January 2024

Q2 2023/24

Webcast presentation

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Agenda

- # Key Highlights and Strategy Update
- # Financial Performance in Q2
- # Outlook
- # Q&A

Key Highlights and Strategy Update

Margins significantly improved, generating positive earnings despite lower revenue level

	Q2 2023/24	H1 2023/24
Revenue	DKK 700m -16% growth in local currencies	DKK 1,319m -8% growth in local currencies
Gross margin	53.1% (up from 44.4%)	52.8% (up from 41.2%)
EBIT margin bsi*	3.0% (up from 1.6%)	2.8% (up from -4.8%)
Free cash flow	DKK 24m (up from DKK 1m)	DKK -37m (up from DKK -80m)

- Regional product revenue declined by 17.0% (-15% LC). Due to the successful launch of Beosound Theatre in Q2 of last year and the planned change in the channel network this quarter, negative growth was expected. In addition, a slower-than-expected economic recovery in China adversely impacted sales.
- Brand Partnering & other activities decreased by 28.8% (-27% in local currencies). This was driven by reduced license income as the automotive industry was impacted by factory strikes in the US.
- Gross margin of 53.1%, up 8.7pp, Normalised component and logistics costs, price increases, and a positive change in product and channel mix drove the significant increase. Gross margin above 50% for the third quarter in a row.
- The strong gross margin drove an increased EBIT level of DKK 21m, corresponding to an EBIT margin bsi of 3.0%.
- Free cash flow increased by DKK 23m to DKK 24m, driven by an improved operating profit and a positive change in net working capital.

 * Before special items

Sell-out confirms continued stable customer demand

2%

Sell-out growth

Regions

- **EMEA:** Company-owned stores grew double-digit.
- **Americas:** All channels declined except for e-commerce. Company-owned stores impacted by store closure for a month.
- **APAC:** Growth driven by 17% sell-out growth in China. Monobrand grew. Low comparables last year.

Product categories

Growth in Flexible Living and On-the-go. Small decline in the Staged category of 2%.

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Regions		Product Categories	
-1%	EMEA	-2%	Staged
-6%	Americas	6%	Flexible Living
8%	APAC	3%	On-the-go

Our five strategic shifts – highlights from the quarter

#1

Culturally relevant luxury love brand

- Ferrari activation.
- Added more customers and increased product ownership.

#2

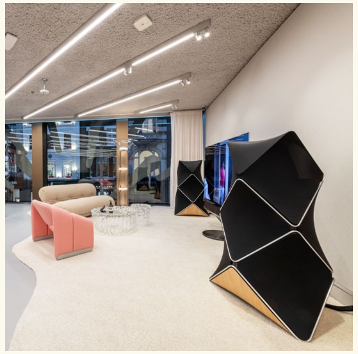
Seamlessly connected product portfolio bridging our past, present and future

- Launch of Beosound Bollard and Beolab 8.
- Beta-version of new app interface.

#3

Magical moments in key touch points

- New store design introduced.
- Continued structural changes in the channel network.



#4

Winning in key cities

- Opening stores in New York and London.
- Win City Hong Kong.

#5

Exploring and commercialising new and existing business adjacencies

- Extended our Cisco partnership.

Our new flagship store in London, features our new store concept, and redefines our brand and shopping experience

- Designed for iconic spaces and built on traits of modern luxury
- Caters to contemporary luxury customers who generally are culturally aware, conscious of sustainability, and appreciative of good design.

Luxury apartment style setting and decompression zones for customers to enjoy, relax and interact naturally

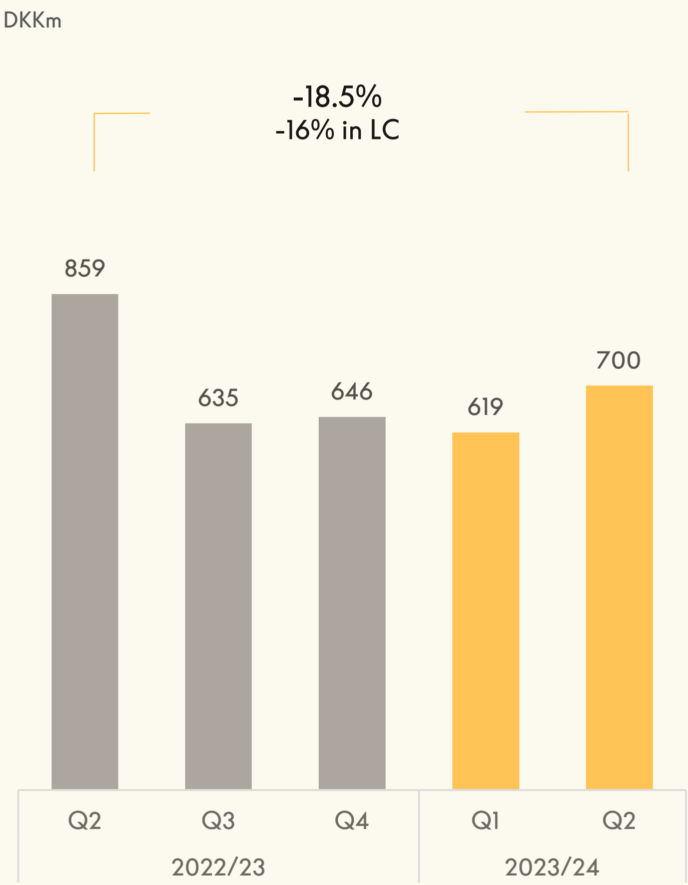
A sensorium for ultimate, immersive sound experiences in a private sonic setting

Designated Bespoke and private event area for personalised customer moments

Financial Performance in Q2

Revenue decline of 16% in local currencies, negative growth expected

Group revenue



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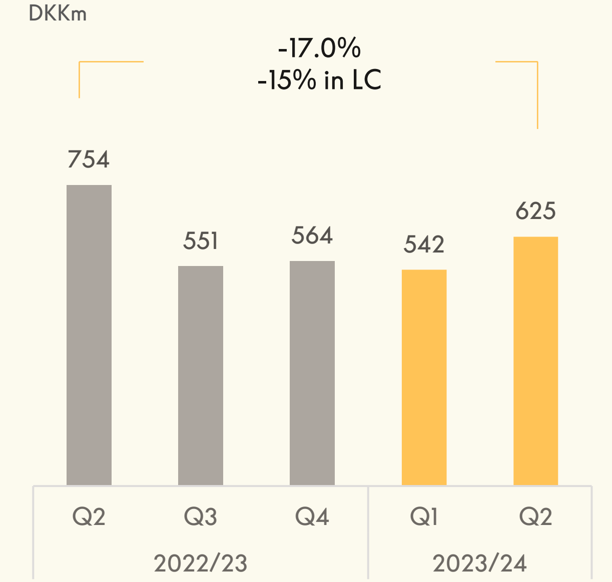
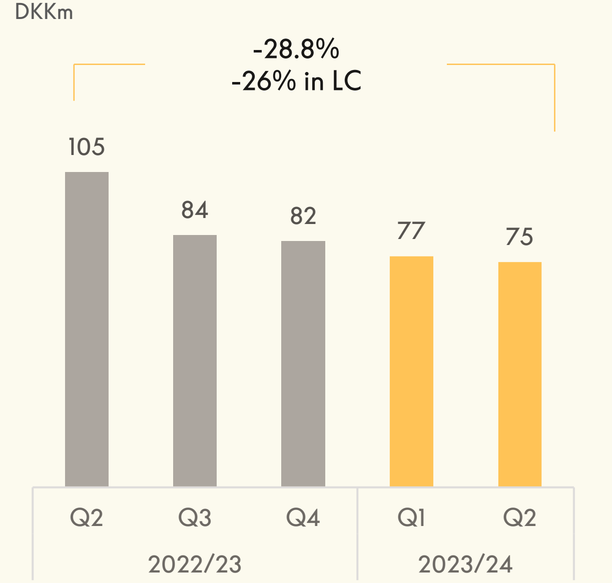
Regional product revenue



Regional product sales down 17.0%.

- In local currencies, revenue declined 15%.
- Planned change in channel network adversely impacted revenue.
- Decline impacted by successful launch of Beosound Theatre in Q2 of last year.
- Decline in APAC, slower-than-expected economic recovery in China.

Brand partnering & other activities



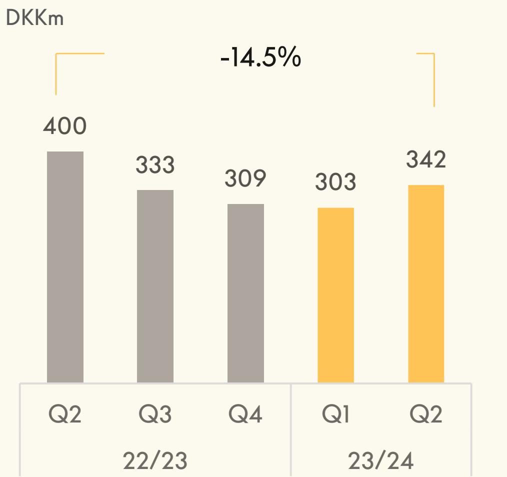
Brand Partnering & other activities declined 28.8%.

- In local currencies, revenue declined 26%.
- Reduced income from automotive industry due to factory strikes in the US.
- Declining income from HP.
- High comparable in product related revenue as Q2 last year included a launch order for Cisco.

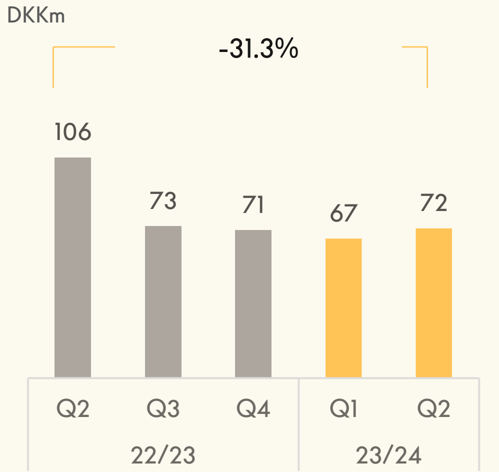
Development driven by planned change in channel network, high comparables and lower-than-expected sales from China

Regions

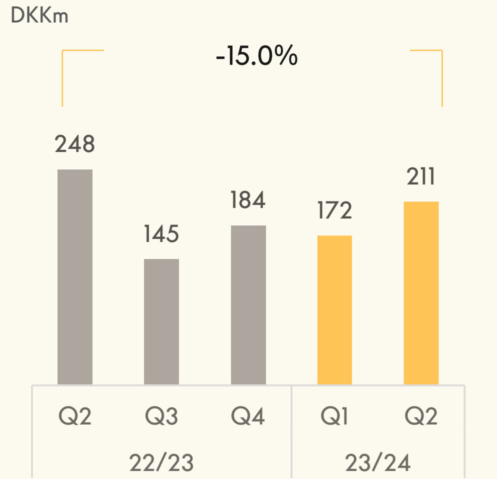
EMEA



Americas

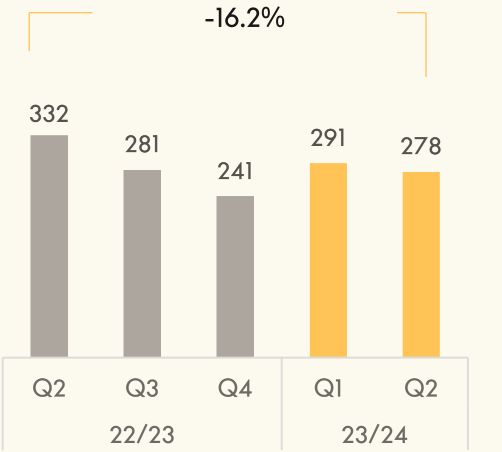


APAC

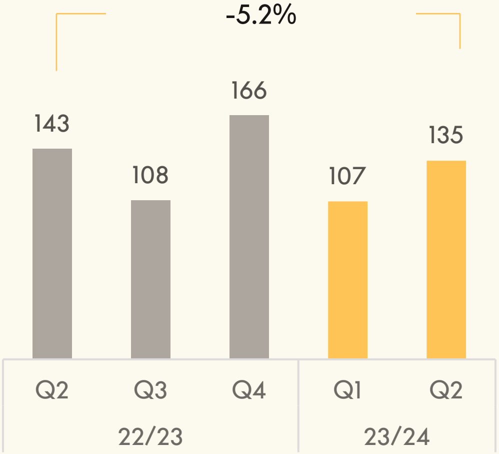


Product categories

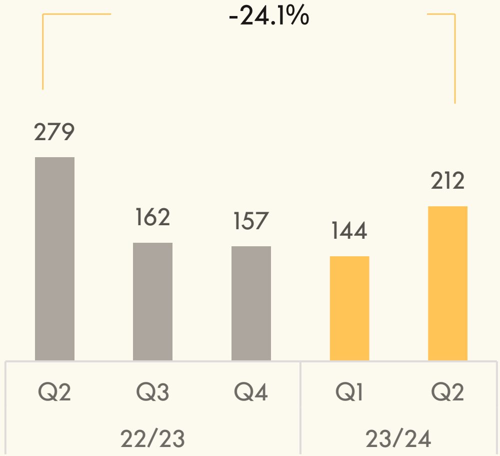
Staged



Flexible Living



On-the-go



EMEA: Down 15% in local currencies

- Company-owned stores grew double-digit, e-commerce grew while Monobrand declined as some demand was pulled from Q2 into Q1.
- Flexible Living increased, Staged and On-the-go declined.

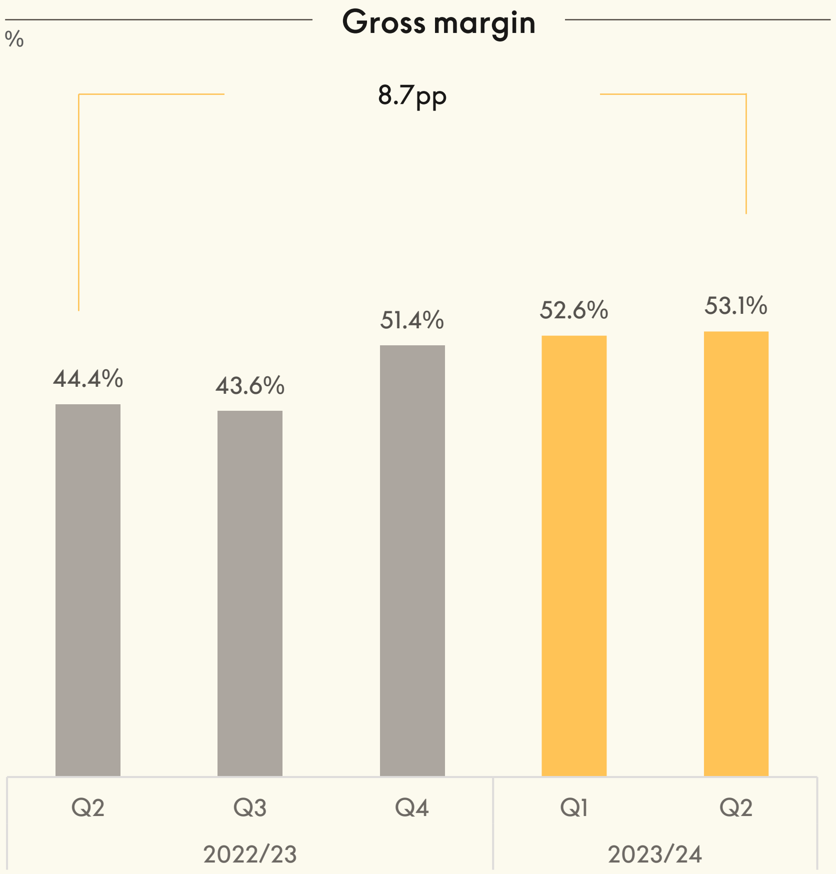
Americas: Down 27% in local currencies

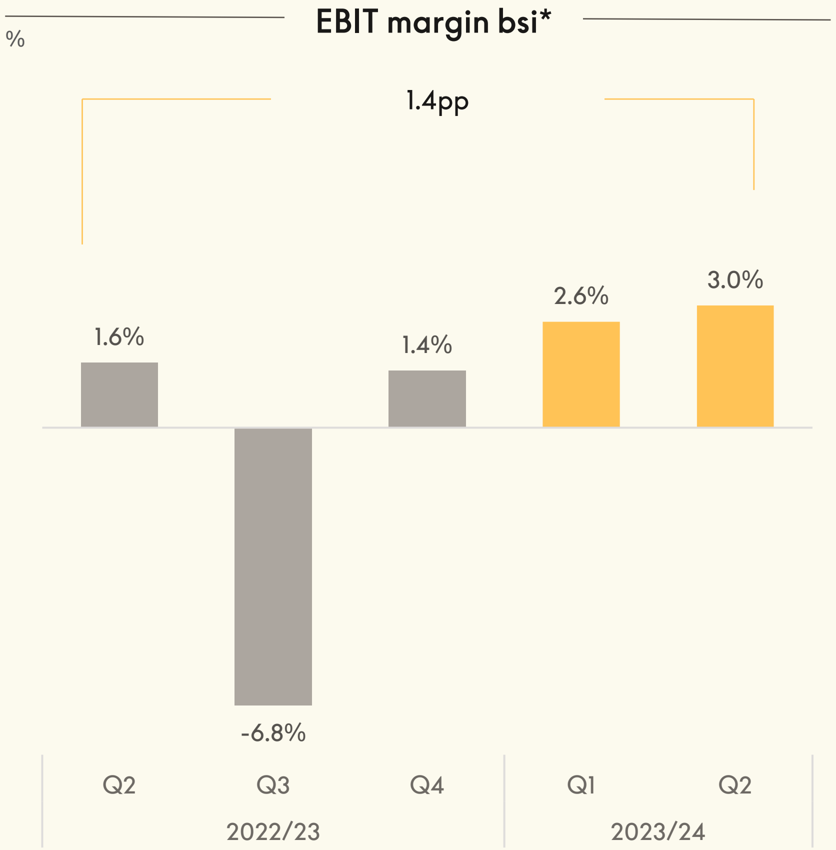
- Company-owned stores impacted by store closure. CI impacted by high comparables. Monobrand impacted by poor performance in California
- Revenue from multibrand impacted by significant reduction of doors
- Decline was across product categories.

APAC: Down 10% in local currencies

- Development impacted by slower-than-expected recovery in China.
- Revenue from China down 16% in local currencies.
- Growth in Monobrand excluding one partner.
- Multibrand grew while eTail declined.
- Decline was across product categories.

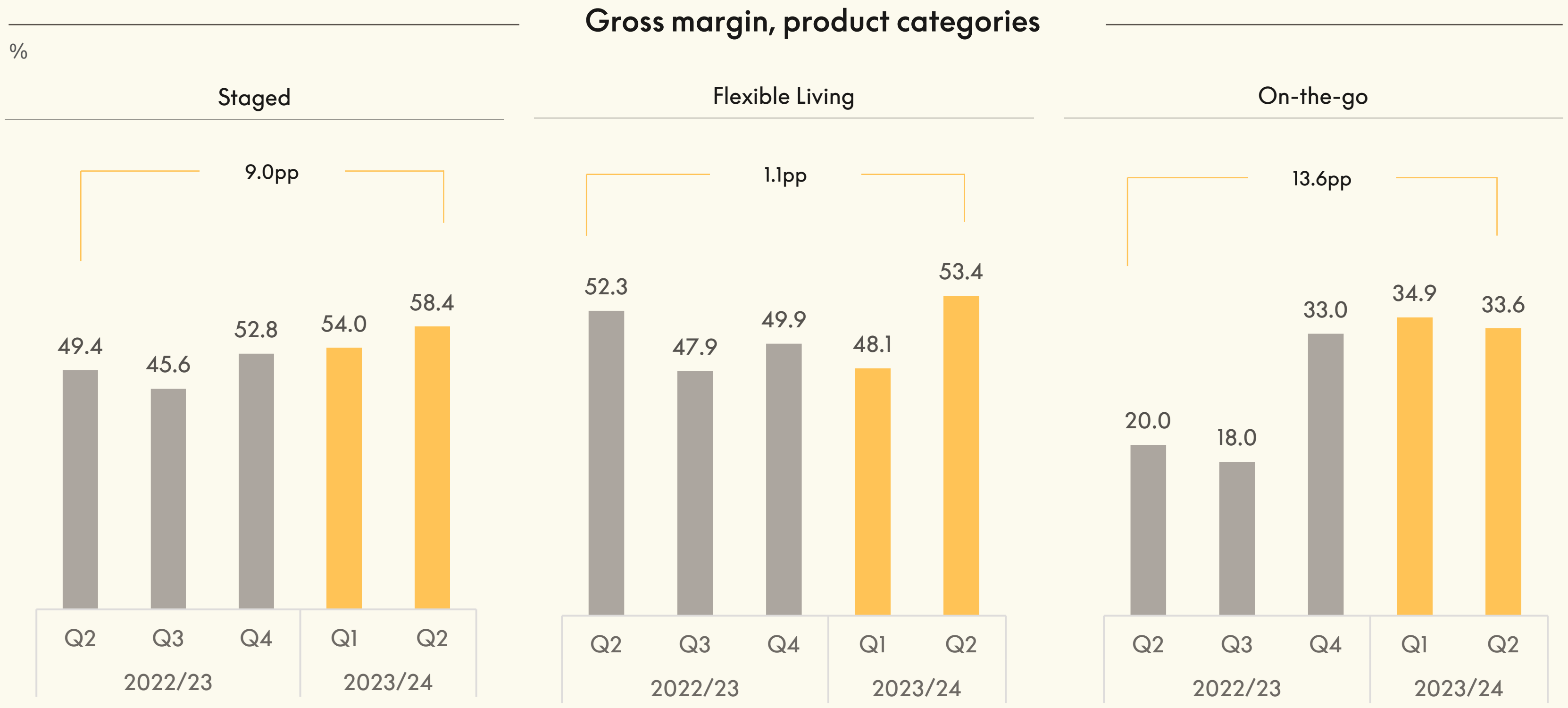
Margins significantly improved mainly due to normalisation of component and logistics costs, price increases and better channel mix towards branded channels

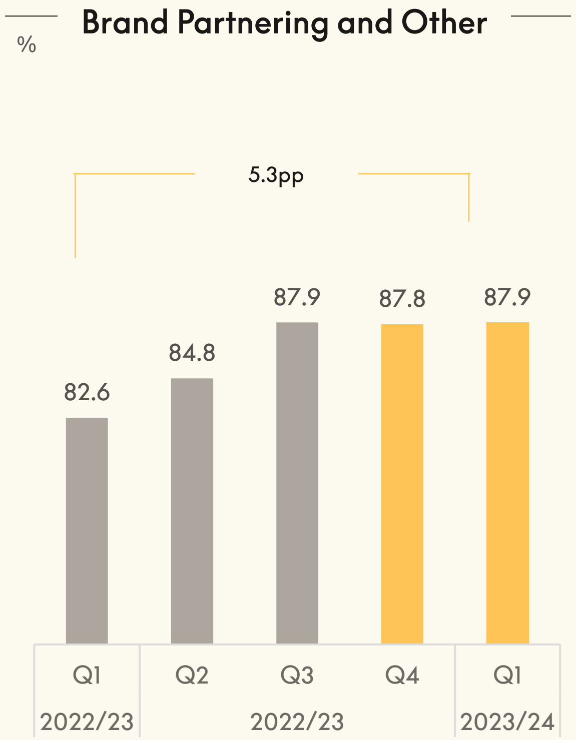




*Before special items

Improved gross margin across product categories





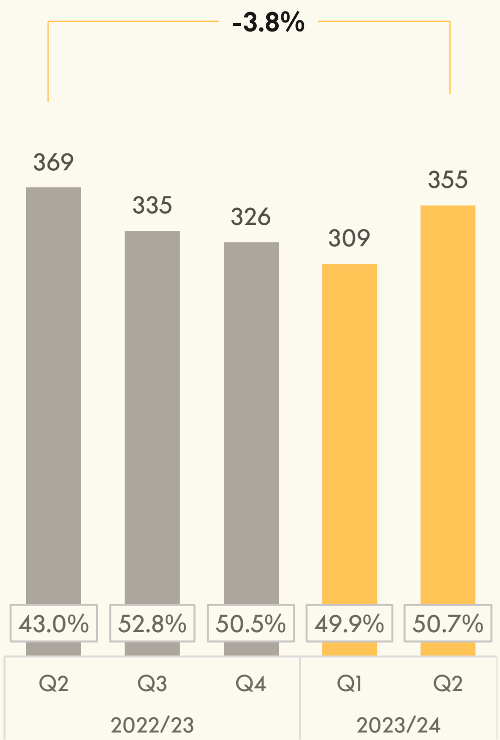
- Cost levels no longer impacted by extraordinary component and logistics costs.
- Improvement in gross margins were across categories, supported by price increases.
- On-the-go last year affected by few larger deals on headphones and earphones to reduce EOL inventories.

- Gross margin up by 5.3pp driven by lower share of product-related income.
- Ramp-up of Cisco headset last year.

Capacity costs 4% lower than Q2 of last year

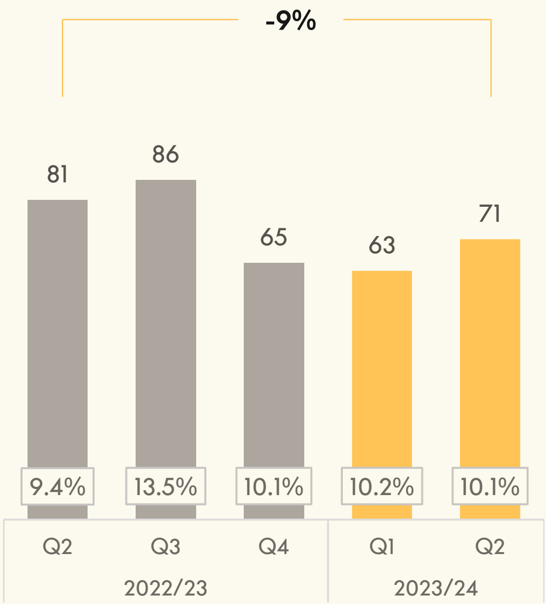
Capacity costs

DKKm



Development costs

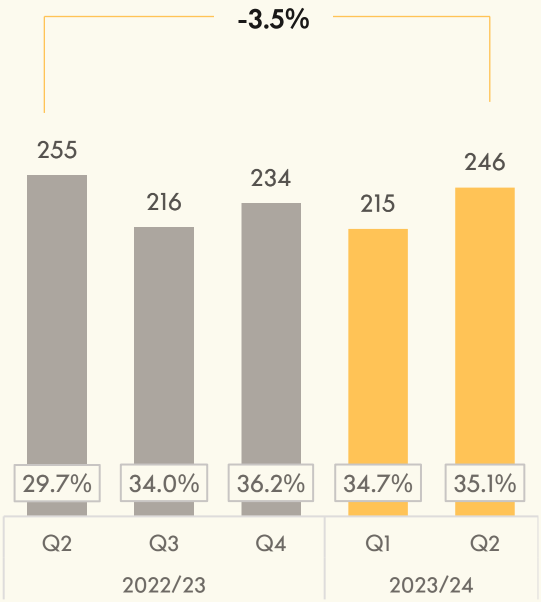
DKKm



- Development costs declined 9% to DKK 71m driven by lower incurred costs and higher capitalisation ratio compared to last year.

Distribution & marketing costs

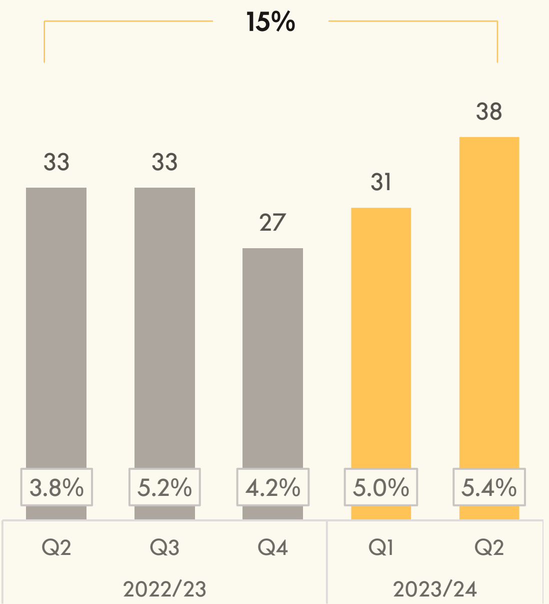
DKKm



- Distribution & marketing costs down 3.5%.
- Launch of Beosound Theatre last year and reduced warranty costs.
- Marketing cost to revenue ratio of 10.6% (9.5%) driven by the relatively lower revenue.

Administrative costs

DKKm

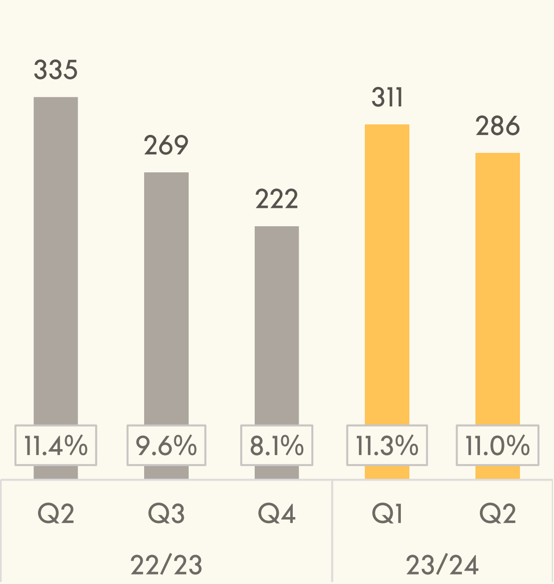


- Administrative costs were DKK 38m, up 15% compared to last year, leading to a cost ratio of 5.4%.
- Higher costs for patent protection and amortisation related to IT projects.

Costs relative to revenue

Focus on working capital - Inventory reduced since Q2 22/23

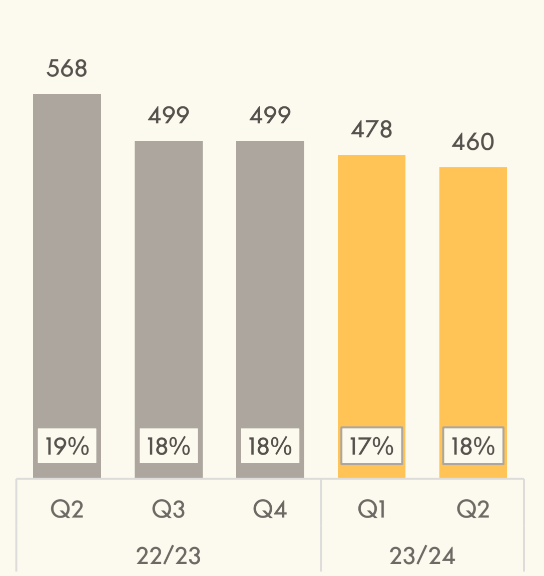
Net working capital
DKKm



Net working capital decreased to DKK 286m

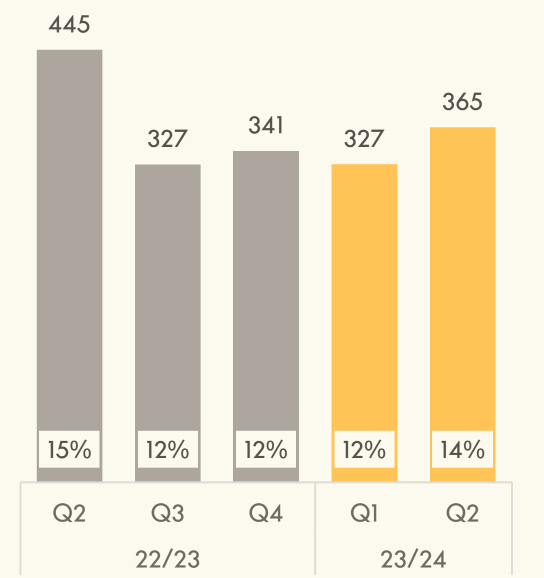
- NWC ratio was 11.0% and slightly below last year. Lower inventory level and trade receivables offset by lower level of trade payables.
- Other liabilities decreased by DKK 8m to DKK 160m during the quarter, primarily due to employee related liabilities.

Inventory
DKKm



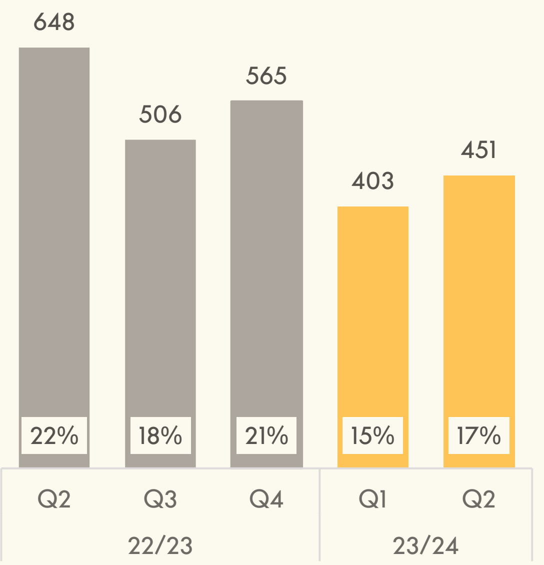
- Reduced by DKK 18m during the quarter, driven by high activity and a focus on inventory.

Trade receivables
DKKm



- Receivables increased by DKK 38m to DKK 365m.
- The increase was driven by the higher sales compared to Q1.
- Sales with extended credit was 2% of revenue compared to 1% in Q1. In Q2 of last year extended credit was 12% due to product launches.

Trade payables
DKKm



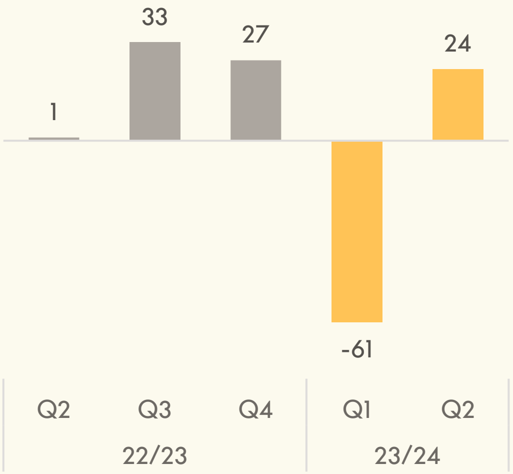
- Payables increased by DKK 48m to DKK 451m.
- Mainly related to timing.

% of LTM revenue

Free cash flow improved DKK 23m year-on-year

Free cash Flow

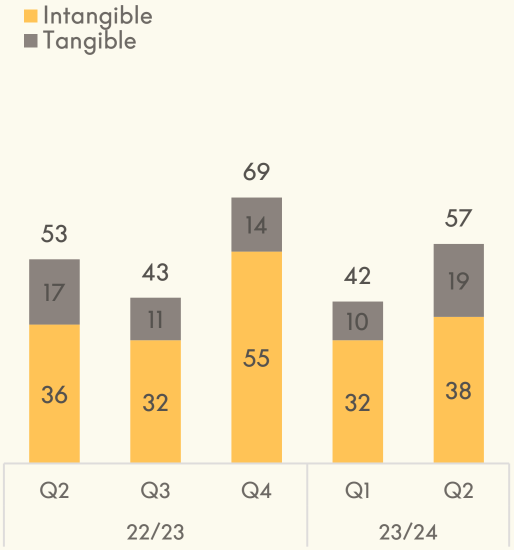
DKKm



- Q2 free cash flow DKK 24m, up DKK 23m against last year.
- Higher cash flow from operating activities (DKK 26m).

CAPEX

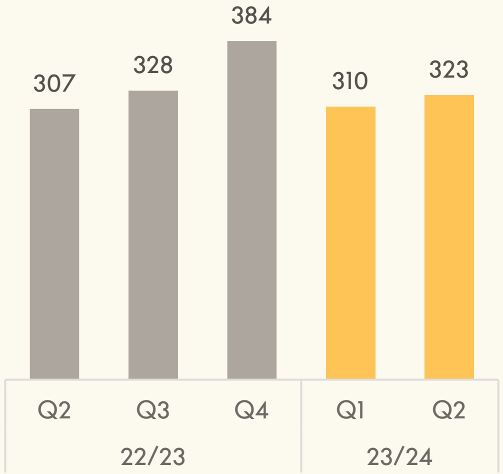
DKKm



- Increased DKK 4m from last year.
- Investments primarily within intangible assets and related to new products and platforms.

Capital resources

DKKm



- Capital resources, consisting of available liquidity and available credit facility, of DKK 323m.
- Available liquidity was DKK 163m, up DKK 13m, consisting of cash and securities offset by repo transactions.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Outlook

Outlook 2023/24 maintained. Revenue growth and free cash flow in the lower end of the range – EBIT margin before special items is unchanged

	Outlook FY 2023/24	H1 2023/24
Revenue growth in local currencies	0% to 9%	-8%
EBIT margin bsi*	0% to 6%	2.8%
Free cash flow	DKK -50m to 100m	DKK -37m

Main assumptions

Outlook for 2023/24 maintained. However, revenue growth and free cash flow expected to be at the lower end of the range due to lower-than-expected revenue from APAC and delay of a product launch. EBIT margin before special items is unchanged.

Assumptions:

- Improved market conditions in China in H2 23/24.
- Macroeconomic conditions in Europe and US will improve during the fiscal year.
- Launch of five or more product innovations, including the launch of MS Teams for Beoplay EX, Beosound Bollard and Beolab 8 (previously six or more product innovations).
- No impact on product availability due to geopolitical changes.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.
- No pressure on component and logistics costs.
- Improved inventories.

 * Before special items

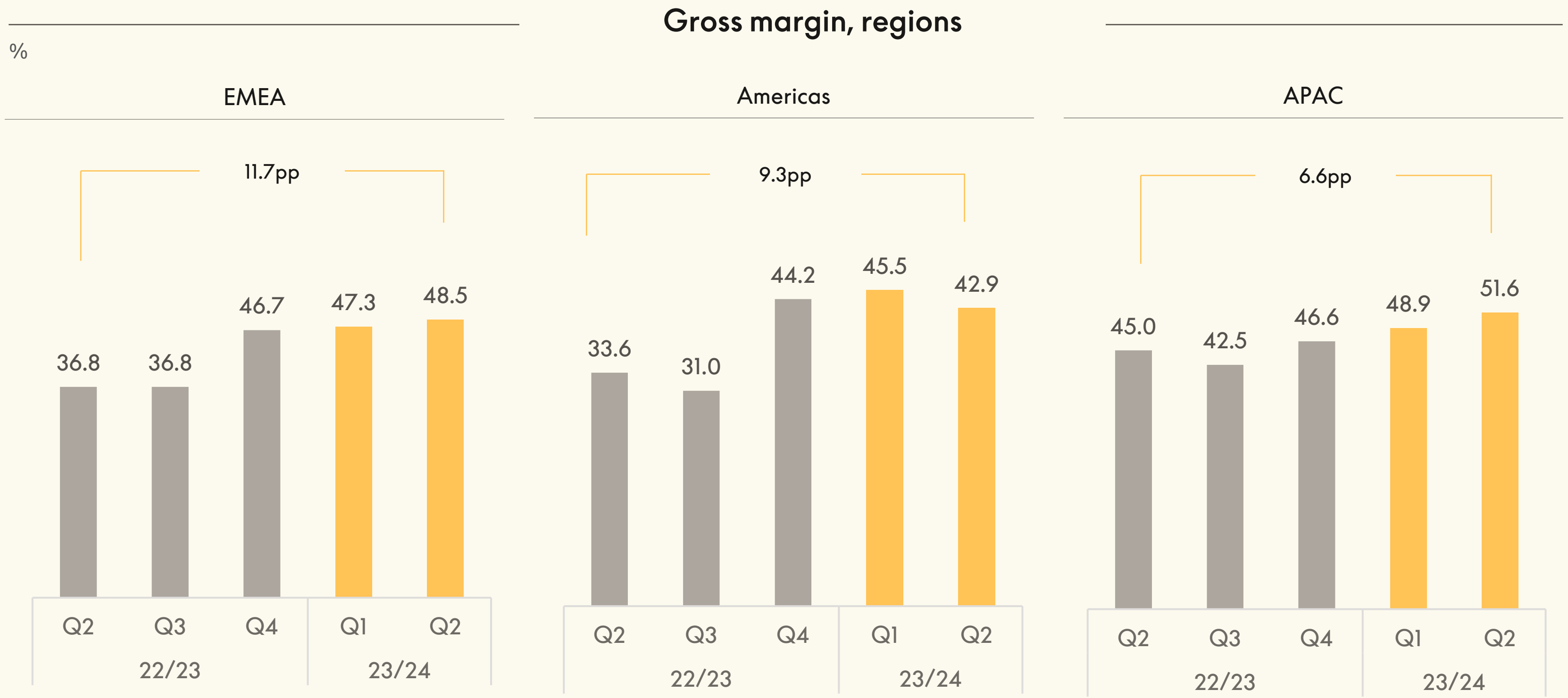
Summary

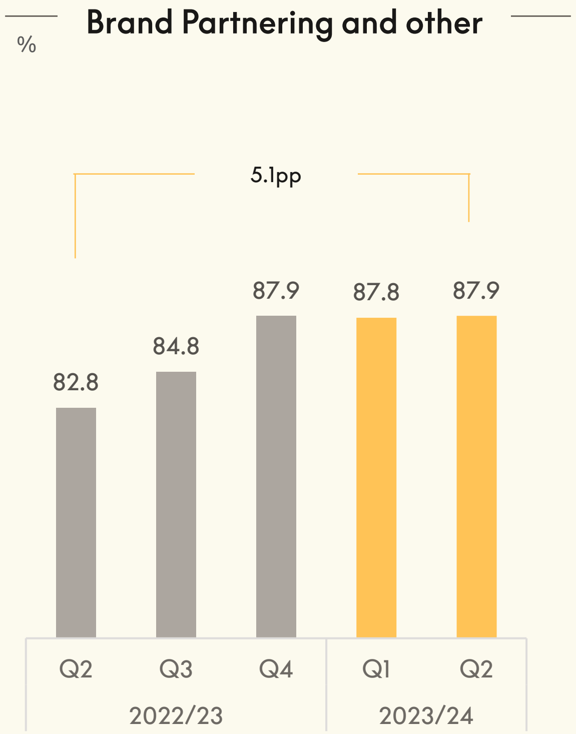
- Margins significantly improved, generating positive earnings despite lower revenue level
- Significantly improved gross margin.
  - Normalisation of component and logistics costs has lifted the margin level.
  - Margin improved across regions and product categories, supported by product mix and price increases.
- Strategy execution on channel network
  - We continued to strengthen our Luxury Timeless Technology proposition with focus on channel network this quarter.
  - Relocation of the Madison store in New York, and the opening of our new flagship store on New Bond Street in London.
  - Win City continue to deliver. Hong Kong is next.
- Outlook 2023/24 maintained. Revenue growth and free cash flow expected to be in the lower end of the range – EBIT margin before special items is unchanged.

Q&A

APPENDIX

Improved gross margin across regions

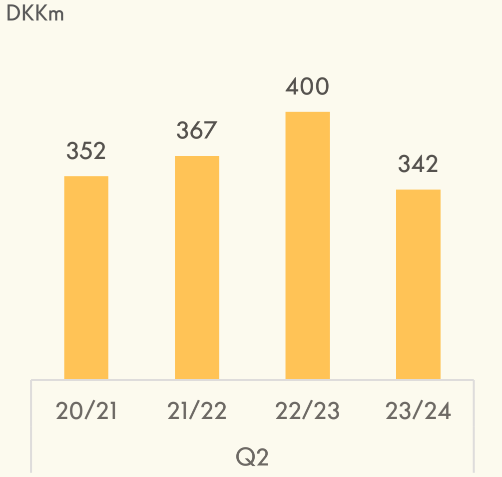




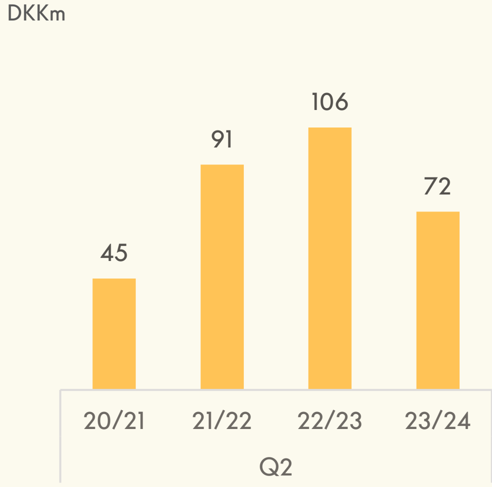
Q2 development since 20/21

Regions

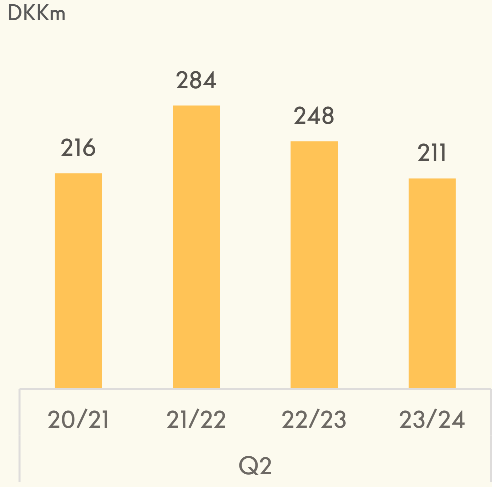
EMEA



Americas

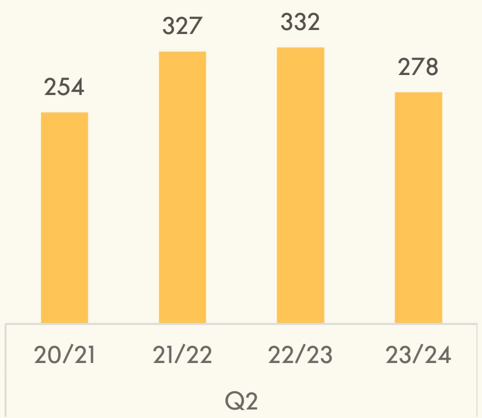


APAC

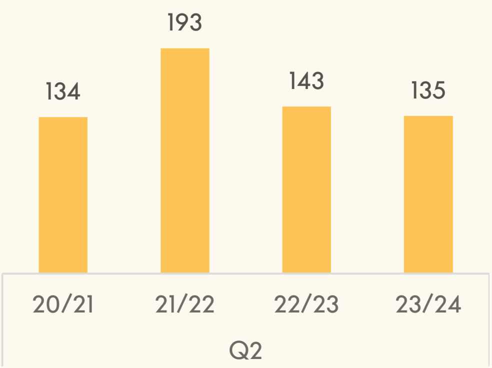


Product categories

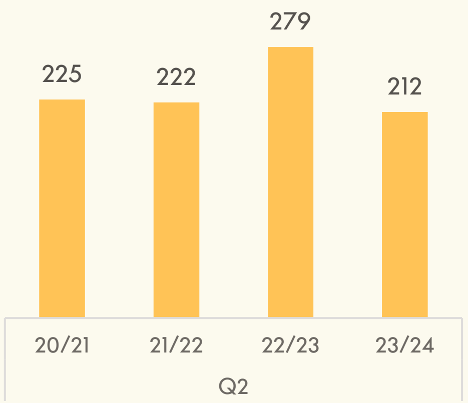
Staged



Flexible Living



On-the-go



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