

Bang & Olufsen interim report Q1 2021/22:

## **Positive EBIT margin and free cash flow driven by 44% revenue growth**

The company continued to execute on the turnaround strategy and maintained the strong momentum from last year. For the first time since the financial year 2007/08, Bang & Olufsen delivered a Q1 with both positive EBIT before special items and positive free cash flow.

Revenue grew 44% in local currencies year-on-year. The company delivered growth across all regions and product categories, improved the gross margin and benefitted from the full run-rate effect of the cost reduction programme implemented last year.

CEO Kristian Teär comments:

“We are pleased with the progress we made in the first quarter. Despite the pandemic and continuous challenges with global supply chain issues, the hard work of our employees and partners helped us to deliver 44% growth and a profitable Q1 for the first time since 2007/08. The results were driven by solid growth across all regions and product categories and the full effect of our cost reduction programme.”

“We have entered the second phase of our turnaround where we focus on building more robustness into our business, while delivering double-digit growth and improving our profitability. In the first quarter, we made strong progress on our strategic focus areas. We grew our customer base, strengthened our organisation, launched new product innovations, continued our digital transformation, and enhanced the customer experience. All in all, we are pleased to see that our strategy is working, and we remain on track to deliver on our full-year expectations.”

### **Financial highlights, Q1 2021/22**

- Revenue grew 44% in local currencies, across all regions and product categories.
- Flexible Living maintained the high momentum from last year, growing by 87%. The Staged and On-the-go categories delivered 35% and 48% growth respectively. Within all product categories, growth was driven by both existing and new products.
- Component shortages remained a challenge and had a negative impact on both growth and margins. The company’s sourcing team has continued to successfully secure components, but there are still longer delivery times on specific products – especially within the Staged category.
- Gross profit was DKK 299m (Q1 20/21: DKK 198m). This was equivalent to a gross margin of 44.8% (Q1 20/21: 42.8%). The improved gross margin was driven by a 4.4pp increase in product gross margin as a result of a favourable product mix, price increases and a better revenue to fixed costs ratio. The improvement was partly offset by higher component and logistics costs.

- EBIT was DKK 7m (Q1 20/21: DKK -49m). This corresponded to an EBIT margin of 1.1% (Q1 20/21: 9.0%).
- EBIT before special items was DKK 9m, equivalent to a margin of 1.4% (Q1 20/21: -8.4%).
- Earnings for the period were a profit of DKK 1m (Q1 20/21: loss of DKK 49m).
- Free cash flow was DKK 21m (Q1 20/21: DKK -62m), driven by EBITDA.
- Available liquidity was stable at DKK 608m (Q4 20/21: DKK 593m).

### **Progress on strategic priorities**

The company continued to execute on its strategy which delivered profitable growth while building robustness in the business operations.

- The company hired 85 new employees, particularly in the software and engineering areas, with the aim of building the right teams, capabilities and structures.
- Q1 saw the launch of three product innovations, Beovision Contour in a 55" version, Beoplay EQ, and stereo pairing as a software update for products on the new product platform.
- To support the product and platform launches, several marketing activations were executed, including the launch campaign for Beoplay EQ with Chinese musician Lay Zhang.
- The six core European and two core Asian markets achieved 37% and 17% year-on-year growth respectively. Last year, revenue in China was positively affected by orders delayed from Q4 of the previous year. Adjusting for phasing of orders last year, growth was just over 30%.
- The brand partnership and licencing agreement with HP was renewed and the company announced a brand and licencing partnership with Sagemcom.
- The customer base grew by 7.5% in Q1 and the company expects to continue the positive trajectory throughout the year.

### **Outlook**

The company maintains the outlook for the financial year 2021/22, which 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 and continues to be subject to high uncertainty due to COVID-19 and general pressure on supply chains.

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

The company will host a webcast on 6 October 2021 at 10:00 CEST, where the financial development for Q1 2021/22 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/q1202122>

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

DK: +45 7872 3251

UK: +44 333 300 9030

US: +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