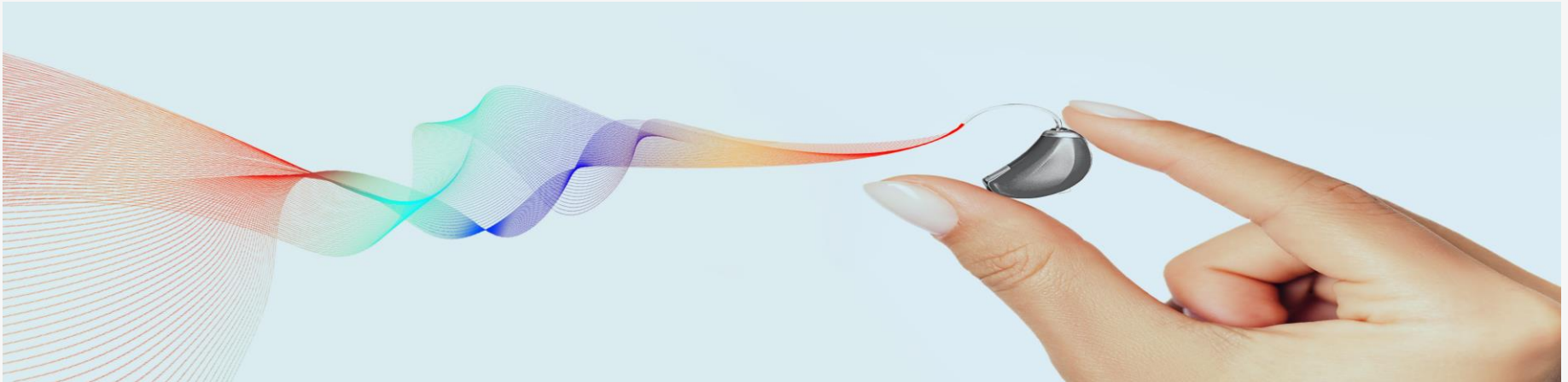


SPECIAL REPORT

# Hearing Aid Market: Valuations are Poised for a Rebound

---



# Contents

---

Hearing aids- An Introduction	02
Global Hearing-Aid Retail Market	03
Global Hearing Aid Sales	04
Hearing Loss Prevalence is Rising	05
Competitive Landscape: Hearing Aids Market	06
Innovative Trends Shaping the Future of Hearing Aids	07
Valuation and Investment Thesis	08

# Hearing Aids – An Introduction

Hearing aids are devices that amplify sound to assist individuals experiencing hearing loss



## Key electronic components of Hearing Aids

- A microphone for sound capture.
- Amplifier circuitry to enhance the volume of the captured sound.
- A small loudspeaker (receiver) to convey the amplified sound into the ear canal.
- Batteries to power the electronic components.
- Hearing aid designs differ based on factors like amplification technology, design elements, and features such as wireless connectivity and software applications.
- Some hearing aids include earmolds or earpieces to improve sound quality by directing sound into the ear; selecting the right hearing aid depends on factors like the type of hearing loss, listening needs, and lifestyle preferences.



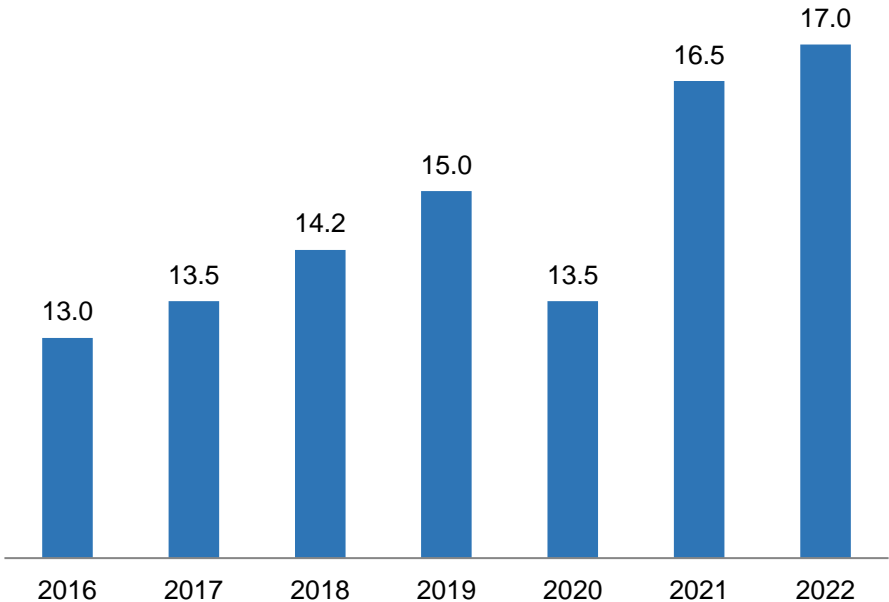
## Type of Hearing Aids

- Behind-the-ear (BTE) aids- BTE hearing aids, ideal for young children, have a small case behind the ear connected to an earmold via clear tubing, offering flexibility for growth, easy maintenance, and durability.
- "Mini" BTE, or receiver in canal (RIC) aids- smaller than traditional BTE aids, connect to the ear canal with a narrow tube or smaller earpiece, potentially reducing the occlusion effect, enhancing comfort, minimizing feedback, and addressing cosmetic concerns for users.
- In-the-ear (ITE) aids- larger than in-the-canal counterparts, house all components within a shell filling the outer ear, offering easier handling compared to smaller aids.
- In-the-canal (ITC) aids- the smallest available, fit into the ear canal for cosmetic and listening advantages but may be challenging to handle and adjust due to their size.

# Global Hearing-Aid Retail Market

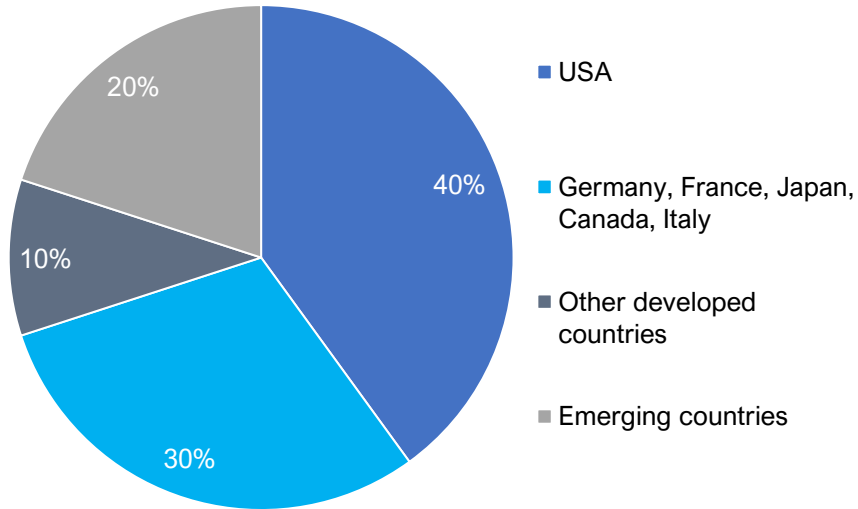
- The global hearing-care retail market stood at EUR 17bn in 2022 and grew by a CAGR of 4.6% over a period of 2016-2022.
- The global retail market for hearing aids is concentrated in developed countries. According to Amplifon, the US alone represents around 40% of the global retail-market value. The following five countries (Germany, France, Japan, Canada, Italy) account for an additional share of around 30%. Emerging-market countries are growing faster than developed countries, in particular for the premium segment, but are still not relevant in this respect.

Global Hearing-Aid Retail Market (EUR bn)



Source: Amplifon

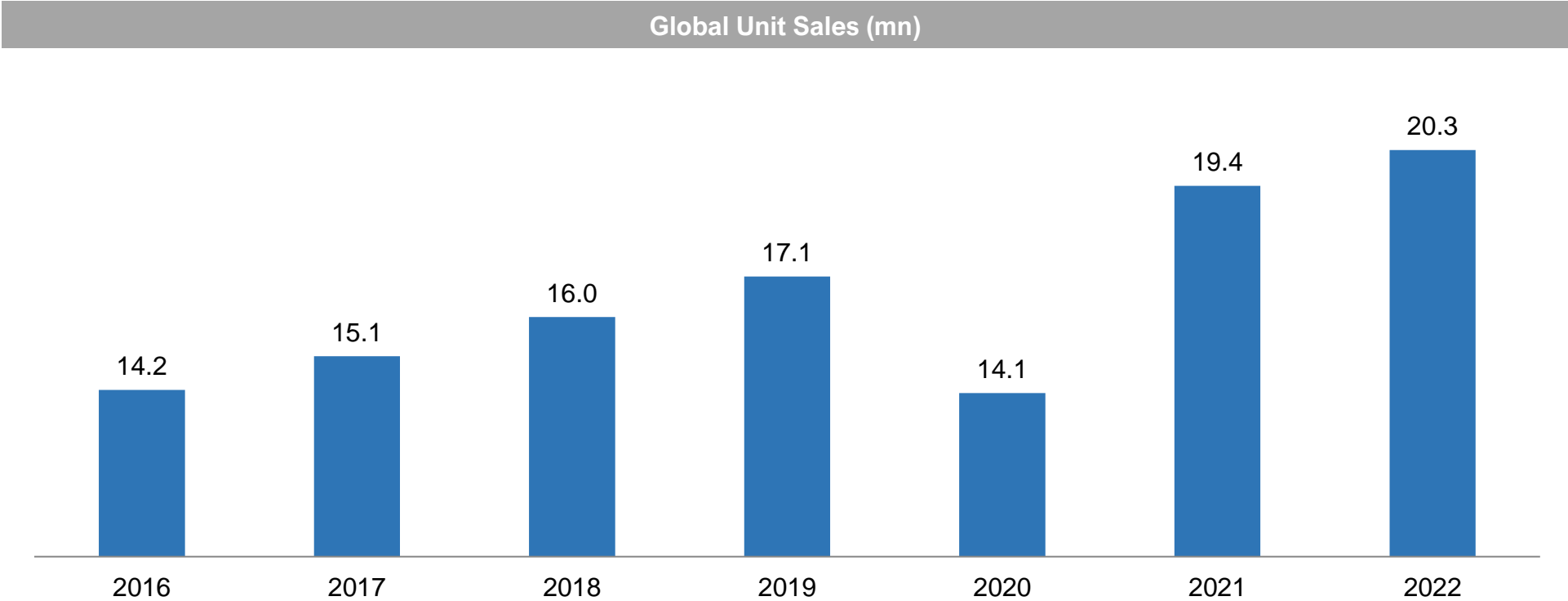
Global Hearing-Aid Market Segregation



Source: Amplifon, UniCredit Research

# Global Hearing Aid Sales

- Before the onset of the COVID-19 pandemic, the Global hearing aids sector had been experiencing consistent single-digit growth. However, with the implementation of lockdown measures, non-essential activities saw a considerable drop. Unlike essential necessities for survival, hearing aids, designed to enhance the quality of life, faced a pronounced decrease in demand.
- In 2020, the Global hearing aids market witnessed a notable 17.2% decline in sales, which amounted to 14.12 million during the same period. However, the market recovered significantly in 2021, surpassing the pre-pandemic levels to 19.4 mn units.

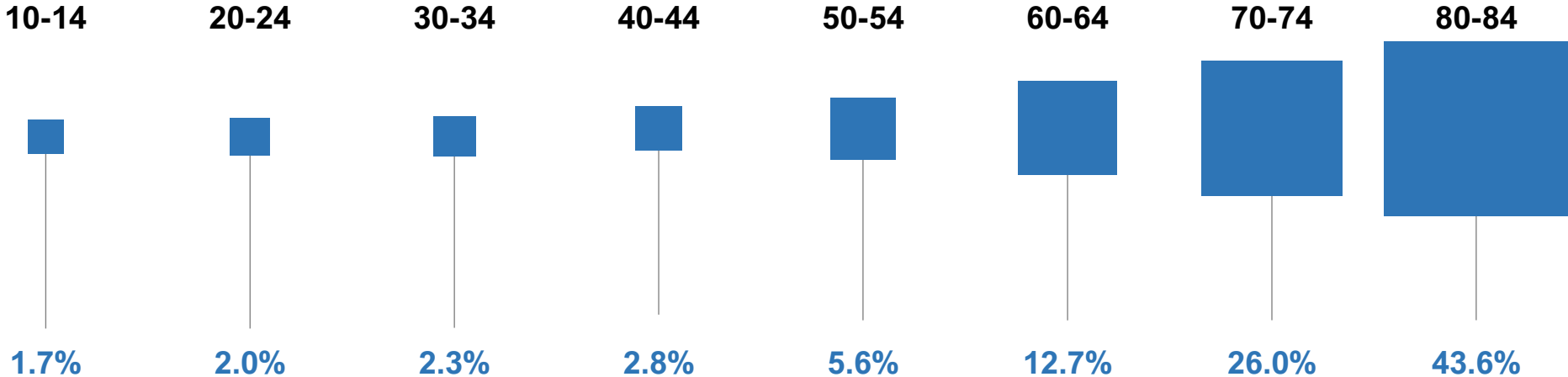


Source: EHIMA

# Hearing Loss Prevalence is Rising

- With over 1.5 billion people worldwide experiencing some form of hearing loss, an estimated 430 million individuals require hearing rehabilitation. The prevalence is expected to rise to 700 million by 2050 due to increased life expectancy and higher exposure to noise.
- As individuals age, hearing impairment becomes a prevalent issue. The incidence of hearing loss is minimal at 1.7% in the age group of 10-14 but significantly rises to 43.6% among those aged 80-84.
- Untreated hearing loss has significant health implications, leading to cognitive decline, depression, and increased risks of falls. The global annual cost associated with hearing loss, including health sector spending, lost productivity, and related social costs, amounts to approximately 1 trillion US dollars.

Hearing Loss Prevalence by Age

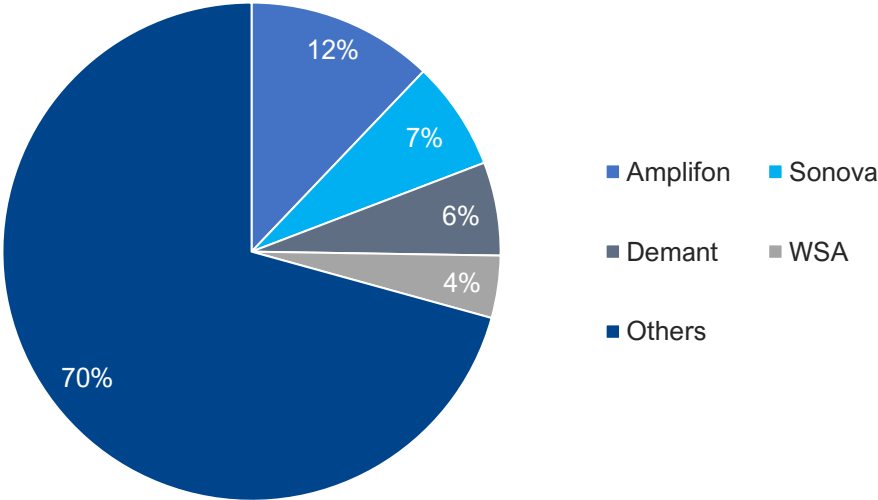


Source: Amplifon

# Competitive Landscape: Hearing Aids Market

- **Amplifon** - Amplifon SpA is an Italian company based in Milan and the world's largest hearing aid retailer.
- **Sonova** - Sonova is a global leader in innovative hearing care solutions and offers personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants.
- **Demant** - Demant A/S is an international hearing health care company within hearing aids, audiometric equipment, and personal communication.
- **WSA** - WS Audiology (formerly Sivantos Group and Widex) is a privately-owned manufacturer of hearing aids with headquarters in Denmark and Singapore

Global Hearing-Aid Retail Market Share (EUR 17bn in '22)



Source: Jefferies

# Innovative Trends Shaping the Future of Hearing Aids

---

## Post-Lockdown Surge in ENT Clinics

- The loosening of lockdown limitations in 2021 resulted in a considerable increase in patient visits to ENT clinics. This coincided with a recovery in surgical rates, resulting in a significant increase in demand for hearing implants.

## Surge in Smart Hearing Aid Adoption:

- The market is seeing a considerable increase in the use of smart hearing aids.
- This surge is being driven by factors such as an increase in noise-induced hearing loss, increased awareness, and programs marketing hearing aid equipment.
- The combined effect of these variables adds significantly to the overall growth of the smart hearing aids industry.

## Growing Hearing Loss Incidence Driving Market Expansion

- The region's increasing prevalence of hearing loss is a key element driving the expansion of the hearing aid industry.
- The rising prevalence of hearing loss in the area is a major driver of the hearing aid market's expansion.
- The penetration of hearing aids is gradually improving in developed countries.

## Digital Integration and Market Landscape

- The incorporation of digital technology is dynamically altering the hearing aid market.
- The favorable influence of demographic considerations is supplemented by ongoing technological improvements and the launch of goods combining cochlear implant and hearing aid technologies. These include increased healthcare spending, more awareness, a growing need for precise medicines, and an aging population.
- Innovative designs have a critical role in increasing market attractiveness, creating profitable prospects for industry participants.



# Valuation and Investment Thesis

- Amplifon holds a favorable position compared to its peers in the hearing aids sector, thanks to its low-risk premium growth and reduced dependence on product launches.
- Sonova is poised to experience a normalization of growth and a shift from share losses to gains, driven by anticipated product launches in 2024, which could contribute to a revaluation of the shares.
- Demant faces the prospect of a decrease in market share as the momentum from product launches wanes, favoring Sonova. Additionally, Demant has reached the pinnacle of its upgrade cycle.
- GN Store Nord faces risk from consumer exposure. The emphasis is on the Enterprise's development into the next year, and management anticipates a return to growth at some stage in FY24.

Company	Ticker	Last price (EUR)*	P/E (LTM)*	P/B*	EV/EBITDA*	ROA*	ROE*	Net Debt to EBITDA*	Free Cash Flow Yield %*
<b>Sonova Holding AG</b>	SOON.S	271.39	N/A	6.9x	16.84	28.0%	11.6%	1.6x	3.3%
<b>Amplifon SpA</b>	AMPF.MI	28.74	35.8x	6.1x	14.33	18.2%	5.7%	2.6x	3.9%
<b>Demant A/S</b>	DEMANT.CO	39.21	40.3x	7.1x	14.29	25.2%	7.6%	2.7x	3.3%
<b>GN Store Nord A/S</b>	GN.CO	21.60	48.8x	2.4x	15.81	7.8%	3.1%	4.6x	5.2%

\* Price and Valuation as on 12/12/2023

Source: Eikon



**2500+**

Global clients

**500+**

Strong, professional team across multi-disciplinary domains

**120+**

Sectors and sub-sectors researched by our analysis

**80+**

Countries where we have delivered projects

## ABOUT ARANCA



### Growth Advisory

CXOs in Strategy, SBUs, Sales, Marketing, CI/MI, Innovation



### Valuation & Financial Advisory

CFOs in Start-ups, PE/VC Firms, Corporate M&A Teams, Mid-market Companies



### Technology | IP Research & Advisory

R&D, Tech Scouting, Open Innovation, IP Teams, Product Development



### Investment Research & Analytics

Brokerage, Hedge Funds, IRPs, I-Banks, AMCs, Investor Relations

# Connect with our Team

---



**Khushbu Singhania.**

Senior Analyst,  
*Investment Research*

Khushbu.singhania@aranca.com



**Saurabh Dhillon**

Analyst,  
*Investment Research*

Saurabh.dhillon@aranca.com

**For more details:** [www.aranca.com](http://www.aranca.com) | <https://www.linkedin.com/company/aranca> | <https://www.aranca.com/knowledge-library>

# Decide Fearlessly

---

From startups to the Fortune 500, private equity and global financial firms, Aranca is the trusted research and advisory partner for over 2500 companies



[www.aranca.com](http://www.aranca.com)



This material is exclusive property of Aranca. No part of this presentation may be used, shared, modified and/or disseminated without permission.  
All rights reserved.