

Bang & Olufsen interim report for Q1 2023/24:

Significantly improved gross margin contributed to profitable growth in Q1 for Bang & Olufsen

Despite challenging macroeconomic conditions continuing to impact the world, Bang & Olufsen saw robust consumer demand in most markets during the first quarter, spanning from 1 June to 31 August. Overall, like-for-like sell-out increased by 8%. In the APAC region, sell-out grew by 29%. This was partly due to low comparables as especially China was impacted by regional lockdowns last year.

Revenue grew by 1.2% (5% in local currencies) during the quarter. EMEA grew by 26.7% (28% in local currencies) supported by inventory replenishment from retail partners and execution of project sales. Americas grew 6.2% (13% in local currencies), while APAC declined by 20.9% (16% in local currencies). The company's APAC performance was primarily impacted by a slow recovery in Chinese consumer spending. In addition, APAC was adversely impacted by changes made to distribution and high inventory levels among some retail partners in China.

The company improved the gross margin significantly. It was up by 16 percentage points to 52.6% compared to last year. For the past three years, Bang & Olufsen absorbed approximately 450 million in extraordinary logistic and component costs. Since Q4 2022/23, the company's supply chains have normalised, contributing to the improvement in gross margin. In addition, the margin was favourably impacted by higher margins across all product categories, supported by price increases since last year, as well as a change in product mix towards higher-margin products. This contributed to improved profitability with an EBIT before special items of DKK 16m, equivalent to an EBIT margin before special items of 2.6%, against -14.1% last year.

CEO Kristian Teår comments:

“We are pleased to report revenue growth of 5% and a positive EBIT. While macroeconomic headwinds continued to challenge us, we made further progress with our key strategic priorities, and we saw robust customer demand in most markets. I want to thank my colleagues and partners for their hard work in Q1.”

“We still see a lot of uncertainty ahead of us, and therefore we remain prudent with our investments. This means that our strategic transition will happen a little slower, but we remain confident in our direction. We continue to improve the customer experience across products and channels and strengthen the global visibility of the B&O brand. The extraordinary component and logistic costs no longer impact us, and we have increased our gross margin significantly during the past two quarters. It is a priority for us to improve our margins. This will allow us to improve our profitability and invest in our strategy and products to support our future growth ambitions.”

Financial highlights, Q1 2023/24

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- Revenue grew by 1.2% (5% in local currencies) y-o-y. EMEA was up 26.7% (28% in local currencies), Americas up 6.2% (13% In local currencies) while APAC declined by 20.9% (16% in local currencies). Brand partnering & others declined by 16.1% (13% in local currencies) due to high comparables.

Last year, the company ramped up the Bang & Olufsen Cisco 980 headset. Revenue driven by the automotive industry grew in the quarter.

- Like-for-like sell-out increased by 8%. In APAC sell-out grew by 29%, EMEA declined by 3% driven by high travel activity, while sell-out in Americas grew by 5%. Like-for-like sell-out in the eTail and eCommerce channels grew by 5% and 53%, respectively. The company-owned stores grew 1% in the quarter, while Monobrand and Multibrand declined.
- The gross margin was 52.6%, which was 16.0pp higher than last year. Compared to Q4, gross margin increased by 1.2pp. The normalisation of the company's supply chains favourably affected the quarter.
- EBIT before special items was DKK 16m, equivalent to an EBIT margin before special items of 2.6%, against -14.1% last year.
- The free cash flow improved by DKK 20m and was DKK -61m (Q1 22/23: DKK -81m).

Strategic highlights, Q1 2023/24

- Bang & Olufsen launched a brand awareness campaign, 'See Yourself in Sound'. The campaign included customer interaction through Spotify to generate automated personalised avatars. It gained strong traction across markets.
- The customer base grew by 4% and the number of customers owning two or more Bang & Olufsen products increased by 3% year-on-year.
- The Win City concept for the cities, London, Paris and New York continued. London grew sell-out by 1% driven by monobrand stores, while Paris had a sell-out index of 68. The Win City Paris results were affected by a high comparable in monobrand last year. The company-owned stores in Paris had sell-out growth of 10%. New York, added in Q4 22/23, generated Win City sell-out growth of 13% in the quarter.
- Bang & Olufsen also announced that Beosound Emerge has been Cradle to Cradle Certified® at Bronze Level. Cradle to Cradle is one of the world's most trusted science-based frameworks for designing and manufacturing responsible and circular products.
- The company announced a product collaboration with Ferrari, launching four products in limited quantities, sold in the Bang & Olufsen branded stores, the company's own eCom, and in selected Ferrari channels.
- Bang & Olufsen continued the optimisation of the channel network to ensure a luxury brand experience. Consequently, selected multibrand partnerships across regions were discontinued.

Outlook 2023/24

The company maintains its outlook, which is as follows:

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| • Revenue growth (in local currencies): | 0% to 9% |
| • EBIT margin before special items: | 0% to 6% |
| • Free cash flow (DKKm): | -50 to 100 |

The outlook for 2023/24 is subject to uncertainty related to consumer sentiment from the effects of a high inflationary environment, rising interest rates, the war in Ukraine, and the recovery of the Chinese economy.

Conference call for analysts and investors

The company will host a webcast on 11 October 2023 at 10:00 CEST, where the financial development for Q1 2023/24 will be presented.

The webcast can be accessed at <https://bangolufsen.eventcdn.net/events/interim-report-q1-202324>

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