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SONOVA: HEARING A SOUND DIGITAL STRATEGY?

Emanuele Pizzo and Thomas Koller IMD EMBA (2019) prepared this case under the supervision of Professor Stefan Michel as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

STÄFA, SWITZERLAND, SEPTEMBER 2018. Martin Grieder, chief marketing officer at Sonova Group, returned to his desk after another stressful day of back-to-back meetings. A passionate mountaineer who had climbed three 8,000-meter peaks, he knew that winning was not always about speed or skill; sometimes it required persistence. But his current challenge was different in many ways than what he had faced in the past.

As the world's leading developer, producer, distributor and service provider of hearing aids, Sonova sold its premium devices under the Phonak brand, which included advanced products under the Unitron brand and standard offerings under the Hansaton brand. Through its Advanced Bionics subsidiary, Sonova also offered a range of market-leading cochlear implants.

Beyond its production capabilities, Sonova was the world's second-largest retailer of hearing aids, with a network of approximately 3,500 points of sale in 18 countries. AudioNova, Connect Hearing, Lapperre, and GEERS were well-known retail brands within its network, though its retail portfolio spanned 14 key brands, as well as many more sub-brands on local levels. Its rival, Amplifon, enjoyed the position as top distributer with a 10% global market share (€4 billion market capitalization), and functioned as a pure retailer of hearing devices with more than 10,000 stores in 21 countries.

However, the industry was transforming and Martin was in a tricky situation. He knew that digitization was the future for medical devices, but the path forward was anything but clear. Despite Sonova's current success, its level of complexity had risen to a point where the company had conflicting objectives, and these were resulting in structural tensions. Martin knew he had some tough tradeoffs to make, of which the key challenges would be timing, prioritization and balancing.

Structural Tensions at Sonova

Sonova also had a successful track record in growing through acquisitions. Integration mostly occurred in the back office, whereas acquired brands were kept separate, at both the product level and in terms of retail stores. Finding additional targets to acquire was becoming increasingly difficult, so organic growth was coming back into Sonova's focus. The integration method had strong justification, but it was also turning into a limiting factor for further business growth.

Furthermore, the company had merged departments such as research and development (R&D), but it left the marketing organizations separate to ensure a differentiated market presence. Thus, Phonak hearing devices, for example, remained the company's flagship products with a premium price point, and Unitron captured value with a lower price point. As Martin recalled the marketing director for Unitron saying:

> The products are the same, but they are positioned differently. We at Unitron are a smaller organization focusing on younger, more tech-savvy customers. Market perception is that Unitron is inferior to Phonak, but the products are very similar.

Similar complexities arose from the wide variety of retail stores that Sonova had acquired through various deals. Some retailers were small mom-and-pop stores; others were equipped with all the modern conveniences. Some were positioned as discounters, but others were positioned as boutiques. Finally, some enjoyed high brand equity, whereas others were not very well known. The company made some attempts to integrate, but it faced heated reactions, such as when a local marketing manager complained to Martin:

> Local brands have local value. Lapperre's brand awareness is 84% in Belgium. If we rebrand, we kill value! Also, look at what happened in Germany. GEERS was perceived as a discounter. How can we possibly sell Phonak devices through a discounter? Phonak's brand equity is at risk, and we may lose market share.

Recalling this conversation reminded Martin of yet another issue that bothered him – channel conflict. Sonova generated 40% of its sales through its own retail stores and 60% through independent retailers, among which Amplifon was by far the biggest account. Accordingly, two Sonova departments were competing internally – the retail department that focused on consumers and the wholesale department that concentrated on independent retailers, which were in competition with Sonova's own retail stores. Each department had its own customer relationship management (CRM) system. The retail department used MS Dynamics and collected information about users of hearing aids (i.e. consumers), but the wholesale department relied on salesforce.com and gathered primarily data about audiologists (i.e. independent retailers), but also about consumers. This set-up meant that every decision was a balancing act. A special offer channeled through the company's own retail stores created a risk that independent retailers might threaten to stop offering Sonova products. One employee described it figuratively:

> We have created two monsters trying to run in two different directions, while being chained to each other.

Digital Solutions

In the early 2010s, Sonova noted the growing emergence of digital solutions in health care, which enabled patients to connect more easily with their doctors through their mobile devices, while doctors could better monitor and control the treatments assigned to their patients. As the market leader in its industry, with a long history and culture that embraced product innovation, Sonova believed it needed to become more active in the digital realm, so in April 2014, it created a science & technology group, tasked with developing and launching digital solutions for hearing instruments. The team consisted of people from various departments, with straight reporting lines to the CEO. To start, the team worked on a pilot program with Boots Hearingcare, with a goal of selling hearing instruments through mobile devices. Yet, after two years of work, the group had not managed to launch any significant digital solutions. An external consultancy firm was engaged to investigate the underlying reasons, revealing some weaknesses in Sonova's organizational design.

External examples, such as the Australian hearing aid provider Blamey Saunders, had shown that a business-to-consumer (B2C) model could work. It started offering low-cost devices for people with minimal to moderate hearing loss, using an online hearing test and sending pre-customized hearing aids directly to consumers. Subsequent fine tuning was performed over the phone, if necessary.

In the autumn of 2016, Sonova decided to launch its own digital strategy, through the creation of two business units. First, as part of the R&D organization, the digital delivery unit was assigned the job of developing mobile apps and web services that could establish e-solutions and support the rollout and integration of third-party applications. Second, a digital experience unit, part of the Phonak marketing department, was responsible for business development, product management and e-commerce. Martin was both responsible for and actively involved in these digital solutions. With an enthusiastic outlook, he perceived multiple opportunities on the horizon, noting:

> In terms of social media, we are already active on all major platforms, providing content on a very frequent basis. Perhaps we should also intensify our community efforts and let consumers communicate with each other, but since every customer is different in the end, this might be tricky. In any case, digital solutions will revolutionize today's channels, and this is where we are focusing at the moment. We are already enabling potential consumers to get informed about hearing loss online and on any type of mobile device. We also offer an online hearing test and an electronic booking tool, where consumers can make an appointment with an audiologist at a retailer. We have an electronic coaching application so that customers can more easily connect to their audiologist, and with the eAdjust application, consumers will be able to adjust the settings of their hearing device on their own or while being connected to their audiologist. Overall, consumers benefit from improved after sales services and a better customer experience.
>
> Digital solutions will provide a number of benefits to retailers as well. They will allow active monitoring of the performance of the hearing devices, on-the-spot customer assistance and more tailored after-sales services for clients.

As Martin's reflections highlighted, Sonova already had multiple applications that supported greater connectivity and functionality. The *Phonak Remote* app connected users' smartphones to their hearing devices, providing volume control, mute options and balance control between any particular sound source and extraneous noises. *Phonak Guide* helped users become acquainted with their hearing aids; the *myPhonak* app facilitated their connections with an audiologist at the retail store where they had purchased the device (*refer to* ***Exhibit 1***), such

that the audiologist could fine-tune their settings as needed. Similar apps for Unitron and Hansaton were named *Unitron Remote Plus* or *Hansaton Stream Remote*.

But Martin also knew that Sonova would have to go beyond basic functionalities and find ways to install features that would provide extra value and benefits. He imagined opportunities to connect hearing aids to warning signals from cars or trains, as well as ways to integrate activity trackers or watches. At the same time, Martin had a vision of a fully integrated platform that would combine customer data with retailers' information, as well as insights from healthcare platforms (*refer to* ***Exhibit 2***). To build such an ecosystem, Sonova would have to collaborate, but it was not clear who its partners might be. Such a platform also would gather a lot of additional data – hearing-related data points, such as which specific sound frequencies tended to be problematic or clients' learning curves, but also broader health-related information, like indicators of a balance disorder or inflammation of the middle ear. What might Sonova do with that wealth of information? Martin imagined developing new diagnostic health tools.

Despite Martin's optimism about digital solutions, he also recognized the obstacles. Sonova's product lines might have been broadly based on the same hardware, but they ran on very different software systems. Developing digital solutions for one product line would not necessarily mean that it could be copied and pasted onto a different brand. The investment in one product line would need to be repeated for every single brand – a highly frustrating prospect for Martin, who thought:

> The collection of retail and wholesale brands creates a competitive disadvantage. We have bought well, have market access and market share. All right, but for digitalization, this needs to be cleaned up now. Especially the brands and product portfolios must be lean. We just cannot handle this complexity anymore.

But coming up with the optimal solution was not an easy task. Instead of climbing that proverbial mountain, he sank into his chair, looked out of the window, and mentally reviewed the journey that a Sonova customer might take.

A Customer's Journey

John Q, a retired physics professor, got off the bus in downtown Amsterdam. He needed to walk a bit to arrive at the AudioNova store, a site he had been in and out of for the past six years. He was turning 70 years old that day and looking forward to celebrating with his children later, but at the moment, he was meeting with Gert Janssen, his audiologist at AudioNova, for a bi-annual cleaning of his hearing device. Enjoying the beautiful summer day, John strolled along, thinking about when he first got his device.

As a professor, John had insisted that his students speak loud and clear. He simply could not stand hearing mumbled opinions. But in 2003, when John was in his mid-fifties, he also realized he was reminding his students to speak up more often. His wife Maude and children rationalized his complaints by assuming he was "having a bad day" and paid little heed to his demands. But after about a year passed, John's wife Maude made another observation. More and more often, she had to ask her husband to reduce the volume of the radio in the morning, which was too loud for her, then do it again while they watched the news on television in the evening. John would react passively, not saying a word and simply reducing the volume, or else would become annoyed and insist on wanting to hear the news.

The situation deteriorated over the next several years. John had more trouble recognizing that somebody was at his door or that his phone was ringing. Any time Maude mentioned some concerns though, it would end up in endless debates or arguments. John drastically reduced his participation in discussions with family, refused to go out much anymore, and even chose not to invite friends for dinner – all pastimes he had greatly enjoyed in the past.

Growing worried about their relationship, after a Sunday brunch with their children, Maude decided to share her concerns with her oldest son Brian. She suspected that something was wrong with John's hearing, but she did not know how to talk to John anymore. Every time she mentioned it, he became so angry. Brian wanted to gather his own impressions, so he invited his father out for a walk, during which he noted the beautiful chirping of the birds. John replied that he could not hear anything. Brian asked if he was struggling to hear those sounds in particular or if he had an issue with hearing in general, to which John replied:

> Not always having to hear everything has its advantages. I can shape the messages the way I want them to be.

Brian suggested John take a hearing test, but his father answered, visibly upset:

> Hearing test? And what's next? You put me in a retirement home?

The family now knew that John's hearing was impaired, but John refused to acknowledge the problem. As his family started to collect information about hearing loss and aids, they struggled with the steep learning curve, unsure which type of device he would need, the costs and whether their health insurance would cover any of the costs. John was no help; he would simply walk away from any discussion involving his hearing.

But a breakthrough happened when John turned 64 years old, and his youngest daughter presented him with tickets to a classical music concert. As he opened the envelope, she pleaded:

> Dad, please take a hearing test. You are worth it, and I want you to enjoy the concert in every single tone.

Shortly thereafter, John met Gert, who performed a hearing test. Displaying the results, Gert showed John the difference between a normal hearing curve and his own; John was not too surprised to see graphically just how poor his hearing was. Still distrustful though, he insisted on seeing an otologist (ear specialist), who would analyze the test results from a health perspective, without any business interest. Gert supported that idea; early in the process, he even had recommended that John see an otologist to obtain a doctor's report, which was required to claim financial support from the insurance company. The otologist's results were identical, prompting John and Maude to return to Gert to review hearing devices. Of the several models available, John decided to buy a Phonak behind-the-ear hearing aid, which also was Gert's recommendation.

Next, Gert calibrated the hearing device to John's needs – referred to as a fitting – and handed it to him, explaining how to wear, charge, clean and operate it. He also warned John that wearing a hearing device would be difficult at first:

> When you are not seeing well, your seeing is improved from the moment you put on glasses. However, hearing is much more complex than seeing. After not having heard certain sounds for a long time, the brain has "forgotten" what those sounds mean. Therefore, we have to allow your

> brain to take time and re-learn the meaning of those sounds. This also means that in the course of the next few weeks we might need to adjust "the fitting" of your hearing device.

This warning did little to increase John's motivation to wear the devices. He even considered walking away from the purchase because it did not provide the on-the-spot value he was expecting. But under pressure from Maude, he put them on in the end.

The first days were not pleasant. John did not want to wear the hearing aids, and Maude repeatedly nagged him to put them on, even as he complained that the clank of dishes coming out of the dishwasher or noises in a crowd were too loud and uncomfortable. Yet after some minor adjustments, he started to appreciate the value the devices were providing, and wearing them also became habitual. As an active user, John visited his audiologist every six months for a thorough cleaning. Although Gert sometimes presented some new devices with better functionalities, normally he simply worked to ensure the old one was still working properly. Last year John got around to buying his second set of devices, after another hearing test revealed that the new option would provide much better sound quality and connectivity.

When his walk ended at the AudioNova store, John received a warm welcome. Gert was happy to see his regular customer and John was looking forward to some nice conversation. Usually Maude would have come along on these visits, but since she died of cancer, he had been going alone. In a way, visiting the audiologist gave John a way to remember his wife, who started and supported him on this journey. Sometimes he looked back and thought:

> If only I had taken the hearing test at the age of 55, I could have had such an improvement in the quality of my life and spent more years in happiness with Maude.

Market Drivers

The hearing aid industry included relatively few manufacturers, without any significant entrants in the market since 1967. Hearing aid manufacturers historically sold their products through a vast number of independent retailers, also referred to as audiologists.

The market for hearing instruments was estimated to be CHF 5.7 billion at the manufacturer level and CHF 15.7 billion at the retail level, with a volume of about 15 million units per year. Overall the market was expected to grow at a compound average growth rate (CAGR) of 3% – 5%. An entry-level device was typically priced at CHF 500; standard and advanced products began at CHF 1,100 and CHF 2,100, respectively. For premium devices, customers paid CHF 2,700 and more. These prices were per device; depending on the type of hearing loss, customers might need one or two devices.

Success in this industry had been driven mainly by technological advancement and product innovation. To improve people's ability to hear, manufacturers had invested in improving sound quality or filtering out external noises. Ideas for reducing the stigma associated with hearing devices also offered good value propositions, so companies that founded miniaturization options and extended battery life capacities enjoyed an advantage.

The related market for cochlear implants was worth CHF 1.3 billion, with roughly 60,000 units sold. An implant would cost an average of CHF 22,000, excluding the hospital and surgical expenses. The growth rates for this market were estimated to be 5% – 10% annually.

In the wider hearing-assistance market though, a market report from UBS identified three manufacturers that owned 80% of the market. Sonova led with a market share of 31%, followed by William Demant with 30% and Sivantos & Widex with 19%. Two other actors also had a notable presence – GN ReSound with a 15% market share and the US-based Starkey with 4% (Sonova did not confirm these numbers). Amplifon was the largest retailer; Sonova held the second-place position with retail chains such as AudioNova, Connect Hearing, Lapperre and GEERS. The third largest retailer, Audika, had fewer than 500 stores, mainly in France and surrounding countries. It was controlled by William Demant. According to some estimates, Amplifon, Sonova and William Demant controlled approximately 12% – 14% of retail, and the remainder consisted of an extensive, large and fragmented pool of independent retailers.

In terms of the consumer market, aging was the main cause of hearing impairment. Sensory cells in peoples' ears deteriorated naturally with age, so demographics largely defined market growth strategies. However, hearing loss also could result from continuous exposure to loud noise, and the World Health Organization estimated that one-third of people older than 64 years, or 15% of the entire adult population, suffered some degree of disabling hearing loss. Approximately 25% of that group was at least 75 years of age. Yet, the overall market penetration in developed countries was low at 20% overall, though it varied from 10% in mild cases to approximately 70% penetration in populations with severe hearing losses (*refer to **Exhibit 3***).

These consumers tended to be insufficiently informed about their options; they simply purchased the devices recommended by their retailers and audiologists. The pricing structures were not very transparent; most retailers maintained various gross prices and a range of discounts, making it difficult for customers to understand the final price they would need to pay. Governmental financial support and health insurance coverage also varied across countries, which may have explained the low market penetration in some areas. In Switzerland, for example, people had to purchase additional insurance packages (which only partially covered the costs) for hearing devices because they were not included in the mandatory basic-health insurance policies. Depending on the type of hearing loss, obligatory elderly and survivors' insurance might refund CHF 630 per device for five years. Alternatively, in severe cases, disability insurance would cover up to CHF 840 per device for six years. But consumers were not able to easily discern which insurance they should use to claim these benefits or how much they might receive, so they relied on advice from their audiologists. Overall, out-of-pocket expenditures were the most common source of funding – about 60% – whereas partially or fully reimbursed accounted for 20% each.

In contrast, suppliers had little influence over the manufacturers. They were many in number, and the raw materials only accounted for a very small portion of the total production costs for hearing aids.

Company and Industry Background

Turnaround and Geographic Expansion

Sonova began as the Zurich-based AG für Elektroakustik, founded in 1947. Ernst Rihs acquired the loss-making company in 1965 and renamed it Phonak, but soon after, he passed away and his son took over. In an attempt to acquire GN ReSound in 2007, the company

changed its name from Phonak to Sonova, but German authorities still did not approve the deal.

Still operating as Phonak, the company enjoyed great success in anticipating demographic trends correctly and foreseeing the potential of micro-processors that could make hearing devices ever smaller and more portable (refer to ***Exhibits 4*** *and* ***5***). Phonak invested considerably in R&D and grew into the top product innovator, with the broadest product portfolio, in the industry. With this engineering excellence, the company started earning profits and went public in 1994. Proceeds from its listing on the stock exchange supported further acquisitions and global geographic expansion efforts.

Sonova retained its technological leadership while some competitors such as William Demant claimed to have closed the innovation gap.

Industry Consolidation

In 1994, the market for hearing aids was highly fragmented. The six largest manufacturers accounted for 49% of the market, of which Sonova ranked third, with a market share of 6% (after Siemens with 14% and William Demant with 7%). What followed was a time of dynamic mergers and acquisition (M&A) activity and industry consolidation. With its strong profitability and good cashflows, Sonova made several successful acquisitions, including Unitron in 2000, Advanced Bionics in 2009, and Hansaton in 2015. Key rivals followed a similar strategy, e.g. William Demant acquired Bernafon in 1995, Otix in 2010 and Neurelec in 2013.

Vertical Integration

Selling hearing instruments required intensive consultations, so the channel was historically structured carefully and captured a significant value share of roughly 60%. In turn, other retail chains looking for new business opportunities entered the fray, e.g. the German optician Fielmann Group – Europe's market-leading retailer of glasses – indicated its plans to enter the hearing instrument market in 2007.

This competitive threat prompted the overall industry to respond with vertical integration. Sonova started to acquire retailers, on a small scale at first, keeping them under the brand name Hearing Connect. Larger deals, such as Lapperre, followed and then peaked with the acquisition of AudioNova in 2016, for €830 million. By 2018, all the manufacturers had retail chains or different retailers as part of their groups, e.g. William Demant owned Audika, Sivantos & Widex had Audibene and HearUSA and GN ReSound maintained numerous small distributors.

After closing these deals, manufacturers usually would increase the proportion of their own products being sold through the acquired retailer. This method of capturing value was not always successful; it was dependent on whether the acquired retailer had the wrong positioning in the market or because other independent retailers stopped selling the products of that particular manufacturer in retaliation.

Financial Performance

Sonova had a great financial track record (*refer to **Exhibits 6** and **7***). For the fiscal year 2017/2018, total sales amounted to CHF 2.6 billion, with a gross profit margin of 76%, thereby generating earnings before interest, taxes, depreciation and amortization (EBITDA) of CHF 430 million. Roughly 60% of sales came through wholesale channels to independent retailers, among which Amplifon remained the largest customer. The other 40% of sales were generated through the company's own retail stores. From a product mix perspective, Phonak represented the flagship brand, followed distantly by Unitron and then Hansaton hearing aids. Cochlear implants accounted for CHF 0.2 billion in sales.

As of March 2016, Sonova was debt-free, with a net cash position of CHF 296 million. In October 2016, bonds were issued for CHF 760 million to finance its acquisition of AudioNova. The average free cashflow excluding M&A amounted to CHF 0.4 billion annually, and Sonova maintained a stable dividend payout ratio of 42%. In August 2018, it announced a share buy-back program worth up to CHF 1.5 billion for a three-year period. By September 2018, the company's share price reached an all-time high of close to CHF 200 per share (*refer to **Exhibit 8***), with a market capitalization of CHF 13 billion.

When Martin reviewed the company's profitability data, he started to have some second thoughts:

> It is possible that digital solutions will not generate additional sales in the short term, nor enable price increases; thus, the needle may not move in the short- to mid-term because of digital solutions. Of the CHF 144 million we spend today in R&D, only a small part is invested in the development of some basic applications. But there is so much more we should be doing. We need to create a platform and integrate the data from different systems; fitting software and interface software have to be developed; and several more applications still need to be designed. We do not know how much this is going to cost us, nor how we should finance it.

Competitive Moves in Digital

William Demant was apparently moving in a similar direction. With *Oticon On, Oticon Connect Line* and *Oticon Remote Care*, it already had developed similar applications. With apps like *Re Sound Smart* and *Re Sound Smart 3D*, GN ReSound mostly was just keeping up with industry developments. It was Sivantos & Widex that appeared more advanced. Its *Sivantos myControl App* allowed users to create individualized settings for defined situations; with *easyTek*, they could design configurations for sound sources originating from specific directions. It was unclear whether any of these companies had platform ambitions.

The strongest competition for digital solutions came from Amplifon, which announced its plans to sell best-in-class hearing instruments connected to a digital platform and supported by various mobile applications, all under the Amplifon brand (*refer to **Exhibit 9***). It issued very specific requirements to hearing aid manufacturers, setting a threshold they had to meet for their products to be considered a "best-in-class hearing instrument" and to allow them to continue to supply Amplifon. As Martin noted though:

> Amplifon has a much easier job. They only have one brand and can fully focus on transformation and service delivery, while Phonak needs to further develop the product. If we make a mistake here, Amplifon can switch quickly, and we're gone. Amplifon is building a strong B2C brand and system that makes our hearing instruments replaceable.

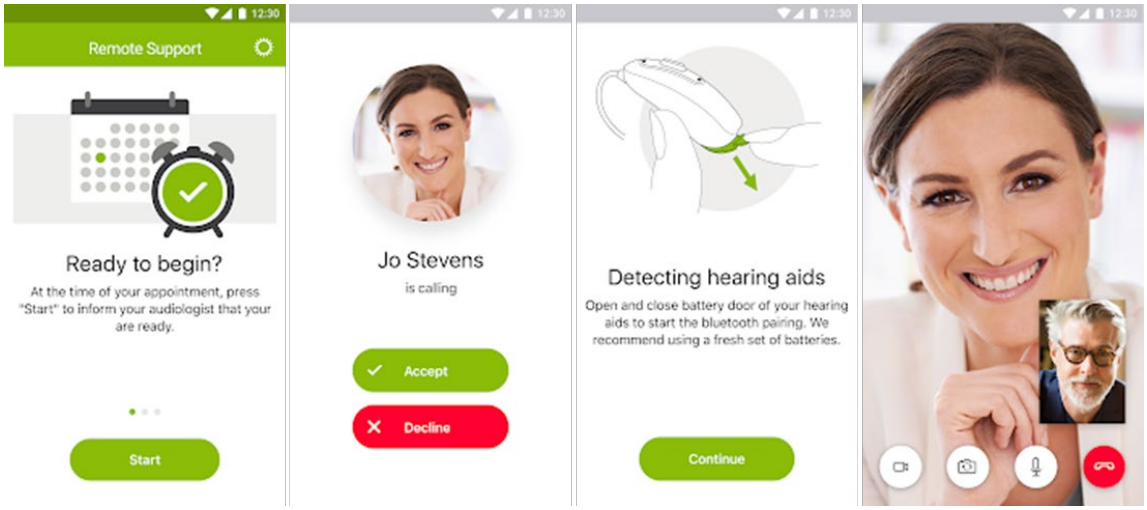
New Kids on the Block?

In 2017, the US Congress passed the Over the Counter Hearing Aid Act; draft regulations were expected from the Food and Drug Administration (FDA) by the fall of 2018 that would allow hearing aids to be sold without a prescription or consultation with an audiologist for mild to moderate cases of hearing loss. Entering this market was set to become relatively easy because, as early as October 2018, Bose Corporation, the US consumer electronics company, had earned FDA approval to sell a hearing device that could be fitted by the user directly. Apple also announced, in mid-2018, that it was developing software that could transmit any form of conversation taking place in the proximity of the person to his or her iPhone and Airpods. This functionality likely would help people with mild hearing issues, but it was unclear whether this option represented simply another Apple feature or if the company was planning for a new market entry. Similarly, Google entered into a collaboration with GN ReSound in August 2018, to develop a native hearing aid support option for Android devices that would allow the hearing aids to connect to and stream from Android devices, without having to use any other intermediate device.

It was late, and as Martin prepared to leave the office for the day, he thought about the options regarding what he and his team should focus on going forward:

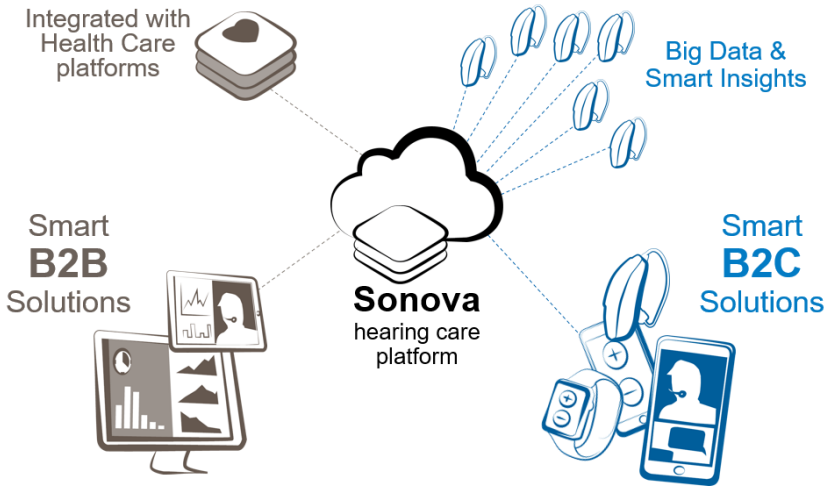
- Should they first seek to understand how to consolidate brands and integrate the business to create the right basis for further growth?
- Should his team fully pursue developing digital solutions, with the aim of digitizing the customer journey completely and potentially making retail stores obsolete?
- Should he try to persuade the overall organization to persist with its existing focus on products to regain technology leadership?

Exhibit 1
myPhonak Application



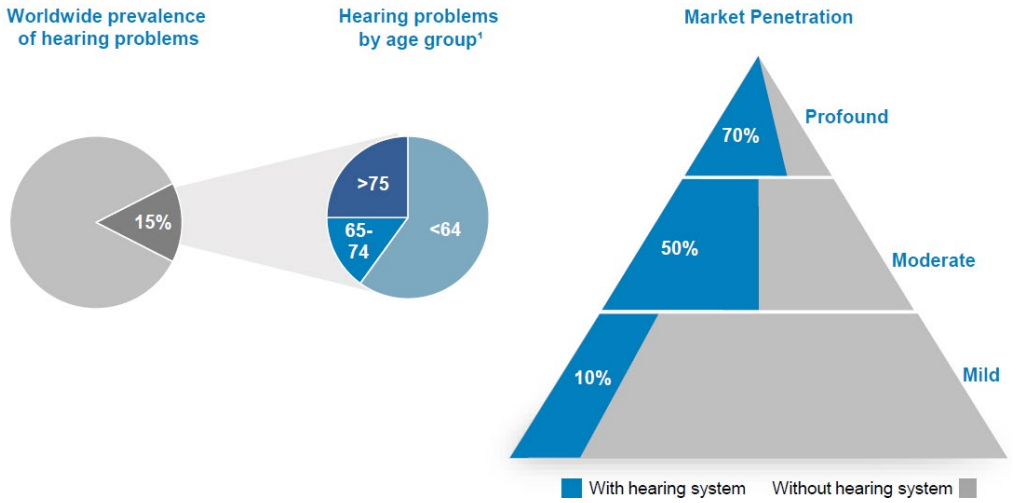
Source: Google Play

Exhibit 2
Sonova Hearing Care Platform



Source: Sonova, Investor & Analyst Day 2015, October 13, 2015

Exhibit 3
Market Penetration



Source: Sonova Holding AG, Investor Presentation, September 2018

Exhibit 4
Phonak Alpina (1950), First Portable Hearing Aid

Source: http://www.blog-audioprothesiste.fr/wp-content/uploads/2012/02/Alpina.jpg

Exhibit 5
Claro by Phonak (1999), first fully digital hearing aid

Source: http://www.who-sells-it.com/cy/phonak-ag-1339/hearing-systems-4899/page-11.html

Exhibit 6
Sonova Group Income Statement

INCOME STATEMENT	Sonova			
Period ending **CHFm**	**03/15**	**03/16**	**03/17**	**03/18**
Sales	**2'035**	**2'072**	**2'396**	**2'646**
Cost of sales	-648	-696	-744	-778
Gross profit	**1'388**	**1'375**	**1'652**	**1'868**
Research and development	-131	-130	-137	-143
Sales and marketing	-613	-638	-815	-934
General and administration	-201	-194	-243	-266
Other income / (expenses), net	13	18	6	7
Acquisition-related amortization	-26	-27	-39	-49
Share of profit / (loss) in associates / joint ventures, net	2	2	-0	3
Operating profit (EBIT)	**431**	**405**	**424**	**486**
Financial income	1	4	7	2
Financial expenses	-12	-12	-14	-9
Income before taxes	**420**	**397**	**417**	**479**
Income taxes	-52	-51	-61	-72
Net profit	**368**	**346**	**356**	**407**
KPI's:				
Gross profit margin	*68.2%*	*66.4%*	*68.9%*	*70.6%*
EBITDA	*516*	*494*	*571*	*621*
EBITDA margin	*25.3%*	*23.8%*	*23.8%*	*23.5%*
EBIT margin	*21.2%*	*19.5%*	*17.7%*	*18.4%*
Net profit margin	*18.1%*	*16.7%*	*14.9%*	*15.4%*
Ratios:				
R&D in % of sales	*6.4%*	*6.3%*	*5.7%*	*5.4%*
Sales and marketing in % of sales	*30.1%*	*30.8%*	*34.0%*	*35.3%*
General and administration in % of sales	*9.9%*	*9.4%*	*10.1%*	*10.0%*
Taxe rate	*12.4%*	*12.9%*	*14.7%*	*14.9%*

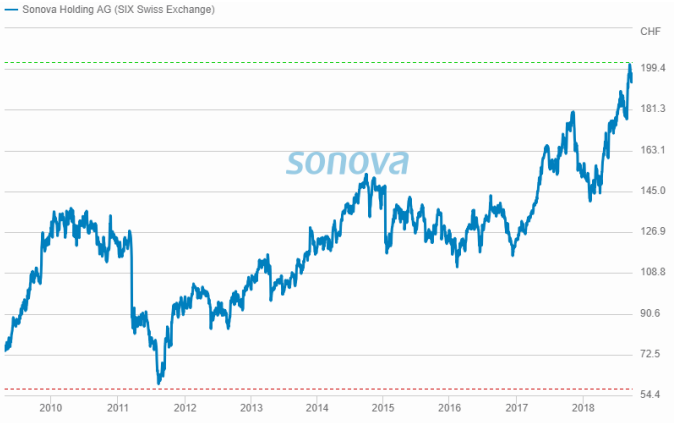
Source: Sonova Annual Report 2017/2018, 2016/2017, 2015/2016, 2014/2015

Exhibit 7
Sonova Group Balance Sheet

BALANCE SHEET	Sonova Group			
Period ending CHFm	03/15	03/16	03/17	03/18
Cash and cash equivalents	390	317	375	552
Other current financial assets	5	7	4	4
Trade receivables	349	355	413	450
Current income tax receivables	6	8	6	7
Other receivables and prepaid expenses	66	70	86	91
Inventories	241	240	256	264
Total current assets	**1'059**	**997**	**1'140**	**1'368**
Property, plant and equipment	270	268	310	315
Intangible assets	1'220	1'350	2'323	2'466
Investment in associates / joint ventures	10	9	11	14
Other non-current financial assets	22	20	20	24
Deferred tax assets	111	108	130	115
Total non-current assets	**1'633**	**1'755**	**2'795**	**2'934**
TOTAL ASSETS	**2'692**	**2'752**	**3'936**	**4'302**
Current financial liabilities	3	7	13	162
Trade payables	73	78	106	89
Current income tax liabilities	96	94	118	142
Other short-term liabilities	207	214	259	276
Short-term provision	112	105	112	118
Total current liabiliites	**490**	**498**	**608**	**786**
Non-current financial liabilities	5	15	767	619
Long-term provisions	205	192	186	167
Other long-term liabilities	87	95	106	114
Deferred tax liabilities	33	46	137	141
Total non-current liabilities	**330**	**348**	**1'196**	**1'041**
TOTAL LIABILITIES	**820**	**845**	**1'804**	**1'827**
Share capital	3	3	3	3
Treasury shares	-71	-156	-12	-1
Retained earnings and reserves	1'913	2'035	2'117	2'449
Equity attributable to equity holders of the parent	**1'845**	**1'882**	**2'108**	**2'452**
Non-controlling interests	27	24	23	23
TOTAL EQUITY	**1'872**	**1'906**	**2'131**	**2'475**
TOTAL LIABILITIES AND EQUITY	**2'692**	**2'752**	**3'936**	**4'302**

Source: Sonova Annual Report 2017/2018, 2016/2017, 2015/2016, 2014/2015

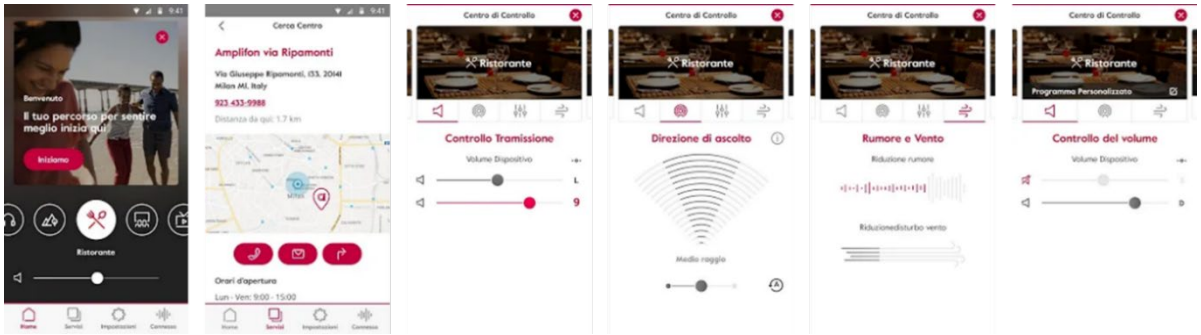
Exhibit 8
Sonova Share Price Development



Source: https://www.sonova.com/en/investors/share-quote

Exhibit 9
Amplifon Product Offering

Source: Amplifon S.p.A., 2018 Capital Markets Day, Reshaping the hearing care retail around the customer, March 26th, 2018



Source: Google Play

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