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Q1 2022/23

Webcast presentation



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Agenda

- # Key Highlights and Strategy Update
- # Financial Performance in Q1
- # Outlook
- # Q&A

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Key Highlights and Strategy Update



Challenging macroeconomic environment continued in Q1 22/23. Outlook maintained but uncertainty remains high

- Robust demand driven by travel and outdoor-related On-the-go products. Like-for-like sell-out adversely impacted by regional lockdowns in China
- Revenue declined 8.2% (-10% in local currencies)
 - Product sales declined by 16% in local currencies mainly impacted by lockdowns in China and lower partner inventories
 - Brand Partnering & Other activities grew 44% in local currencies, driven by new partnerships
- Decline in EBIT margin bsi* and free cash flow due to lower gross profit
- Outlook maintained, but uncertainty remains high
- Adjusting strategic priorities to mitigate effects of higher uncertainty and lower consumer confidence



	Q1 2022/23	Outlook FY 2022/23
Revenue	-10% in LC** DKK 612m	-4% to 5% growth in LC**
EBIT margin bsi*	-14.1% (EBIT bsi* DKK -85m)	-2% to 3%
Free cash flow	DKK -81m	DKK -50m to 100m

Robust demand reflecting return to normal seasonality except for China, which was still impacted by regional lockdowns

-9%
Sell-out growth

- **EMEA:** Sell-out driven by company owned stores, multibrand and etail with sales moving to travel and outdoor related On-the-go products. The six core markets grew 3%
- **Americas:** Growth across most channels driven by the Staged and On-the-go categories
- **Asia:** Sell-out impacted by regional lockdowns in China which declined by 42%. South Korea grew 16%



Regions	Product Categories
-2% EMEA	-3% Staged
14% Americas	-23% Flexible Living
-27% Asia	-7% On-the-go

Expanding customer base and brand awareness with Balenciaga collaboration as a key driver

6%

Customer Growth*

5%

Growth in Customers with 2+ Products Owned

+25%

Growth in traffic on eCommerce platform

Successful product collaborations

- Limited edition of Beosound Explore with Supreme
- Limited edition Speaker Bag unveiled at Balenciaga 51st Couture show in Paris and Bang & Olufsen reached nearly 30 million views

Driving awareness and reach through partnerships

- Formula 1 events together with Williams Racing
- Approx. 7 million views reached through celebrities and influencers
- 17 million organic impressions via Google Search



Beosound Theatre redefining the soundbar category

- Most powerful soundbar in the market, bring the home cinema into the living room in one product
- Based on our Mozart product platform that enables connectivity with products from the past, present and futures
- Most modular product ever built with twofold value proposition:
 - Fits almost any TV
 - Will outlast traditional tv lifecycles due to its upgradeability in form and technology
- Designed to be Cradle-to-Cradle certified



Adjusting to the macroeconomic headwinds

- Hiring Freeze
- Phasing investments
- Production forecast lowered to ensure an efficient inventory development
- Prioritising activities towards key segments



Prioritising our activities towards core segments



City strategy

- Building on Win London
- Adding New York and Paris



US as a core market

- Several US cities are ranking high on the segmentation
- Reduce reliance on Europe and China



Enterprise

- New products
- Teams and Zoom certifications



HNWI and Gen Z

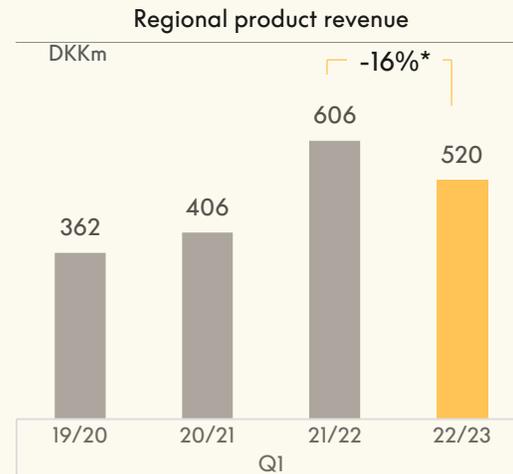
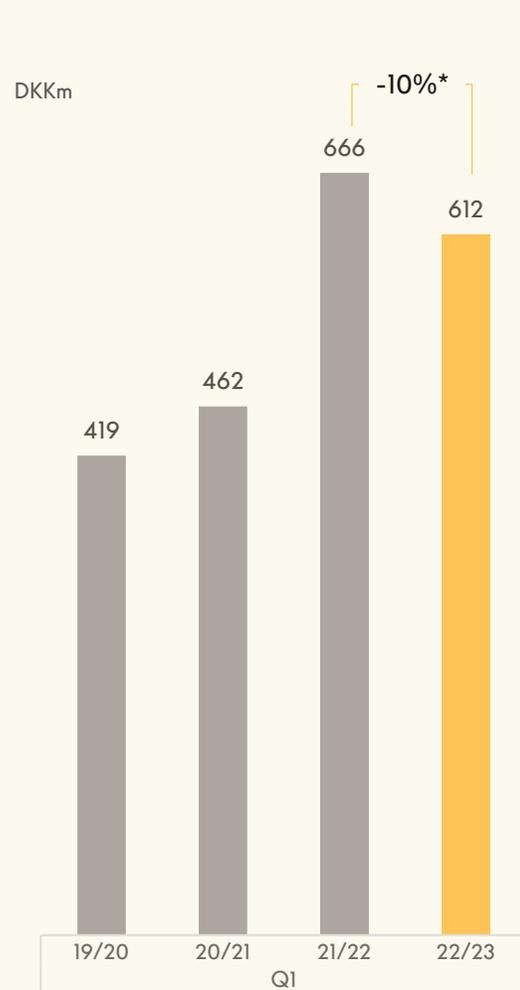
- Target marketing
- Expanding digital and service offerings
- Enhancing individualization of parts of portfolio



Financial Performance in Q1

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Revenue in Q1 declined due to lower product sales, partly offset by strong performance from brand partnering



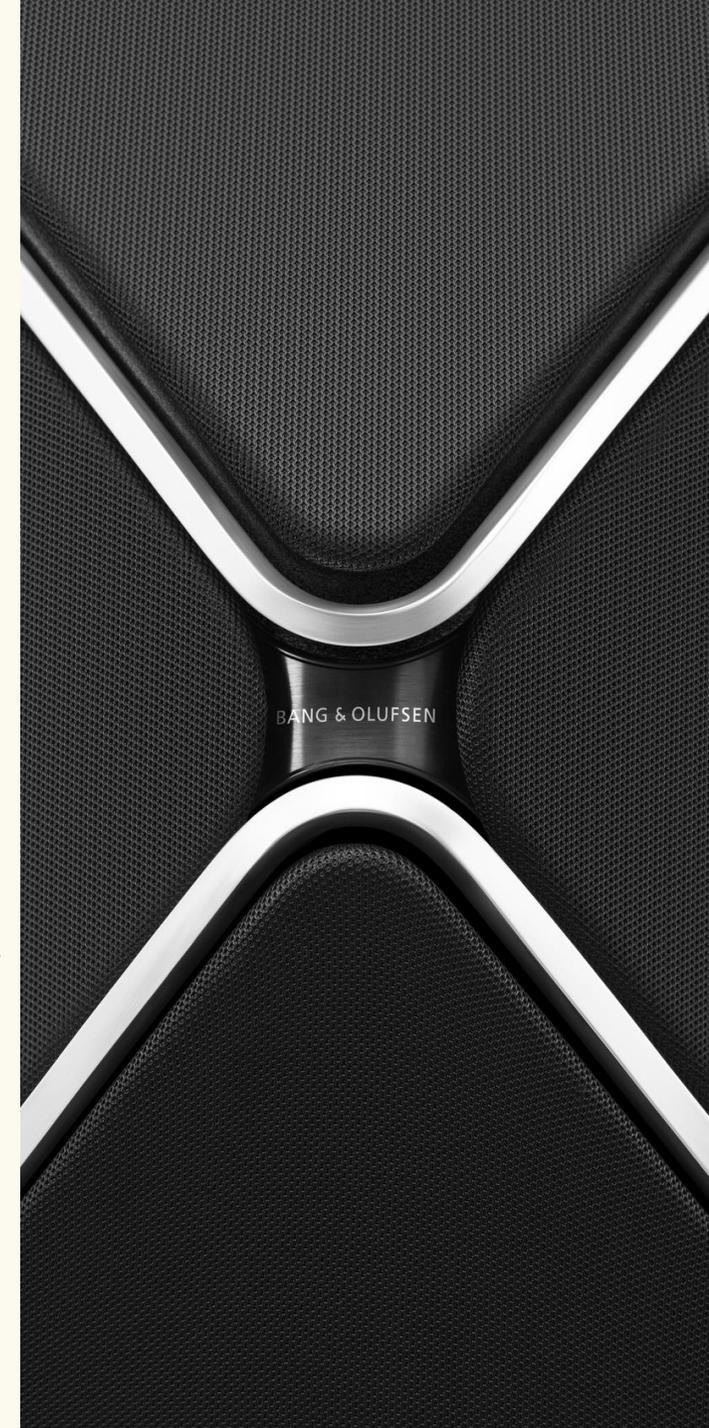
Regional product sales declined 16%*

- Lockdowns in China, impacting sales and consumer confidence
- Retail partners reducing inventories, especially in EMEA due to low consumer confidence

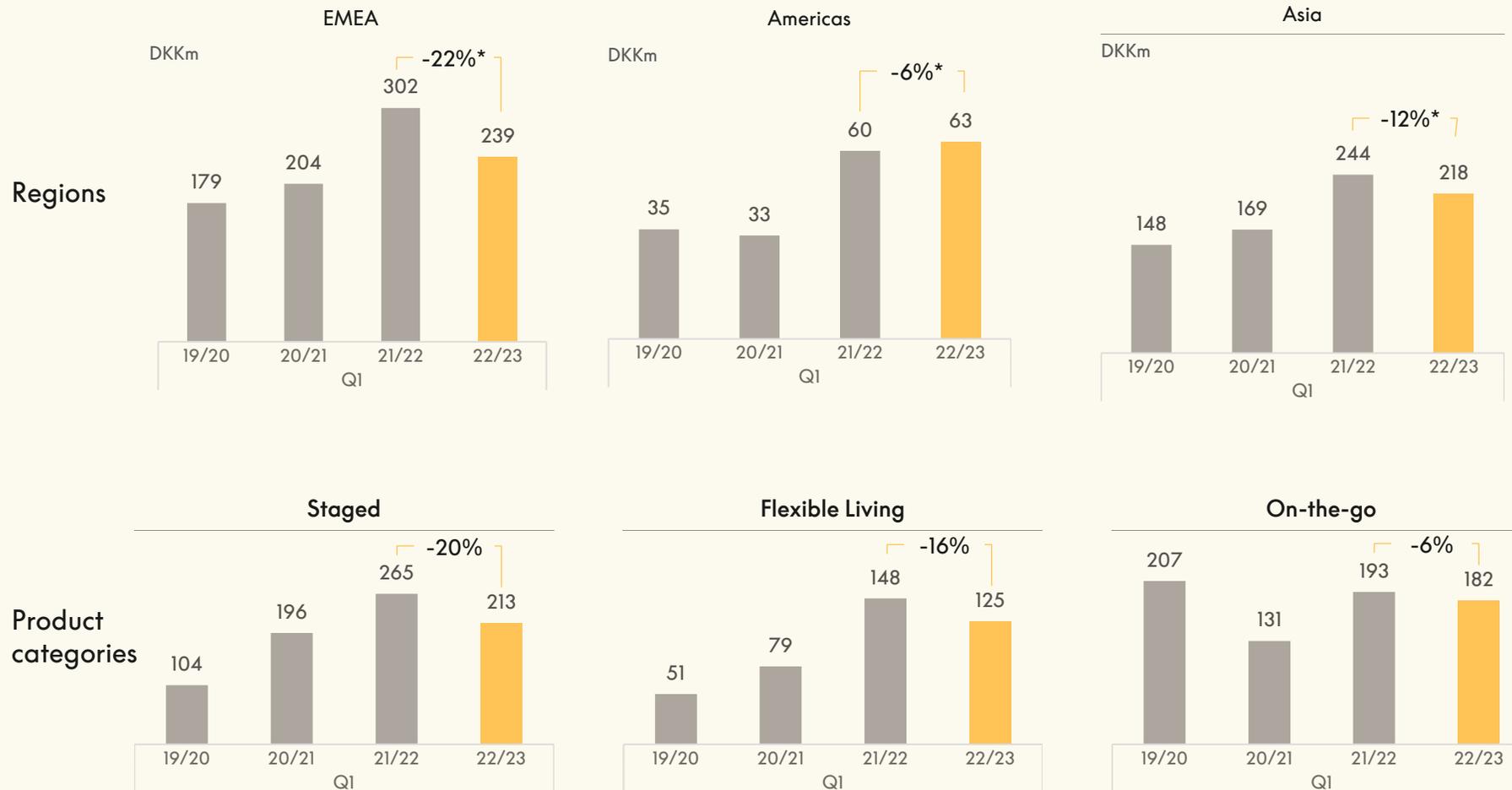


Brand Partnering & other activities grew 44%*

- Growth mainly driven by co-branded products, with the Cisco partnership delivering the biggest increase
- License income grew by 16%, with all licence partnerships contributing to the growth



Regional product sales impacted by lockdowns and inventory reductions



EMEA:

- Decline across all channels
- Staged and Flexible Living declined most, impacted by normalisation of seasonality and inventory reductions with partners

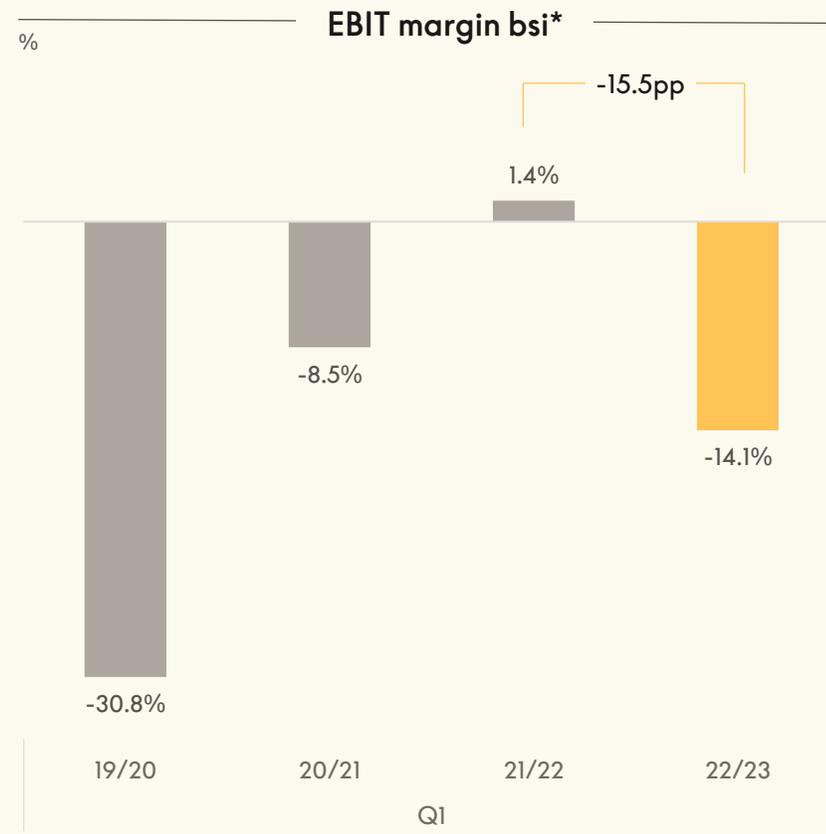
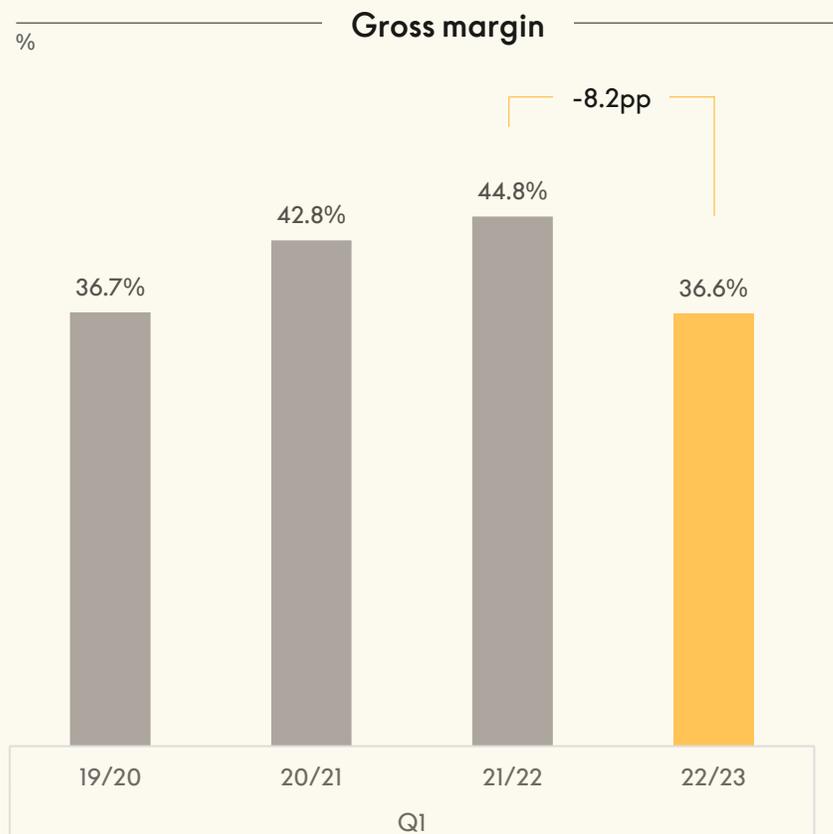
Americas:

- Solid performance across most channels
- Staged and On-the-go categories main growth driver

Asia:

- All channels impacted by COVID-19 lockdowns in China
- Decline mainly related to the Staged category

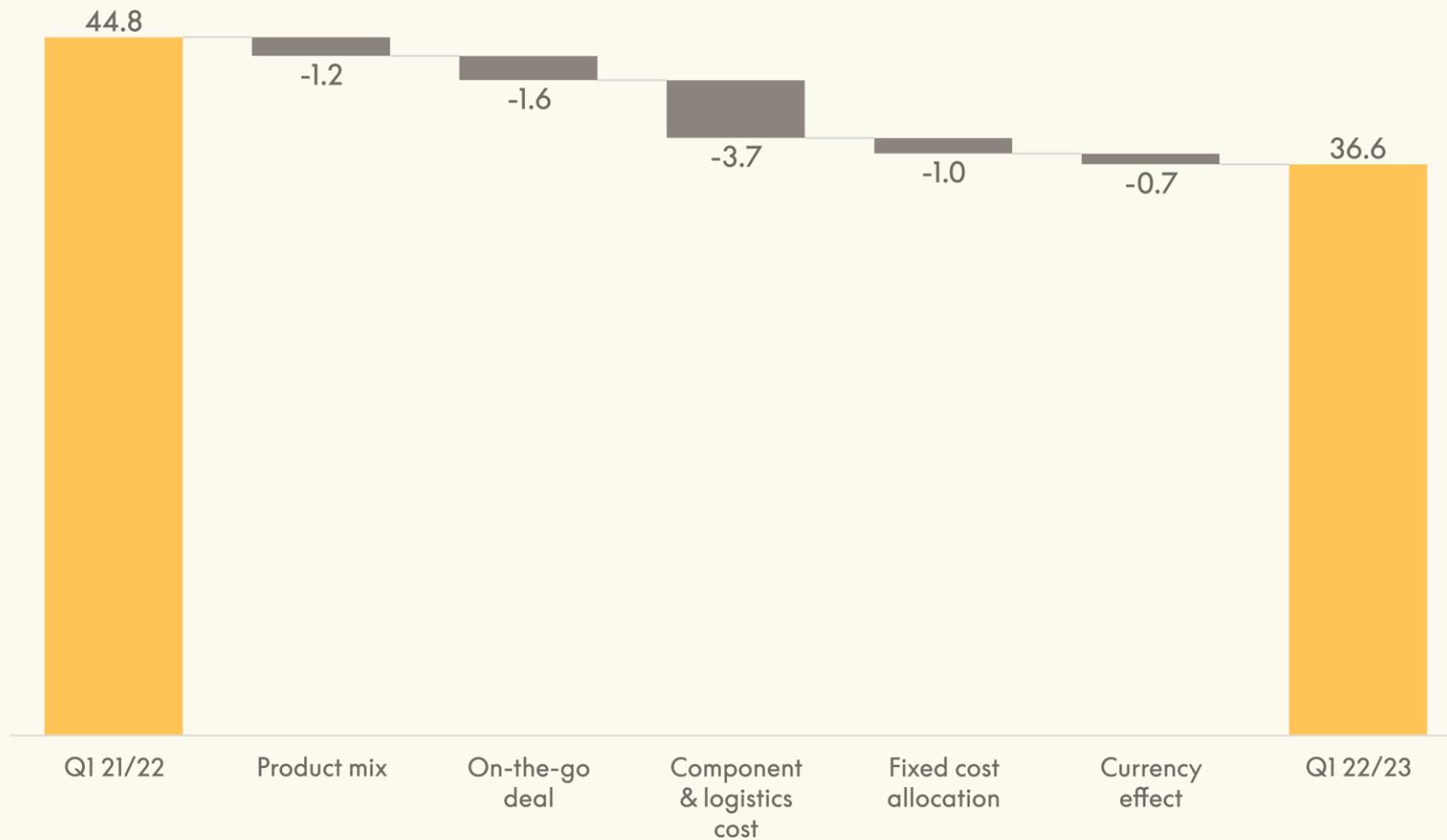
Margins impacted by component costs and a large On-the-go deal



*Before special items

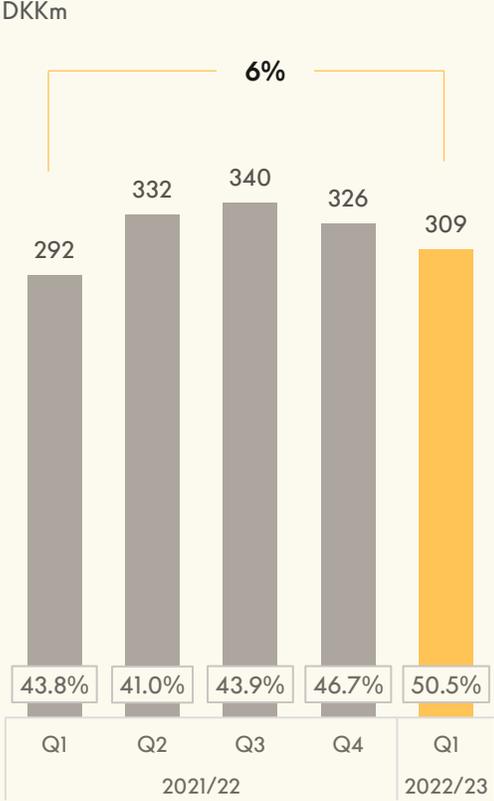


Gross margin decline mainly driven by component costs and one On-the-go deal

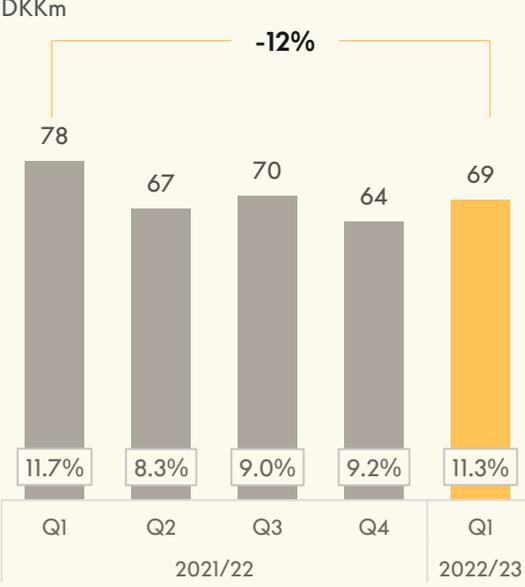


Capacity costs increase mainly driven by marketing activities

Capacity costs

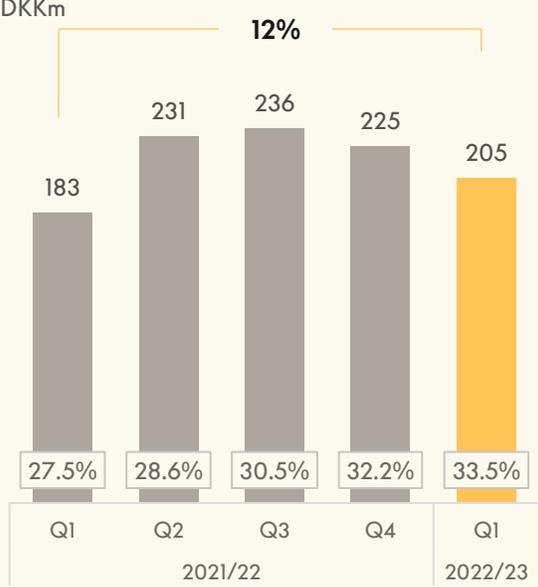


Development costs



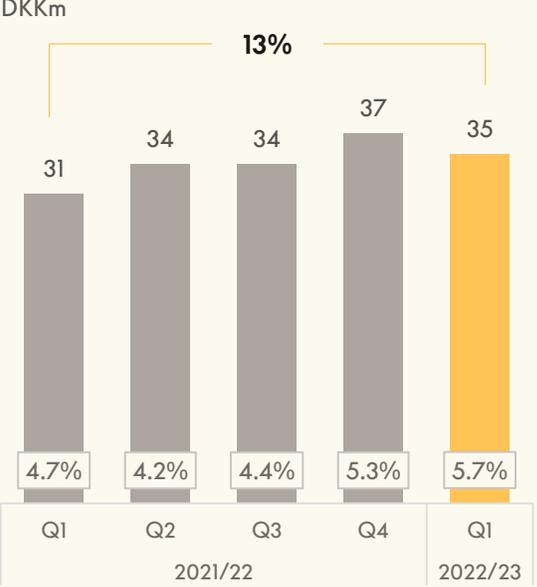
- The decline in Development costs were driven by higher capitalisations
- Incurred development costs, grew by DKK 6m to DKK 78m
- Incurred costs driven by platform upgrades and investments related to Beosound Theatre

Distribution & marketing costs



- The increase was mainly due to local marketing activities and full-year effects of resources added since Q1 last year
- The marketing cost to revenue ratio was 9.8%, which was 2.5pp higher than last year

Administrative costs

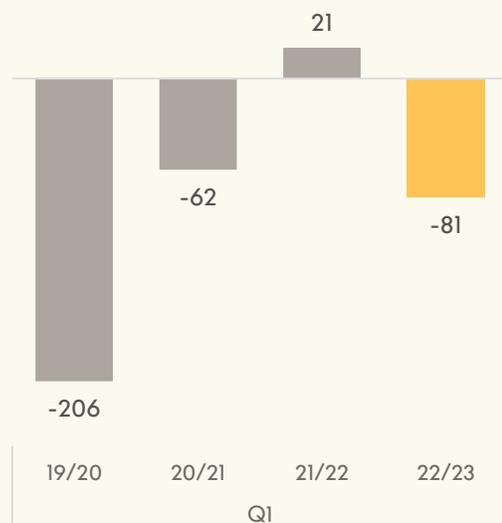


- Increase driven by added resources since Q1 of last year
- 5% down compared to Q4

Free cash flow impacted by the decline in sales and a return to normal seasonality

Free cash Flow

DKKm

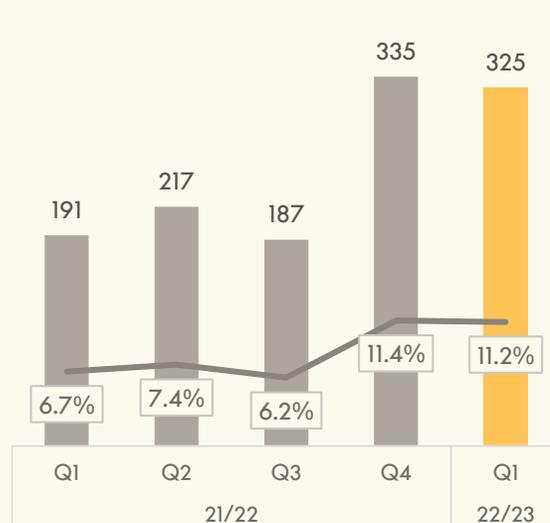


- Compared to last year, reflecting a more normal seasonality
- Impacted by lower revenue and higher CAPEX
- Net working capital improved by DKK 10m

Net working capital

DKKm

— % of LTM revenue



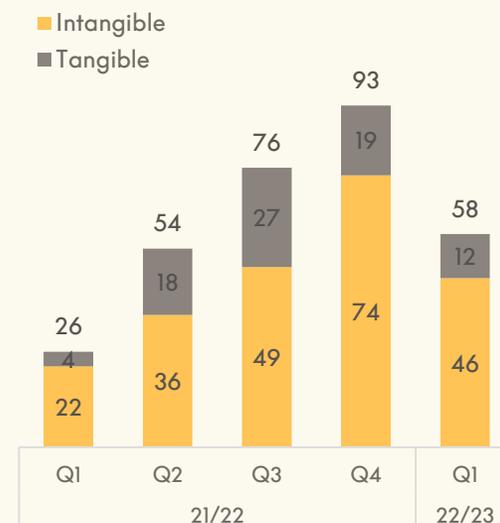
Net working capital decreased to DKK 325m (NWC ratio of 11.2%)

- Inventory down by DKK 5m
- Trade payables up by DKK 51m
- Trade receivables stable
- Other liabilities reduced by DKK 42m

CAPEX

DKKm

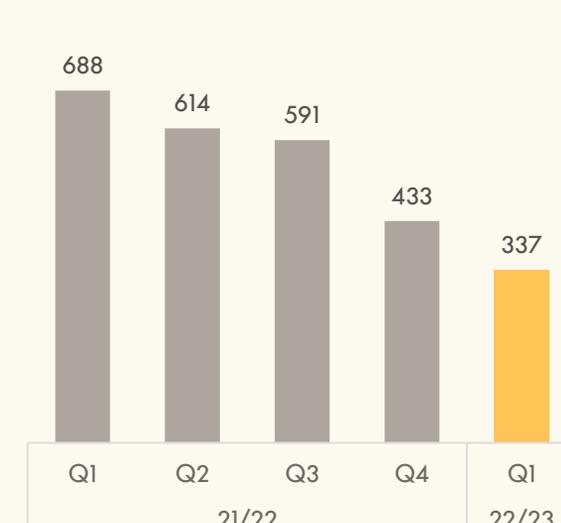
■ Intangible
■ Tangible



- Investments primarily within intangible assets and related to new products and platforms

Capital resources

DKKm



- Capital resources of DKK 337m, consisting of available liquidity and available credit facility
- The decline was mainly related to the negative free cash flow



Outlook

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Outlook 2022/23 maintained

Subject to unusually high uncertainty

	Outlook	Main assumptions
Revenue growth in local currencies	-4% to 5%	<ul style="list-style-type: none">▪ China expected to see gradual normalisation in Q2▪ Launching more than five product innovations, including re-launch of Beosound Emerge in the remainder for the year▪ Product availability not impacted by geopolitical or COVID-19 related lockdowns▪ No major COVID-19 related lockdowns in the second half of the year
EBIT margin BSI*	-2% to 3%	<ul style="list-style-type: none">▪ Cost of goods sold is expected to be impacted by the inflationary pressure currently experienced in the market▪ Continued investments into marketing and product development
Free cash flow	DKK -50m to DKK 100m	<ul style="list-style-type: none">▪ Reduced inventories▪ CAPEX related to product development and retail development as well as IT



Summary, robust demand but challenging macroeconomics

- Robust demand in Q1, except for China, which was impacted by lockdowns
- We continue to see growth in our customer base and in repeat purchases
- Financial performance impacted by lockdowns, lower inventories with partners and higher costs
- We are adjusting to the challenging macroeconomic environment
- Successful Win city strategy will be expanded to New York and Paris
- The US has been included as a core market
- More products designed for hybrid work and the enterprise segment
- Marketing activities prioritised for customer segments that are more resilient in current environment
- Outlook maintained but subject to unusually high uncertainty



Q&A

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