

Bang & Olufsen announces preliminary financial results for the third quarter and adjusts the company's financial outlook

Revenue is estimated to have declined in the third quarter

Based on preliminary sales numbers for the third quarter of the 2018/19 financial year, revenue for the quarter is estimated to DKK 710 million, which is a decline of 18 per cent compared to same quarter last year.

The following factors have led to the lower than expected revenue for the third quarter:

- Revenue in the Staged category declined 34 per cent compared to the same quarter last year, mainly driven by lower than expected TV revenue. The decline was primarily seen in the EMEA region. The retail sales of TV units continued to grow in the third quarter. However, retailers reduced their level of inventory on TVs resulting in a significant decline in sell-in TV revenue. The sell-in TV revenue is expected to normalise during the fourth quarter, but the outcome is associated with a considerable level of uncertainty.
- Furthermore, the Company's ability to execute on the transformation of the sales and distribution network has not been at the level expected in several geographies.

The gross margin for the third quarter is estimated to be 49.2 per cent compared to 44.4 per cent in the same quarter last year. Furthermore, the capacity costs are estimated at DKK 319 million compared to DKK 335 million last year. The improved gross margin and lower capacity costs meant that the Company achieved an estimated 4.2 per cent EBIT margin compared to 5.7 per cent last year, despite the significant shortfall in revenue.

Free cash flow in the quarter is estimated to be negative DKK 13 million compared to positive DKK 34 million last year. The cash flow in the quarter was lower than expected primarily driven by the shortfall in revenue and a higher than expected inventory at the end of the quarter.

Net cash position as of the 28 February 2019 was DKK 517 million.

"The results we have delivered in the third quarter are clearly not satisfactory. We have overestimated the speed at which we have been able to drive the change towards a more retail-led and demand driven sales and distribution network. Combined with the unexpected decline in TV revenue in the quarter, this has led us to reassess our outlook for the year," says CEO Henrik Clausen.

Adjusted financial outlook

Based on the above estimates for the third quarter and the expectations for the development in the fourth quarter, the Company now expects revenue for the 2018/19 financial year to decline around 10 per cent compared with the previous financial year (revenue was previously expected to be at the same level as 2017/18). EBIT margin is expected to be approximately 4-5 per cent (previously 7-9 per cent). Free cash flow is expected to be negative DKK 200-250 million (previously above DKK 100 million).

Due to the slower than anticipated execution of the transformation of the sales and distribution network and the consequential adjustment of the financial outlook for the year, the Company considers that it can no longer maintain its current 3-year targets. The Company will assess and restate its long-term financial targets and will disclose revised targets in connection with the announcement of the annual report for 2018/19.

Share buyback programme to be discontinued

In light of the estimates of the third quarter results and the expectations for the remainder of the financial year and the review of the long-term targets, the Board of Directors finds it prudent to discontinue the current share buyback programme.

On 3 September 2018, the Company initiated a share buyback programme, under which the Company intended to buy back own shares for an amount of up to DKK 485 million. The programme was due to be concluded no later than on 31 December 2019.

The Company has in the period up to 25 March 2019 bought back own shares for an amount of DKK 264 million under the programme corresponding to 2,273,449 own shares. Today, the Company holds a total of 2,383,439 own shares corresponding to 5.5 per cent of the total share capital and the total voting rights in the company.

The Board will consider potential future distributions to shareholders in connection with the annual report 2018/19.

Conference call for analysts and investors on Tuesday 26 March 2019

As a consequence of the Company's revised financial guidance, the Company will host a conference call for investors and analysts Tuesday 26 March 26 at 10:00.

Link <https://bo.eventcdn.net/201903-partnerevent/>

DK: +4535445583

UK: +442031940544

US: +18552692604

Bang & Olufsen a/s will release its interim report for the third quarter 2018/19 on 4 April 2019 as scheduled.

This announcement has been prepared in Danish and English. In case of any discrepancy, the Danish version shall prevail.

For more information, please contact:

Jens Bjørnkjær Gamborg
Head of Group Communications
Phone: +45 2496 9371

Malene Richter Christensen
Sr. Director, Global Finance
Phone: +45 2974 1609