# Bang & Olufsen A/S 12 May 2020

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# Bang & Olufsen to seek shareholder approval for capital increase to safeguard the company through the COVID-19 crisis

As stated in the Q3 2019/20 interim report published on 2 April 2020, Bang & Olufsen has analysed measures to strengthen its capital base due to current and future negative effects of the COVID-19 outbreak. As a result of this, the Board of Directors has decided to convene an extraordinary general meeting with the aim to seek approval from shareholders for a fully underwritten rights issue of approx. DKK 400 million (gross proceeds).

Chairman Ole Andersen said: "Bang & Olufsen is in a serious situation, where we need to raise new capital to help us get through the global COVID-19 crisis. Like other consumer brands, we are impacted by the lockdowns imposed in most countries across the world, and it is clear that the duration and magnitude of the crisis will continue to impact sales in several markets. COVID-19 hit us at the worst possible time as we had just launched our new strategy plan and was starting to see the effects of the many initiatives, we have executed on the last six months to improve our financial performance. This positive trajectory has been halted by this extraordinary situation, and therefore additional capital is needed to strengthen our capital base."

"We have already secured support from a number of institutional investors, including our three largest Danish shareholders ATP, Chr. Augustinus Fabrikker, and Færchfonden. Furthermore, the Board of Directors and the Executive Management team have agreed to co-invest and to a temporary salary and fee reduction of 20%. In addition, we also need the support from the rest of our around 24,000 shareholders, and I therefore strongly urge all of Bang & Olufsen's shareholders to vote for the proposals put forward by the Board of Directors, as it requires 2/3 of the shareholder votes present at the extraordinary general meeting to pass the proposals necessary to secure Bang & Olufsen."

Before the global outbreak of COVID-19, Bang & Olufsen launched a strategy plan to strengthen the operational and financial performance, including a cost reduction programme targeting DKK 175 million in savings when fully implemented. The company has also among other, appointed new leadership, strengthened the global sales focus, and onboarded new retail partners. These initiatives have contributed to a positive free cash flow in both the second and third quarter and a positive EBIT margin before special items in the third quarter. Furthermore, Bang & Olufsen has taken measures to seek to alleviate and mitigate the negative effects of COVID-19 and made use of government relief packages.

A notice to convene for an extraordinary general meeting on 3 June 2020 will be released in a separate announcement later today. The convening notice contains further details on the expected capital increase hereunder timing, including time of announcement of the terms of the

offer based on prevailing market conditions. If approved by the general meeting, the rights issue is expected to take place during June 2020 after publication of a prospectus. Guarantee commitments and agreements with the company's financial advisors are subject to terms and conditions, which may result in withdrawal of the right issue, e.g. in case of material adverse change.

Subject to successful execution of the rights issue and other commercially agreed terms and conditions, Bang & Olufsen has entered into a commitment letter for a DKK 100 million committed credit facility with its main bank to further strengthen the capital structure.

#### Outlook for 2019/2020

As previously communicated, 2019/20 revenue is expected to decrease by 20-29%, EBIT margin before special items is expected to be negative by 10-15% and free cash flow is expected to be negative by DKK 200-350 million.

Estimated revenue for the first 11 months of the financial year declined by 26% in local currencies based on reported 9-month figures as well as preliminary and unaudited financial numbers for March amounting to DKK 102 million and April amounting to DKK 95 million. EBIT margin before special items is estimated to be -15%, while free cash flow is estimated to be DKK -182 million. At the end of April 2020, the company estimates its cash position to DKK 277 million.

Financial performance in March and April 2020 has been significantly impacted by COVID-19 and the lock-down in all key markets. Based on the preliminary and unaudited numbers for March and April and projections for May 2020, the company expects to be within previously communicated ranges. However, the company now expects that the actual results for revenue and EBIT margin before special items is most likely to be in the low end of the ranges, with a potential risk of minor further downside, if the Chinese market does not continue to normalise and the European markets are not gradually re-opening during May. Free cash flow is expected to be closer to the middle of the range.

## Preliminary guidance for 2020/21

Preliminary guidance for the coming fiscal year is by definition sensitive to a large number of assumptions. This is even more the case for the 2020/21 financial year due to the increased uncertainties and lack of transparency arising from COVID-19.

The preliminary guidance for 2020/21 depends on several factors, including the duration of the COVID-19 pandemic in relevant markets, the timing and speed of the re-opening of key markets, the impact on the economies in key markets and globally, and the financial and operational impact on the company's business partners. Further, the preliminary guidance is conditional on the successful completion of the rights issue.

Based on a balanced view of potential scenarios for the above-mentioned risks and implications of COVID-19, Bang & Olufsen's preliminary guidance for the financial year 2020/21 is as follows:

Revenue: Approx. DKK 2.2 billion

EBIT before special items: Approx. DKK -100 million Free cash flow: Approx. DKK -200 million

In addition to the anticipated effects of COVID-19, revenue is assumed to be bolstered by more than 10 new product launches and upgrades as well as new colour, material, finish (CMF) versions of existing products. The EBIT before special items and the free cash flow are further expected to be positively impacted by the cost reduction programme. The Company's management of working capital and use of government relief packages in 2019/20 will adversely impact cash flow in especially the first guarter of 2020/21.

#### COVID-19 sensitivity

As part of a sensitivity analysis, the company has considered the impact of several adverse scenarios including one where the duration of the COVID-19 pandemic extends further into 2020/21 and approximately 50% of points of sale in Europe and North America being closed for the majority of the first and second quarter before starting to normalise at a slow pace toward a 30% closure in the fourth quarter. In this scenario China is assumed to be less impacted with around 30% of points of sale closed for the first half of the financial year before starting to normalise. In this adverse scenario, the company's calculation models project revenue could decrease to DKK 1.6 billion with an EBIT margin before special items of -25% and a free cash flow of negative DKK 400 million.

In an alternative scenario, where the implications of COVID-19 are less severe than reflected in the preliminary guidance above, the company's calculation models project that breakeven based on EBIT before special items could be achievable at a revenue of approximately DKK 2.4 billion. The preliminary guidance, and the above projections in relation to alternative scenarios, naturally remain subject to a high degree of uncertainty given COVID-19.

# Financial advisors

Carnegie Investment Bank and Nordea act as joint global coordinators and financial advisors to Bang & Olufsen in connection with the rights issue.

## Conference call for analysts and investors

The company will on 12 May 2020 at 10am CEST host a webcast. The webcast can be accessed through https://bo.eventcdn.net/20205/

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#### Forward-looking- statement disclaimer:

Certain statements in this announcement are forward-looking statements which are based on the company's expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts, including with respect to the timing, terms and consummation of the rights issue described herein. These forward-looking statements, which may use words such as "aim", "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts. These forward-looking statements involve risks, and uncertainties that could cause the actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the company's business operates to differ materially from the impression created by the forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Bang & Olufsen undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

#### Information to US shareholders

This proposed rights issue is made for the securities of a foreign company. The proposed offer is subject to the disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies. It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue the foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.