

## **Bang & Olufsen: Interim report Q1 2020/21**

Bang & Olufsen achieved double-digit growth in Q1 and made good progress on strategy execution in the quarter. This was the first reported year-on-year revenue growth since Q1 2018/19. COVID-19 continued to impact the business and global consumer behaviour and Bang & Olufsen experienced increased demand for home entertainment products. Revenue increased by 10.3% (11% in local currency) to DKK 462m, and the EBIT margin before special items was -8.5%, 22.3pp better than last year. Free cash flow was DKK -62m, and the Group's cash position was DKK 497m, improved by the rights issue completed in July. The full-year outlook for 2020/21 is maintained.

CEO Kristian Teär comments:

*"Our double-digit growth in the first quarter was primarily driven by a positive development in the monobrand channel in our focus markets and new product launches," says CEO Kristian Teär. "In a time with great uncertainty, the financial result is evidence of solid strategy execution by the whole organisation and the strength of our diverse portfolio of innovative products that enabled us to adapt to the changes we saw in consumer behavior in the quarter. The unpredictability caused by COVID-19 continues, and we still have a big task ahead of us in terms of executing the strategy and creating a profitable business. However, we are pleased with the progress made in the first quarter and maintain our outlook for the year.*

*"Despite a negative free cash flow of DKK 62 million, we saw significant improvement compared to last year, and today we have a cash position of DKK 497 million following the rights issue in July," says Kristian Teär. "Our efforts to strengthen our cost focus continued in the first quarter. We realised DKK 31 million in savings as part of our cost reduction programme, and we remain on track to deliver on the targeted annual saving of DKK 175 million when fully implemented in 2021/22."*

### **Financial highlights, Q1 2020/21**

- Bang & Olufsen achieved double digit growth in the quarter. This is the first time since Q1 2018/19, the company delivered year-on-year revenue growth.
- The financial performance was driven by good progress on strategy execution as well as effects from COVID-19.
- The company experienced higher demand for home entertainment as well as higher sell-out compared to Q1 last year, especially in the monobrand channel.
- Revenue was DKK 462m, which was an increase of 10.3% year-on-year (11% in local currency).
- The gross margin was 42.8%, which was 6.1pp higher than last year, reflecting higher revenue and a changed product mix.
- EBIT was DKK -41m (Q1 19/20: DKK -129m), equivalent to an EBIT margin of -9.0% (Q1 19/20: -30.8%). The year-on-year improvement was driven by higher revenue, better gross margin and lower capacity costs. Excluding special items of DKK 2m, the EBIT margin was -8.5%.

- Earnings for the period were a loss of DKK 49m compared to a loss of DKK 106m last year.
- The free cash flow was DKK -62m (Q1 19/20: DKK -206m), supported by a reduction in overdue receivables and continued government support on VAT and tax payments.
- The cash position increased to DKK 497m from DKK 215m at the end of Q4 2019/20, reflecting the completed rights issue with DKK 357m in net proceeds.

### **Follow-up on strategic initiatives**

Bang & Olufsen made good progress on strategy execution in Q1.

- The cost reduction programme progressed as planned and cost savings in Q1 amounted to DKK 31m.
- In the six core markets in Europe, the focus was on improving performance in the monobrand channel. Sell-out from monobrand stores in the core markets was higher than non-core markets. Within multibrand, the employment of new people with channel-specific competencies was a key priority, which is expected to improve performance in the coming quarters.
- Three new products were launched in Q1, and the company still plans to launch more than ten new and upgraded products in the current financial year. The product launches were supported by marketing activation targeting the consumer segments defined in the strategy.
- In August 2020, it was announced that Bang & Olufsen and Verizon in the US have teamed up to offer a curated selection of Bang & Olufsen's products for Verizon's customers.

### **Outlook**

The company maintains the outlook for 2020/21.

Revenue:	approx. DKK 2.2bn (unchanged)
EBIT before special items:	approx. DKK -100m (unchanged)
Free cash flow:	approx. DKK -200m (unchanged)

The outlook is subject to high uncertainty due to the COVID-19 pandemic.

### **Conference call for analysts and investors**

The company will on 1 October 2020 at 10:00 CEST host a webcast, where the financial development for Q1 2020/21 will be presented.

The webcast can be accessed through <https://bo.eventcdn.net/202010q1/>

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