

Annual report 2023/24:

## **B&O reports positive EBIT margin for 2023/24 despite lower revenue**

Bang & Olufsen delivered a record-high gross margin and an improved EBIT margin for 2023/24 despite a decline in revenue. Group revenue was DKK 2,588m, 5% down year-on-year in local currencies. Revenue performance was in the upper range of full year guidance of -8% to -5%, as the company reported growth of 3% in local currencies for Q4 2023/24 (March through May). The company's product revenue in local currencies was flat, while customer demand (measured as like-for-like sell-out) increased by 3% driven by increased demand in APAC.

Bang & Olufsen continued the execution of its Luxury Timeless Technology strategy, thus laying the foundation for a longer-term profitable and sustainable growth. During the financial year, 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.

Gross margin improved to 53.3%, a 9-percentage point increase compared to last year. The gross margin increased throughout the year and ended at 54.3% in Q4. Normalised component and logistics costs since Q4 2022/23, a strong pricing focus, and a positive change in both channel and product mix drove the increase.

EBITDA before special items was DKK 300m, an increase of DKK 183m compared to last year and corresponding to a margin of 11.6%. The EBIT margin before special items improved by 6.2 percentage points to 2.4%. The reported EBIT before special items was the highest reported in more than half a decade. The free cash flow was positive and improved by DKK 31m to DKK 11m for the full year.

CEO Kristian Teär comments:

“We ended the year with a record high gross margin and the best operating profit in six years. While sales at DKK 2.6 billion were lower than we originally had expected, we are pleased that the work we have done to build a robust financial foundation for the future is paying off. Among other things, this is the outcome of our strong focus on creating the right experience in our branded channels, building products of the highest quality, and strengthening our luxury positioning. We firmly believe this is the right way for us to create profitable growth for Bang & Olufsen in the medium-term.”

### **Financial highlights, FY 2023/24**

- Revenue declined by 6% (-5% in local currencies) year-on-year. EMEA declined 3% (-3% in local currencies), Americas declined by 8% (-6% in local currencies) and APAC declined by 9% (-5% in local currencies). Revenue declined mainly due to the discontinuation of multibrand stores.
- Brand partnering & other activities declined by 10% (-9% in local currencies). This was mainly driven by reduced license income. Revenue related to the automotive industry grew year-on-year despite the impact from factory strikes in the US during the year. License income from HP declined year-on-year.
- Like-for-like sell-out grew by 3%. In APAC, sell-out grew by 22% driven by sell-out growth in China of 34%, EMEA declined by 4%, while sell-out in the Americas declined by 7%.

- The gross margin was 53.3%, which was 9.1pp higher than last year, driven by the normalisation of component and logistics costs. In addition, the margin was favourably impacted by a strong focus on pricing and on improving margins across regions and product categories.
- EBITDA before special items was DKK 300m (22/23: DKK 117m) equivalent to an EBITDA margin before special items of 11.6%, compared to 4.3% last year.
- EBIT before special items was DKK 61m (22/23: DKK -105m) equivalent to an EBIT margin before special items of 2.4%, compared to -3.8% last year.
- The free cash flow was DKK 11m (22/23: DKK -20m).

### **Financial highlights, Q4 2023/24**

- Revenue grew by 1.4% (3% in local currencies) year-on-year.
- The gross margin was 54.3%, an increase of 2.9pp from 51.4% in Q4 22/23.
- EBITDA before special items was DKK 72m (Q4 22/23: DKK 66m) equivalent to an EBITDA margin before special items of 11.0%, compared to 10.2% in Q4 of last year.
- EBIT before special items was DKK 12m (Q4 22/23: DKK 9m) equivalent to an EBIT margin before special items of 1.8%, compared to 1.4% in Q4 of last year.
- The free cash flow was DKK 43m (Q4 22/23: DKK 27m).

### **Strategic highlights, FY 2023/24**

- Six new product innovations.
- Presence was strengthened in key cities by the opening of a relocated store in New York, the opening of a new Flagship store in London and, at year-end, the opening of a new company-owned store in Paris. In addition, the Win City Concept was initiated in Hong Kong.
- A new store concept was launched. The new flagship store in London was the first to feature the store concept, and a roll-out plan has been initiated.
- The execution of the Win City concept for London, Paris and New York continued. For the full year, London sell-out was flat. This was mainly due to various issues impacting ability to operate at full capacity at the Bicester Village outlet store and a generally toughened retail environment in the UK. By contrast, sell-out in the rest of the UK declined double-digit during the period.
- In Paris, sell-out was negative at 17%. Our monobrand partner could not operate the stores on full capacity during the year. In Q4 sell-out grew by 3% supported by double-digit growth in the company-owned stores.
- New York sell-out grew by 4%. The company-owned stores reported growth driven by a high double-digit performance by the SoHo store. The Madison store was closed for a few months due to the relocation.
- The company continued to implement structural changes in the channel network and to reduce its presence in multibrand and eTail channels.
- In January, Bang & Olufsen renewed the partnership with Scuderia Ferrari for the 2024 and 2025 seasons after a successful 2023 season.
- At end of May, the company partnered with the luxury yacht brand, Riva, to create the ultimate sound for life on board the yachts.
- The customer base grew by 19% and the number of customers owning two or more Bang & Olufsen products increased by 14% year-on-year.

## Outlook 2024/25

With reference to company announcement no. 24.02, the outlook for 2024/25 is based on the assumption of a capital increase enabling increased investments as described in relation to the medium-term ambitions. The company's outlook for the financial year 2024/25 is as follows:

- Revenue growth (in local currencies): -3% to 3%
- EBIT margin before special items: -2% to 1%
- Free cash flow (DKK): -100m to 0m

Please see the Annual Report 2023/24 for further details on outlook and assumptions.

## Conference call for analysts and investors

The company will host a webcast on 4 July 2024 at 10:00 CEST, at which the financial developments for FY 2023/24 will be presented.

The webcast can be accessed at <https://bangolufsen.eventcdn.net/events/full-year-report>

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