



INTERIM REPORT

Q3 2020/21

WEBCAST PRESENTATION

8 APRIL 2021

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AGENDA

A close-up photograph of a person's hand with a gold ring on the ring finger, resting on the top edge of a wooden speaker. The speaker has a series of horizontal wooden slats and the brand name 'BANG & OLUFSEN' is printed on the top edge. The background is softly blurred.

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

FINANCIAL PERFORMANCE

OUTLOOK

Q&A

THIRD CONSECUTIVE QUARTER WITH DOUBLE-DIGIT GROWTH

FREE CASH FLOW OUTLOOK NARROWED TO UPPER END OF THE RANGE

- Strong execution in eight core markets in Europe and Asia
- Strong performance across all key channels, also positively impacted by the multibrand changes made in H1
- Focused and targeted marketing initiatives
- Continued digital focus
- Cost reduction programme progressing as planned
- Outlook for free cash flow narrowed to upper end of the range



Q3 2020/21	9M 2020/21	OUTLOOK FY 2020/21
<p><i>REVENUE</i></p> <p>DKK 698m 16% growth in local currencies</p>	<p><i>REVENUE</i></p> <p>DKK 1,853m 13% growth in local currencies</p>	<p><i>REVENUE</i></p> <p>DKK 2.3bn to 2.5bn (maintained)</p>
<p><i>EBIT</i> <i>Before special items</i></p> <p>DKK 34m DKK 32m better than Q3 LY</p>	<p><i>EBIT</i> <i>Before special items</i></p> <p>DKK 23m DKK 212m better than 9M LY</p>	<p><i>EBIT</i> <i>Before special items</i></p> <p>DKK -50m to 25m (maintained)</p>
<p><i>FREE CASH FLOW</i></p> <p>DKK 8m DKK 31m lower than Q3 LY</p>	<p><i>FREE CASH FLOW</i></p> <p>DKK 85m DKK 220m better than 9M LY</p>	<p><i>FREE CASH FLOW</i></p> <p>DKK 0m to 100m (Prev: DKK -50m to +100m)</p>

SUPPLY CHALLENGES AND LOCKDOWNS

SUPPLY CHALLENGES

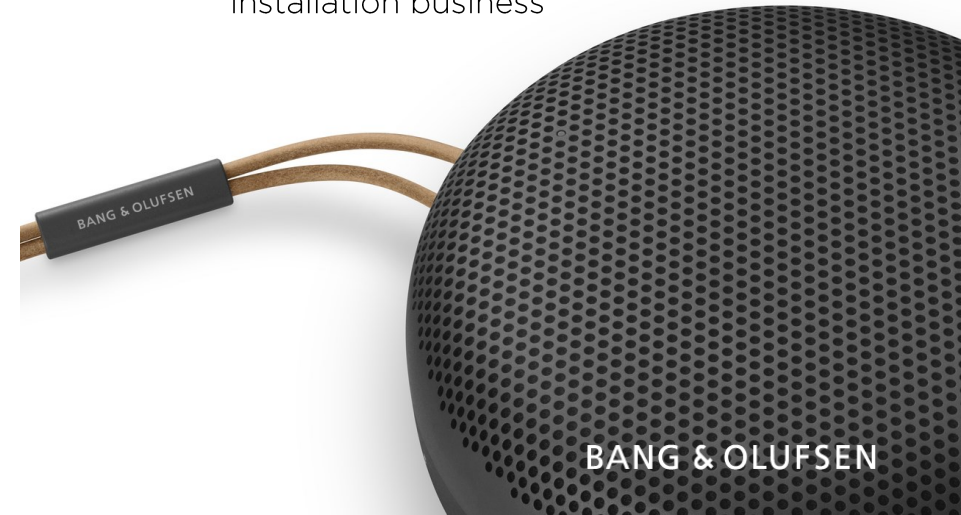
- Continued high demand for components in consumer electronics and automotive industry
- Supply situation also impacted by force majeure events such as power outage, drought and fire at key component suppliers
- Global scarcity on electronic components leading to higher prices on certain components
- Increasing component prices for the coming quarter

LOGISTICS

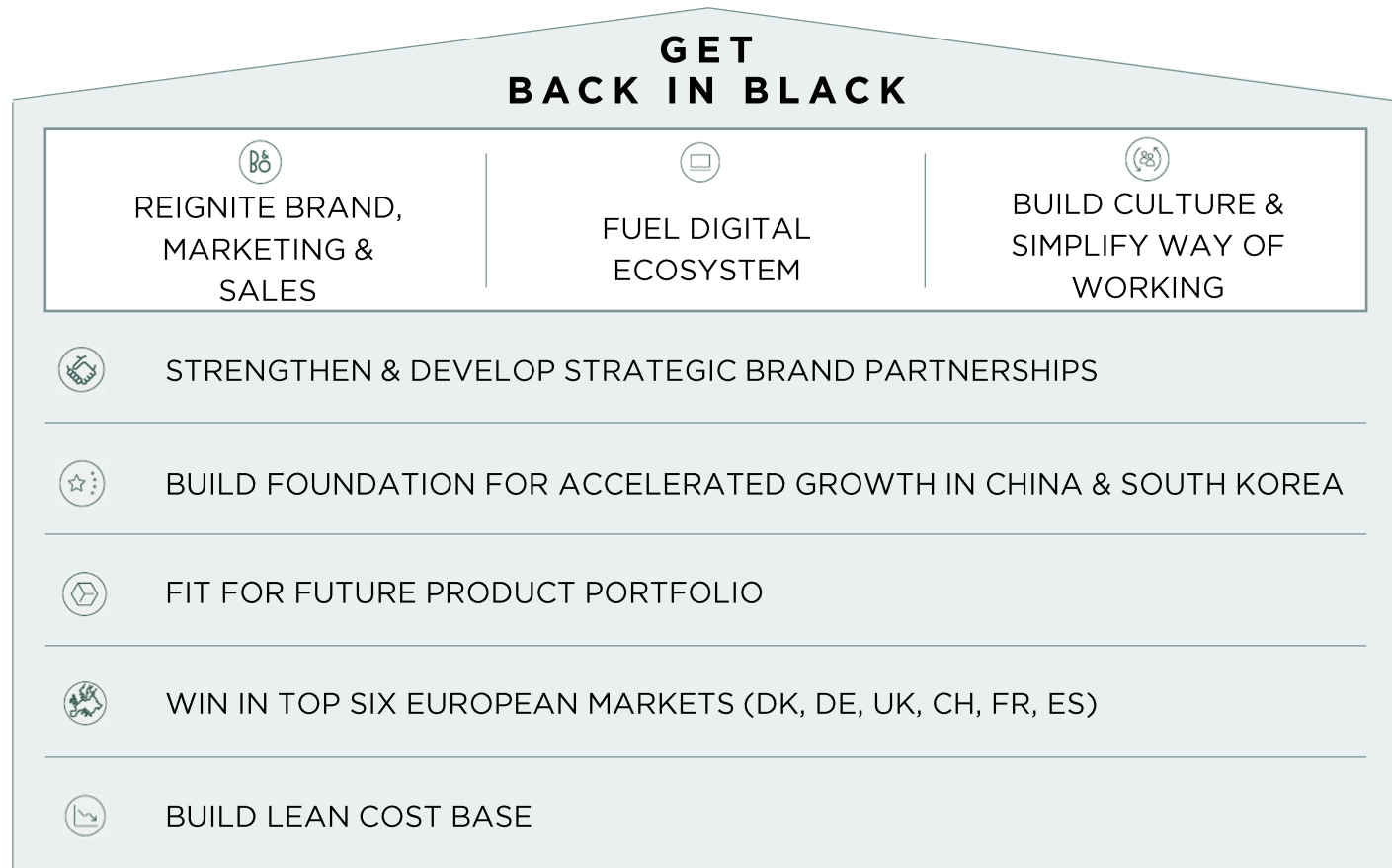
- Reduced global logistics capacity
- Higher than normal use of air freight as a result of supply chain pressure
- Logistics costs have remained higher than normal as was seen in Q2

LOCKDOWNS

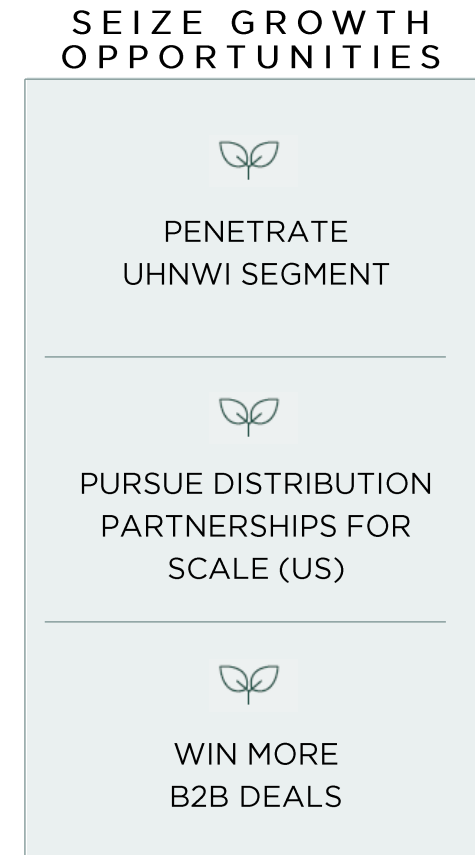
- During Q3, approx. 40% of monobrand stores were temporarily closed (currently around 20% of monobrand stores)
- Mainly closures in core European markets
- Most closed stores could run installation business



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
- Changed operating model in the multibrand channel drove growth
- Multibrand and etail grew by 152% year-on-year
- Four out of six core markets faced lockdowns throughout the quarter with more than 60% of monobrand stores temporarily closed due to COVID-19
- Growth rate adversely impacted by sales of end-of-life products last year

13%

REVENUE GROWTH IN LC*
COMPARED TO Q3 LY

TWO ASIAN CORE MARKETS REPORTED GROWTH



- High demand for home entertainment products
- Flexible Living grew by 77%
- Strong commercial execution around Chinese New Year
- Management team changed
- Onboarding of seasoned professionals with commercial experience within digital technology, marketing and distribution.
- Growth rate adversely impacted by sales of end-of-life products last year

12%

REVENUE GROWTH IN LC*
COMPARED TO Q3 LY

ON ROUTE TO DELIVER PLANNED PRODUCT LAUNCHES FOR 2020/21

NEW AND UPGRADED PRODUCTS

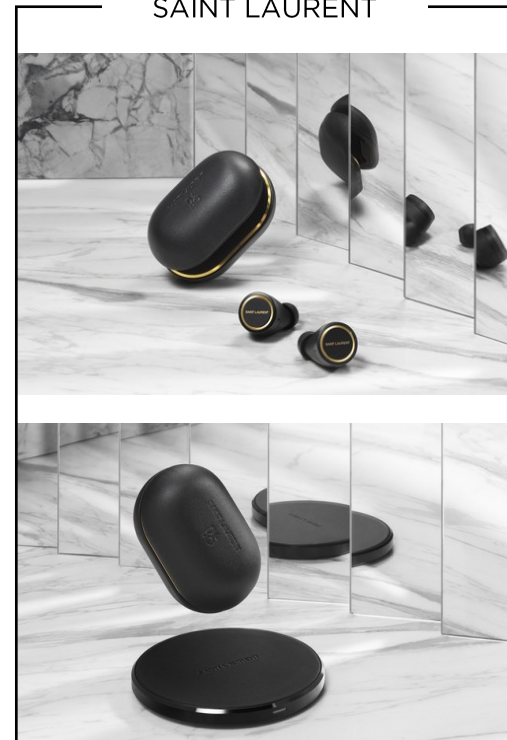
BEOSOUND LEVEL



BEOVISION ECLIPSE 65" 2nd Gen



SAINT LAURENT



CHINESE NEW YEAR




POSITIVE REVIEWS OF BEOSOUND LEVEL

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Bang & Olufsen Releases Its Most Beautiful And Sustainable Wireless Speaker Ever


Mark Sparrow Senior Contributor ⓘ
Consumer Tech
Technology journalist specializing in audio, computing and photography



☰ **Robb Report** 🔍

Tuesday, February 9, 2021 SUBSCRIBE

AUDIO



BANG & OLUFSEN

Bang & Olufsen's New Modular Speaker Can Be Upgraded When Tech Gets Outdated

The device's streaming module can be swapped out at a later date, increasing its lifespan by years.

🕒 February 4, 2021 • BRYAN HOOD


THE VERGE ☰

Bang & Olufsen wants its new Beosound Level to outlast your average connected speaker

With a modular design for repairs and future upgrades

By **Jon Porter** on February 4, 2021 3:00 am

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CONTINUING DIGITAL INITIATIVES AND MARKETING CAMPAIGNS

127%

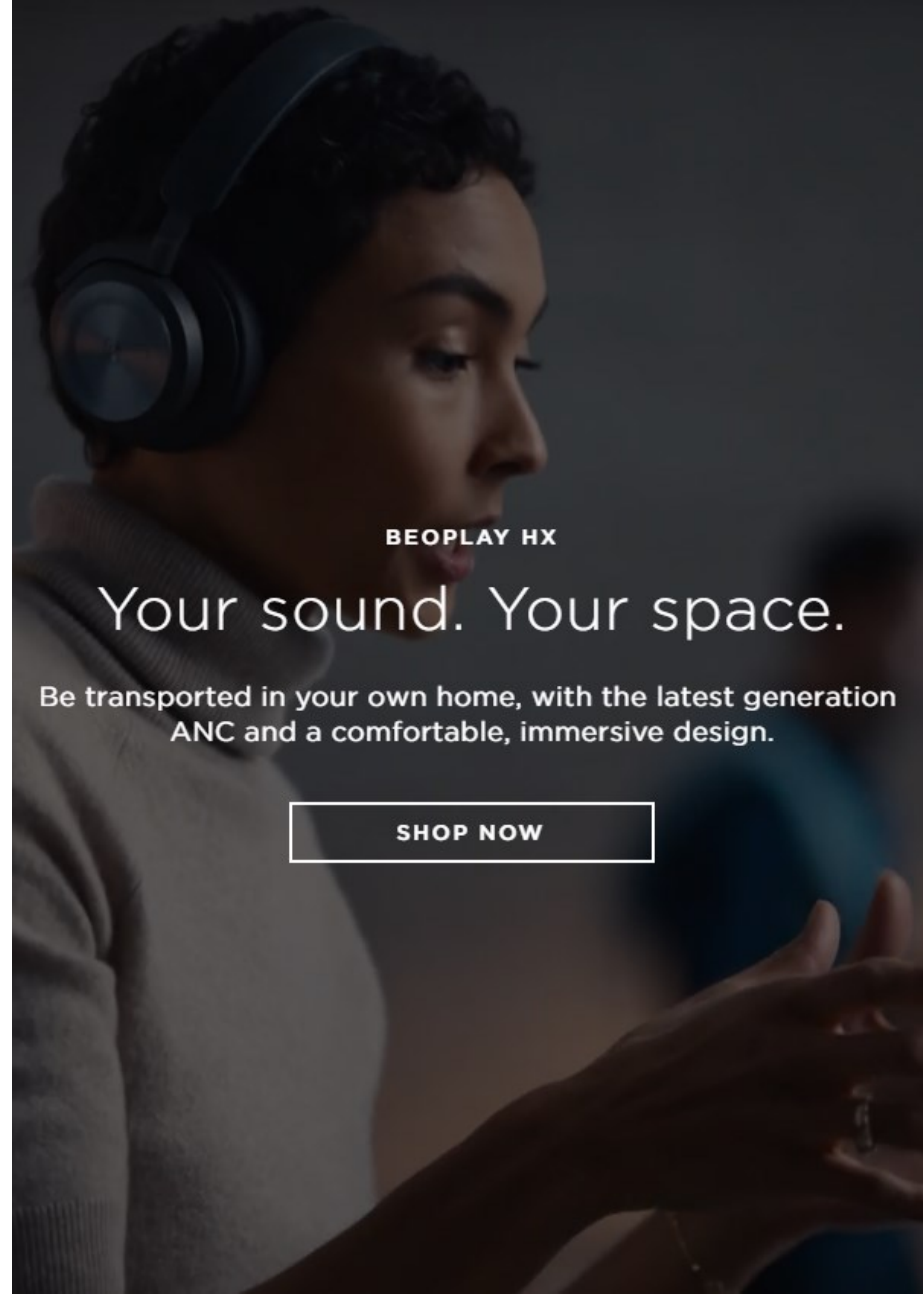
ECOM REVENUE GROWTH
IN LOCAL CURRENCIES
COMPARED TO Q3 LY

- Increasing the volume of consumer communications through CRM
- Improving consumer targeting and media effectiveness

3

CAMPAIGNS

- “Share moments that last“ Holiday season (December)
- “Your Sound. Your Space”, which catered to the Working from Home trend, was launched with a particular appeal to a younger, female audience enabled through a new tonality
- First versions of Connected Speakers campaign launched



BEOPLAY HX

Your sound. Your space.

Be transported in your own home, with the latest generation ANC and a comfortable, immersive design.

SHOP NOW

AGENDA

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

FINANCIAL PERFORMANCE

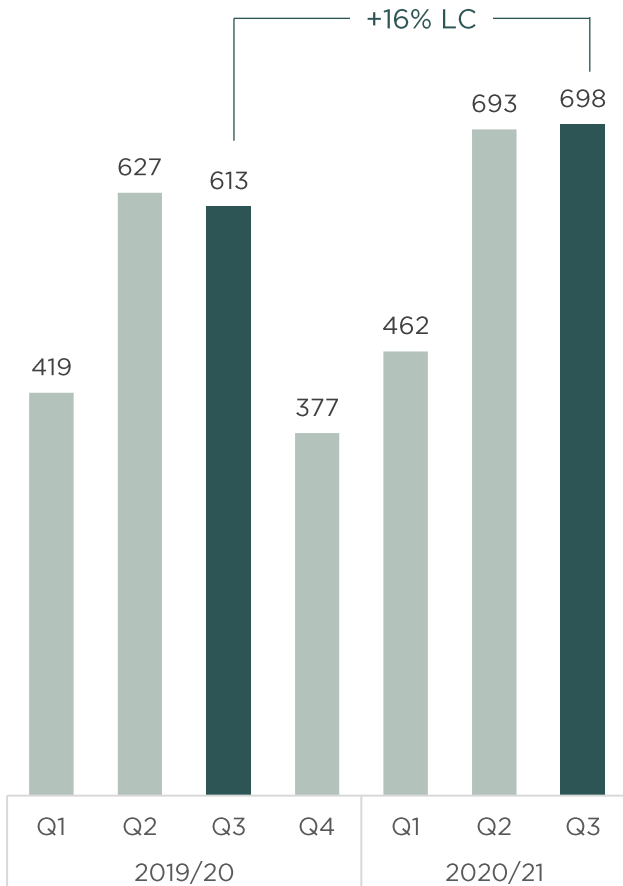
OUTLOOK

Q&A



THIRD CONSECUTIVE QUARTER WITH DOUBLE DIGIT GROWTH | REVENUE DRIVEN BY SELL-OUT

DKKkm



SEGMENTS (LOCAL CURRENCY)

+16%	+50%	+16%	+1%
EMEA	Americas	Asia	Brand Partnering & other activities

PRODUCT CATEGORIES (REPORTED)

+13%	+48%	-1%
STAGED	FLEXIBLE LIVING	ON-THE-GO

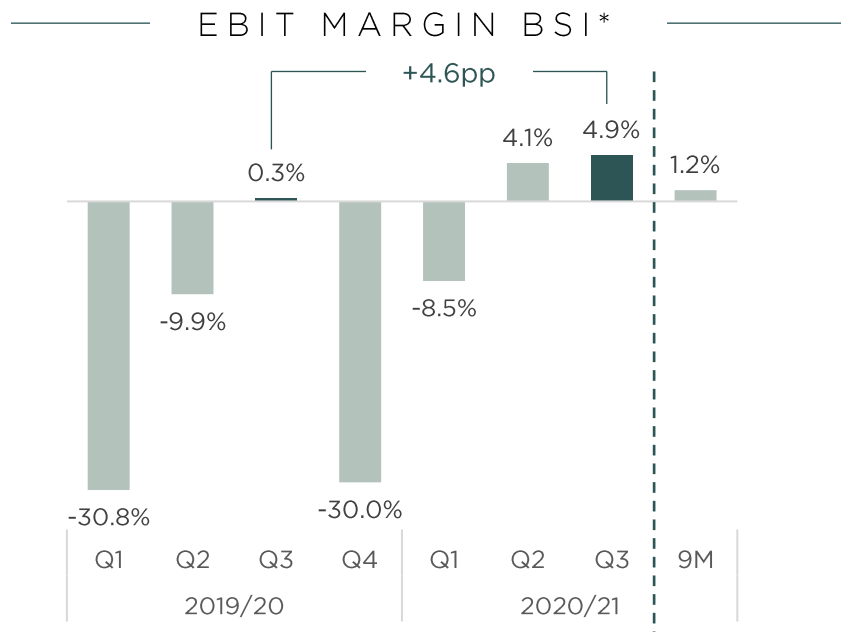
Product sales up by 18%, in local currency:

- Product availability adversely affected growth, especially Staged speakers
- Double digit growth in all regions, driven by sell-out
- Improved channel performance
- Continued strong momentum in Flexible Living
- Decline in On-the-go related to end-of-life products last year
- Both existing and new products drove growth

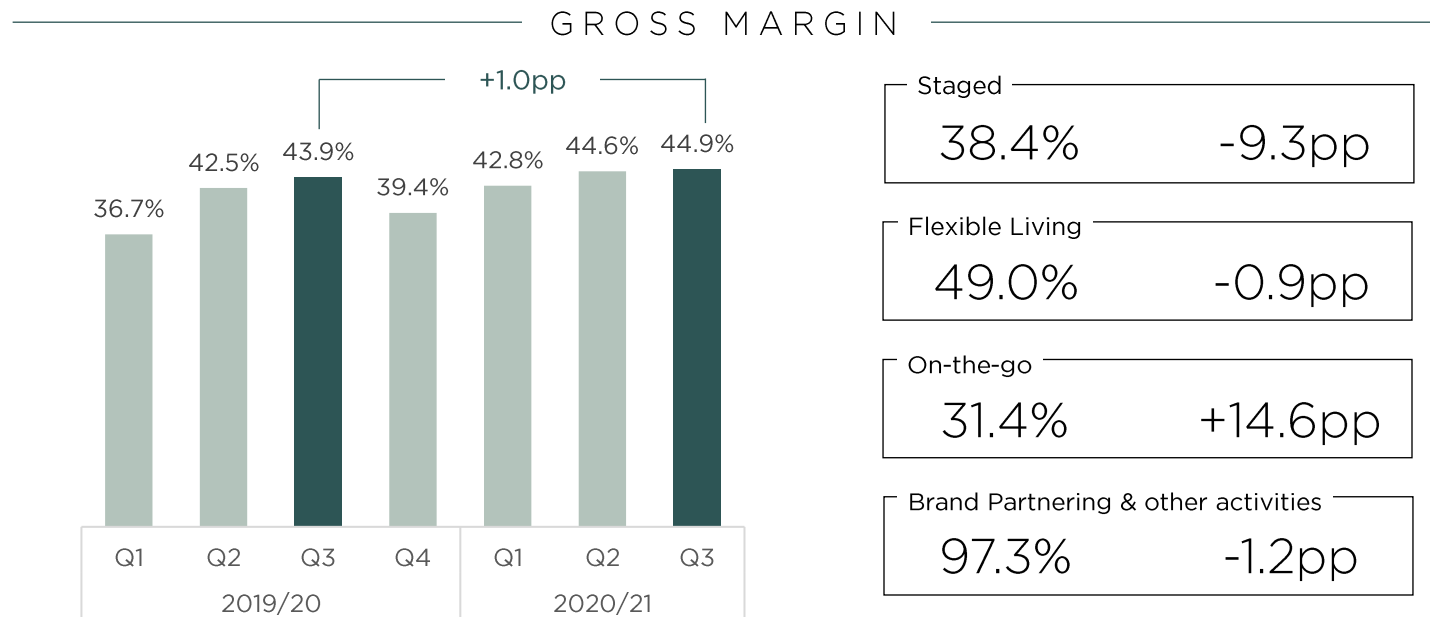
Brand Partnering & other activities up by 1% in local currency

- Growth from computer sales partly offset by currency development
- Lower car manufacturing

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



- EBIT margin before special items increased due to higher gross profit partly offset by higher capacity costs
- Special items amounted to DKK 6m, compared to DKK 3m last year.
 - Special items mainly related to the cost reduction programme



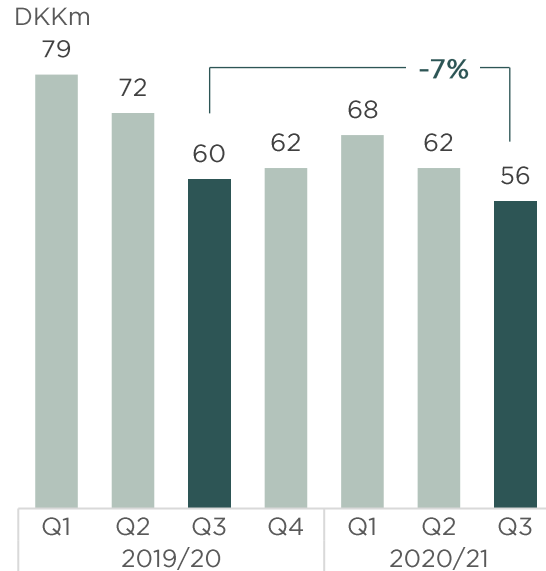
Gross margin improvement related to products, partly offset by lower Brand Partnering margin and lower share of group gross profit

Product gross margin 39.3%, up 2.3pp compared to Q3 last year

- Improved margin in On-the-go related to sales of end-of-life products last year
- Component and logistics costs remain high and impacted margin negatively by 2.5pp YoY
- Stage additionally impacted by lower margin on BV Contour and monobrand bonuses

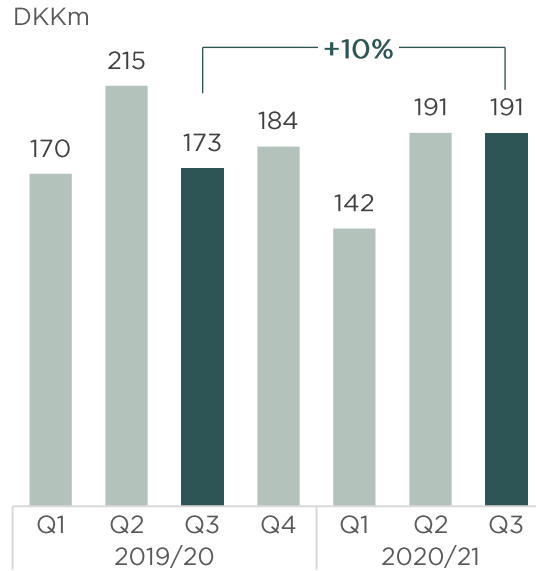
CAPACITY COSTS INCREASED BY 4% EXCLUDING SPECIAL ITEMS | SUPPORTED BY COST REDUCTION PROGRAMME

DEVELOPMENT COSTS



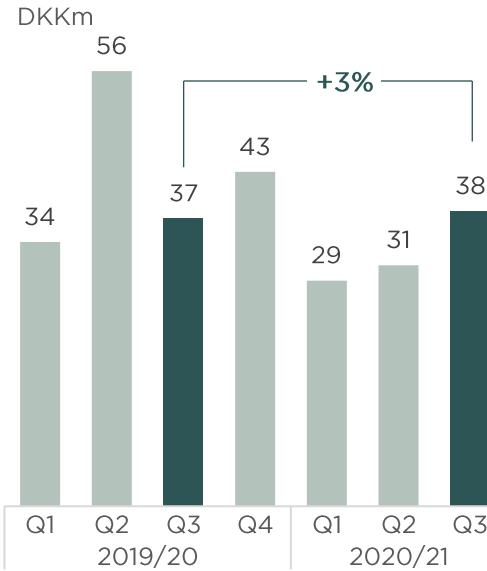
- Decline related to lower amortisation and higher capitalisation
- Incurred development costs were up by DKK 16m related to continued investments in product development

DISTRIBUTION & MARKETING COSTS



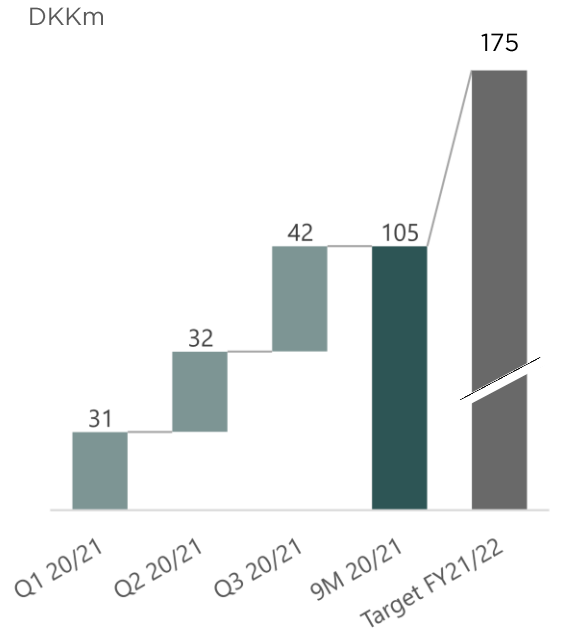
- Higher employee bonus provisions reflecting sales growth
- Higher warranty costs
- Lower marketing and travel costs due to COVID-19
- Positive impact from cost savings

ADMINISTRATION COSTS



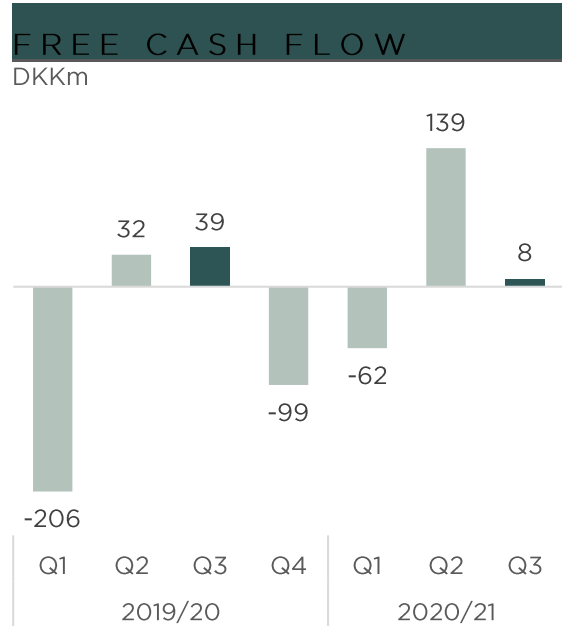
- Excluding special items, administration costs declined by DKK 1m, equal to a 3% reduction
- Savings primarily related to salaries and cost reduction programme partly offset by bonus accruals

COST REDUCTION PROGRAMME

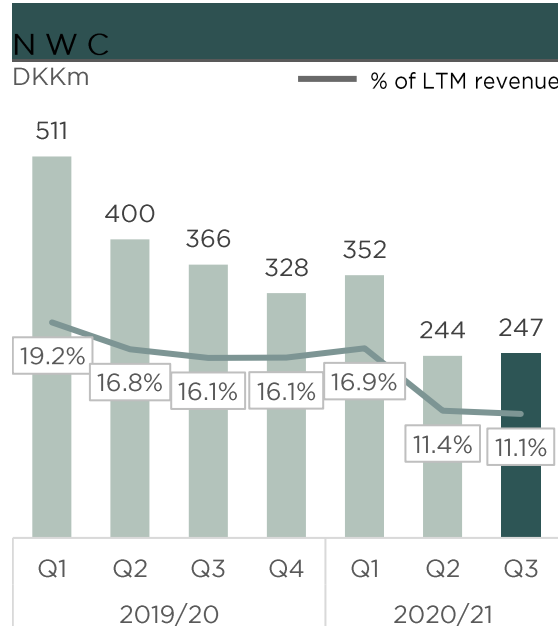


- Q3 run-rate mainly improved by market re-organisation in December as well as improved obsolescence costs in the supply chain
- Year-to-date savings of DKK 105m, with an annual run-rate of DKK 168m

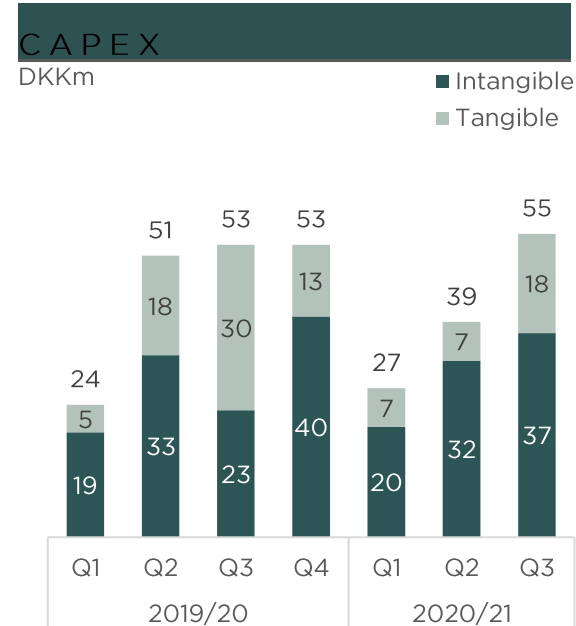
POSITIVE FREE CASH FLOW AND STABLE NET WORKING CAPITAL DEVELOPMENT



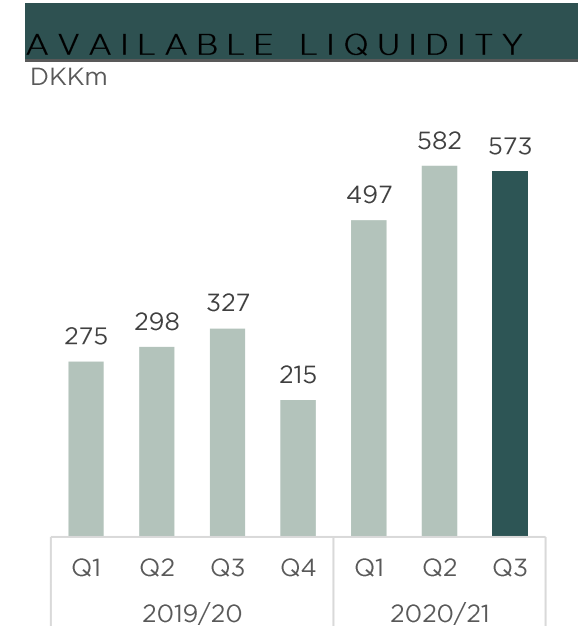
- Declined in Q3, as expected, as last year was positively impacted by the development in working capital
- EBITDA grew by DKK 20m in Q3.



- Net working capital increased by DKK 3m in Q3
- The increase was mainly related to reduction in trade payables
- NWC in % of LTM revenue declined to 11.1%



- Investments primarily in intangible assets related to
 - Development of new products
 - Development of technology platforms
- Tangible investments in retail were lower due to COVID-19

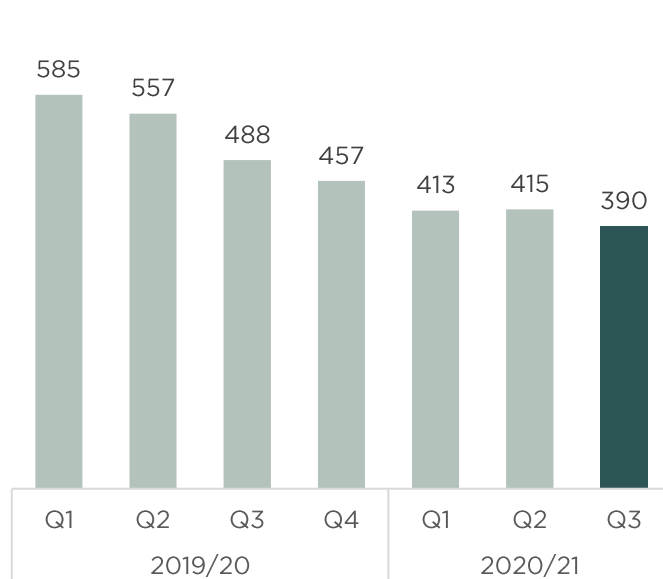


- Available liquidity at the same level as Q2 at DKK 573m

MANAGING WORKING CAPITAL THROUGH THE PANDEMIC

INVENTORIES

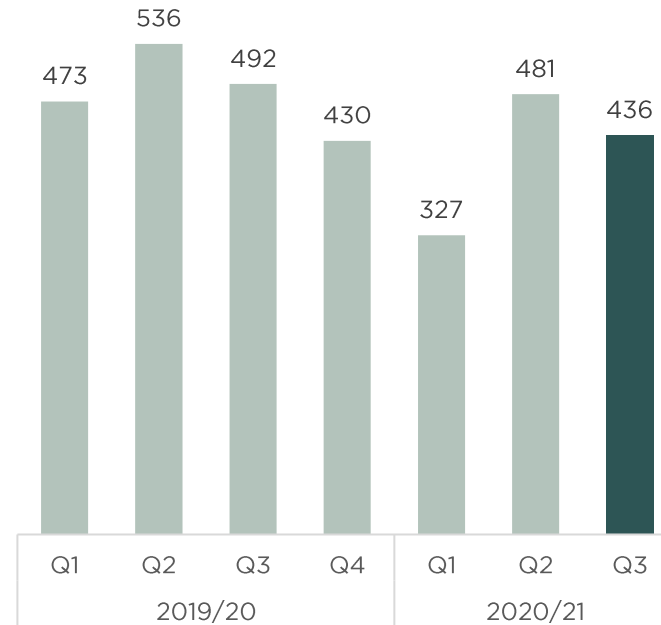
DKKm



- Inventory declined by DKK 25m in Q3 due to effective management and sales performance
- The company faced scarcity of certain components and products

TRADE PAYABLES

DKKm

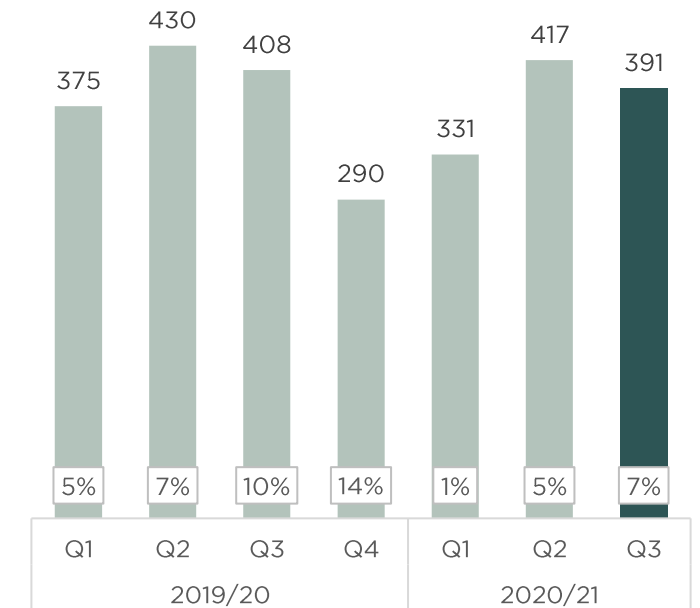


- Decreased by DKK 45m, driven by payments to production partners following Q2 ramp-up

TRADE RECEIVABLES

DKKm

□ % of revenue w/ extended credit



- Trade receivables decreased by DKK 26m, driven by phasing of revenue in the quarter as well as lower overdues
- Extended credit was 7% of revenue in the quarter, related to display units for new products

AGENDA

A person's hand is hovering over a cylindrical speaker with a textured grey fabric mesh and a gold top and bottom. The speaker is placed on a light-colored wooden stand. The background is a blurred indoor setting with a white sofa and a dark table.

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

FINANCIAL PERFORMANCE

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Q&A

OUTLOOK 2020/21 | OUTLOOK FOR FREE CASH FLOW NARROWED IN THE UPPER END OF THE RANGE

OUTLOOK

Revenue

DKK 2.3bn to 2.5bn
(maintained)

EBIT BSI*

DKK -50m to +25m
(Maintained)

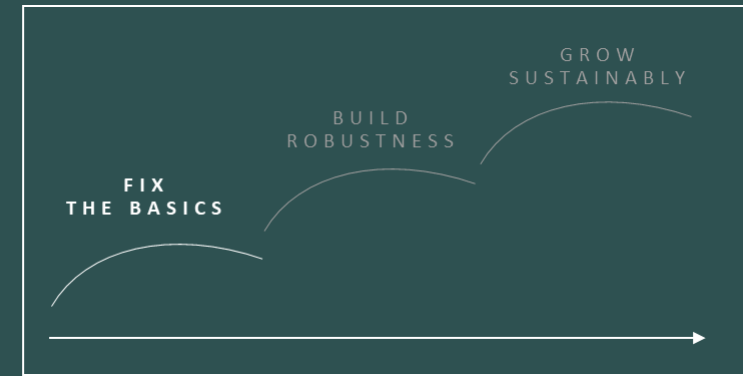
Free cash flow

DKK 0m to +100m
(Prev. DKK -50m to +100m)

MAIN ASSUMPTIONS

- Impact of COVID-19 in Q4 will not be materially different from Q3
 - Component scarcity will not impact product supply materially different from Q3
 - Licensing income impacted by worsening of car manufacturing. PC sales expected at the Q3 level
 - Launch of more than three new and upgraded products in Q4
 - Increased effectiveness 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 costs in Q4 higher than in the first nine months
 - Logistics costs maintained at the higher than normal level experienced in Q2 and Q3
 - Continuation of the planned product roadmap
 - Continued implementation of cost reduction programme
-
- Adverse impact on Q4 from use of government relief packages (postponement of taxes)
 - CAPEX reflecting product development continuing as planned

SUMMARY | THE STRATEGY WORKS AND YIELDS RESULTS DESPITE COVID-19 CHALLENGES



- Good progress on strategy execution
- High growth rates in all core markets with strong performance across all key channels. Multibrand positively impacted by the changes made in H1
- Product launches well-received by the market, and strong demand continues
- Accelerated efforts on digital and e-Commerce progressing well
- Performance adversely impacted by component scarcity
- Available liquidity of DKK 573 million

AGENDA

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 is a blurred city street at night.

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