

Interim report for Q2 2022/23:

Bang & Olufsen delivered 6% growth and a positive EBIT despite macroeconomic headwinds

In a quarter characterised by macroeconomic headwinds, Bang & Olufsen grew revenue by 6% (2% in local currencies). Growth was driven by product sales in EMEA and the Americas in combination with a strong performance in Brand Partnering. Especially, the launch of the company's latest soundbar, Beosound Theatre, had a positive impact on product sales. However, due to the economic climate, the company's retail partners remained cautious about replenishing their inventories.

Second quarter gross profit was up by 6.4%, and gross margin was in line with last year. As a result, the company achieved a positive EBIT margin before special items of 1.6% (Q2 21/22: 3.5%). Free cash flow was DKK 1m (Q2 21/22: DKK 11m), driven by cash flow from operating activities offset by investments.

CEO Kristian Teär comments:

“We achieved 6% growth in the second quarter – despite the macroeconomic headwinds. Our Americas region delivered a record quarter in terms of revenue, and we had strong product sales in EMEA and a very positive performance in our Brand Partnering business. Our APAC region was, however, significantly impacted by Covid-related lockdowns in China. Our latest soundbar, Beosound Theatre, was well received by customers and reviewers, and we also saw growth in our category for headphones and smaller portable speakers. The results reflect the resilience of our diverse business model and the breadth of our portfolio. I am proud to see how colleagues and partners continued to execute our strategy and create magical experiences for our customers. We maintain our outlook, but due to macroeconomic development, we now expect the results to be at the lower end of our range.”

“We continued to see solid progress on our strategic initiatives. In the first half of the year, we grew our customer base by 13%, and the number of customers owning two or more products increased by 12%. This is a result of our improved brand and marketing efforts and the strong ecosystem products we have built over the past couple of years. We also saw good progress with our Win City Concept in Q2. London delivered healthy growth, and the expansion to the next cities, New York and Paris, is well underway.”

“Our turnaround is progressing well, and to ensure that we stay on track and are prepared for the future, we are sharpening our direction. That means cementing our position within luxury, enhancing our focus on circularity and creating timeless products, and leveraging technology to offer our customers more spatial and personalised sound. We believe it will enable us to differentiate ourselves further, help us prioritise our investments, and support our growth ambitions even in a challenging macroeconomic environment.”

Financial highlights, Q2 2022/23

- Revenue grew 6% (2% in local currencies), driven by product sales and a positive performance in Brand Partnering. The growth in product sales was driven by EMEA and Americas and supported by the launch of Beosound Theatre. In contrast, retail partners, especially in the EMEA region,

remained cautious about inventory replenishment. In addition, the company's exit from Russia and Belarus in February 2022 had a 1.4pp negative impact on growth.

- Sell-out declined by 3%, driven by EMEA and Asia, whereas the Americas continued to grow. Across regions, the On-the-go category showed solid growth.
- Gross profit grew 6.4%, and gross margin was 44.4%, which was in line with Q2 of last year and 7.8pp higher than Q1. Gross margins on the Staged and Flexible Living categories grew, partly offset by the On-the-go category, which was adversely impacted by reductions of On-the-go inventory. Furthermore, currency movements impacted the margin negatively.
- EBIT was DKK 13m (Q2 21/22: DKK 27m), corresponding to an EBIT margin of 1.5% (Q2 21/22: 3.4%). Special items amounted to DKK 1m, and the EBIT margin before special items was 1.6% (Q2 21/22: 3.5%).
- The result for the period was a profit of DKK 3m (Q2 21/22: profit of DKK 10m).
- Free cash flow was DKK 1m (Q2 21/22: DKK 11m), driven by a positive cash flow from operating activities.
- Available liquidity was DKK 187m (Q1 22/23: DKK 206m).

Progress on strategic initiatives

- In Q2, the company had different activations to showcase Bang & Olufsen's ability for personalisation. Under the headline "Art of A9" the company celebrated Beoplay A9's tenth anniversary with a series of designs by leading artists working across art, design and music to customise the canvas cover.
- The company participated in an event during the Art Basel fair in Miami, where bespoke products created for very high net worth individuals were revealed. A select range of products was plated in gold, and more than 200 special guests attended the event.
- In Q2, Beosound Emerge was relaunched. The company stopped producing this in the last financial year due to component scarcity. The company also launched Beocom Portal, a dedicated headphone designed for hybrid work. Beocom Portal is Bang & Olufsen's first headphone certified to work with Zoom, and the company is working on more certifications in the future.
- Bang & Olufsen Radio was launched on the company's legacy platform, further improving the product ecosystem.
- The company continued to implement the Win City strategy, which now includes Paris and New York. In London, the company continued to deliver healthy growth, and in 2023 a new flagship store will be opened. In addition, the company has completed market segmentation in Paris and New York to identify where the target customers are and how to approach them.
- In the first half of the year, the number of customers with products registered in the Bang & Olufsen app increased by 13%. In addition to expanding the customer base, the company also increased the number of customers who own two or more products by 12%.

Outlook 2022/23

Bang & Olufsen maintain the outlook for the financial year 2022/23. However, the company now expect revenue growth, EBIT margin before special items and free cash flow to be at the lower end of the range. The outlook is as follows:

- Revenue growth (in local currencies): -4% to 5%
- EBIT margin before special items: -2% to 3%

- Free cash flow (DKKm):

-50 to 100

The outlook for 2022/23 is subject to unusually high uncertainty related to consumer confidence due to high inflation, rising interest rates and the war in Ukraine, which, in combination, have increased the risk of recession.

Conference call for analysts and investors

The company will host a webcast on 11 January 2023 at 10:00 CET, where the financial development for Q2 2022/23 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/2022-2023-q2/>

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