



BANG & OLUFSEN
Q2 2019/20

WEBCAST PRESENTATION, 14 JANUARY 2020

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AGENDA

Key highlights

Financial highlights

Outlook

Q2 IMPACTED BY TRANSITION TO DEMAND-DRIVEN MODEL | OUTLOOK FROM 17 DECEMBER 2020 MAINTAINED

H2 to be supported by

- New sales programmes
- Improved sales and distribution network
- Enhanced competences in the sales organisation
- More product-focused marketing



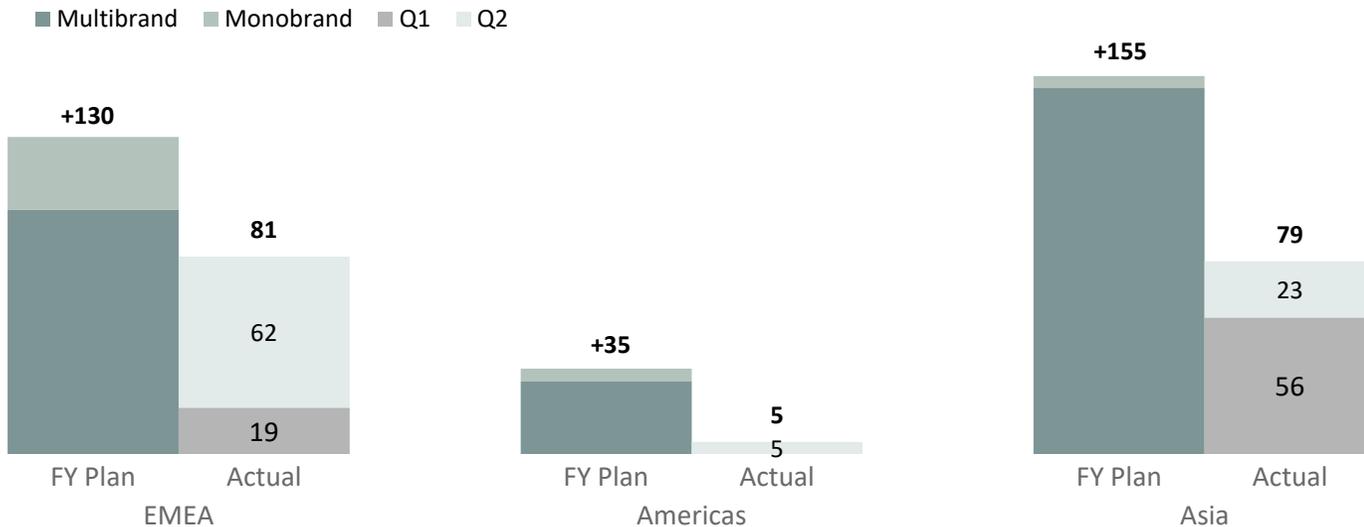
Q2 2019/20	H1 2019/20	OUTLOOK 19/20
<p><i>REVENUE GROWTH (local currencies)</i></p> <p>-31%</p> <p><i>DKK 627m</i></p> <p><i>-31.0% reported growth</i></p>	<p><i>REVENUE GROWTH (local currencies)</i></p> <p>-31%</p> <p><i>DKK 1,046m</i></p> <p><i>-30.7% reported growth</i></p>	<p><i>REVENUE GROWTH (local currencies)</i></p> <p>Decline by 13-18%</p>
<p><i>EBIT MARGIN Excluding special items</i></p> <p>-9.8%</p>	<p><i>EBIT MARGIN Excluding special items</i></p> <p>-18.2%</p>	<p><i>EBIT MARGIN Excluding special items</i></p> <p>Minus 4-9%</p>
<p><i>FREE CASH FLOW</i></p> <p>DKK 32m</p>	<p><i>FREE CASH FLOW</i></p> <p>DKK -174m</p>	<p><i>FREE CASH FLOW</i></p> <p>Negative</p> <p>DKK 100-150m</p>

PRODUCTS FOR Q2 LAUNCHED AS EXPECTED | ADDITIONAL PRODUCTS PLANNED FOR H2

	Q2 2019/20	Q3 2019/20	Q4 2019/20
New products	<p>✓ Beovision Harmony 77"</p> <ul style="list-style-type: none"> • <i>Merchandising: Monobrand</i> 	<p>Flexible Living</p> <ul style="list-style-type: none"> • <i>Merchandising: Mono-, multibrand and eCom</i> 	<p>On-the-go</p> <ul style="list-style-type: none"> • <i>Merchandising: Mono-, multibrand and eCom</i>
	<p>✓ Beosound Stage</p> <ul style="list-style-type: none"> • <i>Merchandising: Mono-, multibrand and eCom</i> 		
New models, upgrades & variants	<p>✓ Beovision Harmony 65"</p> <ul style="list-style-type: none"> • <i>Availability: November</i> 	<p>Upgrades: On-the-go</p> <ul style="list-style-type: none"> • <i>Merchandising: Mono-, multibrand and eCom</i> 	<p>Models: Staged</p> <ul style="list-style-type: none"> • <i>Merchandising: Monobrand</i>
	<p>✓ Beoplay H4</p> <ul style="list-style-type: none"> • <i>Availability: November</i> 	<p>✓ Stardust collection</p> <ul style="list-style-type: none"> • <i>Availability: December</i> • <i>Only available in selected countries</i> • <i>Merchandising: Mono-, multibrand and eCom</i> 	<p>Upgrades: On-the-go</p> <ul style="list-style-type: none"> • <i>Merchandising: Mono-, multibrand and eCom</i>
	<p>✓ Autumn/Winter collection: On-the-go</p> <ul style="list-style-type: none"> • <i>Availability: September</i> 	<p>CMF</p> <ul style="list-style-type: none"> • <i>Merchandising: Mono-, multibrand and eCom</i> 	

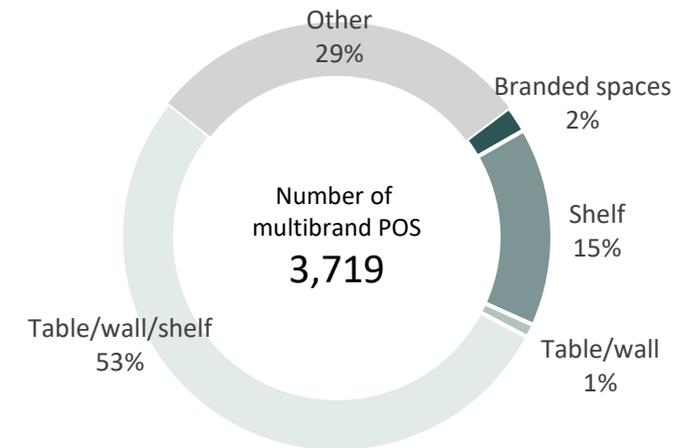
IN-STORE UPGRADES SLOWER THAN EXPECTED | PLAN FOR THE FULL YEAR MAINTAINED

STORE / POS DEVELOPMENT COMPARED TO FULL-YEAR PLAN



- In total, 90 stores were opened, upgraded or relocated to better locations in Q2 compared to a target of at least 100
 - Majority of upgrades in Q2 was in EMEA
 - In total, 165 stores have been opened or upgraded in H1
- Four pilot monobrand stores in EMEA have been established with the aim of testing the effects of the store upgrades and staff training
- As part of the initiatives to support growth, upgrades will be followed by, among others, staff training and incentives

MULTIBRAND OVERVIEW

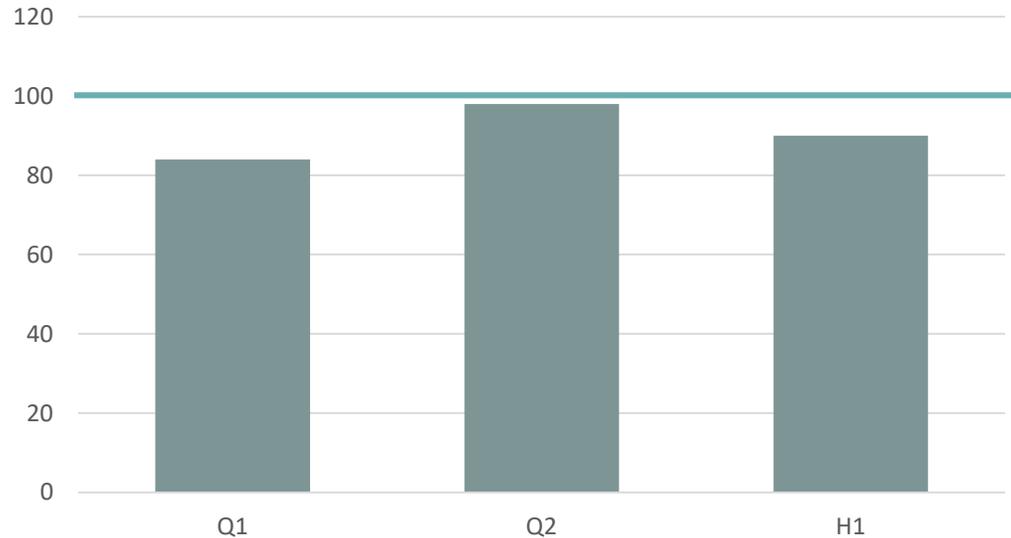


- During the quarter, the overview of multibrand points of sale has been revisited in order to:
 - Identify to which stores the company are actively selling
 - Get an overview of the types of in-store presence
- The total number of points of sale has subsequently been adjusted

SELL-OUT IN MONOBRAND EUROPE | POSITIVE SELL-OUT TREND BUT LOWER THAN EXPECTED – RETAIL INVENTORY REDUCED

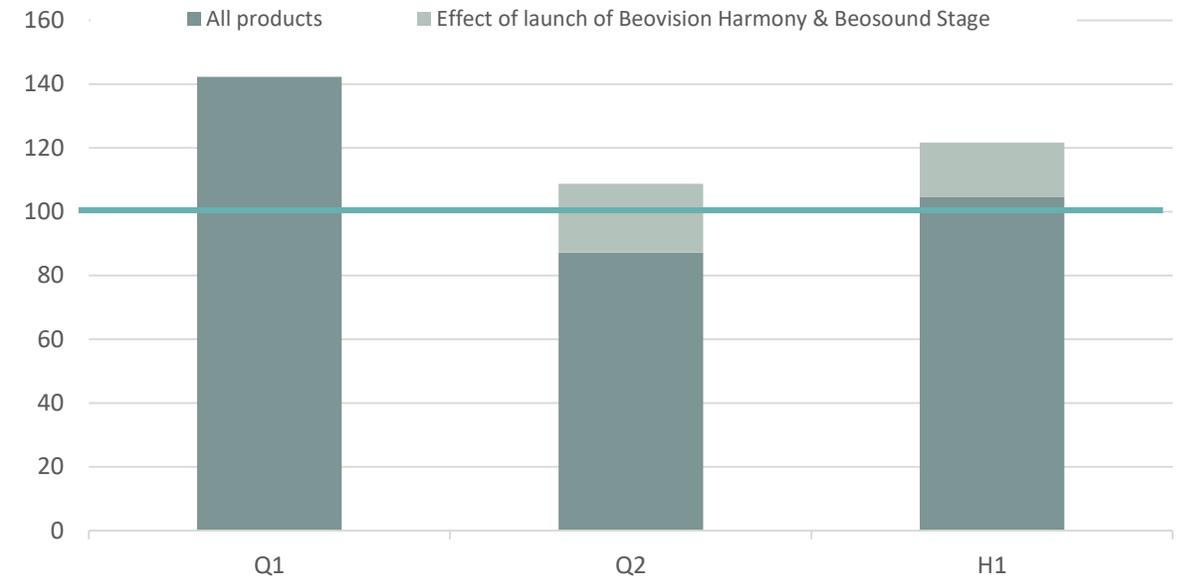
SELL-OUT PERFORMANCE VS. LAST YEAR *

Index (2019/20 vs. 2018/19)



- Sell-out for Q2 approx. 2% below last year
- Improved sell-out in Q2 compared to Q1
- Sell-out was lower than expected

SELL-OUT VS. SELL-IN PERFORMANCE **



- Retail inventory reduction in especially Q1 and particularly within the Staged category
- Q2 impacted by sell-in of Beovision Harmony and Beosound Stage, including display units
 - Excluding these, sell-out was higher than sell-in and retailers thus continued to reduce inventory in Q2

AGENDA

Key highlights

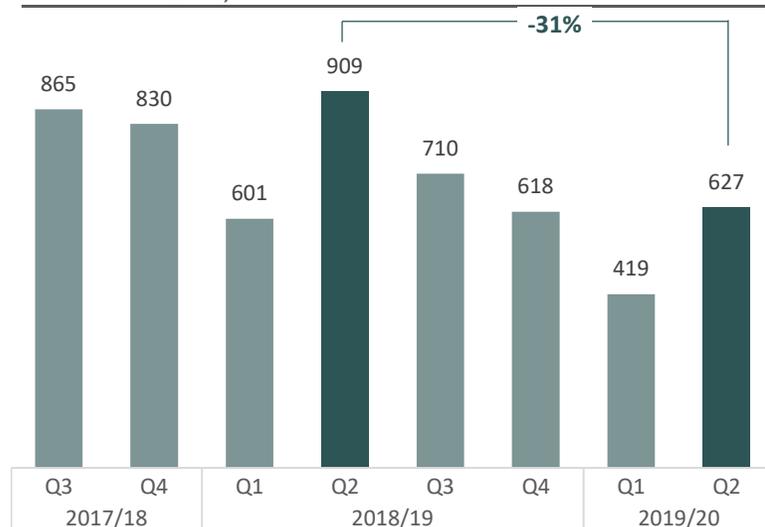
Financial highlights

Outlook

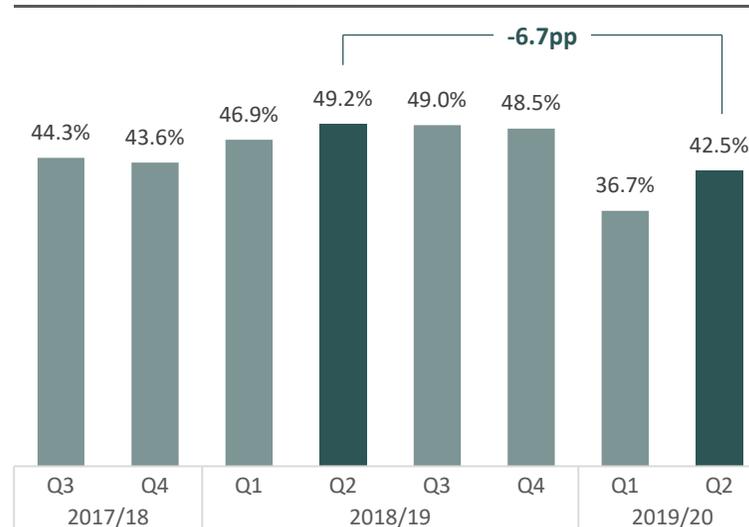


REVENUE AND PROFITABILITY

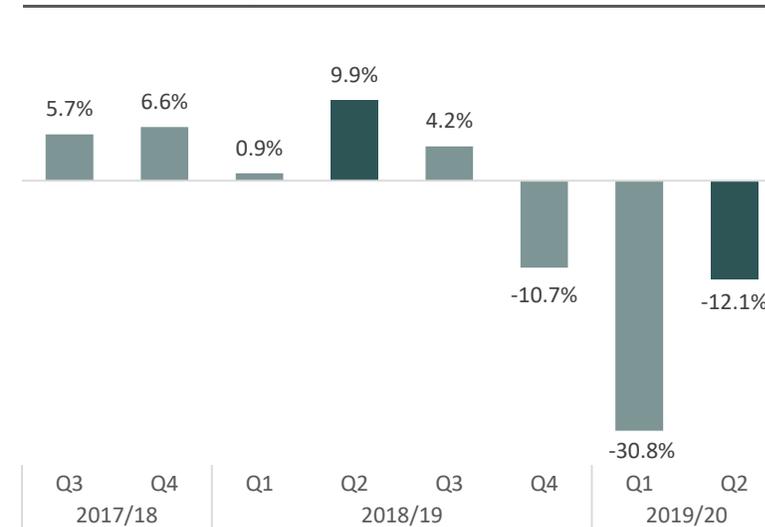
REVENUE, DKK m



GROSS MARGIN



EBIT MARGIN



- Revenue was expected to decline due to the efforts to reduce inventory at retail level
- Revenue impacted by several factors
 - Continued high inventory with certain key retail partners
 - Sales through unauthorised channels
 - Increased competition within the earphone category
 - Positive impact from product launches

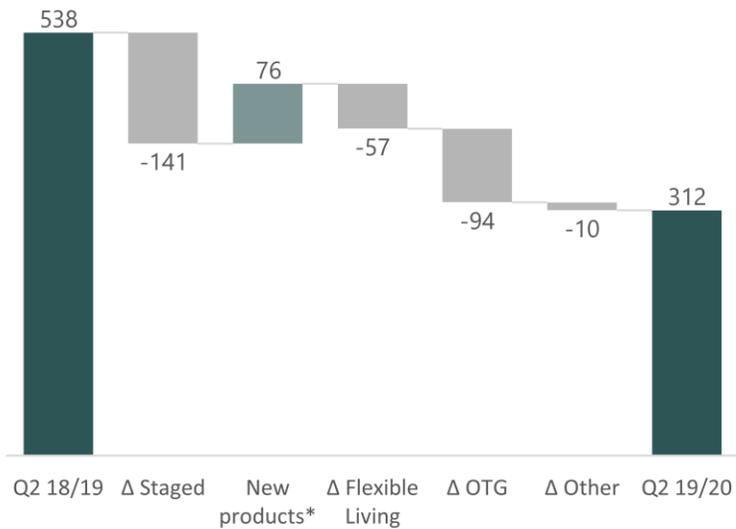
Gross margin declined due to

- Provision for component liabilities (negative impact of approx. 4pp)
- Sales of end-of-life products at lower prices
- Net effect from currency hedges of negative 2.1pp

- Impacted by the negative revenue growth
- Impacted by the decline in gross profit
- Negatively impacted by special items related to severance costs (DKK 15m)
- Positive impact from lower distribution and marketing costs
- Excluding special items EBIT margin was -9.8%

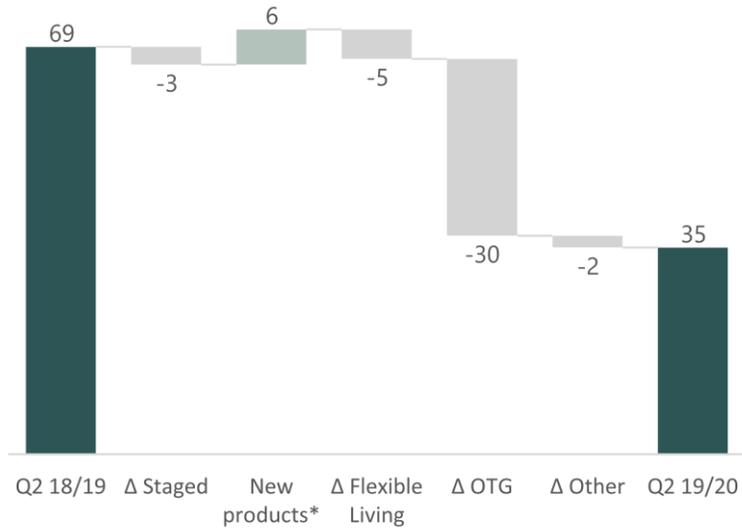
REVENUE | PER REGION AND PRODUCT CATEGORY

EMEA



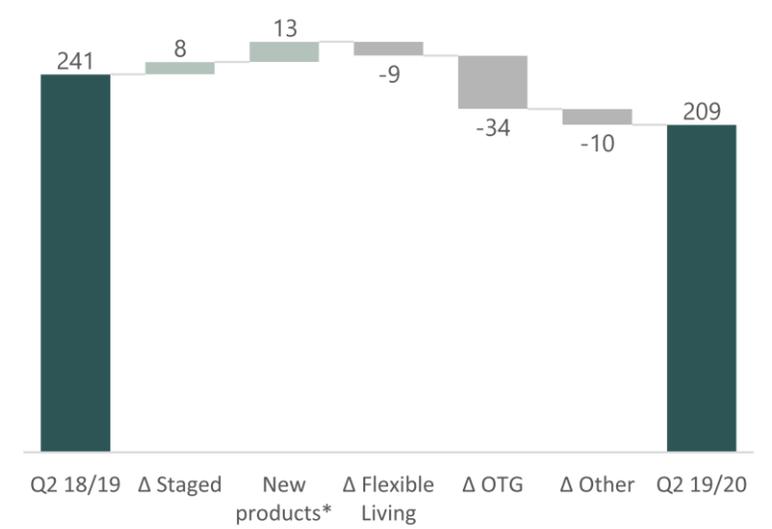
- **Staged:** down by 24%, impacted by
 - Normalisation of retail inventory
 - Positive impact from new products
- **Flexible Living:** down by 55% with approx. half of the decline related to Beosound Edge
- **On-the-go:** down by 49% related to all categories with earphones impacted by increased competition

AMERICAS



- **Staged:** up by 23% supported by new products
- **Flexible Living:** down by 48%, partly impacted by Beosound Edge which was launched in Q2 last year
- **On-the-go:** down by 66%, primarily related to earphones Impacted by sales through unauthorised channels and reduced presence in mass market consumer electronics

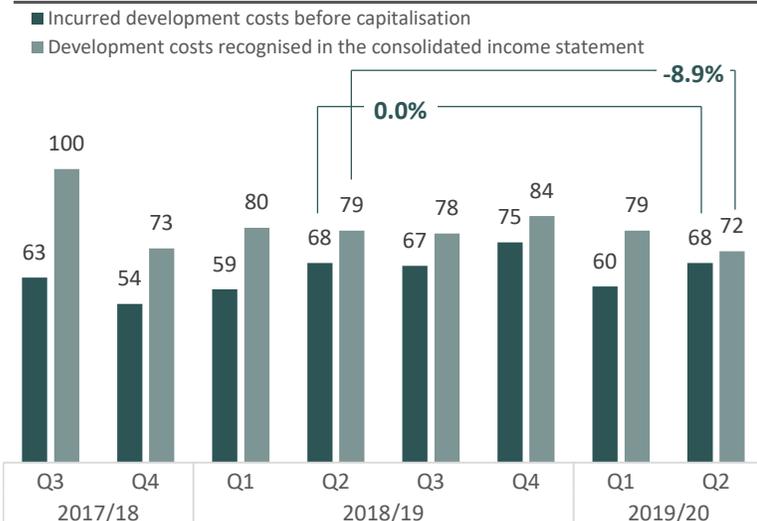
ASIA



- **Staged:** up by 58%, both related to existing products and the launch of new products
- **Flexible Living:** Down by 20%, but with Beoplay A9 delivering growth
- **On-the-go:** declined by 24% related to earphones mainly Beoplay H5, while the Beoplay E8 versions delivered growth

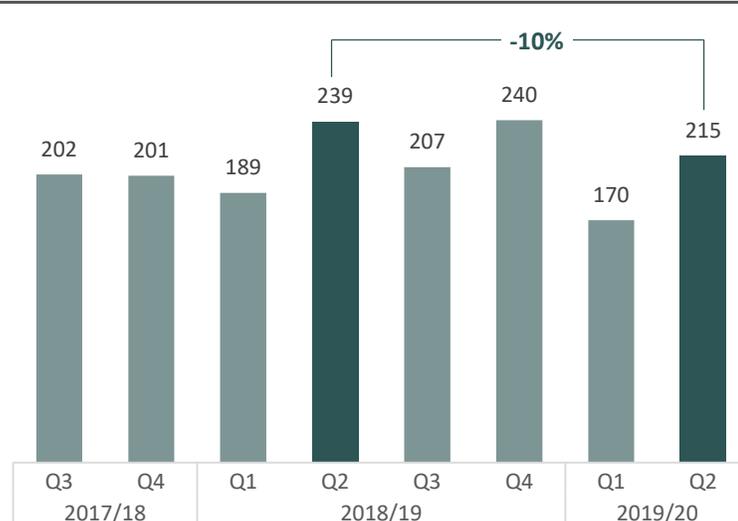
CAPACITY COSTS

DEVELOPMENT COSTS, DKK m



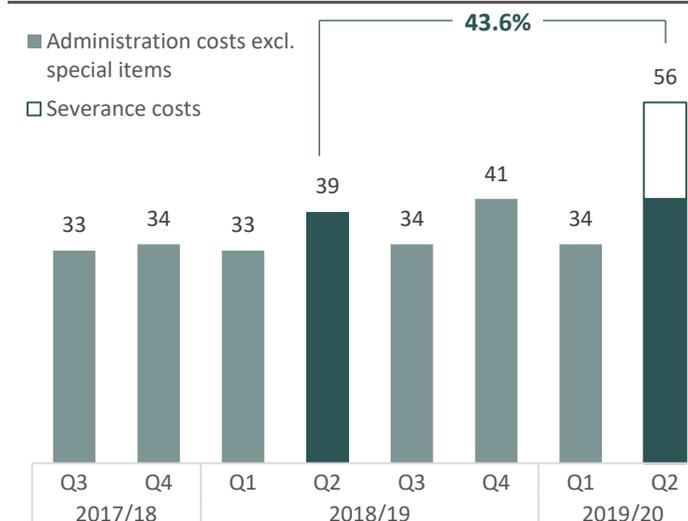
- Incurred development costs were unchanged compared to Q2 last year
- Decline in development costs was related to higher capitalisations, and lower amortisation charges and impairment losses

DISTRIBUTION AND MARKETING COSTS, DKK m



- Decline mainly impacted by the divestment of company-owned stores in China since last year
- Part of the marketing effort this year is focused on physical in-store upgrades, where part of the costs are capitalised

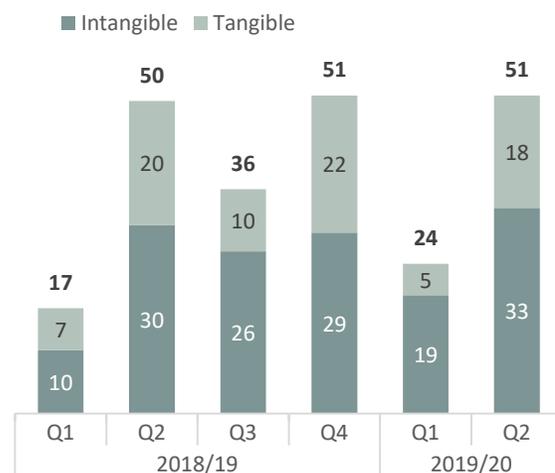
ADMINISTRATION COSTS, DKK m



- Impacted by accrual for severance costs to the previous CEO and EVP for Brand & Markets
- Excluding special items, costs were up by DKK 2m, related to employment of new members to the Executive Management Team

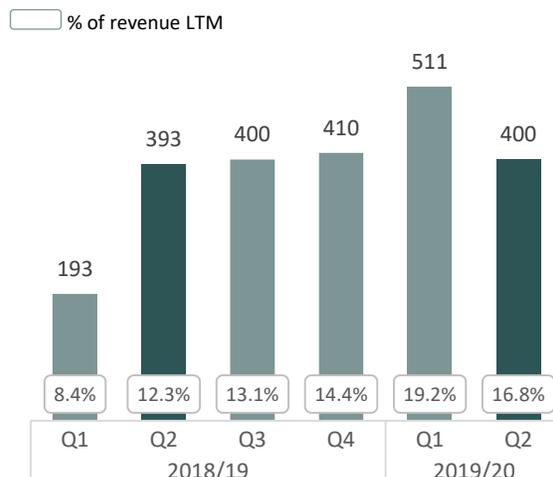
BALANCE SHEET AND CASH FLOW

CAPEX, DKKm



- Capex was DKK 1m higher than last year
- Higher intangible investments offset by lower tangible investments
- Investments related to new products, technology platforms and in-store fixtures

NWC, DKKm



- Net working capital decreased by DKK 111m in Q2
- Continuous focus on net working capital

FREE CASH FLOW, DKKm



- Positive free cash flow impacted by changes in net working capital
- Sale of building supported cash flow with DKK 14m
- IFRS 16 (leases) lifted free cash flow with DKK 9m

NET CASH POSITION, DKKm

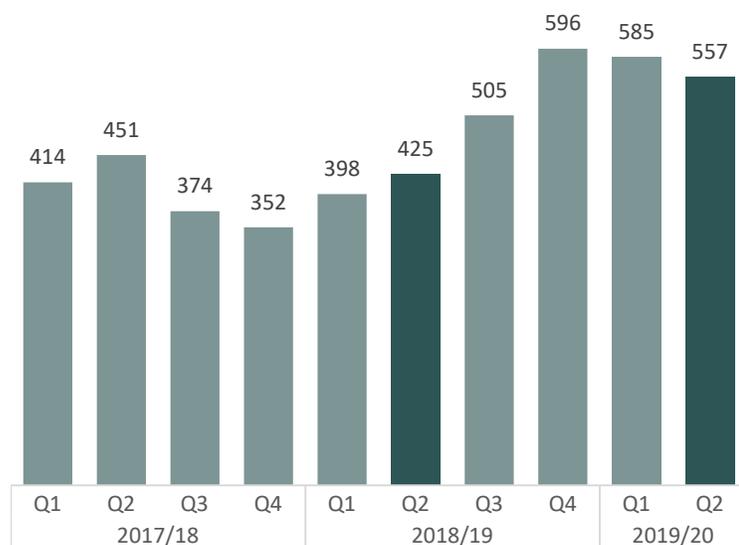


- Increased to DKK 42m in Q2
- The effect of IFRS 16 was an increase in net interest-bearing liabilities of DKK 186m compared to Q2 last year
- Excluding effects of IFRS 16, the net cash position was DKK 228m
- The cash position improved by DKK 23m to DKK 298m at the end of Q2

DEVELOPMENT IN NET WORKING CAPITAL

INVENTORY

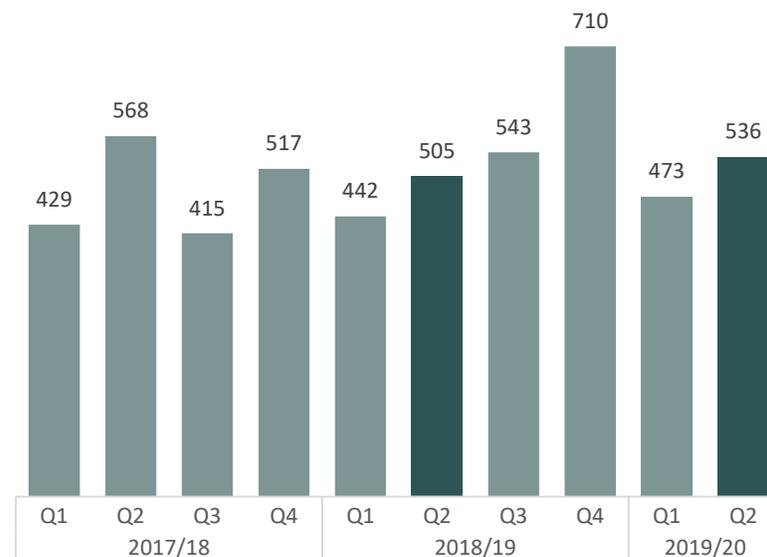
DKKm



- Inventories were further reduced in Q2
- Partly offset by new products

TRADE PAYABLES

DKKm

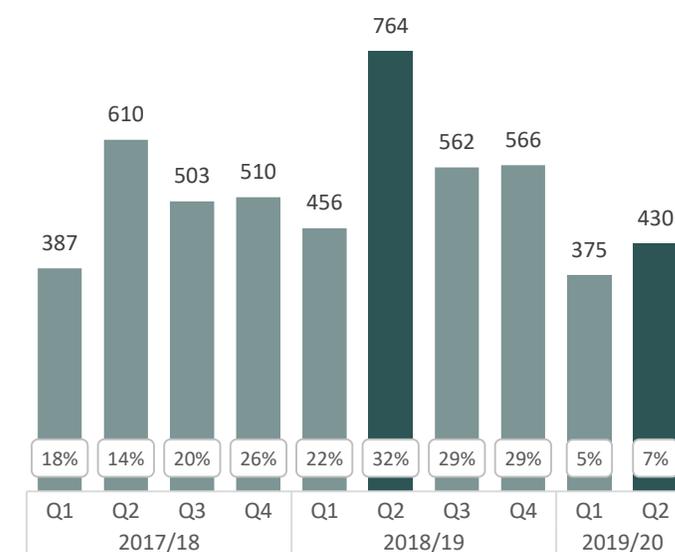


- The increase in trade payables since Q1 2019/20 reflects the production of new products

TRADE RECEIVABLES

DKKm

□ % of revenue w/
extended credit



- The increase was related to higher revenue in the quarter
- Partly offset by a reduction in overdue payments
- Slight increase in extended credit in the quarter related to display units of Beovision Harmony and Beosound Stage

AGENDA

Key highlights

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OUTLOOK FOR 2019/20 | UNCHANGED COMPARED TO 17 DECEMBER 2020 ANNOUNCEMENT

OUTLOOK

Revenue growth

Decline by 13-18%

EBIT margin

Minus 4-9%

Free cash flow

Negative DKK 100-150m

MAIN ASSUMPTIONS

- Revenue in H2 positively impacted by revenue from products launched in Q2 and new product launches in H2
- Several initiatives will be launched to improve sales and marketing, including:
 - New sales programmes
 - Improved sales and distribution network
 - Enhanced competences in the sales organisation
 - More product-focused marketing
- Continued issues with unauthorised sales and further inventory reductions with certain partners expected to negatively impact performance in H2
- Continued foreign exchange headwind in H2
- Positive free cash flow expected in H2



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