



BANG & OLUFSEN
Q3 2019/20

WEBCAST PRESENTATION, 2 APRIL 2020

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AGENDA

Key financial highlights

Outlook

Strategy update

Q3 IN LINE WITH EXPECTATIONS | OUTLOOK FROM 13 MARCH 2020 MAINTAINED

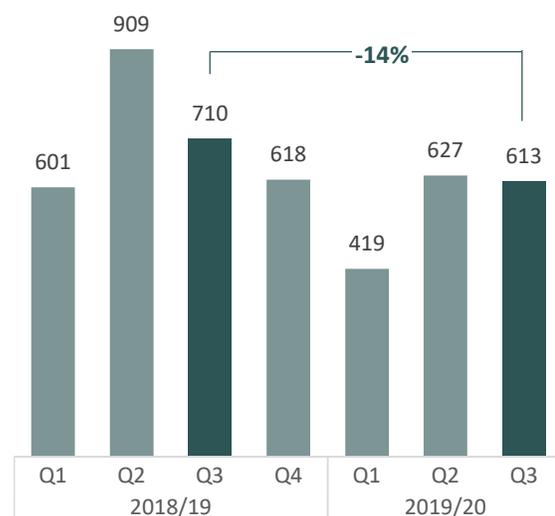
- Sales in Q3 was in line with expectations, but China negatively impacted by COVID-19 in the last part of the quarter – though online and B2B sales as expected
- Marginal impact from COVID-19 on product supply in Q3
- Positive free cash flow supported by continued focus on net working capital
- Cost reduction programme launched targeting total annual savings of DKK 175m in 2021/22



Q3 2019/20	9M 2019/20	OUTLOOK 19/20
<p><i>REVENUE GROWTH (local currencies)</i></p> <p>-14%</p> <p><i>DKK 613m</i></p> <p><i>-13.7% reported growth</i></p>	<p><i>REVENUE GROWTH (local currencies)</i></p> <p>-26%</p> <p><i>DKK 1,659m</i></p> <p><i>-25.3% reported growth</i></p>	<p><i>REVENUE GROWTH (local currencies)</i></p> <p>Decline by 20-29%</p>
<p><i>EBIT MARGIN Before special items</i></p> <p>0.3%</p>	<p><i>EBIT MARGIN Before special items</i></p> <p>-11.4%</p>	<p><i>EBIT MARGIN before special items</i></p> <p>Minus 10-15%</p>
<p><i>FREE CASH FLOW</i></p> <p>DKK 39m</p>	<p><i>FREE CASH FLOW</i></p> <p>DKK -135m</p>	<p><i>FREE CASH FLOW</i></p> <p>Negative</p> <p>DKK 200-350m</p>

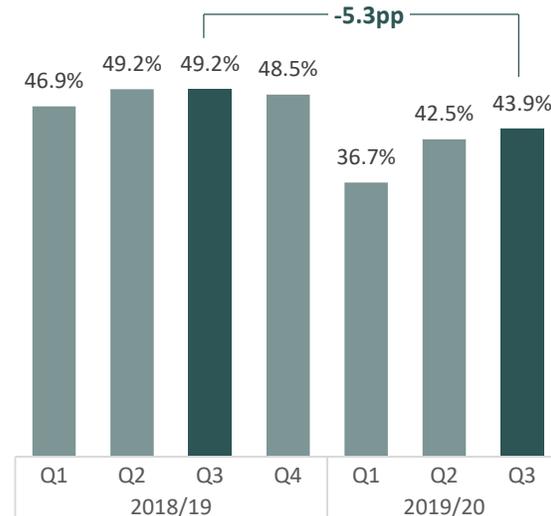
REVENUE AND PROFITABILITY

REVENUE, DKK m



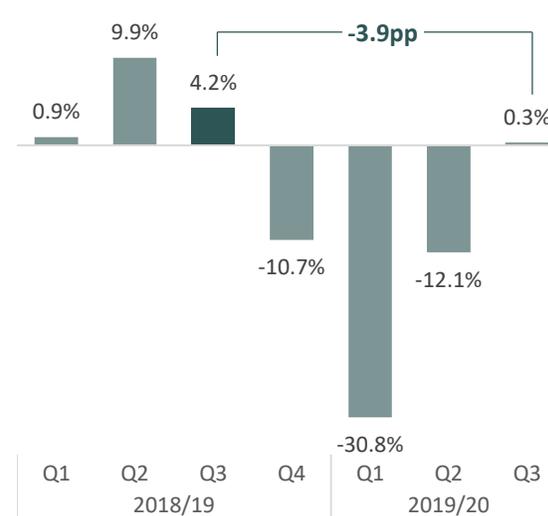
- Western Europe was in line with last year
- Decline overall as expected
- COVID-19 impacted Asia negatively in the last part of the quarter
- Supported by new product launches
- Brand Partnering and Other activities increased by 27%

GROSS MARGIN



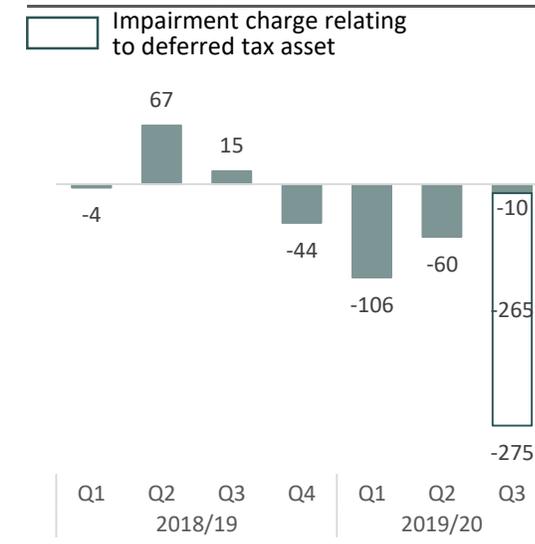
- YoY impact from currency hedges accounted for 2.6pp of the decline
- Margin declined due to sales of end-of-life products at lower prices and higher logistics costs

EBIT MARGIN BSI*



- Impacted by the negative revenue growth
- Impacted by the decline in gross margin
- Positive impact from lower capacity costs

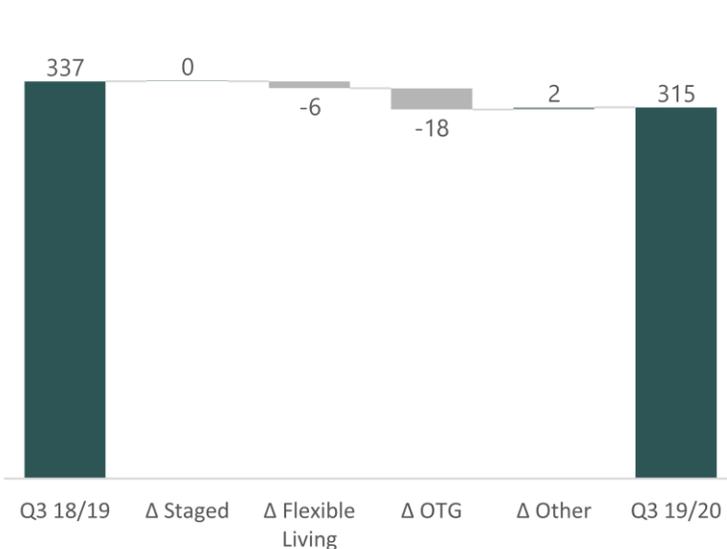
EARNINGS DKK m



- Earnings in Q3 was impacted negatively by an impairment charge following a conservative reassessment of the deferred tax asset

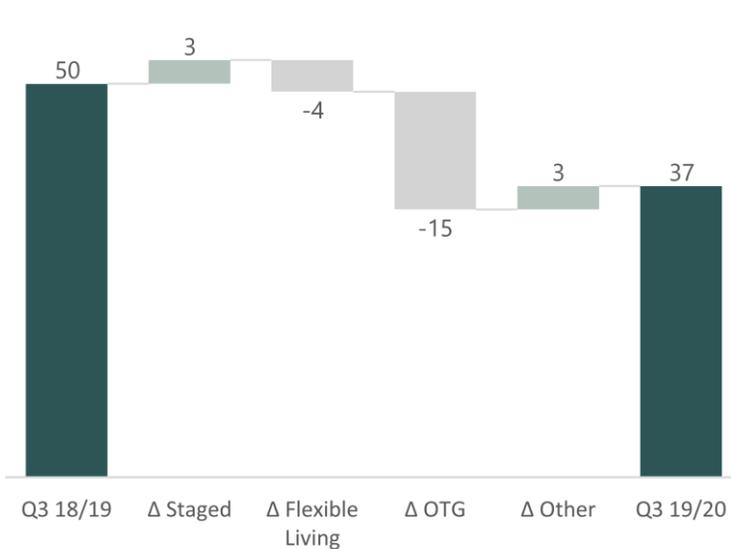
REVENUE | PER REGION AND PRODUCT CATEGORY

EMEA



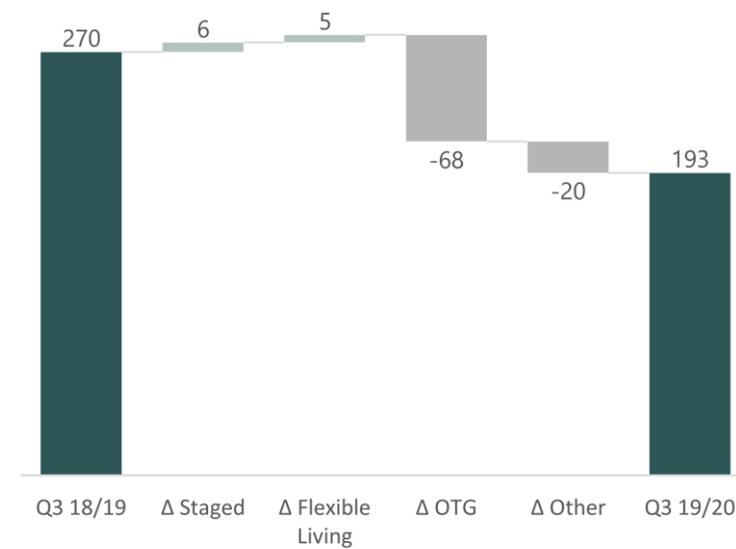
- **Staged:** in line with last year, supported by Beovision Harmony and Beosound Stage but offset by other TV's and speakers
- **Flexible Living:** down by 8% primarily related to Beosound Edge. Positive impact from higher sales of Beoplay A9 and launch of Beosound Balance
- **On-the-go:** down by 17% primarily related to headphones impacted by lower sales through the multibrand channel. Earphones supported by launch of Beoplay E8 3rd Gen

AMERICAS



- **Staged:** up by 30% supported by new products partly offset by lower revenue from other TV's and speakers
- **Flexible Living:** down by 34%, primarily related to Beosound Edge and Beosound 1 and 2 partly offset by sales of Beoplay A9
- **On-the-go:** down by 49%, primarily related to headphones and earphones due to reduced presence in multibrand stores

ASIA



- **Staged:** up by 15%, related to new products partly offset by lower revenue from other TV's and speakers
- **Flexible Living:** up by 11%, primarily related to Beoplay A9 which was supported by a large business to business order
- **On-the-go:** declined by 41% primarily related to earphones with lower revenue from Beoplay E6 and E8

CAPACITY COSTS

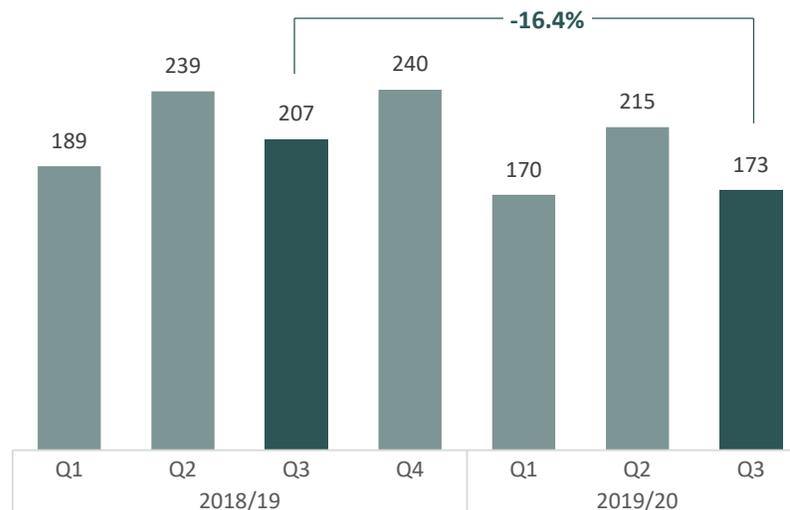
DEVELOPMENT COSTS, DKK m



- Incurred development costs were down due to timing of expenses
- Furthermore, amortisation were down by DKK 10m

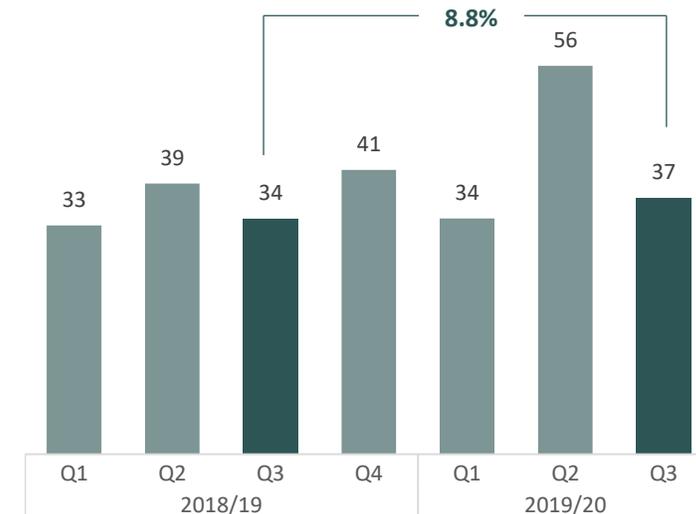
DISTRIBUTION

AND MARKETING COSTS, DKK m



- Decline primarily related to marketing and to a lesser extent distribution
- Investments in physical in-store upgrades, where part of the costs are capitalised

ADMINISTRATION COSTS, DKK m



- Special items amounted to DKK 3m and related to consultancy services, supporting the cost reduction programme initiated in December 2019.
- Savings on salaries offset by higher advisory costs supporting the ongoing transformation

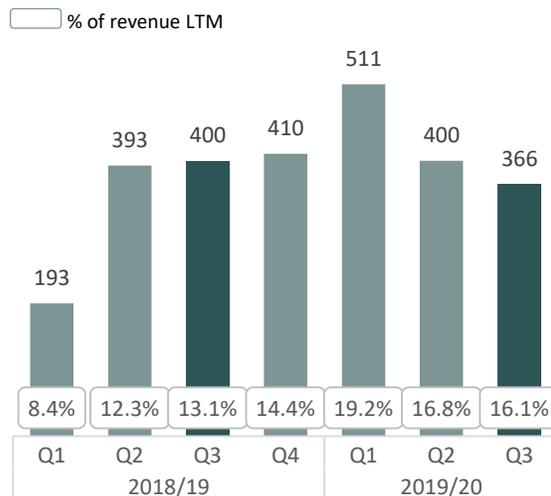
BALANCE SHEET AND CASH FLOW

CAPEX, DKKm



- Investments in Q3 primarily related to
 - the development of new products and technology platforms
 - investment into in-store fixtures primarily in multibrand channels

NWC, DKKm



- Net working capital decreased by DKK 34m in Q3
- Continuous focus on net working capital

FREE CASH FLOW, DKKm



- Positive EBITDA and development in net working capital

NET CASH POSITION, DKKm



- Increased to DKK 102m in Q3
- Leasing related interest-bearing liabilities of DKK 183m (IFRS 16)
- Net cash position excluding IFRS 16 amounted to DKK 285m
- Cash position of DKK 327m, improved by DKK 29m in Q3

AGENDA

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OUTLOOK FOR 2019/20 | UNCHANGED COMPARED TO 13 MARCH 2020

OUTLOOK

Revenue growth
Decline by 20-29%

EBIT margin BSI*
Minus 10-15%

Free cash flow
Negative DKK 200-350m

MAIN ASSUMPTIONS

- Significant impact from COVID-19 in Q4
- Sales and marketing activation will be adapted to support local market conditions as COVID-19 develops
- Product launch plan for Q4 maintained
 - Some uncertainty remains due to COVID-19
- Capacity costs will, to the extent possible, be scaled to actual market conditions
- Reflect uncertainty related to revenue and profit
- Expect increased overdue debtors following temporary store closures and reduced traffic because of COVID-19

COVID-19 UNCERTAINTIES

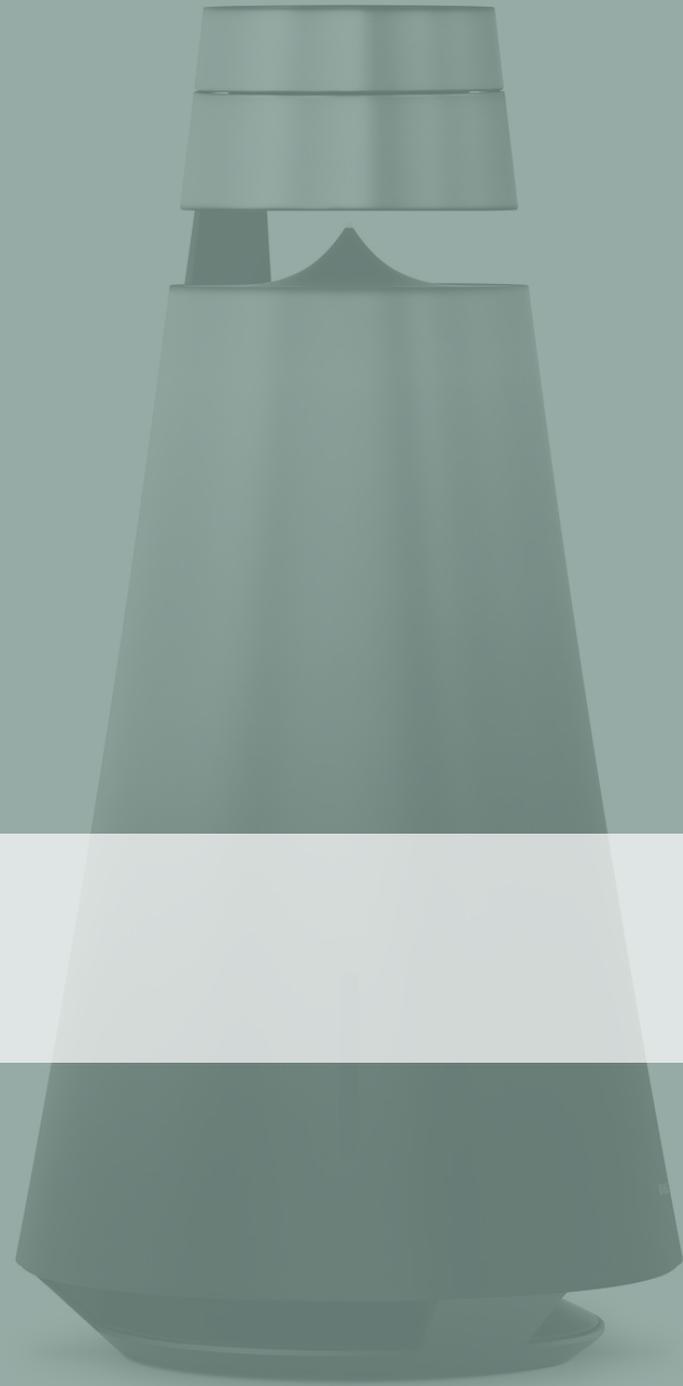
- Increased uncertainty, due to the COVID-19 pandemic
- Negative effects on sales due to temporary store closures and quarantine measures
- Mitigating activities include:
 - applying for government relief packages
 - collaboration with partners

AGENDA

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A STRATEGY PLAN TO BRING B&O SAFELY INTO THE FUTURE

FIXING
THE BASICS PLAN



STRATEGIC
RE-ORIENTATION

WE HAVE A STRONG GROUP MANAGEMENT TEAM IN PLACE, DEDICATED TO ACCELERATE THE TURNAROUND OF BANG & OLUFSEN



President & CEO
Kristian Teär



Design, Creation & Fullfilment
Snorre Kjesbu
EVP



Product Management
Christoffer Ø. Poulsen
VP



Greater China & Korea
Wendy Wong
VP



Finance & IT
Nikolaj Wendelboe
CFO & EVP



Marketing, Digital & Customer Experience
Christian Birk
EVP



Omnichannel & Opportunity Markets
Arnaud De Schuytter
VP



North America
Ulrich Wohn
VP



HR
Christian Iversen
SVP



Legal & Compliance
Line Køhler Ljungdahl
VP

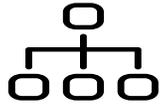


Europe
Jorge Aguiar
VP
(Joins 1 May)



Group Strategy & Deployment
Malene Brinkland Hansen
Director

TO IMPROVE PERFORMANCE SHORT-TERM, WE HAVE FAST-TRACKED STRATEGY AND EXECUTION IN THREE AREAS



Strengthened sales organisation

- Re-set our European sales organisation to fuel growth instantly
- New key hires in sales: Head of UK and Head of Europe onboarded
- Strengthened global sales focus and marketing setup with reorganisation in November



Phase 1 of DKK 175m cost reduction programme

- Lean administration, organizational simplification, non-product related spend
- Workforce reduction of ~115 employees – primarily in Danish support functions
- Simplified and flattened HQ organisation



Boost online presence to mitigate risk of coronavirus effect

- Commercial activations in direct response to store closures and quarantines
- Initiation of activities with the goal of securing more interaction between online consumers and stores
- Execution on projects that use digital channels for communication, brand support etc



WE HAVE MORE ISSUES TO FIX

AREA	DIAGNOSIS AND SYMPTOMS
 Consumers	Connection lost with core consumer Weaker re-purchase rate over the last 10 years and growing number of consumer friction points
 Brand	Potential of luxury position not fully realized Target audience has been weakly defined and marketing activation deprioritized
 Retail	Retailing still in second gear Oversized stores with legacy concept, declining multibrand sales and sell-in focus has driven products into grey market
 Products	Product edge challenged Too few blockbuster products released with key tech features, missing s-curves as a result
 Organisation	Organisation unfit for purpose Duplicate functions due to Home and Play organisations and high organisational complexity compared to peers

10 YEARS OF TRANSFORMATION HAVE GRADUALLY CONSTRUCTED OUR CURRENT BUSINESS MODEL...



MOVING FROM...



TOWARDS...

TARGET AUDIENCE

- Status driven purchase – senior generation
- Stronghold with Danish brand loyalists

- Statement driven - younger generation
- Traction and proof of concept with Chinese luxury consumers

PRODUCTS

- Mechanical engineering and functionality
- Wired

- Software and IoT
- Wireless

DISTRIBUTION MODEL

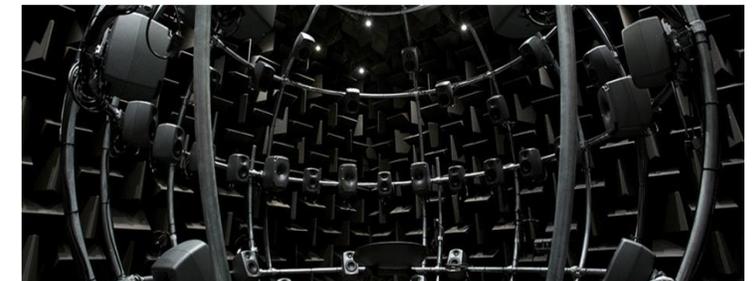
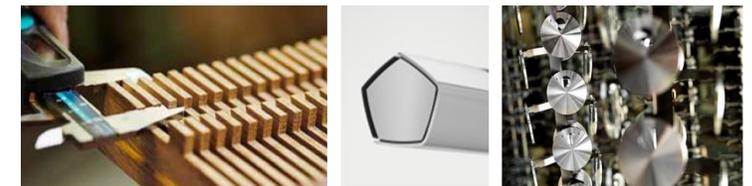
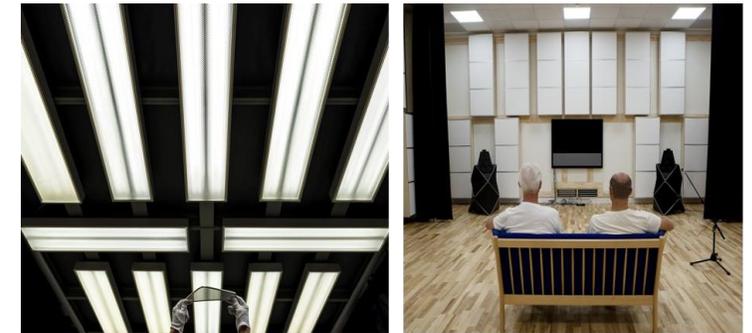
- Brick-and-mortar monobrand distribution
- Sell-in driven wholesaler

- Omnichannel across formats
- Sell-out focused retail

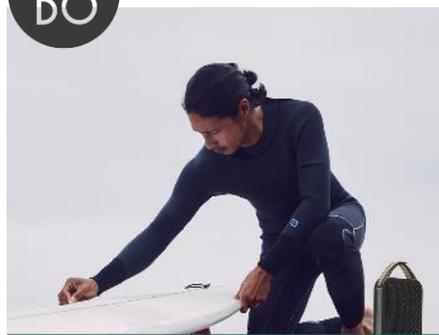
OPERATING MODEL

- Asset heavy
- End-to-end inhouse

- Asset light and flexible
- Core competences inhouse and strategic sourcing



...AND CREATED OUR CURRENT FOUNDATION



Global luxury brand



Iconic products and solid product pipeline



Unique in-house capabilities



Scalable business model



Consumer centric distribution network



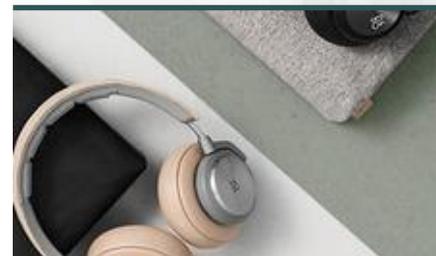
High brand recognition across the world



10+ new products to be launched within 12 months



Attracting top acoustics and design talents globally



Non-current asset base reduced by ~70% since 2012/13



Significant amount of planned store openings, upgrades and/or relocations in 2020

OUR FUTURE ASPIRATION IS TO REGAIN STRENGTH - FAST

GROW SUSTAINABLY

- Healthy growth in focus markets
- Scalable business model

BUILD ROBUSTNESS

- P&L robustness
- Proof of concept for scalability

FIX THE BASICS

- P&L improvement
 - Few priorities,
deep implementation
-
- ```
graph LR; A[Fix the Basics] --> B[Build Robustness]; B --> C[Grow Sustainably];
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# WE WILL FIX FUNDAMENTALS IN OUR CORE BUSINESS AND SEIZE POTENTIAL IN OPPORTUNITY POCKETS

## GETTING OUR HOUSE IN ORDER FY20/21

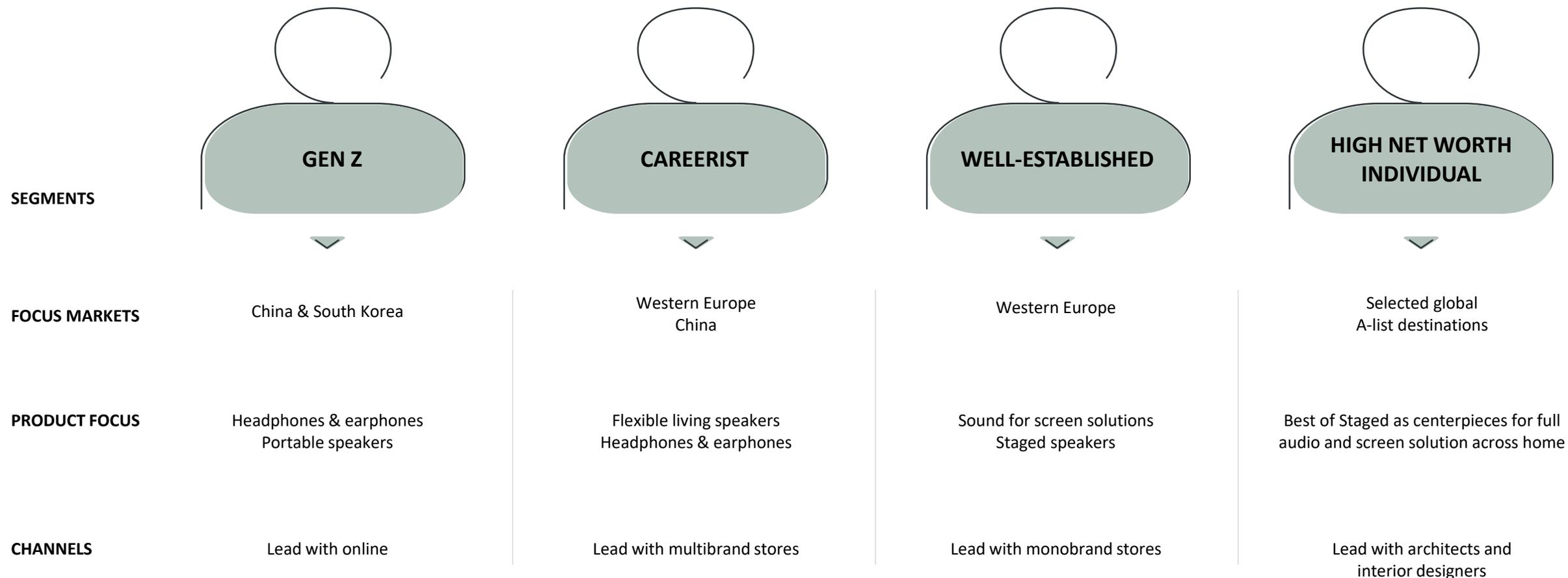
|                                                                                                                                                |                                                                                                                 |                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
|  <b>REIGNITE BRAND, MARKETING &amp; SALES</b>                 |  <b>FUEL DIGITAL ECOSYSTEM</b> |  <b>BUILD CULTURE &amp; SIMPLIFY WAY OF WORKING</b> |
|  <b>STRENGTHEN &amp; DEVELOP STRATEGIC BRAND PARTNERSHIPS</b> |                                                                                                                 |                                                                                                                                        |
|  <b>BUILD FOUNDATION FOR ACCELERATED CHINA GROWTH</b>         |                                                                                                                 |                                                                                                                                        |
|  <b>FIT FOR FUTURE PRODUCT PORTFOLIO</b>                      |                                                                                                                 |                                                                                                                                        |
|  <b>WIN IN TOP 6 EUROPEAN MARKETS</b>                       |                                                                                                                 |                                                                                                                                        |
|  <b>BUILD A LEAN COST BASE</b>                              |                                                                                                                 |                                                                                                                                        |

## SEIZING GROWTH OPPORTUNITIES



|                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br><b>PENETRATE UHNWI SEGMENT</b>                                                                                                           |
| <br><b>PURSUE DISTRIBUTION PARTNERSHIPS FOR SCALE</b><br> |
| <br><b>WIN MORE B2B DEALS</b>                                                                                                              |

# WE WILL DO A STRATEGIC RE-ORIENTATION - ANCHORED IN FOUR NEW TARGET SEGMENTS



# OUR PRODUCT PORTFOLIO IS CALIBRATED TO WIN THE NEW SEGMENTS

## ON THE GO



## FLEXIBLE LIVING



## STAGED



PURPOSE

*Innovations designed for mobile use cases.  
Solving out of home needs for access to music  
listening and productivity focus*

*Domestic use cases  
that are flexible*

*Domestic use cases  
that are stationary*

USE CASE

Music on the go  
Socialising with friends

Flexible audio at home  
Music for productivity and performance

AV immersion in the beautiful home  
Music for productivity and performance  
The ultimate sound & video performance,  
craftmanship and design

OFFERING

Bespoke – Special - Core

Limited editions & collaborations

B&O Classics

# OUR RETAIL TRANSFORMATION CONTINUES, BUT WITHIN FOCUS MARKETS

## MONOBRAND

**Key asset, drives revenue and brand experience**

- Monobrand investments in 6+2 markets
- Future proofing network through fewer but stronger stores, and relocation of selected existing stores
- Leverage partners to operate full clusters
- Establish experience centers

- Store upgrades
- Pilot stores for further scaling
- Relocation & attractiveness

## MULTIBRAND

**Strategically important, manifests the brand and drive volume**

- Multibrand focus in 6+2 markets
- Optimising network through better managed doors with bigger volume
- Stronger in-store presence with branded and staffed areas
- Grow presence in airports with dedicated sales and marketing

- HR re-organisation
- Branded spaces
- Product assortment (selected Flexible Living products in more doors)

## E-COMMERCE

**Increasingly important, to win new segments and to mitigate Covid-19 effects**

- Own e-commerce platform prioritized
- Direct relationship with e-tailers with dedicated KAMs and support
- Develop e-commerce specific campaigns and product assortment

- Full steam on own e-commerce

# WE WILL LEVERAGE OUR CAPABILITIES TO DIFFERENTIATE

TAKE OUR UNIQUE  
CAPABILITIES & ASSETS..



DESIGN  
SOUND  
CRAFTSMANSHIP



PACKAGE THEM SYSTEMATICALLY  
INTO UNIQUE OFFERINGS

B&O Limited Editions

B&O Classics

B&O Bespoke

..ADD KEY ELEMENTS FROM  
THE NEW LUXURY PLAYBOOK

Brand Collaborations

Influencer Collaborations

Pop-up &  
POS Collaborations

..TO ENSURE MARKET  
DIFFERENTIATION

Drive brand awareness and  
differentiation

Drive traffic and sales to  
monobrand and e-  
commerce

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# OUR FORMULA FOR BRINGING BANG & OLUFSEN SAFELY INTO THE FUTURE

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## LEAN AND FOCUSED CAPABILITIES

- We set off from a lean cost base
- We have a strong global leadership team, and a new, skilled and dedicated marketing and sales organisation in place
- We continue to build and leverage our unique capabilities in Sound, Design & Craftmanship

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## FEWER MARKETS

- We pursue well-defined segments  
We zoom-in on selected markets, building on our strongholds
- We keep on upgrading our monobrand and multibrand points of sales, while we double down on digital

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## MORE & BETTER PRODUCTS

- We have a strong product launch plan with more products next year
- We improve user experience on existing and new products
- We use our unique core competencies to differentiate through special product programs

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## BRAND LEVERAGE FOR SCALE

- We leverage our strong brand to partner with global leaders on technology, distribution, and go to market areas
- We strengthen our business to business effort
- We pursue our strong pipeline of brand partnering and licensing opportunities



**INVESTOR RELATIONS CONTACT**

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