

Bang & Olufsen: Interim report Q2 2020/21

Bang & Olufsen achieved double-digit growth for the second quarter in a row, a free cash flow of DKK 139m, and a positive EBIT for the first time since the launch of the company's new strategy in April 2020. The financial performance was driven by good progress on strategy execution and high demand for home entertainment products. Sell-out showed strong demand for both Staged and especially Flexible Living products. The outlook for 2020/21 as updated on 15 December 2020 remains unchanged.

CEO Kristian Teär comments:

“Overall, we are pleased with the second-quarter results. As communicated in our announcement in December, we delivered a positive EBIT as well as double-digit growth for the second consecutive quarter. The results were primarily driven by strong execution on our key strategic priorities, successful product launches, and higher consumer demand for home entertainment products.”

“Innovative products are at the heart of Bang & Olufsen, and it has been a key priority for us to maintain a high frequency of launches this financial year. We launched seven products in the first six months and that contributed to the positive development in our financial performance. The products have been well-received by our consumers and many of them are best-in-class in their category. We expect to launch more than five new or upgraded products in the next two quarters to add to our already strong portfolio.”

“We have come far with the first phase of the strategy we presented in April. However, we still have a lot of work ahead of us, and we continue to see a great deal of uncertainty with coronavirus impacting consumers, communities and businesses around the world. But we are on the right track, and that is due not least to the many passionate employees and retail partners who, despite coronavirus, lockdowns and working from home, have made a huge effort and adapted to this extraordinary situation. I am very proud of the work they have done.”

Financial highlights, Q2 2020/21

- Revenue was DKK 693m. This represents a 10.5% year-on-year increase (12% in local currencies). The growth was seen across most distribution channels and primarily driven by the Flexible Living category, which was up by 61%. The growth was partly offset by lower demand for travel-related products. Additionally, the growth in the Staged category was limited by reduced availability of Beolab speakers due to component scarcity.
- The gross margin was 44.6%. This represents a 2.1pp year-on-year increase. The margin development was adversely impacted by higher component and logistics costs.

- EBIT was DKK 25m, equivalent to an EBIT margin of 3.6%, up by 15.7pp driven by higher revenue and lower capacity costs. The EBIT margin before special items was 4.1%.
- Earnings for the period were a profit of DKK 12m compared to a loss of DKK 60m last year.
- Free cash flow was DKK 139m (Q2 19/20: DKK 32m), supported by a positive EBITDA and a decrease in net working capital.
- Available liquidity increased to DKK 582m from DKK 497m at the end of Q1 2020/21, which reflects the positive cash flow trend in the quarter.

Follow-up on strategic initiatives

The execution pace and momentum from Q1 were maintained and the company made good progress in support of its key strategic priorities:

- The company remained focused on go-to-market execution in the six core European markets, which grew by 13%. The company is working on changing the multibrand operating model, and to further accelerate performance the company signed Ingram Micro and Tech Data as new distribution partners covering Europe.
- Four new and upgraded products were successfully launched in Q2. The company continued moving forward with the product roadmap and now expects to launch more than five new and upgraded products in H2.
- Throughout Q2, the company accelerated several digital initiatives to mitigate the COVID-19 revenue risk caused by local market lockdowns. Examples of these include: Click & Collect, scaling of direct-to-consumer eCommerce and increased consumer communication.
- Finally, the cost reduction programme targeting DKK 175m in annual savings from 2021/22 progressed, and the company realised cost savings of DKK 32m in Q2 and DKK 63m in H1 2020/21. The target and timing of the programme remain unchanged.

Outlook

The company's outlook for 2020/21 as updated on 15 December 2020 remains unchanged:

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

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

Conference call for analysts and investors

The company will host a webcast on 12 January 2021 at 10:00 CET, where the financial development for Q2 2020/21 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/202101q2>

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