

Interim report for Q3 2022/23:

Bang & Olufsen: Q3 highly impacted by COVID-19 in China

The company had a revenue decline of 18% (-20% in local currencies) in the third quarter of its financial year 2022/23. This was primarily due to lower-than-expected sales in China, which adversely affected performance. Revenue declined 65% in China and led to an adjusted outlook for FY 22/23, announced on 17 March 2023. China's change in COVID-19 policy in December led to a surge of COVID-19 infections across the country, negatively impacting consumer behaviour and demand throughout the quarter. In addition, the global macroeconomic uncertainty continued and many of the company's retail partners showed cautiousness in their inventory replenishment, especially in EMEA.

Despite headwinds, Bang & Olufsen made good progress with its strategic priorities in the quarter. The company's own stores outperformed other channels across all three regions, the Win City Concept in London continued to show strong growth figures, and the customer base increased again this quarter. The company also announced the first Atelier Editions of the award-winning Beoplay EX true wireless headphones, a limited edition collection in the colour Lime Green.

The Q3 gross margin was 43.6% against 44.0% last year, despite a change in product mix towards lower-margin categories. Heavily impacted by the company's China performance, the EBIT margin before special items was negative 6.8% (Q3 21/22: 0.7%). Free cash flow was positive DKK 33m (Q3 21/22: DKK -14m), driven by a positive development in working capital. Like for like sell-out declined 4% in the quarter mainly driven by low demand in China, EMEA saw a slight decline whereas Americas continued to grow.

CEO Kristian Teær comments:

"We are not satisfied with the results for the quarter. The COVID-19 development in China had a major impact on our performance, and our dealers in EMEA were cautious with replenishing inventory due to the macroeconomic situation. Despite these external factors challenging us, we saw robust consumer demand in most markets and improved our free cash flow, and we expect the situation in China to begin to normalise."

"Our transformation continued, and we made good progress with our strategic priorities. Our Win City Concept continued to yield results, we added more customers in the quarter, and our new partnership with Ferrari will help us build brand awareness. We will continue to execute in line with our strategy, but we are phasing our investments to reflect the high uncertainty in the world."

Financial highlights, Q3 2022/23

- Revenue declined 18% (-20% in local currencies) in the quarter. Sales in China decreased significantly as the country was heavily affected by a change in COVID-19 policy in December. The quarter was also impacted by macroeconomic uncertainty and retail partners in the EMEA region remained cautious about inventory replenishment.
- Gross margin was 43.6% against 44.0% last year. A change in product mix towards lower-margin products was partly offset by improved margins for the Staged and Flexible Living categories.
- EBIT before special items was DKK -43m (Q3 21/22: DKK 6m), corresponding to an EBIT margin before special items of -6.8% (Q3 21/22: 0.7%). Special items were DKK -15m, mainly due to a provision for redundancies. In February, the company initiated a reorganisation as part of the continued focus on balancing strategic investments while securing a lean cost base.
- EBIT and EBIT margin came in at DKK -58m and -9.1% respectively (Q3 21/22: DKK 1m and 0.1%).
- The result for the period was a loss of DKK 55m (Q3 21/22: loss of DKK 16m).
- Free cash flow was DKK 33m (Q3 21/22: DKK -14m), driven by a positive change in working capital.
- Available liquidity was DKK 208m (Q2 22/23: DKK 187m).

Progress on strategic initiatives

- The company continued its efforts to increase brand awareness, onboard new customers and increase average product ownership, and the customer base grew by 5% while delivering a slight increase of 3% in the number of customers owning two or more products.
- Americas delivered positive sell-out growth. The quarter also saw the opening of a partner-owned store in Orlando, Florida, an attractive area to build a presence in due to the density of Very High Net Worth Individual (VHNWI) customers.
- The company's Win City Concepts performed well and yielded good results in both London and Paris.
- The company launched the first Atelier Editions of the award-winning Beoplay EX true wireless headphones, a limited edition collection in the colour Lime Green.
A new partnership with Scuderia Ferrari for the 2023 Formula 1 season was announced in February. The new partnership got off to a good start.

Outlook 2022/23

With reference to company announcement no 22.07 dated 17 March 2023, the company adjusted the outlook for the financial year 2022/23 due to lower-than-expected sales in China. The current outlook is as follows:

- Revenue growth (in local currencies): -9% to- 3%
- EBIT margin before special items: -4% to -1%
- Free cash flow (DKK): -100m to 0m

The outlook is subject to unusually high uncertainty related to consumer confidence due to high inflation, rising interest rates and the war in Ukraine, which, in combination, have increased the risk of recession.

Please see Interim report 9M 2022/23 for further details on outlook and assumptions.

Conference call for analysts and investors

The company will host a webcast on 13 April 2023 at 10:00 CEST, where the financial development for Q3 2022/23 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/2022-2023-q3>

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

DK: +45 78768490

UK: +44 2037696819

US: +1 6467870157

PIN: 193621

For further information, please contact:

Cristina Rønne Hefting

Investor Relations

Phone: +45 4153 7303

Jens Bjørnkjær Gamborg

Global Sustainability and Communications

Phone: +45 2496 9371