

First quarter 2019/20

## Bang & Olufsen: Revenue declined in the first quarter after clean-up in sales channels – full year financial outlook maintained

As expected, revenue and profitability declined in the first quarter. The result was adversely impacted by the necessary clean-up in sales channels with focus on normalization of retail inventory-levels and developing new point of sales. This affects the short-term financial performance. Bang & Olufsen maintains expectations of profitable growth for the financial year, and the company will launch a number of new products in remainder of the year.

Revenue in the first quarter of 2019/20 was DKK 419 million - a decline of 30% compared to last year, EBIT margin declined to negative 31%, while free cash flow was negative DKK 206 million.

Bang & Olufsen did expect a challenging quarter. Partly because the first new products will hit the market in the second quarter, but also because of the company's implementation of a more demand-driven sales model. Bang & Olufsen have had focus on decreasing retail inventory, addressing unauthorized sales, ensuring better control of large retail discounts and sales of end-of-life products through dedicated channels, while also developing new points of sale. CEO, Henrik Clausen explains:

"The results were primarily impacted by the clean-up in our sales channels, where we focused on decreasing retail inventory levels and develop our retail network to reflect our position as a luxury brand – and we have made good progress. We expected the clean-up to have an adverse impact on our financial performance the first half of the year. But the changes made are a prerequisite for ensuring long-term profitable growth, normalize our net working capital and deliver on our financial expectations for 2019/20."

According to CEO Henrik Clausen, the company started to see positive developments in sell-out, considerably lower retail inventories and opened a number of new important points of sale.

### Several new products on the way

Over the next couple of quarters Bang & Olufsen will launch a number of new products in all categories – On-the-go, Flexible and Staged. Two of the products have already been introduced, the new TV, Beovision Harmony, and the new soundbar, Beosound Stage, and Henrik Clausen has high expectations for the coming product launches.

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"We will launch a number of innovative products this year. Our new TV will be in stores this month, and the new soundbar will be available in stores and online late autumn. The two products have been positively received and together with the upcoming launches, they will contribute significantly to growth in the second half of the year," says Henrik Clausen.

Finally, Henrik Clausen points out that Bang & Olufsen has seen good progress on strategic priorities in the first quarter.

"We delivered solid progress on our strategic priorities during the first quarter. We have opened new stores in key markets, relocated other stores to better locations and prepared the roll out of new store concepts the coming quarters. Soon, we will open two new flagship stores in New York and Tokyo, and we have improved insights into sales and customer behavior significantly the last three months, which will enable us to target our efforts even better," says Henrik Clausen.

The full interim report can be found at [investor.bang-olufsen.com](https://investor.bang-olufsen.com). Below are the key financial figures

#### First quarter 2019/20 versus first quarter 2018/19

- **Group revenue** declined by 30.3% to DKK 419 million. Revenue was adversely impacted by implementation of a more demand-driven sales model. The decline was seen across all markets and especially in the Staged and On-the-go product categories
- **Revenue in the Staged category** was DKK 104 million against DKK 207 million last year. Corresponding to a decline of 49.8%. The decline was primarily related to EMEA.
- **Revenue in the Flexible Living category** declined by 27.1% to DKK 51 million, against DKK 70 million last year.
- **Revenue in the On-the-go category** was DKK 207 million compared to DKK 273 million last year.
- **Revenue in EMEA** declined by 37.4% to DKK 179 million. The decline was primarily seen in monobrand whereas revenue from multibrand was only slightly below Q1 last year, despite closing of 164 multibrand stores. Revenue from the company's own ecommerce platform increased by more than 20%.
- **Revenue in Americas** was DKK 35 million against DKK 42 million in Q1 last year - corresponding to a 16.7% decline. The decline was primarily seen in multibrand, where sale was impacted by sales through unauthorised channels. Agreement was made with new monobrand partner, and number of multibrand point of sales remained unchanged. Revenue from monobrand stores was down overall in the quarter, while the new flagship store in New York delivered growth. Revenue from the e-commerce platform grew by more than 25%.

- **Revenue in Asia** declined 33.6% to DKK 148 million against DKK 223 million same quarter last year. The decline was primarily related to closing of 45 multibrand channels and lower sale of products in the On-the-go category. Five new stores opened including three stores in China, primarily by existing partners.
- **Revenue in Brand Partnering and other activities** increased to DKK 57 million, an increase of 16% compared to last year.
- **Group gross margin** declined from 46.9% to 36.7% The decline was seen in all product categories, but mainly related to the On-the-go category.
- **Capacity costs** declined by 5.7% compared to last year. The decline was related to distribution and marketing costs.
- **Profitability:** The EBIT margin (Earnings Before interest and Taxes) was negative with 30.8%, adversely impacted by the decline in revenue and the lower gross margin. **The result after tax** was a loss of DKK 135 million.
- **Free cashflows** were negative by DKK 206 million compared to DKK 105 million negative free cash last year. The free cash flow was negatively impacted by lower operating profit. Net working capital was negative by DKK 101 million compared to negative 140 million last year.

#### Outlook for 2019/20

For 2019/20 Bang & Olufsen expects a single-digit revenue growth, EBIT margin above 2018/19 (2,1%) and positive free cash flow.

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#### About Bang & Olufsen

Bang & Olufsen is a global luxury-lifestyle brand founded in 1925 in Struer, Denmark by Peter Bang and Svend Olufsen whose devotion and vision remains the foundation for the company.

The rich heritage built around the relentless determination to create products that push the boundaries of audio technology continues to place the company at the forefront of audio innovation. Today, every Bang & Olufsen product is still characterized by the unique combination of beautiful sound, timeless design, and unrivalled craftsmanship.

The company's innovative and progressive audio products are sold worldwide in Bang & Olufsen monobrand stores, online and in multibrand stores. The company employs around 1,000 people and operates in more than 70 markets and Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

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