

July 2022

BANG & OLUFSEN

FULL YEAR AND Q4 2021/22

Webcast presentation



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Agenda

- # Key Highlights and Strategy Update
- # Financial Performance in Q4
- # Outlook
- # Q&A

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Key Highlights and Strategy Update



Double-digit growth and improved profitability despite continued supply chain challenges

- Revenue increased 12% (10% in local currencies)
- Product sales grew by 10% in local currencies
- Brand Partnering & other activities grew 10% in local currencies, driven by new partnerships
- Product sales up 10% in local currencies, across all regions and product categories.
- Like-for-like sell-out grew by 13%, across regions and product categories, but was adversely impacted by COVID-19 lockdowns in Q4
- Customer base grew 31%, with 37% growth in customers with two or more products
- Improved EBIT margin, despite absorbing DKK 220m in extra supply chain costs
- Free cash flow negatively impacted by lockdowns
- Lower visibility on next year's financial performance due to the unusually high uncertainty

	FY 2021/22	Q4 2021/22	Outlook FY 2022/23
Revenue	DKK 2,948m 10% growth in local currencies	DKK 698m -12% growth in local currencies	-4% to 5% growth in LC**
EBIT margin bsi*	1.8% (EBIT bsi* DKK 46m)	1.7% (EBIT bsi* DKK 11m)	-2% to 3%
Free cash flow	DKK -172m	DKK -190m	DKK -50m to 100m



* Before special items ** local currencies

Solid sell-out growth across regions and product categories

13%
Sell-out growth

- **EMEA:** Sell-out driven by most channels and all three product categories, with the biggest increases in the Staged and On-the-go categories
- **Americas:** Improvement especially driven by monobrand, etail and eCommerce
- **Asia:** Sell-out growth driven by all three product categories and across all channels. However, sell-out was adversely impacted by extended COVID-19 related lockdowns in China in the last months of the year



Product Categories

Regions

14%
Staged

14%
EMEA

14%
Flexible Living

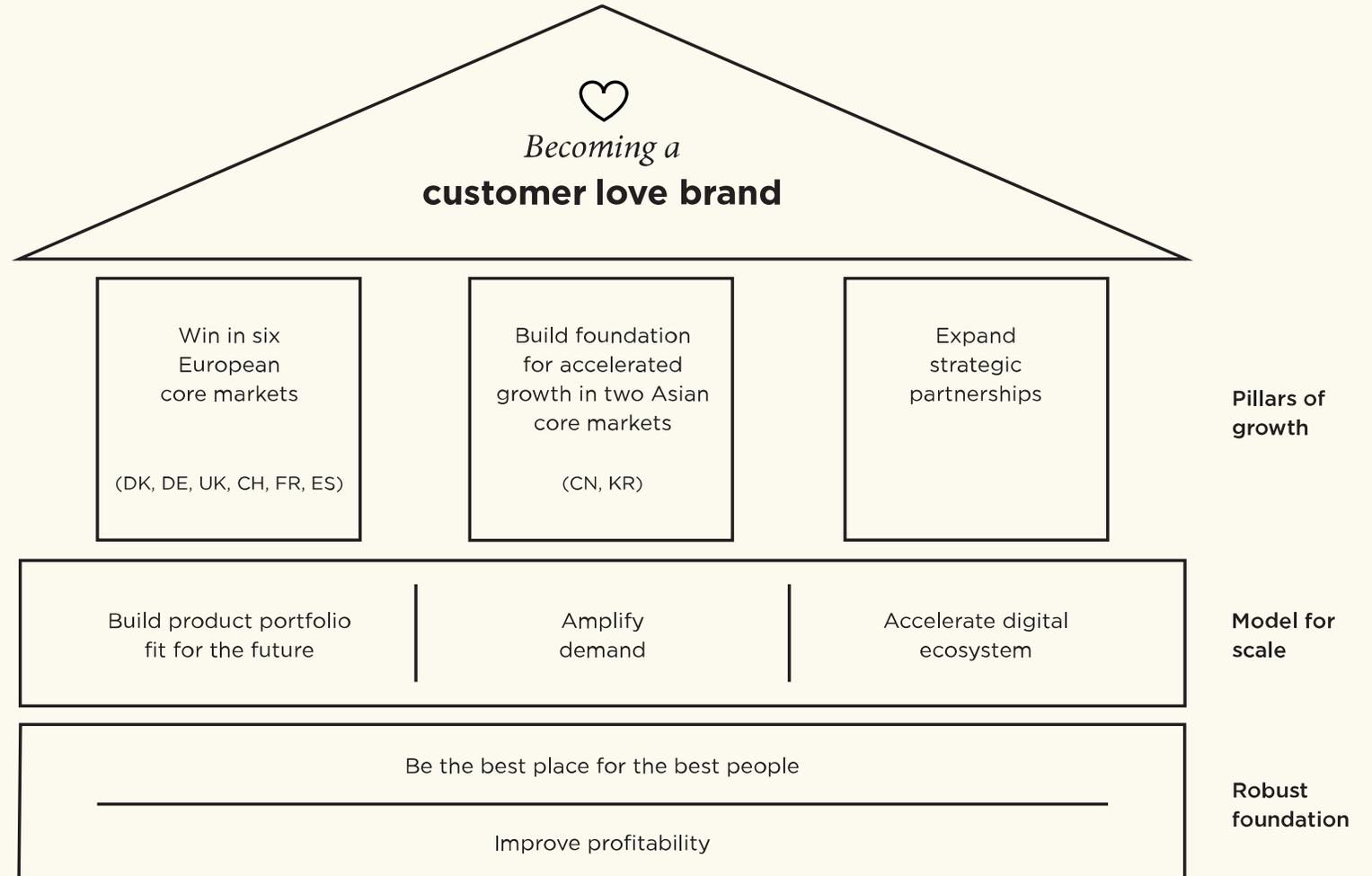
28%
Americas

9%
On-the-go

8%
Asia

The second phase of transformation

— A year of building robustness



Robust foundation

Improving our profitability and building an attractive workplace

220_m

Supply chain cost absorption



Increasing employee engagement

1.8%

EBIT margin bsi

+100

New people onboarded to ramp-up capabilities
in strategically important areas

Model for scale

Further strengthening of the product portfolio

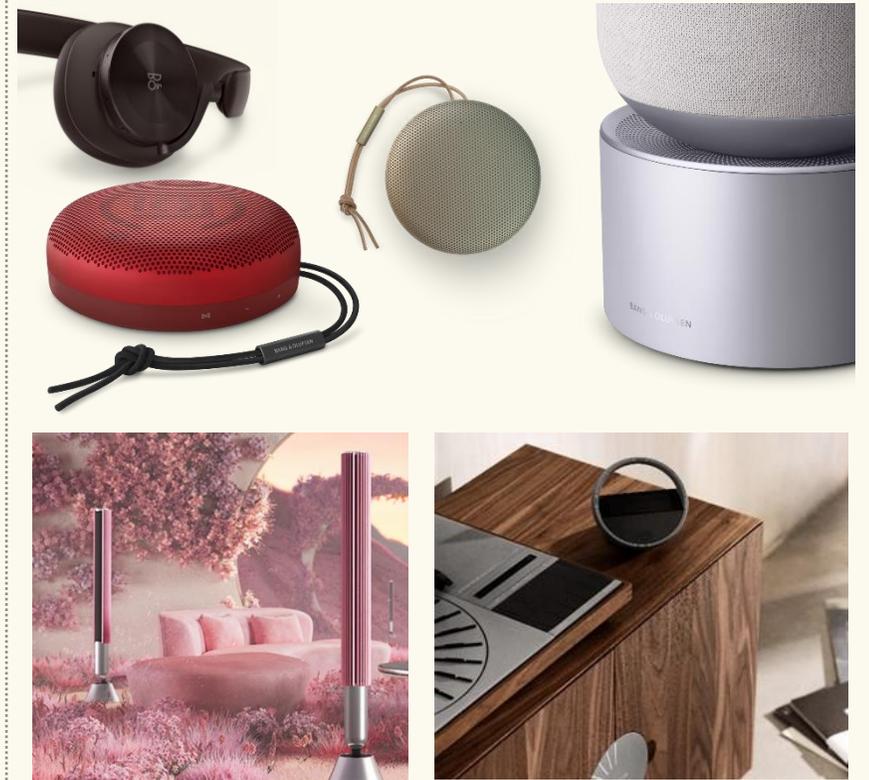
Five Product Launches



Two Important Software Releases

- 1. Beolink Multiroom**
 - B&O's proprietary multiroom system
 - Milestone release from both an experience and a longevity perspective
 - Enabling connectivity between products from the 1980s to most recent products
 - Customers can buy and install more Bang & Olufsen products for complete sound systems experience
- 2. Stereo Pairing**
 - Enabling two speakers on the new platform to be stereo paired
 - Improving the use case and incentivises customers to expand with more products

Several CMF's, Collabs, Limited Editions and Bespoke



Model for scale

Customer growth and demand creation

31%

Customer Growth*

37%

Growth in Customers with 2+ Products Owned

+68%

Growth in SoMe Follower Base

Improved brand awareness

- 3 new brand ambassadors
- Partnership with Williams Racing
- 27 million people reached through influencers and celebrities
- Increase in SoMe follower base

Improvements to the eCommerce platform

- Own eCommerce platform launched in Japan, South Korea, Singapore and Australia
- Increased
 - Website traffic
 - Conversion rate
 - Average basket size



Pillars of growth

Solid sell-out performance in core markets

Six European Core Markets



14%

Sell-out growth

- Reported revenue declined 2% in local currencies, impacted by high comparables and controlled product returns in Q2
- Strong performance from Win London, monobrand sell-out in London grew 103%
- Pilot with in-field VIP service team
- Insourcing of Danish service centre
- eCommerce suffered from price inconsistency following price increases in January

Two Asian Core Markets



5%

Sell-out growth

- Sell-out in South Korea up 19%, while China was impacted by lockdowns and grew 1%
- Restructured customer service with new service centre in Shanghai
- Go-to market model solidified replacing three of four distribution partners
- Digital footprint expanded

Strategic Partnerships

10%

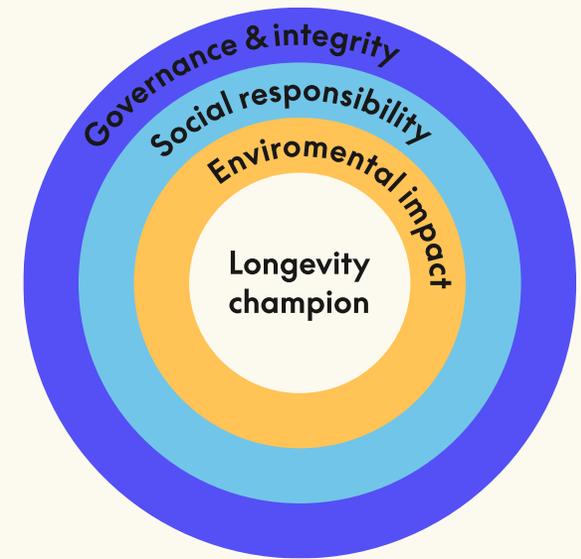
Growth
(in local currencies)

- Licence fee revenue grew 6%
- 4 new partnerships
- Hybrid work with Cisco
- Combined sound and streaming for telecom providers with
 - Sagemcom
 - Verizon
 - SK Broadband
- B&O designed audio system for luxury car brand, Genesis



New sustainability strategy with long-term commitments

- Creating long-lasting luxury technology products true to heritage
- Reducing environmental impact through circularity and science-based climate action
- Action on human rights, diversity, equity & inclusion, and supporting future generations in STEM & circularity
- Operating in a responsible, transparent manner and with integrity

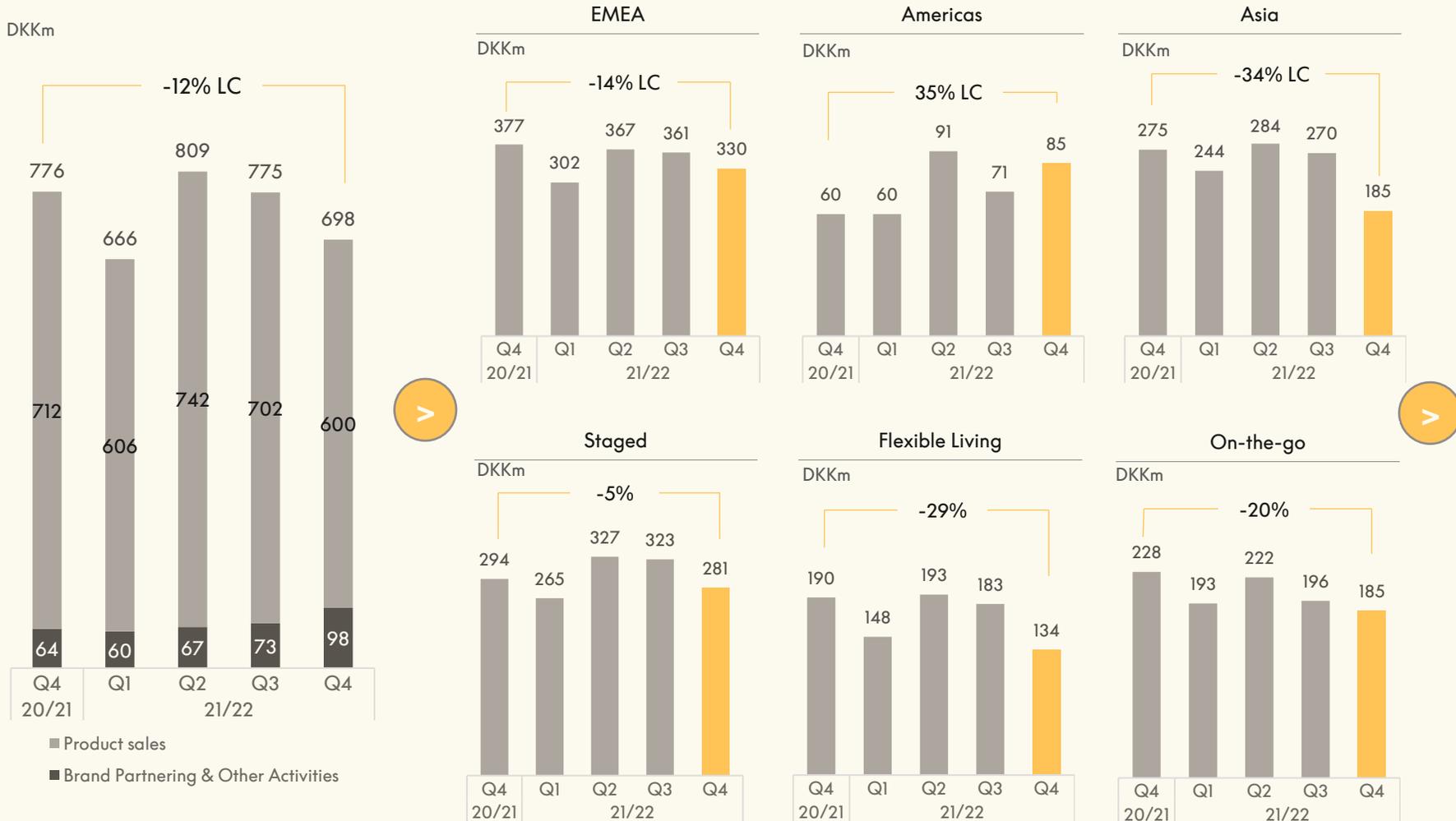




Financial Performance in Q4

B&O

Revenue in Q4 declined due to lockdowns in China and high comparables



Revenue in Q4 down 12% YoY in local currencies

- Product sales declined 18% to DKK 600m
- Brand Partnering & other activities increased by 50% in local currencies
 - 40% growth in licencing income
 - Income from new brand partnerships, including Cisco

Development in product sales

- **EMEA** impacted by high comparables and product availability
- **Americas** continued growth, increasing 35% in local currencies
- **Asia** impacted by COVID-19 lockdowns, which impacted all product categories
- **Staged** declined by 5%, driven by TVs partly related to revenue from screens last year. Double-digit growth from speakers
- **Flexible Living** adversely impacted by component scarcity for certain products and narrowing of the product range
- **On-the-go** impacted by high comparables and a higher relative impact from lockdowns in China

Sell-out in Q4 impacted by lockdowns in China

1%

Sell-out growth

- **EMEA:** Sell-out mainly driven by the Staged and On-the-go categories
- **Americas:** Continued strong sell-out momentum in Americas, with solid double-digit growth in all product categories
- **Asia:** adversely impacted by COVID-19 related lockdowns in China in Q4
 - Sell-out in China declined by 28% in Q4



Product Categories

Regions

12%
Staged

8%
EMEA

-7%
Flexible Living

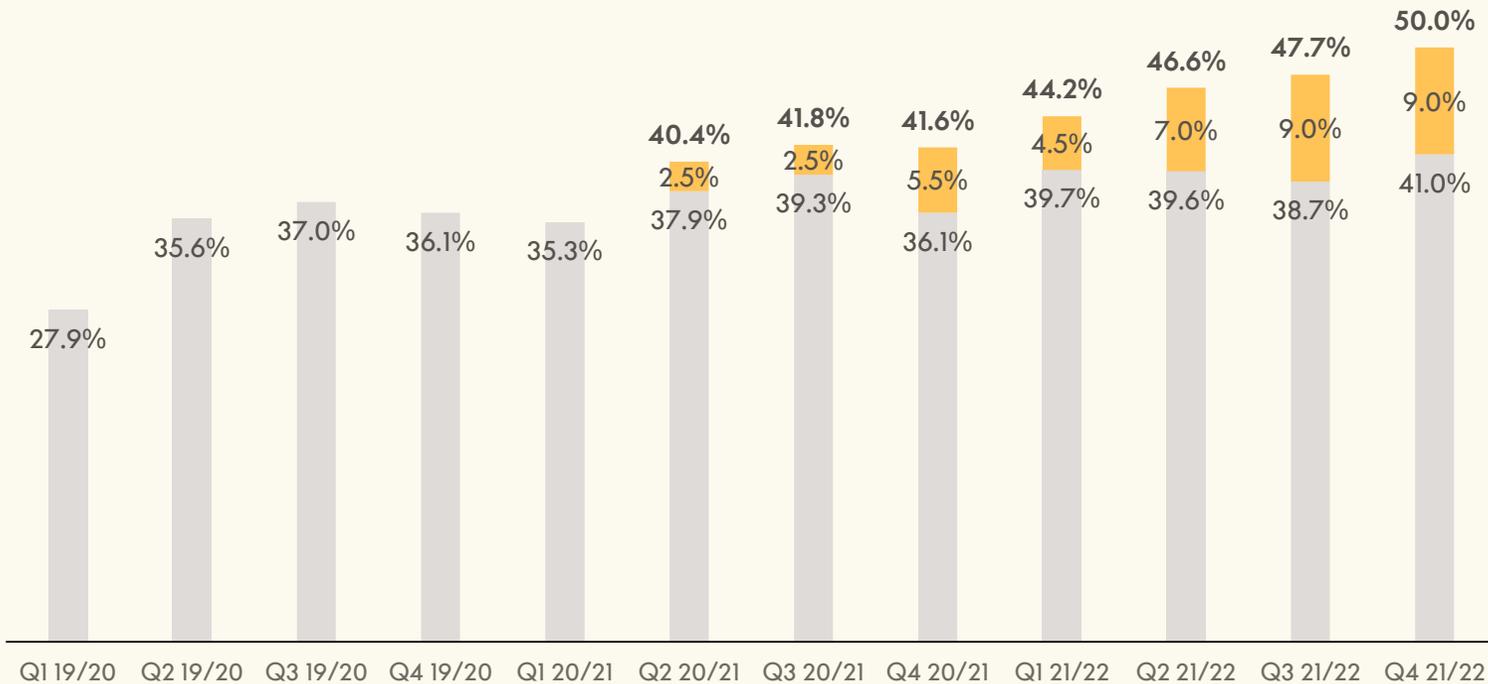
34%
Americas

-5%
On-the-go

-12%
Asia

Product gross margin

Continued high impact from supply chain challenges



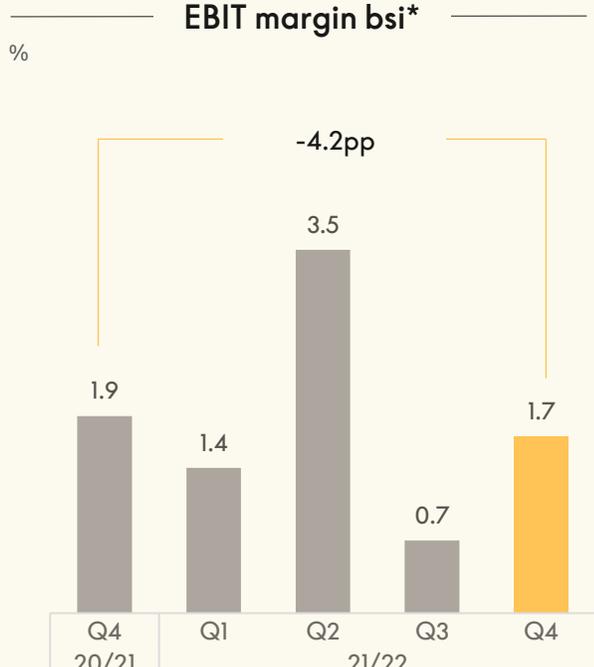
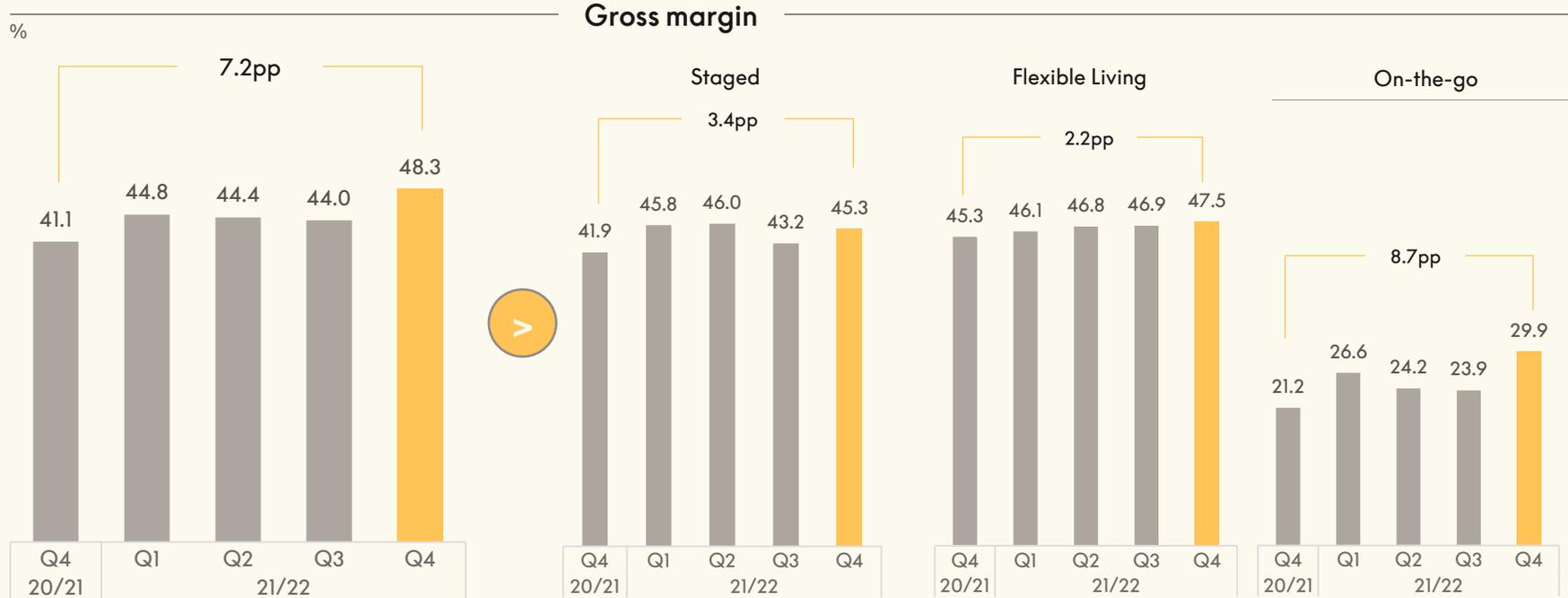
Combined negative YoY impact of 3.5pp from component and logistic costs:

- Total impact of 9pp on product gross margin or more than DKK 50m
- Increase to last year related to spot buys of components

Gross margin before component and logistics impact improved:

- Price increases
- Less discount and bonuses
- Positive impact from obsolescence
- Positive FX impact
- LY, negatively impacted by large B2B deals, pass through of revenue from screens and inventory clearing

Positive EBIT margin despite significant headwind in Q4



- Gross margin increased due to:
- Higher growth from Brand Partnering & other activities
 - Product gross margin, up by 4.9pp to 41.0%

- Staged category improved due to price increases and last year impacted by pass through of screen revenue for Beovision Contour
- Flexible Living category was adversely impacted by larger B2B deals last year
- Improved margin from On-the-go due to improved margin on several products and last year impacted by inventory clearing

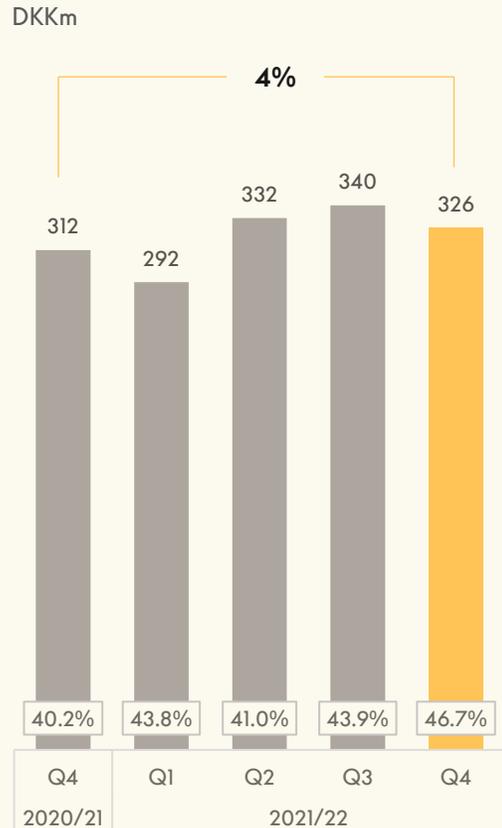
- EBIT margin before special items declined by 0.2pp driven by lower revenue and increased capacity costs, partly offset by the improved gross margin

*Before special items

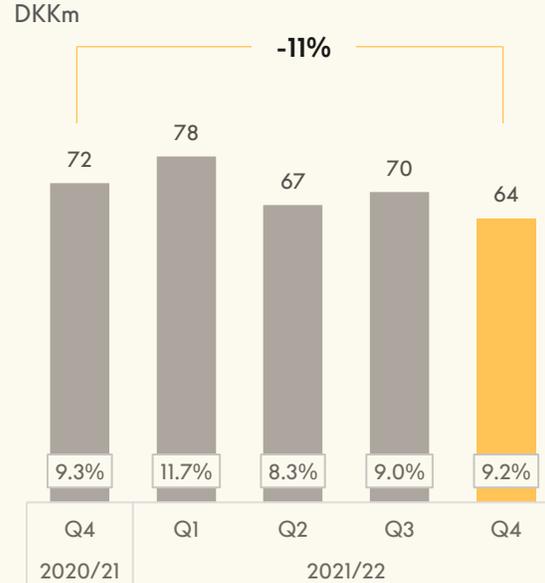


Higher capacity costs reflecting investments in building robustness

Capacity costs

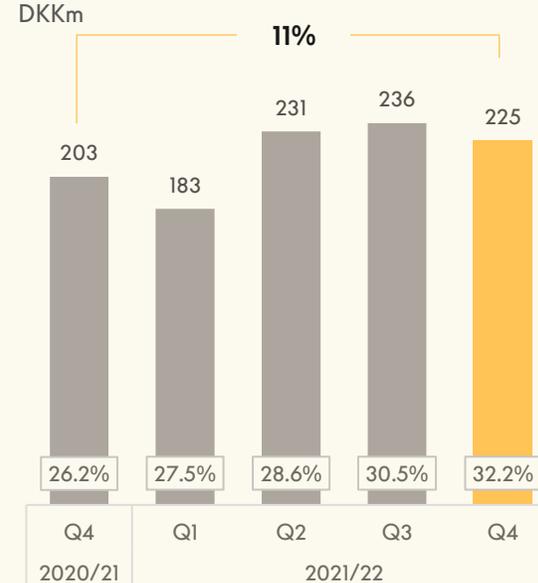


Development costs



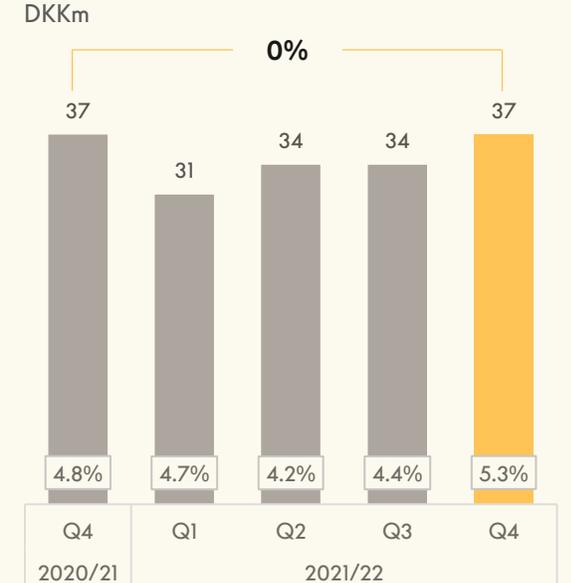
- The decline in Development costs were driven by higher capitalisations
- The increase in capitalisations were mainly driven by upcoming product launches
- Incurred development costs, grew by 34% to DKK 103m

Distribution & marketing costs



- The increase was mainly related to higher marketing costs
- The marketing cost to revenue ratio was 10.1%, which was 2.4pp higher than last year

Administrative costs



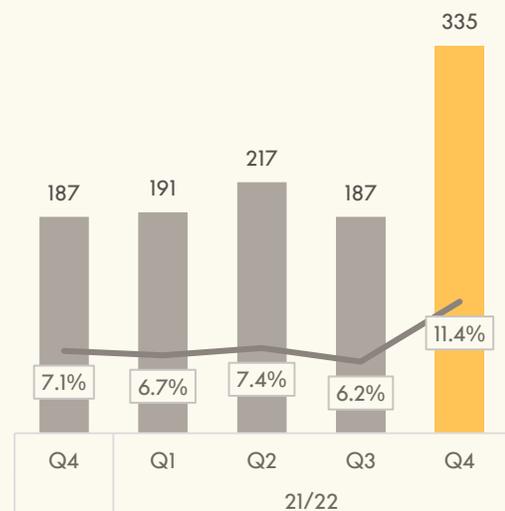
- Stable administrative costs compared to last year

Costs relative to revenue

Negative Free cash flow impacted by lockdowns in China and spot buys

Net working capital

DKKm — % of LTM revenue



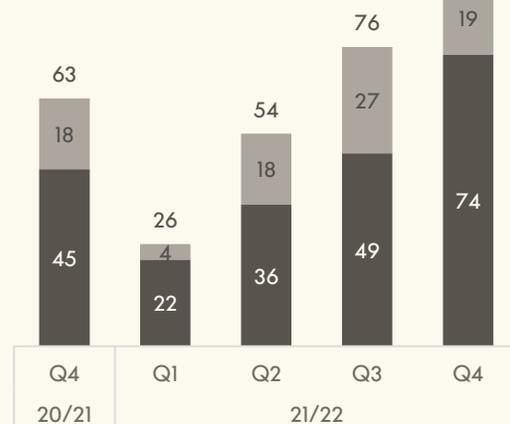
Net working capital increased to DKK 335m (NWC ratio of 11.4%)

- Inventory up by DKK 82m
- Trade payables down by DKK 121m, partly related to spot buys
- Partly offset by lower trade receivables, down by DKK 65m

CAPEX

DKKm

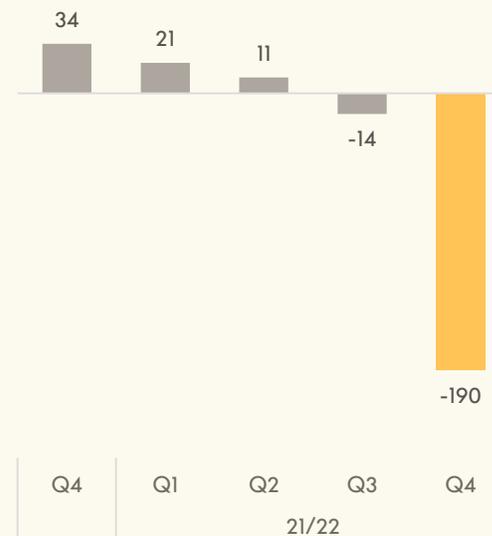
■ Intangible
■ Tangible



- Investments primarily within intangible assets related to product roadmap
- Tangible investments related to retail development

Free cash Flow

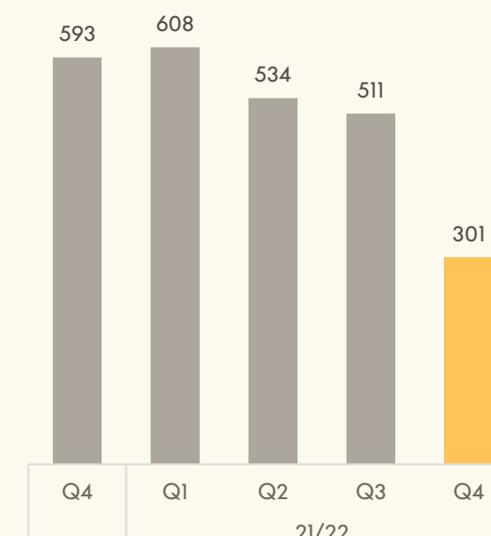
DKKm



- Impacted by lockdowns in China and spot buys
- Working capital increased by DKK 148m

Available liquidity

DKKm



- Available liquidity decreased to DKK 301m
- The decline was mainly related to the negative free cash flow
- In Q4, the revolving credit facility was extended and increased to DKK 150m
- The new credit facility is linked to ESG targets



Outlook

Outlook 2022/23

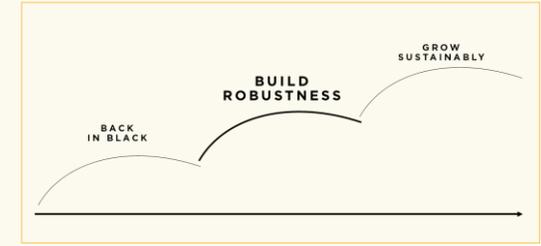
subject to unusually high uncertainty

	Outlook	Main assumptions
Revenue growth in local currencies	-4% to 5%	<ul style="list-style-type: none">China expected to be impacted by regional lockdowns in Q1 and partly Q2Launching more than six product innovations, which include the re-launch of Beosound EmergeImproved product availability compared to 2021/22Product availability not impacted by geopolitical or COVID-19 related lockdownsNo major COVID-19 related lockdowns in the second half of the year
EBIT margin BSI*	-2% to 3%	<ul style="list-style-type: none">Cost of goods sold is expected to be impacted by the inflationary pressure currently experienced in the marketThe pressure on sourcing components through spot buys is expected to decline in the second half of the yearContinued investments into marketing and product development
Free cash flow	DKK -50m to DKK 100m	<ul style="list-style-type: none">Improved net working capitalCAPEX related to product and retail development as well as IT

* BSI: Before special items



Summary, double-digit growth despite headwind



- Solid strategy execution resulted in the second consecutive year with double-digit growth despite headwind
- Positive sell-out growth in all regions and across product categories
- We continue to see growth in our customer base and in repeat purchases
- Positive EBIT margin before special items, despite absorbing DKK 220m in extra supply chain costs
- New ESG & Sustainability strategy centered around longevity
- Outlook for next year subject to unusually high uncertainty
- We have started a strategic reorientation for the long-term future – we will continue to build robustness in the year to come, while we also gradually launch new strategic initiatives, directing the company towards the third phase of the turnaround



Q&A

B&O



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