

Bang & Olufsen interim report Q2 21/22:

Bang & Olufsen achieved double-digit growth for the fifth consecutive quarter despite global component scarcity

In Q2, the company delivered 15% revenue growth in local currencies and 3.5% EBIT margin before special items, while free cash flow was positive by DKK 11m. Product sales grew 22%, driven in particular by the Staged and Flexible Living categories.

The company continued to be adversely impacted by the global supply chain challenges, which affected product availability and led to higher cost of goods sold in the quarter.

CEO Kristian Teär comments:

“For the fifth consecutive quarter we delivered double-digit growth. We continued to see high demand for our products among customers, and we grew across all regions and channels – despite the continuous challenges with supply. We are in the middle of our turnaround, and I am proud to see how our employees and partners keep on executing in line with our strategy, so we build more robustness into our business, while maintaining profitable growth.”

“We made solid progress with our strategy execution in the quarter. We continued to benefit from a strong focus on our core markets, we expanded our customer base and launched new product innovations. In the quarter, we released several software updates, including Beolink Multiroom, which is the backbone of our product ecosystem and we expect this to improve the customer experience significantly. As many other companies, we are still impacted by the global component shortage, but we remain on track to deliver on our full-year expectations.”

Financial highlights

- Bang & Olufsen delivered 15% revenue growth in local currencies and 3.5% EBIT margin before special items. The growth was driven by all regions, with Asia and Americas delivering the strongest growth, whereas EMEA was impacted relatively harder by supply constraints. Challenges related to component scarcity impacted both growth and profitability negatively.
- The company grew sell-out more than sell-in. Sell-out grew across all distribution channels and product categories.
- Product sales grew 22%, driven predominantly by the Staged and Flexible Living categories. Growth was particularly strong within multibrand, etail and the company’s eCommerce platform. Sales in EMEA were negatively impacted by controlled returns of mainly end-of-life products from a few multibrand partners in Germany and Switzerland. Like-for-like sell-out in the channels showed double-digit growth.
- Revenue from Brand Partnering & other activities declined from higher comparable PC sales last year and as PC and car manufacturing were impacted negatively by component scarcity.

- The gross margin was 44.4%. This represents a 0.2pp decrease year-on-year. The margin reflected an improved product mix, increased prices, offset by higher component costs (approx. 4.5pp).
- EBIT before special items was DKK 28m, equivalent to an EBIT margin of 3.5% (Q2 20/21: 4.1%).
- Earnings for the period were a profit of DKK 10m compared to DKK 12m last year.
- Free cash flow was DKK 11m (Q2 20/21: DKK 139m). The year-on-year decline was related to last year's working capital improvement, partly offset by improved EBITDA.
- Available liquidity was DKK 534m (Q1 21/22: DKK 608m). The decline in the quarter was related to the purchase of treasury shares to cover outstanding LTIP programmes and settlement of the Danish Holiday Fund.
- For the first six months of the financial year, Bang & Olufsen delivered 27% revenue growth in local currencies, EBIT before special items of DKK 37m (H1 20/21: DKK - 11m) and a positive free cash flow of DKK 32m (H1 20/21: DKK 77m).

Progress on strategic priorities

Despite high activity levels for securing component supply, and re-working marketing execution adjusting to available supply, the company continued to deliver on the strategy at a steady pace.

- The six European core markets delivered 8% growth, adjusted for product returns. The growth was driven by double-digit sell-out growth.
- The two Asian core markets delivered year-on-year growth of 32% in local currencies. The company finalised its China growth plan, with a strong emphasis on go to market tactics.
- Americas grew 99% in local currencies, mainly driven by the partnerships with Verizon and BestBuy
- With the launch of two products innovations in Q2, the company is on track to deliver on the roadmap for 2021/22. In Q2, the company launched a pilot of the Bespoke Programme inviting customers to customize and individualize products to their preference.
- In the first half of the year, a 16% growth in new customers was registered in the company's app.

Outlook

The company maintains the outlook for the financial year 2021/22, which is as follows:

- Revenue: DKK 2.9bn to DKK 3.1bn
- EBIT margin before special items: 2-4%
- Free cash flow: DKK 0m to DKK 100m

The outlook is based on certain assumptions (see page 20 in the interim report for H1 2021/22) and continues to be subject to high uncertainty due to general pressure on supply chains and COVID-19.

Conference call for analysts and investors

The company will host a webcast on 12 January 2022 at 10:00 CET, where the financial development for Q2 21/22 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/q2202122/>

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