

COCHLEAR LIMITED (COH)

14 AUGUST 2018

| RESULTS | Full Year 2018 | Full Year 2017 | CHANGE |
|--------------------------------------|----------------|----------------|--------|
| Sales revenue (\$m) | 1,351.4 | 1,239.7 | +9% |
| Sales revenue consensus (\$m) | 1,390.0 | | |
| Cost of Goods sold (\$m) | 361.2 | 358.4 | +1% |
| Cochlear implant units | 35,260 | 32,554 | +8% |
| Earnings before interest & tax (\$m) | 348.4 | 315.6 | +10% |
| Net Profit (\$m) | 245.8 | 223.6 | +10% |
| Final Dividend (\$) | 1.60 | 1.40 | +14% |

Cochlear Limited (COH) Strong result but FY19 guidance underwhelms

- **Australian based hearing impairment device maker Cochlear Limited (COH)** reported a 10% lift in full year 2018 revenue, earnings and profit after topping implant sales estimates for the full year.
- The company posted another strong year boosted by Cochlear implant sales that now account for 62% of the group's total sales revenue. Cochlear sold 35,260 units over the year up 8%, and up 11% if you exclude the deal they have with the Chinese Government via their tender arrangement won in late November 2017. Cochlear confirmed the business had hit a milestone, selling more than 550,000 implants to people across the world, and reminded investors that currently only 5% of people globally who could benefit from a hearing implant are being treated.
- Cochlear's Service division (sound processor upgrades and other) listed double digit sales revenue driven by the release of the Nucleus 7 Sound Processor during the second quarter and first full year of revenue from the use of its new management software business Sycle. Cochlear Family membership program continues to grow with membership up 70% this year to now exceed 100,000 members.
- Baha bone conduction implant sales now accounts for 12% of revenue. Acoustic revenue fell by 1% after rapid growth of 25% in the prior year, but unit sales are still solid this year.
- Cochlear continues to work with universities, health professionals and government bodies to improve technology and gain a fuller understanding of the changes in the industry. The CEO said "Over the next few years, we have a number of large long-term investment projects, including the development of our China manufacturing facility, with the construction phase expected to be complete by the end of FY20".
- For FY19, Cochlear expects to deliver reported net profit of \$265-275 million, an 8-12% increase on FY18, but this was below market consensus expectations of \$257-308 million. COH expects growth across the developed markets, which represent around 80% of cochlear implant revenue to continue.
- COH said it will pay an Interim dividend of \$1.60, higher than market expectations of \$1.45 a share, on October 10, 2018.

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