

Bang & Olufsen adjusts its financial outlook for the year and invites to a Capital Markets Day on 3 April 2020

Based on the estimated numbers for Q2 and the updated financial expectations for the rest of the year, the outlook for 2019/20 is adjusted as follows:

- Revenue: 13% to 18% lower than last year (previously single-digit growth)
- EBIT margin: Minus 4% to minus 9% adjusted for special items (previously higher than FY2018/19)
- Free cash flow: Negative DKK 100 – 150 millions (previously positive cash flow)

The expectations for the full-year result are amongst others based on successful launch of a number of already planned new products, increased focus on cost reductions as well as improvements in sales and marketing execution capabilities. In addition, the company has initiated a number of new initiatives in order to improve sales already in the current financial year, including establishment of new sales programs, an improved sales and distribution network, competence lift in the sales organization and more product-focused marketing.

Estimated results for Q2 2019/20:

- Revenue of DKK 627 millions, equivalent to a decrease of 31% in local currency compared to the same quarter in 18/19
- EBIT margin of minus 10% (adjusted for special items)
- Free cash flow of DKK 32 millions, positively affected by a normalisation of the company's net working capital

Sales in September and October were in line with the company's estimates, while sales in November were considerably lower than expected.

As previously communicated, it was expected that revenue would decrease in the first half-year due to the company's change towards a demand-driven model focused on driving sales to consumers, as well as the need for normalising the retailer inventories. It further appeared that the expectations related to the company's results are associated with an increased degree of uncertainty due to the ongoing transition. The decrease in revenue has been larger than expected due to several factors - including:

- that the company's partners' sales to consumers have not been satisfactory
- that certain partners have not yet reduced their inventories sufficiently, which have also led to sales through unauthorized channels
- increased competition within true wireless earphones
- slower sales execution in connection with product launches

The company has during Q2 improved its net working capital, launched several products and achieved improved insight into sales to consumers, and thus shown improvements in several strategic focus areas. Additionally, the company's cash position was improved by DKK 23 millions to DKK 298 millions in the second quarter. The company expects positive free cash flow in the second half of the year.

The decrease in revenue in the second quarter is impacted by a changed operating model in relation to the newly launched Beovision Harmony. The effect for the full year is expected to account for approximately minus 6 percentage points.

Capital Markets Day on 3 April 2020

Based on the development in the first two quarters, it is the joint assessment of the Board of Directors and the Executive Management Board that a change in the company's operational sales and marketing execution capabilities is required. A tighter alignment between sales and marketing is needed, and the improved insight into consumer sales shall ensure future growth and, to a greater extent, guide production planning.

The company will therefore at a Capital Markets Day on 3 April 2020 present a three-year plan containing specific initiatives for improvement of the long-term development.

“The strategic direction is unchanged, but it is evident that a fundamental change of the sales and marketing efforts is required and that we need to create a culture in which we are closer to customers and partners. This is why already in November I carried out an organizational change to increase the global sales focus, and I have initiated several sales and marketing related initiatives contributing to turning the development in the second half of the year. In addition, I have, in close dialogue with the Board of Directors, decided that we will prepare a three-year plan in which we in detail will present a number of new initiatives, which shall ensure stronger results through increased customer focus, specific sales initiatives, stronger and more frequent product releases and cost reductions. We will present this plan at the upcoming Capital Markets Day,” says CEO Kristian Teär.

The company will announce its financial report for the first half-year 2019/20 on 14 January 2020 as planned.

Conference call for analysts and investors

As a consequence of the changes to the company's financial outlook, a conference call for analysts and investors will be held on Wednesday 18 December 2019 at 9.00 AM.

Link to webcast: <https://bo.eventcdn.net/20191218/>

Dial-in numbers:

DK: +4535445583
UK: +442031940544
US: +18552692604

For further information, please contact:

Martin Raasch Egenhardt
Director, Investor Relations
Phone: +45 5370 7439

Jens Gamborg
Head of Group Communications
Phone: +45 2496 9371