



BANG & OLUFSEN
PRELIMINARY Q2 2019/20
18 DECEMBER 2019

DISCLAIMER

This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities issued by Bang & Olufsen a/s in any jurisdiction, including the United States of America, Canada, Australia, Japan or the United Kingdom, or an inducement to enter into investment activity in any jurisdiction.

This presentation contains forward looking statements. Such statements concern management's current expectations, beliefs, intentions or strategies relating to future events and hence involve substantial risks and uncertainties. Actual future results and performance may differ materially from those contained in such statements. This presentation does not imply that Bang & Olufsen a/s has undertaken to revise these forward looking statements, except what is required under applicable law or stock exchange regulation.

No part of the information contained in this presentation should form the basis of or be relied upon in connection with any contract or commitment or investment decision whatsoever. Neither Bang & Olufsen a/s nor any of its affiliates, advisors or other representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents.

MY FIRST OBSERVATIONS

I've spent my first months as CEO meeting employees, partners and consumers – and what they've told me has only confirmed my initial analysis - we are in a commercial crisis

Historically, Bang & Olufsen has expected that the value of the brand was strong enough to sell products on its own

We do have a great brand and great products, but we have to support our products with focused sales and marketing efforts

Consequently, I already in November carried out an organisational change to increase the global sales focus

Q2 LOWER THAN EXPECTED | OUTLOOK ADJUSTED

- As previously communicated, revenue was expected to decline, but the decline was worse than expected in November
- New initiatives have been and will be launched to improve sales and marketing performance
- Positive free cash flow in Q2 following improvements of net working capital
- Bang & Olufsen will host a Capital Market Day on April 3rd 2020



ESTIMATED Q2 2019/20

REVENUE GROWTH
(local currencies)
-31%
DKK 627m
-31% reported growth

EBIT MARGIN
(adj. for special items)
-10%

FREE CASH FLOW
DKK +32m

ADJUSTED OUTLOOK 2019/20

REVENUE GROWTH
(local currencies)
-13% to -18%

EBIT MARGIN
(adj. for special items)
-4% to -9%

FREE CASH FLOW
Negative
DKK 100-150m

MAIN DEVELOPMENTS IN Q2

Declining revenue

- Sales in September and October was as planned but November was significantly lower than forecasted
- Sales to consumers have not been satisfactory
- Certain partners have not reduced their inventories enough – also leading to sales in unauthorised channels
- Increased competition on true wireless earphones
- Slower sales execution in connection with product launches

Development in key strategic initiatives

- Launch of the planned new products for the second quarter
- Continued improvements of sell-out insights with 44% of European monobrand stores supplying data that can be used for analysis
- Positive free cash flow and hence improved cash position following improvements of net working capital

KEY INITIATIVES FOR H2 2019/20

- Launch of new products in combination with a more product focused marketing activation
- Strengthening of local retail execution resources
- Competence lift within sales and marketing
- Establishing new sales programs
- Improve distribution network with partners

ADJUSTED OUTLOOK FOR 2019/20

	OUTLOOK 2019/20	ASSUMPTIONS	PREVIOUS OUTLOOK
Revenue growth	-13% to -18%	Successful launch of new products Strengthening of sales and marketing execution	Single digit
EBIT margin	-4% to -9%	Increased cost focus with a focus on sales and marketing execution	Above 2018/19
Free cash flow	Negative DKK 100-150m	Strong focus on development in net working capital Free cash flow expected to be positive in the second half of the year	Positive

INVITATION TO CAPITAL MARKET DAY 3 APRIL 2020

- The strategic direction is unchanged
- A fundamental change in the sales and marketing efforts is needed and Bang & Olufsen will move closer to consumers and partners
- The company will develop a three-year plan with new initiatives that will include:
 - Increased consumer focus
 - New sales activities
 - More frequent and better executed product launches
 - Cost initiatives



INVESTOR RELATIONS CONTACT

Martin Egenhardt

+45 53707439

mare@bang-olufsen.dk