October 2023

Q1 2023/2024

# Webcast presentation

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# Agenda

- # Key Highlights and Strategy Update
- # Financial Performance in Q1
- # Outlook
- # Q&A


# Key Highlights and Strategy Update

# Margins significantly improved, generating a profitable revenue growth of 5% in local currencies

| | Q1 2023/24 |
|---|---|
| Revenue | DKK 619m<br>5% growth in local currencies |
| Gross margin | 52.6%<br>(up from 36.6%) |
| EBIT margin bsi* | 2.6%<br>(up from -14.1%) |
| Free cash flow | DKK -61m<br>(up from DKK -81m) |

>

- Revenue grew 1.2% (5% in local currencies), driven by strong EMEA growth of 28% (LC). Americas grew 13% (LC) while APAC declined 16% (LC).
- Brand Partnering & other activities declined by 13% (LC), driven by high comparables due to Cisco headset launch last year. License income from automotive industry had a solid growth.
- Gross margin of 52.6%, up 16.0pp, driven by normalisation of component and logistics cost, improved margins across product categories, supported by price increases since last year, and change in product mix towards higher margin products.
- EBIT before special items was DKK 16m (Q1 22/23: DKK -85m), corresponding to an EBIT margin of 2.6% (Q1 22/23: -14.1%) mainly driven by an improved gross margin.
- Free cash flow up by DKK 20m to negative DKK -61m, driven by an improved operating profit offset by a higher net working capital since Q4 22/23.

* Before special items

# Sell-out showed robust customer demand in most markets

8%

Sell-out growth

**Regions**

- **EMEA:** Company-owned stores grew, online channels grew. Monobrand and multibrand declined.
- **Americas:** Growth driven by company-owned stores and eTail.
- **APAC:** Growth driven by monobrand in China, online channels and multibrand coming from very low comparables last year.

**Product categories**

The strong growth in Flexible Living was across regions, whereas growth in On-the go was in APAC. The decline in the Staged category was driven by EMEA and APAC. Sell-out was on par in Americas.

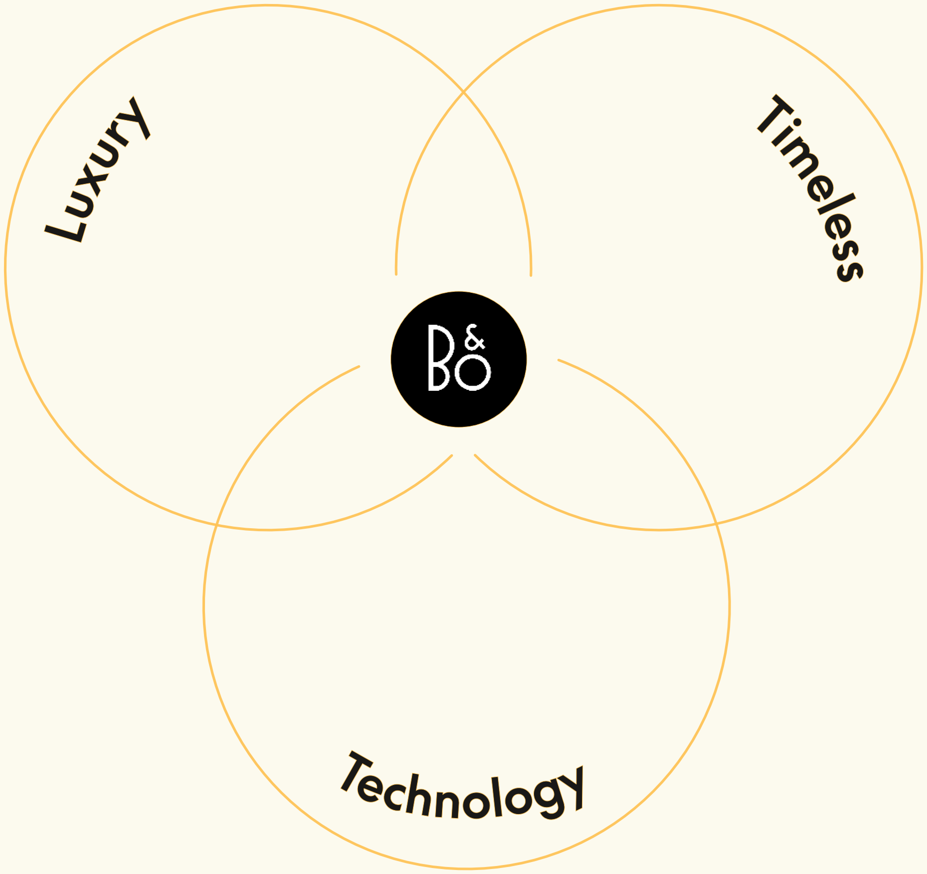
| Regions | | Product Categories | |
|---|---|---|---|
| -3% | EMEA | -4% | Staged |
| 5% | Americas | 38% | Flexible Living |
| 29% | APAC | 7% | On-the-go |

# Our strategic direction

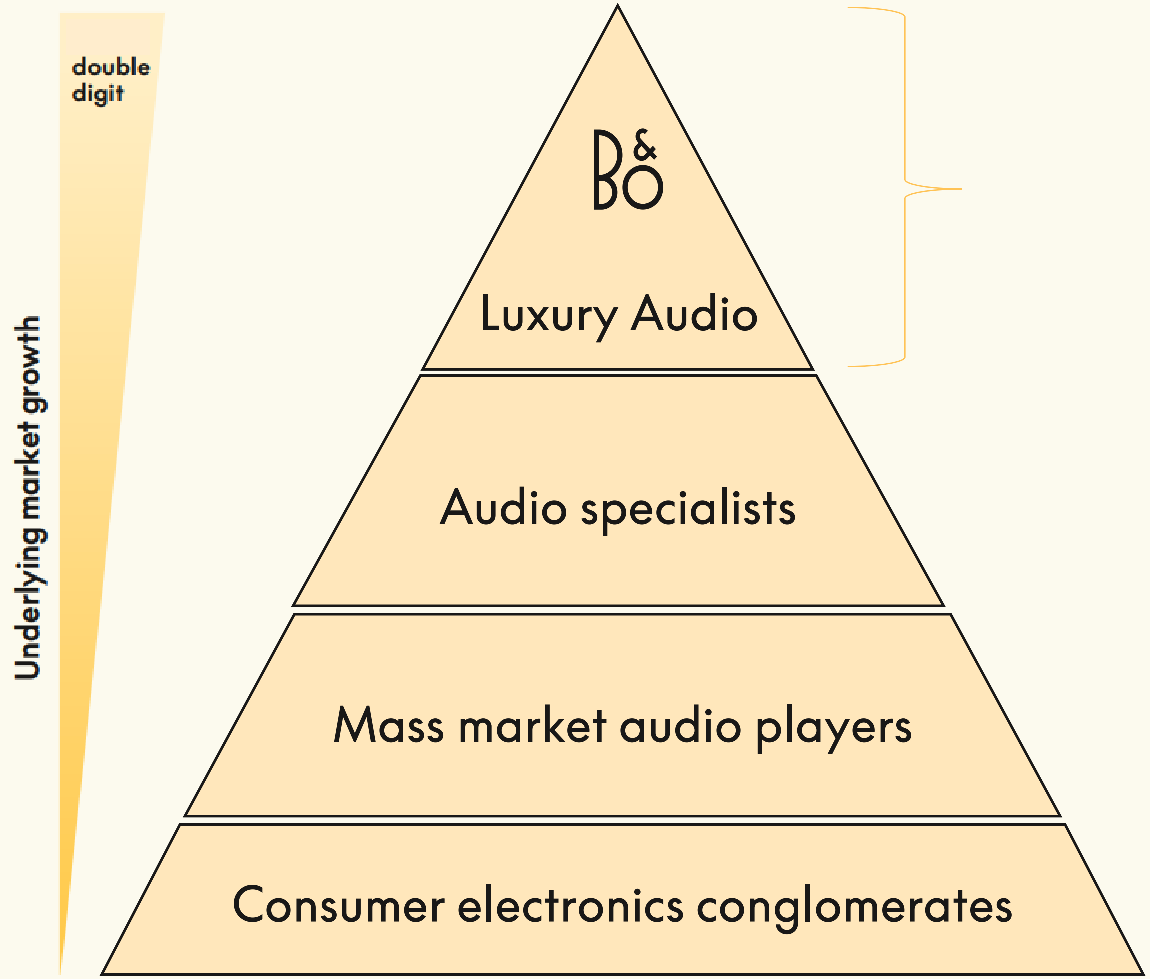
**Luxury**
Brand Love. Iconic, Heritage & Tradition.
Customisation & Bespoke. Consistent Experience.
Scarcity & Exclusivity. Pricing Power.

**Timeless**
Product icons & Classics. Beautiful timeless design.
Modularity. Upgradability & Serviceability.
Long Term Investments, Resale Value.

**Technology**
Proprietary software platforms.
Connectivity. Seamless ecosystem.
Acoustics & Next Generation Audio.



# B&O is the unparallel leader in luxury audio & TV




We want to expand this blue ocean and capture the market opportunity by executing on our Luxury Timeless Technology proposition

Expansion underpinned by structural drivers



Source, BCG analysis 2023

# We want to leverage this differentiated and unparalleled position in a growing luxury audio market

B&O Market at 2022 retail value, current market share ~4%

Total Global Audio & TV market
**EUR 192 bn**

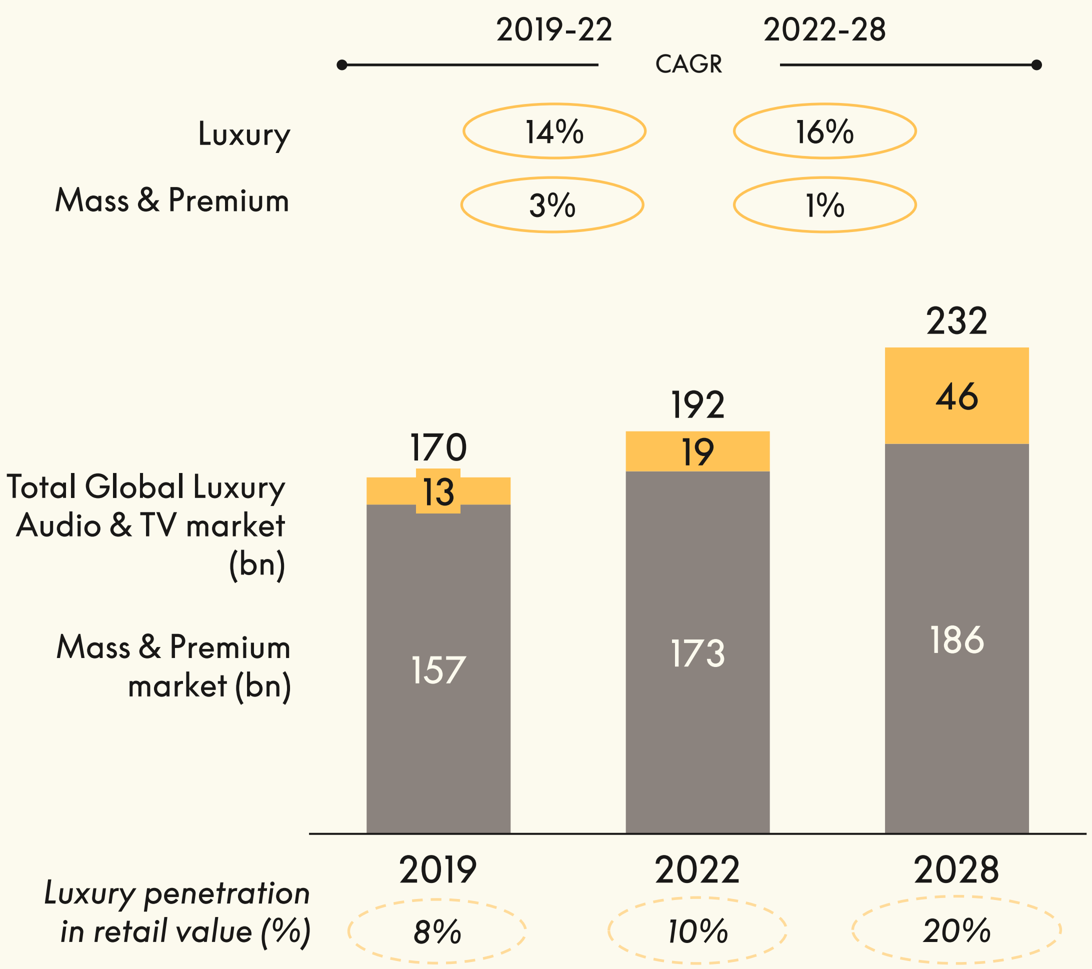
Total Global Luxury market
**EUR 900 bn**

**Total Global Luxury Audio & TV market**

**EUR 19 bn**

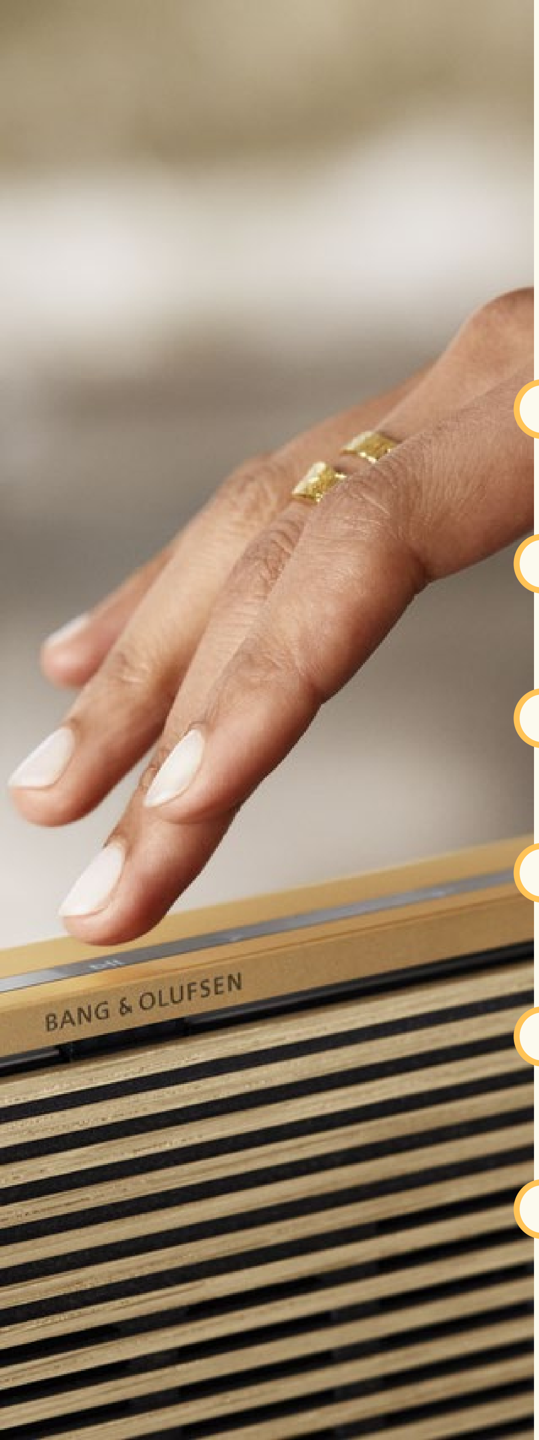
Total Global Luxury Audio market
**EUR 7bn**

Total Global Luxury TV market
**EUR 12bn**





Source, BCG analysis 2023




# Future industry trends serve as favourable conditions

| | |
|---|---|
| **Positive overall Luxury Market Dynamics** | **Solid growth in overall luxury market** both in personal and experiential luxury at **+10% CAGR** in '22-'28 mainly led by **Gen Z and Millenials** |
| **Growing share of high-net-worth-individuals** | **Number of high-net worth individuals** projected to grow at **10%** per annum, and wealth of high-net worth individuals projected to grow |
| **Demand for customisation and bespoke** | Increased preference for **unique and personalised designs** in home decorations including **audio and TV** solutions |
| **Shift from functional to enriching audio & TV preference** | Audio and TV solutions shifting from purely **functional to design and "furnishing" pieces** that enrich living spaces and enhance way of living |
| **Increasing focus on sustainability** | Customers are demanding and gradually transitioning to audio and TV with more **sustainable life cycle, utilising renewable raw materials and embracing second-hand products** |
| **Interest in product technological advancements** | **Growing interest in digital advancements related to audio and TV solutions** including features such as high resolution and spatial audio as well as wireless connectivity |

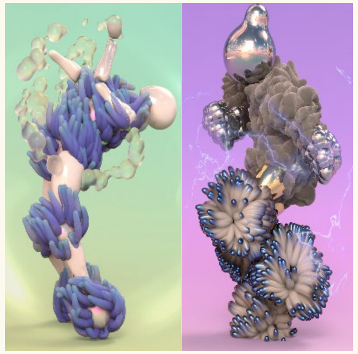
Source, BCG analysis 2023

# Our five strategic shifts – highlights from the quarter

## #1

### Culturally relevant luxury love brand

- “See Yourself in Sound” campaign.
- Added more customers and increased product ownership.



## #2

### Seamlessly connected product portfolio bridging our past, present and future

- MS Teams of Beoplay EX.
- Announcement of Beosound Bollard and Beolab 8.

## #3

### Magical moments in key touch points

- Further improvement of our channel network for more luxurious and consistent customer experience.

## #4

### Winning in key cities

- Continued execution in London and Paris.
- Ramping up New York.

## #5

### Exploring and commercialising new and existing business adjacencies

- Ferrari product collaboration.
- Expansion of automotive business.

# Financial Performance in Q1

# Market update China

- Slow economic recovery in China, despite positive indicators were seen in the spring.

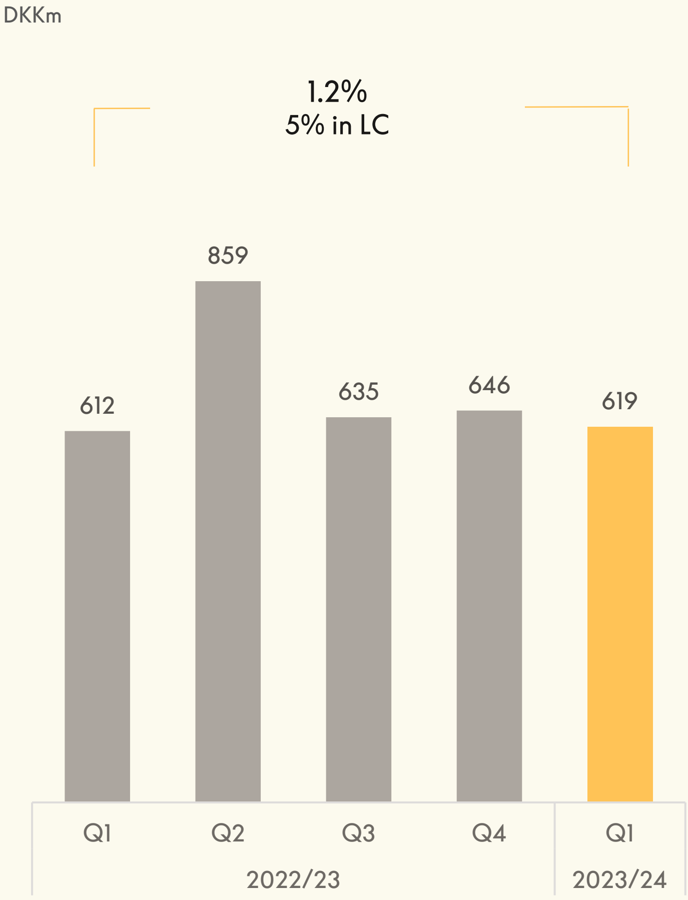
- Lower economic growth is expected.

- We are not expecting improvement in consumer spending before second half of the fiscal year.

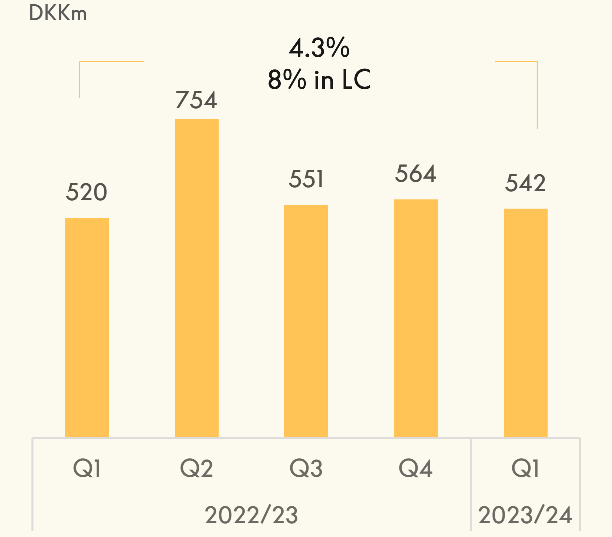
- Generally, we see fragmentation in the market where monobrand customers are showing less sensitivity towards economic downturn than customers in the online channels and multibrand.

# Revenue growth of 5% in local currencies despite macroeconomic challenges

## Group revenue



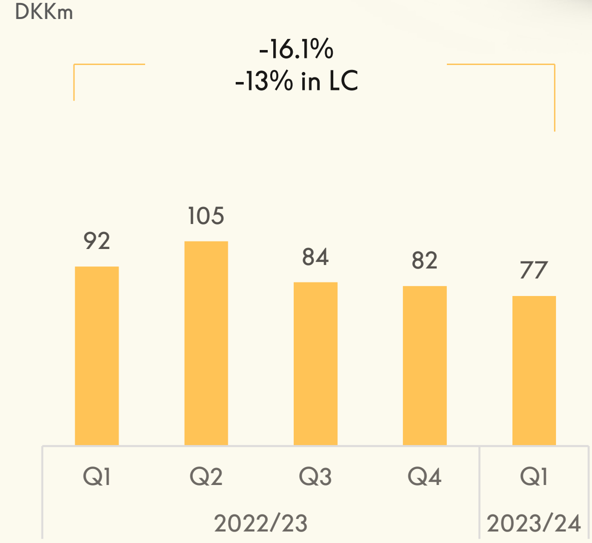

## Regional product revenue




Regional product sales grew 4.3%.

- In local currencies, revenue grew 8%.
- Strong growth in EMEA in most channels.
- Growth in Americas driven by Coco and CI channel.
- Decline in APAC, slow economic recovery in China.

## Brand partnering & other activities

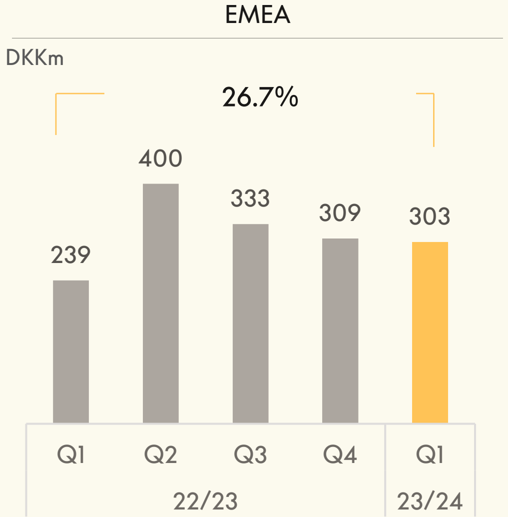


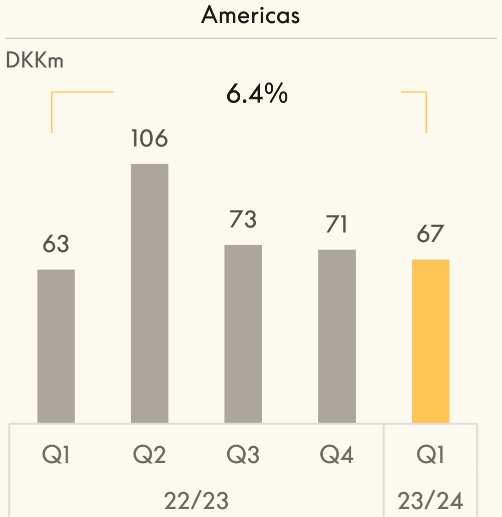

Brand Partnering & other activities Declined 16.1%.

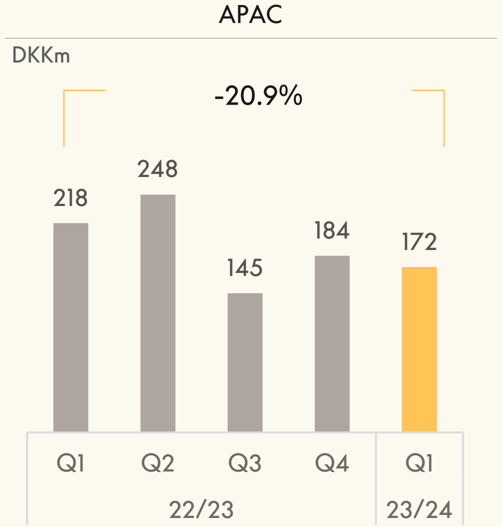
- In local currencies, revenue declined 13%.
- High comparable in product related revenue as Q4 last year had launch order for Cisco.
- Solid growth in revenue from the automotive industry.

# Growth in regional product sales driven by EMEA and the Staged category

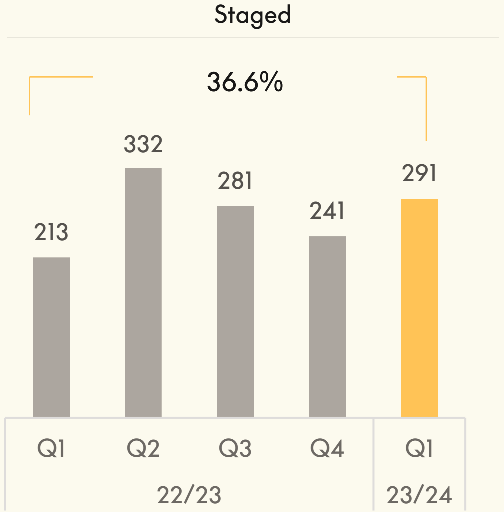
Regions

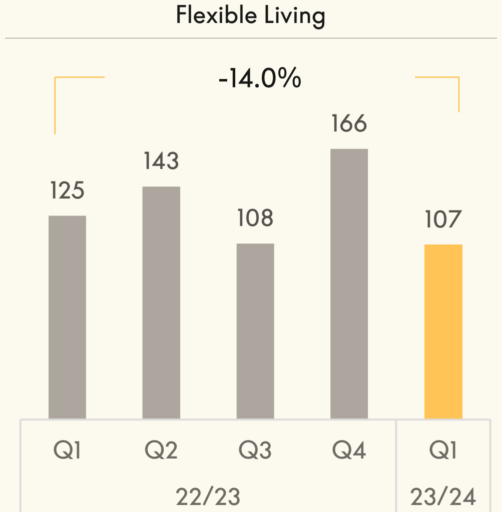


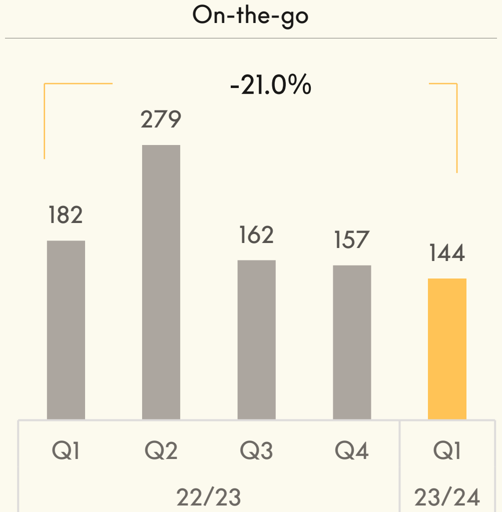




Product categories




**EMEA:** Up 28% in local currencies

- Double digit revenue growth across channels except for multibrand.
- Monobrand grew revenue 36%.
- Staged and Flexible Living increased, On-the-go declined.

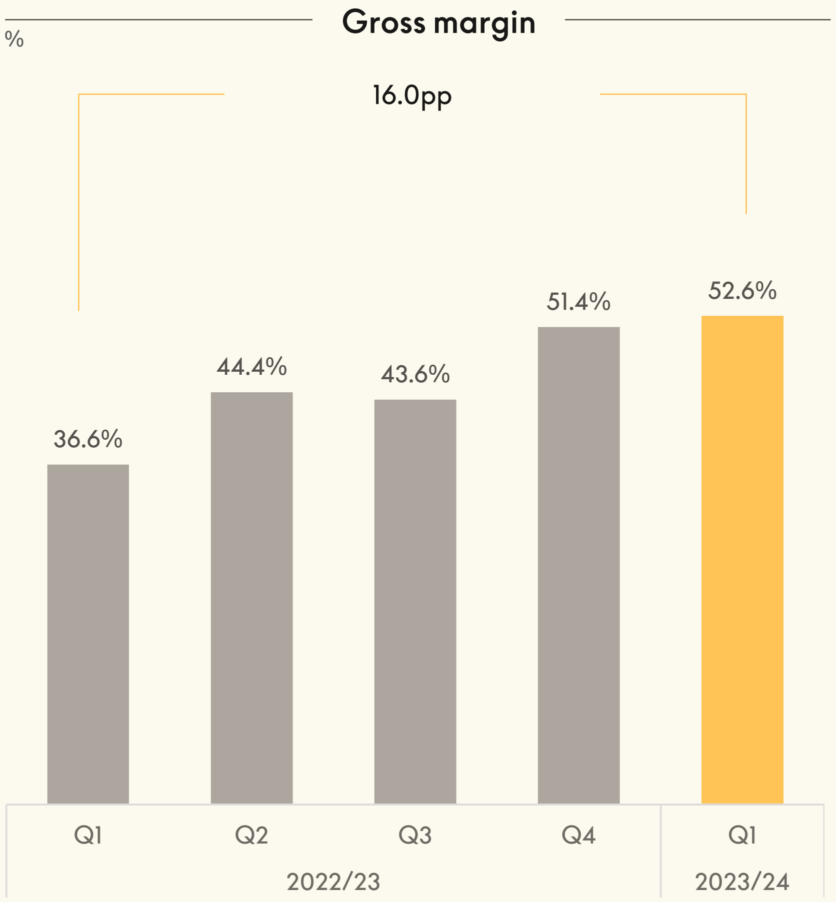
**Americas:** Up 13% in local currencies

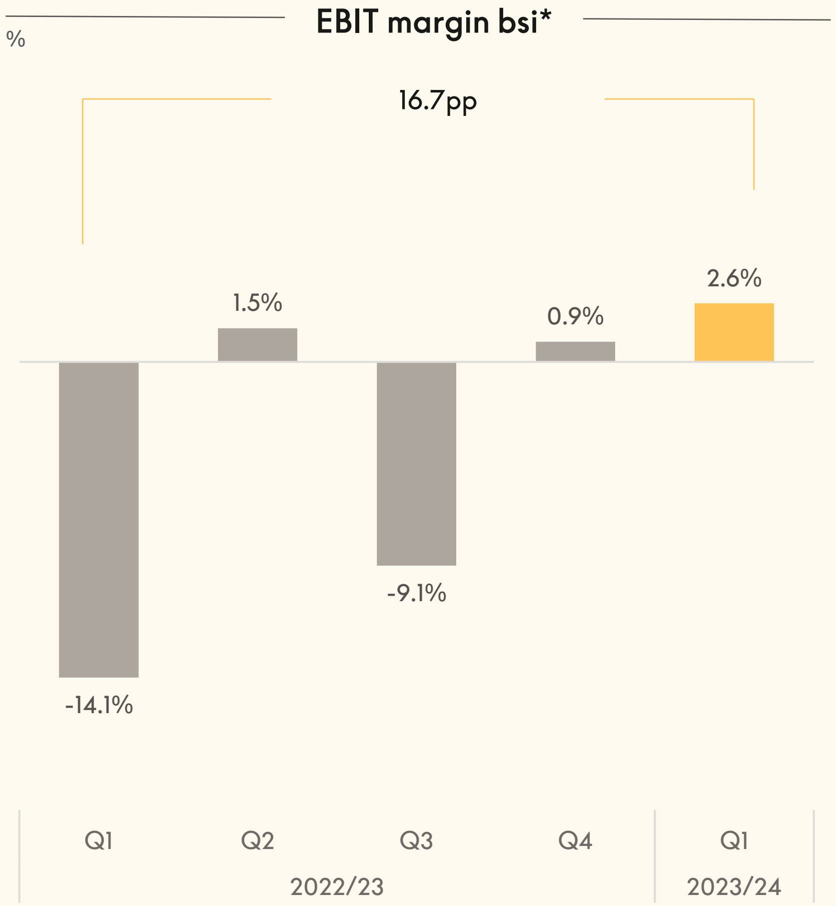
- The growth was across channels except monobrand.
- Growth in multibrand despite strategic optimisation in the channel.
- Staged and Flexible Living increased, On-the-go declined.

**APAC:** Down 16% in local currencies

- Development impacted by slow recovery in China and regional lockdowns last year.
- Some retail partners in China built up inventory last year. 29% Sell-out growth in Q1.
- Staged grew, while Flexible Living and On-the-go declined.

# Margins significantly improved mainly due to normalisation of component and logistics costs



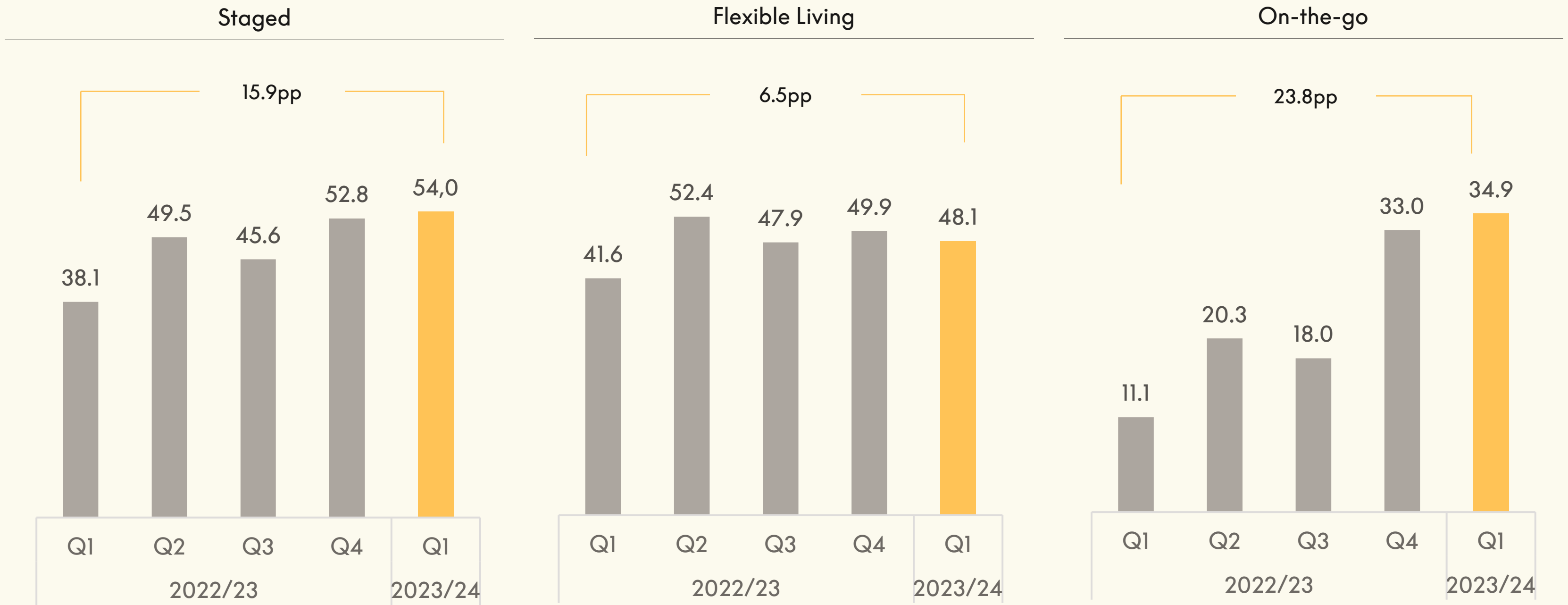




*Before special items

# Improved gross margin across product categories

## Gross margin, product categories

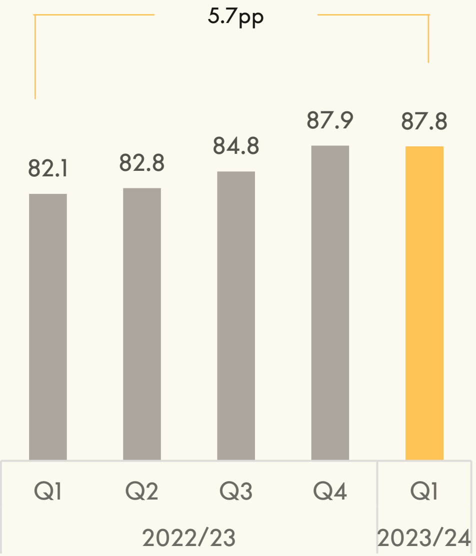
%




- Normalisation of component and logistic cost lifted the gross margin level from Q4 22/23 onwards.
- Improvement in gross margin across categories, supported by price increases.
- On-the-go last year affected by of on-off EOL deal to a US partner.
- Internal cost allocation updated, resulting in an updated split between aluminium production and product business. Product segments positively affected by approx. 1 pp depending on the mix and seasonality. Comparable figures have been updated.

## Brand Partnering and Other

%

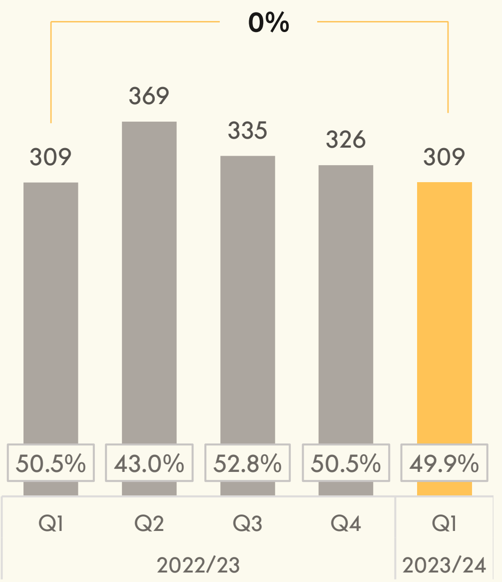



- Gross margin up by 5.7pp driven by lower share of product-related income.
- Ramp-up of Cisco headset last year.
- Solid growth from automotive industry.
- Higher cost allocation to aluminium products. Impact approx. 5 pp. Comparable figures have been updated.

# Capacity costs on par with Q1 of last year

## Capacity costs

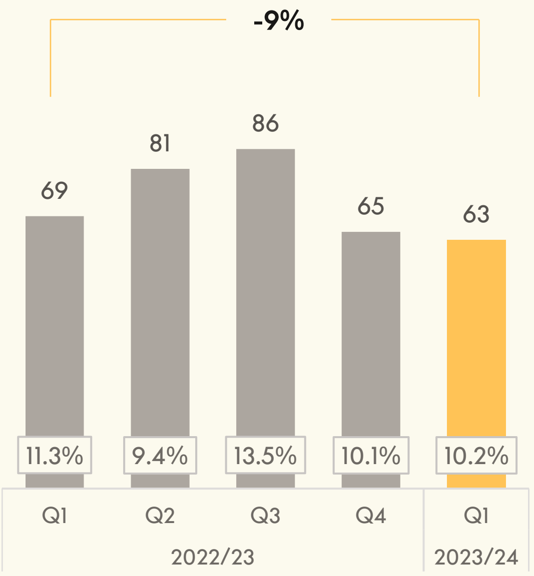
DKKm




- Final adjustment of COVID-19 related compensation package of DKK 12m reduced the capacity costs for the quarter.

## Development costs

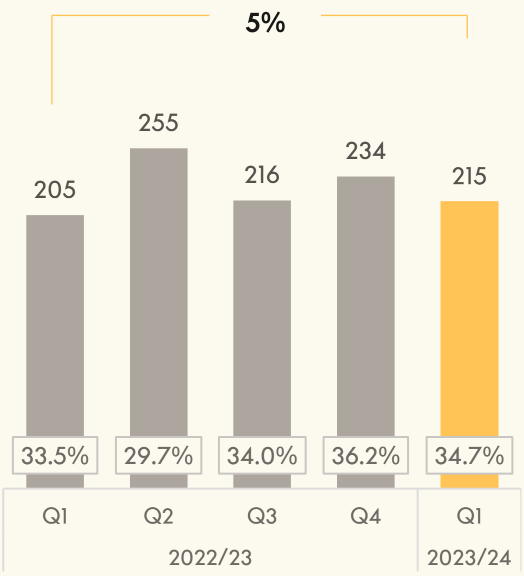
DKKm




- Development costs declined 9% to DKK 62m driven by lower incurred costs due to COVID-19 related compensation packages offset by a lower capitalisation compared to last year.

## Distribution & marketing costs

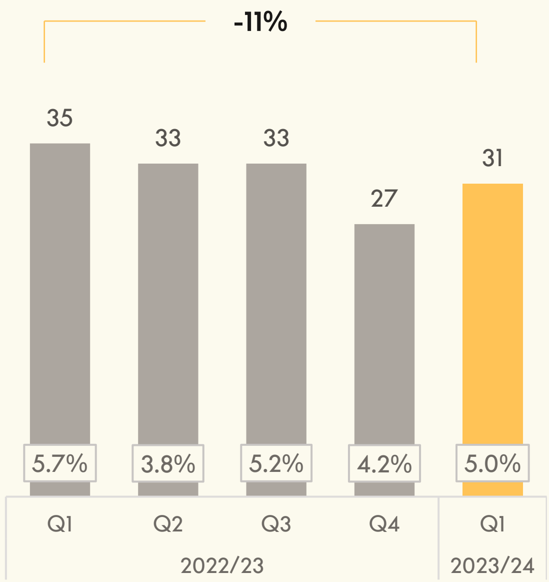
DKKm




- Distribution & marketing costs up 5%.
- More sales and marketing activities. Full-year effect of the resources added since Q1 of last year.
- Marketing cost to revenue ratio of 11.6% (9.8%), driven by higher marketing costs in all three regions.

## Administrative costs

DKKm



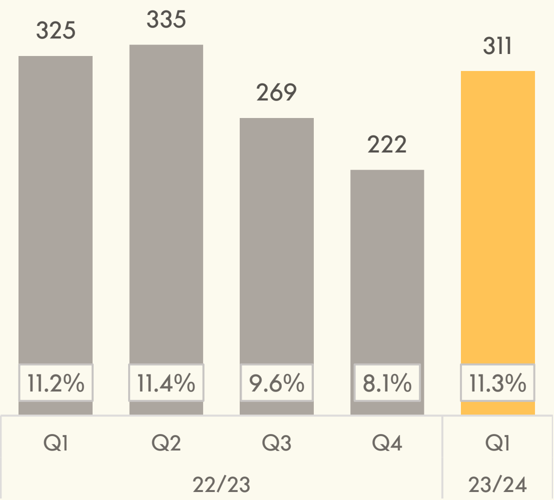

- Administrative costs were DKK 31m, down 11% compared to last year, leading to a cost ratio of 5.0%.
- Driven by COVID-19 related relief packages and general cost savings.

Costs relative to revenue

# Focus on working capital - Inventory reduced since Q1 22/23

## Net working capital

DKKm

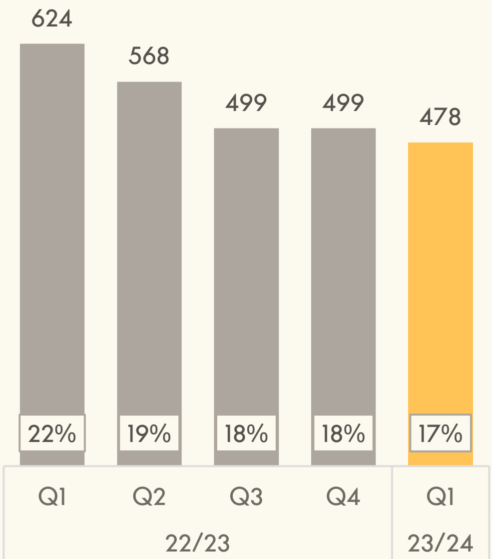



Net working capital increased to DKK 311m

- NWC ratio was 11.3% and on par with last year.
- Lower inventory level and trade receivables offset by lower level of trade payables.
- Other liabilities increased by DKK 25m to DKK 168m during the quarter, primarily related to employee related liabilities.

## Inventory

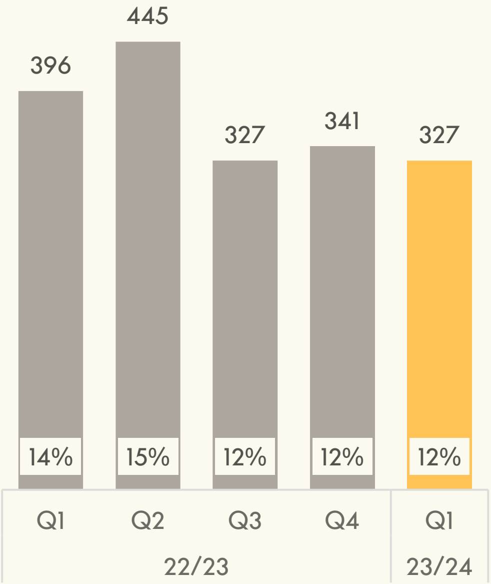
DKKm




- Reduced by DKK 21m during the quarter, mainly related to Stage products.
- Reduced by DKK 146m since last year. Continued focus on inventory management.

## Trade receivables

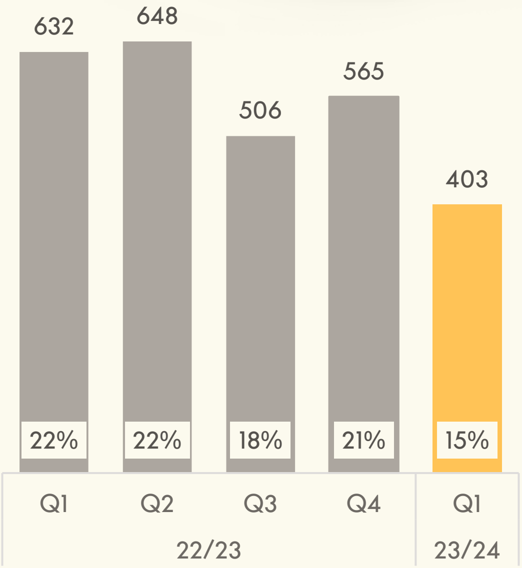
DKKm




- Receivables decreased by DKK 14m to DKK 327m.
- Result of collection efforts and lower revenue compared to Q4 last year.
- Sales with extended credit was 1% of revenue compared to 6% in Q1 of last year.

## Trade payables

DKKm

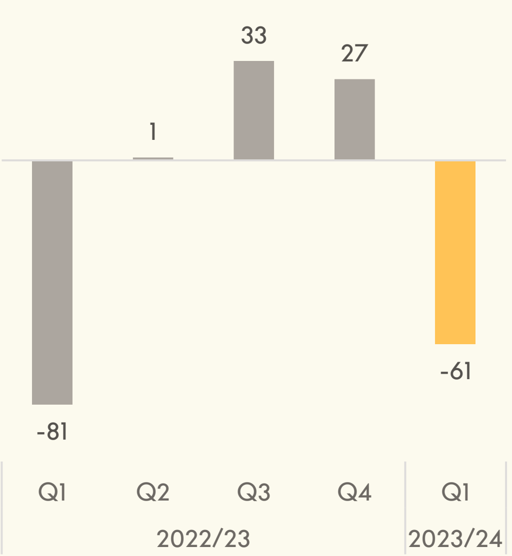



- Payables decreased DKK 162m to DKK 403m.
- Driven by lower production activities in the quarter and inventory management.

% of LTM revenue

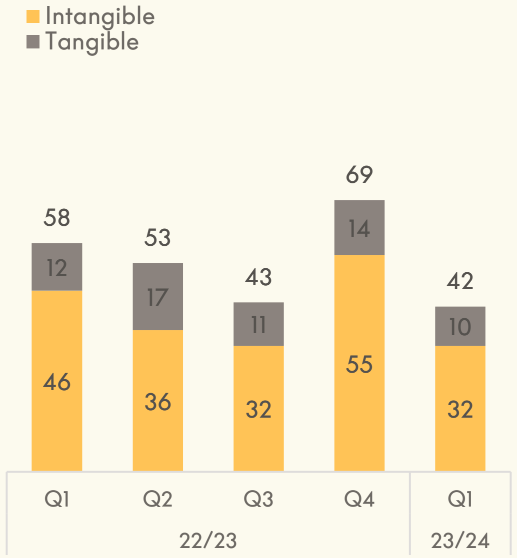
# Free cash flow improved DKK 20m year-on-year

## Free cash Flow
DKKm



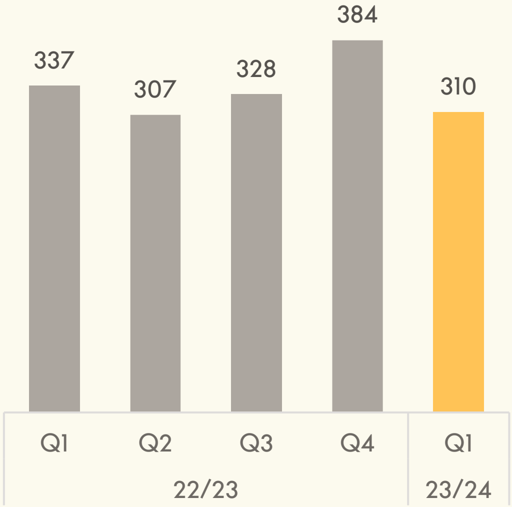

- Q1 free cash flow negative DKK 61m, up DKK 20m against last year.
- Reflecting seasonality.
- Improved EBITDA was offset by an expected higher net working capital compared to Q4 22/23.

## CAPEX
DKKm




- Reduced DKK 16m 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 310m.
- Available liquidity was DKK 150m, down DKK 57m, consisting of cash and securities offset by repo transactions.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Outlook

# Outlook 2023/24 maintained, subject to uncertainty

| | Outlook FY 2023/24 | Q1 2023/24 |
|---|---|---|
| Revenue growth in local currencies | 0% to 9% | 5% |
| EBIT margin bsi* | 0% to 6% | 2.6% |
| Free cash flow | DKK -50m to 100m | DKK -61m |

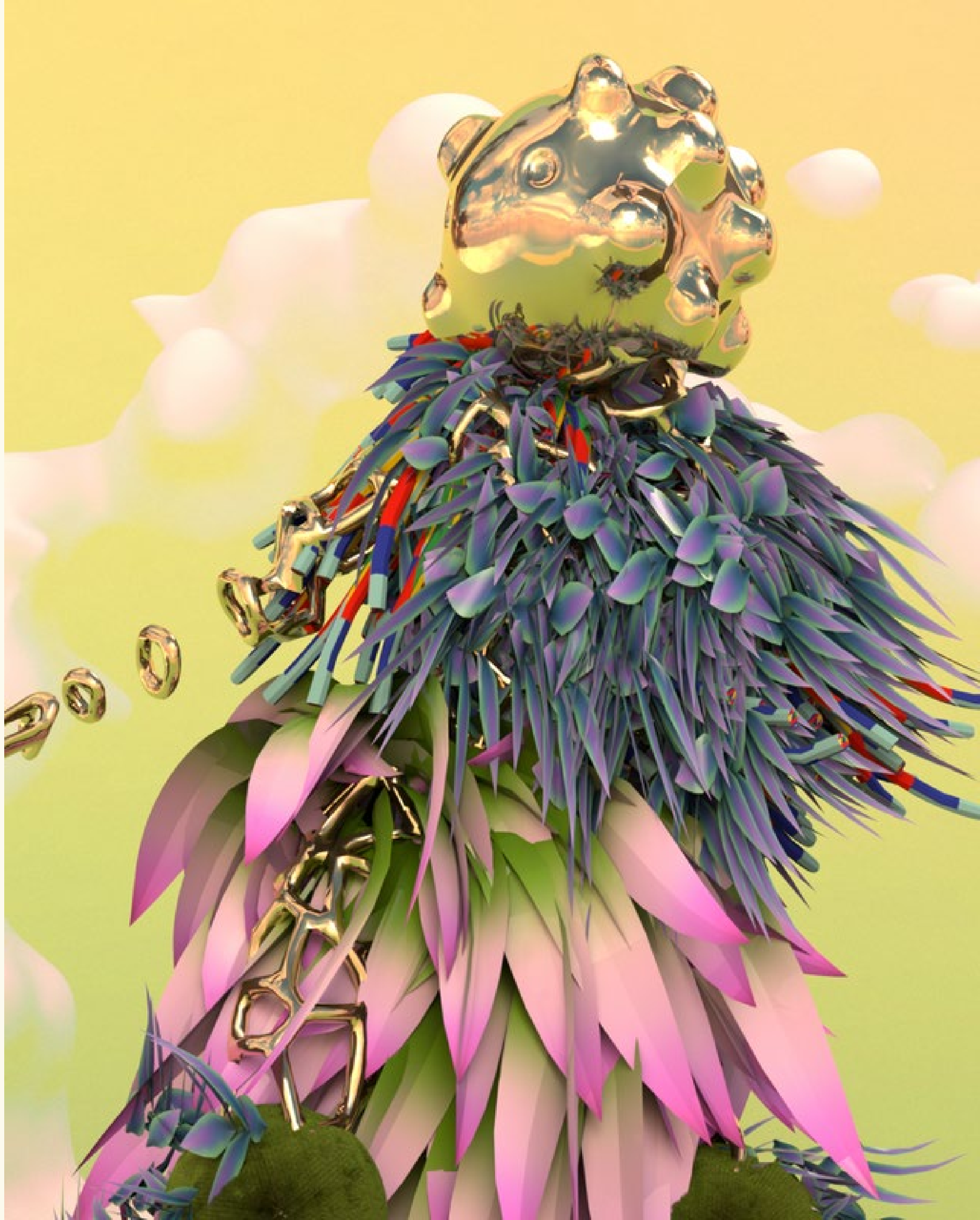
## Main assumptions

- Improved market conditions in China in H2 23/24.
- Macroeconomic conditions in Europe and US will improve during the fiscal year.
- Launch of six or more product innovations (including the launch of MS Teams for Beoplay EX, Beosound Bollard and Beolab 8.
- No impact on product availability due to geopolitical changes or COVID-19 related lockdowns.
- No major COVID-19 related lockdowns.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.
- No pressure on sourcing components through spot buys.
- Improved inventories.

* Before special items

# Summary

- Despite market challenges, robust sell-out in most markets and revenue growth of 5% in local currencies.
- 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.
- We have a clear direction for the future.
  - We continued to strengthen our luxury timeless technology proposition.
  - Research confirms we have an attractive market opportunity, underpinned by structural drivers, and we are uniquely positioned to capture it.
  - Win City expanded to three cities. New York had a good start.
- Outlook maintained. Subject to uncertainty, as challenges still persist.



# Q&A

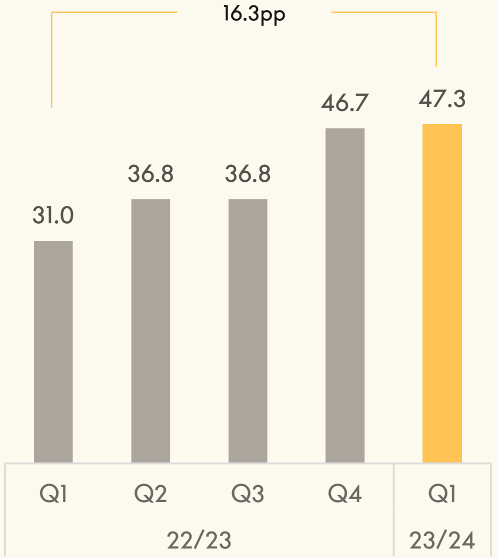
# APPENDIX

# Improved gross margin across regions

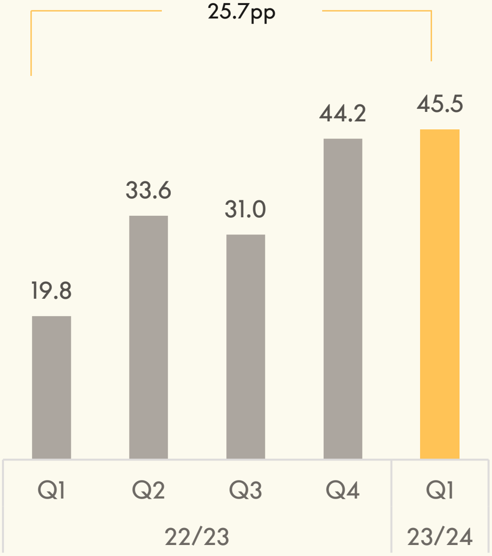
## Gross margin, regions

%

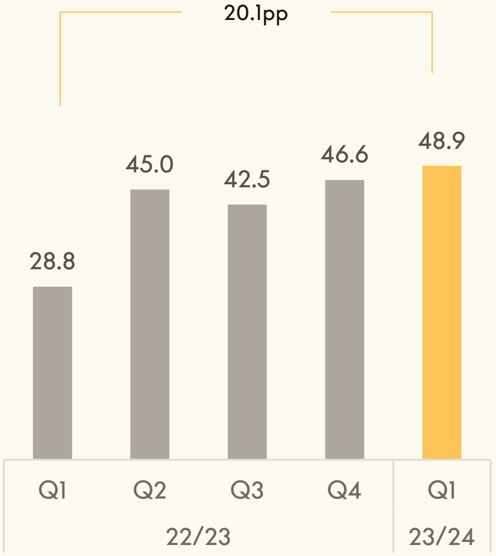
EMEA




Americas

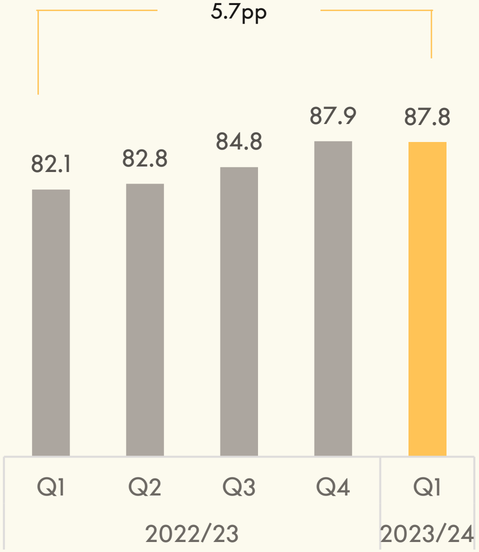



APAC




## Brand Partnering and other

%

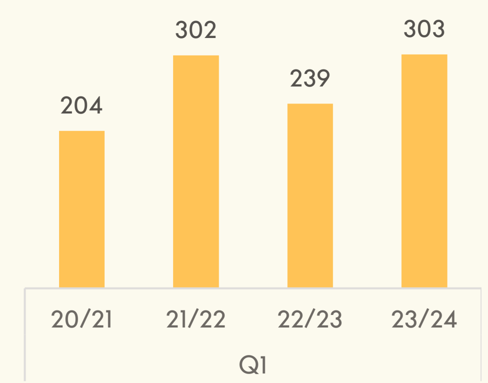


# Q1 development since 20/21

Regions

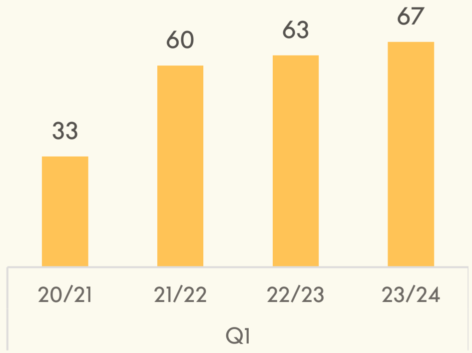
EMEA

DKKm



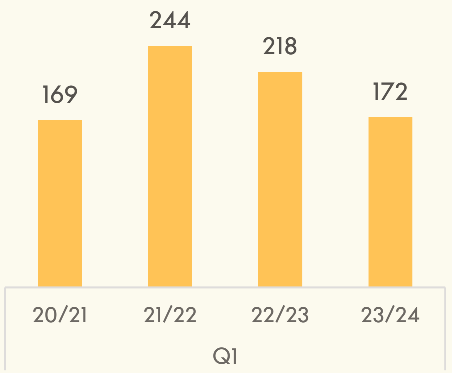

Americas

DKKm



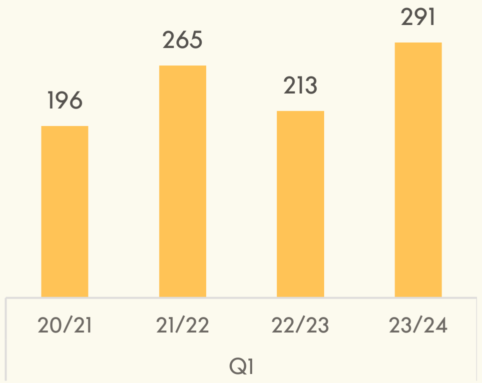

APAC

DKKm

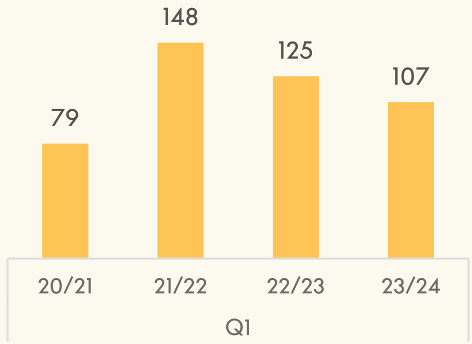



Product categories

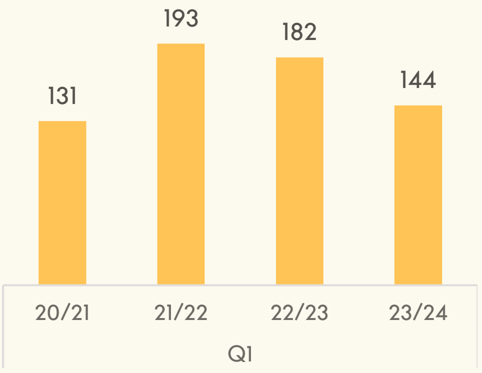
Staged




Flexible Living




On-the-go



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