

Bang & Olufsen releases preliminary Q3 numbers and adjusts revenue outlook for the financial year. Positive earnings expected for the full year despite lower revenue

Bang & Olufsen's preliminary Q3 2023/24 result for group revenue is DKK 614m, a 2% year-on-year decline in local currencies and flat year-on-year growth in product revenue.

The revenue outlook for the financial year 2023/24 (ending 31 May 2024) is adjusted due the company's sales being impacted by slower-than-expected improvement of macroeconomic conditions in the company's key markets in Europe. Further, Bang & Olufsen does not foresee a significant recovery of the Chinese economy to materialise in 2023/24 as previously anticipated. Consequently, revenue growth (in local currencies) for the financial year 2023/24 is now expected to be between -8% and -5% (previously in the lower end of 0% to 9%).

The company also narrows the ranges for the EBIT margin before special items and free cash flow. EBIT margin before special items is now expected to be between 0% and 2% (previously 0% to 6%), while free cash flow is expected to be between DKK -50m and DKK 10m (previously in the lower end of DKK -50m to DKK 100m). Preliminary Q3 2023/24 results for the EBIT margin before special items is 1.8% as the company continues to deliver an improved gross margin.

CEO Kristian Teär comments:

"We are improving our profitability and robustness as we progress with our strategic transition towards higher margin revenue. However, we do not see the expected improvement in macroeconomic conditions in some of our key markets in Europe and in our single biggest market, China. This is impacting our sales and are the primary reasons we are adjusting our outlook for the financial year."

"Once again, we deliver a quarter with a record-high gross margin. This is a result of our strategic efforts to improve the experience in our branded channels with our retail partners and strengthen our luxury positioning and product portfolio. This is our fourth consecutive quarter with margins above 50%. The improvement makes us more resilient as a business and enables us to continue with our strategic transition."

The preliminary results for Q3 2023/24 (9M 2023/24) are as follows:

- Revenue of DKK 614m, equivalent to -2% y-o-y growth in local currency (9M: DKK 1,933m, equivalent to -7% y-o-y growth in local currency)
- Product revenue of DKK 543m, corresponding to a 0% y-o-y growth in local currency (9M: DKK 1,711m, corresponding to a -5% y-o-y growth in local currency)
- Gross profit of DKK 326m, corresponding to an improvement of DKK 49m y-o-y (9M: DKK 1,023m, corresponding to an improvement of DKK 140m y-o-y)
- Gross margin of 53.2%, corresponding to an improvement of 9.6 pp. (9M: 52.9%, corresponding to an improvement of 11.0 pp.)
- EBIT before special items of DKK 11m, corresponding to an improvement of DKK 54m y-o-y (9M: DKK 48m, corresponding to an improvement of DKK 162m y-o-y)

- EBIT margin before special items of 1.8%, corresponding to an improvement of 8.6 pp. (9M: 2.5%, corresponding to an improvement of 7.9 pp.)
- Free cash flow of DKK 5m (9M: DKK -32m)
- Like-for-like sell-out decline of 2% y-o-y (9M: Like-for-like sell-out growth of 3% y-o-y)

The company adjusts its outlook as follows:

Revenue growth in local currencies: -8% to -5%  
(Previously in the lower end of 0% to 9%)

EBIT margin before special items: 0% to 2%  
(Previously 0% to 6%)

Free cash flow: DKK -50m to DKK 10m  
(Previously in the lower end of DKK -50m to DKK 100m)

The outlook is subject to uncertainty related to consumer sentiment. In addition, geopolitical uncertainty has increased. The pace of the economic recovery in China is also subject to uncertainty.

The outlook is further subject to the following assumptions:

- No worsening of market situation in China for the remainder of the fiscal year (previously improved market conditions in China in H2 23/24).
- No worsening of macroeconomic conditions in Europe and US for the remainder of the fiscal year (previously macroeconomic conditions in Europe and the US will improve during the fiscal year).
- Timely launch of two product innovations in fiscal Q4.
- No impact on product availability due to geopolitical changes.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.
- No upward pressure on component and logistics costs.

The company will release its quarterly financial report for 9M 2023/24 on 10 April 2024 as planned.

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