



MEDIA RELEASE

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Cochlear's proposed acquisition of Oticon Medical raises preliminary competition concerns

The ACCC has outlined significant preliminary competition concerns with Cochlear's (ASX:COH) proposed acquisition of Oticon Medical in a statement of issues published today.

Cochlear is proposing to acquire shares in and certain assets of Demant's hearing implants business, Oticon Medical.

Cochlear and Oticon Medical manufacture and supply non-surgical bone conduction devices, surgical bone anchored devices, and cochlear implant hearing devices. These devices are used to treat more advanced hearing loss that typically cannot be managed by hearing aids.

There are few suppliers of these devices globally. In Australia, Cochlear and Oticon Medical are two of only three suppliers of non-surgical bone conduction and bone anchored devices, and two of only four suppliers of cochlear implants.

The ACCC is concerned the proposed acquisition would substantially lessen competition in already highly concentrated markets, which may lead to higher prices, reduced service levels and reduced innovation.

"Cochlear is by far the largest supplier of surgical bone anchored devices and cochlear implants in Australia. It is also an important supplier of non-surgical bone conduction devices," ACCC Chair Gina Cass Gottlieb said.

"Although Oticon Medical has a much smaller presence in Australia, we have significant concerns that the proposed acquisition will remove one of Cochlear's few competitors in the supply of these three types of hearing devices in Australia."

"These devices are critically important in providing choice to consumers with hearing loss about the way they manage their hearing needs," Ms Cass-Gottlieb said.

"Market feedback has indicated that demand for these devices is likely to increase and so it is important to ensure acquisitions in this market do not lead to higher prices or reduced innovation over time."

The ACCC is also concerned about the impact of the proposed acquisition on incentives to innovate.

Decisions to invest in innovation take into account a range of factors at the global level. If incentives to innovate are reduced with the removal of competition from Oticon Medical, it will have a significant negative impact on Australian consumers.

The ACCC is also considering the likelihood of other suppliers of non-surgical bone conduction devices, surgical bone anchored devices and cochlear implants entering or expanding in Australia.

"Market feedback indicates brand awareness is important to the clinicians and surgeons that recommend these devices to Australian patients. In addition to significant technical and

regulatory barriers, new entrants would need to overcome clinicians' reluctance to switch to new or unknown providers," Ms Cass-Gottlieb said.

In the statement of issues, the ACCC has also outlined the issues it is considering that are relevant to the likely future without the acquisition.

Demant has publicly announced its intention to exit its hearing implants business. The ACCC will explore this issue in detail in the next phase of its review, including considering what would be likely to happen to the Oticon Medical business and its assets if the transaction did not occur.

The ACCC has published a statement of issues, available on the public register page, and is seeking further information.

The ACCC is inviting feedback on the statement of issues by 22 December 2022.

Further information is available on the ACCC's public register here: [Cochlear Limited proposes to acquire Oticon Medical](#)

Background:

Cochlear is a public company listed on the ASX, and headquartered in Sydney, Australia. It is a global manufacturer and supplier of implantable hearing solutions, including cochlear implants and bone conduction solutions in Australia.

Oticon Medical is a subsidiary of Demant. Demant is a manufacturer and supplier of various hearing solutions listed on the Nasdaq Copenhagen and headquartered in Copenhagen, Denmark.

Oticon Medical is a global manufacturer and supplier of cochlear implants and bone conduction solutions that supplies to many countries, including Australia.

Cochlear implants bypass the middle and inner ear structures to stimulate the auditory nerve directly. Cochlear implants are primarily used for patients with severe or total sensorineural hearing loss. The implant consists of an external sound processor that sits behind or off the ear and an implant that is surgically placed under the skin.

Surgical bone anchored devices bypass a damaged outer or middle ear using a sound processor that converts sounds into vibrations that are then sent directly to the inner ear. Surgical bone anchored devices are suitable for those with mild, moderate or severe conductive hearing loss.

Non-surgical bone conduction devices use similar technology to surgical bone anchored devices but rather than attaching to a surgical implant, the sound processor is attached to an adjustable band worn around the head, or held to the head by an adhesive sticker. These solutions are primarily used for children with conductive hearing loss who are not old enough for a surgical solution, or adults or children for whom a surgical solution may not be suitable.

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