

# INTERIM REPORT

Q1 2020/21

WEBCAST PRESENTATION

1 OCTOBER 2020



BANG & OLUFSEN

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# AGENDA

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

FINANCIAL PERFORMANCE

OUTLOOK

Q&A

# DOUBLE-DIGIT GROWTH, FIRST REPORTED REVENUE GROWTH SINCE Q1 2018/19 | OUTLOOK FOR 2020/21 MAINTAINED

- COVID-19 continued to impact the business
- Solid growth in monobrand channels in focus markets
- Good growth in eCommerce
- New products well received in the market
- Cost reduction programme following plan
- Cash position of DKK 497m driven by rights issue completed in July



## Q1 2020/21

### REVENUE

DKK 462m

11% growth in local currencies

### EBIT

Before special items

DKK -39m

DKK 90m better than Q1 LY

### FREE CASH FLOW

DKK -62m

DKK 144m better than Q1 LY

## OUTLOOK FY 2020/21

### REVENUE

Approx. DKK 2.2bn

### EBIT

Before special items

Approx. DKK -100m

### FREE CASH FLOW

Approx. DKK -200m

# PROGRESS IN 8 FOCUS MARKETS | GROWTH DRIVEN BY MONOBRAND AND HIGHER DEMAND FOR HOME ENTERTAINMENT

SIX EUROPEAN FOCUS MARKETS SHOWED GROWTH



- Strengthening of market organisations to execute on the strategy
- Marketing budget reallocation to intensify activation
- Concerted and controlled approach to improve local go-to-market models

## 6%

YoY REVENUE GROWTH  
SIX EUROPEAN MARKETS

## 15%

YoY SELL-OUT GROWTH  
MONOBRAND CHANNEL\*

TWO ASIAN FOCUS MARKETS ALSO REPORTED GROWTH



- Refocused sales execution towards home products in response to changing consumer behaviour
- Growth driven by Flexible Living and Staged products
- Positive impact from orders originally expected in Q4 last year

## 25%

YoY REVENUE GROWTH  
CHINA & SOUTH KOREA

## 7%

YoY SELL-OUT GROWTH  
MONOBRAND CHANNEL\*

# IMPACTFUL NEW PRODUCTS AND COLLABS



# NEW PARTNERSHIPS ESTABLISHED | PARTNERING FOR BRAND AWARENESS AND SCALE

ENTERING GAMING



POSITIONING THROUGH BRAND AMBASSADORS

ON Running



FERNANDO ALONSO



BUILDING US COVERAGE



PIVOTING DEMAND CREATION



# REIGNITING THE B&O BRAND | REFRESHED BRAND EXPRESSION FOR RECENTLY LAUNCHED PRODUCTS

BEOSOUND  
A1 2<sup>ND</sup> GEN



BEOPLAY  
E8 SPORT



BEOPLAY  
H95

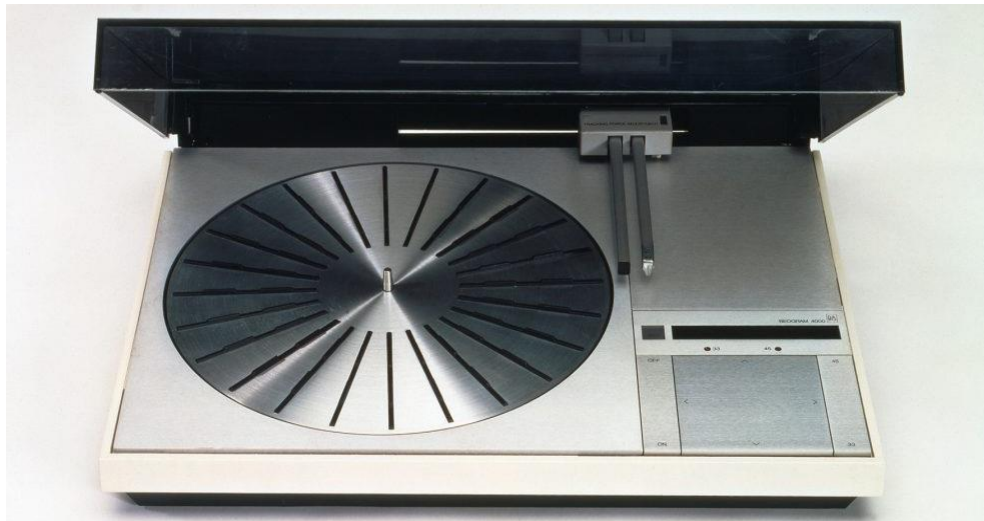


MAY

SEPTEMBER



# LAUNCH OF PRODUCT PROGRAMMES | BEOCLASSICS AND BEOBESPOKE PROGRAMMES ANNOUNCED



# PROGRESS IN OUR STRATEGY EXECUTION

**GROW  
SUSTAINABLY**

**BUILD  
ROBUSTNESS**

**FIX  
THE BASICS**

- Healthy growth in focus markets
- Scalable business model

- P&L robustness
- Proof of concept for scalability

- P&L improvement
- Few priorities,  
deep implementation



# AGENDA

A woman with dark hair pulled back, wearing a light-colored blazer over a white shirt, is seated in a car. She is wearing large, dark-colored over-ear headphones with the Bang & Olufsen logo on the side. She is looking out the car window to her left. The background shows a blurred city street scene.

KEY HIGHLIGHTS AND UPDATE ON STRATEGY

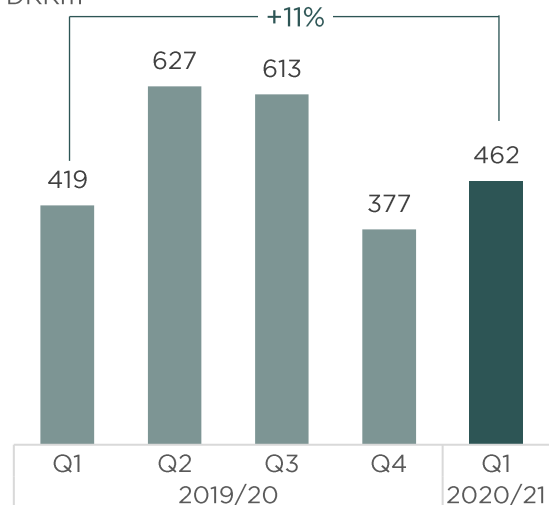
FINANCIAL PERFORMANCE

OUTLOOK

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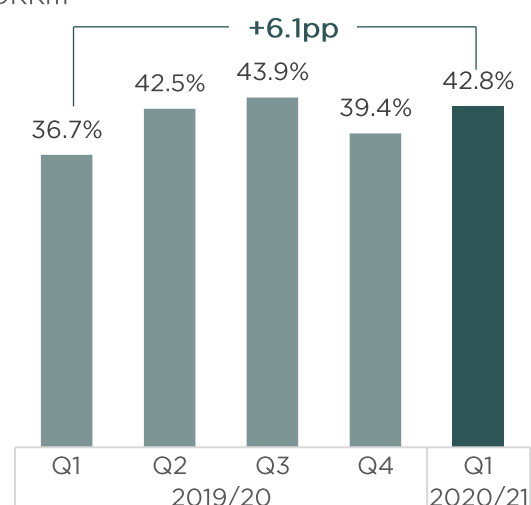
# REVENUE GROWTH, IMPROVED MARGINS AND COST PROGRAMME ON TRACK

REVENUE  
DKKm



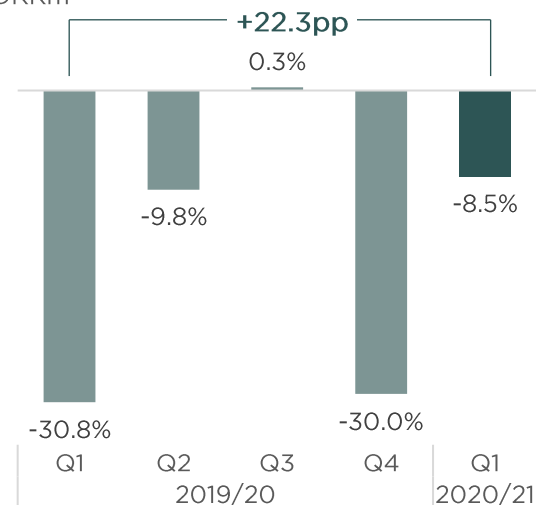
- Staged and Flexible Living grew by 88% and 55% respectively
- Decline in On-the-go due to travel retail, and sales of end-of-life products last year
- Growth in Monobrand channel driven by 10% higher sell-out YoY and low sell-in last year
- Multibrand declined impacted lower sell-out YoY partly related to lower travel activity
- Own eCommerce increased by 115%

GROSS MARGIN  
DKKm



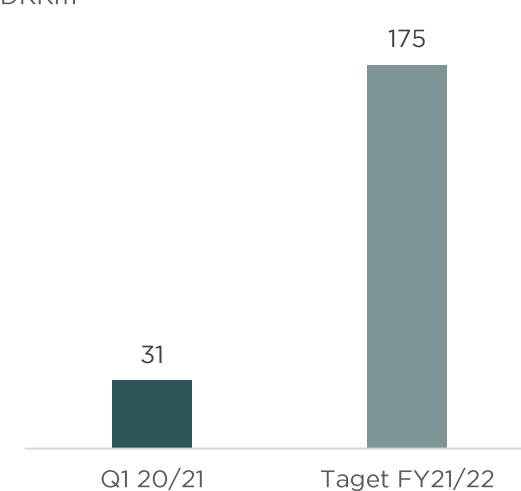
- Improved margin driven by shift in demand towards Staged and Flexible Living
- Lower margin in On-the-go impacted by
  - Sales of end-of-life products at lower prices
  - Negative effect from allocation of production-related capacity costs

EBIT MARGIN BSI\*  
DKKm



- Lifted by higher gross profit and lower capacity costs
- Positively impacted by cost reduction programme

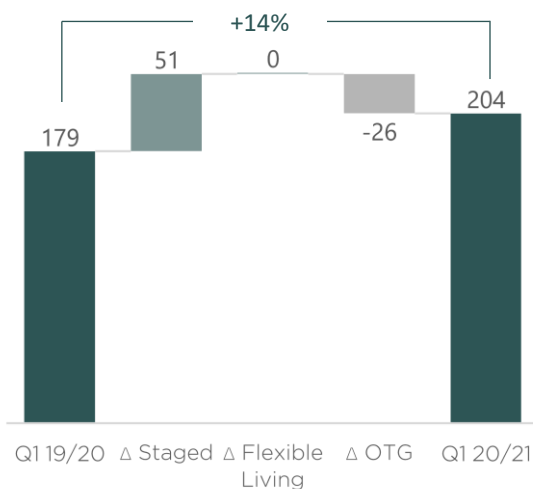
COST PROGRAMME  
DKKm



- Q1 savings of DKK 31m
- Savings primarily driven by:
  - Headcount reductions
  - Non-product related spend

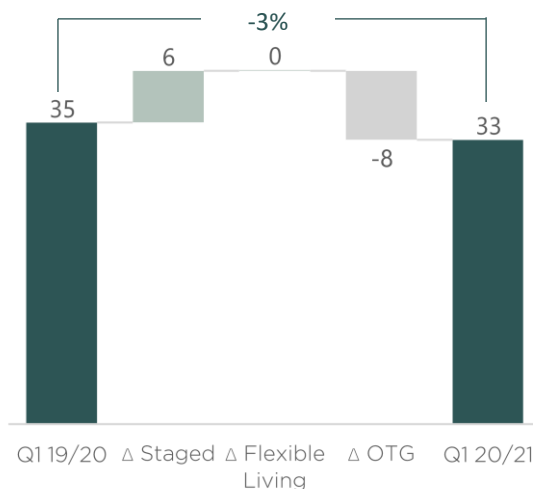
# GROWTH DRIVEN BY EMEA AND ASIA

EMEA  
DKKkM



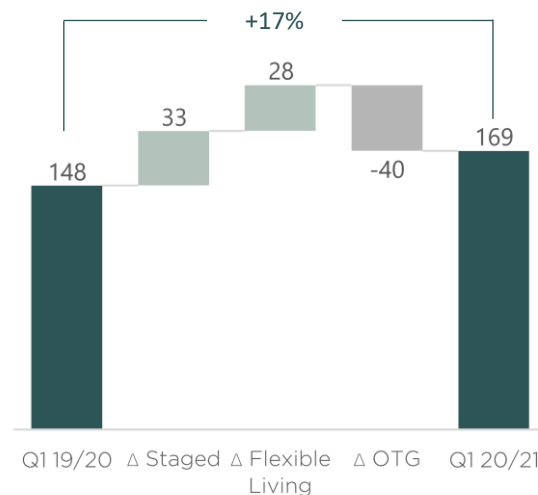
- Increase in Staged driven by higher demand for home entertainment and focused sales execution
- On-the-go declined due to sales of end-of-life products last year, partly offset by growth from Bluetooth speakers

AMERICAS  
DKKkM



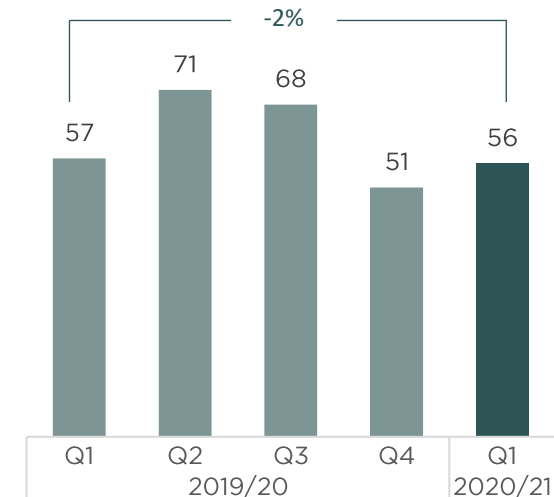
- Staged driven by higher demand for home entertainment
- Decline in On-the-go primarily related to multibrand channel

ASIA  
DKKkM



- Staged and Flexible Living impacted positively by demand for home entertainment
- On-the-go declined due to by lower sales of end-of-life products but higher sales of Bluetooth speakers
- Revenue positively affected by orders delayed from Q4 last year

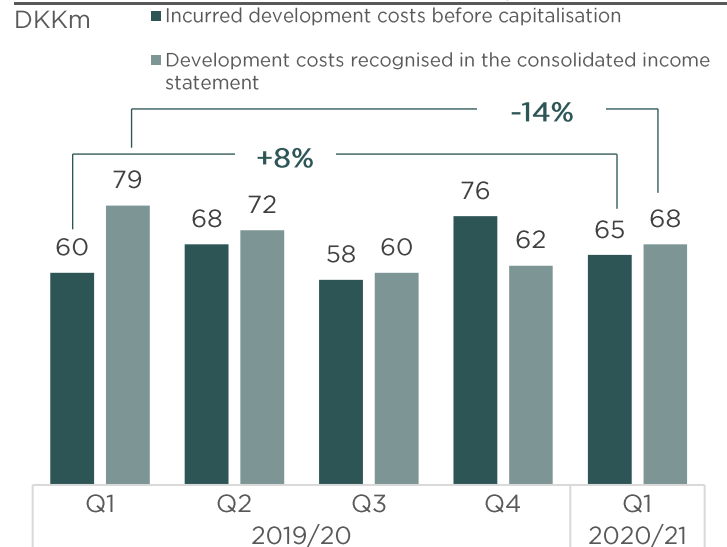
BRAND PARTNERING &  
OTHER ACTIVITIES  
DKKkM



- Revenue in line with Q1 last year
- Licencing income from Harman impacted negatively by decline in car manufacturing
- Lower car manufacturing also impacted sales of aluminium for third parties
- Higher sales of PC's increased licencing income from HP

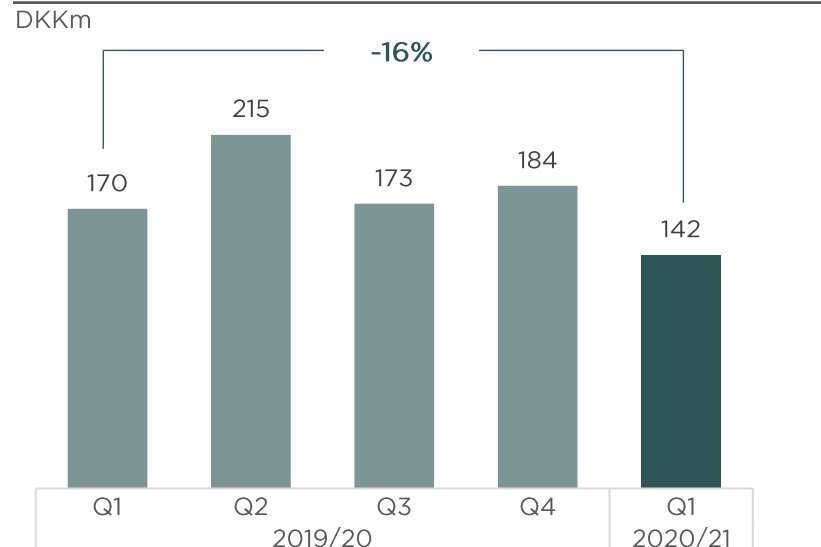
# CAPACITY COSTS DECREASED BY 16% | SUPPORTED BY COST REDUCTION PROGRAMME

## DEVELOPMENT COSTS



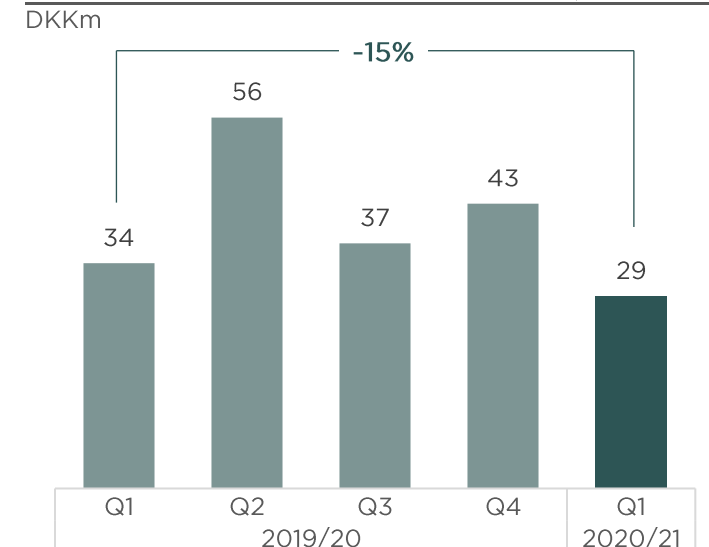
- Decline in development costs recognised in the P&L related to higher capitalisation and lower amortisation
- Incurred development costs were 8% higher than last year reflecting focus on product development

## DISTRIBUTION & MARKETING COSTS



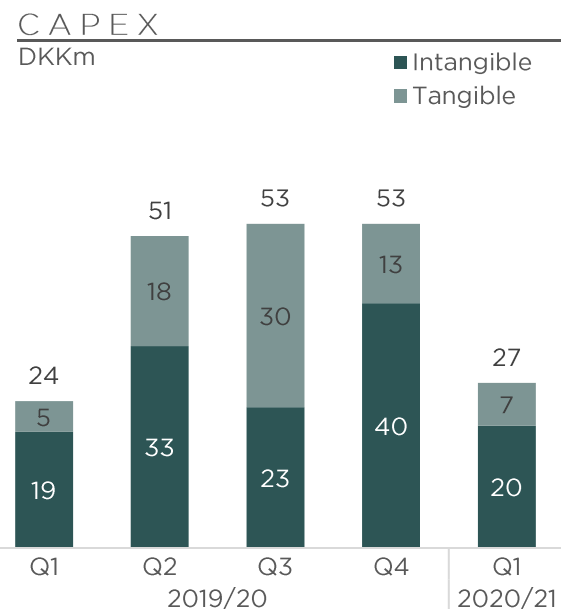
- Impact from cost reduction programme
- More focus on digital marketing activation relative to physical presence due to COVID-19
- Retail marketing spend lower due to COVID-19 also delays in development of retail stores
- Use of digital solutions for promotional material yielded savings compared to last year

## ADMINISTRATION COSTS

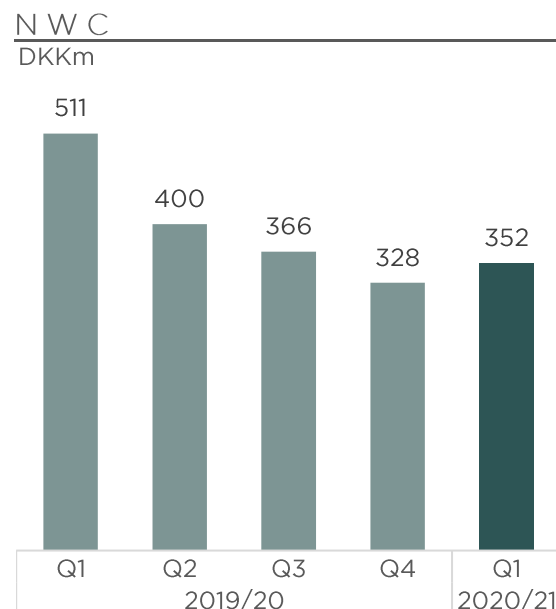


- Savings related to cost reduction programme

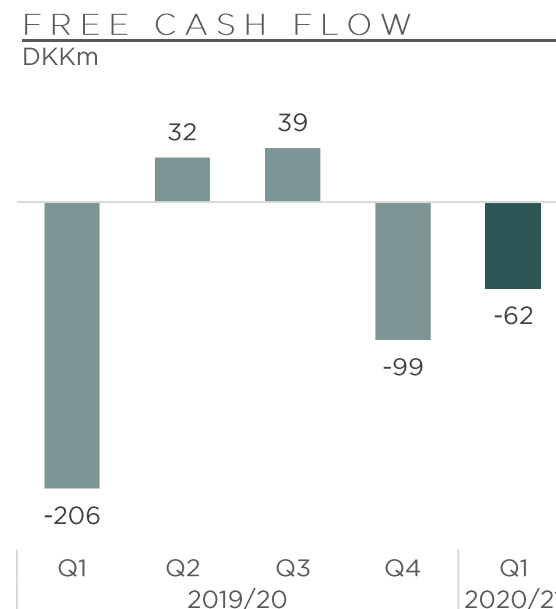
# STRONG NWC MANAGEMENT, IMPROVED FREE CASH FLOW AND RIGHTS ISSUE COMPLETED



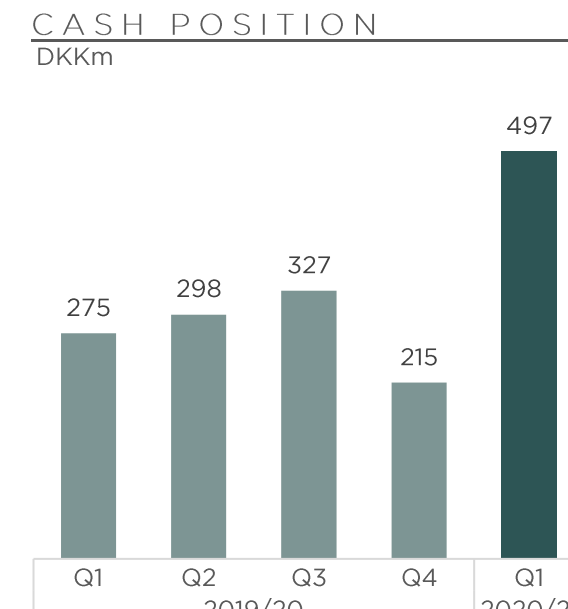
- Investments primarily in intangible assets related to
  - Development of new products
  - Technology platforms



- Increased by DKK 24m in Q1 due to lower payables following postponement of payments in Q4 last year



- Compared to Q1 last year, free cash flow was positively impacted by:
  - Improved earnings (positive EBITDA)
  - Better development in net working capital compared to Q1 last year.

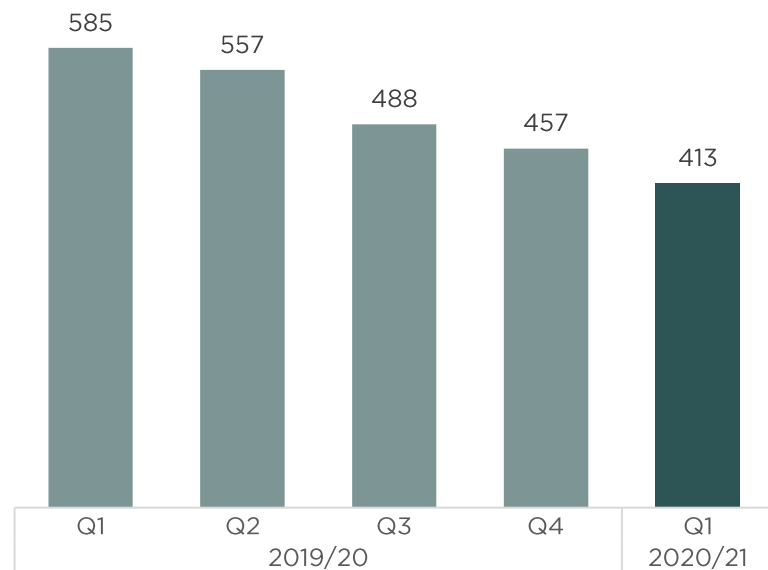


- Increase in cash position driven by DKK 357m in net proceeds from rights issue
- Partly offset by negative free cash flow

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

## INVENTORY

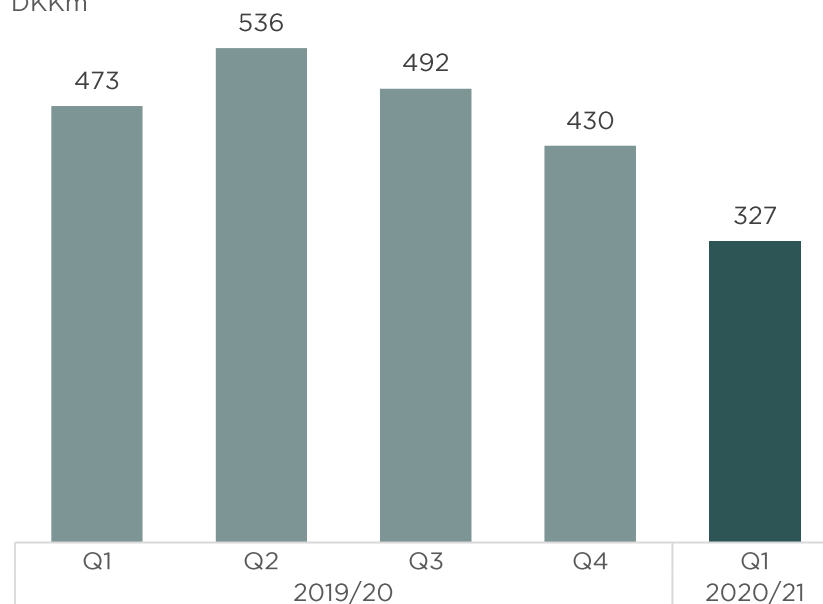
DKKm



- The continued focus on reducing inventory resulted in a further decline of DKK 44m

## TRADE PAYABLES

DKKm

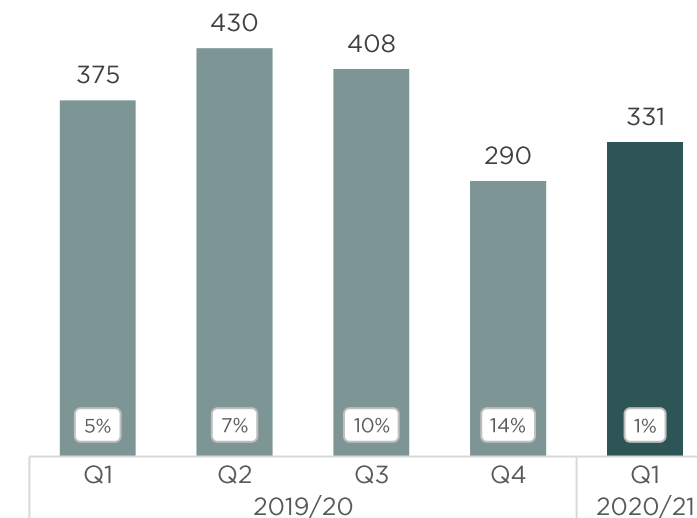


- Decreased by DKK 103m, partly due to postponed payments from Q4

## TRADE RECEIVABLES

DKKm

□ % of revenue w/ extended credit



- Trade receivables increased by DKK 41m
- Higher sales offset by lower overdue receivables
- Extended credit was 1% of revenue in the quarter, which was related to display units on new products.



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# OUTLOOK 2020/21 | UNCHANGED

## OUTLOOK

Revenue  
Approx. DKK 2.2bn

EBIT BSI\*  
Approx. DKK -100m

Free cash flow  
Approx. DKK -200m

## MAIN ASSUMPTIONS

- High uncertainty due to COVID-19 and lack of transparency:
    - Markets remain open but are still subject to risk related to local COVID-19 lock-downs. The rate, pace and degree of impact from lock-downs is subject to a high degree of uncertainty
    - Original design and joint design manufacturers are assumed not to be materially impacted by lock-downs
    - Financial and operational impact for business partners
  - Revenue supported by more than 10 new product launches and upgrades as well as new colour, material, finish (CMF) versions of existing products
- 
- Continue implementation of cost reduction programme (DKK 31m realised in Q1)
- 
- Free cash flow impacted positively by lower capacity costs as a result 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

## SUMMARY | PLEASED WITH PROGRESS IN Q1

- Double-digit growth driven by monobrand channel in focus markets, product launches and demand pattern
- Results are evidence of solid strategy execution and the strength of our diverse portfolio of products
- Cost reduction programme on track
- Still high uncertainty due to COVID-19 impacting global markets
- Cash position of DKK 497 million following the rights issue in July

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