

Bang & Olufsen's interim report Q3 2020/21:

B&O reports double-digit growth for the third quarter in a row

With revenue growth of 16% in local currencies, the company delivered double-digit year-on-year growth for the third quarter in a row. It was also the second consecutive quarter with positive EBIT and positive free cash flow. The Q3 results were driven by targeted sales and marketing initiatives, improved channel performance and high demand for home entertainment products.

CEO Kristian Teär comments:

“Despite the global component shortage and lockdowns caused by COVID-19, we achieved double-digit growth for the third quarter in a row and delivered positive EBIT and free cash flow. We are pleased with the results, which were driven by strong channel performance, targeted sales and marketing initiatives, higher global demand for home entertainment products, and not least our portfolio of innovative and award-winning products.”

“The progress we made in the quarter confirms that our strategy is working. The cost reduction programme progressed as planned, core markets grew across all key channels, and we continued to strengthen our digital focus, which enabled us to more than double our online revenue and enhance the consumer experience. We still have a lot of work ahead of us and COVID-19 will also impact our business in the fourth quarter. But we remain on track to deliver on our expectations for the financial year, and I want to thank my passionate colleagues and all our partners for their hard work and efforts in a challenging quarter.”

Financial highlights, Q3 2020/21

- In Q3, revenue grew by 16% in local currencies, driven by targeted sales and marketing initiatives, improved channel performance and high demand for home entertainment products.
- All core channels performed, with multibrand and own eCommerce recording the highest growth rates. The Flexible Living category continued the momentum from Q2, delivering 48% year-on-year growth.
- Continued supply challenges related to component scarcity had an adverse impact on growth in the quarter.
- The gross margin was 44.9%. This represents a 1.0pp increase year-on-year. The margin improvement reflected less end-of-life products, partly offset by higher component and logistics costs.
- EBIT was DKK 28m, equivalent to an EBIT margin of 4.0% (Q3 19/20: -0.3%). The 4.3pp increase was driven by higher sales and improved gross profit, partly offset by higher capacity costs. The EBIT margin before special items was 4.9%.
- Earnings for the period were a profit of DKK 13m compared to a loss of DKK 275m last year.

- Free cash flow was DKK 8m (Q3 19/20: DKK 39m). The year-on-year decline was related to the change in working capital, partly offset by improved EBITDA.
- Available liquidity was stable at DKK 573m (Q2 20/21: DKK 582m).
- For the first nine months of the financial year, Bang & Olufsen delivered 13% revenue growth in local currencies, EBIT before special items of DKK 23m (9M 19/20: DKK -189m) and a positive free cash flow of DKK 85m (9M 19/20: DKK -135m).

Strategic initiatives

Despite supply challenges and mandatory store closures, the financial performance in Q3 proved that the strategy in place is effective.

- The six European core markets delivered 13% growth in local currencies. The growth was seen across all core channels and led by eCommerce and multibrand, which benefitted from the efforts to reset the channel and onboard new multibrand and etail partners in H1.
- The two Asian core markets delivered year-on-year growth of 12% in local currencies.
- All eight core markets delivered growth-rates above company average, when adjusting for sales of end-of-life products last year.
- With two products launched in Q3, the company is on track to deliver on the planned product launches for 20/21, thereby further strengthening the product portfolio.
- The company continued to execute key digital initiatives, which yielded 127% growth on the company's eCommerce platform in Q3.
- Lastly, the cost reduction programme targeting DKK 175m in annual savings from 2021/22 progressed, and the company realised cost savings of DKK 42m in Q3 and DKK 105m year-to-date.

Outlook

The company maintains the outlook for revenue and EBIT before special items, whereas the outlook for free cash flow has been narrowed to the upper end of the range. The company's outlook is as follows:

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| • Revenue: | DKK 2.3bn to 2.5bn
(unchanged) |
| • EBIT before special items: | DKK -50m to +25m
(unchanged) |
| • Free cash flow: | DKK 0m to +100m
(Previously DKK -50m to +100m) |

The outlook is based on certain assumptions and continues to be subject to high uncertainty due to COVID-19.

Conference call for analysts and investors

The company will host a webcast on 8 April 2021 at 10:00 CEST, where the financial development for Q3 2020/21 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/202104q3>

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