	182.3	165.4	10%	10%
Administration expenses (cloud investment)	30.3	38.5	(21)%	(21)%
Operating expenses	1,174.6	1,055.3	11%	9%
Other expenses / (income)	(5.9)	(3.3)		
FX contract losses	22.6	19.6		
EBIT (underlying)*	504.8	396.1	27%	16%
<i>% EBIT margin*</i>	<i>22%</i>	<i>20%</i>		
Net finance expense / (income)	(9.8)	(7.1)		
Effective tax rate %*	25%	24%		
Underlying net profit*	386.6	305.2	27%	15%
<i>% Underlying net profit margin*</i>	<i>17%</i>	<i>16%</i>		
<i>% Underlying net profit margin (excl cloud inv.)*</i>	<i>18%</i>	<i>17%</i>		
One-off and non-recurring items (after-tax)	29.8	4.6		
Statutory net profit	356.8	300.6	19%	8%

Key points:

- ▶ Growth across all business units
- ▶ ASP increases offset inventory write-downs and lower overhead recoveries at new Chengdu facility
- ▶ Investment in market growth initiatives, standard of care and market access initiatives
- ▶ Investment in key R&D projects and development of the product and services pipeline
- ▶ ~\$150m to be invested (>\$90m since FY21)
- ▶ \$28 million in integration costs primarily relate to restructuring costs for acquired Oticon Medical cochlear implant business

* Excluding one-off and non-recurring items.

Capital employed



\$m	Jun24	Jun23	Change
Trade receivables	425.3	388.4	36.9
Inventories	391.6	311.5	80.1
Less: Trade payables	(303.2)	(270.4)	(32.8)
Working capital	513.7	429.5	84.2
<i>Working capital / sales revenue</i>	23%	22%	
Property, plant and equipment	304.8	276.7	28.1
Intangible assets	451.0	444.1	6.9
Investments and other financial assets	181.3	188.1	(6.8)
Other net liabilities	(123.9)	(145.1)	21.2
Capital employed	1,326.9	1,193.3	133.6
Funding sources:			
Equity	1,840.5	1,748.8	91.7
Less: Net cash	(513.6)	(555.5)	41.9
Capital employed	1,326.9	1,193.3	133.6

Key points:

- ▶ Investment in inventories to support business growth
- ▶ Investment in capacity expansion at the Lane Cove manufacturing facility
- ▶ Net cash decreased \$42m, with \$43m in shares bought back

Cash flow



\$m	FY24	FY23	Change	Key points:
EBIT (underlying)*	504.8	396.1	108.7	▶ Strong business performance
Depreciation and amortisation	84.9	80.9	4.0	
Changes in working capital and other	(79.2)	(42.4)	(36.8)	▶ Investment in inventories to support business growth
Net interest received	9.8	7.1	2.7	
Income taxes paid	(131.5)	(79.3)	(52.2)	
Operating cash flow	388.8	362.4	26.4	
Capital expenditure	(89.8)	(95.9)	6.1	▶ Investment in the upgrade of the Lane Cove facility and stay-in-business capex
Other net investments	(15.9)	(29.8)	13.9	
Free cash flow	283.1	236.7	46.4	
Outlay from exercise of share options and performance rights	(2.8)	(10.7)	7.9	
Payments for share buyback	(43.0)	(29.6)	(13.4)	▶ \$43m in shares bought back
Dividends paid	(245.7)	(197.4)	(48.3)	
Payment of lease liability and other	(33.5)	(30.2)	(3.3)	
Increase / (decrease) in net cash	(41.9)	(31.2)	(10.7)	

* Excluding one-off and non-recurring items.

FY25 Outlook



We continue to target sales revenue growth of around 10%, with a net profit margin (pre-cloud investment) of around 18%. For FY25, we aim to help over 50,000 people to hear with a cochlear or acoustic implant, and expect to deliver underlying net profit of \$410-430 million, a 6-11% increase on FY24

Key assumptions:

- Cochlear implant trading conditions continue to be strong across most markets, with an improving trend in adult referral rates in many developed countries. As demand for cochlear implants grows, we are seeing evidence of growing waiting lists for audiological evaluation and/or surgery in some of our key countries. Audiological capacity constraints are being increasingly addressed by streamlining post-operative appointments and increasing the adoption of remote care tools, which can materially improve clinical capacity in many practices. Surgical capacity has been a constraint in some hospitals over the past few months and we continue to monitor surgical waiting lists. At this stage, we expect solid market growth rates to drive cochlear implant unit growth of around 10% in FY25
- Services growth is expected to slow following 18 months of strong demand for upgrades since launching the Nucleus® 8 Sound Processor. Acoustics growth rates are expected to be strong with continuing geographic expansion of the Osia System
- The GM is expected to fall by ~0.5ppt due to lower overhead recoveries at the new facility in Chengdu
- We are continuing our investment in R&D and market growth activities to support long-term market growth, with an anticipated investment of around 12% of sales revenue in R&D
- Cloud computing-related investment is expected to increase to around \$34m (\$24m after tax)
- Guidance is based on a 66 cent AUD/USD (66 cent average in FY24) and a 61 cent AUD/EUR (61 cent average in FY24)
- Capital expenditure is expected to be \$110-130 million, with capacity expansion across our Australian and Malaysian sites
- The Board has approved the buyback of up to \$75 million in shares over the next 12 months, and the dividend policy continues to target a payout of 70% of underlying net profit

Hear now. And always



Supplementary information

Our
company

For further details please refer to the 2024 Annual Report
<https://www.cochlear.com/au/en/corporate/investors/annual-reports>

About Cochlear

Cochlear has been the global leader in implantable hearing solutions for over 40 years, providing a range of implants and sound processor upgrades that deliver a lifetime of hearing outcomes.

Our story

Graeme Clark, an Australian ear surgeon, saw first-hand the isolation and frustration that comes from living in a world of silence as his father struggled with hearing difficulties.

On holiday in 1977, fiddling with a shell and a blade of grass, Graeme realised there was a safe way to insert electrodes into the inner ear. It was Graeme's determination to help others that realised our first implantable solution, reconnecting Rod Saunders to hearing and bringing music into his life.

Professor Clark partnered with Australian entrepreneur Paul Trainor – and his Nucleus Group – and the University of Melbourne to commercialise the cochlear implant. With funding from the Australian government, they developed the Cochlear™ Nucleus® 22 Implant, the first multi-channel cochlear implant, and Cochlear, the company, was formed.

Today, Cochlear is the leader in implantable hearing solutions, connecting hundreds of thousands of people globally to a life full of hearing. The pioneering spirit that started Cochlear all those years ago continues to drive us forward and our commitment is stronger than ever. We're transforming the way people understand and treat hearing loss, and we're committed to reaching more people to provide support for a lifetime of hearing.

Our company

Cochlear commenced operations in 1981 as part of the Nucleus group and in 1995 listed on the Australian Securities Exchange. Today, it is a Top 30 listed Australian company with a market capitalisation of over \$20 billion.

Our goal is to deliver value by helping more people to hear, which contributes to building a healthier and more productive society. Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

We are pioneers and global leaders in the development, manufacture and commercialisation of implantable hearing solutions, collaborating in over 100 research programs worldwide to further research into hearing loss.

We invest around 12% of sales revenue each year in research and development, with over \$3 billion invested since listing, and we have a portfolio of more than 2,300 patents and patent applications worldwide.

Over the past 40 years we have helped over 700,000 people to hear with one – or two – of our implantable solutions. And we deliver a lifetime of hearing solutions for recipients, with sound processor upgrades and services to support prior generation products.

Our global headquarters are on the campus of Macquarie University in Sydney, with regional offices in Asia Pacific, Europe and the Americas. We have a global workforce of over 5,000 employees and a wide geographical reach, selling in over 180 countries, with employees based in over 50 countries.



Cochlear at a glance



Business segments

Cochlear Implants*

59% Cochlear implant systems



Services*

30% Sound processor upgrades, accessories and other



Acoustics*

11% Bone conduction systems and sound processor upgrades



Global presence

\$2.2b⁺ in sales revenue* across
180⁺ countries

5,000⁺ employees across
50⁺ countries



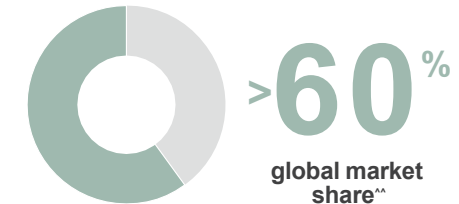
Market leader

\$270m⁺ in annual R&D investment

Helping **700k⁺** people to hear with one – or two – of our implants*

AAA
MSCI ESG rating
Healthcare equipment & supplies**

99.82%
Cochlear implant reliability*



* Based on sales revenue (FY24) ^Nucleus® Profile™ Plus Series implant cumulative survival percentage within five years ^^Cochlear estimate for cochlear and acoustic implants #Includes cochlear and acoustic implants. ** Measures a company's resilience to financially material environmental, societal and governance (ESG) risk

Product and services portfolio



Cochlear's market-leading portfolio aims to improve hearing outcomes for recipients and provide a lifetime of hearing solutions.

Cochlear implant portfolio



Cochlear Nucleus System

Acoustic solutions portfolio



Cochlear Baha System

Cochlear Osia System

Recipient support tools



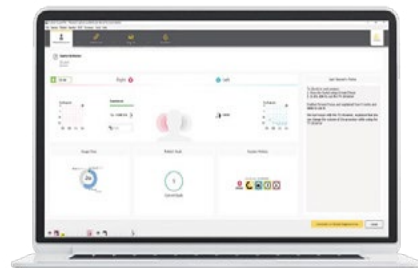
Cochlear Nucleus, Baha and Osia Smart Apps

Cochlear CoPilot App

Cochlear Connected Care solutions



Cochlear Nucleus SmartNav System



Cochlear Custom Sound Pro Fitting Software



Cochlear Remote Assist



Cochlear Remote Check



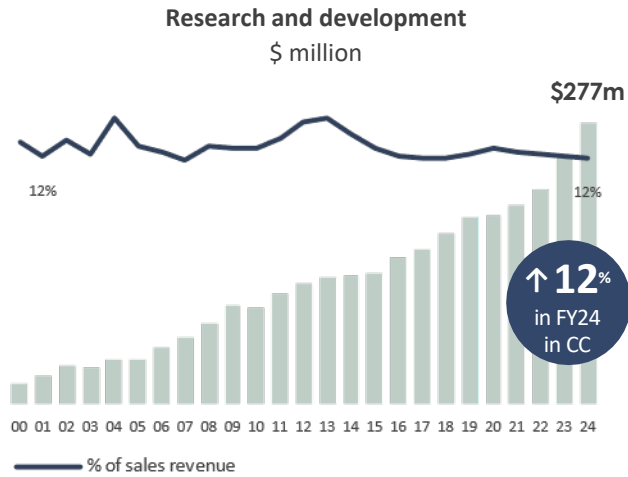
Cochlear Link

Financial history

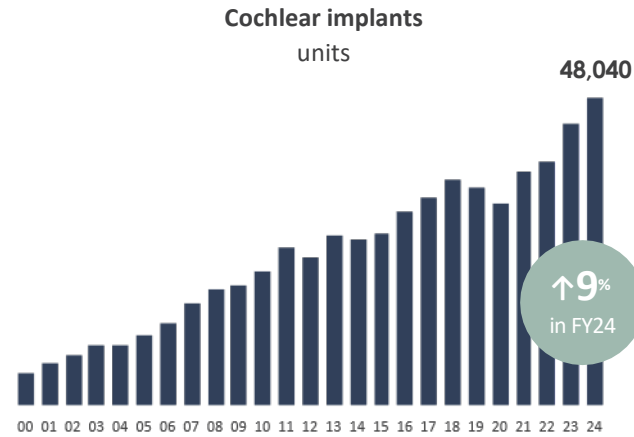


Cochlear has a long track record of investing to grow, delivering growing sales revenue, profits* and dividends.

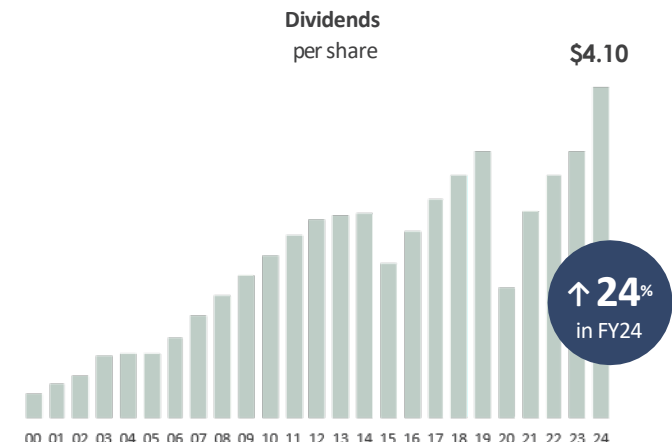
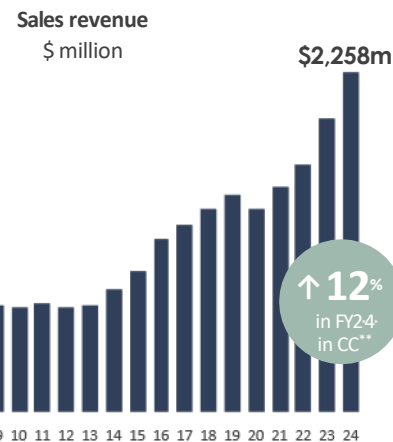
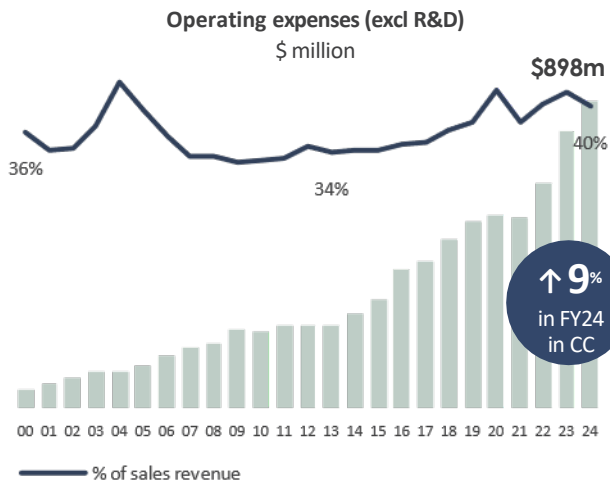
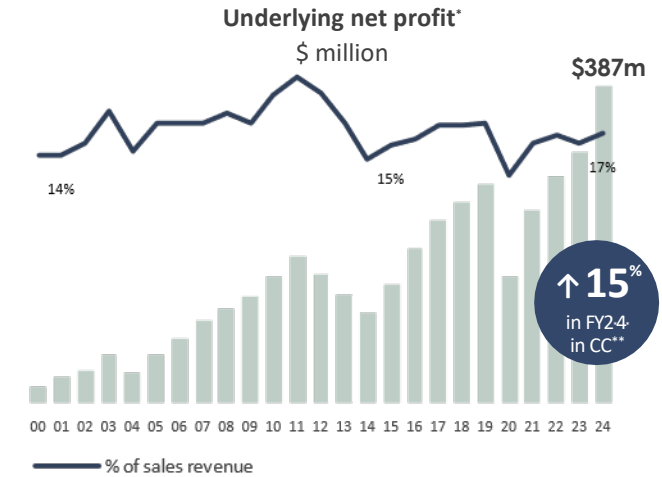
Consistent investment in R&D and market growth activities



Long-term growth in sales revenue



Growing profits and dividends



* Excluding one-off and non-recurring items. ** Constant currency

Hear now. And always



Supplementary information

Strategy and value creation

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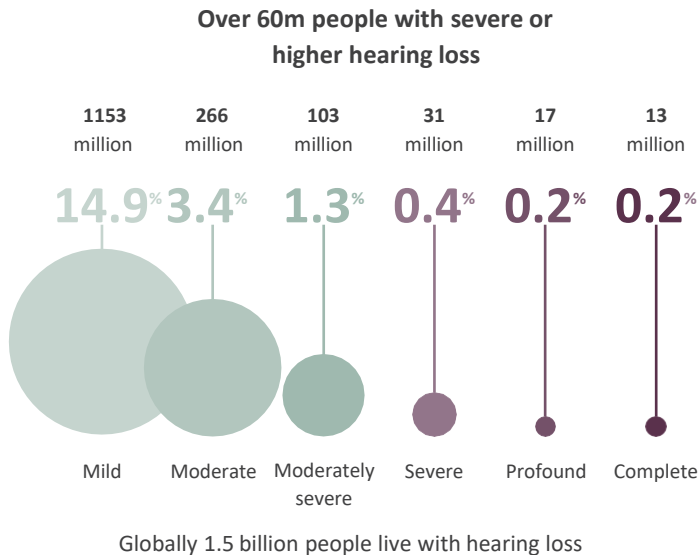
Growth opportunity



Growing awareness of the cost-effectiveness and quality of life benefits of our products has the potential to underpin long-term industry growth.

Hearing loss is prevalent and under-treated

The World Health Organization (WHO) estimates that there are over 60 million people worldwide who experience severe or higher hearing loss,¹ yet fewer than 5% of the people that could benefit from an implantable hearing solution have received one.²



* Cochlear estimate

Cochlear implants are a cost-effective solution for all age groups

Cochlear implants can provide life changing outcomes for recipients, empowering them to connect with others and live a full life. They also provide a cost-effective solution for all age groups, delivering significant returns on the investment made by the healthcare system.

Significant return on investment for healthcare systems investing in cochlear implants



For a pre-lingual deaf child, the return to society is more than 13 times for every dollar spent on a cochlear implant solution based on the cost savings in education and improved productivity as an adult.³

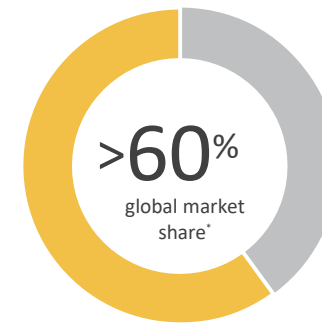


The effective use of implants is cost-effective in adults and seniors with an estimated return on investment of 10:1.⁴

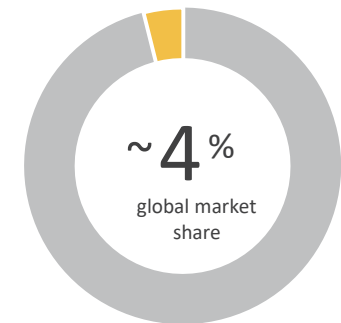
Cochlear implants can deliver superior outcomes to hearing aids for indicated patients

Cochlear implants can provide a significant improvement in hearing outcomes and quality of life when compared to hearing aids for many people with a severe or higher hearing loss. However, only 4% of people in this segment have a cochlear implant.

We are the global leader in cochlear implants but a small player in the severe or higher hearing loss segment where hearing aids dominate



Cochlear implant market share



Hearing devices treating the severe or higher hearing loss segment

Growth opportunity



Product indications are broadening and funding is expanding

Product indications and funding are expanding as payers increasingly recognise the improved outcomes and cost-effectiveness of our implantable solutions.

Recent changes to reimbursement or indications

<p>US: lowered the age of cochlear implantation from 12 to 9 months for Cochlear's Nucleus® implant</p>	<p>US, UK, Germany, France, Spain, Sweden and Australia: Cochlear™ Osia® System reimbursement achieved</p>
<p>Japan, UK and Belgium: expansion of reimbursement criteria for cochlear implants to include severe hearing loss</p>	<p>US: lowered the minimum age for implantation of the Osia System from 12 to 5 year-old children</p>
<p>US: the Centers for Medicare & Medicaid Services expanded coverage for cochlear implants to cover a broader spectrum of hearing loss</p>	<p>US: obtained FDA approval for the treatment of single-sided deafness with a Cochlear™ Nucleus® implant</p>
	<p>France: reimbursement approved for Baha® sound processors</p>

Good hearing is essential to healthy ageing

Hearing loss is particularly prevalent in people over the age of 60, with one in four suffering moderate or higher hearing loss.⁵

There is a growing understanding of the importance of properly treating hearing loss in this age group. It affects communication and is associated with cognitive decline, social isolation, anxiety and depression.⁶

Growing understanding of the link between good hearing and healthy ageing



Cognitive decline
Hearing loss associated with accelerated cognitive decline and dementia in older adults.⁷



Depression
Significant association between hearing impairment and moderate to severe depression.⁸



Falls
Higher risk of dizziness causing falling.⁸



Social isolation
Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.⁹



Ability to work
Hearing loss can affect the ability to work or stay in the workforce.¹⁰



Loss of independence
Seniors with hearing loss less likely to be able to self-care.⁸

Key market segments

Our efforts are targeted at improving awareness, expanding access and building on the clinical evidence that demonstrates the effectiveness of our products across four key market segments.

Cochlear implants: Children in developed markets

Cochlear implantation has been established as the standard of care for newborns across the developed markets, with bilateral implants indicated across most countries as evidence supports the benefit of binaural hearing.



Addressable market*
~130,000 people
Current penetration
>80% under 3-year-old children

What we are doing

Cochlear implants started as a solution for children with a profound hearing loss. Over the last 30 years, neonatal screening has been successfully established across the developed world leading to high rates of cochlear implantation for young children.

The key priority for this segment is to maintain our leadership position while aiming to improve the rate of implantation, and/or the uptake of bilateral implants, in countries where current levels are below average.

There is also an opportunity to strengthen the treatment pathway for acquired or progressive hearing loss in older children. Lack of screening for children who have progressive hearing loss in childhood means that hearing loss often remains unidentified and without care.

The WHO's World Report on Hearing notes the importance of hearing in education and says that the inclusion of ear and hearing care in school health services is essential. It highlights pre-school and school children as a group 'at risk' and proposes that screening and early intervention programs be put in place for this group as part of the holistic package of ear and hearing care interventions it proposes all countries adopt.

Cochlear implants: Adults and seniors in developed markets

Adults and seniors in the developed markets provide the biggest opportunity for us to address the unmet need for hearing implants given the large, and growing, market size as the population ages and the low levels of penetration.



Addressable market*
>6m people
Current penetration
~3%

What we are doing

According to the WHO, hearing loss is particularly prevalent in people over the age of 60, with 65% experiencing hearing loss and one in four people suffering moderate or higher hearing loss. It affects communication and is associated with social isolation, anxiety, depression and cognitive decline.¹The segment is however challenging to address as most candidates suffer from a progressive hearing loss and, together with their care providers, either do not know about cochlear and acoustic implants or do not understand the indications for them.

While penetration rates are currently very low, at around 3%, the seniors segment has been the fastest growing segment for us over the past few years as awareness begins to improve. We have a range of programs for driving growth of the adults and seniors segment including:

- **Direct-to-consumer (DTC) marketing** – building awareness directly with candidates motivated to find a better solution for their hearing loss;
- **Hearing aid channel referrals** – building a referral path from hearing aid and ENT clinics to cochlear and acoustic implants; and
- **Standard of care initiatives** – supporting initiatives to deliver a consistent treatment.

* Cochlear estimates of segment prevalence of severe or higher hearing loss.

Key market segments



Cochlear implants: Children in emerging markets

Our emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies.



Addressable market*
>1.3m people
Current penetration
<10%

What we are doing

Our emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies. Most countries however remain very under-penetrated. Our priorities for this segment are focused around market expansion with activities targeted at:

- **Building awareness** – public education campaigns, direct-to-consumer marketing and hearing screening;
- **Expanding funding** – driven by the compelling health economics of implantation in children;
- **Expanding our presence** – distributor relationships combined with an expanding direct presence;
- **Developing professional capability** – surgeon training and audiology education; and
- **Maximising penetration** through a tiered product offering.

Acoustic implants: Next generation bone conduction hearing solutions

The bone conduction market is under-penetrated and currently has limited geographic reach. We have developed a product that we believe provides the opportunity to drive deeper category penetration.



Addressable market*
>3m people in developed markets
Current penetration
<1%

What we are doing

We have recently introduced the next generation of bone conduction hearing solutions into our Acoustics portfolio with the Cochlear™ Osia® System, providing a significant improvement in performance and aesthetics for bone conduction patients.

Pre-market trials have demonstrated significant improvements in outcomes for patients² over traditional bone conduction hearing solutions, and we are already experiencing high demand for the new implant in markets where we have launched.

We believe the Osia System has the opportunity to become the gold standard acoustics implant in our current markets, more effectively competing with reconstructive surgery, and is the right product to pursue geographic expansion, with our Acoustics business today generating the majority of revenue from just two markets, the US and UK.

* Cochlear estimates of segment prevalence of severe or higher hearing loss.

Our strategy

Our goal is to help more people to hear, which contributes to building a healthier and more productive society.

We create value for our stakeholders by **empowering** people to connect with others and live a full life, **transforming** the way people understand and treat hearing loss and **innovating** and bringing to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.



A lifetime of hearing solutions

Innovating to build a market-leading portfolio of products and services that improve hearing outcomes and provide a lifetime of hearing solutions for recipients.



A healthier and more productive society

Delivering societal benefit through improved health outcomes, educational cost savings and productivity gains.



Thriving people

An engaged, capable, high-performing and diverse workforce that delivers on our strategy and supports the creation of sustained value.



Environmental responsibility

Minimising the impact of our operations on the environment.



Sustained value

Maximising spending to grow the market while maintaining our competitive position. Ensuring we operate fairly, honestly and legally.

Strategic priorities focus our time and resources

Retain market leadership

Grow the hearing implant market

Build a stronger organisation

Minimise environmental impact

Consistent and sustainable growth

Longer-term targets aim to provide clear stakeholder benefits

Customers

Develop market-leading technology and deliver a world-class customer experience to recipients and professional customers.

Society

Help at least 8% more people to hear each year with a cochlear or acoustic implant.

People

Retain employee engagement levels at or above 80%.

Planet

Net-zero carbon emissions in our operations by 2030 and across our value chain by 2050.

Shareholders

Sustainable and responsible business practices, targeting growth in sales revenue of around 10% per annum and an 18% net profit margin.

Strategic priorities

Our strategic priorities determine how we focus our time and resources to create value. Over the coming years we are focusing our efforts on delivering value across the following initiatives:

Retain market leadership

- Advance the product and services pipeline, with annual R&D investment of ~12% of revenue
- Deliver our latest sound processor upgrade technology to existing recipients
- Strengthen our lead in customer service and support
- Maintain high standards of product quality, safety and reliability



A lifetime of hearing solutions

Grow the hearing implant market

- Strengthen the referral pathway for adults
- Develop the acoustic implant segment
- Broaden reimbursement and improve indications
- Expand access in emerging markets



A healthier and more productive society

Build a stronger organisation

- Strengthen and nurture a culture of innovation, achievement and inclusion
- Attract, develop and retain world-class talent
- Support the wellness and safety of our teams



Thriving people

Minimise environmental impact

- Advance the implementation of initiatives to reduce our Scope 1, 2 and 3 carbon emissions
- Embed sustainability into product design, development and manufacturing
- Deliver a global approach to managing the environmental impacts of packaging and waste



Environmental responsibility

Consistent and sustainable growth

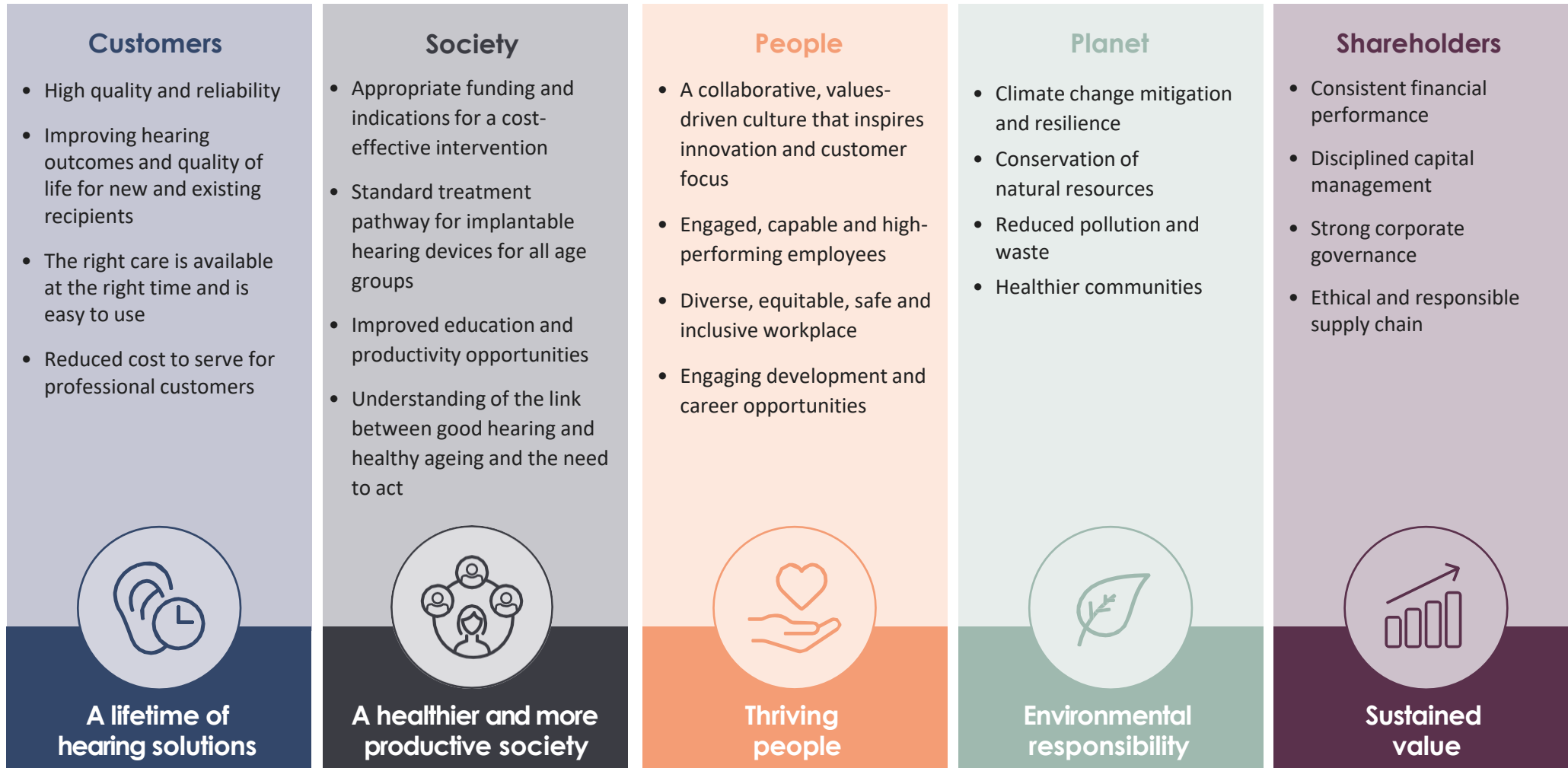
- Deliver sustainable financial returns
- Improve efficiency and agility
- Maintain high levels of corporate governance
- Ensure our supply chain is ethical and sustainable
- Vigilance around data security and privacy



Sustained value

Creating value for stakeholders

Value creation describes the impact we have on all our key stakeholders – our customers, our people, our planet, our shareholders as well as society more broadly. Successful execution means achieving the following outcomes for our stakeholders:



Notes



Forward looking statements

Cochlear advises that this document contains forward-looking statements which may be subject to significant uncertainties outside of Cochlear's control. No representation is made as to the accuracy or reliability of forward-looking statements or the assumptions on which they are based. Actual future events may vary from these forward-looking statements and it is cautioned that undue reliance is not placed on any forward-looking statements.

Non-International Financial Reporting Standards (IFRS) financial measures

Cochlear uses non-IFRS financial measures to assist readers in better understanding Cochlear's financial performance. Cochlear uses three non-IFRS measures in this document: Sales revenue, Underlying net profit and Constant currency. The Directors believe the presentation of these non-IFRS financial measures are useful for the users of this document as it reflects the underlying financial performance of the business. Each of these measures is described below in further detail including reasons why Cochlear believes these measures are of benefit to the reader.

These non-IFRS financial measures have not been subject to review or audit. However, Cochlear's external auditor has separately undertaken a set of procedures to compare the non-IFRS financial measures disclosed to the books and records of the Group.

Sales revenue

Sales revenue is the primary revenue reporting measure used by Cochlear for the purpose of assessing revenue performance of the Consolidated Entity. It represents total revenue excluding foreign exchange contract gains/losses on hedged sales.

Underlying net profit

Underlying net profit allows for comparability of the underlying financial performance by removing one-off and non-recurring items. The determination of items that are considered one-off or non-recurring is made after consideration of their nature and materiality and is applied consistently from period to period. Underlying net profit is used as the basis on which the dividend payout policy is applied. The Financial Review section includes a reconciliation of Underlying net profit (non-IFRS) to Statutory net profit (IFRS) which details each item excluded from Underlying net profit.

Constant currency

Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance for Cochlear. This is done by converting the prior comparable period net profit of entities in the Group that use currencies other than Australian dollars at the rates that were applicable to the current period (translation currency effect) and by adjusting for current year foreign currency gains and losses (foreign currency effect). The sum of the translation currency effect and foreign currency effect is the amount by which EBIT and net profit is adjusted to calculate the result at constant currency.

Authorised for lodgement to the ASX by the Board of directors of Cochlear Limited

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FY24 Highlights (slide 8)

1. Cochlear estimates based on the published economic model findings of Neve et al 2021 (Neve OM, Boerman JA, van den Hout WB, Briare JJ, van Benthem PPG, Frijns JHM. Cost-benefit Analysis of Cochlear Implants: A Societal Perspective. *Ear Hear.* 2021 Sep/Oct;42(5):1338-1350. doi: 10.1097/AUD.0000000000001021. PMID: 33675588; PMCID: PMC8378541). Dollar amount relates to all recipients implanted with a cochlear implant in FY24 across the developed markets.

FY24 Key achievements (slides 9-10)

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2. Cochlear estimates based on the published economic model findings of Neve et al 2021 (Neve OM, Boerman JA, van den Hout WB, Briare JJ, van Benthem PPG, Frijns JHM. Cost-benefit Analysis of Cochlear Implants: A Societal Perspective. *Ear Hear.* 2021 Sep/Oct;42(5):1338-1350. doi: 10.1097/AUD.0000000000001021. PMID: 33675588; PMCID: PMC8378541). Dollar amount relates to all recipients implanted with a cochlear implant in FY24 across the developed markets.
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4. Lin FR et al. Hearing intervention versus health education control to reduce cognitive decline in older adults with hearing loss in the USA (ACHIEVE): a multicentre, randomised controlled trial. *The Lancet.*

Growth opportunity (slide 24-25)

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 - b. CPI Inflation Calculator (<http://www.in2013dollars.com>).
 - c. Estimated from Mohr et al., 2000.
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6. Lin FR et al. Hearing intervention versus health education control to reduce cognitive decline in older adults with hearing loss in the USA (ACHIEVE): a multicentre, randomised controlled trial. *The Lancet.* [ePub ahead of print] DOI: [https://doi.org/10.1016/S0140-6736\(23\)01406-X](https://doi.org/10.1016/S0140-6736(23)01406-X). Available at [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(23\)01406-X/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(23)01406-X/fulltext)

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Key market segments (slide 26-27)

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