

## **Bang & Olufsen: Annual report 2019/20**

2019/20 was a disappointing year for Bang & Olufsen. Revenue declined 29% in local currency compared to last year and EBIT margin before special items dropped to -15%. The shortfall in revenue adversely impacted profitability and despite a positive development in net working capital, we realised a negative free cash flow of DKK 234m. This was an improvement compared to last year due to strict costs focus and working capital management. The results were within the latest financial outlook published on 13 March 2020.

CEO Kristian Teär comments:

“This has been a disappointing year for Bang & Olufsen. The unsatisfactory results were primarily due to lack of progress with the ongoing transition towards a demand-driven retail model and higher-than-expected sales through unauthorised channels. We launched several initiatives to address these challenges, but just as we were starting to see the first results of these efforts, we were hit by the COVID-19 pandemic and the lock-down of countries around the world.”

“On 1 July, we successfully completed a capital increase that will enable us to get through the COVID-19 crisis and continue to execute on the strategy presented in April. With our new strategy we aim to solve some of the fundamental issues in our core business and ensure that we become profitable again. However, we recognize that it will be a challenging year, as we continue to deploy our new strategy in the midst of the uncertainty related to COVID-19. In 2020/21, we expect to return to growth, driven by product launches in all categories, stronger sales and marketing execution, and the continued transition of our retail network with focus on our core markets.”

### **Financial highlights, FY 2019/20**

- Revenue was DKK 2,036m (DKK 2,838m), corresponding to a decline of 28.3% (-29% in local currency) impacted by the lack of progress with ongoing transition to a demand-driven retail model and by the COVID-19 pandemic and subsequent lock-down of societies around the world.
- The gross margin was 41.1% (48.5%), down by 7.4pp and 4.9pp excluding the effect of currency hedges. The decline was seen across all product categories mainly impacted by a higher share of end-of-life products sold at lower prices.
- EBIT was DKK -347m (DKK 59m) equivalent to a margin of -17.1% (2.1%), impacted by lower revenue and gross margin, partly offset by lower capacity costs. Before special items, the margin was -15.0%.
- Special items amounted to DKK 43m, which was related to severance costs to former management and redundancy costs together with specific consultancy costs in respect of the cost reduction programme launched in March.
- Earnings before tax was DKK -367m (DKK 33m). Earnings for the period were a loss of DKK 576m (DKK 19m), which was impacted negatively by an impairment charge related to the deferred tax asset amounting to DKK 265m. The impairment was made in Q3 2019/20
- Free cash flow was DKK -234m (DKK -271m), impacted positively by working capital management. The cash position was DKK 215m by the end of the financial year.

### **Financial highlights, Q4 2019/20**

- Revenue was DKK 377m (DKK 618m), corresponding to a decline of 39.0% (-39% in local currency). The impact from the COVID-19 outbreak resulted in temporary store closures in all markets and was the reason for the decline.
- The gross margin was 39.4% (48.5%), down by 9.1pp and 6.0pp excluding the effect of currency hedges. Gross margin was impacted negatively by several factors related to COVID-19 e.g. higher discounts on certain products, and higher revenue sharing for sales through the company's e-commerce platform. Furthermore, the margin was impacted negatively by sales of end-of-life products and allocation of production-related capacity costs.
- EBIT was DKK -140m (DKK -66m) equivalent to a margin of -37.1% (-10.7%), impacted by lower revenue and gross margin, partly offset by lower capacity costs. Before special items, the margin was -30.0%.
- Free cash flow was DKK -99m (DKK -69m), impacted negatively by the decline in EBITDA partly offset by a reduction in net working capital.

### **Outlook**

The outlook is unchanged compared to the preliminary guidance for 2020/21 published in company announcement 19.22 on 12 May 2020.

- Revenue: Approx. DKK 2.2bn
- EBIT before special items: Approx. DKK -100m
- Free cash flow: Approx. DKK -200m

The outlook has higher uncertainties due to COVID-19.

On 1 July 2020, the company completed the rights issue raising approx. DKK 356m in net proceeds. The proceeds from the rights issue will enable Bang & Olufsen to continue to unfold the recently launched strategy.

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

The company will on 7 July 2020 at 10:00 CEST host a webcast, where the financial development for the full year and Q4 2019/20 will be presented.

The webcast can be accessed through <https://bo.eventcdn.net/1920fy>

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