

## Bang & Olufsen releases preliminary Q3 numbers and adjusts outlook due to lower than expected sales in China

Bang & Olufsen releases the preliminary financial numbers for Q3 2022/23 and adjusts the outlook for the financial year 2022/23 (ending on 31 May 2023). The reason for the outlook adjustment is lower than expected sales in China. In December 2022, China moved away from its zero-COVID-19 policy after a longer period of lockdowns. That led to a surge in COVID-19 cases which created a large uncertainty in many parts of the country. These circumstances impacted the company's performance in Q3 more than expected and continue to impact consumer behaviour.

The company now expects revenue growth (in local currencies) to be between -9% and -3% for the full financial year. The adjusted revenue outlook will also impact the company's EBIT margin before special items and free cash flow for the financial year 2022/23. The EBIT margin before special items is expected to be between -4% and -1%, while free cash flow is expected to be between DKK -100m and DKK 0m.

CEO Kristian Teär comments:

"Sales in China did not progress as expected after the reopening because of all the challenges with COVID-19. In the first two quarters, extensive lockdowns in China severely impacted our sales. When the country suddenly abandoned most of the restrictions in December, we did not expect this negative development in consumer behaviour. That is the reason why we are adjusting our outlook today. However, we do anticipate consumer demand will start to normalise."

"We will continue with our strategy and transformation as planned. We are building a more robust Bang & Olufsen with a strong customer and cost focus, and will continue to launch products and initiatives that support our growth ambitions. However, as previously said, we are phasing some of our strategic investments due to the high uncertainty we currently see in the world."

The preliminary results for 9M 2022/23 (Q3 2022/23) are as follows:

- Revenue of DKK 2,106m, equivalent to -9% y-o-y growth in local currency (Q3: DKK 635m, equivalent to -20% y-o-y growth in local currency)
- EBIT before special items of DKK -114m, corresponding to a margin of -5.4% (Q3: DKK -43m, corresponding to a margin of -6.8%)
- Free cash flow of DKK -47m (Q3: DKK 33m)
- Like-for-like sell-out declined 5% y-o-y (Q3: decline of 4% y-o-y)

Macroeconomic headwinds impacted the Q3 performance in all regions. However, the Asia region declined more than expected, driven by a decline in China revenue of 65% y-o-y.

The company adjusts its outlook as follows:

Revenue growth in local currencies: -9% to -3%  
(Previously in the lower end of -4% to 5%)

EBIT margin before special items: -4% to -1%  
(Previously in the lower end of -2% to 3%)

Free cash flow: DKK -100m to DKK 0m  
(Previously in the lower end of DKK -50m to DKK 100m)

As communicated in the H1 2022/23 report, the outlook is subject to unusually high uncertainty due to high inflation, rising interest rates and the war in Ukraine.

The expectations are further subject to the following assumptions:

- Improved market conditions in China during Q4, yet at a slower pace than initially expected.
- Launch of three or more product innovations, as previously communicated, in the remainder of the financial year.
- No impact on product availability due to geopolitical changes or COVID-19 related lockdowns.
- No major COVID-19 related lockdowns in the remainder of the financial year.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.

The company will release its quarterly financial report for 9M 2022/23 on 13 April 2023 as planned.

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