



BANG & OLUFSEN
INTERIM REPORT Q1 2018/19
4 OCTOBER 2018

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AGENDA

- Key highlights
- Financial results
- Outlook
- Questions & answers

Q1 HIGHLIGHTS – IN LINE WITH EXPECTATIONS

REVENUE

DKK 602m

+2% growth

- Strong growth in Asia
- Ongoing transformation of the sales and distribution network in Europe and North America
- A seasonally small quarter

EBIT

DKK 5m (1% margin)

DKK 70m improvement

- A milestone quarter (first Q1 since 2007/08 with positive EBIT)
- Improved gross margins and controlled capacity costs were key

2018/19 outlook

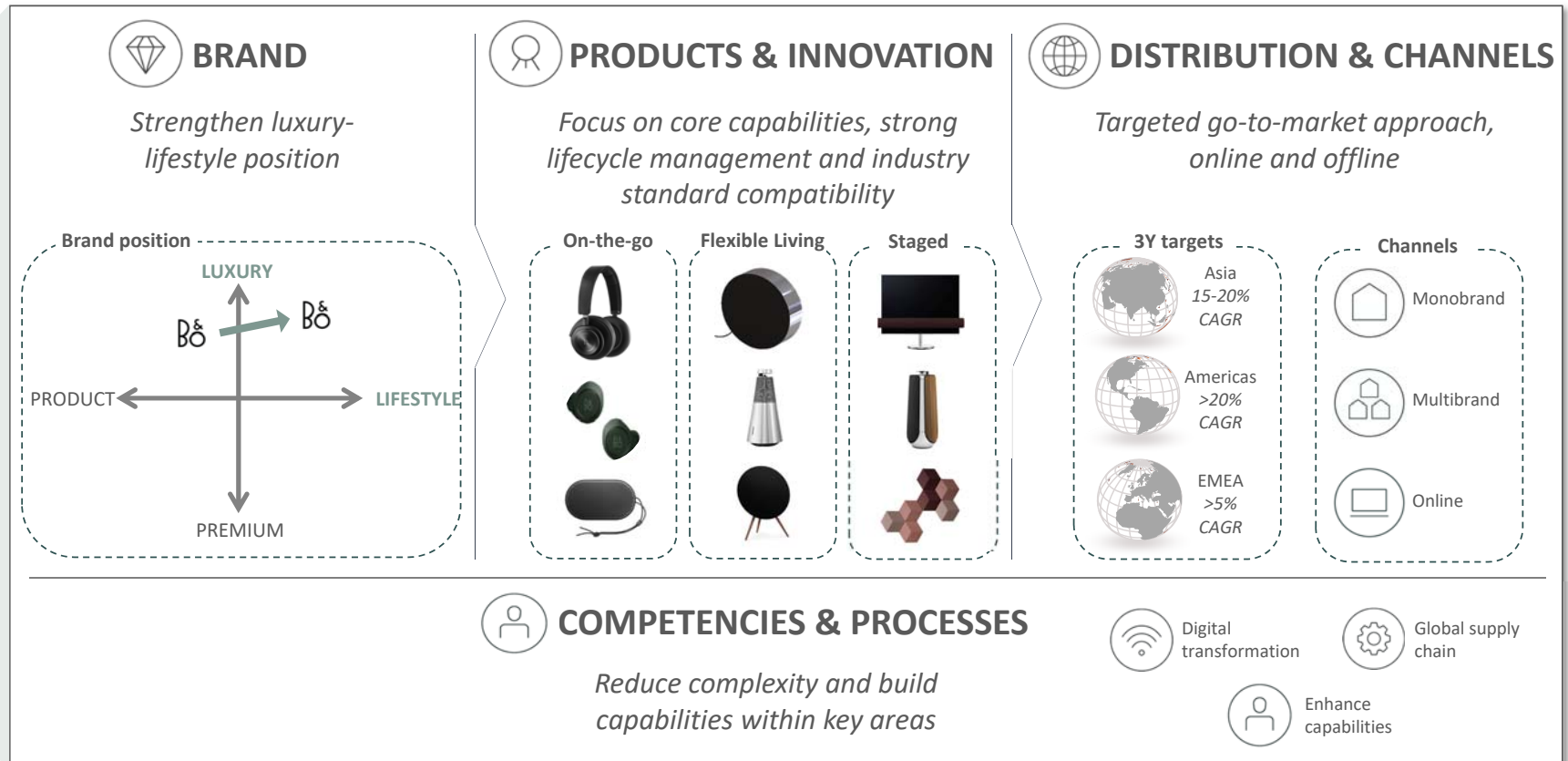
Unchanged

GOOD PROGRESS ON STRATEGY



VISION

BECOME THE MOST DESIRED AUDIO BRAND IN THE WORLD



ASIA – MONOBRAND DISTRIBUTION BUILD-UP

Q1 HIGHLIGHTS

5 new partners in mainland China

- Bang & Olufsen company-owned stores taken over by new partners
- New monobrand and pop-up stores opened in department stores and airports
- Several brand and marketing activities launched (e.g. celebrity version launch with the Chinese star BJT)

Other markets

- New management team in Japan
- New partner in place for Australia & New Zealand

LOOKING AHEAD

Monobrand

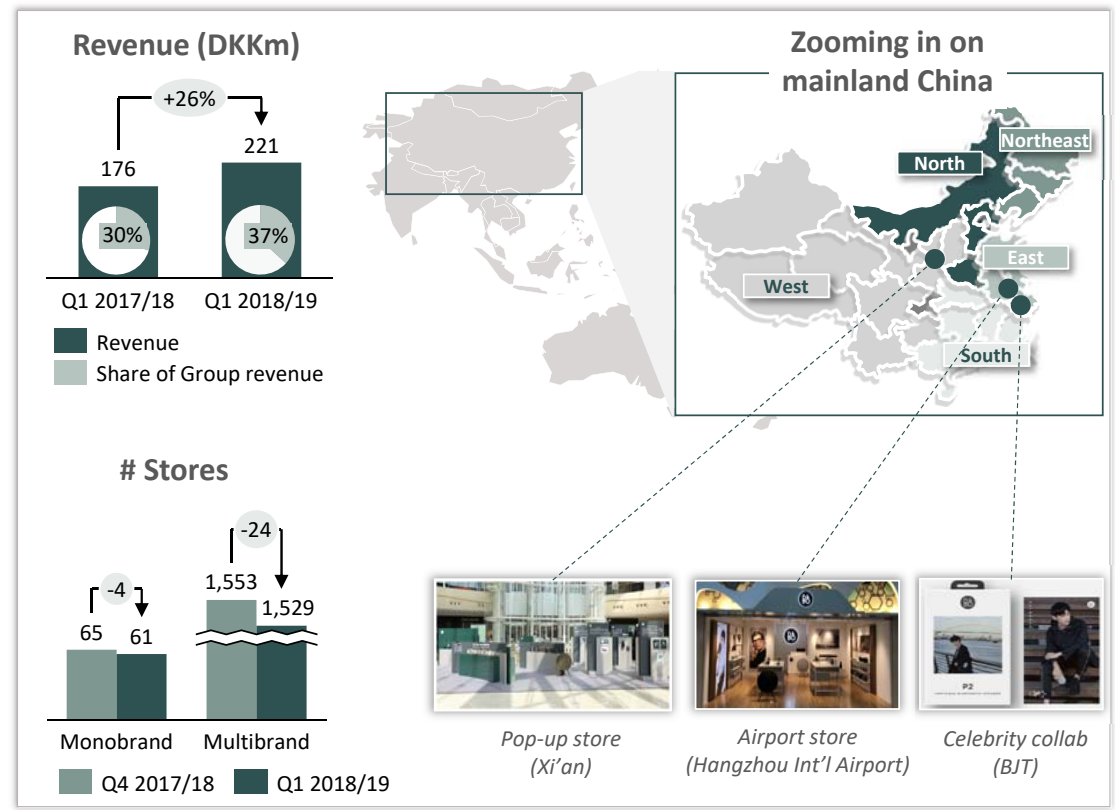
- Roll-out monobrand stores, pop-up stores, department stores and airport stores in key cities

Multibrand

- Clean-up of non-performing multibrand stores

Brand and marketing

- Increased brand and marketing activities in key regions (i.a. campaigns, collabs, celebrity events, special editions etc.)



AMERICAS – PLATFORM FOR GROWTH NOW IN PLACE

Q1 HIGHLIGHTS

Transformation in North America

- Closure of non-performing multibrand stores
- 7 monobrand stores and 100+ custom integrator partners closed down since Q1 2017/18
- New management team in place
- B2B and Custom Integrator team reset

Brand Partnering

- Increased activation of partnerships and collabs (e.g. HP launch of high-end laptop and collab with David Lynch)

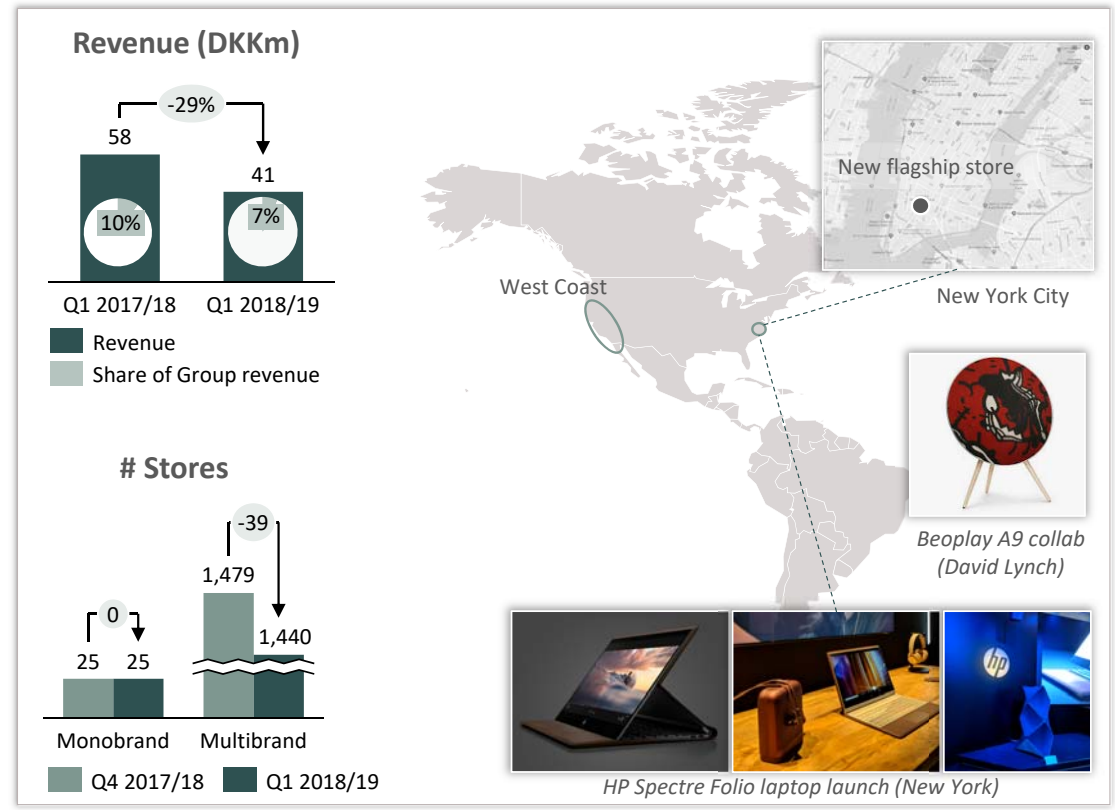
LOOKING AHEAD

North America

- Roll-out monobrand stores (New York flagship in H2 2018/19), pop-up stores, department stores and airport stores – New York and West Coast key focus areas
- Clean-up of non-performing multibrand stores
- Direct distribution to larger retailers (i.a. Amazon and BestBuy)
- Increased brand, marketing and activation of partnerships

South America

- New multibrand partner engaged



EMEA – ONGOING TRANSFORMATION

Q1 HIGHLIGHTS

Monobrand optimisation

- Key partners across Europe have responded positively to strategic direction
- 23 non-performing stores closed down and 8 new stores/change of ownership in Europe
- Pop-up stores launched in selected cities (e.g. Amsterdam and Paris)

Multibrand transformation

- 237 non-performing stores closed down
- Direct distribution initiated to larger multibrand retailers (i.a. Amazon)

LOOKING AHEAD

Monobrand

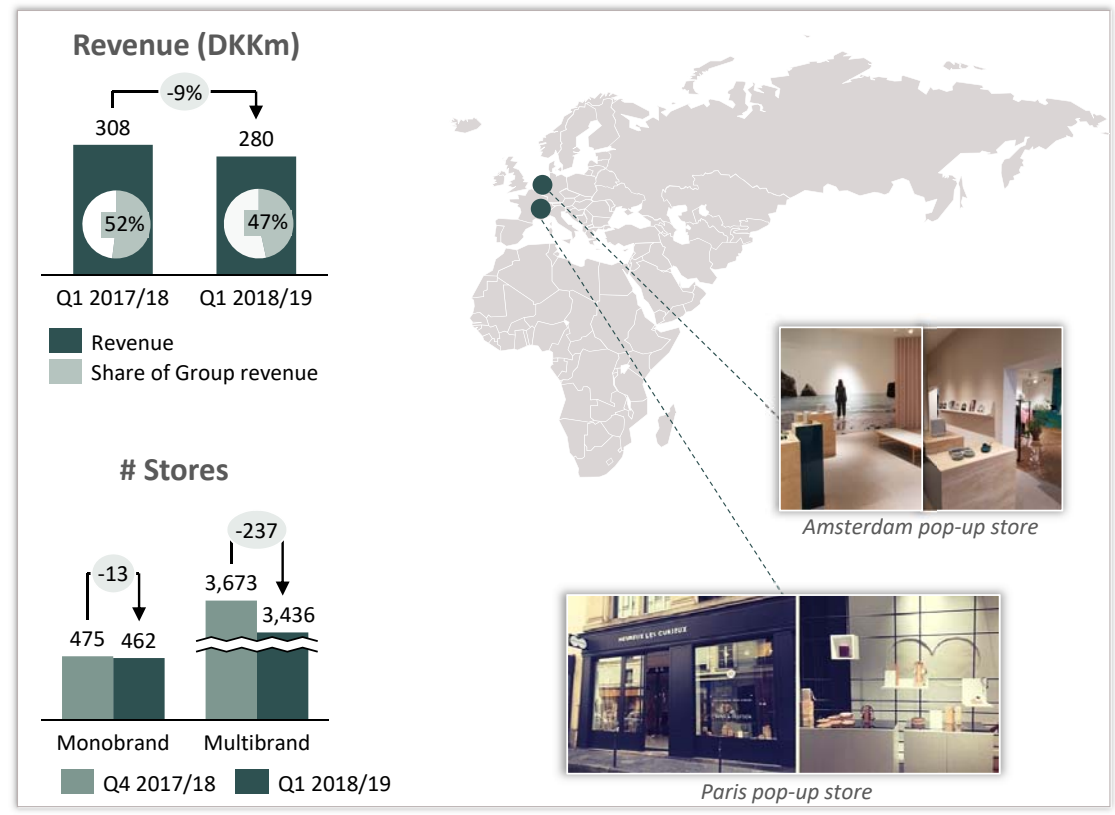
- Establish monobrand clusters in key regions
- Roll-out pop-up stores, department stores and airport stores across key regions

Multibrand

- Clean-up of non-performing multibrand stores
- Establish direct distribution to other key multibrand retailers

Brand and marketing

- Increased brand, marketing and activation of partnerships



BRAND, PRODUCTS & INNOVATION AND COMPETENCIES & PROCESSES



STRENGTHENING THE BRAND

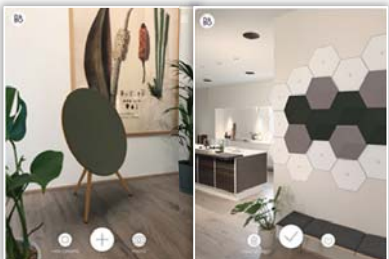


Brand platform

- Global roll-out of brand platform in Q2 with increased marketing activities and brand building campaigns
- Strengthen luxury-lifestyle position via sales channel strategy and new product launches



KEY HIRES AND DIGITAL CAPABILITIES



Key hires

- Head of North America, Head of Design and Head of Omnichannel and Europe

Digitalisation

- Focus on digitalisation processes and platforms (i.a. eCom and products)



NEW PRODUCTS LAUNCHED IN Q1



Beosound Edge – a core Bang & Olufsen product

- Powerful wireless speaker
- Well-received and has won numerous awards already



Beosound 1 and 2 – with leading technology

- Advanced smart speaker with Google Voice Assistant



Beoplay E8 Racing Green

- Special edition of the Beoplay E8



Beoplay E6 Sand

- Wireless earphone for luxury-lifestyle



LG V35 Signature Edition

- Special edition smartphone tuned by Bang & Olufsen and paired with premium headphones

AGENDA

- Key highlights

- **Financial results**

- Outlook

- Questions & answers

INTRODUCTION TO NEW REPORTING STRUCTURE

PREVIOUS FINANCIAL REPORTING

BANG & OLUFSEN



Previous reporting levels

	Revenue	Gross margin		Revenue	Gross margin
Group	✓	✓	Sales channels		
			- B1 & SiS	✓	
Business units			- TPR & eCom	✓	
- Bang & Olufsen	✓	✓	Product categories		
- B&O Play	✓	✓	- B&O Play	✓	
Regional			- Speakers	✓	
- Europe	✓		- Audio	✓	
- Greater China	✓		- TV	✓	
- North America	✓		- Other	✓	
- RoW	✓				

FINANCIAL REPORTING 2018/19

BANG & OLUFSEN

- Effective 1 June 2018, the Group integrated its business units to operate under a single brand, Bang & Olufsen. Hence, the Group no longer reports on the basis of a business unit structure

New reporting levels

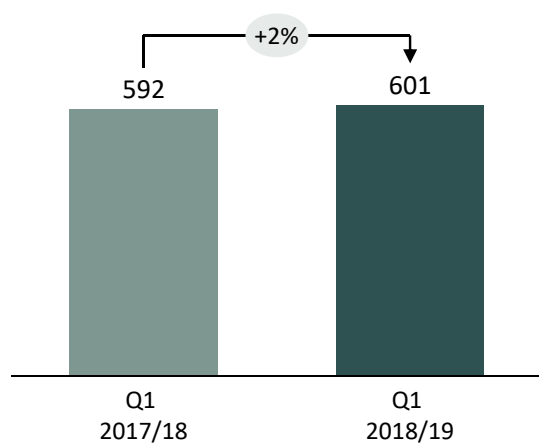
	Revenue	Gross margin	EBIT ¹		Revenue	Gross margin
Group	✓	✓	✓	Sales channels		
				- Monobrand	✓	
Regional				- Multibrand	✓	
- EMEA	✓	✓	✓	- Own eCom	✓	
- Asia	✓	✓	✓	- Other	✓	
- Americas	✓	✓	✓	Product categories		
- Other	✓	✓	✓	- Staged	✓	
				- Flexible	✓	
				- Living		
				- On-the-Go	✓	

1) Latest as of Q3 2018/19

FINANCIAL HIGHLIGHTS

REVENUE

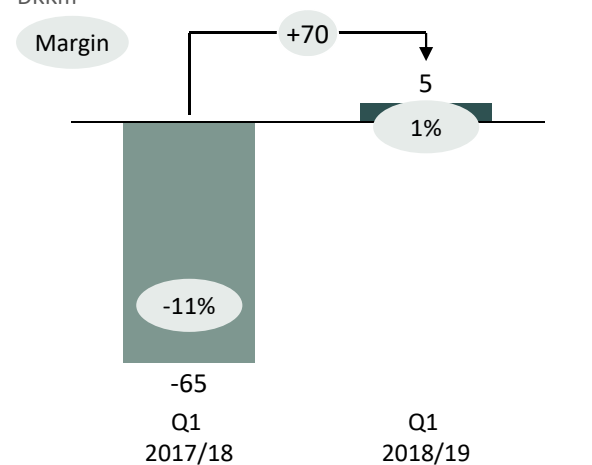
DKKm



- Revenue growth of 2% (2% in local currencies) driven by:
 - ⊞ Solid performance in Asia, whereas EMEA and Americas are impacted by ongoing transformation in the sales and distribution network

EBIT

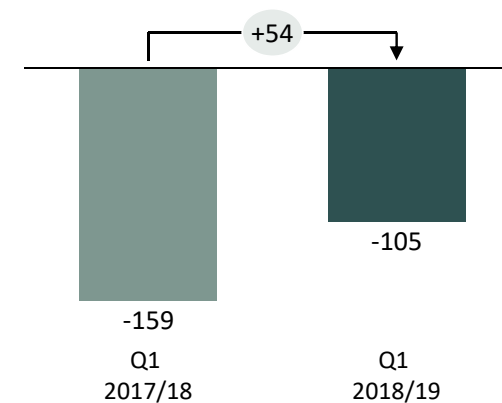
DKKm



- Profitability significantly improved (DKK +70m) driven by:
 - ⊞ Gross margin improvement
 - ⊞ Lower capacity cost ratio

FREE CASH FLOW

DKKm



- Free cash flow improved driven by:
 - ⊞ Improved earnings
 - ⊞ Lower Capex
- Negatively impacted by increased net working capital

REVENUE DEVELOPMENT

REVENUE SPLIT

DKK ^m	Q1 2018/19	Q1 2017/18	Δ (%)	Δ LC (%) ¹
Group	601	592	+2%	+2%
Revenue by region				
EMEA	280	308	-9%	-8%
Americas	41	58	-29%	-29%
Asia	221	176	+26%	+26%
Other ²	59	50	+17%	
Revenue by channel				
Monobrand	354	330	+7%	
Multibrand	160	177	-10%	
Own eCom	6	7	-14%	
Other	81	78	+5%	
Revenue by product categories				
Staged	207	250	-17%	
Flexible Living	68	78	-12%	
On-the-Go	256	216	+18%	
Other	70	47	+48%	

1) Growth in local currencies

2) Other comprises Brand Partnering, Alu and Other

COMMENTS

Region

- Asia positively impacted by strong performance in the Greater China Region
- EMEA negatively impacted by ongoing transformation of the multibrand sales and distribution network in Europe
- Americas negatively affected by ongoing transformation of the sales and distribution network
- Other positively impacted by Brand Partnering

Sales channels

- Multibrand impacted by transformation of the sales and distribution network in Europe and Americas
- Monobrand growth driven by Greater China Region

Product categories

- Staged impacted by LY launch of BeoVision Eclipse and BeoLab 50
- Flexible Living impacted by the discontinuation of older products as planned
- On-the-go growth driven by solid performance from Beoplay E8, Earset, Beoplay H9i and recently launched Beoplay E6

GROSS MARGIN DEVELOPMENT

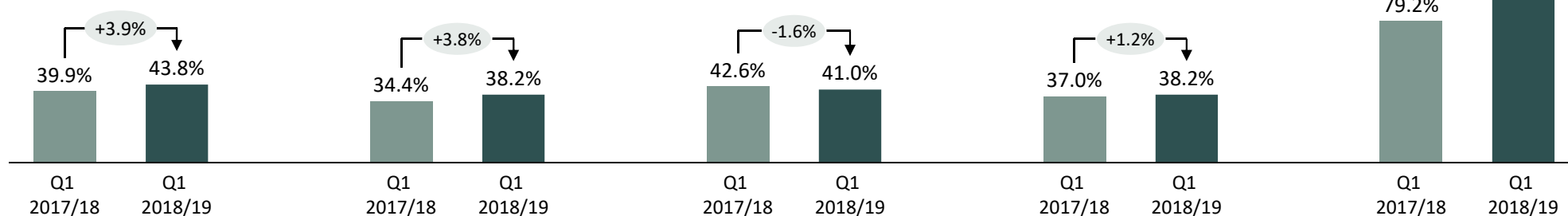
GROUP

EMEA

AMERICAS

ASIA

OTHER¹



- Significantly improvement (3.9 percent points) driven by:
 - ⊕ Improved product profitability
 - ⊕ Channel mix development
 - ⊕ Increased Brand Partnering income

- Improvement (3.8 percent points) driven by:
 - ⊕ Improved product profitability
 - ⊕ Channel mix development

- Negative development (-2.0 percent points) driven by:
 - ⊕ Channel mix development

- Slightly improvement (1.2 percent points) driven by:
 - ⊕ Improved product profitability
 - ⊕ Channel mix development

- Significantly improvement (13.7 percent points) driven by:
 - ⊕ Increased Brand Partnering income

¹⁾ Other comprises Brand Partnering, Alu and Other

CAPACITY AND DEVELOPMENT COSTS

OVERVIEW OF CAPACITY AND DEVELOPMENT COSTS

DKKm	Q1 2018/19	Q1 2017/18	Δ (abs)	Δ (%)
Capacity costs	281	301	-20	-7%
<i>% of revenue</i>	47%	51%		
Capacity cost split				
Development	78	114	-36	-31%
Dist. and marketing	175	162	+13	+8%
Administration	28	25	+3	+13%
Development costs break-down				
Incurring dev. costs before capitalisation	57	109	-52	-48%
Net effect of capitalisation and amortisations	21	5	+16	+320%
Development costs in P&L	78	114	-36	-31%
Capitalisations (%)	17%	60%		

COMMENTS

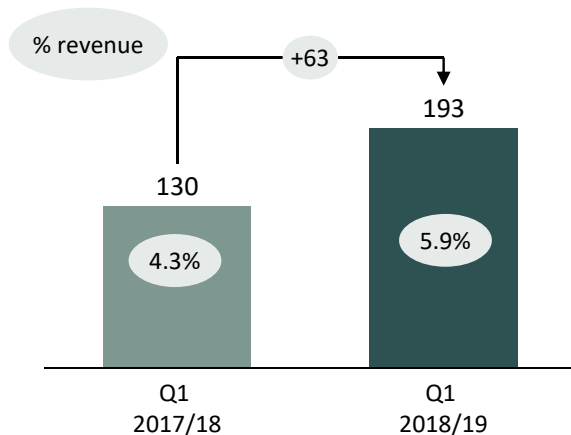
Capacity costs

- Incurred development costs decreased as percentage of revenue and development costs decreased by 31% as a consequence of the greater proportion of development costs now being shared with technology and supply chain partners – a result of new operating model
- Increased distribution and marketing costs in line with overall strategy

NET WORKING CAPITAL, CAPEX AND FREE CASH FLOW

NET WORKING CAPITAL

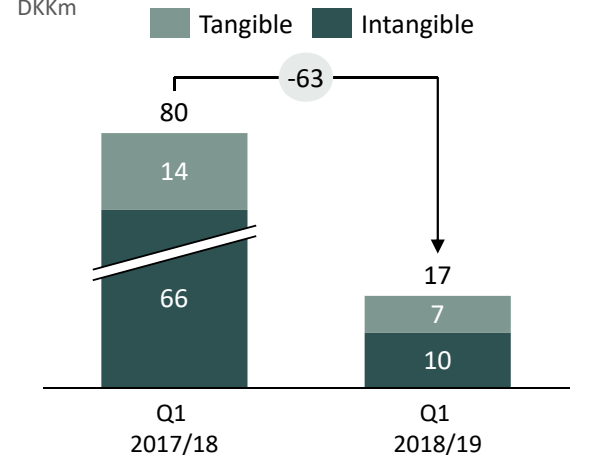
DKKm



- Increased net working capital primarily driven by lower trade payables due to seasonality

CAPEX

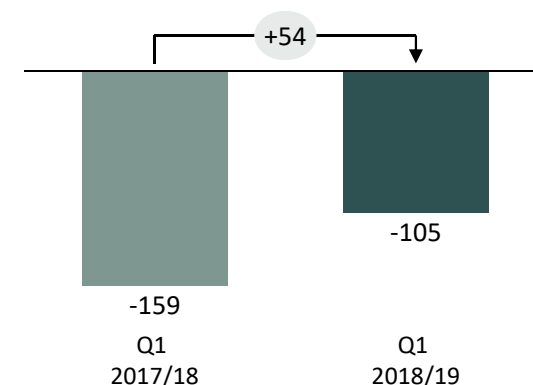
DKKm



- Decreasing capex spend as a consequence of new operating model with product development together with partnerships

FREE CASH FLOW

DKKm

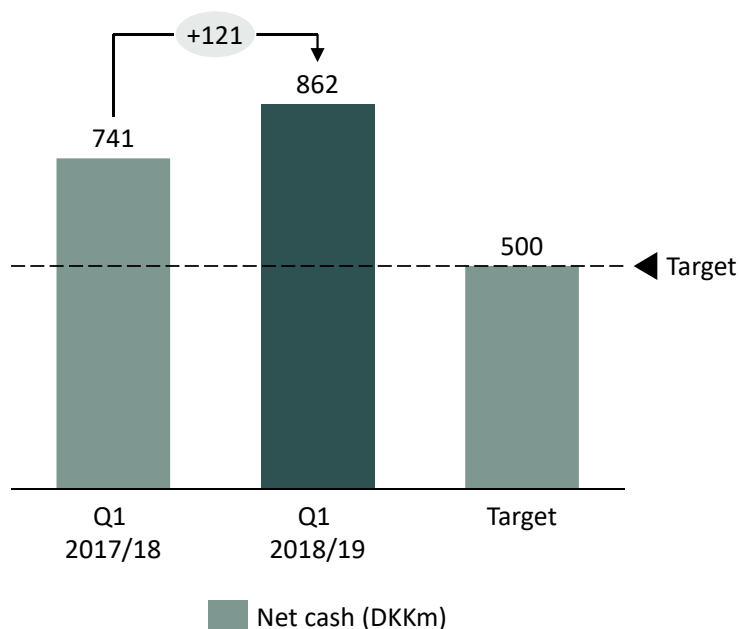


- Free cash flow improvement driven by:
 - ⊘ Improved earnings
 - ⊘ Lower Capex
- Negatively impacted by increased net working capital

CAPITAL STRUCTURE AND DISTRIBUTION TO SHAREHOLDERS

NET CASH POSITION

DKKm



COMMENTS

BANG & OLUFSEN A/S
3 SEPTEMBER 2018

ANNOUNCEMENT NO. 18.05
TRANSLATION

Bang & Olufsen A/S – Initiation of share buyback programme

In accordance with the authorization granted to the board of directors at the annual general meeting on 23 August 2018, Bang & Olufsen announces a share buyback programme of DKK 485 million to be initiated today and concluded no later than on 31 December 2019.

The purpose of the programme is to reduce the company's share capital and to meet obligations arising from share-based incentive programmes.

The share buyback programme is being implemented in accordance with article 5 of the regulation (EU) no. 596/2014 of 16 April 2014 on market abuse and the delegated regulation (EU) no. 2016/1052 of 8 March 2016, also referred to as the Safe Harbor rules. Bang & Olufsen has appointed Danske Bank as lead manager of the program. Danske Bank will, under a separate agreement with Bang & Olufsen, buy back shares within the timeframe set out in this announcement and make trading decisions in respect of Bang & Olufsen shares independently of and without influence from Bang & Olufsen.

The following guidelines will apply to Bang & Olufsen's share buyback programme:

- The maximum amount allocated to the share buyback program is limited to a total value of DKK 485 million and with a maximum of 6,479,621 shares to be acquired. The company purchase of treasury shares under the buyback programme, may at no time exceed 15% of the share capital of the company.
- Shares will not be purchased at a price higher than the higher of the following: the price of the last independent trade and the highest existing independent buyer's offer on the marketplace where the purchase takes place.
- The total number of shares that may be purchased on a single trading day may not exceed 25% of the average daily trading volume over the preceding 20 trading days on Nasdaq Copenhagen.

At least once every fifth trading days, Bang & Olufsen will issue an announcement in respect of the transactions made under the share buyback programme.

At the initiation of the share buyback programme, Bang & Olufsen A/S holds 109,990 own shares corresponding to 0.3% of the total share capital.

For further information, please contact: Sr. Director, Global Finance, Malene Richter Christensen, tel.: +45 29741609.

Share buyback programme

- Share buyback of DKK 485m launched after approval at the Annual General Meeting (23 August 2018)
- DKK 54m (11% of total programme) acquired as of 3 October 2018

Capital structure

- Net cash position of DKK 862m, hence significantly above capital structure net cash target of minimum DKK 500m

AGENDA



- Key highlights
- Financial results
- **Outlook**
- Questions & answers

OUTLOOK 2018/19

2018/19 OUTLOOK

REVENUE	Group	>10%
	• EMEA	>5%
	• Asia	>10%
	• Americas	>20%
	Brand Partnering	Moderate growth
CAP. COST	Group (% of revenue)	Same as in 2017/18
EBIT	Group margin	7- 9%
FCF	Group	DKK >100m



We maintain
FY 2018/19
guidance

AGENDA



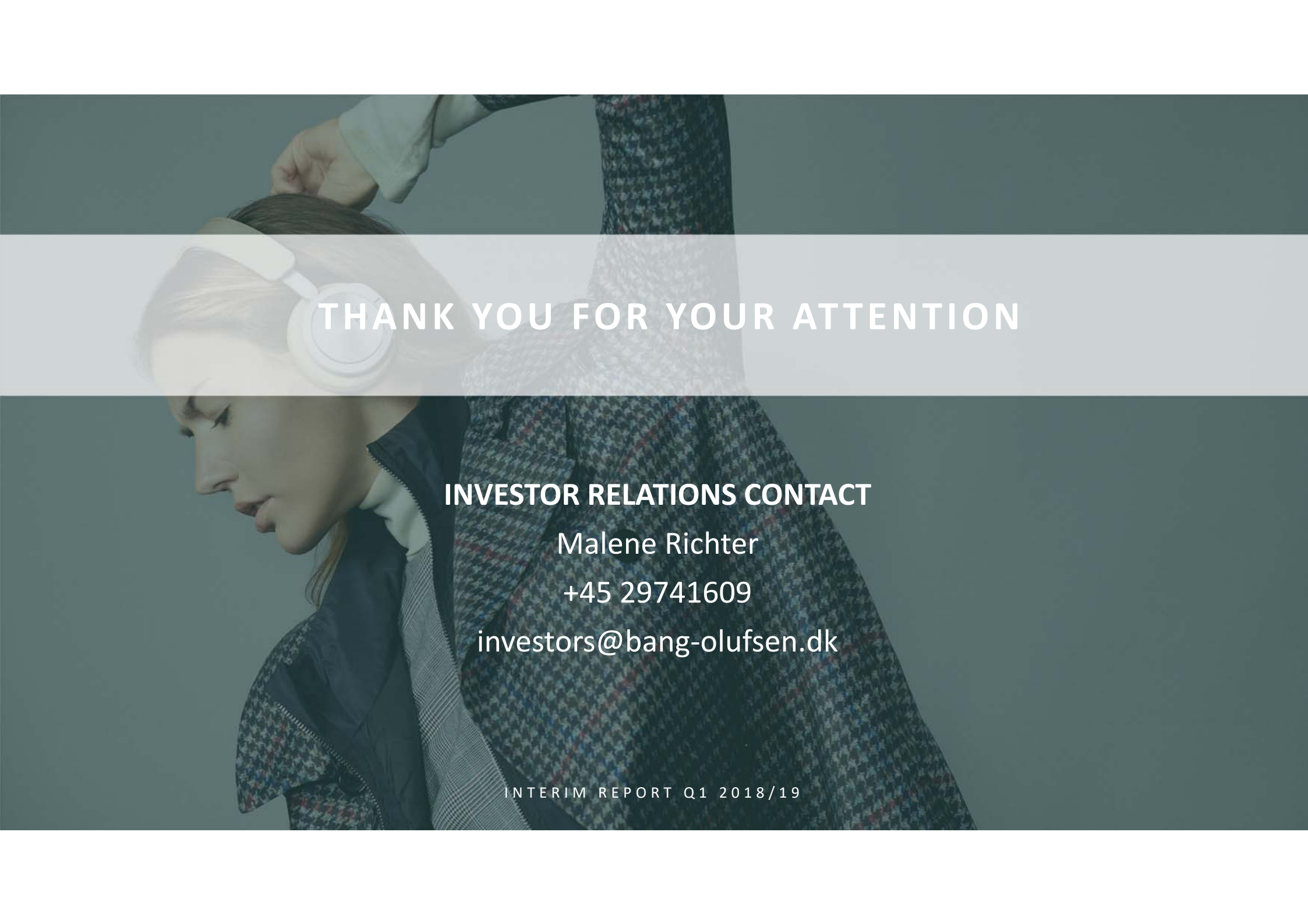
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QUESTIONS?



INTERIM REPORT Q1 2018/19

A woman with blonde hair is shown in profile, looking down. She is wearing large white headphones and a dark blue jacket over a patterned dress. The background is a solid dark teal color. A semi-transparent white horizontal band is overlaid across the middle of the image, containing the text.

THANK YOU FOR YOUR ATTENTION

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