

Bang & Olufsen to accelerate strategic execution and set medium-term financial ambitions

Bang & Olufsen announces plan to accelerate its strategic execution, aiming to drive long-term growth and further improve profitability. As part of this mid-term plan, Bang & Olufsen has set an ambition of achieving organic revenue growth of 8% (CAGR) in the three-year period covering the financial years 2025/26 to 2027/28 and an EBIT margin before special items of 8% as well as a free cash flow of DKK 250m, both to be achieved in 2027/28.

Over the last 18 months, Bang & Olufsen has executed on its Luxury Timeless Technology strategy, thus laying the foundation for a longer-term profitable and sustainable growth. During the financial year 2023/24, the company had a particular focus on strengthening its luxury positioning, improving the experience in branded channels, reducing the presence in multibrand, and creating products of the highest quality. This contributed to Bang & Olufsen delivering an all-time high gross margin and the best EBIT margin before special items in six years.

In order to accelerate the strategic execution and to achieve the medium-term financial ambitions, value-creating investments are required in the short term. The plan is therefore conditional upon a capital increase of up to 20% of the company's share capital. The investments will primarily focus on strengthening Bang & Olufsen's position in the luxury audio market by increasing brand awareness, optimising the retail network and continuing to build world-class products.

The capital increase is subject to approval of an authorisation to increase the company's share capital by up to 20% at the annual general meeting to be held on 15 August 2024. Once the authorisation is approved by the shareholders, the capital increase is expected to be carried out within the first half of 2024/25 (end of November 2024) as a directed issue and private placement without pre-emptive rights for existing shareholders.

CEO Kristian Teär comments:

“We have made good progress on our strategy despite a challenging market environment. This year, we delivered an all-time high gross margin and the best EBIT margin in six years. To capture the market opportunity, we want to build on that momentum and further accelerate our strategic execution and make investments, which will enable us to deliver profitable and sustainable growth in the medium term.”

“We remain strongly focused on ensuring a robust financial foundation. We also want to invest more in increasing brand awareness, strengthening our retail network, and continuing to create world-class products. Our branded channels play a key role in our growth plans. This is where we can give customers the full Bang & Olufsen experience, and we want to have stores in the right locations and in the right cities around the world. We have seen from our Win City concept and from our key retail partners that when we do it well, we can grow the business significantly. With these investments, we will be able to realise Bang & Olufsen's growth potential and solidify our position as the world's leading luxury audio brand.”

Solid plan for profitable and sustainable growth

Key elements of the strategic acceleration to reinforce Bang & Olufsen's luxury positioning and the plan to meet the medium-term financial ambitions in the period to and including the financial year 2027/28 are:

- To further enhance brand awareness and brand equity as a luxury audio brand.
- To optimise the monobrand store network and store experience. This includes closing underperforming stores, relocating and upgrading existing stores and opening new monobrand and company-owned stores in key global cities and regions where Bang & Olufsen does not have a sufficient presence today.
- To continue investing in the product portfolio and IP (Intellectual property) rights.
- To increase pricing to reflect the luxury position of Bang & Olufsen.
- To grow license revenue from strategic partnerships.

The above initiatives are expected to increase CAPEX and capacity costs during the period to and including 2027/28. Annual CAPEX is expected to be around 30-40% higher than the expected level in 2024/25. Capacity costs are expected to increase by DKK 100-200m per year during the period. For more details on the medium-term ambitions, please refer to the Annual Report 2023/24.

2023/24 results and 2024/25 financial outlook

In a separate announcement to be released immediately following this announcement, Bang & Olufsen will publish its 2023/24 Annual Report, which was originally planned for release on 4 July 2024. For 2023/24, Bang & Olufsen is reporting group revenue of DKK 2,588m (-5% growth in local currencies), an EBIT margin before special items of 2.4% and a positive free cash flow of DKK 11m for the year.

For the financial year 2024/25, Bang & Olufsen expects revenue growth in local currencies from -3% to 3%, with an EBIT margin before special items from -2% to 1%. Free cash flow is expected from DKK -100 to 0 million.

The 2024/25 outlook is based on the assumption of a capital increase enabling increased investments as described in relation to the medium-term ambitions. CAPEX is expected to be around DKK 250-275m. Please see the Annual Report 2023/24 for detailed assumptions.

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