

BANG & OLUFSEN

INTERIM REPORT Q3 2016/17

7 APRIL 2017



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AGENDA

Highlights

Financial results

Outlook

Questions & answers





HIGHLIGHTS

- The group realised a revenue growth of 12 per cent
- The growth was supported by continued positive development in the Greater China region and North America
- Free cash flow was DKK 97 million against negative DKK 63 million last year
- The outlook for 2016/17 remains unchanged
- Announcement of Czech assembly facility divestment
- New EVP for B&O PLAY announced on 7 April

NEW PRODUCTS

BEOPLAY HEADPHONES

- With the launches of Beoplay H4 and H9, B&O PLAY now offers a coherent portfolio of wireless headphones.

CONNECTED AUDIO

- The Beoplay M5 connected audio speaker was introduced to the range of B&O PLAY and Bang & Olufsen multiroom speakers, which also include Beoplay A9, Beoplay A6, BeoSound 1, BeoSound 2 and BeoSound 35.
- The category is the key focus of the Spring campaign activities

BEOSOUND SHAPE

- Earlier this week, Bang & Olufsen announced the launch of BeoSound Shape, which is a unique scalable wireless speaker system that can be custom designed and turn high-quality music into an interior art form.



FINANCIAL RESULTS

- Highlights
- **Financial results**
- Outlook
- Questions & answers

FINANCIAL HIGHLIGHTS FOR THE THIRD QUARTER

Key financial figures

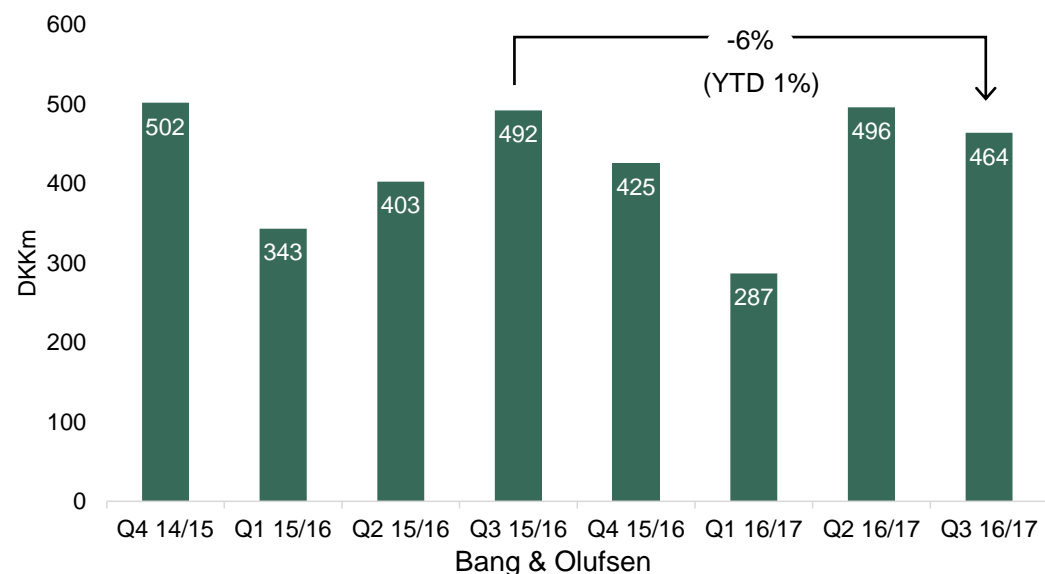
DKK million	3rd quarter		YTD	
	16/17	15/16	16/17	15/16
Revenue	786	703	2,169	1,937
Gross profit	335	260	865	689
EBITDAC (underlying)	63	45	66	-10
EBIT	18	5	-34	-131
EBIT (underlying)	18	22	-37	-75
EBT	8	-14	-47	-156
Earnings after tax (cont. busi.)	3	-11	-41	-122
Earnings after tax (disc. busi.)	-	10	-	25
Earnings	3	-1	-41	-98
Gross margin, %	42.6	37.0	39.9	35.6
Gross margin, % (underlying)	42.6	38.0	39.9	36.9
Net working capital	232	334	232	334
Free cash flow	97	-63	196	-169

- Revenue increased from DKK 703 million last year to DKK 786 million, corresponding to a growth of 12 per cent
- The Group's gross margin increased to 42.6 per cent from 38.0 per cent last year, primarily due to improved gross margins in B&O PLAY, positive impact from increased license income from brand partnerships, and improved product profitability in the Bang & Olufsen segment
- EBITDAC was DKK 63 million against DKK 45 million last year. The improvement was primarily driven by the increase in revenue and the improved gross margins
- Free cash flow was DKK 97 million against negative DKK 63 million last year. The development was mainly due to the positive development in net working capital and improved earnings compared to last year

REVENUE GROWTH DRIVEN BY B&O PLAY

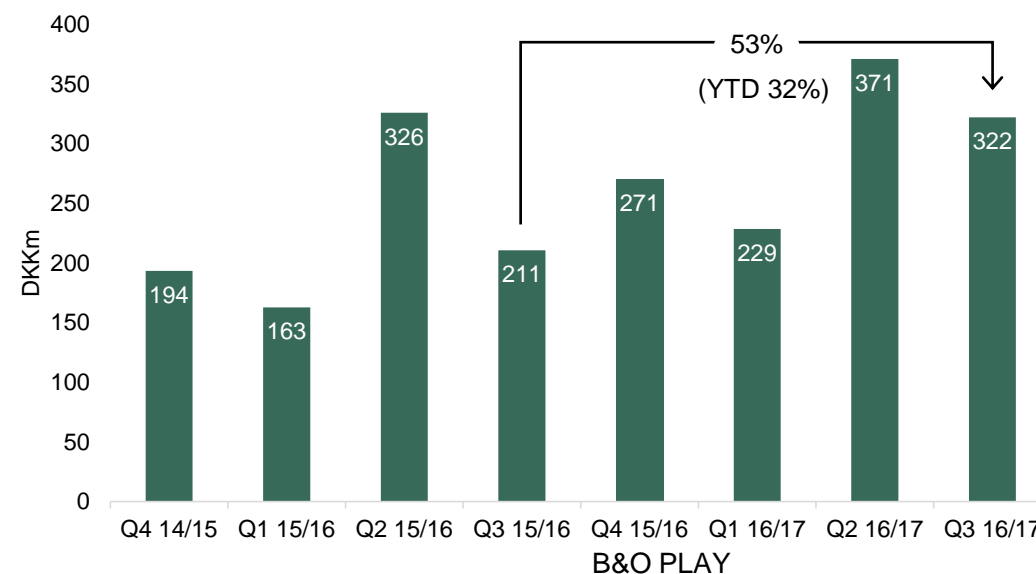
BANG & OLUFSEN QUARTERLY REVENUE

- Revenue in the Bang & Olufsen segment remains on track to grow low single digit in the financial year
- The quarter demonstrated that the revenue volatility in the segment is impacted by the timing of new product launches. The third quarter of 2015/16 was positively impacted by the launch of BeoLab 90 and end-of-life on selected TV models



B&O PLAY QUARTERLY REVENUE

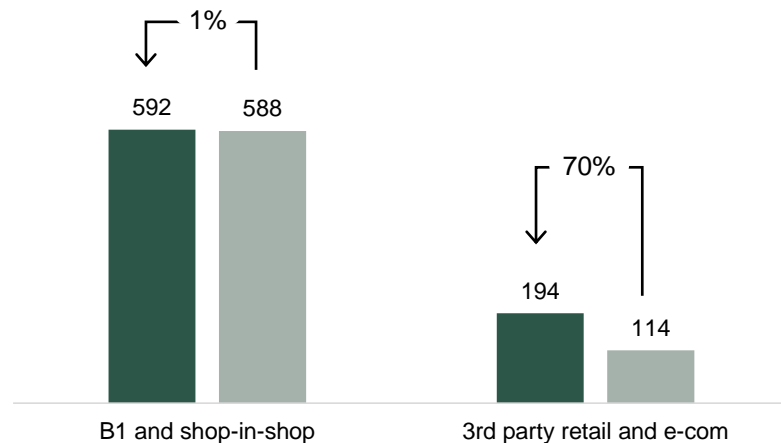
- B&O PLAY growth momentum remains strong. The main growth contributors in B&O PLAY was newly launched products especially Beoplay H4 and Beoplay H9 in the headphone category and Beoplay M5 in the connected audio category
- The quarter was the eight consecutive quarter with a double-digit year-over-year growth in B&O PLAY



70 PER CENT GROWTH IN TPR AND E-COMMERCE

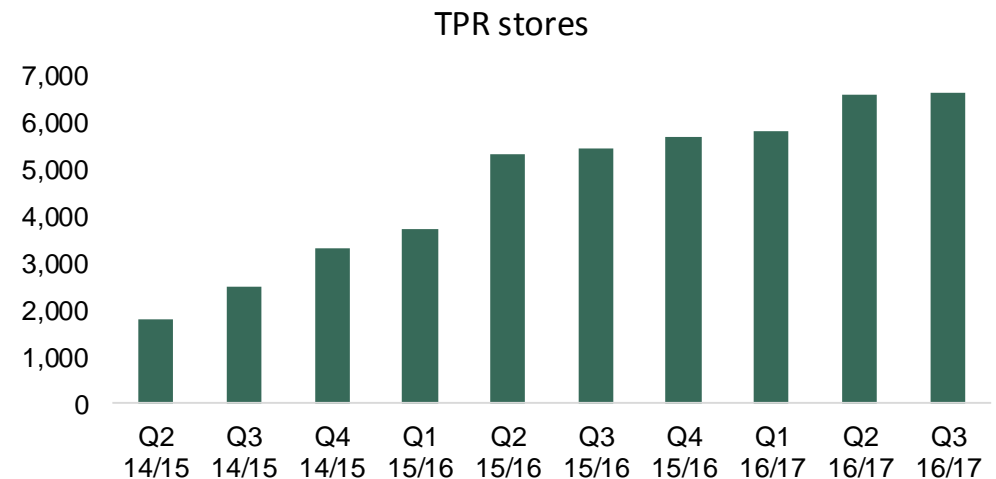
NEW PRODUCTS DROVE REVENUE GROWTH

- B&O PLAY revenue through third party retail and e-commerce increased by 70 per cent. The revenue was fueled by new product launches
- B&O PLAY revenue through the B1 and shop-in-shop channel increased by 33 per cent compared to last year, driven by newly launched products, especially Beoplay M5



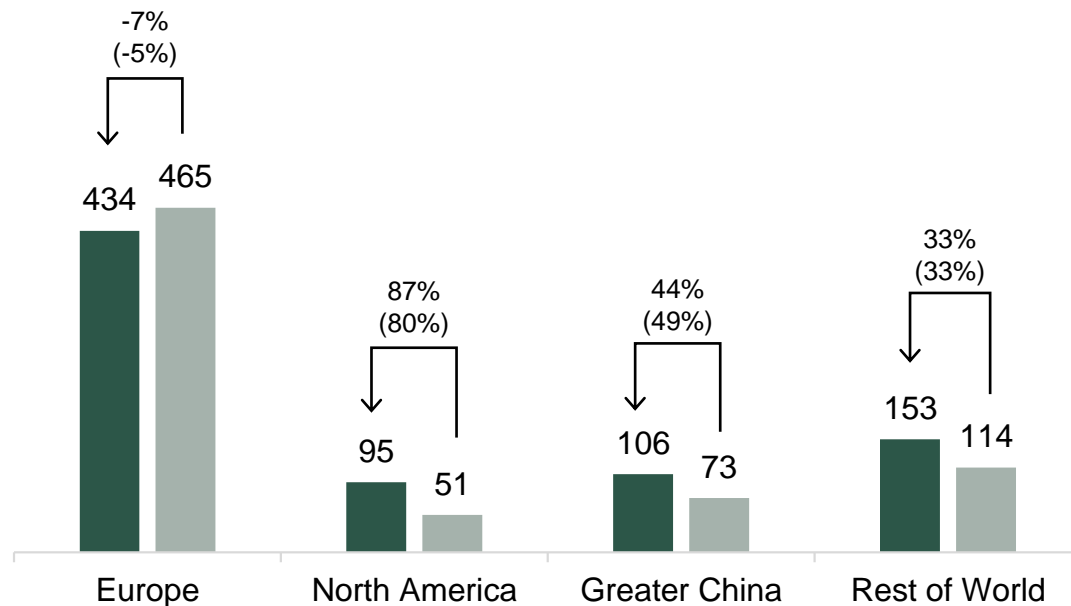
MODERATE INCREASE IN TPR STORES

- 51 third party retail stores were added during the quarter, taking the total number of TPRs to 6,658 compared to 5,462 stores at the end of the same quarter last year
- We expect to reach 7,000 third party retail stores at the end of 2016/17, and continue to see a potential for approximately 10,000 third party retail stores for B&O PLAY. In addition to expanding the store network, focus remains on increasing the sales per door



GROWTH IN ALL REGIONS EXCEPT EUROPE

NORTH AMERICA, GREATER CHINA AND REST OF WORLD WERE THE GROWTH DRIVERS



*DKKm and y-o-y change
(Growth in local currency in parenthesis)*

- Revenue in Europe declined, driven by lower revenue in Bang & Olufsen. B&O PLAY revenue increased in Europe in the quarter
- Revenue in North America increased, driven by a combination of higher revenue from B&O PLAY and increased income from brand partnerships
- Revenue in the Greater China region increased, mainly driven by continued growth in B&O PLAY
- Revenue in the region Rest of World increased, primarily driven by higher revenue from B&O PLAY and increased income from brand partnerships

GROUP GROSS MARGIN IMPROVED TO 42.6 PER CENT

Gross margin

%	3rd quarter		YTD	
	16/17	15/16	16/17	15/16
Bang & Olufsen	44.8	38.8	42.5	38.2
B&O PLAY	39.4	32.9	36.4	30.9
Group	42.6	37.0	39.9	35.6

Gross margin, underlying business

%	3rd quarter		YTD	
	16/17	15/16	16/17	15/16
Bang & Olufsen	44.8	40.0	42.5	40.0
B&O PLAY	39.4	33.5	36.4	31.5
Group	42.6	38.0	39.9	36.9

GROUP GROSS MARGIN WAS 42.6 PER CENT AGAINST 38.0 PER CENT LAST YEAR

- The gross margin in the Bang & Olufsen segment was 44.8 per cent against 40.0 per cent last year due to:
 - Improved product profitability in the segment
 - Increased license income from brand partnerships
 - Negative impact from exchange rates
- The gross margin for the B&O PLAY segment was 39.4 per cent against 33.5 per cent last year due to:
 - Continued positive scalability impacts from increased volumes
 - Improved product margins
 - Negative impact from exchange rates

CAPACITY COSTS INCREASED IN THE QUARTER

CAPACITY COSTS WERE DKK 70 MILLION HIGHER THAN LAST YEAR

- The capacity costs were DKK 317 million against DKK 247 million last year
- The increase was driven by higher development costs and higher distribution and marketing costs, to invest in both campaign activities and supporting the distribution channel primarily in B&O PLAY

Capacity costs

DKK million	3rd quarter		YTD	
	16/17	15/16	16/17	15/16
Development	104	76	279	221
Dist. and marketing	186	161	555	543
Administration	27	21	73	61
Total cap. costs	317	258	908	825
Total cap. costs underlying	317	247	908	794

CONTINUED INVESTMENTS IN PRODUCT DEVELOPMENT

- Development costs were DKK 104 million against DKK 76 million last year. The increase was due to depreciations of the current TV product portfolio
- In addition, costs related to TV development remain high, but are expected to be reduced as a result of the announced technology partnerships in the future

Development costs

DKK million	3rd quarter		YTD	
	16/17	15/16	16/17	15/16
Incurring development costs before capitalisation	78	72	229	210
Net effect of capitalisations and amortisations	26	4	50	11
Development costs in P&L	104	76	279	221
Capitalisation (%)	46.1%	48.4%	45.4%	54.1%

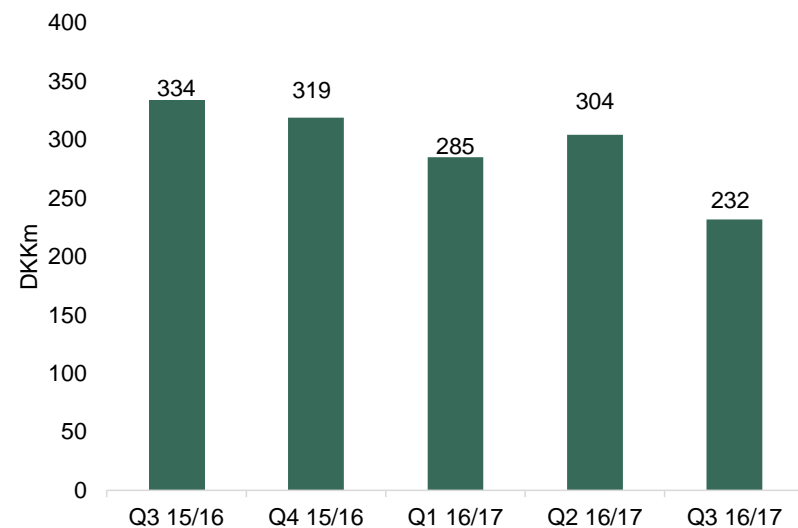
NET WORKING CAPITAL AND CASH FLOW

NET WORKING CAPITAL IMPROVED

- The Group's net working capital was DKK 232 million against DKK 334 million last year
- The improvement was mainly driven by increased liabilities and a reduction in the trade receivables compared to last year

POSITIVE FREE CASH FLOW

- Free cash flow was DKK 97 million against negative DKK 63 million last year
- The development was mainly due to the positive development in net working capital and improved earnings compared to last year



Cash Flow

DKK million

	3rd quarter		YTD	
	16/17	15/16	16/17	15/16
Earnings for the period	3	-1	-41	-98
Net working capital related	72	-68	87	-63
Other	73	46	205	156
Cash flow from oper. activities	148	-24	251	-5
Cash flow from investing activities	-52	-40	-55	-164
Free Cash Flow	97	-63	196	-169
Net interest bearing deposits	790	618	790	618

BANG & OLUFSEN DIVESTS CZECH ASSEMBLY FACILITY

- The divestiture of the assembly facility to Tymphany expands the successful partnership and supports Bang & Olufsen's strategy to focus on core capabilities, supported by an agile and asset light supply chain
- All of Bang & Olufsen's Czech employees will be transferred to Tymphany
- The cash flow impact is DKK 123 million and the accounting gain is expected to be DKK 33 million
- Closing of the transaction is expected to be completed within the current financial year



OUTLOOK

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OUTLOOK FOR 2016/17

- Group revenue is expected to grow by 10 to 15 per cent, compared to 2015/16
 - B&O PLAY is expected to be the main growth driver, with 25 to 30 per cent growth
 - The Bang & Olufsen segment is expected to grow with low single digits
- EBITDAC margin is expected to be in the range of 2-3 per cent, excluding the impact from the sale of Czech assembly subsidiary
- Bang & Olufsen will incur higher depreciations of the current TV product portfolio in the range of DKK 30 to 40 million during the 2016/17 financial year



Q&A

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