

# INTERIM REPORT

Q2/2020/21

WEBCAST PRESENTATION  
12 JANUARY 2021

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# AGENDA

A person wearing a brown, long-sleeved robe is standing at a wooden desk. They are pointing their right index finger at a control panel on the desk. The control panel is a vintage-style device with a circular dial and several buttons. The desk is cluttered with various items, including a pen and some papers. In the background, there is a potted plant and a window with blinds. The lighting is warm and ambient.

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

FINANCIAL PERFORMANCE

OUTLOOK

Q&A

# DOUBLE-DIGIT REVENUE GROWTH AND POSITIVE EBIT | UPDATED OUTLOOK FOR 2020/21 FROM 15 DECEMBER MAINTAINED

- Growth across all regions
- Revenue growth driven by strong strategy execution, successful product launches and higher demand for home entertainment products
- COVID impact resulted in lockdowns of stores, higher logistics and component costs
- Cost reduction programme on track
- Positive free cash flow improved the liquidity position

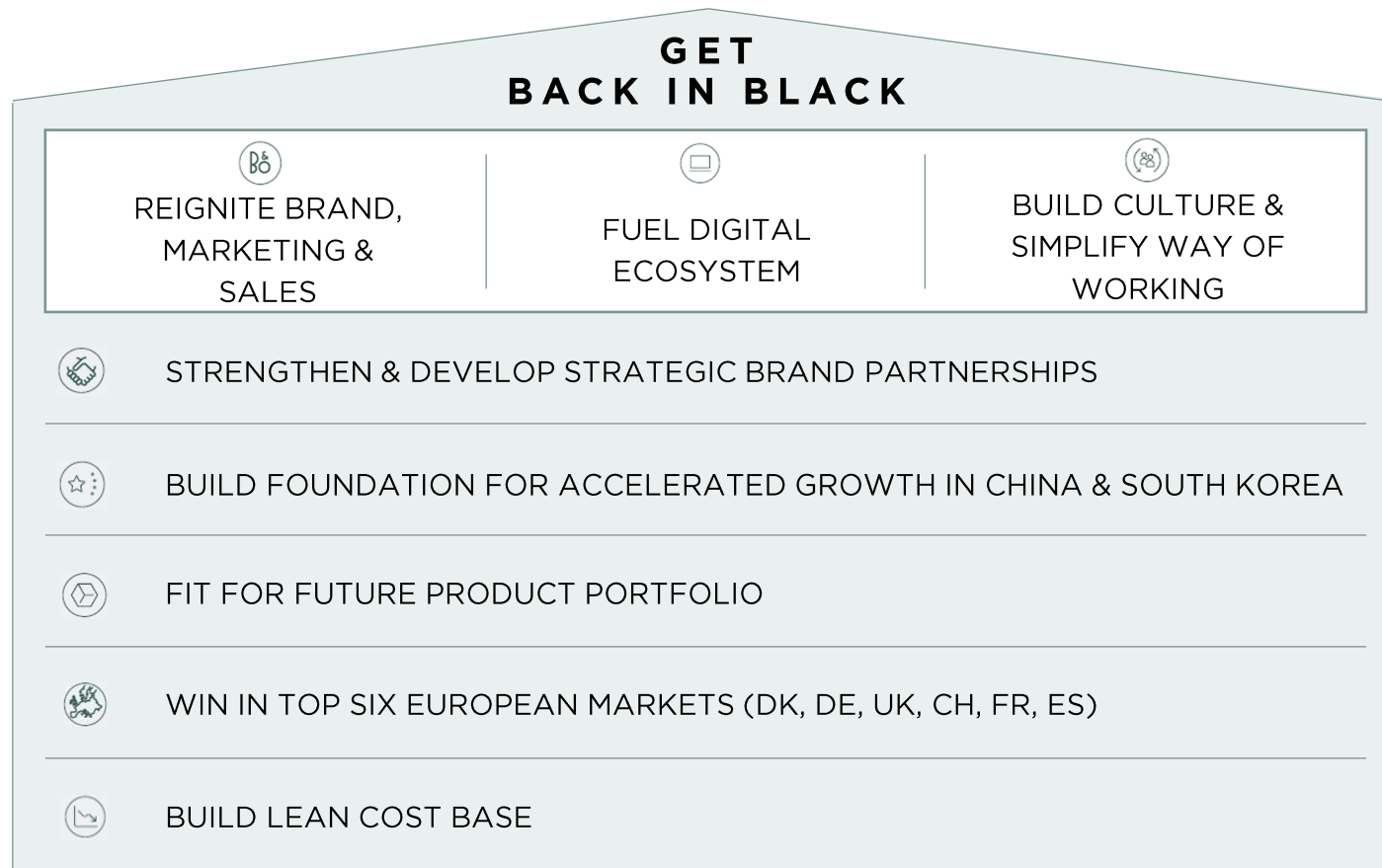


Q2 2020/21	H1 2020/21	OUTLOOK FY 2020/21
<p><i>REVENUE</i></p> <p>DKK 693m 12% growth in local currencies</p>	<p><i>REVENUE</i></p> <p>DKK 1,155m 12% growth in local currencies</p>	<p><i>REVENUE</i></p> <p>DKK 2.3bn to 2.5bn</p>
<p><i>EBIT</i> <i>Before special items</i></p> <p>DKK 28m DKK 90m better than Q2 LY</p>	<p><i>EBIT</i> <i>Before special items</i></p> <p>DKK -11m DKK 180m better than H1 LY</p>	<p><i>EBIT</i> <i>Before special items</i></p> <p>DKK -50m to 25m</p>
<p><i>FREE CASH FLOW</i></p> <p>DKK 139m DKK 107m better than Q2 LY</p>	<p><i>FREE CASH FLOW</i></p> <p>DKK 77m DKK 251m better than H1 LY</p>	<p><i>FREE CASH FLOW</i></p> <p>DKK -50m to 100m</p>

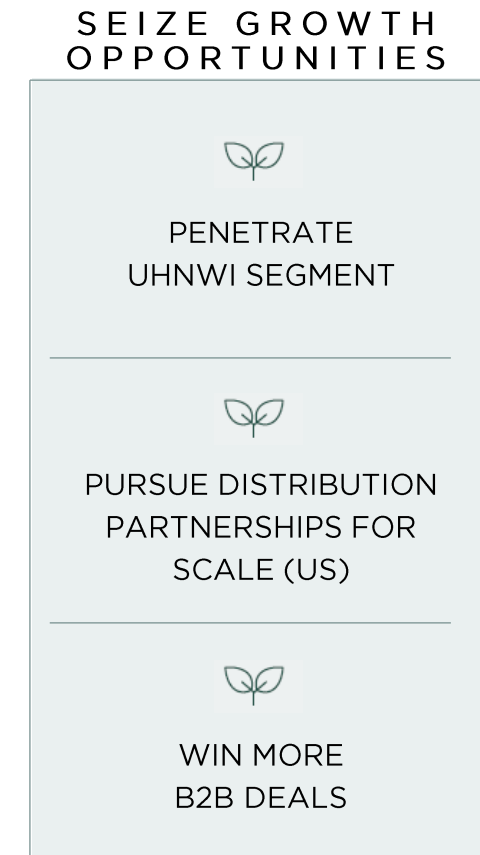
# MANAGING NEW WAVE OF COVID-19

	LOCKDOWNS	COMPONENT AND PRODUCTION	LOGISTICS
IMPLICATIONS	<ul style="list-style-type: none"> <li>• At the end of Q2, 82 monobrand stores closed, primarily in France, Belgium, UK and Austria (currently approx. 160 stores are closed)</li> <li>• Most closed stores can still run installation business</li> </ul>	<p>More unstable supply situation due to:</p> <ul style="list-style-type: none"> <li>• Global scarcity on electronic components leading to higher prices on some components</li> <li>• Reduced labour capacity at suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced global logistics capacity</li> <li>• Increased use of air freight as a result of supply chain pressure</li> <li>• Higher logistics costs</li> </ul>
MITIGATION	<ul style="list-style-type: none"> <li>• Leveraging existing customer base</li> <li>• Focus on digital efforts</li> <li>• Higher e-commerce revenue sharing in markets impacted by lockdown</li> </ul>	<ul style="list-style-type: none"> <li>• Increased internal resource allocation to strengthen supply chain</li> <li>• Alternative component partners being investigated</li> </ul>	<ul style="list-style-type: none"> <li>• Return to ship and rail freight, when supply chain normalises</li> </ul>

# STRATEGY EXECUTION ON TRACK



+



# GROWTH IN CORE MARKETS DRIVEN BY STRATEGY EXECUTION

## SIX EUROPEAN CORE MARKETS REPORTED GROWTH



- Strong sell-out of Staged and Flexible Living
- Operating model in the multibrand channel changed
- New multibrand partners onboarded and expected to drive improved performance in the second half of 20/21
- Comprehensive monobrand partner survey conducted to uncover improvement areas for strengthened collaboration and partnership
- Takeover of two monobrand stores in London, targeting HNWI segment

**13%**

REVENUE GROWTH  
COMPARED TO Q2 LY

## TWO ASIAN CORE MARKETS REPORTED GROWTH



- Strong sell-out of Staged and Flexible Living but On-the-go impacted by decline in travel
- Growth in Flexible Living and Staged speakers supported by demand for home entertainment
- Change of leadership in December to accelerate multichannel growth and execution
- The organisation will be strengthened further with added resources in the coming quarters

**6%**

REVENUE GROWTH  
COMPARED TO Q2 LY

# SUCCESSFUL LAUNCHES AND SOFTWARE UPDATES TO CURRENT PORTFOLIO

## NEW PRODUCTS

BEOREMOTE HALO



BEOVISION CONTOUR



## UPGRADED PRODUCTS

BEOLIT 20



BEOVISION ECLIPSE



## COLOUR, MATERIAL & FINISH

GOLDEN COLLECTION



E8 SPORT x RAPHA



## CLASSIC

BEOGRAM 4000C





# ACCELERATING DIGITAL INITIATIVES

## eCommerce



- Revenue from eCommerce grew by 74% compared to Q2 last year
- Digital-to-store activities: 'Click & Collect' pilot running in the UK, 'Ship-from-Store' options available

## AR Experience App



- Virtual try-on feature of headphones for customers to pick their favourite style
- eCommerce enabled directly in the AR Experience App

## Customer Service



- Digitalisation of customer service allowing for remote diagnostics and deployment of software updates over the air

## Content Creation



- Content production now largely digitalized, and through computer generated imagery, content can be produced faster and at a lower cost

## Customer Experience



- Program established to gain visibility of customer painpoints
- Recent updates show improvements on customer satisfaction across all product categories



# AGENDA

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

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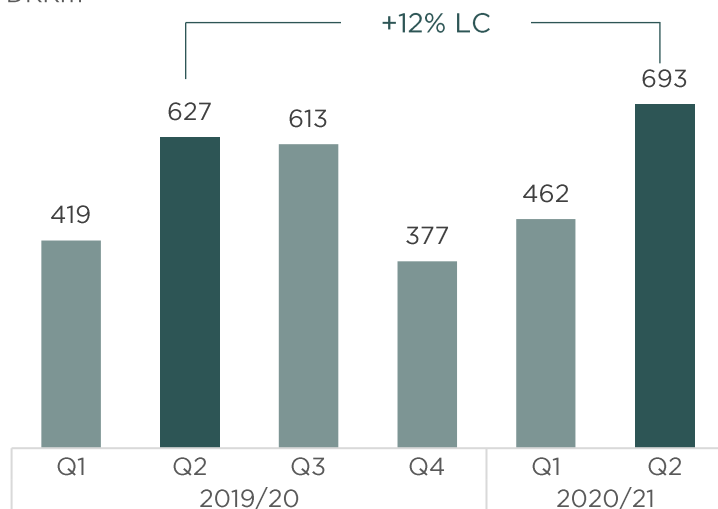
OUTLOOK

Q&A

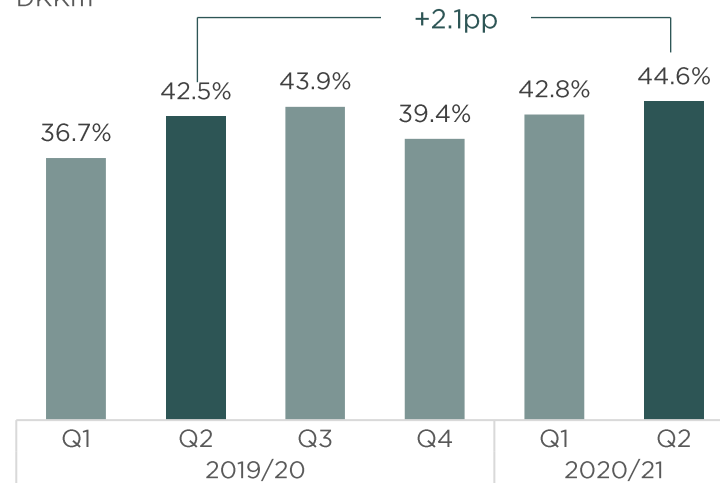


# SECOND CONSECUTIVE QUARTER WITH +11% REVENUE GROWTH DRIVEN BY FLEXIBLE LIVING GROWING 61%

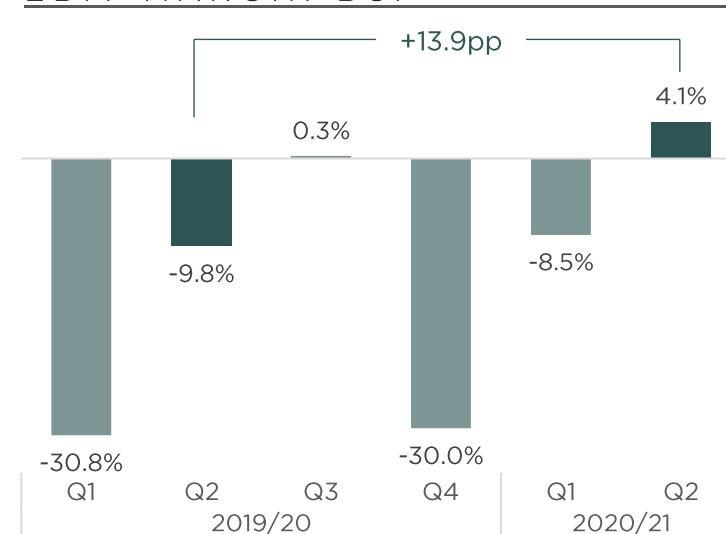
REVENUE  
DKKkm



GROSS MARGIN  
DKKkm



EBIT MARGIN BSI\*

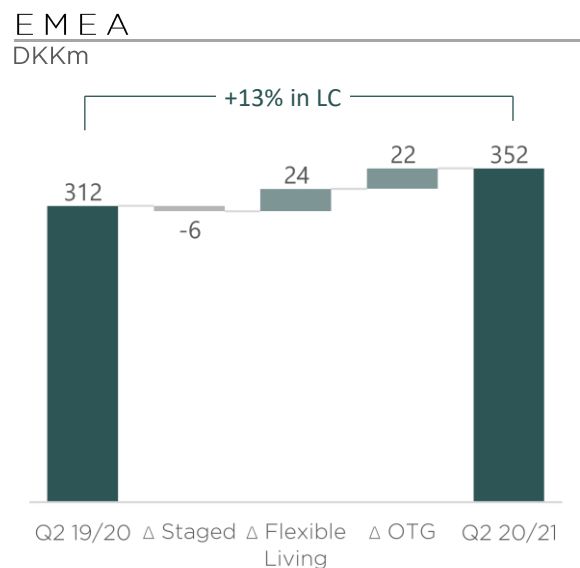


- Product sales up by 10.4%, driven by:
  - Net positive YoY effect from product launches
  - Growth in all regions and especially within Flexible Living, up by 61%
  - Multibrand impacted negatively by the work changing the operating model and COVID-19
  - Own eCom up by 74%
- Brand Partnering & other activities up by 13.2%

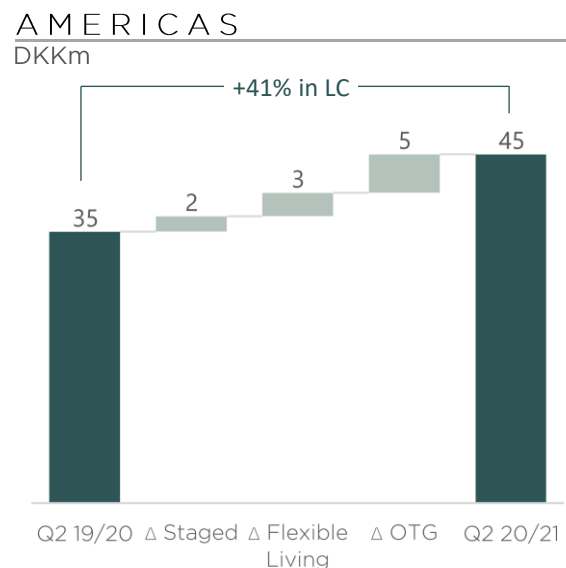
- Excluding provision for component liability last year, gross margin declined YoY, driven by
  - Higher component costs due to increased global demand for consumer electronics
  - Higher logistics costs impacted by use of air freight and increasing freight rates

- Increased due to higher gross profit and lower capacity costs
- Cost reduction programme progressing

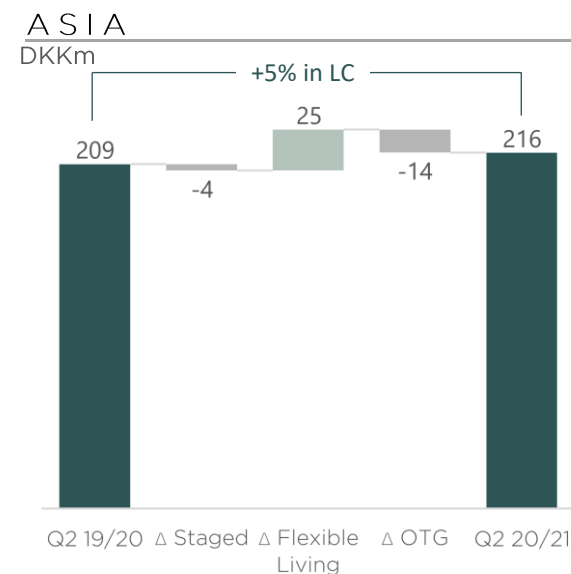
# GROWTH ACROSS ALL REGIONS



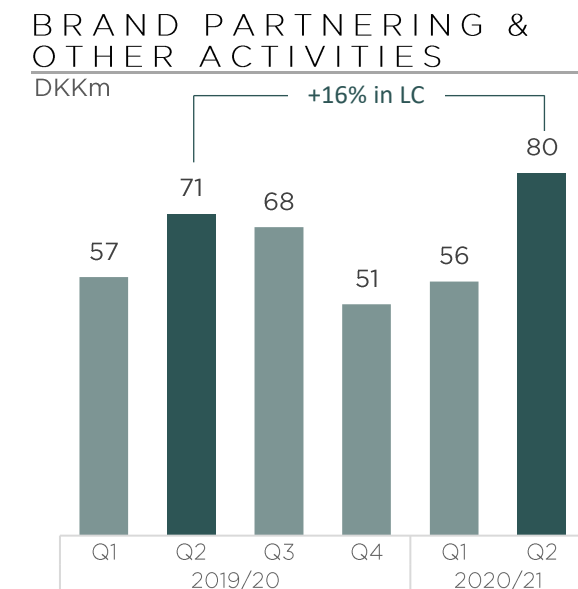
- Solid growth from all channels except multibrand
- Strong growth from Flexible Living and On-the-go
- Decline in Staged related to TV portfolio, as last year was supported by product launches
- Staged further impacted by supply constraints on certain Beolab speakers



- Growth from all channels and all product categories
- Staged mainly driven by speakers, but limited by supply constraints
- Flexible Living supported by key multibrand partners expanding product offering
- On-the-go growth driven by new product launches



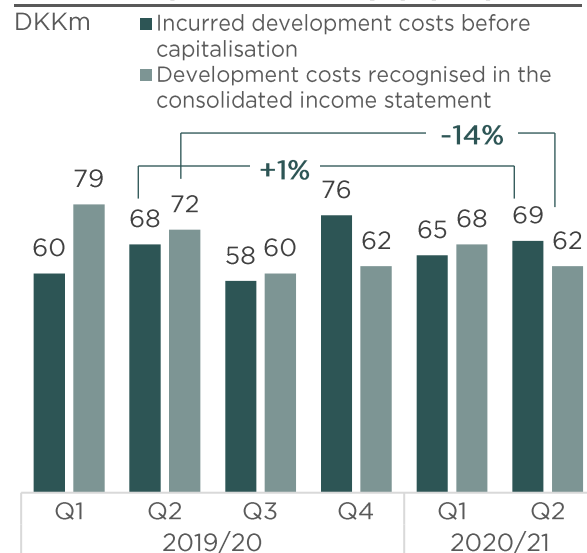
- Growth mainly related to monobrand channel
- The growth in Flexible Living driven by all speakers
- Decline in Staged category related to TV's. Growth from speakers, but impacted by supply constraints
- On-the-go impacted by lower travel retail sales



- Growth driven by higher revenue from licence income, mainly related to PC sales
- Car manufacturing was normalised in Q2

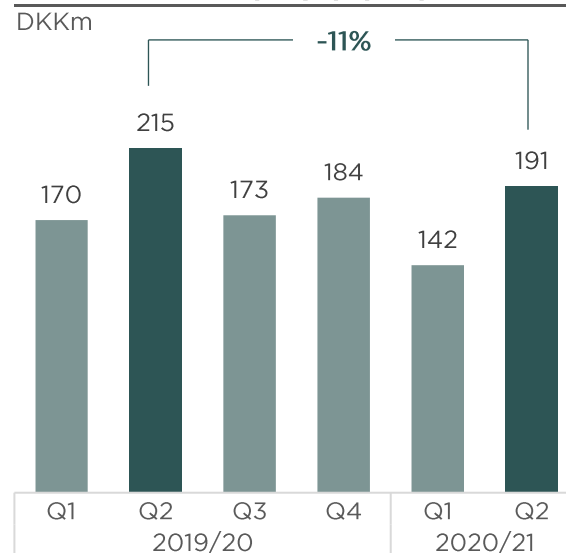
# CAPACITY COSTS DECREASED BY 14% EXCLUDING SPECIAL ITEMS | SUPPORTED BY COST REDUCTION PROGRAMME

## DEVELOPMENT COSTS



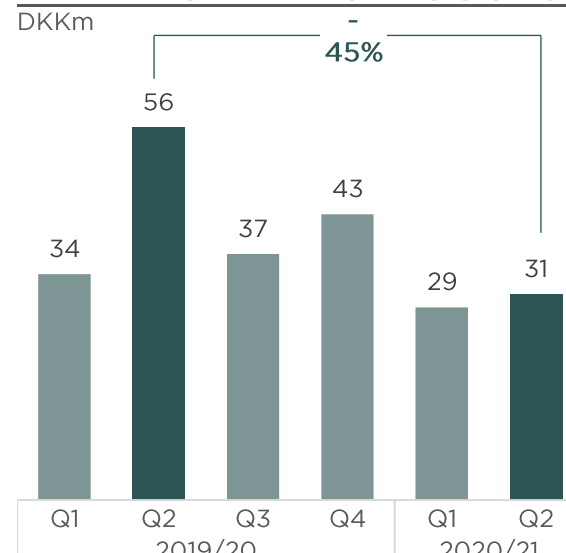
- Decline in development costs recognised in the P&L related to lower amortisation
- Incurred development costs were in line with last year and related to roadmap of upcoming product launches

## DISTRIBUTION & MARKETING COSTS



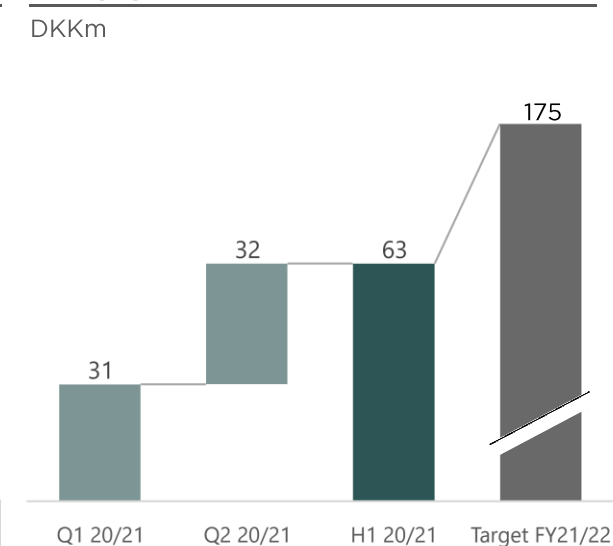
- Positive impact from cost reduction programme
- Postponement of planned non-digital and in-store marketing activities due to COVID-19
- Activities directed towards brand awareness and online activation

## ADMINISTRATION COSTS



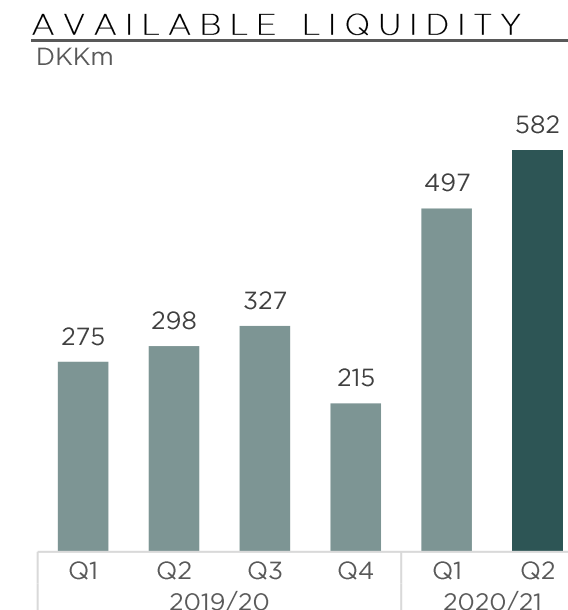
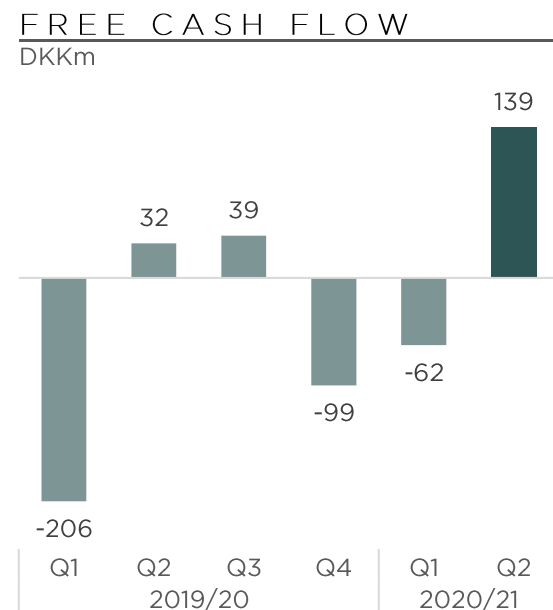
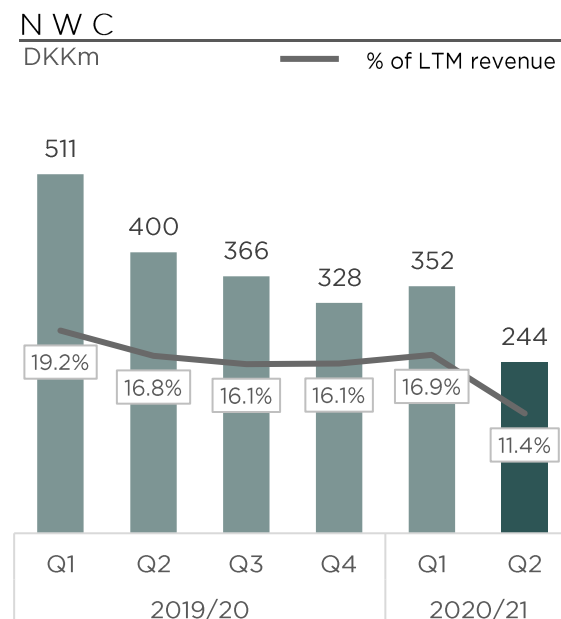
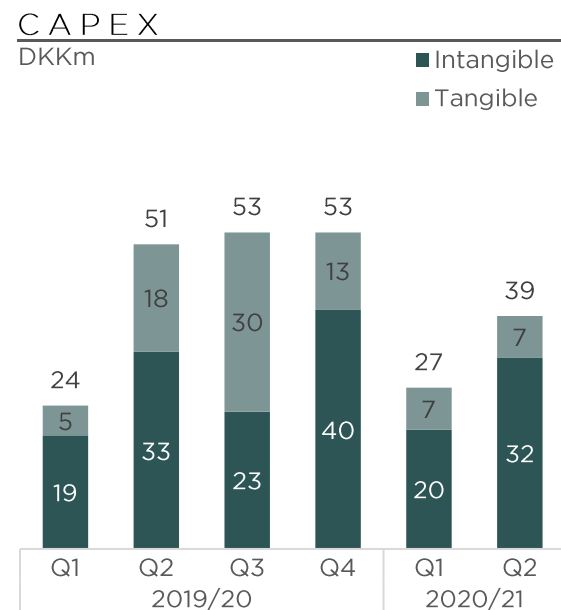
- Excluding special items, administration costs declined by DKK 9m, equal to a 22.5% reduction
- Savings primarily related to cost reduction programme

## COST REDUCTION PROGRAMME



- Q2 savings of DKK 32m
- Savings driven by:
  - Non-product related spend
  - Headcount reduction in administrative functions
- Product related cost reduction ambition delayed due to supply chain challenges

# STRONG NWC MANAGEMENT, IMPROVED FREE CASH FLOW AND STRENGTHENED LIQUIDITY POSITION



- Investments primarily in intangible assets related to
  - Development of new products
  - Technology platforms
- Investments in retail were lower than planned due to COVID-19

- Decreased by DKK 108m in Q2 due to higher trade payables and other liabilities
- Other liabilities increased by DKK 56m, related to accruals in respect of employee costs, VAT and holiday allowance
- NWC in % of LTM revenue declined to 11.4%

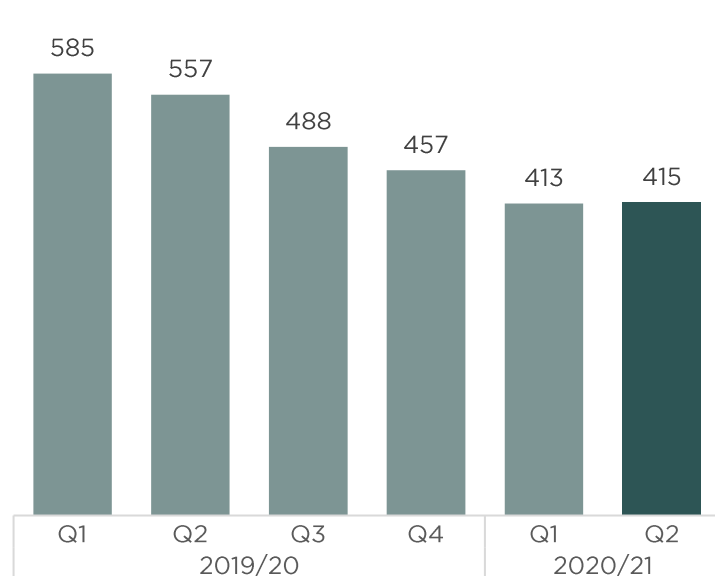
- Compared to Q2 last year, free cash flow was positively impacted by:
  - Improved earnings, EBITDA of DKK 74m compared to DKK -22m last year
- Impact from net working capital changes on same level as Q2 last year

- Available liquidity increased to DKK 582m
- To avoid the effect of negative interest rates, the company invested in bonds
- Impact from the purchase of own shares amounting to DKK 42m

# CONTINUED OPTIMISATION AND MONITORING OF INVENTORY, PAYMENT TERMS AND RECEIVABLES

## INVENTORY

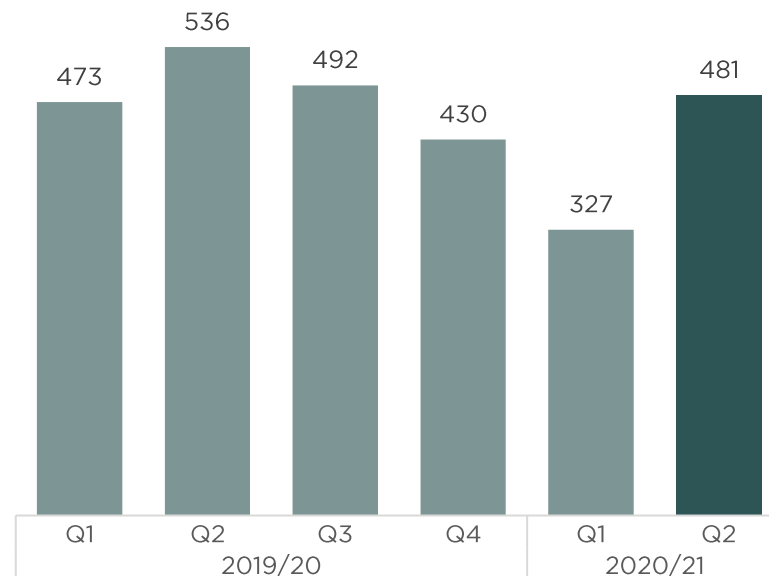
DKKm



- Stable inventory in Q2 due to effective management and sales performance
- The company faced scarcity of certain components and products

## TRADE PAYABLES

DKKm

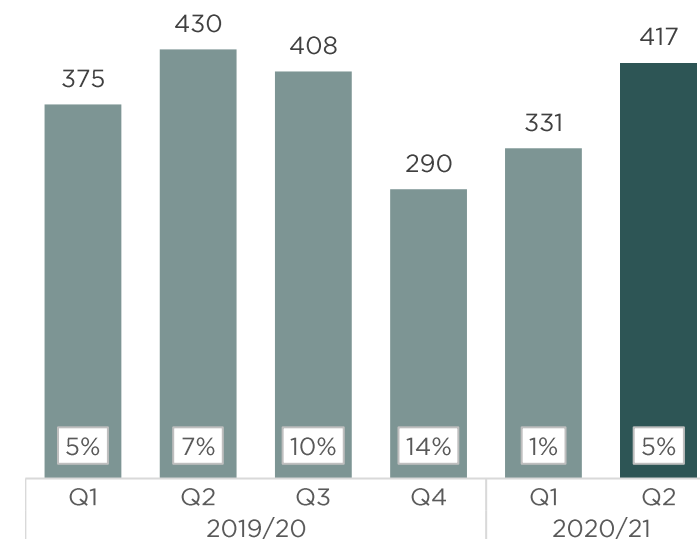


- Increase by DKK 154m, driven by ramp up of production during Q2 to meet expected demand

## TRADE RECEIVABLES

DKKm

□ % of revenue w/ extended credit



- Trade receivables increased by DKK 86m, driven by higher revenue
- Extended credit was 5% of revenue in the quarter, which was related to display units for new products including the Golden Collection

# AGENDA

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Q&A





# OUTLOOK 2020/21 | UNCHANGED COMPARED TO 15 DECEMBER 2020

## OUTLOOK

### Revenue

DKK 2.3bn to 2.5bn

### EBIT BSI\*

DKK -50m to +25m

### Free cash flow

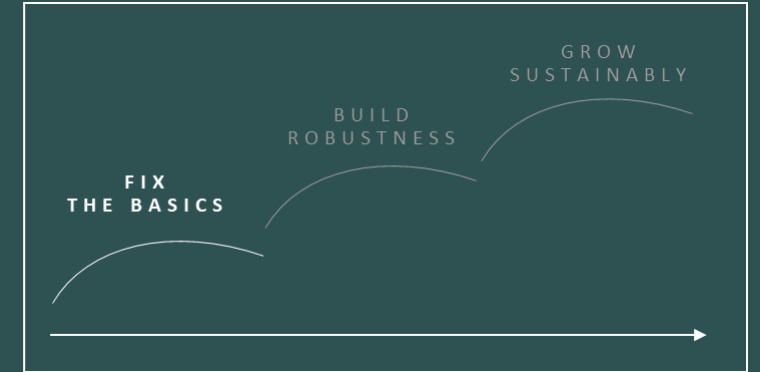
DKK -50m to +100m

## MAIN ASSUMPTIONS

- The impact of COVID-19 in H2 will not be materially different from H1
  - Successful launch of more than five new and upgraded products in H2
  - Licensing income expectations based on normalisation of car manufacturing and PC sales maintained at H1 level
  - Increased efficiency of sales and marketing spend
  - No significant changes to product prices
  - No other material changes in the market landscape, competitive situation or regulatory changes
- 
- Component and logistics costs in H2 expected at the same level experienced in Q2
  - Successful continuation of the planned product roadmap
  - Continued implementation of cost reduction programme
- 
- Use of government relief packages (postponement of VAT and other taxes) in 2019/20 will adversely impact cash flow throughout 2020/21
  - CAPEX reflecting product development continuing as planned

## SUMMARY | ANOTHER STRONG QUARTER

- The strategy works
- Focus on core markets pays off
- Seven new products launched in H1 well received by the market, and strong demand continues
- New distribution partners onboarded to strengthen multibrand and B2B performance
- Accelerated efforts on digital and e-Commerce progress well
- Initiatives launched to mitigate impact from COVID-19 and lockdowns
- Available liquidity of DKK 582 million



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, black, 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.

INVESTOR RELATIONS CONTACT

Martin Egenhardt

+45 53707439

[mare@bang-olufsen.dk](mailto:mare@bang-olufsen.dk)