

Bang & Olufsen annual report 2020/21:

First phase of turnaround completed as Bang & Olufsen returns to profitability

Revenue increased by 31% in local currencies to DKK 2,629m. EBIT before special items amounted to DKK 38m, equivalent to a margin of 1.4%, up 16.4pp compared to 2019/20. Free cash flow was DKK 119m, driven by revenue growth and lower net working capital.

The improved financial performance was a result of strong strategy execution supported by higher demand for home entertainment products. The improvements were partly offset by the continued adverse effects of the pandemic. Several markets experienced new lockdowns, and global scarcity of electronic components resulted in supply constraints and subsequent higher production and logistics costs.

CEO Kristian Teär comments:

“We are pleased with the progress we have made this year as we completed the first phase of our turnaround. We delivered double-digit growth, returned Bang & Olufsen to profitability and improved our liquidity position. This is a major achievement and the result of the hard work of our passionate colleagues and partners. Despite being faced with many challenges related to the pandemic, they have executed diligently on our strategy, and I want to say a big thank you to all of them.”

“Our financial results for 2020/21 demonstrate that our strategy is working. We reduced our cost base, improved our sales and marketing, and strengthened our digital capabilities and platforms. At the same time, with the launch of 14 new products in the past year we have created a much stronger product portfolio. All in all, we are in a stronger position as we enter the second phase of our strategy.”

“In 2021/22, we will maintain our current strategic direction. We will continue to focus on eight core markets, invest in product development, upgrade our ecosystem of connected products, and strengthen local sales and marketing. We expect to deliver double-digit revenue growth and improve our profitability. However, we expect uncertainty related to the global component shortage to persist throughout the financial year.”

Financial highlights, FY 2020/21

- Revenue grew by 31% in local currencies, mainly driven by product sales.
- Product sales increased across all product categories, and all three regions delivered solid growth rates. Product sales in EMEA, Americas and Asia grew by 27%, 42% and 43% respectively in local currencies.

- All key sales channels grew compared to last year, with most of the absolute growth driven by the monobrand channel.
- The gross margin was 43.3%, which was 2.2pp higher than last year. The increase was driven by gross margin from product sales, which improved by 4.1pp to 37.3%. The improved gross margin from product sales was driven by both higher product margins and a favourable shift in product mix towards Staged and Flexible Living.
- Higher component and logistics costs adversely impacted the gross margin.
- EBIT before special items was DKK 38m, equivalent to a margin of 1.4% (FY 19/20: -15.0%). The increase was driven by higher sales and improved gross profit.
- Free cash flow was DKK 119m (FY 19/20: DKK -234m). The year-on-year increase was related to higher operating profit and the change in working capital, partly offset by higher investments.
- Available liquidity was DKK 593m. This was DKK 378m higher than FY 2019/20, driven by the rights issue completed in July 2020 and the financial performance in 2020/21.

Financial highlights, Q4 2020/21

- Revenue was DKK 776m (Q4 19/20: DKK 377m), corresponding to an increase of 106.1% (109% in local currencies).
- The gross margin was 41.1%, which was 1.7pp higher than last year. The increase was related to gross margin from product sales, which increased by 5.8pp to 36.1% driven by all product categories. Higher component and logistics costs adversely impacted the gross margin by around 5.5pp.
- EBIT before special items was DKK 15m, equivalent to a margin of 1.9% (Q4 19/20: -30.0%). The margin improvement was driven by revenue growth combined with the improved gross margin.
- EBIT was DKK 7m (Q4 19/20: DKK -140m), which corresponded to an EBIT margin of 0.9% (Q4 19/20: -37.1%).
- Free cash flow was DKK 34m (Q4 19/20: DKK -99m).

Strategic initiatives

Despite supply challenges and mandatory store closures, the financial performance in 2020/21 demonstrated that the strategy in place is effective.

- The cost reduction programme reached DKK 202m in run-rate savings, exceeding the targeted DKK 175m in annual savings from 2021/22.
- The six European core markets delivered 25% growth in local currencies. Local teams were strengthened with channel-specific resources and the monobrand, multibrand and online channels all contributed to the growth.
- The two Asian core markets delivered year-on-year growth of 50% in local currencies. The local management team was strengthened with new leadership and seasoned professionals with experience in digital, marketing and distribution. Demand shifted towards Staged and Flexible Living.
- The product portfolio was strengthened with the launch of 14 products in all product categories. Existing products improved as a result of software upgrades.

- The company continued to execute key digital initiatives. These yielded 71% growth in the company's eCommerce channel.

Outlook

The company expects to deliver double-digit revenue growth, supported by continued investments in demand creation and further strengthening of the product portfolio. Furthermore, the company expects to improve profitability and deliver positive free cash flow while building robustness. The company's outlook for the financial year 2021/22 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 described in the annual report and continues to be subject to high uncertainty due to COVID-19.

Conference call for analysts and investors

The company will host a webcast on 7 July 2021 at 10:00 CEST, where the financial development for FY 2020/21 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/q4annual-report-20202021/>

Dial-in details for participants in the Q&A:

Denmark: +45 7872 3251

United Kingdom: +44 333 300 9030

United States: +1 646 722 4956

For further information, please contact:

Martin Raasch Egenhardt

Investor Relations

Phone: +45 5370 7439

Jens Gamborg

Group Communications

Phone: +45 2496 9371