

ASX / MEDIA RELEASE

16 MARCH 2020

Cochlear withdraws FY20 earnings guidance due to coronavirus impacts

Key points:

- **Coronavirus expected to have a substantial, short-term negative impact on cochlear implant surgeries, particularly in the US and Western Europe**
- **China experiencing a small but growing number of surgeries over the past few weeks**
- **Cochlear has a conservatively geared balance sheet and is confident it can meet future cash requirements**
- **No plans to reduce the workforce with expectations the disruption will be temporary**
- **Expect many of the delayed surgeries to progress once hospitals resume normal operations**

Cochlear Limited today advises that as a result of the spread of coronavirus (COVID-19), a growing number of countries are deferring surgeries, including cochlear implant surgeries. Cochlear's CEO & President, Dig Howitt said, "Since the update we provided on 18 February, we have seen COVID-19 spread rapidly across many countries. We are now seeing a growing number of health authorities either recommend or enforce surgery deferrals. Over the weekend, the US Surgeon General has urged hospitals and healthcare systems to consider suspending elective surgical procedures in an effort to reduce the strain on the healthcare system until the rate of infection of COVID-19 is under control. We expect these actions to impact surgeries in our major markets, particularly the US and Western Europe.

"The business has been on track to deliver its earnings guidance driven by strong growth in cochlear implant system sales across the developed markets. However, we expect to experience a significant decline in sales in the immediate future. There is a high level of uncertainty surrounding the impact of COVID-19 in terms of the extent and duration of the reduction in surgeries and the ability for recipients to access sound processor upgrades. As a result, we are not in a position to provide an earnings outlook to the market at this time and withdraw our earnings guidance for FY20. An update on trading conditions will be provided when appropriate."

With regard to China, after a delay to surgeries during February, a small but growing number of surgeries have recommenced over the past few weeks, although they remain well below the pre-virus run rates. Cochlear's Chinese suppliers have resumed production of components, which are used primarily for sound processors and accessories. The business continues to carry at least three months inventory of most components and is managing distribution carefully to enable continued supply of products to customers.

Cochlear has a conservatively geared balance sheet, headroom in existing debt facilities and is confident it can arrange increased debt facilities to assist with meeting future cash requirements.

In response to an expected slowing in surgeries, Cochlear is reducing all non-essential spending and capital expenditure for the balance of the financial year. The business has also implemented a hiring freeze. Mr Howitt said, "Since the initial outbreak of COVID-19, we have taken steps to

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ensure the health and safety of our employees, clinics and professional partners while continuing to support our recipients to hear now, and always. Our employees have valuable experience and make incredible contributions to Cochlear's mission. We do not have plans to reduce our workforce as we believe this disruption will be temporary.

“As the global leader in implantable hearing solutions, we continue to see the long-term opportunity to grow the hearing implant market. We expect that many of the delayed surgeries will progress once hospitals resume normal operations. Our view to the longer-term opportunity to grow our markets remains unchanged and we have a strong balance sheet that enables the business to weather the expected short-term decline in demand caused by COVID-19.”

Conference call

Management will host a conference call at 12pm today to discuss the announcement. Dial in details are as follows:

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