

BANG & OLUFSEN



Roadshow Presentation

June 2020

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AGENDA

THIS IS BANG & OLUFSEN

STRATEGY

FINANCIALS AND TRANSACTION

Q&A



WE HAVE A STRONG GROUP MANAGEMENT TEAM IN PLACE



President & CEO
Kristian Teär



Finance & IT
Nikolaj Wendelboe
CFO & EVP



Design, Creation & Fulfilment
Snorre Kjesbu
EVP



Marketing, Digital & Customer Experience
Christian Birk
EVP

Present at Meeting



Europe
Jorge Aguiar
VP



Omnichannel & Opportunity Markets
Arnaud De Schuytter
VP



Group Strategy & Deployment
Malene Brinkland
Director



Greater China & Korea
Wendy Wong
VP



Product Management
Christoffer Ø. Poulsen
VP



HR co-lead
Lone Qvist
Director



North America
Rick Costanzo
VP

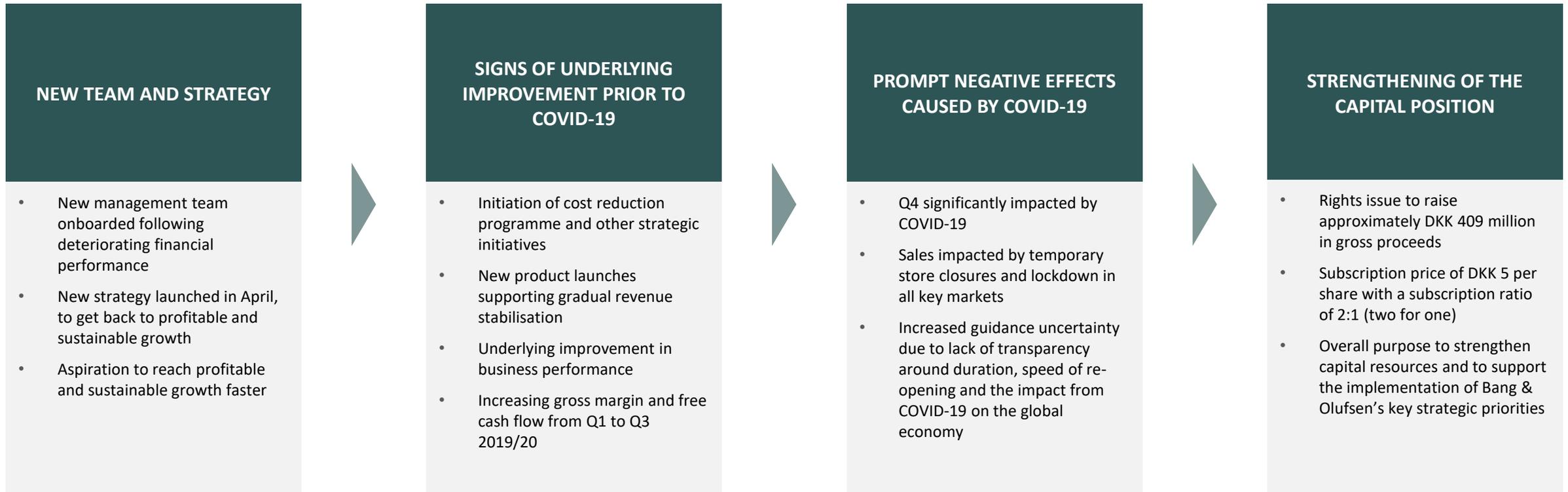


Legal & Compliance
Line Køhler Ljungdahl
VP



HR co-lead
Marlene von Essen-Müller
Director

WE ARE STRENGTHENING THE CAPITAL POSITION TO SAFEGUARD THE COMPANY THROUGH THE COVID-19 CRISIS



WE ARE A GLOBAL COMPANY WITH STRONGHOLD IN EMEA AND SHORT-TERM GROWTH POTENTIAL IN EMEA AND ASIA

REVENUE SPLITS PER 9M 2019/20

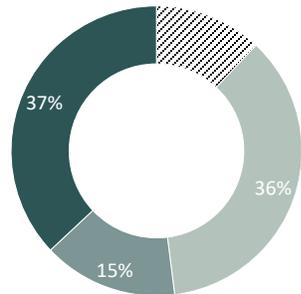
REVENUE DKKm

1,659

GROSS MARGIN

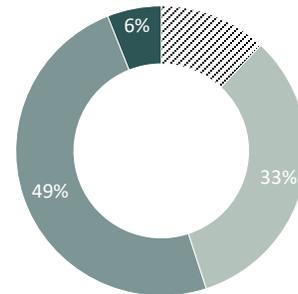
41.6%

THREE PRODUCT CATEGORIES



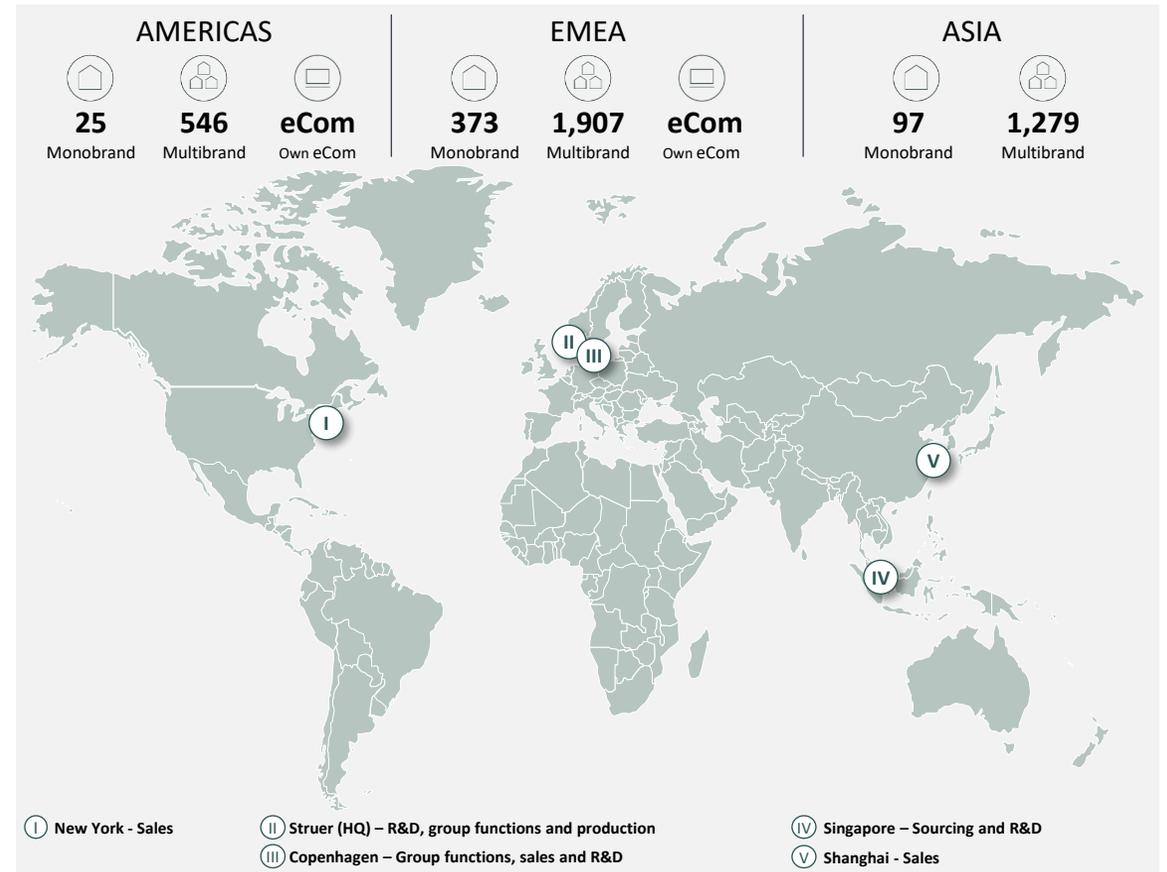
- On-the-go
- Flexible living
- Staged
- ▨ Brand partnerships & other activities

THREE GEOGRAPHICAL REGIONS

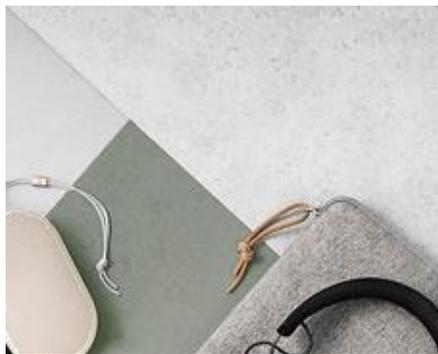


- EMEA
- Asia
- Americas
- ▨ Brand partnerships & other activities

GLOBAL FOOTPRINT¹



A DECADE OF TRANSFORMATION HAS CONSTRUCTED A FOUNDATION FOR GROWTH



Scalable & asset-light business model



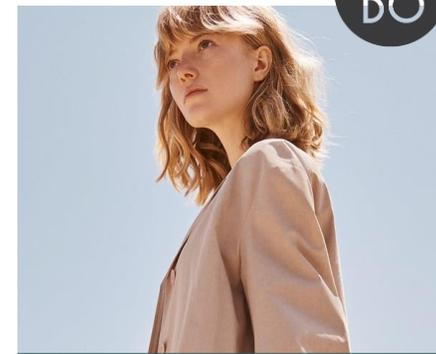
Unique in-house capabilities



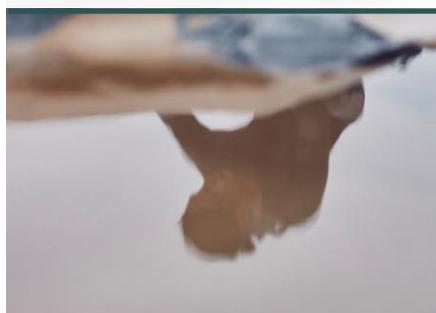
Global luxury brand



Iconic products and solid product pipeline



Consumer centric distribution network



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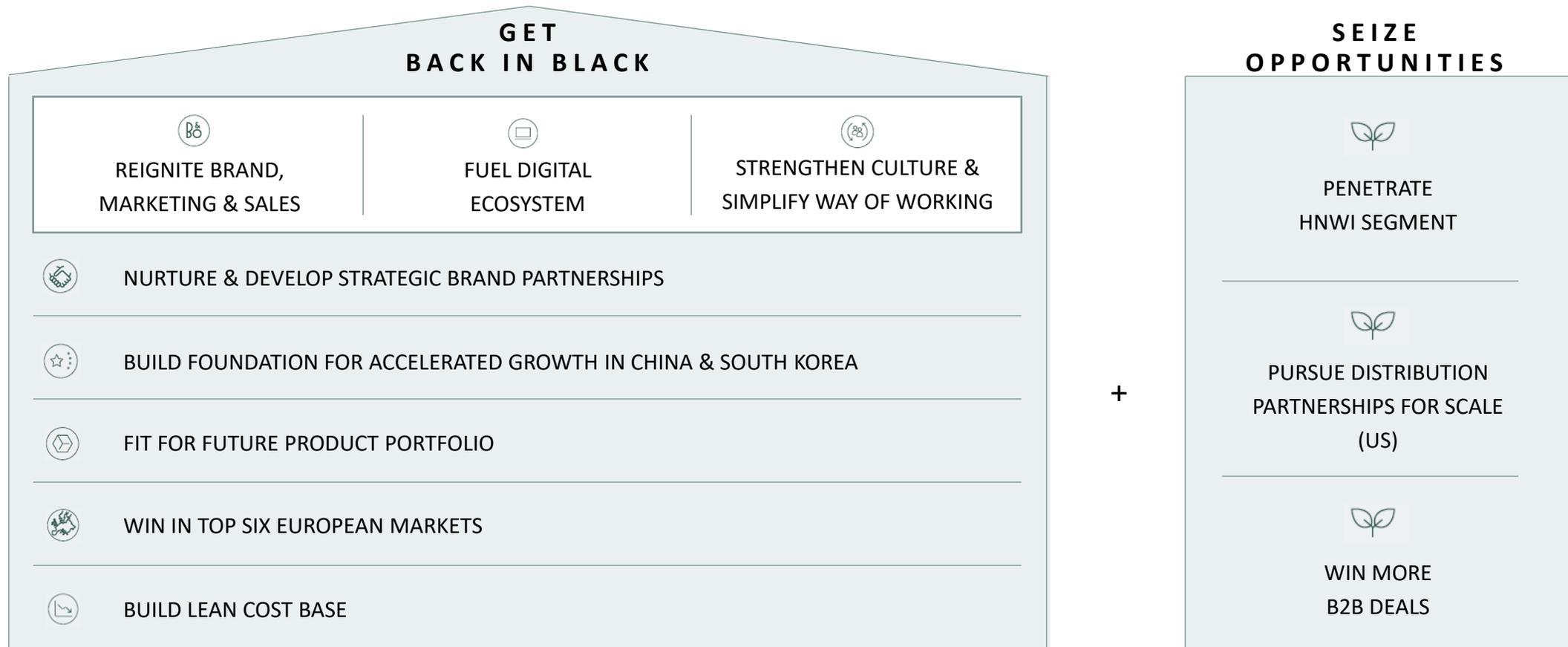
STRATEGY

FINANCIALS AND TRANSACTION

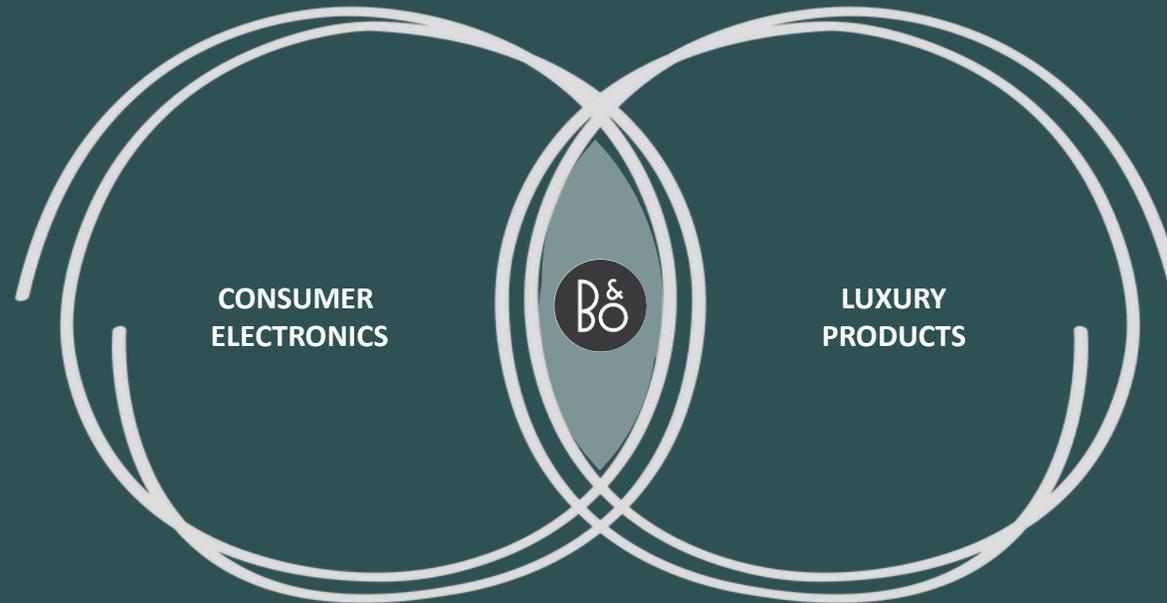
Q&A



SHORT TERM, WE FIX FUNDAMENTALS IN OUR CORE BUSINESS, AND SEIZE POTENTIAL IN OPPORTUNITY POCKETS



SHORT-TO-MEDIUM TERM, WE LEVERAGE OUR UNIQUE POSITION IN THE INTERSECTION BETWEEN CONSUMER ELECTRONICS AND LUXURY...



Significant sizes and growth in both markets.
Driven by...

- Ecosystem integration
- Good, better, best product range
- Online distribution at scale



- Brand heritage and values
- Unique consumer experiences
- Collaborations and limited editions

...THROUGH A STRATEGIC RE-ORIENTATION, DESIGNED TO WIN DECISIVELY IN FOUR NEW TARGET SEGMENTS

SEGMENTS	 GENERATION Z	 CAREERIST	 WELL-ESTABLISHED	 HIGH NET WORTH INDIVIDUAL
FOCUS MARKETS	 China & South Korea	 Western Europe China & South Korea	 Western Europe	 Selected global A-list destinations
PRODUCT FOCUS	Headphones & earphones Portable speakers 	Flexible living speakers Headphones & earphones 	Sound for screen solutions Staged speakers 	Best of Staged as centerpieces for full audio and screen solution across home 
CHANNELS	 Online	 Multibrand Stores	 Monobrand Stores	 Architects & Interior Designers

OUR PRODUCTS REMAIN THE ESSENCE OF OUR BUSINESS – OUR PRODUCT PORTFOLIO HAS BEEN RECONFIGURED TO WIN

PRODUCT CATEGORIES

ON-THE-GO



Tap into demand from younger segments in growth markets. Become the preferred luxury earphone, headphone, and portable speaker brand, through unparalleled and differentiated sound performance and design

FLEXIBLE LIVING



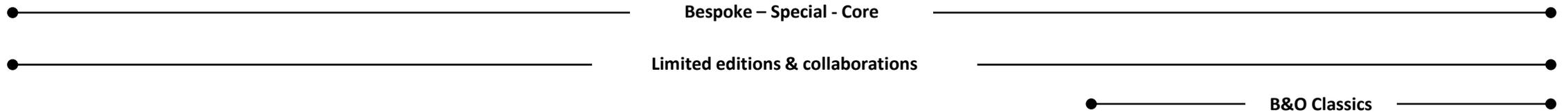
Tap into the market for high-end multiroom speakers, by offering unique products perceived as investments with sustainable longevity

STAGED



Create unique brand experience and halo for other categories, and build equity for brand licensing opportunities. Become top of mind for immersive music and movie experiences.

PRODUCT PROGRAMMES



OUR PRODUCT RELEASES CONTINUE TO RECEIVE POSITIVE REVIEWS

MARCH 2020



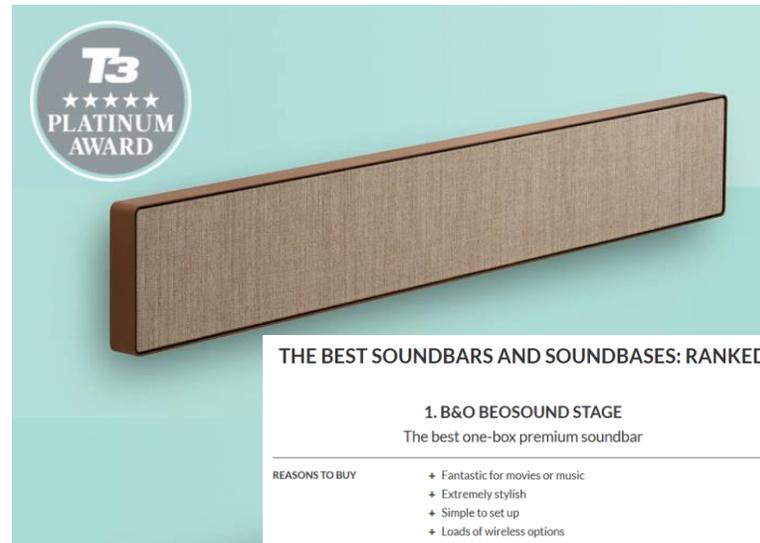
APRIL 2020



B&O Beosound Stage review: a stunning soundbar both sonically and visually



The Beosound Stage sounds absolutely fantastic for movies, and is a top-tier music player and streaming speaker, too



MAY 2020



Beosound A1 bliver endnu bedre

Den lille B&O-højtaler A1 kommer i ny indpakning.



WE CONTINUE THE TRANSFORMATION OF OUR OMNICHANNEL RETAIL NETWORK TO TRULY WIN IN OUR FOCUS MARKETS

MONOBRAND¹



EMEA	373
Americas	25
Asia	97



- Give the full brand experience
- Cater for consumers already familiar with the brand and special consumer requests
- Expose new consumers to luxury lifestyle brand execution

MULTIBRAND¹



EMEA	1,907
Americas	546
Asia	1,279

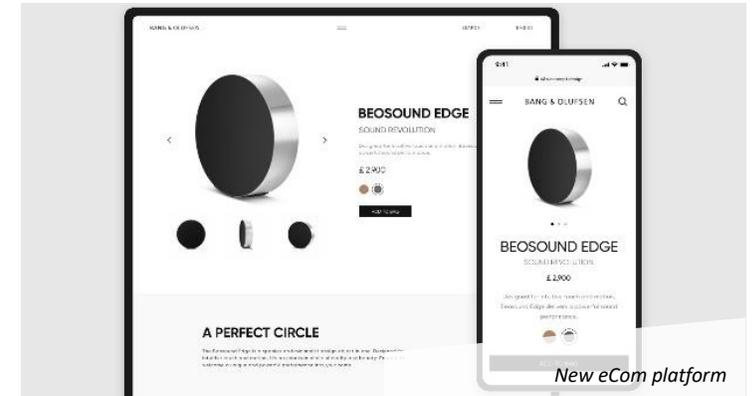


- Manifest the brand and build brand equity to target consumers
- Attract new consumers in high street locations
- Utilise access to use case driven consumers to drive sales volume

E-TAILING & OWN E-COMMERCE



New e-commerce platform in EMEA and the Americas launched in spring 2019



- E-tail focus to drive brand affinity from new target segments and own e-commerce to create brand experiences
- Support the consumer journey across all omnichannel touchpoints
- Develop the brand's digital interface and experience

OUR ASPIRATION IS TO REGAIN STRENGTH - FAST

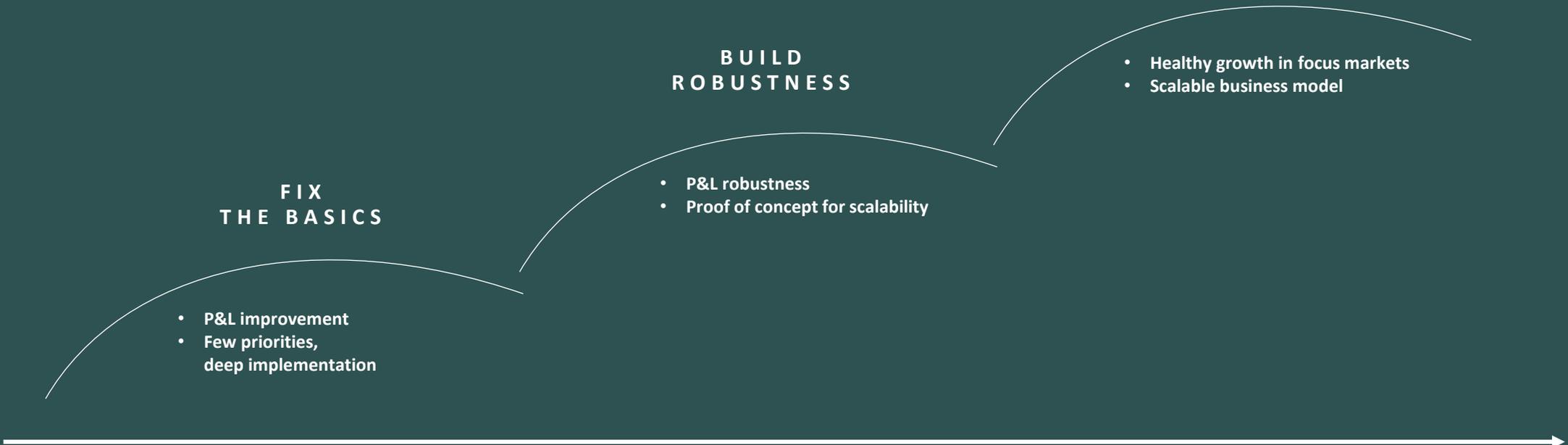
GROW SUSTAINABLY

- 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
- 

AGENDA

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STRATEGY

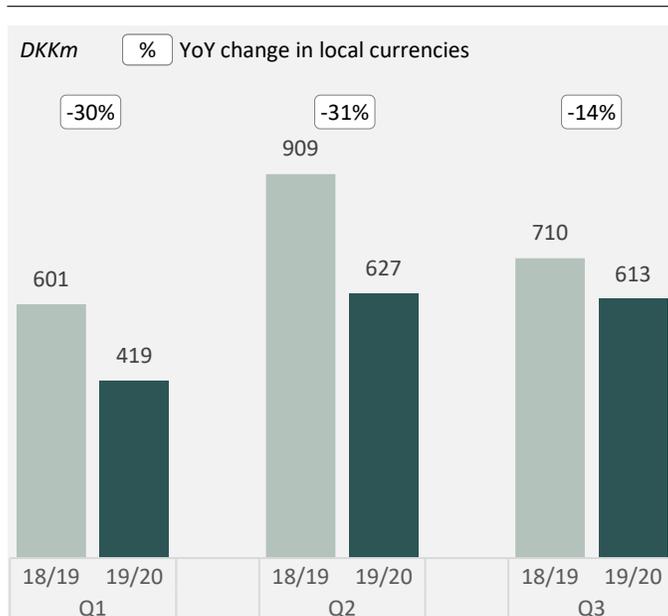
FINANCIALS AND TRANSACTION

Q&A



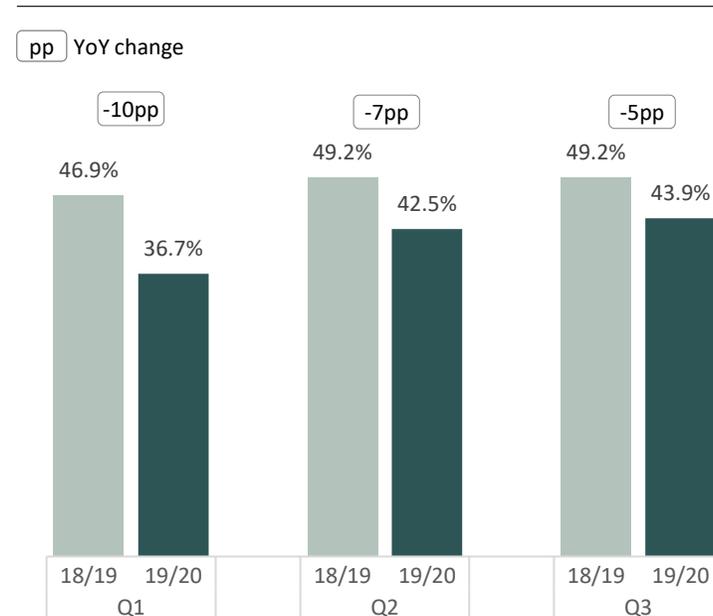
WE HAVE REALISED AN UNDERLYING IMPROVEMENT IN BUSINESS PERFORMANCE PRIOR TO THE COVID-19 OUTBREAK

REVENUE



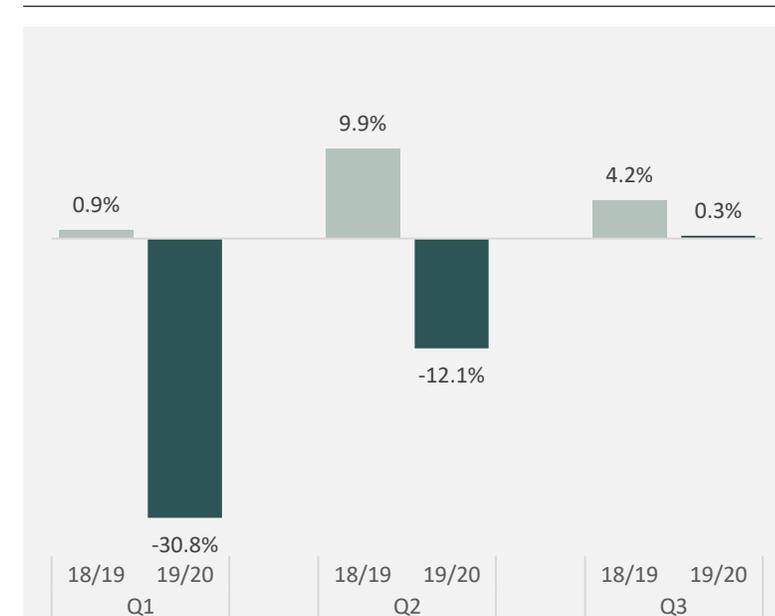
- Change from wholesale sell-in driven model in 2018/19 to retail sell-out driven model in 2019/20
- Revenue in 2019/20 impacted negatively by inventory reduction at retail level especially in Q1 and Q2
- Increased revenue from Brand Partnering activities

GROSS MARGIN



- Year-over-year gross margin has declined due to sales of end-of-life products at lower prices and higher logistics costs
- Quarter over quarter margin improvement in 2019/20

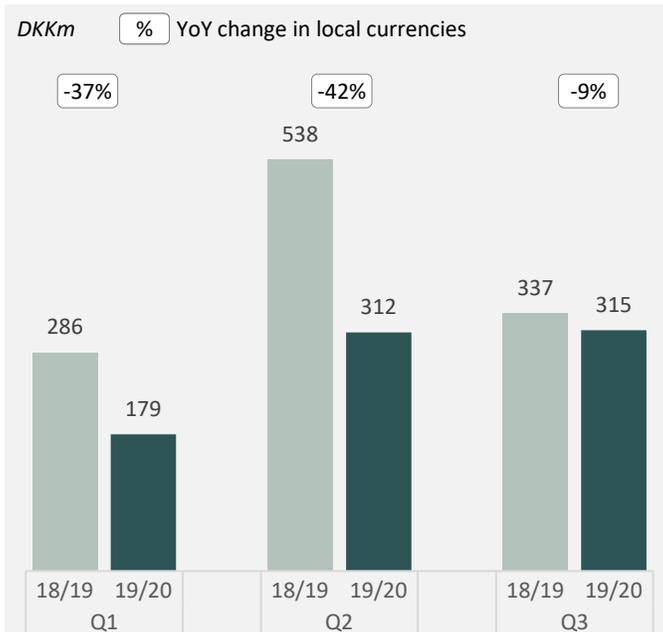
EBIT MARGIN BEFORE SPECIEL ITEMS



- Quarter over quarter improvements due to higher revenue, gross margin improvements and cost control

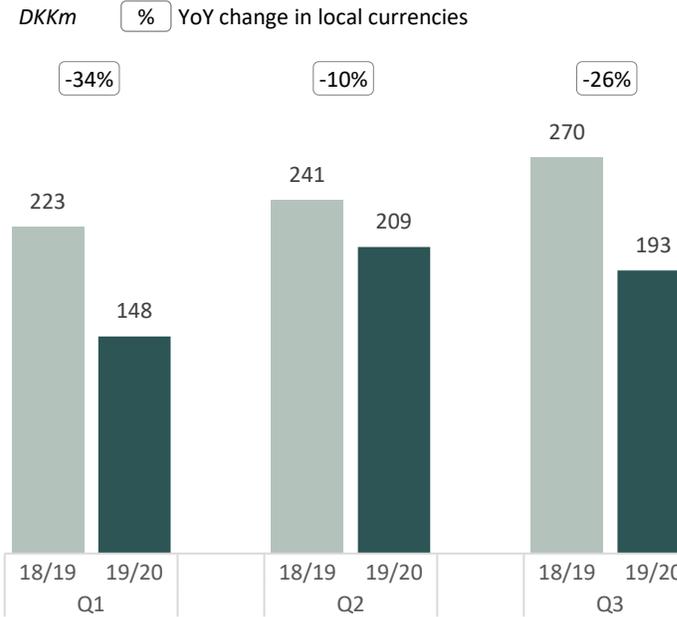
REVENUE IN ALL MARKETS IMPACTED BY DEPLETION OF RETAIL INVENTORY AND CHANGE FROM SELL-IN TO SELL-OUT FOCUS

EMEA



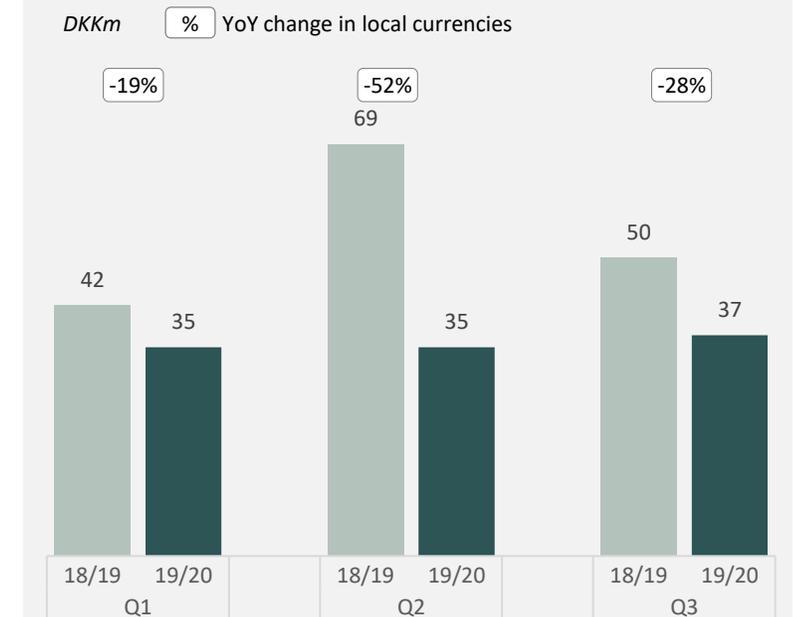
- Q1 and Q2 impacted by efforts to reduce retailer inventory
- Multibrand impacted by sales through unauthorised channels

ASIA



- Negative impact from sales through unauthorised channels
- Decline primarily related to On-the-go category
- Small impact from COVID-19 in Q3

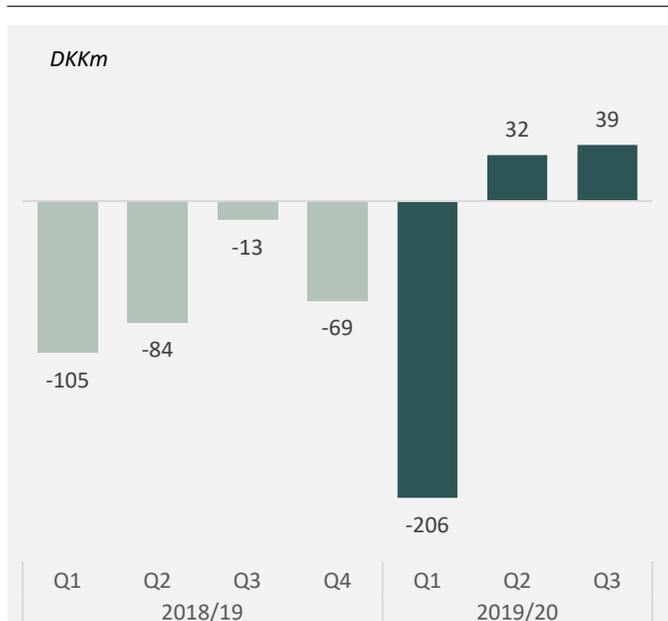
AMERICAS



- Significantly impacted by reduced presence in multibrand stores

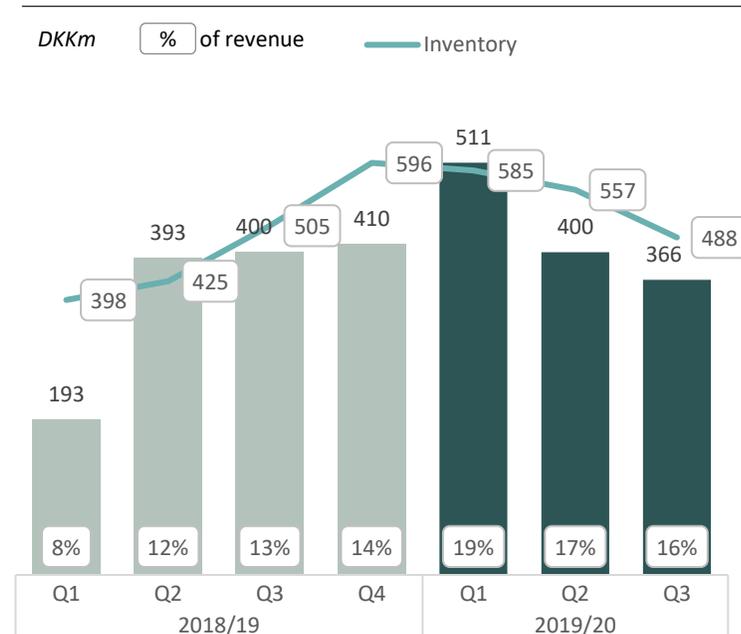
IMPROVED MANAGEMENT OF CASH FLOW AND WORKING CAPITAL IN 2019/20

FREE CASH FLOW*



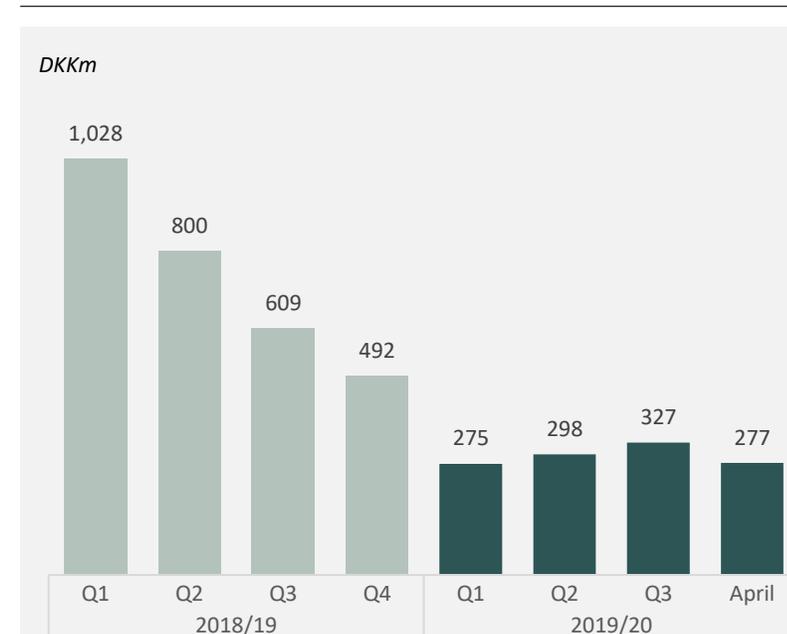
- Q1 especially impacted lower revenue and unhealthy net working capital composition
- Positive free cash flow in Q2 and Q3 2019/20
- Positively impacted by working capital improvements
- Positive EBITDA in Q3 2019/20

NET WORKING CAPITAL



- Improvements in working capital
- Inventory reduced with c. 18% in 2019/20
- Trade receivables reduced by c. 28% in 2019/20 among others related to reduction in extended credit
- Trade payables reduced by c. 31% in 2019/20

CASH POSITION



- Positive development in cash position in Q2 and Q3
- Q4 negatively impacted by COVID-19, April ended at DKK 277m
- Development in cash position in 2018/19 impacted by negative free cash flow as well as share buyback programme ending 25 March 2019 totalling DKK 264m

OUTLOOK FOR 2019/20 FROM 13 MARCH 2020

OUTLOOK

COMMENTS

Revenue growth
Decline by 20-29%

- Estimated revenue for the first 11 months of the financial year declined by 26% in local currencies
- Financial performance in March and April 2020 was significantly impacted by COVID-19 and the lock-down in all key markets
- Based on the preliminary numbers for March and April and projections for May, we expect to be within previously communicated ranges
- However, revenue is expected to be in the low end of the range

EBIT margin BSI¹
Minus 10-15%

- Estimated EBIT margin before special items for the first 11 months of the financial year was estimated to be -15%
- Based on the preliminary numbers for March and April and projections for May, we expect to be within previously communicated range
- The company expects that the actual results for EBIT margin before special items is most likely to be in the low end of the range

Free cash flow
Negative
DKK 200-350m

- Free cash flow is expected to be closer to the middle of the range

PRELIMINARY GUIDANCE FOR 2020/21

PRELIMINARY GUIDANCE

Revenue

Approx. DKK 2.2bn

EBIT BSI¹

Approx. DKK -100m

Free cash flow

Approx. DKK -200m

MAIN ASSUMPTIONS

- COVID-19 increases guidance uncertainty due to lack of transparency and uncertainty around:
 - Duration of the COVID-19 crisis
 - Timing and speed of the re-opening of key markets
 - Impact on the economies globally
 - 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
-
- EBIT impacted positively by lower capacity costs as a result of the cost reduction programme
-
- Free cash flow impacted positively by lower capacity costs as a result of the cost reduction programme
 - Adverse impact from working capital management and use of government relief packages in 19/20 in especially Q1 20/21

UNCERTAIN MARKET OUTLOOK

- In an alternative scenario, management would expect EBIT BSI¹ to breakeven with revenue of DKK 2.4bn
 - In the alternative scenario, the implications of COVID-19 are less severe than reflected in the preliminary guidance
-
- In a more adverse scenario, management would expect revenue of DKK 1.6bn, EBIT BSI* margin of -25% and free cash flow of negative DKK 400m
 - In the adverse scenario, COVID-19 extends further into 2020/21 with 50% of points-of-sale closed in Europe and North America before normalisation towards 30% in Q4
 - China is assumed less impacted with around 30% of points-of-sale closed for the first half of the year before starting to normalise

Please refer to the Prospectus for a full and detailed description of the assumptions for the preliminary guidance for 2020/21

OFFERING STRUCTURE AND TRANSACTION OVERVIEW

Transaction and terms	<ul style="list-style-type: none">• Rights issue of approximately DKK 409 million in gross proceeds• Subscription price of DKK 5 per share with a subscription ratio of 2:1, implying that:<ul style="list-style-type: none">– Existing shareholders in the Company receive two subscription rights for each share held as of the record date– One subscription right entitles the holder to subscribe for one new share in the rights issue
Subscription commitments	<ul style="list-style-type: none">• The full issue has been secured by existing shareholders and external guarantors, which subscription undertakings and guarantees are subject to certain terms and conditions• The issue has been secured by existing shareholders and other institutional and qualified investors• The executive management and board of directors support the transaction with a total commitment of DKK 13 million
Key dates	<ul style="list-style-type: none">• Record day: 10th of June 2020• Rights trading period: 9th-22nd of June 2020• Subscription period: 11th-24th of June 2020• Announcement of outcome 26th of June 2020
Use of proceeds	<ul style="list-style-type: none">• Overall purpose is to strengthen the Company's capital resources and to support the implementation of the Company's key strategic priorities• Proceeds are expected to be applied for general corporate purposes, including to serve as financial buffer during the Company's transformation• Further, the proceeds are intended to serve as additional financial cushion for any adverse financial impact from COVID-19
Other	<ul style="list-style-type: none">• Upon completion of the offering Bang & Olufsen is subject to a 360 days lock-up agreement• The management and board of directors have undertaken a 180 days lock-up agreement• The offering is a public offering in Denmark to existing shareholders and Qualified Investors under regulation S. In the United States offering to QIBs as defined by Rule 144A. Please see the prospectus for further details• Carnegie Investment Bank and Nordea are Joint Global Coordinators and Bookrunners

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QUESTIONS AND ANSWERS