

ANNUAL REPORT

2020/21

WEBCAST PRESENTATION
7 JULY 2021



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AGENDA

KEY HIGHLIGHTS

FINANCIAL PERFORMANCE

STRATEGY UPDATE AND OUTLOOK

BANG & OLUFSEN

FIRST PHASE OF TURNAROUND COMPLETED | PROFITABLE DOUBLE-DIGIT GROWTH EXPECTED IN 21/22

- Strategy is working and first phase is completed
- Broad based performance across regions, product categories and distribution channels
- Sales adversely impacted by supply constraints due to component scarcity
- Higher costs related to components and logistics
- Strong performance and dedication by partners and colleagues
- Ready to build robustness into the business in phase 2 of the strategy
- Double-digit growth and higher EBIT margin in 2021/22



FY 2020/21

REVENUE

DKK 2,629m

31% growth in local currencies

*EBIT MARGIN bsi**

1.4%

(EBIT bsi DKK 38m)

FREE CASH FLOW

DKK 119m

OUTLOOK FY 2021/22

REVENUE

DKK 2.9bn to 3.1bn

*EBIT MARGIN bsi**

2-4%

FREE CASH FLOW

DKK 0m to 100m

SOLID STRATEGY EXECUTION IN 2020/21

STRONG PERFORMANCE IN CORE MARKETS

6 CORE
EUROPEAN MARKETS

26%

Growth*

2 CORE
ASIAN MARKETS

50%

Growth*

FOUNDATION FOR GROWTH AND PROFITABILITY ESTABLISHED

SIGNIFICANT GROWTH
IN DIGITAL

71%

eCommerce growth

COST REDUCTION PROGRAMME
EXCEEDING DKK 175M TARGET

202M

DKK run-rate savings

MARKETING
REIGNITED

53%

Growth in registered customers
in the B&O app

STRENGTHENED PRODUCT
PORTFOLIO

14

Product launches

SCALING WITH PARTNERS

DRIVING DEMAND WITH TECHNOLOGY
AND BRAND PARTNERS

7

Partnerships

EXPANDING WITH
DISTRIBUTION PARTNERS

5

Distribution partnerships

AGENDA

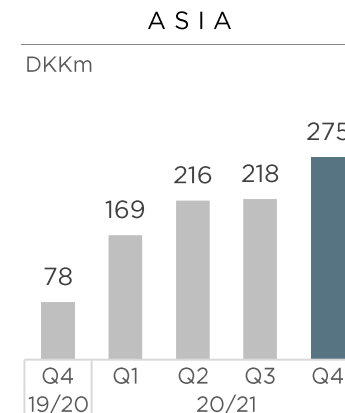
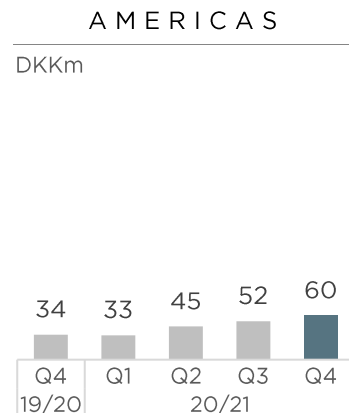
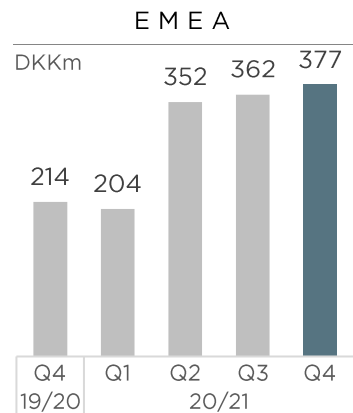
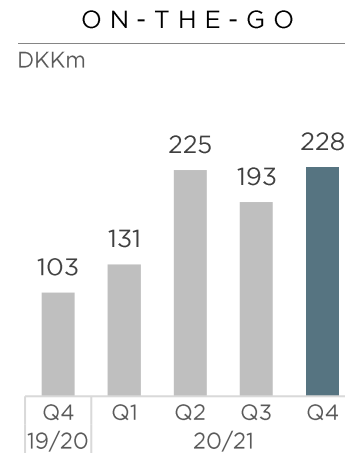
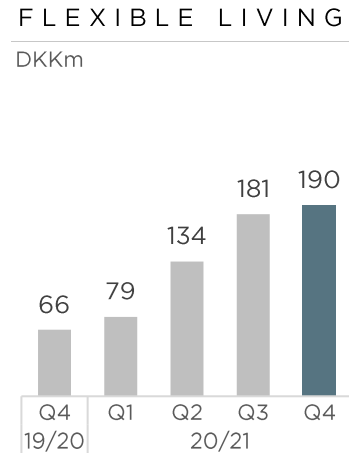
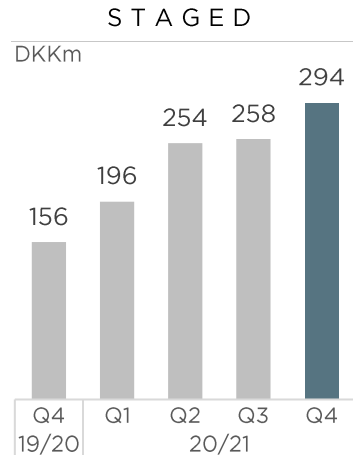
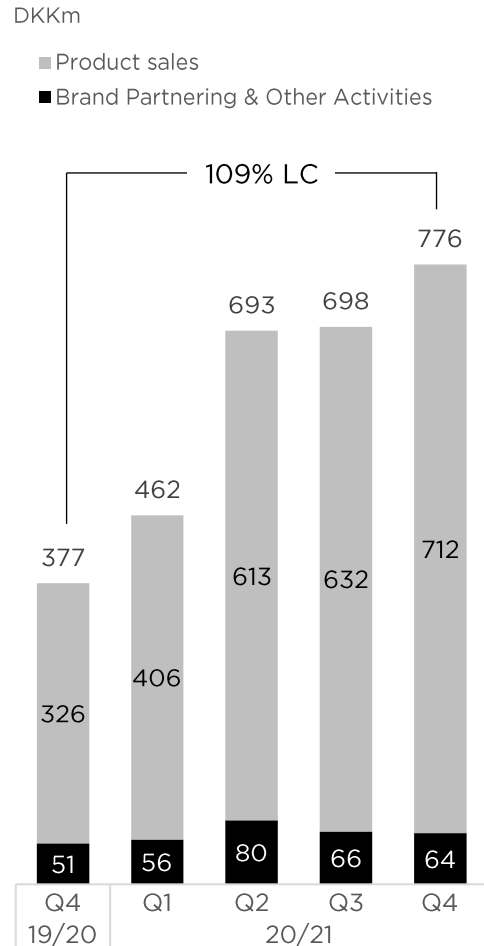
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STRONG Q4 AFTER SECURING PRODUCT DELIVERIES



Revenue up by 109% YoY

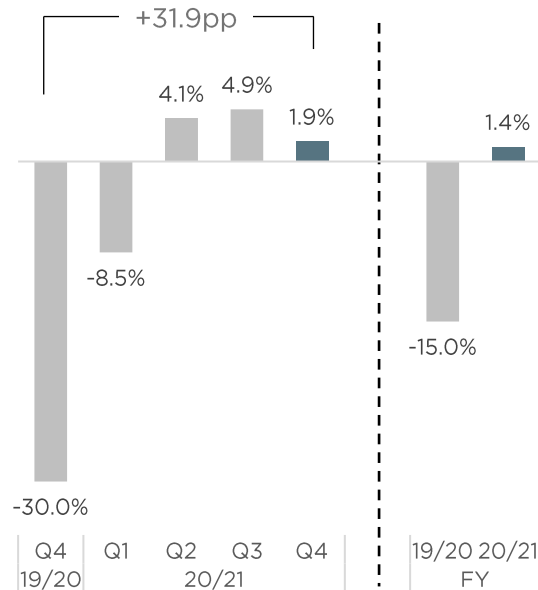
- Product sales up by 118% to DKK 712m (Q4 19/20 DKK 326m), driven by continued momentum and low performance in Q4 last year
- Brand Partnering & other activities up by 27%, driven by licencing income and aluminium manufacturing. Car audio adversely impacted by component scarcity

Q4 compared to Q3

- Staged growth driven by higher product deliveries
- Large B2B orders in Flexible Living
- Clearing of On-the-go inventory as part of product roadmap
- Higher sales across all regions

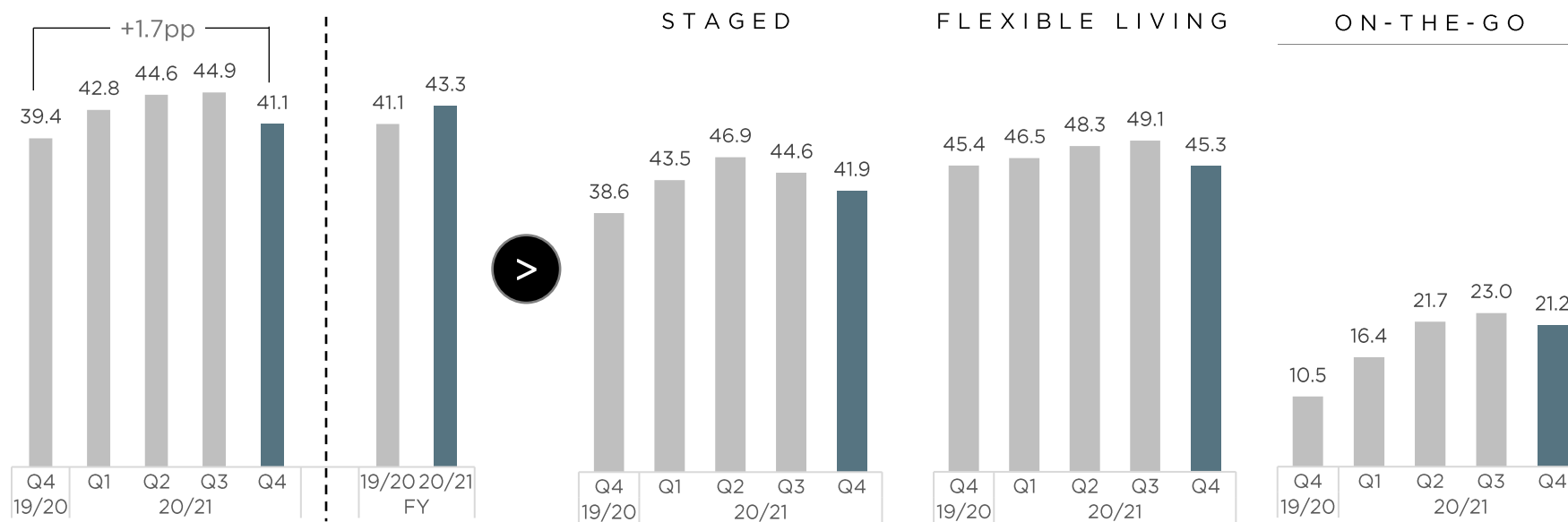
THIRD QUARTER WITH POSITIVE EBIT | GROSS MARGIN IMPACTED BY HIGHER COMPONENT AND LOGISTICS COSTS

EBIT MARGIN BSI*



- Year-on-year, improved by revenue growth and higher gross margin partly offset by higher capacity costs
- Lower margin compared to Q3, driven by lower gross margin and higher capacity costs

GROSS MARGIN**

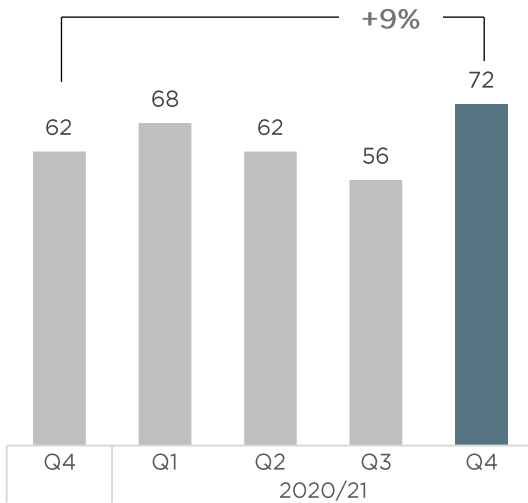


Improved gross margin driven by product mix partly offset by Brand Partnering relatively accounting for less of gross profit

- Lower product gross margin compared to Q3 due to:
- Higher component and logistics costs (5.5pp on product gross margin)
 - Flexible Living adversely impacted by large B2B deals in Asia
 - On-the-go impacted by inventory clearing in Asia

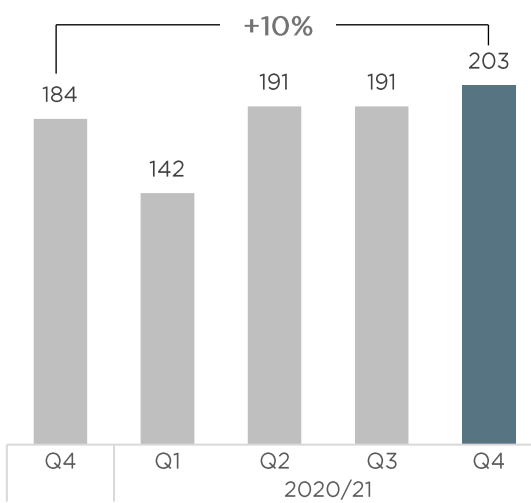
CAPACITY COSTS INCREASED BY 4% EXCLUDING SPECIAL ITEMS AND LAST YEAR'S COVID-19 PACKAGES

DEVELOPMENT COSTS
DKK m



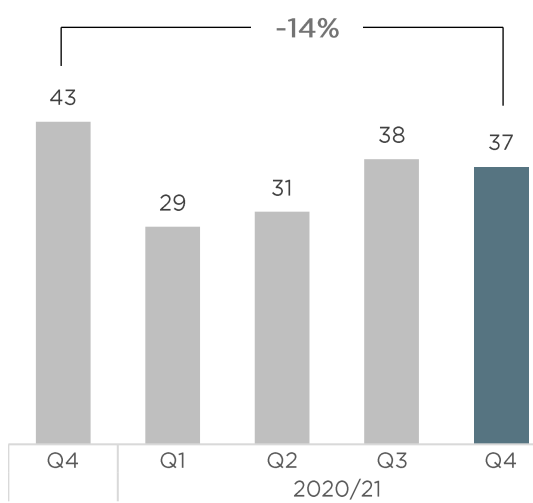
- Increase related to higher amortisation and lower capitalisation
- Excluding last year's COVID-19 packages, costs were at the same level
- Incurred development costs were at the same level at DKK 77m

DISTRIBUTION & MARKETING COSTS
DKK m



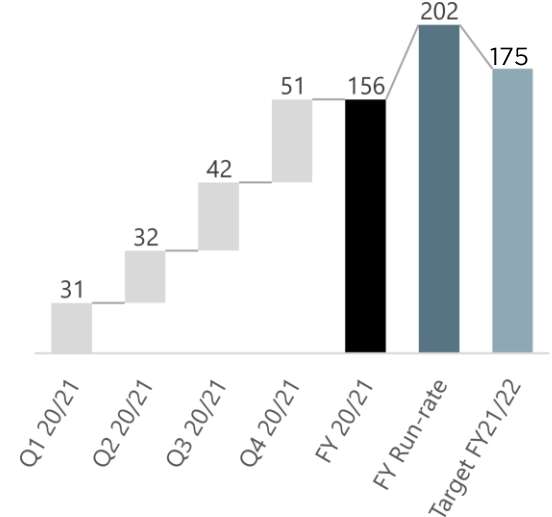
- Excluding last year's COVID-19 packages, costs were at the same level
- Positive effect of cost reductions
- Higher employee bonus provisions reflecting sales growth
- Effect of monobrand stores taken over during 20/21

ADMINISTRATIVE COSTS
DKK m



- Decline driven by special items, DKK 12m last year compared to DKK 3m this year
- Excluding special items, administration costs increased by 10%
- Increase driven by bonus provisions

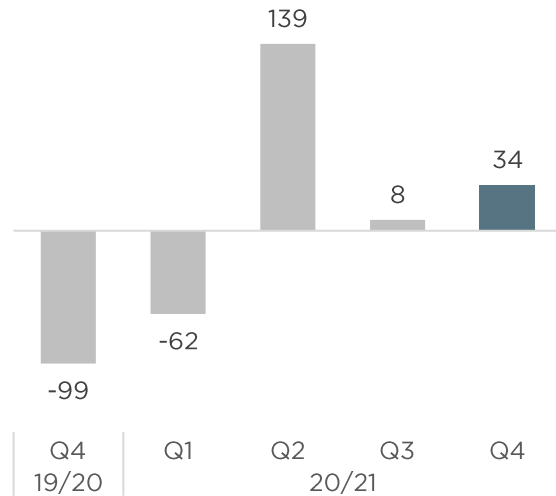
COST REDUCTION PROGRAMME
DKK m



- QoQ improvement driven by indirect procurement, retail and marketing initiatives and product related costs
- Year-to-date savings of DKK 156m, amounting to an annual run-rate of DKK 202m
- Cost reduction programme exceeded the DKK 175m target

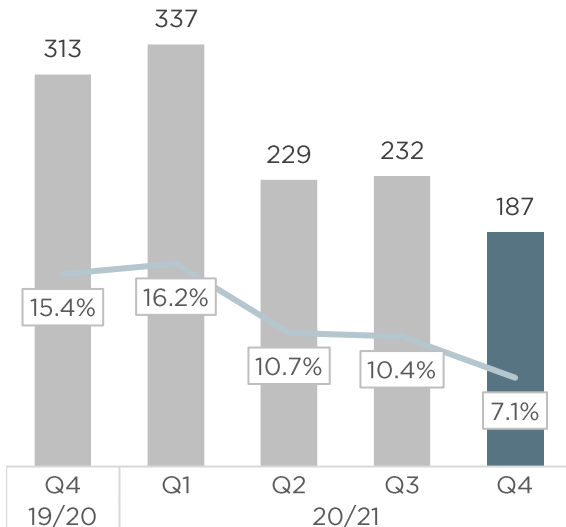
THIRD CONSECUTIVE QUARTER WITH POSITIVE FREE CASH FLOW

FREE CASH FLOW
DKKm



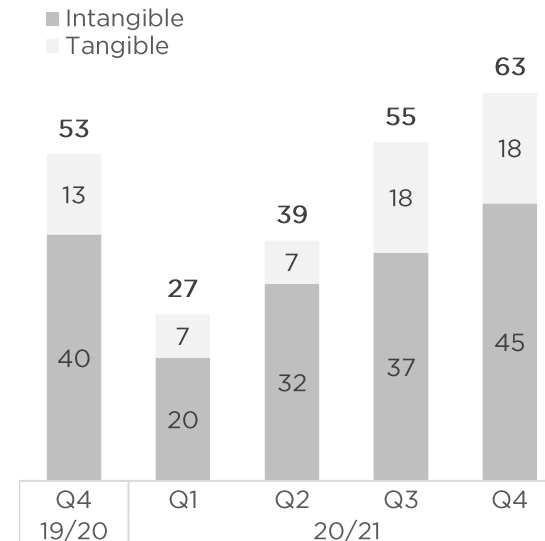
- EBITDA of DKK 61m in line with Q3
- Positive impact from lower NWC
- Partly offset by higher CAPEX

NWC
DKKm



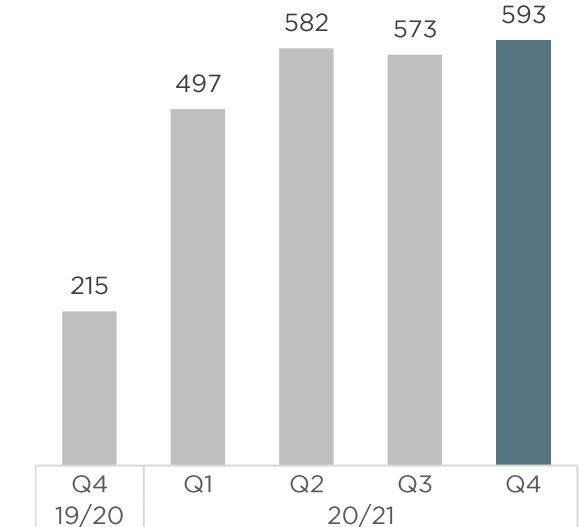
- Net working capital declined by DKK 45m within the quarter
- Reduced inventory
- Increased payables due to late delivery of products
- Higher receivables due to high sales towards the end of the quarter
- NWC in % of LTM revenue declined to 7.1%

CAPEX
DKKm



- Investments primarily in intangible assets related to
 - Development of new products
 - Development of product platforms
 - Development of software platforms

AVAILABLE LIQUIDITY
DKKm



- Available liquidity increased to DKK 593m
- 2020/21 increase of DKK 378m driven by:
 - Rights issue: DKK 359m
 - Free cash flow DKK 119m
 - Less financing and other DKK 100m

AGENDA

A person's hand is hovering over a cylindrical speaker. The speaker has a light-colored, textured fabric grille and a gold-colored top and base. It is sitting on a wooden cylindrical stand. The background is a blurred indoor setting with a table and a chair.

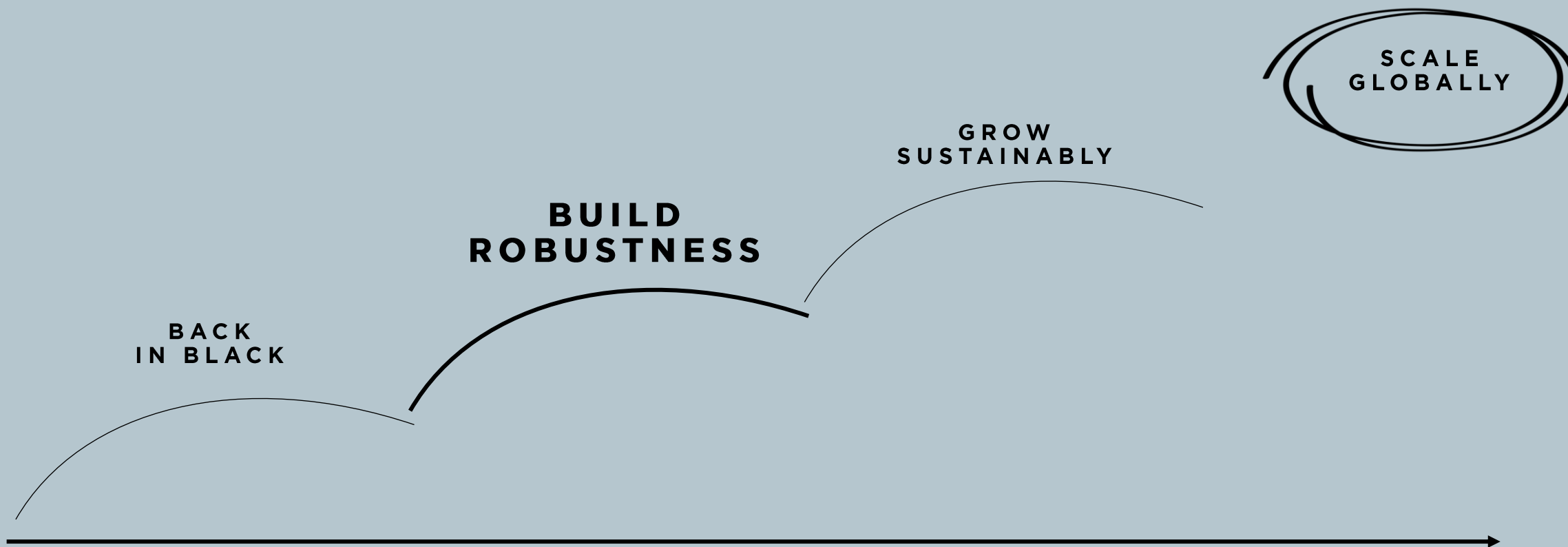
KEY HIGHLIGHTS

FINANCIAL PERFORMANCE

STRATEGY UPDATE AND OUTLOOK

Q&A

WE ARE MOVING TO THE SECOND WAVE OF OUR TRANSFORMATION



WIN MORE CUSTOMERS AND REPEAT BUSINESS BY BECOMING A CUSTOMER LOVE BRAND



> Growing our customer base

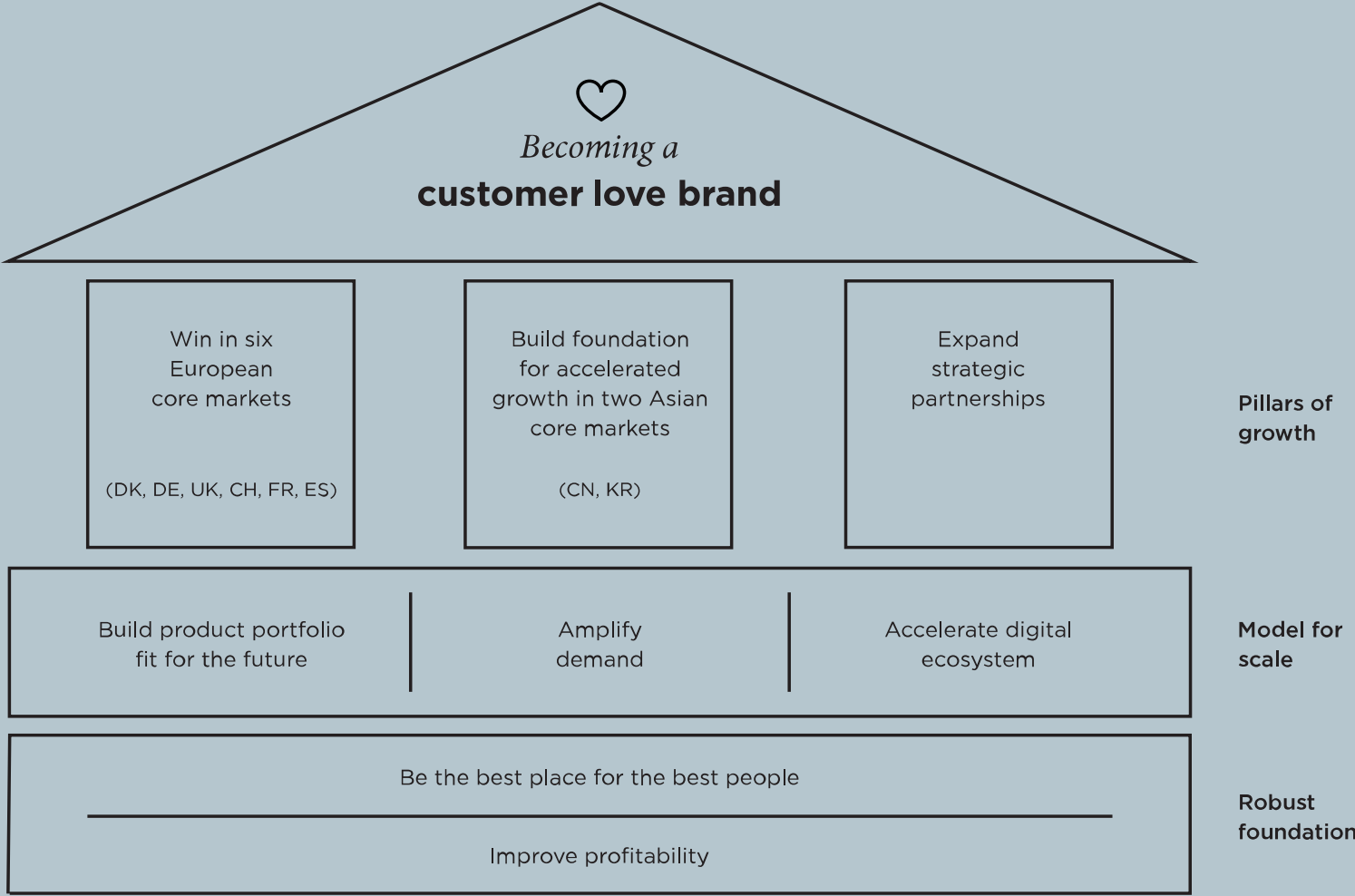


> Growing product ownership

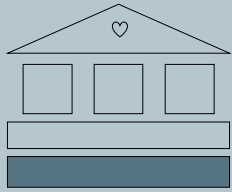


> Growing loyalty & advocacy

BUILDING ROBUSTNESS REQUIRES A REITERATED STRATEGY HOUSE



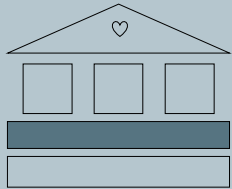
SECURING A ROBUST FOUNDATION OF THE BUSINESS



STRONG BACKBONE FOR BUSINESS RESILIENCE & HEALTHY GROWTH

- **Improve profitability**
Proactive, tactical cost and margin optimisation
- **Be the best place to work for the best people**
Purposeful workplace where people and talent thrive

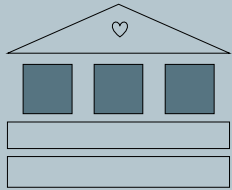
BUILDING THE MODEL FOR SCALE IN THE FUTURE



PROVEN SCALABLE GROWTH FORMULA

- **Build product portfolio fit for the future**
Ecosystem of reference class products and increased CMF and product programme activity through platform and software ramp-up
- **Amplify demand**
Augmented marketing and customer experience, rooted in a redefined brand proposition
- **Accelerate digital ecosystem**
Boost and expand digital experiences across platforms and customer journeys

CONCERTED EFFORTS WITHIN PILLARS OF GROWTH



MARKET AND GROWTH PRIORITIES FOR THE YEAR

- **Win in six European core markets**
Repeatable go-to-market model and full leverage on market positions for customer acquisition and expansion
- **Build foundation for accelerated in two Asian core markets**
Future proof go to market model with improved brand experience and intensified demand creation
- **Expand strategic partnerships**
High impact partnerships for brand reach, technology and capability access

OUTLOOK 2021/22 | DOUBLE DIGIT REVENUE GROWTH AND HIGHER EBIT MARGIN EXPECTED IN 21/22

OUTLOOK

Revenue
DKK 2.9bn to 3.1bn

EBIT margin BSI*
2-4%

Free cash flow
DKK 0m to 100m

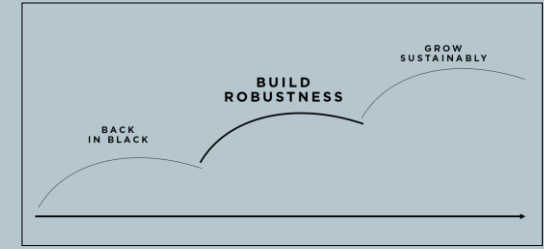
MAIN ASSUMPTIONS

- Growth mainly driven by product sales
- Continued improved performance in core markets
- Full-year effect from products launched last year, with main effect in the first half of the year
- Launching +7 product innovations
- Double-digit customer base growth
- No significant worsening of product availability e.g. due to component scarcity
- New COVID-19 outbreaks will not be materially different from 2020/21

- Component and logistic costs assumed to stay at the increased price level experienced in Q4 20/21
- Higher costs for demand creation
- Higher costs for product development
- Full-year effect of costs related to company owned and operated stores taken over in 20/21
- Full-year effect of cost reduction programme

- No material changes in overdue receivables
- Higher CAPEX related to both product and retail development

SUMMARY | A REITERATED STRATEGY HOUSE FOR BUILDING BUSINESS ROBUSTNESS



- We returned to profitability, completing first phase of our turnaround
- The second phase has commenced with the ambition to build robustness
- We want to become a customer love brand to win more customers, get more repeat business and build more brand loyalty
- We expect to deliver double digit growth and improve profitability in 2021/22

A woman with dark hair pulled back, wearing a light-colored blazer over a white shirt, is seated in the back of a car. She is wearing large, dark, over-ear headphones with the 'B&O' logo on the ear cup. She is looking out the window to her left. The car's interior is visible, including the leather seats and window frame. The background outside the window shows a blurred city street at night.

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