SPEAKING NOTES – AGM, 15 AUGUST 2024

(In the event of any discrepancy between the oral and written version, the oral version prevails)

In financial year 2023/24, we continued to implement our Luxury Timeless Technology strategy, laying the foundation for creating long-term profitable growth for the business. We have made solid progress this year, particularly in terms of optimising our sales channels – where we implemented our planned changes. These included a reduction in multibrand and eTail sales channels – which are not part of our strategic focus – while increasing our attention on our branded channels. The changes to the sales channels resulted in a reduction in our revenue, but also higher earnings. As well as reducing our presence in multibrand channels, we have also reduced sales of end-of-life products with lower margins. Additionally, we have strengthened earnings through price adjustments. We have now created the momentum to accelerate our strategy execution and contribute to fulfilling our market potential. Kristian will provide further details on this a little later.

We began this financial year with expectations of macroeconomic improvements across key markets in Europe and in China. This did not materialise as expected and prompted us in March 2024 to adjust our revenue guidance for the year from positive to negative growth in the range -8% to -5%. Despite the challenges, we did not downgrade our EBIT margin or free cash flow expectations.

We achieved revenue of DKK 2.6 billion for the year, which was at the upper end of the range. A solid fourth quarter, when we delivered positive growth of 3% in local currencies, was a major contributor to this outcome.

While revenue of DKK 2.6 billion was lower than originally expected, we are satisfied that we have created a more robust financial foundation for Bang & Olufsen. This is a direct consequence of the strategic initiatives we have executed on during the year.

Our gross margin rose to a record 53.3%. This resulted in an increase in EBITDA before special items of DKK 183 million to DKK 300 million in all, equivalent to a margin of 11.6%. The EBIT margin before special items improved by 6.2 percentage points to 2.4%, which was also at the upper end of the guidance from March 2024. Despite the challenges of the past year, we are satisfied that we delivered the best level of profitability for the business in six years.

Our free cash flow reached DKK 11 million, which was also at the upper end of our financial expectations. Delivering a positive free cash flow in a year with lower revenue is commendable.

Overall, we are satisfied to have generated further earnings growth and a positive cash flow despite a lower revenue than we had expected at the start of the year.

Revenue of DKK 2.6 billion was 5% down on last year measured in local currencies.

The negative revenue growth was due to several factors. As I mentioned earlier, like other luxury brands, we had expected a more positive macroeconomic environment, especially in China and in core European markets.

Our planned changes to our sales channels also resulted in lower sales. During the financial year, we have reduced our presence in so-called multibrand stores significantly and instead prioritised our branded channels – in other words, those stores that exclusively sell Bang & Olufsen products as well as our own online store. We have implemented these changes because they will contribute to improving growth and profitability in the medium and long term. Our branded channels are where we can deliver an exceptional customer experience and sell more products at a higher margin. We have already seen this with our Win City concept and at the dealers who have invested in strengthening the brand experience.

Looking across the regions, sales in local currencies fell by 3% in EMEA, 6% in North and South America, while APAC declined by 5%. Sales in our Brand Partnering and other activities fell by 9% over the period. Sales from multibrand and eTail fell by around 27% overall and accounted for roughly 92% of the total decline in revenue. This also underlines the effect of our changes to the sales channels.

As mentioned, we delivered a record gross margin of 53.3%. That represents an improvement of 9.1 percentage points and is substantially higher than last year. One reason for the pick-up was the extraordinary logistics and component costs post-Covid no longer affecting the financial year.

In addition, we made a series of price adjustments across the product portfolio and have implemented significant changes to our sales channels, as I mentioned earlier. The overall impact of this was a higher gross margin than earlier that has been trending higher quarter by quarter. From Q1 to Q4, the gross margin rose by 1.7 percentage points.

We still aim to further strengthen our earnings and ensure that product sales become more profitable. We produce long-lasting products of unmatched quality and design. Many of our products are still functioning after 50 years, and we want to carry on building products of that quality while continually improving the customer experience.

The significant improvement in our gross margin has helped make the business more robust and enabled us to continue executing on our strategy despite the macroeconomic challenges.

EBIT margin before special items was 2.4%. – an improvement of 6.2 percentage points on last year. The move higher was mainly due to the improved gross margin and our tight cost focus. This is the best EBIT margin before special items we have delivered in the past six years, and it underlines that our work to create a stronger financial foundation for the business is beginning to bear fruit.

All in all, that meant the result after tax was a negative DKK 17 million. This represents a significant improvement of DKK 124 million on last year, and shows we are on the right path with our strategy.

Total capacity costs amounted to DKK 1.4 billion, an increase of 2% compared to last year.

We continued to make targeted investments in line with our strategic priorities, such as our Win City concept and within retail – while at the same time keeping costs more or less flat. We implemented a reorganisation in May. The aim was to streamline the organisation and ensure that we transfer resources and competences to those areas and teams that need a boost in order to accelerate the execution of our strategy. Here, we have a particular focus on marketing, retail and on the further enhancing of our product portfolio.

Excluding special items, which this year consisted of provisions to implement the reorganisation, capacity costs were on a par with last year.

Development costs amounted to DKK 286 million. This was a decline of 5% and related to higher capitalisation as a result of more targeted product development.

Distribution and marketing costs came in at DKK 940 million, an increase of 3%. The rise was mainly driven by severance costs following the reorganisation that totalled DKK 26 million. Excluding special items, distribution and marketing costs rose by 1%.

Administration costs grew by 5% to DKK 135 million, mainly driven by higher provisions for employee bonuses and the cost of the reorganisation. Disregarding special items and bonus provisions, administration costs were similar to last year.

The free cash flow improved by DKK 31 million to a positive DKK 11 million.

At DKK 43 million, Q4 was the third consecutive quarter with a positive free cash flow.

Net working capital amounted to DKK 263 million at the end of the financial year, which was DKK 41 million higher than last year. This move higher was mainly driven by a decline in supplier debt, largely due to the timing of payments, while inventories were reduced as a result of efficient stock management.

Investments totalled DKK 215 million, DKK 5 million lower than last year. Investments were mainly related to the capitalisation of R&D projects and software.

Our capital resources amounted to DKK 344 million at the end of the year compared to DKK 384 at the end of last year. In May 2023, our credit facility was increased by DKK 50 million to make a total of DKK 200 million available.

Our sell-out data are an important parameter of demand. This is what we use as an indicator of real customer demand in our markets and is essentially a measure of what is being sold from the retailers to our customers.

While revenue declined by 5%, like-for-like sales to end customers rose by 3%. Disregarding the sale of end-of-life products, sales to end customers grew by a double-digit percentage rate compared to last year.

Sell-out in Asia rose by 22%, mainly driven by a higher demand among end customers in China. However, this is relative to very low demand last year and our partners reducing their own inventories by selling to customers. Sell-out in EMEA and the Americas fell by 4% and 7%, respectively. Sell-out in our company-owned stores grew during the period, while sales from monobrand partner stores contracted slightly.

Looking in more detail at our product categories, sales to end customers fell in our Staged category by 1%, while the Flexible Living category rose by 15%. In our On-the-go category, sales to end customers increased by 1%.

Before turning to strategy execution, I would like to say a few words about our work with sustainability. This year, Bang & Olufsen picked up the German Sustainability Award for our efforts to shift the consumer electronics industry in a more sustainable direction. Naturally, we are very proud of this award, which underscores that we have taken courageous decisions about how we create products and set ambitious targets for our efforts.

We made progress on several fronts this year. We were the first consumer electronics company to get a product Cradle to Cradle Certified. This is one of the world’s most ambitious circularity standards, and this year we had our third product certified, namely Beosound A5.

Our ambition is to certify all future products. This provides customers with a guarantee that our products are made in a socially responsible manner and are so modular that they can last for decades, because they can be repaired, serviced and upgraded.

Extending the longevity of our products is also central to reducing our environmental impact, which is the key to our sustainability work.

Our carbon reduction targets, which we have earlier presented to shareholders, were validated by the Science Based Targets initiative this year. The gold standard for climate goals, it validates that our carbon targets are aligned with the 1.5°C target inscribed in the Paris agreement.

At B&O, we take an innovative approach to extending the lifetime of our products so they continue to provide fantastic experiences for our customers for decades. This year, we launched the streaming device, Beoconnect Core. With this, you can connect old, new and future products and so extend the lifetimes of all products by using new technology.

I will now pass the baton to our CEO, Kristian Teär.

Thank you, Juha.

Since we began implementing our Luxury Timeless Technology strategy in January 2023, we have made solid progress on our initiatives while at the same time improving our financial robustness. We have the right strategy, and with these latest results we believe we have also created a strong momentum for building further. I would like to expound on this a little more here.

Since launching the strategy, we have worked to enhance our sales channels and we have strengthened our presence in more of our ‘Win Cities’, with good results. We have now implemented the concept in four cities, and more cities are on the way.

We have prioritised obtaining a high margin on the products we sell, while we have also implemented regular price adjustments. This has contributed to increasing our financial robustness.

We can see that the strategic initiatives are working.

We have been particularly focused on brand and retail in the past year. In terms of the brand, we have entered important collaborative agreements with partners who support our positioning as a luxury brand. Meanwhile, on the retail side, we have implemented a number of changes, including the establishment of a global retail function, the further development of Win City, a new store concept, and not least we have cleaned up our sales channels and commenced an optimisation of our retail network.

Increasing global awareness of B&O is central to creating profitable growth going forward, and this year we have launched a number of initiatives with this purpose in mind.

We have extended our successful partnership with Formula 1 racing team Scuderia Ferrari for another two years. This partnership provides us with a global platform to reach the perfect target audiences.

Together with Ferrari and other luxury brands like globally renowned yacht builder Riva, we also launched new products. These product partnerships provide a good opportunity for us to strengthen our brand, to reach new customers who are already in the luxury segment, and to increase sales globally.

In June, we announced Ferrari's Formula 1 driver Charles Leclerc as a new brand ambassador. He is one of the world's most popular sports stars, with a huge fan base we would like to reach.

Judging by the growth in our customer base of some 19%, our marketing efforts to attract more customers have been a success, while the number of customers who own two or more products increased by 14%.

We have established an Atelier Studio here in Struer in recent years. This enables us to create unique products for our customers – almost no matter what wishes they may have.

Many of our customers are keen to have products tailored to their own personal style. Being able to offer this and to present these products on the company's own channels and in the media has already created considerable attention, and we expect that demand will increase in the future. This is why we have just opened a new laboratory in Factory 5 that will enable us to make even more of these types of products.

We established a dedicated retail function this year. The idea is to support our ambition of creating harmonious luxury experiences when customers meet us in our B&O stores and online. The stores are important for our growth ambitions, as this is where we provide customers with the full experience and can sell products with a high margin.

We are continuing to execute on our Win City concept in New York, London and Paris. Significant milestones that I can mention are the opening of a completely new flagship store in London based on the new store concept, the strengthening of our presence in Paris with a new store, plus we have begun to implement the Win City concept in Hong Kong.

We have strengthened our product portfolio in recent years, and this year was no exception.

Beolab 8 was launched for our Christmas sales. It is a compact speaker ideally suited to home cinema setups while also perfect as a powerful stand-alone speaker. We also launched our first outdoor speaker, Beosound Bollard, while our iconic CD player, Beosystem 9000c, was recreated in a system with our Beolab 28 speakers. In addition, we have updated our app to make it much more intuitive and user-friendly.

Our proprietary software platforms, Mozart and Amadeus, and our App play a key role in creating the desired customer experience with products in an integrated ecosystem. We saw solid progress here over the year.

All new Staged and Flexible Living products are being launched on our Mozart platform, and from a quality perspective we can conclude that they perform much better in terms of connectivity. In future, our on-the-go products will be built on our Amadeus software platform and thus better integrated into our ecosystem.

In light of the results our strategic initiatives have created over the past year, we believe now is the time to accelerate the execution of our strategy. This will enable us to create growth and improve profitability even more in the medium term.

We have put forward a plan to accelerate strategy execution, and as part of this plan we have also presented our financial ambitions going forward to 2027/28.

Our ambition is to achieve organic growth of 8% on average for the three-year period covering financial years 25/26 to 27/28, an EBIT margin before special items of 8%, and a free cash flow of at least DKK 250 million in 27/28.

I will now expound more on the details of the plan for our financial ambitions.

The central elements of the three-year plan are to optimise our retail network, strengthen brand awareness globally, develop world class products and, finally, increase our licensing income from strategic partnerships.

Accelerating on strategic execution and thus achieving our financial ambitions requires investment in the short term. Our plan and ambitions are therefore conditional upon a capital increase of up to 20% of our company's share capital.

This is also the reason why we are seeking authorisation today to increase our total capital by up to 20%.

Many existing and potential new investors have expressed a strong interest in participating in the capital increase and great confidence in our ability to execute on the three-year plan. Likewise, we have received backing for our general meeting proposal from several existing investors and we of course hope for your support today.

The capital increase will be in the form of a directed issue and private placement without pre-emptive rights for existing shareholders. In our opinion, the plan will benefit all of our shareholders, including those unable to participate in the capital increase.

I will now present details on how we wish to accelerate our strategy, and our plan for achieving our financial ambitions in the medium term.

We aim to increase awareness of the B&O brand globally via targeted marketing activities. While brand awareness here in Denmark is high, we still have work to do on a global level to reach our target groups and tell the story of Bang & Olufsen and our products. In a nutshell, we have to spend more money on spreading awareness.

Over the coming three-year period, we will ramp up our advertising and the number of local activations, as well as further speeding up the establishment of collaborations with ambassadors and influencers.

Our branded channels are a key aspect of our plans for growth – and this is where much of our investment will go.

This is where we can provide customers with the full Bang & Olufsen experience, so optimising the retail network will be a priority.

This involves the closure of monobrand stores that are not performing, the relocation and upgrading of existing stores and the opening of new B&O stores in key global cities.

We want to reach the around 200 million affluent design and music lovers worldwide. This is our target group, and we have to be where they are.

Take Miami, for example. We are currently not present in the region despite it being an obvious destination for our target group, so we have to build stronger retail networks in such areas to leverage the potential. Our experience from our Win City concept and from important retail partners shows that when we create the right experience, we can grow the business significantly.

We will continue to invest in our products and the two new software platforms that enable us to reinforce the user experience with existing products and to bring new, innovative products more quickly to market. These investments also mean we want to attract more employees to our product R&D, here in Struer too.

We are keen to expand our outdoor portfolio, bring more ‘recreated classic’ products to market and invest more in our Atelier Studio. We will continue to use our product pricing to strengthen our luxury position and profitability.

Finally, we want to increase licence income from strategic partnerships by working with new partners that reinforce one or more elements in our Luxury Timeless Technology strategy. Our licence business will both contribute to growth and improve margins, and we see a considerable potential for growing this area further. In July, we announced a new partnership with TCL that will run for the next six years. TCL is one of the largest consumer electronics companies in the world, and this new agreement has the potential to become one of the most impactful licence partnerships Bang & Olufsen has entered.

In summary, we will focus our investments in the following areas:

We will invest in marketing and strengthening our luxury positioning. Price increases will be part of these efforts.

A large share of our investments will be within retail, where we will channel investments to optimise our store network.

In order to grow our licensing business, we will, for example, direct investments towards software solutions that ensure we can deliver more value to our partners.

Naturally, we will continue to invest in our product portfolio and software platforms. This is the foundation for succeeding with all our building blocks.

All in all, we expect these initiatives to increase CAPEX by 30-40% during the period compared to 24/25, while our capacity costs are expected to rise by DKK 100-200 million a year during the subsequent three-year period.

In a moment, Juha will present our expectations for the financial year that has just started, and which is also part of our overall plan.

We have the right strategy that will enable us to deliver profitable growth and to scale the business. We can see the strategic initiatives we launch have an impact. Therefore, we want to accelerate our strategy execution across the five focus areas I mentioned earlier. They will support our Luxury Timeless Technology strategy.

With that, I will hand you back to Juha.

Thank you, Kristian.

Our expectations for 2024/25 assume that we get the authorisation to increase in our capital today, and that we can undertake the necessary investments to accelerate the execution of our strategy. Hence, 2024/25 will be a year of investment for us, with the effects of the value-creating investments emerging later. We also expect the increase in capacity costs to be brought forward, as we want to hire the right competences to help us execute on the plan right away. In 2024/25, we expect to increase our capacity costs by around DKK 100 million. In addition, we expect CAPEX to be in the range DKK 250-275 million.

For financial year 2024/25, we therefore expect revenue growth in local currencies of -3% to 3%, with an EBIT margin before special items of -2% to 1%. Free cash flow is expected to range from DKK -100 to 0 million.

We expect the year to follow the usual seasonal fluctuations, and I would like to remind you that Q1 last year was better than a normal Q1 due to the price rises we implemented in September last year.

We have come far, and I am certain that we can also realise our plans for the coming years. As Kristian has outlined in some detail, we firmly believe that by building further on the momentum we have and by making the right investments, we will be capable of growing and strengthening our position as the world’s leading luxury brand within our category and realising Bang & Olufsen’s growth potential in the medium term.