

Bang & Olufsen adjusts financial outlook due to China lockdowns

Bang & Olufsen is adjusting its outlook for the financial year 2021/22 (ending on 31 May 2022) primarily due to expected impact from continued lockdowns in China. The company now expects revenue to grow to a range between DKK 2.85bn and DKK 2.95bn. The lower revenue growth will also impact the company's EBIT margin before special items and free cash flow. EBIT margin before special items is expected to be between -2% and 2%, while free cash flow is expected to be between DKK -180m and DKK -140m. The free cash flow is furthermore impacted by higher overdue receivables.

The lockdowns in China have been more extensive than anticipated when the company published its Q3 results on 7 April 2022. In addition to the impact on sales, the company is experiencing restricted access to warehouses, logistical challenges, and implications for production partners, which are also affecting product availability outside of China.

CEO Kristian Teär comments:

“It is now clear that the continued and increasingly extensive lockdowns in China will impact our performance this financial year to such a degree that we have to adjust our expectations for 2021/22. The lockdowns have been more extensive than we anticipated, and it is not just affecting sales in China, but also the global availability of products.”

“Despite these challenges, we keep focus on our priorities. Our strategy is working. We have launched several award winning products, we continue to grow our business and expand our customer base, and we are making good progress in building a more robust Bang & Olufsen for the future. We have done that while absorbing extraordinary costs of more than DKK 200 million related to component scarcity and supply chain challenges.”

In Americas, the company expects revenue growth in Q4, and the company had solid sell-out growth in March and April. In EMEA, revenue in Q4 is expected to decline primarily due to high comparables from last year. Like-for-like sell-out continued to increase in March and April, however, retailers in Europe are indicating lower in-store traffic. The company continues to monitor the development.

The company adjusts its outlook as follows:

Revenue:	DKK 2.85bn to DKK 2.95bn (Previously DKK 2.9bn to DKK 3.1bn)
EBIT margin before special items:	-2% to 2% (Previously low end of 2-4%)
Free cash flow:	DKK -180m to DKK -140m (Previously low end of DKK 0m to DKK 100m)

The company will announce expectations for the coming financial year 2022/23 in connection with the publication of the annual report 2021/22 on 6 July 2022.

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