

A Work Project, presented as part of the requirements for the Award of a Master Degree in Economics / Finance / Management from the NOVA – School of Business and Economics.

Field Lab: Equity Research Paper on Amplifon - Company Overview and Financial Analysis

Miguel Vargas Afonso

A Project carried out on the Master in Finance Program, under the supervision of:

Camillo Riva

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Abstract

This thesis conducts a comprehensive analysis of Amplifon, a key player in the global healthcare industry specializing in hearing care solutions. The study encompasses a detailed examination of Amplifon's business model, product portfolio, strategic initiatives, and ownership and management structure. Mergers and acquisitions (M&A) activities are scrutinized to unveil the company's growth trajectory. A meticulous financial analysis of past performance offers insights into Amplifon's historical economic prowess. This research aims to provide a succinct yet insightful understanding of Amplifon's internal dynamics, historical financial performance, and industry positioning.

AMPLIFON S.p.A

HEALTHCARE

STUDENTS: MIGUEL AFONSO

FRANCESCO MAIOCCHI

COMPANY REPORT

20 DECEMBER 2023

42835@novasbe.pt

55681@novasbe.pt

Executive Summary

Our revised recommendation for Amplifon S.p.A (AMP.MI) is a **HOLD**, a shift from our previous BUY recommendation. This change is primarily attributed to the company's **materialization of M&A activities** (one of our major catalysts), exemplified by their **most recent acquisition of The Audical Group** in Uruguay, bolstering Americas region revenue.

A primary catalyst for the company's performance will depend on the company's **M&A initiatives**, specifically taking advantage of its brand know-how to penetrate promising emerging markets such as the Americas and APAC region.

Additionally, **the demographic trend** of an aging population presents a promising outlook and provides an opportunity for the company to improve its healthcare necessities further, directly affecting the company's top-line trajectory.

However, one of the major risks to the company's growth lies within the **intense rivalry** proposed by its competition, specifically by American retailers such as Costco, and the imminent entry of Italian giant Luxottica, who has stated that their entry will be in the next 5 years.

Company description

Amplifon is an Italian Company founded in 1950 emerging as the leader in the hearing care retail market. With a global footprint spanning over 9,300 points of sale around the world, Amplifon is the major provider for hearing aid products, owning the largest share amounting to 12% of the hearing care market.

Recommendation: **HOLD**

Vs Previous Recommendation Buy

Price Target FY23: **34 €**

Vs Previous Price Target 31€

Price (as of 20-Dec-23) **31 €**

Reuters: 31, Bloomberg: 31

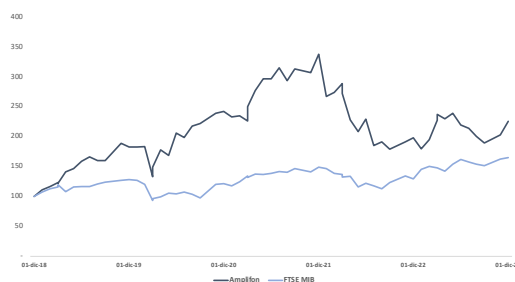
52-week range (€) 24.49 - 36.27

Market Cap (€B) 7.025

Outstanding Shares (m) 225.493

BBG BUY | HOLD | SELL 9 | 9 | 0

Source: Yahoo Finance



Source: Yahoo Finance

(Values in € millions)	2022A	2023E	2024F
Revenues	2 119	2 286	2 479
Adj. EBITDA	525	559	609
Net Profit	179	182	206
Adj. EBITDA Margin	25%	25%	25%
Profit Margin	8%	8%	9%
ROE	17%	14%	14%
Current Ratio	0.56	0.31	0.28
Cash Ratio	0.17	0.12	0.09
EPS	0.80	0.81	0.91
DPS	0.26	0.30	0.33
FCF Yield	4%	6%	4%
Net Debt/EBITDA	1.85x	1.57x	1.67

Source: Reported Financial Statements, Forecasted Financial Statements

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY [MIGUEL AFONSO AND FRANCESCO MAIOCCHI], A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL.

(PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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Company Overview

Amplifon is an Italian Company founded in 1950 emerging as the **leader in the hearing care retail market**. With a global footprint spanning over 9,300 points of sale around the world, Amplifon is the major provider for hearing aid products, owning the largest share amounting to **12% of the hearing care market**. The company leverages a distinctive customer experience, that ensures that the client is nurtured throughout his hearing care journey with Amplifon. The overview for Amplifon includes a deep dive into the company's business model, products from which the top-line is derived, strategy that guides the operational aspects, ownership and management team that reaffirms its solidity, and M&A activities in order to expand in different economic landscapes.

Business Model

Amplifon's retail-focused business and patient-centric strategy is the company's MO.

The core of Amplifon's business strategy is the **retail of hearing care products and offer for associated services**, such as hearing aids with its associated accessories, and quarterly check-ups on treatments. The company uses a **patient-centric strategy**, which emphasizes the value of individualized treatment to enhance the quality of life for its patients. More specifically, the services provided can be subdivided further:

- **Diagnostic and Consultation Services:** Qualified audiologists and hearing care specialists provide diagnostic testing and consultations at Amplifon. These services are the first steps towards the determination of a person's requirements related to its hearing care;
- **Tailored Hearing Aids:** Amplifon offers a selection of hearing aids from different producers. Each patient's unique requirements and preferences are catered for using these gadgets. In order to meet the varying needs of its customers, the company provides a range of models, styles, and technological levels, with different price ranges;
- **Maintenance and Aftercare:** Amplifon offers services after the first purchase. They provide continuing assistance, upkeep, and adjustments for assistive technology;
- **Accessories and Assistive Devices:** Amplifon also sells accessories and assistive devices related to hearing care, such as hearing aid batteries, cleaning products, and connectivity solutions

that allow hearing aids to connect to smartphones and other devices;

- **Healthcare Network:** Amplifon has a network of hearing care centers and professionals worldwide, enabling customers to access their services across different regions and countries; this guarantees that customers have a positive experience and receive ongoing assistance to optimize their hearing solutions.

Amplifon's strategic reach to consumers enables the company to grow.

From a business perspective, Amplifon uses a variety of **strategic initiatives** that converge together to reach a wide range of customers:

- **Business-to-Consumer (B2C) Model:** Amplifon uses its network of retail hearing centers to sell directly to final consumers. These can visit the locations to buy hearing aids and associated services, as well as get hearing exams. Geographically, Amplifon operates through direct points of sale to serve its consumers in the Europe, Middle East, and Africa (EMEA) region, the Americas region, and the Asia-Pacific region (APAC);
- **Franchising Model:** Amplifon uses franchising to run a sizable percentage of its hearing care facilities. Through this strategy, local business owners can open and operate their own hearing centers under the Amplifon brand while still taking advantage of the company's well-known name, resources, and experience. Amplifon operates a its most known franchised network of over 1,300 sale sites through Miracle-Ear in the US;
- **Managed Care Model:** Amplifon works with insurers and healthcare organizations to offer their members healthcare services related to hearing. Through these healthcare networks, Amplifon can provide services to a larger customer base thanks to collaborations.

Amplifon's supplies its products from the best manufacturers.

As a global leader in the retail segment of the sector, the company relies on and sources its inventory from **reputable and top-tier suppliers** with the newest and most advanced products available on the market. Furthermore, there is no indication of over-reliance on any single supplier.

- **Phonak:** A Swiss company with expertise in the development and production of hearing aids. They are renowned for their cutting-edge designs and wireless communication capabilities found in their hearing aids.

- **Otticon:** A Danish firm that has been making hearing aids for almost a century. They are renowned for concentrating on research and development, which has produced state-of-the-art technology in hearing aids.
- **Signia:** Danish-based international provider of hearing aids. Modern hearing aid technology, such as those that use artificial intelligence to provide individualized listening experiences, is what the company is renowned for.
- **Wide:** Danish producer of accessories and hearing aids. They have a reputation for using cutting-edge technology and superior sound quality in their hearing aid designs.
- **ReSound:** Danish business well-known for emphasizing connectivity features and natural sound quality in their hearing aids. ReSound is a leader in the industry when it comes to smart hearing aid solutions, offering features like mobile device integration and direct streaming.

Additionally, it is noteworthy to mention that Amplifon joined the **European Hearing Instrument Manufacturers Association (EHIMA)** in 2019, an organization that oversees the production of 90% of the world's hearing instruments. This not only reaffirms Amplifon's commitment to product quality, but also enables the company to consistently follow the latest technological advances in the industry.

Products

Amplifon product types are tailored to its customers.



Figure 1: Behind-The-Ear (BTE) Hearing Aid

The range of hearing aid products offered by Amplifon satisfies the various needs and tastes of people who have hearing loss by offering a **multitude of styles and form factors**. The pricing of the hearing aids is influenced by the prevailing social stigma associated with hearing challenges: **the more discreet the design (minimizing the visibility on the ear), the more its price**. This is attributable to the individual's reluctance of showing their hearing illness.

Amplifon provides discretely worn **Behind-The-Ear (BTE)** hearing aids that are worn behind the ears. Reputably adaptable, these devices address a wide range of hearing loss, from little to severe. Stronger amplification is made possible by their greater size, and many versions come with cutting-edge networking features like wireless streaming and smartphone compatibility. **These devices start from 450€.**



Figure 2: Receiver-In-Canal (RIC) Hearing Aid



Figure 3: In-The-Ear (ITE) Hearing Aid

Hearing aids known as **Receiver-in-Canal (RIC)** devices are similar to BTE models, but they have a smaller body and a receiver that is positioned inside the ear canal. RIC products, which offer a middle ground between BTE and ITE designs, are inconspicuous and offer a natural sound experience, adaptable to various degrees of hearing loss. **These devices start from 950€.**

In-the-Ear (ITE) hearing aids are specifically designed to fit inside the outer ear, a discrete option for anyone looking to aid their hearing. ITE products are easy to use and appropriate for people with mild to severe hearing loss because of their balance between functionality and aesthetic appeal. **These devices start from 1150€.**

It is imperative to note that Amplifon does not provide Cochlear and BAHA (Bone-Anchored Hearing Aids) products, hearing aids that can be a valid help for profound hearing losses or even single-sided deafness. **These products require surgical operations that the company does not directly offer** but provides assistance in finding the optimal solution for the client.

More specifically, the following range of product solutions is provided by Amplifon:



Figure 4: Ampli-Easy Hearing Aid (BTE)



Figure 5: Ampli-Mini Hearing Aid (BTE)



Figure 6: Ampli-Connect Hearing Aid (RIC and BTE)



Figure 7: Ampli-Energy Hearing Aid (RIC)

- **Ampli-Easy (BTE):** A user-friendly BTE hearing aid with an emphasis on maximum comfort and ease of use. Strong amplification is made possible by its behind-the-ear design, which makes it appropriate for various degrees of hearing loss. Ampli-Easy is an accessible option for people looking for dependable hearing help because of its simplicity and effectiveness.
- **Ampli-Mini (ITE):** A type of In-The-Ear hearing aid. This ITE model, which fits into the outer ear and is custom-moulded, blends style and utility. Ampli-Mini's modest appearance appeals to people who value a subdued, almost undetectable hearing aid option. It is appropriate for those with medium to severe hearing loss.
- **Ampli-Connect (RIC and BTE):** The product uses cutting-edge technologies to provide a streamlined and interconnected encounter that localises sound naturally while guaranteeing discretion. Because Ampli-Connect has wireless communication capabilities, users can stream audio straight to their hearing aids from a variety of devices.
- **Ampli-Energy (RIC):** A hearing aid specifically made for people with more severe hearing loss. Larger in size to support strong

amplification, Ampli-Energy is appropriate for people who need more substantial support. Stability and comfort are offered by its design, and the gadget has capabilities that improve sound clarity.

Strategy

Amplifon's international footprint enables the company to develop.

Amplifon is a multi-regional operator, with different geographical focus based on market maturity and development prospects. These regions split up into three primary areas, currently with over 9300 stores and franchisees.



Figure 8: Amplifon's EMEA Region Presence



Figure 9: Amplifon's Americas Region Presence



Figure 10: Amplifon's APAC Region Presence

- Europe, Middle East, and African (EMEA) Region:** Amplifon has its origins in Europe and its products are widely used in nations such as Italy, Portugal, France, Spain, and the United Kingdom. These markets are ideal for hearing care services since they are comparatively developed and have a sizable ageing population. Through targeted M&A to reach optimal scale in France and Germany, as well as the progressive roll-out of the Amplifon Product Experience and the launch of Ampli-care, **Amplifon hopes to solidify its leadership position** through organic growth bolstered by large investments in marketing and customer experience innovation. As of the FY 2022A, the region has is the largest operator with over 6500 stores.
- Americas Region:** Amplifon has been growing mostly in the US and Canada, in the North American region. The company has been deliberately opening new clinics and acquiring existing ones across the region attributable to the growing demand for hearing care services brought about by the ageing population. With an emphasis on growing its offerings to fulfil the demands of the people in these developing markets for hearing care, the company is present in a few Latin American nations. Most recently, the company has entered an emerging market through the acquisition of The Audical Group, one of the leaders in hearing care in Uruguay. Furthermore, by utilizing the franchising network developed through Miracle-Ear and Amplifon Hearing Health Care (AHHC), the company hopes to expand in the United States and **take up even more of the market share**. As of FY 2022A, the region has more than 1780 stores and franchisees.
- Asia-Pacific Region (APAC):** Amplifon has expanded its reach into nations in the Asia-Pacific area, which includes New Zealand,

Australia, and India. The vast and promising outlook in this region presents significant growth possibilities. With Amplifon, Attune, and Bay Audio—three complementing businesses—they hope to solidify their position in Australia. Furthermore, their acquisition of Bay Audiology has enabled the company to expand in New Zealand. Amplifon is **expected to keep pursuing the growth path via M&A in new sectors and organically** around the current hubs of Beijing, Shanghai, Zhejiang, and Hubei in the alluring and rapidly expanding Chinese market. As of FY2022 year end, the region had over 1000 stores.

Amplifon's unique customer proposition is one of their main selling points for their success.

A key driver for Amplifon's is the company's **unique customer proposition**, particularly the hearing aid journey proposed by the company: from the initial stages of discovering a tailored product, to the ongoing and continuous support for auditory assistance. This end-to-end approach enables the client to feel nurtured, supported by the latest technological advancements.

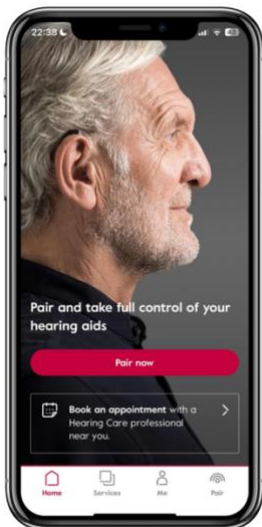


Figure 11: Amplifon's App

Amplifon withholds an effective and talented organization.

- **Customer Care:** Amplifon's high caliber customer insights and customer experience contribute to their excellent customer expertise. The product experience of Amplifon is a special and unique lever that can be used to deliver a comprehensive value proposition that combines product, service, and experience, greatly differentiating the service, and reinforcing the brand's identity.
- **Ampli-Care:** Ampli-care is a product of the company's efforts to activate a whole ecosystem around the client, whereby their unparalleled quality and quantity of data, together with digital technology, are critical components. Ampli-care is already being rolled out, allowing for the delivery of a distinctive, cutting-edge, and captivating experience. Amplifon offers the greatest support to all its clients along a streamlined audiological care journey across all touchpoints by maximizing knowledge for each customer's unique needs.

In order to better support the implementation of the strategy and to be even more competitive, Amplifon intends to increase the investments that are dedicated to its people, both in its stores and in the back-office. This is done with the intention of further improving the skills of its employees, fostering the sharing of best practises within the Group, and attracting the best talents on a daily basis. As an example, Amplifon was included in the **Time's list of the "Best Companies to work for in the World" for the latest year.**

Ownership and Management Team

Amplifon is very attractive in the eyes of institutional investors.

Significant institutions from all over the world have shown their interest in Amplifon, which also has a **very solid management team**.

The main shareholders include: Ampliter NV (the founders of Amplifon, owning up to 42.2%), Capital Group Cos Inc. (3.08%), Tamburi Inv. Par. (2.30%), ComgestSA (2.29%), T Rowe Price Group Inc. (2.12%), Vanguard Group Inc. (1.98%), BlackRock Inc. (1.76%). As of FY 2022A, Ampliter NV held 59.27% of the voting capital.

On the other side, the management team has consistently shown their resilience, maintained their solid reputation, and displayed extensive knowledge of the industry.



Figure 12: CEO, Enrico Vita



Figure 13: CFO, Gabriele Galli



Figure 14: CRO, Federico Bardelli

Amplifon relies heavily on M&A to increase its exposure to emerging markets.

- **Enrico Vita:** He has been CEO since 2015, and was considered the “Best CEO” of the MedTech sector in the EU this year. He is also personally responsible for the acquisition of Minisom and GAES, which were done under his guidance and supervision. He has been in the industry for more than 20 years.
- **Gabriele Galli:** In addition to having more than 14 years of expertise in the industry, he has been serving as Chief Financial Officer since 2017. Prior to that, he was the Chief Financial Officer of Piaggio, one of the most important motorcycle firms in Italy.
- **Federico Bardelli:** More than twenty years of experience in general management have been accumulated by Federico Bardelli, who has been serving as Chief Retail Officer since 2011. His position is especially important due to the retail-focused nature of the business.

M&A Activity

As one of its major growth strategies, Amplifon has actively sought M&A activities, emphasizing **regional diversification especially**. The company has been able to obtain a successful acquisitions track record due to a variety of aspects:

- **Geographic Expansion:** To increase its global reach, Amplifon has made strategic acquisitions of businesses in several countries, including the US, Canada, and in Asia. The corporation has been able to expand into new economic landscapes through these acquisitions.

- **Synergy and Integration:** Amplifon concentrates on attaining operational synergies and effective integration of the acquired firms following the purchase. This strategy guarantees a smooth transition while assisting them in getting the most value out of their acquisitions.
- **Portfolio Diversification:** Amplifon has expanded into new service areas, including online sales platforms, supplementary hearing care services, and the retail hearing aid sector. By diversifying, it lowers the risk and open up new revenue opportunities.
- **Brand Recognition:** Amplifon has been able to capitalize on the established brand in the individual regions by acquiring well-known local brands in several of its acquisitions.
- **Financial Performance:** Amplifon has experienced higher revenues and profitability because of its M&A strategy. They have the means to keep looking for M&A prospects because to their solid financial situation.

In regards to its geographical distribution, the company has concretely solidified its position in the EMEA region, while having room for **initiatives in the American and Asia-Pacific markets:**



Figure 15: Minisom, an example of M&A Activity in Portugal



Figure 16: Miracle-Ear, the main franchising network in the United States



Figure 17: The Audical Group, the latest acquisition in Latin America

- **EMEA Region:** Amplifon has grown throughout Europe in addition to maintaining a significant presence in its native country Italy. Europe is a key area for hearing care services due to its ageing population. The corporation has expanded by acquiring companies in France, Germany, and the United Kingdom, but because of its established market share, it has been slowing considerably. Additionally, Amplifon purchased GAES Médica (Spain) and Minisom (Portugal).
- **Americas Region:** Amplifon has undertaken a few calculated purchases to build a strong presence in such market, the biggest one of the three. Due to its sizable population, the United States is a crucial location for hearing care services. In 1999, Miracle-Ear became the first company to be acquired in the United States. The most recent, on December 13th, Amplifon announced the acquisition of the Audical Group, a national player in the hearing care market in Uruguay. The Audical Group consists of 25 primary retail outlets under the brand names Audical and Centro Auditivo, alongside numerous distributors spanning the nation. Enrico Vita states that

the company's "entry in Uruguay is a new step in our internationalization and growth journey in Americas, a region that will be pivotal in Amplifon's future development."

- **APAC:** Amplifon has made acquisitions in countries like South Korea and India after realizing the potential of the Asian market. The ageing population in Asia and the increased interest in hearing health present significant growth prospects for the company. Amplifon has increased its market share in Australia by acquiring Bay Audio, the country's first acquisition in APAC, and the National Hearing Care Group, Australia's leading provider of hearing healthcare services, in 2010. Furthermore, their acquisition of Bay Audiology has enabled the company to expand in New Zealand.



Figure 18: Bay Audio, an example of M&A activity in Australia

Industry Overview

Sector Analysis

In the next 30 years, hearing impairment is projected to grow significantly.

By the year 2050, it is projected that nearly **2.5 billion** individuals will experience some level of hearing impairment, with at least **700 million** of them requiring hearing rehabilitation. Furthermore, over 1 billion young adults are at risk of developing permanent, preventable hearing loss due to unsafe listening practices, according to World Health Organization.

A relatively modest annual investment of less than US\$ 1.40 per person is necessary to expand global ear and hearing care services. This investment has the potential to yield significant returns, with an estimated return of nearly **US\$ 16 for every US dollar invested over a 10-year period.**

Approximately **5% of the global population**, which translates to around 430 million people, currently necessitates rehabilitation to address disabling hearing loss. Among this group, 432 million are adults, and 34 million are children.

The term 'disabling' hearing loss is defined as hearing loss greater than 35 decibels (dB) in the better hearing ear. A notable point is that nearly 80% of people experiencing disabling hearing loss reside in low- and middle-income countries. Moreover, the prevalence of hearing loss rises with age, with **more than 25% of those aged over 60** being affected by disabling hearing loss. Despite these implications, the adoption rate of hearing aids remains relatively low, estimated at approximately 37% in high-income countries and between 5% and 10% in emerging economies.

The collective global cost associated with untreated hearing loss is estimated to be around **1 trillion US dollars annually** (according to Amplifon), encompassing health sector expenditures, lost productivity, and related social costs.

According to Amplifon, the global retail hearing care market was estimated to be around **17 billion euros in FY 2022A**, and it is anticipated to experience growth in the medium and long term due to its strong fundamentals and enduring trends. This market is characterized by significant fragmentation, albeit with ongoing consolidation. In this market, Amplifon maintains a global leadership position, accounting for **approximately 12% of the market share**.

Competition

Amplifon's intense competition drives the company to outperform.

Amplifon operates in an industry where technological advancements, market trends, regulatory environment, geographic and service differentiation play as major catalysts of change in competition's dynamics. Amplifon is a global leader in the retail hearing care industry and, as such, it faces a competitive environment shaped these various factors at a country level, but also from a regional and local aspect. **Amplifon's main rivals include:**

- **Demant A/S:** Denmark-based company that specializes in hearing healthcare solutions. The company is engaged in the design, development, and distribution of innovative hearing aid solutions, diagnostic instruments, and personal communication devices. Demant operates globally and aims to improve the quality of life for individuals with hearing loss.
- **GN Store Nord:** Danish conglomerate with a focus on audio and hearing aid solutions. The company operates through two primary business segments: GN Hearing and GN Audio. GN Hearing is involved in the development and manufacturing of hearing aids and accessories, while GN Audio focuses on communication solutions, including headsets for professional and personal use.
- **Sonova:** Swiss company and one of the leading providers of hearing care solutions worldwide. The company specializes in the design, manufacturing, and distribution of hearing aids and cochlear implant systems. Sonova's products aim to enhance the hearing experience for individuals with hearing loss, and the company is known for its commitment to innovation in the field of audiology.



Figure 19: Demant A/S logo



Figure 20: GN Store Nord logo



Figure 21: Sonova logo



Figure 22: Fielmann logo

- **Fielmann:** German company that operates mainly in the optical industry, but also offers hearing aid solutions. The company is known for its focus on providing affordable and high-quality eyeglasses, sunglasses, and contact lenses, but also its quality hearing aids. Fielmann follows an integrated business model, encompassing design, manufacturing, and retail, allowing them to offer a wide range of products directly to consumers through their extensive network of stores.

Value Chain

The retail-focus of Amplifon enables the company to obtain the best margins in the sector.

In the hearing care market, the value chain comprises distinct entities, each contributing a specific percentage to the overall value: suppliers (5%), manufacturers (25%), **retailers (70%)**, and end users/players (100%).

Examining the global retail share by segment, the distribution is as follows:

- **Independents** hold a substantial share of more than 50%, retaining significant relevance in the market.
- **Speciality retailers** encompass over 35%, featuring a limited number of international retail players, with **Amplifon representing 12% of this category**.
- **Non-speciality retailers** account for 10%, characterized by a scattered presence and country-specific variations.
- **Online players** constitute a modest 1%, exhibiting limited growth potential attributed to constraints in the service model and customer experience.

As a result, retailers play a pivotal role in the value chain, offering a range of services such as assessment, counselling, fitting, and after-care. These services collectively constitute a substantial portion of the overall value proposition for customers, which is one of the key drivers for customer retention in such business. In fact, Amplifon's peers might have significantly higher revenues, however, despite this financial discrepancy, **Amplifon asserts its prominence as the leading entity in the retail market**. This strategic positioning is particularly noteworthy as the retail segment constitutes the primary source of value-added in the value chain. Consequently, while Amplifon may trail behind its peers in overall revenue, its leadership in the critical retail market stresses its strategic consolidation within the hearing care industry.

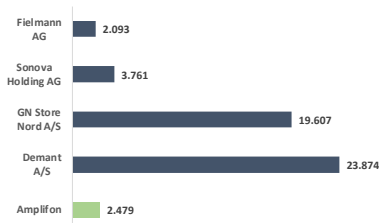


Figure 23: Expected FY 2024F Revenues for Amplifon and its rivals

Financial Analysis

The subsequent section will undertake the financial analysis of Amplifon from a financial perspective, focusing on its **past performance** with regards to key metrics such as top line growth, margin evolution, profitability analysis, liquidity profile, and capital structure. Ultimately, this analysis will be put into perspective by providing the same figures for Amplifon's peers to provide a comparative assessment.

Amplifon's top line has been steadily growing.

Revenue Trajectory and Geographical Breakdown

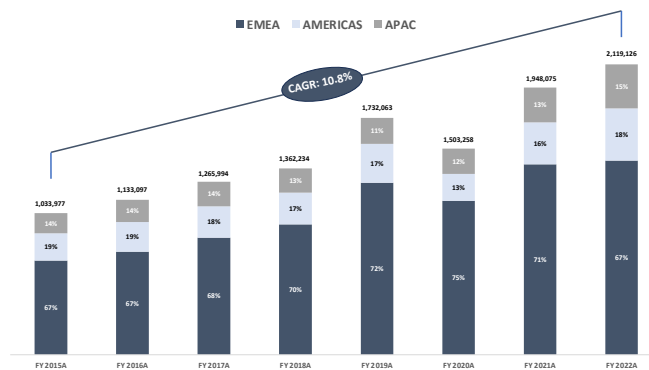


Figure 24: Annual Revenue Evolution and Geographical Breakdown from FY 2015A to FY 2022A

The figure above depicts the **trajectory and geographical distribution of revenues from FY 2015A to FY 2022A**. Regarding revenue dynamics, Amplifon has demonstrated a high year-on-year constant growth at an **11% CAGR**. However, the pandemic period starting from Q2 2020A should be acknowledged, where the company suffered a damaging effect regarding its top line growth, a **decrease of 8.40% with respect to FY 2019A**. Despite Amplifon's positioning in a counter-cyclical sector, **the hearing aid segment took a backseat** in the broader sector of healthcare, resulting in a **tangible decrease in product sales**. Furthermore, in alignment with the company's strategy, the geographical breakdown presents a two-fold approach: **solidify its market share** in the European market and **diversify its revenue streams** through the American market, the biggest with respect to audiology, and the rapidly expanding APAC market. Regarding Amplifon's most recent earnings report, displaying its performance for the first three months of 2023 (9M 2023A), the company reports a solid **65% margin in the EMEA region**, a growing **20% margin in the Americas region**, and an increasing **25% in the APAC Region**. The following geographical diversification underlines Amplifon's **adaptability** to different market dynamics, and its will to navigate in **different economic landscapes**.

Amplifon's cost management practices have enabled margins to improve.

Margin Evolution

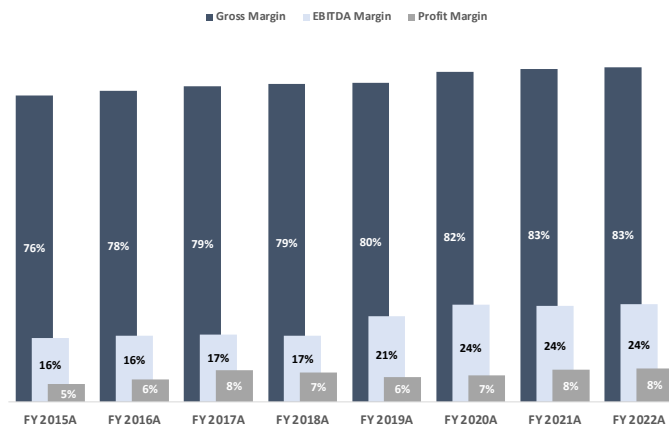


Figure 25: Annual Margin Evolution from FY 2015A to FY 2022A

In analyzing margin dynamics, the figure above provides a birds-eye view of sustained growth, **reflecting efficient cost management practices**. Notably, the Cost of Goods Sold (COGS) has witnessed a marked improvement (**from 24% of total revenue in FY 2015A to 17% of total revenue in FY 2022A**) resulting in an ascending Gross Margin from **76% in FY 2015A to 83% in FY 2022A**. When examining a broader spectrum of operating expenses, the EBITDA margin has experienced an increasing trajectory from **16% in FY 2015A to 23% in FY 2022A**. This outcome stems from a reduction in rental expenses attributable to Amplifon's **strategic implementation of leases from the start of FY 2019A**. This shift caused rental expenses to constitute **only 0.5% of Total Revenue**, rather than the previous allocation of **5% of Total Revenue**. Similarly, the net margin has fluctuated over the years, but maintained growth outlooks amounting to **8% in FY 2022A**. Such volatility is mainly attributed to two factors including the company's **right of use assets depreciation** starting from FY 2019A and **interest expenses** attributable to Amplifon's employment of lease liabilities from FY 2019A. Despite the company's financial leveraging, Amplifon has **demonstrated resilience in period of economic downturns** such as the COVID-19 pandemic starting from Q2 2020A.

Profitability ratios signal the company's willingness to create value for its shareholders.

Profitability and DuPont Analysis

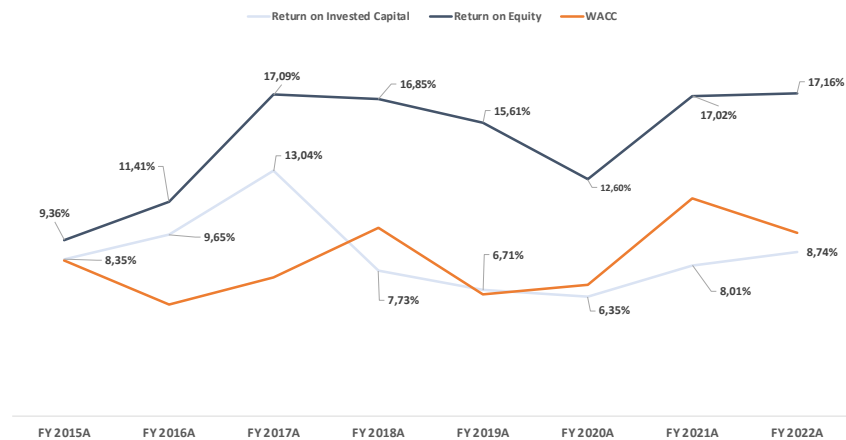


Figure 26: Annual Profitability Evolution from FY 2015A to FY 2022A

In assessing profitability metrics, the core ratios for financial performance include the standalone analysis of the Return on Equity (ROE) and Return on Invested Capital (ROIC), and their evolution with respect to the Weighted Average Cost of Capital (WACC). As shown in the graph above, both metrics show an upwards trajectory: ROIC increasing from **8.35% in FY 2015A to 8.74% in FY 2022A** and ROE increasing from **9.36% in FY 2015A to 17.16% in FY 2022A**. However, the performance also underlines some declines in performance. With the respect to the ROIC, the decrease from **13.04% in FY 2017A to 7.73% in FY 2018A** is mainly attributable to an almost twofold surge in net invested capital, driven by a substantial increase in registered goodwill from **684,132€ thousand to 1,161,598€ thousand**. The following surge in goodwill indicates high levels of M&A activity, underlining the company's successful track record in acquisitions. Regarding the ROE performance, the decline from **17.09% in FY 2017A to 12.60% in FY 2020A** is mainly attributable to two factors: (i) tax rate **increasing from 23% to 28%** due to additional tax charges over the corporate Italian tax rate of 24%, and (ii) the COVID-19 pandemic damaging top-line growth of Amplifon **decreasing 8.40% YoY in FY 2020A**. When contextualized against the evolution of the WACC, the following profitability measures have outperformed the cost of raising capital more often than not. This positive outlook demonstrates Amplifon's ability to create value for its shareholders through its operational performance and strategic initiatives. More recently, due to a period of restrictive monetary policy and overall macroeconomic uncertainty, the company's profitability has underperformed the WACC. However, we expect the situation **to only improve onwards**, favoring the company's financial performance.

Amplifon's DuPont Analysis confirms a healthy growth in equity returns.

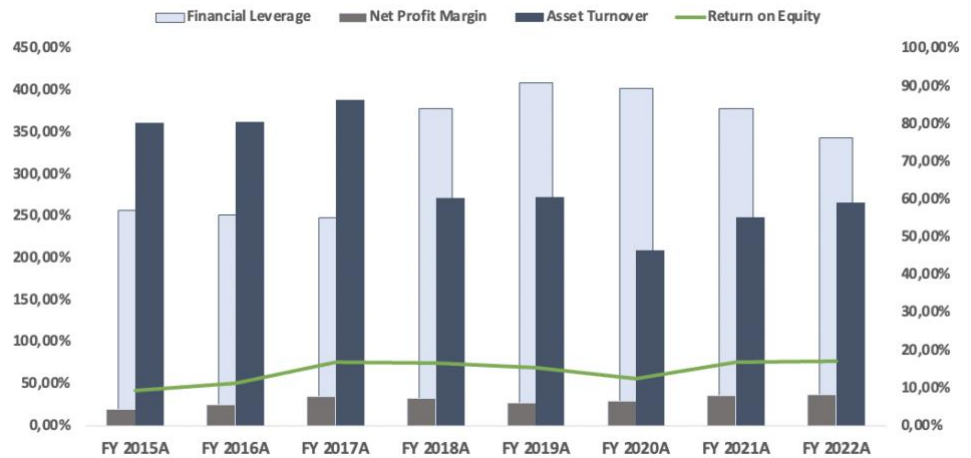


Figure 27: Annual DuPont Analysis from FY 2015A to FY 2022A

Additionally, our conducted DuPont analysis has provided valuable insights into the performance of the ROE. As confirmed by the figure above, the increase in ROE is **mainly driven by improvements in the net profit margin and asset turnover positions**, rather than relying on increased financial leverage. In fact, in each instance the ROE grows, such is aligned by a concurrent increase in the profit margin, **from 5% in FY 2015A to 8% in FY 2022A**. The following pattern confirms Amplifon's healthy evolution in ROE, due to **operational efficiency and profitability** rather than relying on leverage to maximize shareholder returns.

Amplifon's liquidity profile signals the heavy utilization of strategic acquisitions.

Liquidity Profile

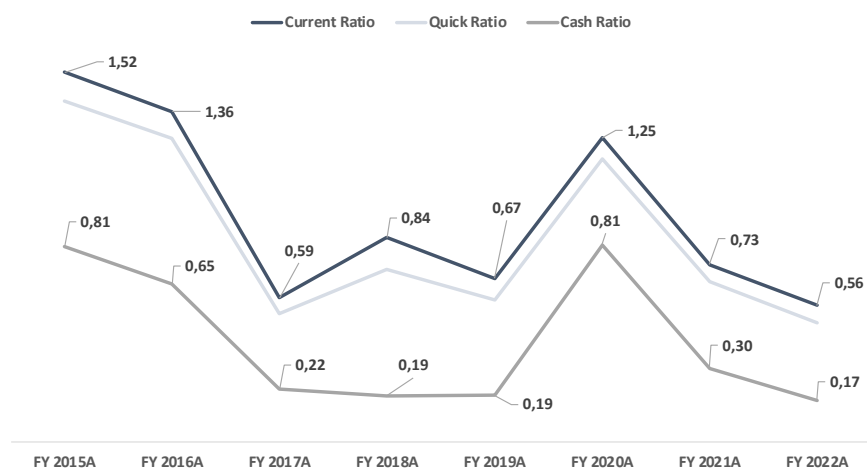


Figure 28: Annual Liquidity Analysis from FY 2015A to FY 2022A

Amplifon's liquidity profile has demonstrated variability over the years, primarily attributable to the **company's strategic initiatives involving the use of debt and cash to facilitate M&A activities**. On average, the current and quick ratio have hovered in proximity of the optimal threshold of 1, underlining a balanced liquidity position. However, recent years have shown an exception to the trend evidenced by a negative working capital resulting in a decrease of the current ratio from **1.36 in FY 2016A to 0.59 in FY 2017A**. The negative net working capital derived by the company's financials signifies a deliberate move towards expansion. Similarly, the cash ratio aligns with the performance of the other ratios, ranging from **0.81 in FY 2015A to 0.17 in FY 2022A**. Despite the overall volatility in the former ratio, **there is no evidence that suggests an inefficient allocation of cash**. On the contrary, the proven M&A successful record of Amplifon is a signal to a efficient use of debt and cash.

Amplifon's evolution of debt goes hand in hand with profitability measures.

Capital Structure Analysis

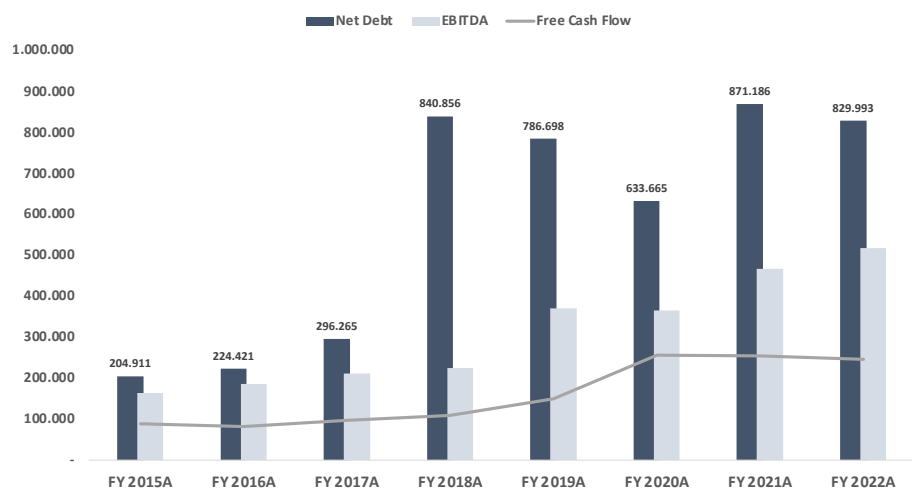


Figure 29: Annual Capital Structure Analysis from FY 2015A to FY 2022A

The following figure illustrates the dynamic relationship between Net Debt and EBITDA, shedding light on the consequential impact it has on the company's Free Cash Flows. The company's leveraged position has showed a steady increase, **peaking in FY 2018A primarily attributed to the notable concentration of long-term debt** in the capital structure. A closer examination of the relationship between debt and profitability reveals that Net Debt grows from **1.24x in FY 2015A, peaking in FY 2018A at 3.73x, and ending at 1.60x in FY 2022A**, with respect to EBITDA. As a result, not only is profitability growing, but the enhanced leveraged position is testament to the company's ability of handling debt efficiently. Furthermore, the incremental position of **Free Cash**

Flows suggests that the incremental debt position optimizes the company's operational efficiency, improving Amplifon's cash position. Further strengthening the company's thesis on reliance on general debt, company financials show that the debt-to-equity ratio has grown **from 80% in FY 2015A to 104% in FY 2022A**.

Relative Financial Analysis

Amplifon's financial performance is basically the median to its peers.

FY 2022A	Amplifon	Demant A/S	GN Store Nord A/S	Sonova Holding AG	Fielmann AG	Median
EBITDA Margin	24,48%	21,62%	13,88%	28,87%	19,45%	20,54%
ROIC	8,74%	11,03%	4,19%	15,68%	7,46%	9,25%
ROE	17,16%	25,18%	7,84%	25,16%	12,79%	18,98%
Current Ratio	0,56	0,87	0,80	1,10	1,22	0,99
Cash Ratio	0,17	0,10	0,08	0,41	0,51	0,26
Net Debt/EBITDA	1,60x	3,27x	5,88x	1,03x	1,27x	2,27x

Figure 30: Annual Relative Financial Analysis from FY 2015A to FY 2022A

In conducting a comparable financial analysis, the financial performance of Amplifon is assessed in comparison to its hearing care peers, bearing in mind the distinctive nature of Amplifon's business model, solely focused on **retail** of audiology products:

- **Margins:** With respect to the median of **20.54%**, Amplifon exhibits superior margins in **FY 2022 amounting to 24.48%**. This implies that Amplifon is better in cost management, reducing operating expenses while simultaneously increasing group revenues.
- **Profitability:** Amplifon's profitability measures align closely with the industry median. More specifically, the ROIC for Amplifon is **8.74%** while the median is **9.25%**, and the ROE for Amplifon is **17.16%** while the median is **18.98%**. Despite the figures resulting a bit below the industry average, the consistent performance above the WACC suggests the company's search for value creation opportunities.
- **Liquidity:** Relative to its peers, Amplifon's liquidity profile is weaker (Current Ratio **0.56 vs. 0.99**). This difference can be attributed to the high M&A activity employed by the latter company, resulting in lower liquidity ratios. As a result, the weak position may also be seen in a more positive light: one that anticipates growth opportunities.
- **Capital Structure:** Amplifon's utilization of debt in form of loans and leases is in harmony with industry average and below the optimal threshold of 3x, amounting to 1.60x in FY 2022A. This indicates a correct use of company debt, particularly when put into the context of Amplifon's size and retail-focused business model.

In essence, the relative financial analysis positions Amplifon as a standout performer in terms of margins, maintaining competitive profitability, nonetheless maintaining a weaker liquidity profile. The company's financial structure and management affirms its place within the competitive industry of worldwide hearing care.

Financial Forecasts

The following pages will engage in the financial forecasting of Amplifon from a valuation perspective, focusing on its **drivers for future performance** encompassing key metrics such as projected top line growth, margin trajectory, and other forecasts relevant to valuation.

Our projections expect an upwards trajectory.

Revenue Projections and Geographical Breakdown

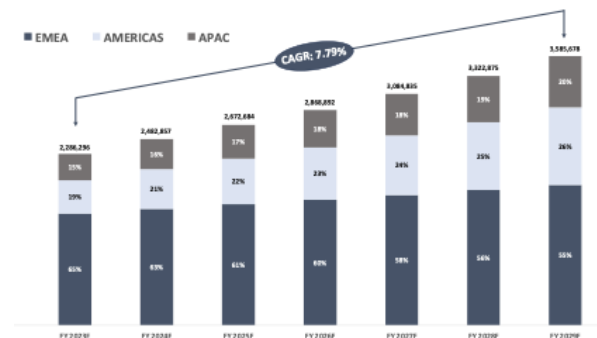


Figure 31: Revenue Projections and Geographical Breakdown from FY 2023E to FY 2029F

The figure presented depicts the projected revenue growth and geographical distribution for Amplifon. Our view remains bullish on the company's strategy taking effect: we expect Amplifon to diversify its revenue streams successfully beyond the EMEA region extending into the Americas and the Asia-Pacific Region. More specifically, we expect (i) EMEA margins to exhibit a decline from **65% in FY 2023E to 55% in FY 2029F**, (ii) Americas margin to demonstrate an upwards trend from **19% in FY2023E to 26% in FY 2029F**, and (iii) Asia-Pacific Margins to display an increase, rising from **15% in FY 2023E to 20% in FY2029F**. Over the designated forecasting period (FY 2023E to FY 2029F), the CAGR is around **7.79%**. The subdivision of the latter figure encompasses the following segments, as aligned in Amplifon's outlook and presentations:

- **Sector Growth:** Amplifon's projected growth will mainly be attributed to the promising outlook of the sector such as the ageing population

that aligns with the target demographic for the company's products. We project such growth to take up to **3-4%** of Amplifon's CAGR.

- **Company-Specific Premium:** We expect Amplifon to outperform the sector given its position as the market leader in the retail-focused business of hearing aids. Furthermore, by leveraging technological and artificial intelligence advantages, the company is expected to capitalize on their unique customer proposition, broadening their revenue streams. As a result, we attribute an **additional 2%-3%** on top of sector growth.
- **M&A Activity:** The extent of Amplifon's growth depends significantly on their levels of M&A activity. With already a firm track record in strategic acquisitions, we expect the company to enhance its positive trajectory in the coming years. Official outlook estimate an **additional 2%-3%** of growth attributed to heightened levels of acquisitions aimed at enlarging the company's market share, particularly expected in the Americas and Asia-Pacific regions.

However, despite our growth figures are in line with market expectations and company estimates, it is crucial to highlight that our **revenue projections were derived through analysis of each geographical segment:** EMEA, Americas, and the Asia-Pacific Region. More specifically, the growth of each region was attributed to **organic growth**, growth attributed to mergers and acquisitions (**M&A growth**), and growth attributed to the influence of foreign currencies (**FX Growth**), following the structure of Amplifon's financial statements for sake of comparability.

Our EMEA Revenue Projections rely on the company's solidification of its already significant market share.

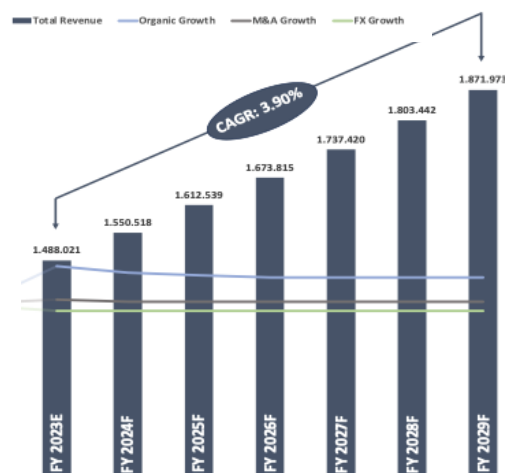


Figure 32: EMEA Revenue Projections from FY 2023E to FY 2029F

The presented figure illustrates the projected evolution of revenues within the EMEA region. As emphasized earlier in the report, the European market represents the most important region for the company in terms of market share, being its birthplace and the primary consolidation hub in terms of revenues. However, in alignment with Amplifon's strategy, we expect the company to effectively diversify its revenues streams across the other two regions. The projected **CAGR in our designated forecasting period is 3.90%**.

- **Organic Growth:** From an organic perspective, we expect the company to preserve its consolidation in the European Market, but at a lower rate than its historical track record. Our conservative projections are attributable to the observed market conditions, characterized by weaker than expected performance, confirmed by the latest sectorial data and the company's outlook and research. As a result, we expect the company to grow **3-4% organically**.
- **M&A Growth:** While M&A activities have been a primary catalyst for Amplifon's growth in market share over the years, we expect a diminishing dependency on strategic acquisitions due to Amplifon's already well-established and consolidated position in the region. Consequently, we expect M&A-driven growth to be **no more than 1%**, confirming its reliance on organic growth.
- **FX Growth:** The predominant currency in the EMEA regions is EUR (€), the same as the company uses to report its performance. The countries in the region that do not use the Euro include: The United Kingdom, Switzerland, Poland, Hungary, Israel, and Egypt. The FX effect of such regions will be limited because (i) they account less than 10% of the total stores in the region, (ii) and historically, the FX effect in the EMEA region has never surpassed 2% in absolute terms. As a result, we expect the foreign exchange effects to have **minimal significance on the long term**.

Our Americas Revenue Projections rely heavily on the company's M&A activities in emerging countries.

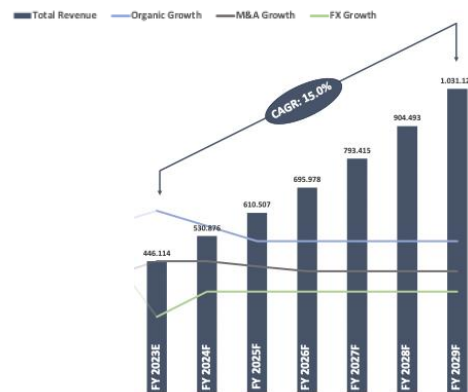


Figure 33: Americas Revenue Projections from FY 2023E to FY 2029F

The presented figure illustrates the projected trajectory of the Americas region revenues. As previously mentioned, the Americas region represents the largest market directly engaged by the company through their Miracle-Ear franchising. The promising outlook of the hearing aid sector in the region translates to attractive growth prospects to enlarge Amplifon's market share. As a result, we expect the **highest CAGR to be in the Americas, amounting to 15%.**

- Organic Growth:** Our projections rely on Amplifon making most of their revenue in an organic manner, specifically through Miracle-Ear franchising. To put things into perspective the franchising represents more than 70% of total stores in the Americas region. However, despite enviable growth is projected, we also foresee strong competition specifically from American retailers such as Costco which may compete aggressively for hearing aid market share. As a result, we expect organic growth to be in the **range of 10% to 13%.**
- M&A Growth:** M&A Activity is projected to be strongest in America given the market's size. We believe that Amplifon's main driver to gain market share is through strategic acquisitions. The clearest example confirming our view is the most recent acquisition of the Audical Group, one of the largest retailers in Uruguay, which has been perceived as a very positive signal to investors. As a result, we maintain a very bullish view on M&A opportunities, and we forecast such growth in the **range of 4% to 6%.**
- FX Growth:** Exchange rate dynamics pose a noteworthy risk to regional revenues, particularly the top-line deriving from South America, characterized by volatility in the recent years. Affirming that dollar volatility may be negligible in the long run, less than 8% of stores are in countries with a currency different from the Euro. As a

result, exchange rate risk may be (i) difficult to foresee and (ii) have less of an impact on the revenues with respect to organic growth and levels of M&A. Therefore, with the exception of the final quarters of 2023 that may exhibit forecastable trends due to a regression analysis on the previous quarters, the remaining fiscal periods are **less predictable**.

Our APAC Revenue Projections rely on the capitalization of the fast pace at which such market is growing.

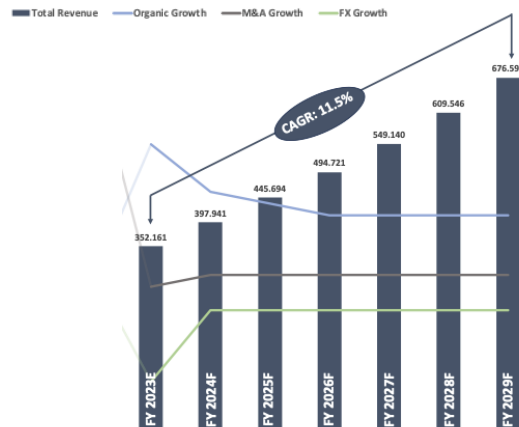


Figure 34: APAC Revenue Projections from FY 2023E to FY 2029F

The graph presented depicts the forecasted trajectory of revenues for the Asia-Pacific region. Such region is poised to have many promising opportunities for Amplifon, emerging as a key market for hearing aid due to its fast pace in terms of growth with respect to the other two markets. Under the envisioned period, Amplifon is forecasted to grow at an **11.5% CAGR in the Asia Pacific region**.

- Organic Growth:** Our projections state that the majority of Amplifon's growth in the region will be capitalized organically. More specifically, through operators such as Attune and Bay Audiology, Amplifon has successfully solidified their position as market leader in Australia and New Zealand respectively. As a result, we expect the company to leverage on its strategic positioning to continue to deliver robust organic growth. Therefore, we expect Amplifon to grow between **8% to 10%**.
- M&A Growth:** In addition to attainable organic growth, we expect Amplifon to exploit many strategic acquisitions in the APAC region, specifically targeting geographies in which their positioning may be improved (China and India). Furthermore, we expect M&A activity to serve as the primary catalyst for expanding into different unexplored economic landscapes. Furthermore, following the recent M&A

acquisition in Uruguay (Audical Group), we expect Amplifon to diversify its activity and place increased focus in this region. As a result we expect M&A growth to be in the range of **4% to 6%**.

- **FX Growth:** Regarding exchange rate dynamics, the figures have been minimal over the past decade with respect to their impact on regional revenues. Therefore, also due to a very difficult macro-economic environment to foresee, we once again forecasted FX differences to have **minimal impact on total regional revenues**.

Margins are expected to slightly improve in the long run.

Margin Evolution

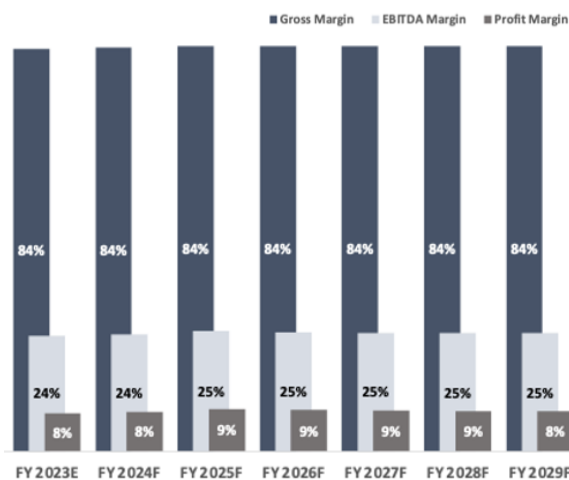


Figure 35: Margin Evolution from FY 2023E to FY 2029F

The provided figure above illustrates the projected margin evolution, portraying a consistent and predictable cost structure throughout the years.

- **Gross Margin:** This margin exhibits steady improvement over both annual and quarterly analysis amounting to **84% in FY 2029F**. The positive trend is primarily attributed to the reduction in COGS that is forecasted to take **no more than 16%** in our envisioned forecasting period. Amplifon's proactive initiatives in cost management have played a major role in this evolution, translating into a more favorable margin.
- **EBITDA Margin:** This margin is projected to **improve up to 25%** due to cost effectiveness practices forecasted to be obtained in the long term, specifically regarding operating expenses other than COGS. Personnel expenses were forecasted by projecting a staff headcount and dividing such expenses depending on the growth of employees, expected to be around **8% to 9%**. Commission expenses

are based on a sales margin, projected to improve taking only 5% of sales. However, the main catalyst improving the margin has been the significant decrease in rental expenses, attributable to Amplifon's strategic utilization of lease liabilities. Therefore, despite an expected increase in rental expenses due to more store openings in unexplored economic landscapes (**up to 3% of lease liabilities**), the strategic use of leases enables Amplifon to achieve cost reductions compared to a period prior to their implementation.

- **Profit Margin:** The profit margin has been steady through the years, around **8%-9%**. The main drivers for this stability were the remaining items of the income statement:
 - **Depreciation and Amortization:** D&A values were forecasted by citing its gross values to capture the true nature of the value. More specifically, amortization of intangible fixed assets is expected to represent **9% of intangibles**, and depreciation of PP&E is projected to be approximately **8% of tangible assets**. Consequently, we expect a margin in line with historical values in the range of 11-12% with respect to total sales.
 - **Net Financial Expenses:** The following item is mainly driven by interest income and expenses, and expenses on lease liabilities. We expect the former to **remain steady at 2%** of total revenue while cost on lease liabilities to decrease in terms of sales **down to 2.5% of total sales**.
 - **Taxes:** The tax rate has exhibited stability in our historical regression and is forecasted to be **around 27%**.

Forecasting of major valuation metrics was done through appropriate value drivers.

Forecasting Net Debt and Other Valuation Metrics

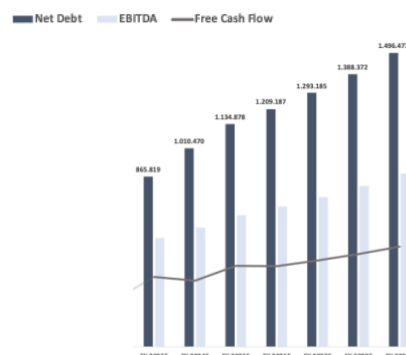


Figure 36: Net Debt Projections FY 2023E to FY 2029F

The following figure provides the relationship between Net Debt, EBITDA, and Free Cash Flows, reflecting the dynamics of Amplifon's financial framework. In our forecasted financial statements, we have projected total debt (sum of long-term and short-term debt) as a multiple of profitability, specifically linked to EBITDA. Our long-term perspective anticipates an increase in debt primarily attributable to Amplifon's strategic manoeuvres in acquisitions to expand in new territories. Our forecast envisions total debt represent approximately **2 times EBITDA**. Consequently, cash will tend to oscillate around the 200 million mark as confirmed by a historical regression. The resultant Net Debt/EBITDA ratio mirrors the company's past figures and confirms Amplifon's strategic initiatives to expand in through acquisitions financed significantly by debt and cash. In conclusion, Free Cash Flows appear to follow an upwards trajectory, confirming the company's balanced and manageable financial structure as a tool for growth.

Regarding **Capital Expenditures**, such investment is closely linked with Amplifon's top-line growth. As a result, we decided to forecast this investment as a sales margin, representing approximately **4%-5% of total sales**.

Net Working Capital has been steadily negative signifying Amplifon's play for expansion, specifically through successful cash management and allocation of debt. As a result, current assets and current liabilities were forecasted with pertinent drivers and ratios that accurately represent the item itself.

Furthermore, **repayment of lease liabilities** is an item specific to Amplifon as a company that impacts its valuation from a birds-eye view perspective. This cash flow has been very consistent in our historical regression, and therefore was forecasted to represent **lease liabilities up to 23%**.

Our projections are in-line with consensus.

Comparison With Consensus

FY 2023E - AMP.MI <i>In thousand of EUR (€)</i>	FY 2022A	FY 2023 Est.	YoY Growth	FY 2023 Cons.	Est/Cons.
Revenues	2.119.126	2.286.296	7,89%	2.286.850	-0,02%
EMEA	1.417.163	1.488.021	5,00%	1.500.730	-0,85%
Americas	381.294	446.114	17,00%	441.070	1,14%
Asia-Pacific	320.146	352.161	10,00%	344.680	2,17%
Corporate and Eliminations	523	-		370	
Adj. EBITDA	525.293	559.057	6,43%	571.230	-2,13%
EMEA	415.509	438.966	5,65%	444.730	-1,30%
Americas	100.374	118.220	17,78%	117.760	0,39%
Asia-Pacific	83.912	93.323	11,21%	91.900	1,55%
Corporate and Eliminations	-74.502	-91.452	22,75%	-83.160	9,97%
Adj. EBITDA Margin	24,79%	24,45%	-0,34 pp	24,98%	-0,53 pp
EMEA	29,32%	29,50%	0,18 pp	29,63%	-0,13 pp
Americas	26,32%	26,50%	0,18 pp	26,70%	-0,20 pp
Asia-Pacific	26,21%	26,50%	0,29 pp	26,66%	-0,16 pp
Corporate and Eliminations	-3,52%	-4,00%	-0,48 pp	-3,64%	-0,36 pp

Figure 37: FY 2023 Comparison with BBG Consensus on Key Amplifon Metrics

In order to strengthen our financial projections, we conducted a comprehensive view of our estimates with the **Bloomberg Consensus FY 2023E figures**. The

selected align closely with what quarterly reported by Amplifon, facilitating effective monitoring of company figures and market movements. In terms of revenue trajectories, we are in line with the overall revenue figures, adopting a more bullish view for the Americas and Asia-Pacific regions, exhibiting variances of **1.14% and 2.17%** beyond market consensus, respectively. Regarding Adjusted EBITDA, deleting non-recurring operations, our perspective adopts a more conservative view with respect to the market: this divergence may be caused the market sentiments regarding Amplifon's cost-cutting opportunities. In conclusion, our adjusted EBITDA margin forecasts align with market consensus.

Valuation

In the context of our financial valuation, we incorporated a Discounted Cash Flow analysis (DCF), complemented by a Monte Carlo simulation and a multiples analysis. This approach aims to provide the intrinsic value for Amplifon through its fundamentals, while also including the value of the company ascribed through market multiples. **Note that the valuation's starting date is the end of FY 2024F.**

The first step to valuation was the estimation of key inputs such as the WACC and g.

Discounted Cash Flow Analysis and MC Simulation

For the purpose of the DCF analysis, we derived the Free Cash Flow projection spanning from FY 2025F to FY 2029F. This choice is predicated on simplicity and aligns with the stabilization of the Return on New Invested Capital (RONIC).

The first phase in our analysis is the estimation of key inputs, including the **Weighted Average Cost of Capital (WACC)**, and the **Long-Term Perpetual Growth Rate (g)**. Note that both values are forecasted for FY 2024F. The following calculations are specifically relevant for the calculation of the terminal value, the figure encompassing all future cash flows after FY 2029F.

Weighted Average Cost of Capital (WACC): To ensure the accuracy of our WACC calculation, our focus was to assess the debt portion and equity portion of the cost of raising capital. **Our final calculation led us to a WACC of 8.25%**

- **Cost of Debt:** The following figure was derived through a weighted average of the 10-Y Government Yield for Italy (representing the EMEA region, being the birthplace of the company), the 10-Y Government Yield for the US (representing the Americas region, with the majority store presence), and the 10-Y Government Yield for Australia (representing the Asia-Pacific Region, where a significant

portion of stores are located). In addition to the yield, we added country risk to the calculation which were negligible for the US and Australia but added a 1% premium for Italy. Furthermore, the weighting process adhered to the revenue distribution for the different geographical breakdown. In conclusion, a company-specific premium was applied to account for the unrealistic assumption of equivalency between the company's risk to government bonds. Following such calculations, the debt to enterprise value ratio was calculated using market values. As a result, we have a **pre-tax cost of debt of 5%.**

- **Cost of Equity:** With respect to the cost of equity, we anticipate a consistent beta value, maintaining its historical value of 0.8. The determination of the market risk premium followed the same process as the cost of debt: a weighted average of market risk premiums from Italy, the US, and Australia, taken from Damodaran NYU Stern. Furthermore, the risk-free rate is anticipated to hover around 3.50%, reflecting the expectation of prolonged high interest rates, colloquially referred to as "higher for longer". Using market values, we have an equity to enterprise value ratio that is a notably high ratio, attributable to the high market capitalization. **Consequently, the derived cost of equity stands at 9.17%.**

Long Term Perpetual Growth Rate (g): Regarding the growth rate, we decided to incorporate a weighted average that anticipates the expected growth of the sector, inflation expectations, and GDP growth projections. **Our final calculations led us to a growth rate of 3.66%.**

- **Sector Growth:** Drawing from Statista, the CAGR for the industry is reported to be around 5.30%, providing a foundational basis for sector specific growth considerations.
- **Inflation expectation:** The prevailing sentiment in our macroeconomic landscape suggests a period of interest rates being "higher for longer" as a countermeasure to address inflationary pressures. Consequently, we believe in a moderated decrease in inflation, not yet reaching its monetary target of 3%.
- **GDP Growth:** Acknowledging the challenges in the macro-economic environment, target GDP growth rates have suffered but are anticipated to witness improvement in the forthcoming years.

Amplifon's free cash flows present a steady growth pattern.

Valuation - AMP.IM					
in thousands of EUR (€)					
	FY 2025F	FY 2026F	FY 2027F	FY 2028F	FY 2029F
Revenues	2.668.740	2.864.514	3.079.975	3.317.481	3.579.691
EBIT	367.378	388.652	413.471	442.477	476.415
Tax Rate	-27%	-27%	-27%	-27%	-27%
NOPAT	268.186	283.716	301.834	323.008	347.783
D&A	302.394	324.553	348.947	375.844	405.546
Operating Cash Flows	570.579	608.269	650.781	698.852	753.329
CAPEX	(106.750)	(114.581)	(123.199)	(132.699)	(143.188)
WC Change	70.121	47.701	52.684	58.292	64.609
Repayment of Lease Liabilities	(122.762)	(131.768)	(141.679)	(152.604)	(164.666)
Free Cash Flow	411.189	409.622	438.587	471.841	510.084
Discount Factor	0,85	0,79	0,73	0,67	0,62
NPV	349.860	321.975	318.479	316.455	316.042

Figure 38: Free Cash Flow Derivation from FY 2025F to FY 2029F

Valuation - Discounted Cash Flows - AMP.IM	
in thousands of EUR (€)	
Sum of PV of Cash Flows (2025 - 2029)	1.623.517
Terminal Value (2030 - ...)	7.146.058
Enterprise Value	8.769.574
Net Debt (2024)	1.010.470
Minorities (2024)	1.452
Net Financial Expenses (2024)	42.547
Provisions (2024)	32.231
Equity Value	7.747.337
Number of Outstanding Shares	225.493
Share Price	34,36
Current Share Price	31,49
Current Upside/Downside	9,11%
Recommendation	Hold

Figure 39: Valuation Process to derive Equity Value

The preceding images illustrate the sequential steps of the DCF process, commencing from Earnings Before Interest and Taxes (EBIT) and culminating to the derivation of the Free Cash Flows. Note that Repayment of Lease Liabilities is incorporated in the valuation, mirroring the figure's inclusion in the reported Cash Flow Statement of the company. Similarly, other items impacting FCFs, such as Net Financial Expenses and Provisions, were also factored into valuation, albeit with a limited impact on the ultimate intrinsic value. As a result, our DCF analysis presents an **intrinsic share price of 34.36€**. As of 20/12/23 the current share price for Amplifon was 31.65€ and therefore our DCF valuation presents an **9.11% upside**, translating to a **HOLD recommendation**.

Note that prior to the Audical Acquisition in Uruguay, our valuation stance favored a **BUY recommendation**. However, considering the strategic acquisition (one of our major catalysts for the company) having materialized and the market's subsequent response, our recommendation has shifted to a **HOLD recommendation**, presenting less upside than before. Despite this adjustment, its essential to underscore that our re-evaluation still recognizes a **substantial upside potential of about 9.11%**.

Our Monte Carlo simulation confirms our recommendation.

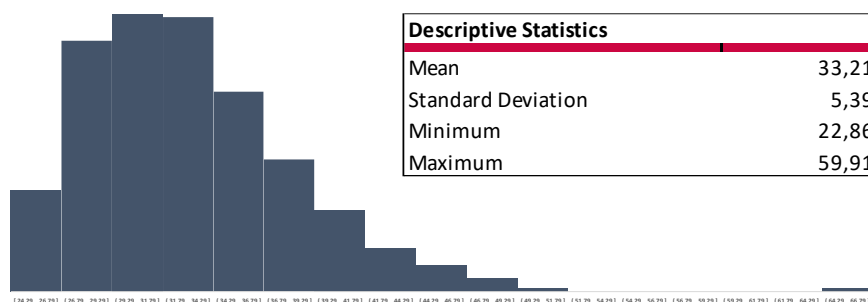


Figure 40: Monte Carlo Simulation for the Discounted Cash Flow Analysis

To enhance the robustness of our valuation, we have incorporated a Monte Carlo Simulation comprising 10,000 iterations to illustrate the expected outcome of

Amplifon's stock price. The resulting graph depicts a right-skewed distribution with a mean value converging to **approximately 33€**. The simulation was conducted by utilizing inputs such as the company's WACC of 8.30% characterized by a standard deviation of 0.5% and a Long-Term Growth Rate of 3.50%, characterized by a standard deviation of 0.5%. This stochastic approach provides a more inclusive view of Amplifon's stock path and further confirms our **HOLD recommendation on the stock**.

Our Trading Multiples analysis is in line with our recommendation.

	7.80%	8.05%	8.30%	8.55%	8.80%
3.00%	7,580.816	7,129.540	6,721.009	6,349.443	6,010.062
3.25%	7,980.664	7,485.617	7,039.718	6,636.124	6,269.009
3.50%	8,427.205	7,880.823	7,391.710	6,951.196	6,552.385
3.75%	8,928.432	8,321.983	7,782.339	7,299.075	6,863.818
4.00%	9,495.878	8,817.607	8,218.389	7,685.190	7,207.692

Figure 42: Sensitivity Analysis on the Equity Value of the DCF

Football Field Analysis

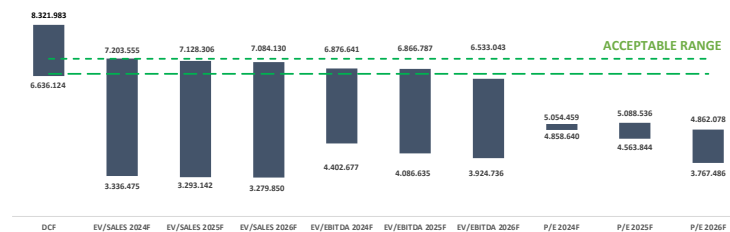


Figure 41: Football Field Graphic

The football field analysis presented serves as a visual representation of the intrinsic value analysis through our DCF calculations, and compares it with market multiples taken from its competitors fundamentals, including EV/Sales EV/EBITDA, and P/E. Our acceptable range was derived by giving priority to our model as it is very specific to Amplifon, but also attributing the other multiples as interpreted by the market. As a result, we have found an **acceptable range between 30€ to 32€**, following our DCF and Monte Carlo simulations. This trading multiples analysis enables us to have a more comprehensive view of the company, especially from a market perspective.

Amplifon's metrics are in line with Comparable multiples.

Relative Valuation

FY 2022A	Amplifon	Demant A/S	GN Store Nord A/S	Sonova Holding AG	Fielmann AG	Median
EV/SALES	3,34x	2,99x	1,99x	7,62x	2,05x	2,52x
EV/EBITDA	13,65x	12,46x	14,16x	24,04x	9,59x	13,31x
P/E RATIO	34,99x	19,14x	39,94x	37,20x	29,85x	33,53x

Figure 43: Relative Valuation

In conducting a comparable valuation analysis, the market multiples for Amplifon have been compared with its hearing aid peers, bearing in mind the company's focus on retail.

- **EV/SALES:** Amplifon's EV/SALES ratio suggests overvaluation relative to its competitors, showing a multiple larger than the median,

3.34x with respect to **2.52x**. This implies that investors are willing to pay a premium for each unit of revenue, indicating underlying profitability.

- EV/EBITDA: In regards to such multiple, Amplifon is in line with the median, presenting a multiple of **13.65x** with respect to **13.31x**. This signifies that Amplifon is effectively managing its operational earnings in relation to its industry peers.
- P/E: In regards to the P/E Multiple, Amplifon is aligned to the median, slightly better at a **34.99x** with respect to **33.53x**. This indicates that, in terms of earnings, the company has a slightly favorable standing.

Intense rivalry, the threat of technological advances, and a challenging regulatory environment may present obstacles to Amplifon's growth.

Risks

The Amplifon Group's competitors are divided into various **business categories**. Specialty retailers, such integrated hearing aid makers, and non-specialty retailers, like optical chains, drugstores, and big-box retailers, are major rivals. Low-cost providers are common in places like Australia, Netherlands, USA, France, and New Zealand, which means that these players may expand further.

Amplifon recognizes the **significant influence that technological advancements**, surgical methods, or pharmaceutical remedies could have in replacing conventional hearing aids as a means of reducing hearing loss. Even if the danger is considered low, it is constantly being monitored, which is why the Group continues to allocate resources to the development of new technologies. This proactive strategy puts the business in a position to foresee and adjust to any changes in the business environment.

Amplifon functions as a company in the medical industry and is **subject to national regulatory frameworks**. A great deal of focus is placed on prospective regulatory changes that may influence Amplifon's operations. These changes include changes to insurance coverage, adjustments to the reach and scope of public insurance, and most significantly, adjustments to the requirements for hearing aid specialists who sell hearing aids and related services. Pressure from health insurance providers or local government agencies may also play a role.

Appendix

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Financial Statements

Balance Sheet, from FY 2020A to FY 2025F

Balance Sheet - Forecasted	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024F	FY 2025F	FY 2026F
Balance Sheet Forecasted - FY 2015A - FY 2033							
In thousands of EUR (€)	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024F	FY 2025F	FY 2026F
Goodwill	1,281,609	1,681,470	1,754,028	2,111,065	2,456,848	2,735,399	2,912,787
Intangibles	770,523	851,908	871,845	963,108	1,033,536	1,115,533	1,197,367
Property Plant and Equipment	177,616	186,845	193,415	216,375	228,421	243,656	261,530
Financial Assets	15,326	63,120	94,945	71,332	77,355	83,265	89,373
Total Fixed Assets	2,245,074	2,783,343	2,914,233	3,361,880	3,796,161	4,177,854	4,461,057
Inventories	57,432	62,570	76,258	75,554	80,426	84,946	91,178
Trade Receivables	169,060	168,680	192,067	215,087	244,994	269,360	289,120
Other Current Assets	60,514	96,743	77,872	88,396	98,321	108,700	116,178
Current Assets	287,006	327,993	346,197	379,037	423,741	463,007	496,476
Trade Payables	(181,036)	(242,507)	(325,583)	(353,230)	(389,894)	(427,042)	(458,369)
Other Current Liabilities	(329,521)	(429,139)	(429,239)	(558,014)	(624,207)	(696,447)	(746,290)
Current Liabilities	(510,557)	(671,646)	(754,821)	(911,243)	(1,014,101)	(1,123,489)	(1,204,659)
Net Working Capital	(223,551)	(343,653)	(408,625)	(532,207)	(590,361)	(660,482)	(708,183)
Other Non-Current Assets	151,365	135,379	135,382	146,158	157,097	168,998	181,395
Other Non-Current Liabilities	(314,573)	(324,670)	(302,041)	(347,305)	(378,010)	(408,685)	(438,774)
Net Invested Capital	1,858,313	2,250,399	2,338,949	2,628,527	2,984,887	3,277,684	3,495,495
Shareholder Equity	800,883	925,178	1,038,509	1,258,590	1,452,304	1,607,451	1,711,692
Third Party Equity	985	2,103	1,841	1,133	1,452	1,607	1,712
Net Equity	801,868	927,281	1,040,350	1,259,723	1,453,756	1,609,058	1,713,404
Long Term Financial Debt	1,103,265	1,023,781	807,907	662,416	726,152	803,726	855,846
Short Term Financial Debt	84,407	165,770	251,708	441,611	484,101	535,817	570,564
Total Debt	1,187,672	1,189,551	1,059,615	1,104,026	1,210,253	1,339,543	1,426,410
Cash and Cash Equivalents	(554,007)	(318,365)	(229,622)	(238,207)	(199,784)	(204,665)	(217,223)
Total Net Financial Debt	633,665	871,186	829,993	865,819	1,010,470	1,134,878	1,209,187
Lease Liabilities	422,780	451,932	468,606	502,985	520,660	533,748	572,903
Total Net Financial Position + Lease	1,056,445	1,323,118	1,298,599	1,368,805	1,531,130	1,668,626	1,782,090
Total Net Financial Position + Lease Liabilities + Net Equity	1,858,313	2,250,399	2,338,949	2,628,527	2,984,887	3,277,684	3,495,494
Check	-	-	-	-	-	-	-

Income Statement, from FY 2020A to FY 2025F

Income Statement - Forecasted	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024F	FY 2025F	FY 2026F
Income Statement Forecasted - FY 2015A - FY 2033							
In thousand of EUR (€)	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024F	FY 2025F	FY 2026F
Revenues from Sales and Services	1,503,258	1,948,075	2,119,126	2,286,296	2,479,335	2,668,740	2,864,514
Operating Costs	(1,151,106)	(1,484,711)	(1,610,243)	(1,739,998)	(1,880,407)	(2,005,841)	(2,158,470)
Other Income and Costs	13,681	4,962	9,826	5,716	6,198	6,672	7,161
Gross operating profit (EBITDA)	365,833	468,326	518,709	552,013	605,127	669,771	713,205
Amortization, Depreciation and Impairment	(202,431)	(222,326)	(240,040)	(261,033)	(280,602)	(302,394)	(324,553)
Operating Result (EBIT)	163,402	246,000	278,669	290,980	324,525	367,378	388,652
Net Financial Expenses	(29,491)	(22,640)	(34,933)	(39,762)	(42,547)	(45,542)	(48,610)
Profit (loss) before tax (EBT)	133,911	223,360	243,736	251,218	281,979	321,836	340,042
Taxes	(37,239)	(59,762)	(64,956)	(69,211)	(76,134)	(86,896)	(91,811)
Profit (loss) from discontinued operations	4,390	(5,755)	-	-	-	-	-
Net Profit Attributable to the Group	101,062	157,843	178,780	182,007	205,844	234,940	248,230
Profit (loss) from minority interests	58	58	255	-	-	-	-
Net Profit (Loss)	101,004	157,785	178,525	182,007	205,844	234,940	248,230

Cash Flow Statement, from FY 2020A to FY 2025F

Cash Flow Statement - Forecasted	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024F	FY 2025F	FY 2026F
Cash Flow Statement Reformulated - FY 2015A - 9M 2023A							
In thousand of EUR (€)	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024F	FY 2025F	FY 2026F
EBIT	168,499	237,659	278,669	290,980	324,525	367,378	388,652
D&A	202,467	227,410	240,041	254,310	273,009	294,038	315,631
Net Financial Charges	(25,823)	(24,369)	(31,073)	(39,762)	(42,547)	(45,542)	(48,610)
Provisions and Other Non-Monetary Items and gains/losses from disposals	24,799	17,935	13,889	29,722	32,231	32,025	34,374
Taxes Paid	(34,462)	(65,579)	(44,856)	(69,211)	(76,134)	(86,896)	(91,811)
Changes in Net Working Capital	51,395	68,106	3,617	(123,582)	(58,154)	(70,321)	(47,701)
Repayment of Lease Liabilities	(72,803)	(95,217)	(107,298)	(115,687)	(119,752)	(122,762)	(131,768)
Operating Cash Flow	314,072	365,945	352,989	226,771	333,179	368,119	418,767
CAPEX	(57,194)	(111,036)	(106,292)	(125,746)	(123,967)	(106,750)	(114,581)
Free Cash Flow	256,878	254,909	246,697	101,025	209,212	261,370	304,186
Cash Flow used in Acquisitions	(89,199)	(419,731)	(84,572)	(68,262)	(279,483)	(305,715)	(292,560)
(Purchases) sale of Other Investment and Securities	-	5,167	-	-	-	-	-
Cash Flow Provided by (used in) Investing Activities	(146,393)	(525,600)	(190,864)	(194,008)	(403,450)	(412,465)	(407,141)
Cash Flow provided (used in) operating activities and investing activities	167,679	(159,655)	162,125	32,763	(70,271)	(44,346)	11,626
Dividends	-	(49,356)	(58,237)	(68,589)	(74,380)	(80,062)	(85,935)
Treasury Shares	-	(31,085)	(53,093)	-	-	-	-
Fees Paid on Medium/Long-term Financing	(7,709)	(1,099)	-	-	-	-	-
Capital Increases, third Party contributions, and dividends paid by subsidiary	(306)	457	(608)	-	-	-	-
Hedging Instruments	(705)	(1,681)	-	-	-	-	-
Other Changes in Non-Current Assets	992	2,007	(6,172)	-	-	-	-
Net Cash Flow for the Period	159,951	(240,412)	44,015	(35,826)	(144,651)	(124,408)	(74,309)
NFP Beginning Period	(786,698)	(633,665)	(871,186)	(829,993)	(865,819)	(1,010,470)	(1,134,878)
Effect of Disposal Operations of Net Financial Indebtedness	-	(176)	-	-	-	-	-
Effect of Exchange Rate Fluctuations	(6,918)	3,067	(2,822)	-	-	-	-
Change in Net Indebtedness	159,951	(240,412)	44,015	(35,826)	(144,651)	(124,408)	(74,309)
NFP Ending Period	(633,665)	(871,186)	(829,993)	(865,819)	(1,010,470)	(1,134,878)	(1,209,187)
Check	-	-	-	-	-	-	-

Disclosures and Disclaimers

Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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INDIVIDUAL PART

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Introduction

In the ever-evolving landscape of the global healthcare industry, Amplifon stands as a prominent entity, providing essential solutions in the realm of hearing care. This thesis endeavors to comprehensively explore and analyze various facets of Amplifon, shedding light on its business model, product portfolio, strategic initiatives, ownership structure, management team, and noteworthy mergers and acquisitions. Additionally, a meticulous examination of the company's past financial performance will be conducted, offering insights into its historical economic prowess and fiscal health.

Amplifon's business model serves as a critical focal point, delineating the fundamental approach adopted by the company to create, deliver, and capture value. The diverse array of products offered by Amplifon, ranging from cutting-edge hearing aids to comprehensive audiological services, contributes to its position as a key player in the hearing care domain. An in-depth exploration of the company's strategic imperatives will unravel the tactics employed to navigate an increasingly complex market environment, ensuring sustained growth and competitiveness.

Understanding the ownership structure and the composition of the management team is pivotal in comprehending the corporate governance framework that governs Amplifon's operations. This analysis will delve into the individuals who steer the company's course, examining their qualifications, experiences, and strategic visions that shape the trajectory of Amplifon's success.

Furthermore, an exploration of Amplifon's mergers and acquisitions will provide context to the company's growth trajectory and expansionary endeavors. By examining past M&A activities, this thesis aims to elucidate the strategic rationale behind these initiatives and their impact on Amplifon's market positioning.

The financial analysis component of this study will delve into Amplifon's historical performance, scrutinizing key financial indicators and metrics. A detailed examination of financial statements will offer valuable insights into the company's revenue generation, profitability, and overall financial stability.

Through a meticulous examination of these critical aspects, this thesis aims to present a holistic and nuanced perspective on Amplifon, contributing to a deeper understanding of its operations, challenges, and successes within the dynamic hearing care sector.

This document constitutes an integral component of the joint report and is intended to be comprehensively read in conjunction with it. The additional sections addressed within the joint report encompass industry overview, financial forecasts, and final valuation.

Company Overview

Amplifon is an Italian Company founded in 1950 emerging as the **leader in the hearing care retail market**. With a global footprint spanning over 9,300 points of sale around the world, Amplifon is the major provider for hearing aid products, owning the largest share amounting to **12% of the hearing care market**. The company leverages a distinctive customer experience, that ensures that the client is nurtured throughout his hearing care journey with Amplifon. The overview for Amplifon includes a deep dive into the company's business model, products from which the top-line is derived, strategy that guides the operational aspects, ownership and management team that reaffirms its solidity, and M&A activities in order to expand in different economic landscapes.

Business Model

Amplifon's retail-focused business and patient-centric strategy is the company's MO.

The core of Amplifon's business strategy is the **retail of hearing care products and offer for associated services**, such as hearing aids with its associated accessories, and quarterly check-ups on treatments. The company uses a **patient-centric strategy**, which emphasizes the value of individualized treatment to enhance the quality of life for its patients. More specifically, the services provided can be subdivided further:

- **Diagnostic and Consultation Services:** Qualified audiologists and hearing care specialists provide diagnostic testing and consultations at Amplifon. These services are the first steps towards the determination of a person's requirements related to its hearing care;
- **Tailored Hearing Aids:** Amplifon offers a selection of hearing aids from different producers. Each patient's unique requirements and preferences are catered for using these gadgets. In order to meet the varying needs of its customers, the company provides a range of models, styles, and technological levels, with different price ranges;
- **Maintenance and Aftercare:** Amplifon offers services after the first purchase. They provide continuing assistance, upkeep, and adjustments for assistive technology;
- **Accessories and Assistive Devices:** Amplifon also sells accessories and assistive devices related to hearing care, such as hearing aid batteries, cleaning products, and connectivity solutions that allow hearing aids to connect to smartphones and other devices;

- **Healthcare Network:** Amplifon has a network of hearing care centers and professionals worldwide, enabling customers to access their services across different regions and countries; this guarantees that customers have a positive experience and receive ongoing assistance to optimize their hearing solutions.

Amplifon's strategic reach to consumers enables the company to grow.

From a business perspective, Amplifon uses a variety of **strategic initiatives** that converge together to reach a wide range of customers:

- **Business-to-Consumer (B2C) Model:** Amplifon uses its network of retail hearing centers to sell directly to final consumers. These can visit the locations to buy hearing aids and associated services, as well as get hearing exams. Geographically, Amplifon operates through direct points of sale to serve its consumers in the Europe, Middle East, and Africa (EMEA) region, the Americas region, and the Asia-Pacific region (APAC);
- **Franchising Model:** Amplifon uses franchising to run a sizable percentage of its hearing care facilities. Through this strategy, local business owners can open and operate their own hearing centers under the Amplifon brand while still taking advantage of the company's well-known name, resources, and experience. Amplifon operates at its most known franchised network of over 1,300 sale sites through Miracle-Ear in the US;
- **Managed Care Model:** Amplifon works with insurers and healthcare organizations to offer their members healthcare services related to hearing. Through these healthcare networks, Amplifon can provide services to a larger customer base thanks to collaborations.

Amplifon's supplies its products from the best manufacturers.

As a global leader in the retail segment of the sector, the company relies on and sources its inventory from **reputable and top-tier suppliers** with the newest and most advanced products available on the market. Furthermore, there is no indication of over-reliance on any single supplier.

- **Phonak:** A Swiss company with expertise in the development and production of hearing aids. They are renowned for their cutting-edge designs and wireless communication capabilities found in their hearing aids.
- **Otticon:** A Danish firm that has been making hearing aids for almost a century. They are renowned for concentrating on research and development, which has produced state-of-the-art technology in hearing aids.

- **Signia:** Danish-based international provider of hearing aids. Modern hearing aid technology, such as those that use artificial intelligence to provide individualized listening experiences, is what the company is renowned for.
- **Wide:** Danish producer of accessories and hearing aids. They have a reputation for using cutting-edge technology and superior sound quality in their hearing aid designs.
- **ReSound:** Danish business well-known for emphasizing connectivity features and natural sound quality in their hearing aids. ReSound is a leader in the industry when it comes to smart hearing aid solutions, offering features like mobile device integration and direct streaming.

Additionally, it is noteworthy to mention that Amplifon joined the **European Hearing Instrument Manufacturers Association (EHIMA)** in 2019, an organization that oversees the production of 90% of the world's hearing instruments. This not only reaffirms Amplifon's commitment to product quality, but also enables the company to consistently follow the latest technological advances in the industry.

Products

Amplifon product types are tailored to its customers.

The range of hearing aid products offered by Amplifon satisfies the various needs and tastes of people who have hearing loss by offering a **multitude of styles and form factors**. The pricing of the hearing aids is influenced by the prevailing social stigma associated with hearing challenges: **the more discreet the design (minimizing the visibility on the ear), the more its price**. This is attributable to the individual's reluctance of showing their hearing illness.



Figure 1: Behind-The-Ear (BTE) Hearing Aid

Amplifon provides discretely worn **Behind-The-Ear (BTE)** hearing aids that are worn behind the ears. Reputably adaptable, these devices address a wide range of hearing loss, from little to severe. Stronger amplification is made possible by their greater size, and many versions come with cutting-edge networking features like wireless streaming and smartphone compatibility. **These devices start from 450€.**



Figure 2: Receiver-In-Canal (RIC) Hearing Aid

Hearing aids known as **Receiver-in-Canal (RIC)** devices are similar to BTE models, but they have a smaller body and a receiver that is positioned inside the ear canal. RIC products, which offer a middle ground between BTE and ITE designs, are inconspicuous and offer a natural sound experience, adaptable to various degrees of hearing loss. **These devices start from 950€.**



Figure 3: In-The-Ear (ITE) Hearing Aid

In-the-Ear (ITE) hearing aids are specifically designed to fit inside the outer ear, a discrete option for anyone looking to aid their hearing. ITE products are easy to use and appropriate for people with mild to severe hearing loss because of their balance between functionality and aesthetic appeal. **These devices start from 1150€.**

It is imperative to note that Amplifon does not provide Cochlear and BAHA (Bone-Anchored Hearing Aids) products, hearing aids that can be a valid help for profound hearing losses or even single-sided deafness. **These products require surgical operations that the company does not directly offer** but provides assistance in finding the optimal solution for the client.

More specifically, the following range of product solutions is provided by Amplifon:



Figure 4: Ampli-Easy Hearing Aid (BTE)

- **Ampli-Easy (BTE):** A user-friendly BTE hearing aid with an emphasis on maximum comfort and ease of use. Strong amplification is made possible by its behind-the-ear design, which makes it appropriate for various degrees of hearing loss. Ampli-Easy is an accessible option for people looking for dependable hearing help because of its simplicity and effectiveness.



Figure 5: Ampli-Mini Hearing Aid (BTE)

- **Ampli-Mini (ITE):** A type of In-The-Ear hearing aid. This ITE model, which fits into the outer ear and is custom-moulded, blends style and utility. Ampli-Mini's modest appearance appeals to people who value a subdued, almost undetectable hearing aid option. It is appropriate for those with medium to severe hearing loss.



Figure 6: Ampli-Connect Hearing Aid (RIC and BTE)

- **Ampli-Connect (RIC and BTE):** The product uses cutting-edge technologies to provide a streamlined and interconnected encounter that localises sound naturally while guaranteeing discretion. Because Ampli-Connect has wireless communication capabilities, users can stream audio straight to their hearing aids from a variety of devices.



Figure 7: Ampli-Energy Hearing Aid (RIC)

- **Ampli-Energy (RIC):** A hearing aid specifically made for people with more severe hearing loss. Larger in size to support strong amplification, Ampli-Energy is appropriate for people who need more substantial support. Stability and comfort are offered by its design, and the gadget has capabilities that improve sound clarity.

Strategy

Amplifon's international footprint enables the company to develop.

Amplifon is a multi-regional operator, with different geographical focus based on market maturity and development prospects. These regions split up into three primary areas, currently with over 9300 stores and franchisees.



Figure 8: Amplifon's EMEA Region Presence



Figure 9: Amplifon's Americas Region Presence



Figure 10: Amplifon's APAC Region Presence

- **Europe, Middle East, and African (EMEA) Region:** Amplifon has its origins in Europe and its products are widely used in nations such as Italy, Portugal, France, Spain, and the United Kingdom. These markets are ideal for hearing care services since they are comparatively developed and have a sizable ageing population. Through targeted M&A to reach optimal scale in France and Germany, as well as the progressive roll-out of the Amplifon Product Experience and the launch of Ampli-care, **Amplifon hopes to solidify its leadership position** through organic growth bolstered by large investments in marketing and customer experience innovation. As of the FY 2022A, the region has is the largest operator with over 6500 stores.
- **Americas Region:** Amplifon has been growing mostly in the US and Canada, in the North American region. The company has been deliberately opening new clinics and acquiring existing ones across the region attributable to the growing demand for hearing care services brought about by the ageing population. With an emphasis on growing its offerings to fulfil the demands of the people in these developing markets for hearing care, the company is present in a few Latin American nations. Most recently, the company has entered an emerging market through the acquisition of The Audical Group, one of the leaders in hearing care in Uruguay. Furthermore, by utilizing the franchising network developed through Miracle-Ear and Amplifon Hearing Health Care (AHHC), the company hopes to expand in the United States and **take up even more of the market share**. As of FY 2022A, the region has more than 1780 stores and franchisees.
- **Asia-Pacific Region (APAC):** Amplifon has expanded its reach into nations in the Asia-Pacific area, which includes New Zealand, Australia, and India. The vast and promising outlook in this region presents significant growth possibilities. With Amplifon, Attune, and Bay Audio—three complementing businesses—they hope to solidify their position in Australia. Furthermore, their acquisition of Bay Audiology has enabled the company to expand in New Zealand. Amplifon is **expected to keep pursuing the growth path via M&A**

in new sectors and organically around the current hubs of Beijing, Shanghai, Zhejiang, and Hubei in the alluring and rapidly expanding Chinese market. As of FY2022 year end, the region had over 1000 stores.

A key driver for Amplifon's is the company's **unique customer proposition**, particularly the hearing aid journey proposed by the company: from the initial stages of discovering a tailored product, to the ongoing and continuous support for auditory assistance. This end-to-end approach enables the client to feel nurtured, supported by the latest technological advancements.

Amplifon's unique customer proposition

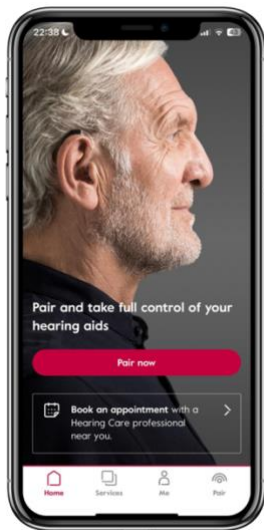


Figure 11: Amplifon's App

Amplifon withholds an effective and talented organization.

Amplifon is very attractive in the eyes of institutional investors.

- **Customer Care:** Amplifon's high caliber customer insights and customer experience contribute to their excellent customer expertise. The product experience of Amplifon is a special and unique lever that can be used to deliver a comprehensive value proposition that combines product, service, and experience, greatly differentiating the service, and reinforcing the brand's identity.
- **Ampli-Care:** Ampli-care is a product of the company's efforts to activate a whole ecosystem around the client, whereby their unparalleled quality and quantity of data, together with digital technology, are critical components. Ampli-care is already being rolled out, allowing for the delivery of a distinctive, cutting-edge, and captivating experience. Amplifon offers the greatest support to all its clients along a streamlined audiological care journey across all touchpoints by maximizing knowledge for each customer's unique needs.

In order to better support the implementation of the strategy and to be even more competitive, Amplifon intends to increase the investments that are dedicated to its people, both in its stores and in the back-office. This is done with the intention of further improving the skills of its employees, fostering the sharing of best practises within the Group, and attracting the best talents on a daily basis. As an example, Amplifon was included in the **Time's list of the "Best Companies to work for in the World" for the latest year.**

Ownership and Management Team

Significant institutions from all over the world have shown their interest in Amplifon, which also has a **very solid management team.**

The main shareholders include: Ampliter NV (the founders of Amplifon, owning up to 42.2%), Capital Group Cos Inc. (3.08%), Tamburi Inv. Par. (2.30%), ComgestSA (2.29%), T Rowe Price Group Inc. (2.12%), Vanguard Group Inc.

(1.98%), BlackRock Inc. (1.76%). As of FY 2022A, Ampliter NV held 59.27% of the voting capital.

On the other side, the management team has consistently shown their resilience, maintained their solid reputation, and displayed extensive knowledge of the industry.



Figure 12: CEO, Enrico Vita



Figure 13: CFO, Gabriele Galli



Figure 14: CRO, Federico Bardelli

Amplifon relies heavily on M&A to increase its exposure to emerging markets.

- **Enrico Vita:** He has been CEO since 2015, and was considered the “Best CEO” of the MedTech sector in the EU this year. He is also personally responsible for the acquisition of Minisom and GAES, which were done under his guidance and supervision. He has been in the industry for more than 20 years.
- **Gabriele Galli:** In addition to having more than 14 years of expertise in the industry, he has been serving as Chief Financial Officer since 2017. Prior to that, he was the Chief Financial Officer of Piaggio, one of the most important motorcycle firms in Italy.
- **Federico Bardelli:** More than twenty years of experience in general management have been accumulated by Federico Bardelli, who has been serving as Chief Retail Officer since 2011. His position is especially important due to the retail-focused nature of the business.

M&A Activity

As one of its major growth strategies, Amplifon has actively sought M&A activities, emphasizing **regional diversification especially**. The company has been able to obtain a successful acquisitions track record due to a variety of aspects:

- **Geographic Expansion:** To increase its global reach, Amplifon has made strategic acquisitions of businesses in several countries, including the US, Canada, and in Asia. The corporation has been able to expand into new economic landscapes through these acquisitions.
- **Synergy and Integration:** Amplifon concentrates on attaining operational synergies and effective integration of the acquired firms following the purchase. This strategy guarantees a smooth transition while assisting them in getting the most value out of their acquisitions.
- **Portfolio Diversification:** Amplifon has expanded into new service areas, including online sales platforms, supplementary hearing care

services, and the retail hearing aid sector. By diversifying, it lowers the risk and open up new revenue opportunities.

- **Brand Recognition:** Amplifon has been able to capitalize on the established brand in the individual regions by acquiring well-known local brands in several of its acquisitions.
- **Financial Performance:** Amplifon has experienced higher revenues and profitability because of its M&A strategy. They have the means to keep looking for M&A prospects because to their solid financial situation.

In regards to its geographical distribution, the company has concretely solidified its position in the EMEA region, while having room for **initiatives in the American and Asia-Pacific markets:**



Figure 15: Minisom, an example of M&A Activity in Portugal



Figure 16: Miracle-Ear, the main franchising network in the United States



Figure 17: The Audical Group, the latest acquisition in Latin America



Figure 18: Bay Audio, an example of M&A activity in Australia

- **EMEA Region:** Amplifon has grown throughout Europe in addition to maintaining a significant presence in its native country Italy. Europe is a key area for hearing care services due to its ageing population. The corporation has expanded by acquiring companies in France, Germany, and the United Kingdom, but because of its established market share, it has been slowing considerably. Additionally, Amplifon purchased GAES Médica (Spain) and Minisom (Portugal).
- **Americas Region:** Amplifon has undertaken a few calculated purchases to build a strong presence in such market, the biggest one of the three. Due to its sizable population, the United States is a crucial location for hearing care services. In 1999, Miracle-Ear became the first company to be acquired in the United States. The most recent, on December 13th, Amplifon announced the acquisition of the Audical Group, a national player in the hearing care market in Uruguay. The Audical Group consists of 25 primary retail outlets under the brand names Audical and Centro Auditivo, alongside numerous distributors spanning the nation. Enrico Vita states that the company's "entry in Uruguay is a new step in our internationalization and growth journey in Americas, a region that will be pivotal in Amplifon's future development."
- **APAC:** Amplifon has made acquisitions in countries like South Korea and India after realizing the potential of the Asian market. The ageing population in Asia and the increased interest in hearing health present significant growth prospects for the company. Amplifon has increased its market share in Australia by acquiring Bay Audio, the country's first acquisition in APAC, and the National

Hearing Care Group, Australia's leading provider of hearing healthcare services, in 2010. Furthermore, their acquisition of Bay Audiology has enabled the company to expand in New Zealand.

Financial Analysis

The subsequent section will undertake the financial analysis of Amplifon from a financial perspective, focusing on its **past performance** with regards to key metrics such as top line growth, margin evolution, profitability analysis, liquidity profile, and capital structure. Ultimately, this analysis will be put into perspective by providing the same figures for Amplifon's peers to provide a comparative assessment.

Amplifon's top line has been steadily growing.

Revenue Trajectory and Geographical Breakdown

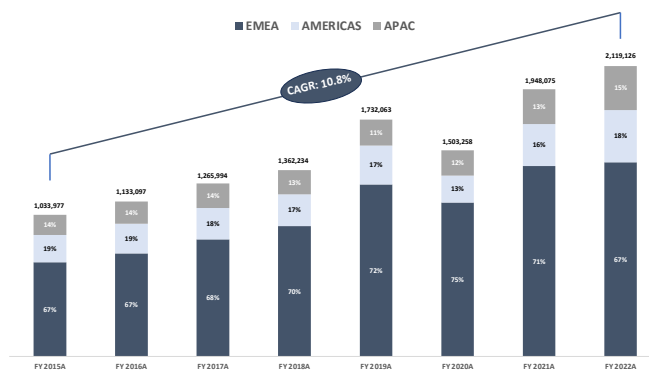


Figure 24: Annual Revenue Evolution and Geographical Breakdown from FY 2015A to FY 2022A

The figure above depicts the **trajectory and geographical distribution of revenues from FY 2015A to FY 2022A**. Regarding revenue dynamics, Amplifon has demonstrated a high year-on-year constant growth at an **11% CAGR**. However, the pandemic period starting from Q2 2020A should be acknowledged, where the company suffered a damaging effect regarding its top line growth, a **decrease of 8.40% with respect to FY 2019A**. Despite Amplifon's positioning in a counter-cyclical sector, **the hearing aid segment took a backseat** in the broader sector of healthcare, resulting in a **tangible decrease in product sales**. Furthermore, in alignment with the company's strategy, the geographical breakdown presents a two-fold approach: **solidify its market share** in the European market and **diversify its revenue streams** through the American market, the biggest with respect to audiology, and the rapidly expanding APAC market. Regarding Amplifon's most recent earnings report, displaying its performance for the first three months of 2023 (9M 2023A), the company reports a solid **65% margin in the EMEA region**, a growing **20% margin in the Americas region**, and an increasing **25% in the APAC Region**. The following

geographical diversification underlines Amplifon's **adaptability** to different market dynamics, and its will to navigate in **different economic landscapes**.

Amplifon's cost management practices have enabled margins to improve.

Margin Evolution

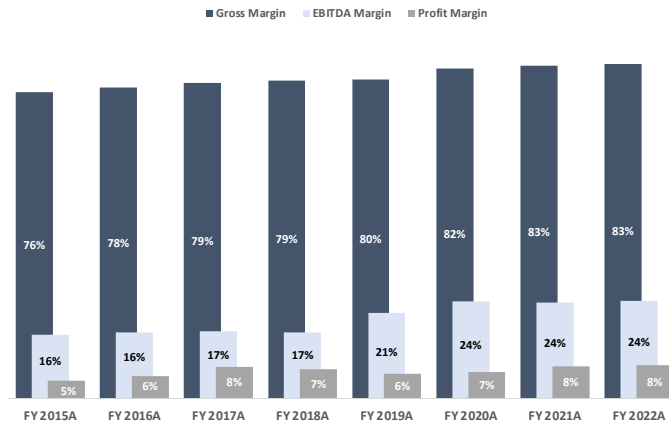


Figure 25: Annual Margin Evolution from FY 2015A to FY 2022A

In analyzing margin dynamics, the figure above provides a birds-eye view of sustained growth, **reflecting efficient cost management practices**. Notably, the Cost of Goods Sold (COGS) has witnessed a marked improvement (**from 24% of total revenue in FY 2015A to 17% of total revenue in FY 2022A**) resulting in an ascending Gross Margin from **76% in FY 2015A to 83% in FY 2022A**. When examining a broader spectrum of operating expenses, the EBITDA margin has experienced an increasing trajectory from **16% in FY 2015A to 23% in FY 2022A**. This outcome stems from a reduction in rental expenses attributable to Amplifon's **strategic implementation of leases from the start of FY 2019A**. This shift caused rental expenses to constitute **only 0.5% of Total Revenue**, rather than the previous allocation of **5% of Total Revenue**. Similarly, the net margin has fluctuated over the years, but maintained growth outlooks amounting to **8% in FY 2022A**. Such volatility is mainly attributed to two factors including the company's **right of use assets depreciation** starting from FY 2019A and **interest expenses** attributable to Amplifon's employment of lease liabilities from FY 2019A. Despite the company's financial leveraging, Amplifon has **demonstrated resilience in period of economic downturns** such as the COVID-19 pandemic starting from Q2 2020A.

Profitability ratios signal the company's willingness to create value for its shareholders.

Profitability and DuPont Analysis

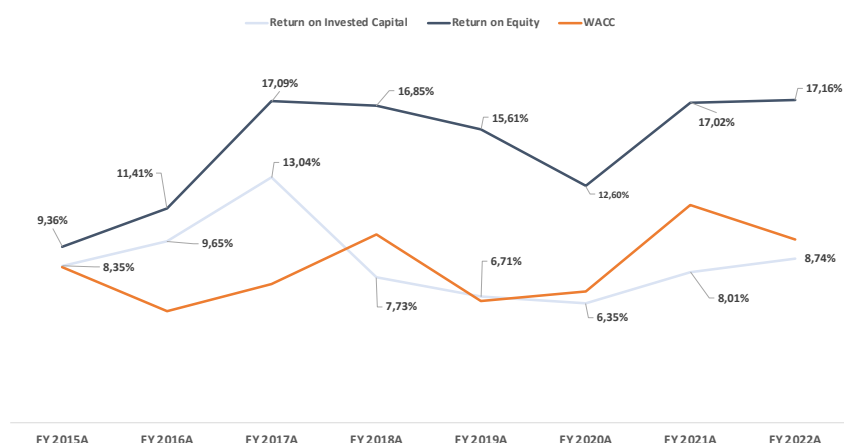


Figure 26: Annual Profitability Evolution from FY 2015A to FY 2022A

In assessing profitability metrics, the core ratios for financial performance include the standalone analysis of the Return on Equity (ROE) and Return on Invested Capital (ROIC), and their evolution with respect to the Weighted Average Cost of Capital (WACC). As shown in the graph above, both metrics show an upwards trajectory: ROIC increasing from **8.35% in FY 2015A to 8.74% in FY 2022A** and ROE increasing from **9.36% in FY 2015A to 17.16% in FY 2022A**. However, the performance also underlines some declines in performance. With the respect to the ROIC, the decrease from **13.04% in FY 2017A to 7.73% in FY 2018A** is mainly attributable to an almost twofold surge in net invested capital, driven by a substantial increase in registered goodwill from **684,132€ thousand to 1,161,598€ thousand**. The following surge in goodwill indicates high levels of M&A activity, underlining the company's successful track record in acquisitions. Regarding the ROE performance, the decline from **17.09% in FY 2017A to 12.60% in FY 2020A** is mainly attributable to two factors: (i) tax rate **increasing from 23% to 28%** due to additional tax charges over the corporate Italian tax rate of 24%, and (ii) the COVID-19 pandemic damaging top-line growth of Amplifon **decreasing 8.40% YoY in FY 2020A**. When contextualized against the evolution of the WACC, the following profitability measures have outperformed the cost of raising capital more often than not. This positive outlook demonstrates Amplifon's ability to create value for its shareholders through its operational performance and strategic initiatives. More recently, due to a period of restrictive monetary policy and overall macroeconomic uncertainty, the company's profitability has underperformed the WACC. However, we expect the situation **to only improve onwards**, favoring the company's financial performance.

Amplifon's DuPont Analysis confirms a healthy growth in equity returns.

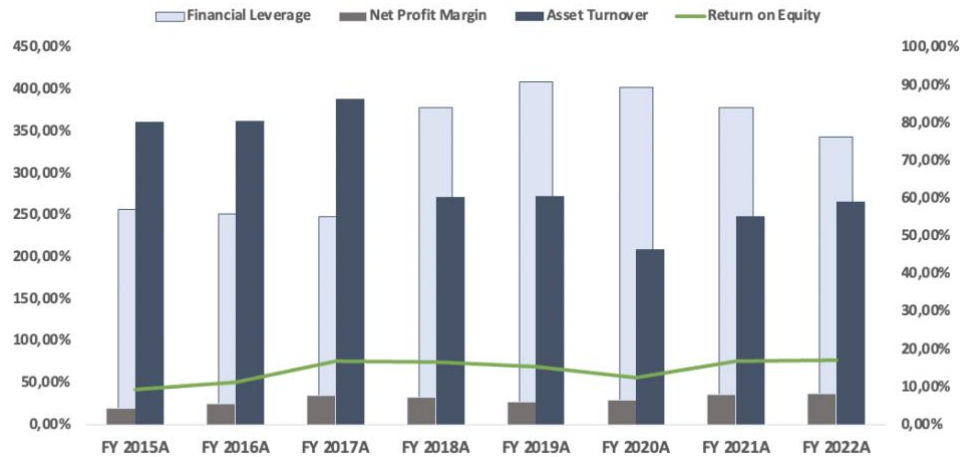


Figure 27: Annual DuPont Analysis from FY 2015A to FY 2022A

Additionally, our conducted DuPont analysis has provided valuable insights into the performance of the ROE. As confirmed by the figure above, the increase in ROE is **mainly driven by improvements in the net profit margin and asset turnover positions**, rather than relying on increased financial leverage. In fact, in each instance the ROE grows, such is aligned by a concurrent increase in the profit margin, **from 5% in FY 2015A to 8% in FY 2022A**. The following pattern confirms Amplifon's healthy evolution in ROE, due to **operational efficiency and profitability** rather than relying on leverage to maximize shareholder returns.

Amplifon's liquidity profile signals the heavy utilization of strategic acquisitions.

Liquidity Profile

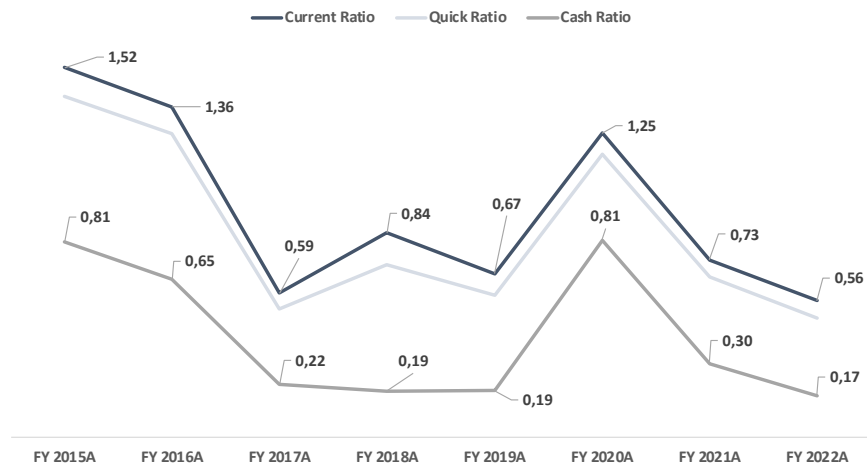


Figure 28: Annual Liquidity Analysis from FY 2015A to FY 2022A

Amplifon's liquidity profile has demonstrated variability over the years, primarily attributable to the **company's strategic initiatives involving the use of debt and cash to facilitate M&A activities**. On average, the current and quick ratio

have hovered in proximity of the optimal threshold of 1, underlining a balanced liquidity position. However, recent years have shown an exception to the trend evidenced by a negative working capital resulting in a decrease of the current ratio from **1.36 in FY 2016A to 0.59 in FY 2017A**. The negative net working capital derived by the company's financials signifies a deliberate move towards expansion. Similarly, the cash ratio aligns with the performance of the other ratios, ranging from **0.81 in FY 2015A to 0.17 in FY 2022A**. Despite the overall volatility in the former ratio, **there is no evidence that suggests an inefficient allocation of cash**. On the contrary, the proven M&A successful record of Amplifon is a signal to a efficient use of debt and cash.

Amplifon's evolution of debt goes hand in hand with profitability measures.

Capital Structure Analysis

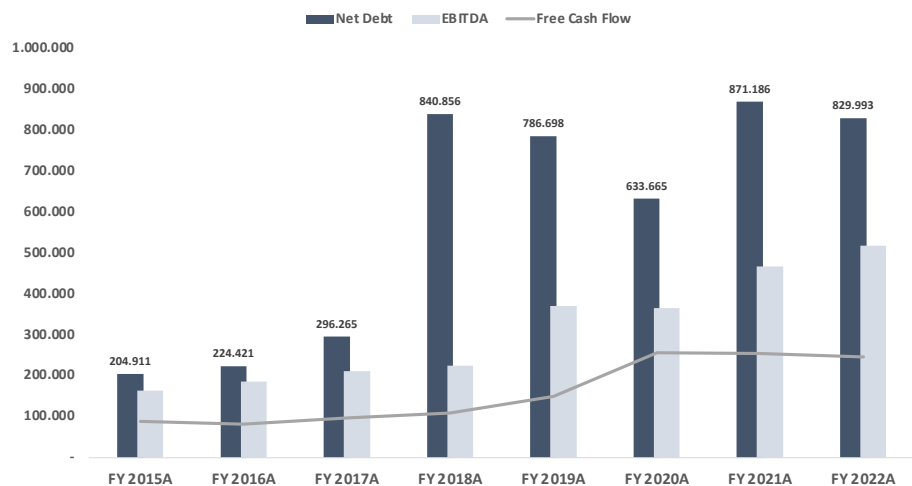


Figure 29: Annual Capital Structure Analysis from FY 2015A to FY 2022A

The following figure illustrates the dynamic relationship between Net Debt and EBITDA, shedding light on the consequential impact it has on the company's Free Cash Flows. The company's leveraged position has showed a steady increase, **peaking in FY 2018A primarily attributed to the notable concentration of long-term debt** in the capital structure. A closer examination of the relationship between debt and profitability reveals that Net Debt grows from **1.24x in FY 2015A, peaking in FY 2018A at 3.73x, and ending at 1.60x in FY 2022A**, with respect to EBITDA. As a result, not only is profitability growing, but the enhanced leveraged position is testament to the company's ability of handling debt efficiently. Furthermore, the incremental position of **Free Cash Flows suggests that the incremental debt position optimizes the company's operational efficiency**, improving Amplifon's cash position. Further strengthening the company's thesis on reliance on general debt, company financials show that the debt-to-equity ratio has grown **from 80% in FY 2015A to 104% in FY 2022A**.

Amplifon's financial performance is basically the median to its peers.

Relative Financial Analysis

FY 2022A	Amplifon	Demant A/S	GN Store Nord A/S	Sonova Holding AG	Fielmann AG	Median
EBITDA Margin	24,48%	21,62%	13,88%	28,87%	19,45%	20,54%
ROIC	8,74%	11,03%	4,19%	15,68%	7,46%	9,25%
ROE	17,16%	25,18%	7,84%	25,16%	12,79%	18,98%
Current Ratio	0,56	0,87	0,80	1,10	1,22	0,99
Cash Ratio	0,17	0,10	0,08	0,41	0,51	0,26
Net Debt/EBITDA	1,60x	3,27x	5,88x	1,03x	1,27x	2,27x

Figure 30: Annual Relative Financial Analysis from FY 2015A to FY 2022A

In conducting a comparable financial analysis, the financial performance of Amplifon is assessed in comparison to its hearing care peers, bearing in mind the distinctive nature of Amplifon's business model, solely focused on **retail** of audiology products:

- **Margins:** With respect to the median of **20.54%**, Amplifon exhibits superior margins in **FY 2022 amounting to 24.48%**. This implies that Amplifon is better in cost management, reducing operating expenses while simultaneously increasing group revenues.
- **Profitability:** Amplifon's profitability measures align closely with the industry median. More specifically, the ROIC for Amplifon is **8.74%** while the median is **9.25%**, and the ROE for Amplifon is **17.16%** while the median is **18.98%**. Despite the figures resulting a bit below the industry average, the consistent performance above the WACC suggests the company's search for value creation opportunities.
- **Liquidity:** Relative to its peers, Amplifon's liquidity profile is weaker (Current Ratio **0.56 vs. 0.99**). This difference can be attributed to the high M&A activity employed by the latter company, resulting in lower liquidity ratios. As a result, the weak position may also be seen in a more positive light: one that anticipates growth opportunities.
- **Capital Structure:** Amplifon's utilization of debt in form of loans and leases is in harmony with industry average and below the optimal threshold of 3x, amounting to 1.60x in FY 2022A. This indicates a correct use of company debt, particularly when put into the context of Amplifon's size and retail-focused business model.

In essence, the relative financial analysis positions Amplifon as a standout performer in terms of margins, maintaining competitive profitability, nonetheless maintaining a weaker liquidity profile. The company's financial structure and management affirms its place within the competitive industry of worldwide hearing care.