



2022/Q2

Profitability despite challenging environment

Long-term investments in the technology and customer platform continue – in order to take advantage of unchanged, long-term growth trends – while focus on profitability is prioritised

Today's presenters



Adam Schatz
President and CEO



Jesper Flemme
CFO

Agenda

- Q2 2022 highlights
- Business update
- Financial update
- Conclusions
- Q&A



Agenda

- **Q2 2022 highlights**
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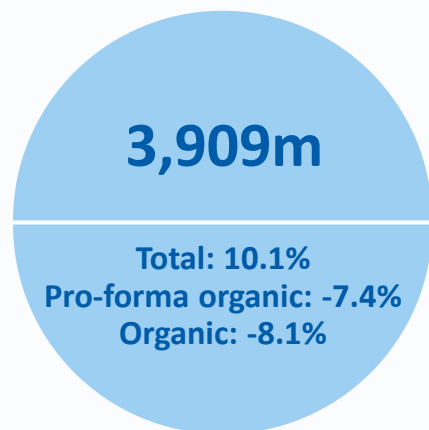


Select financial highlights – Q2 2022

BHG GROUP Q2 2022

Sales

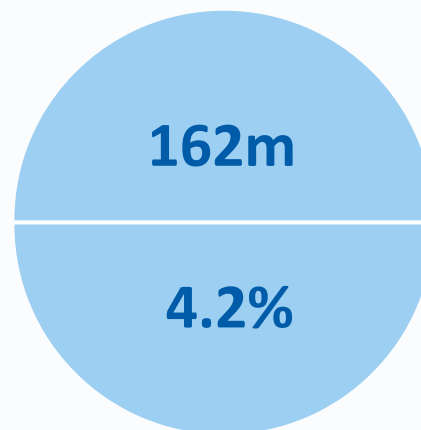
Net Sales (SEK)



Growth

Earnings

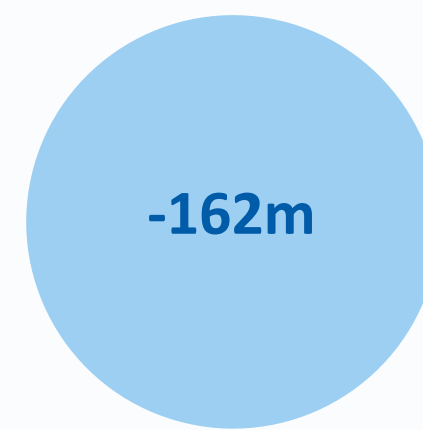
Adj. EBIT(SEK)



Adj. EBIT margin

Cash flow

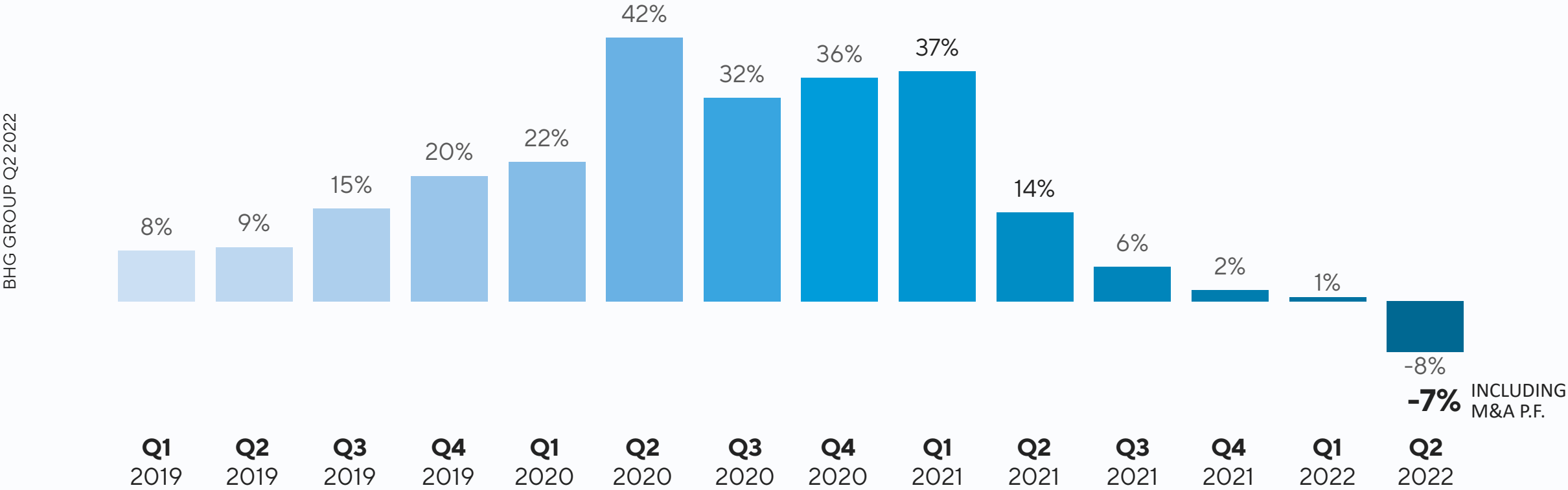
Cash flow from operating activities (SEK)



Delivering yet another profitable quarter, despite challenging environment

Difficult market situation – contracting market last 4 quarters

Organic growth, Y-on-Y development



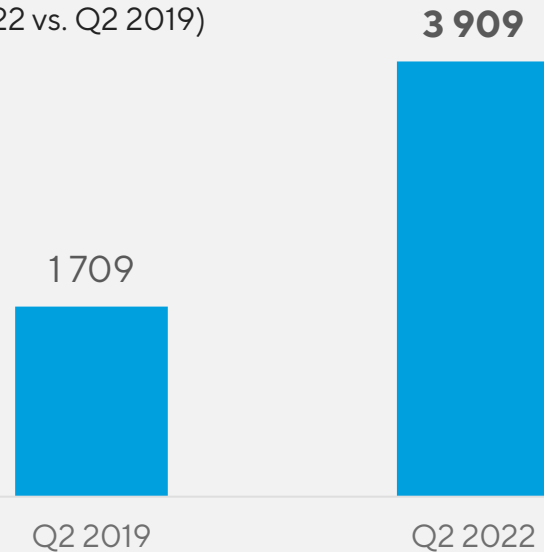
Decision to prioritise profitability over growth amidst temporarily contracting markets

Strong growth journey over the past 3-year period

Geographic footprint continues to expand

Strong growth since 2019

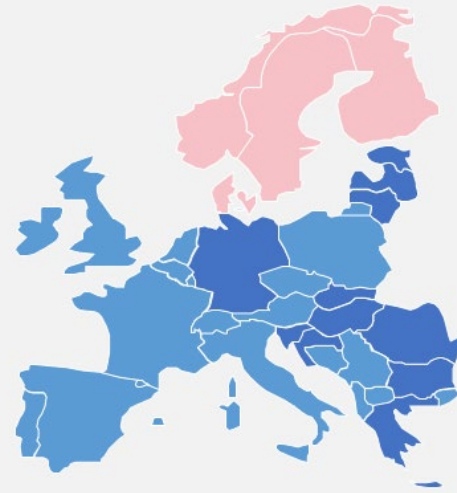
Net sales, SEKm
(Q2 2022 vs. Q2 2019)



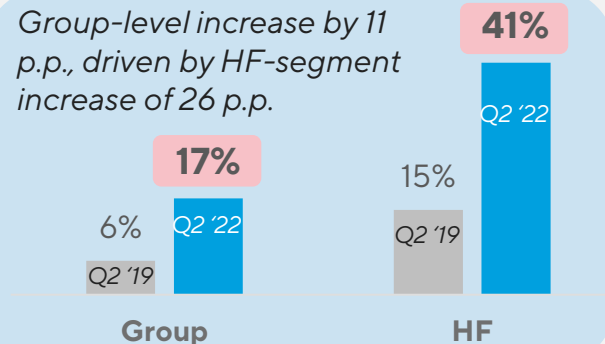
	Growth	CAGR
Total	+129%	32%
Pro-forma organic	+60%	17%
Organic	+34%	10%

Growing presence in new geographies

Share of sales outside of the Nordics
(Q2 2022 vs. Q2 2019)



Group-level increase by 11 p.p., driven by HF-segment increase of 26 p.p.



Long-term growth trajectory is intact

BHG's market share has increased in the quarter – as it has throughout the pandemic

- Growth in quarter of 10%
- Proforma growth in quarter of -7%, amidst a continued significant overall market contraction

Home improvement market above pre-pandemic levels

We expect our online markets to grow by approximately 15% p.a. over a cycle

- Online still relatively low share of total
- BHG the natural consolidator – and we now also have the European dimension in our sights

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Organic + M&A + Synergies

BHG - Clear value creation path

Organic: 4 pillars

Drive share

Assortment

Digital Experience



Scale & Brands

Infrastructure

- Offline to Online
- Strengthened leadership position
- Category + geographic expansion

M&A

Consolidate markets

37

Acquisitions since 2012

- M&A is part of our DNA
- Proven track record and capabilities
- Highly fragmented market
- Category catalysts & Platforms

Synergies

Accelerate platforms



- Synergy creation: Assortment, Tech, Data and infrastructure
- Building platforms with critical mass
- A strong home for bolt-ons

Select initiatives in quarter

- Investing in technology to drive assortment exchange and data-driven marketing platform
- Continued improvements in Customer satisfaction

- In current market conditions we are more selective yet continue evaluating a large number of cases
- Completed mapping of German M&A landscape

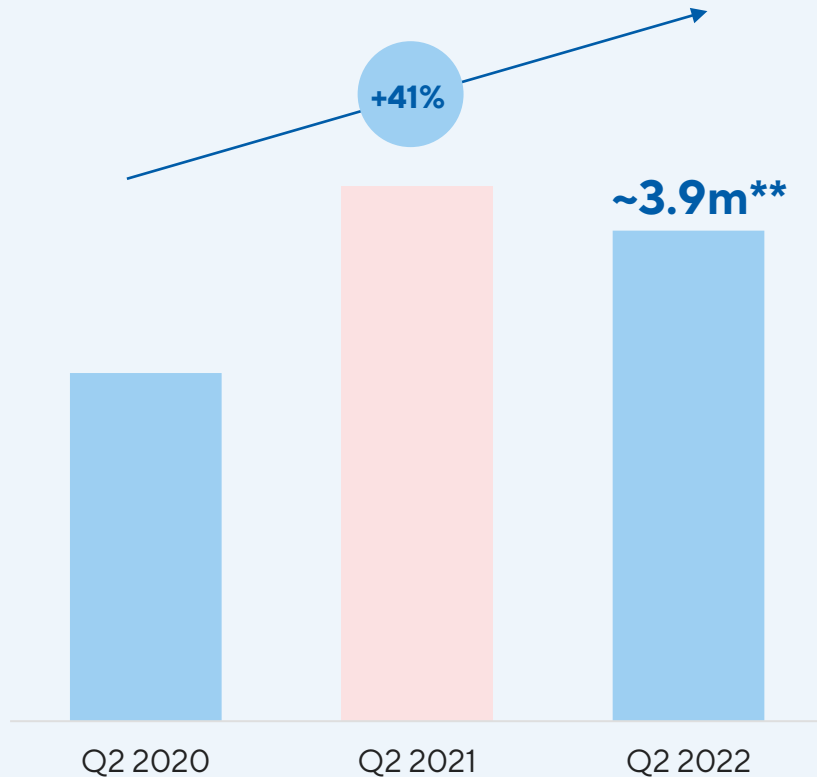
- Progressing along the path towards larger units and harmonized tech

Significant growth in active customers on 2-year basis, although slightly down from pandemic highs of last year

Number of active customers*

Pro-forma

BHG GROUP Q2 2022



Note: all customer metrics are pro-forma

*At least one purchase made in the past 12 months.

** Estimated based on customer data from units accounting for ~70% of total orders.

*** Marketing ROI = Gross margin per customer / Customer acquisition cost (CAC)

~1.4

Orders per
active customer
LTM in Q2 2022

~50%

Repeat orders as
% of total in
Q2 2022

~3x

LTM Marketing
ROI*** in
Q2 2022

Investing in Customer Data Platform to create a leading customer experience

- During the quarter, the Finnish DIY platform launched the first iteration of the BHG CDP – with early promising outcomes
- Strong increase in number of active customers during 2020 and beginning of 2022 – reaching an estimated 3.9m in Q2 2022: Customer base slightly down from pandemic highs, while repeat orders are increasing
- First order profitability and attractive marketing ROI

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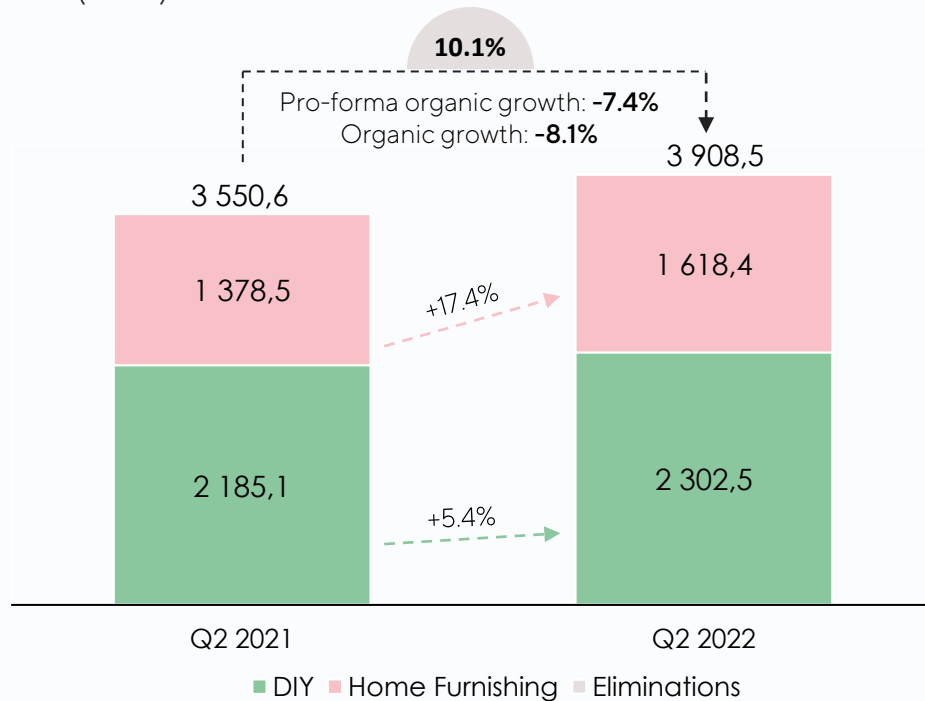


Strengthened position in a difficult market

We further advanced our position in the quarter, despite a weak overall market

Net sales (SEKm)

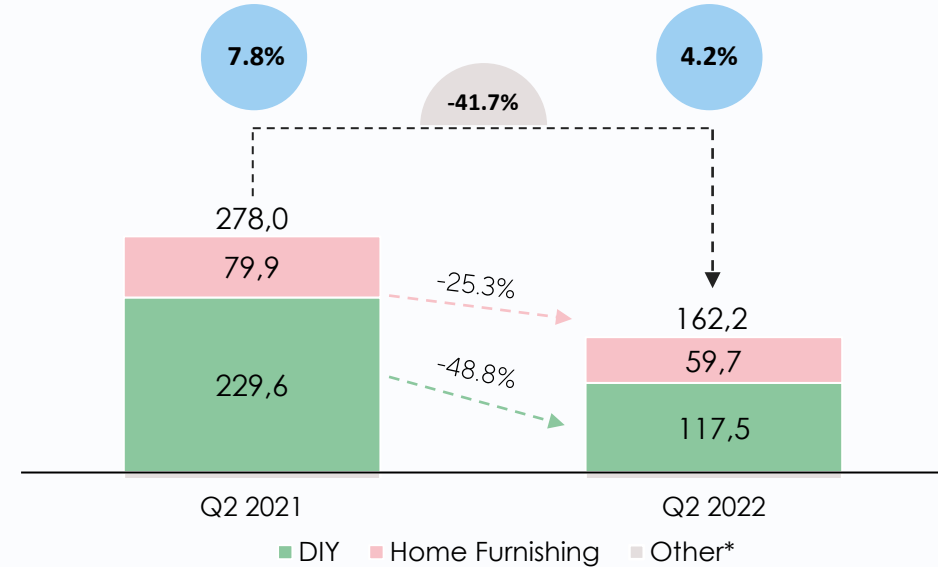
BHG GROUP Q2 2022



EBIT margin impacted by increased logistics & marketing costs and a weak market with intense competition

Adjusted EBIT (SEK)

Adjusted EBIT margin



Note: Items affecting comparability in the quarter amount to SEK 13.7 million

* The Group's other operations primarily consist of Group-wide functions and financing arrangements

Both segments advance positions despite challenging markets

DIY

Continued profitability and strengthened position

Net sales	2,303m	Adj. EBIT	117.5m
<i>P.f. growth</i>	-9.2%	%	5.1%

- The segment grew and strengthened its leading Nordic position and improved customer satisfaction
- As in the previous quarter profitability deteriorated particularly in units focused on proprietary brands operating in a fragmented market where several smaller competitors ran aggressive campaigns, likely to temporarily free up cash flow given current tough market conditions
- Focus now on: adjust purchase volumes to weaker demand, fully utilize assortment exchange between units, improve delivery precision through process improvements & tech investment and consolidate units around fewer and larger tech platforms

HF

Strengthened position in weak market

Net sales	1,618m	Adj. EBIT	59.7m
<i>P.f. growth</i>	-4.7%	%	3.7%

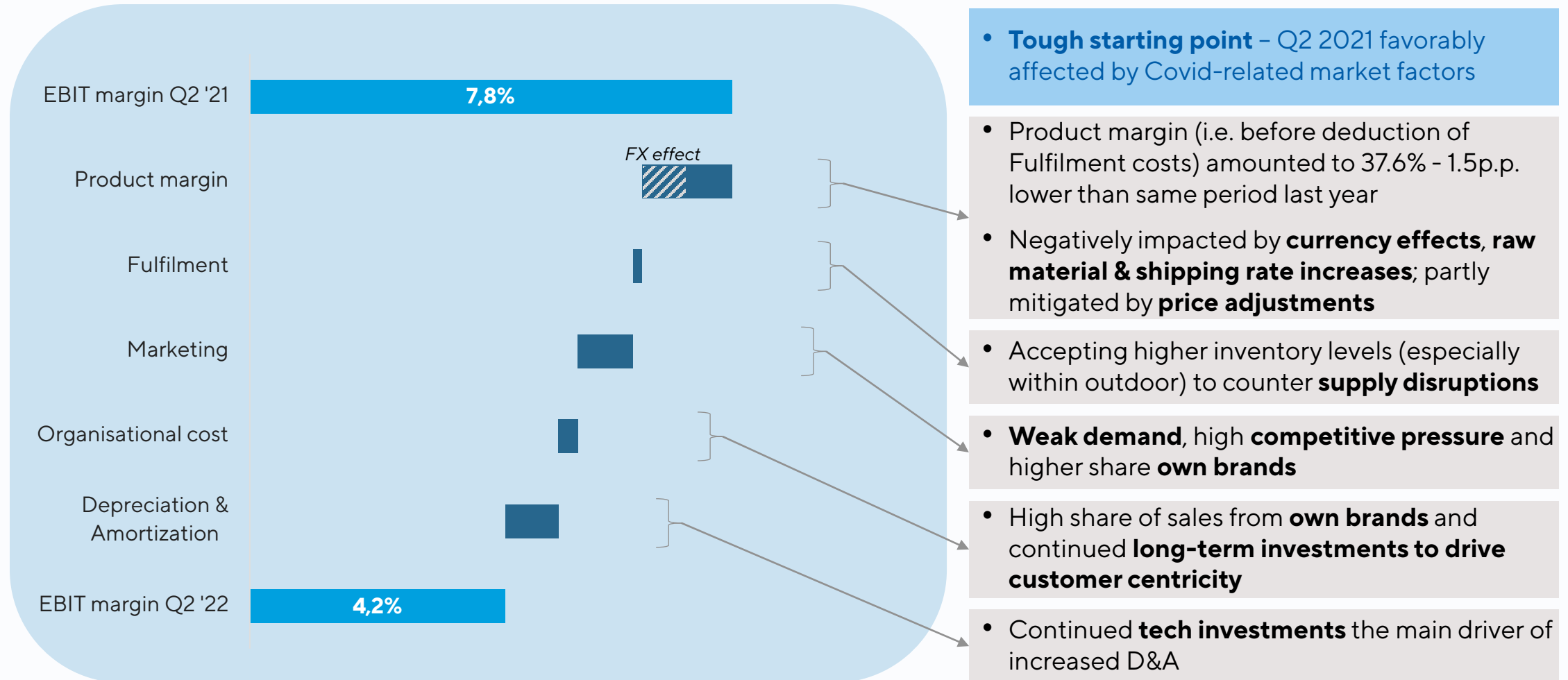
- Market characterized by weaker demand and stiff competition – especially within outdoor furniture
- The segment's premium operations and Eastern European furniture platform recorded healthy growth and sound profitability despite a turbulent market
- Plan in motion to strengthen the value-for-money platform
- Focus now on: drive geo expansion, improve profitability in value-for-money, reduce stock levels and consolidate units around fewer and larger tech platforms

Across both segments

Temporarily high fulfillment, freight & online marketing costs being addressed – Pricing adjustments in progress

EBIT margin bridge 2021 Q2 → 2022 Q2

BHG GROUP Q2 2022



Cash flow impacted by increase in working capital – forceful actions taken to reduce and delay purchases

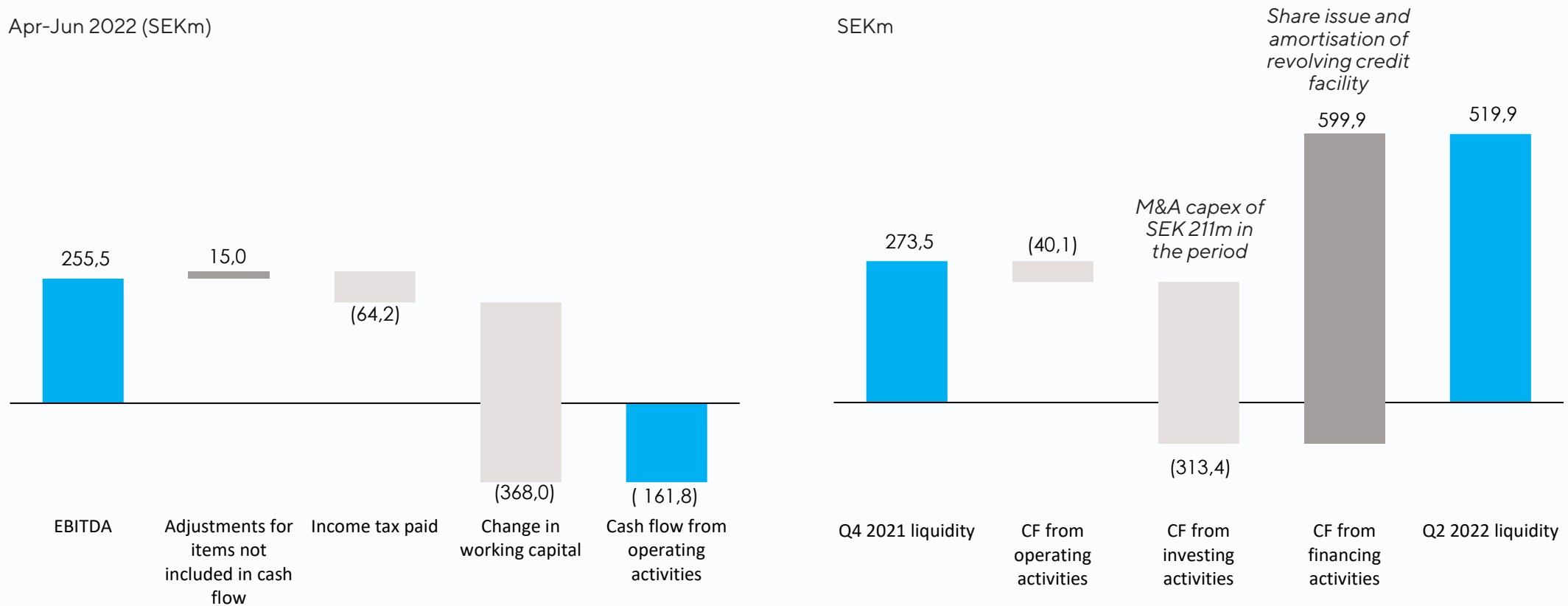
Negative impact from change in working capital driven by inventory build up – delayed start to outdoor season, weak demand in German market & competitive pressure

Liquidity mainly driven by cash flow from investing and financing activities

Apr-Jun 2022 (SEKm)

SEKm

BHG GROUP Q2 2022



BHG's financial position remains robust

Overview of financial position

SEKm	30 Jun 2022
Interest bearing liabilities	5,024.5
Cash and cash equivalents	(519.9)
Adjustment lease liabilities	(920.6)
Adjustment for earn-outs and deferred payments	(1,786.8)
Adjustment transaction costs	6.0
Net debt / (Net cash)	1,803.2

Q2 2022 LTM adjusted EBITDA*
(excl. impact from IFRS 16)

727.6

Net debt / LTM adjusted EBITDA

2.5x

- Net debt / EBITDA of 2.48x, within financial target of 1.5-2.5x
- The Group's unutilised credit facilities amounted to SEK 1,000 million at the end of the period, compared with SEK 800 million at the beginning of the year

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In many ways, a lot has changed while nothing has changed when it comes to our prospects

Much has changed...

- We operate under **especially turbulent market conditions**
- Our **markets have shrunk** the last four quarters, **the aftermath of the pandemic** has seen a swing in consumption patterns and there is a clear **dent in customer sentiment**
- **Russia's war of aggression** can be expected to continue for a relatively long time, with **far-reaching humanitarian and macroeconomic consequences**

...while nothing has changed

- Underlying trends of consumers' increasing **focus on their homes** and increasing **willingness to shop online** are intact
- BHG has been driver in **consolidation and structural shift**, which is expected to continue over coming years
- **A smaller number of players** will successfully navigate through the short-term market challenges and **come out as future winners**
- **A few players** will successfully navigate the short-term challenges and emerge as winners. **BHG is in an excellent position to be counted among these**



BHG is well positioned to be among the future winners

Our size and approach – organic initiatives, M&A & synergies – is a major advantage especially in current markets

Strict prioritization...

- 1 Profitability**
- 2 Cash flow**
- 3 Growth**

...and disciplined execution

- Prepare for prolonged challenging market situation – leverage size
- Adjust pricing, campaign and marketing strategies carefully based on demand trends, competitive pressure and inventory levels
- Disciplined reduction of working capital
- Especially discerning in terms of M&A
- Continued range and geographic expansion as well as investments in Customer Centricity

Q2 Summary

Journey continues



- ✓ Total growth amounted to 10% - in temporarily contracting markets
- ✓ Pro-forma LTM sales amounted to SEK 13.9bn

Leading online position strengthened; Nordics and the European continent



- ✓ Leading online Nordic position strengthened
- ✓ Strongest growth on the European continent (Germany 3rd largest geography)

Supply situation and working capital gradually normalising



- ✓ Supply disruptions and demand complications have likely peaked
- ✓ Mitigating actions to bring down working capital in advanced motion

Weak consumer sentiment → changed landscape → adjusted tactics



- ✓ Prioritising 1) profitability, 2) cash flow, 3) growth for now
- ✓ "A lot has changed... while nothing has changed" – secular market trends intact

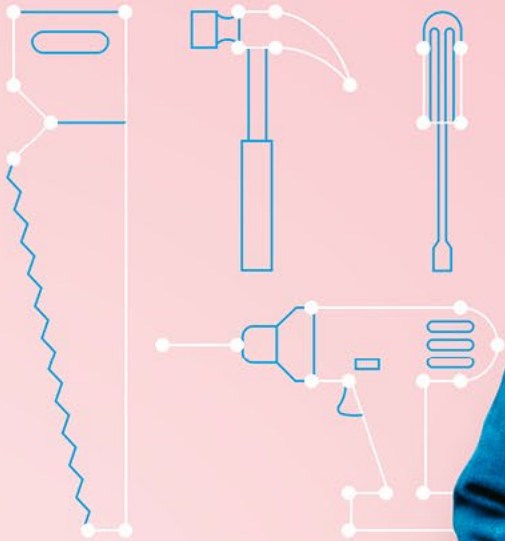
Continue to solidify Nordic pole position – and expanding European presence



- ✓ Well-positioned to reinforce leading position through coming quarters of weak consumer sentiment
- ✓ In pole position in the Nordics and well on our way to creating strong EU presence



bing.





Appendix

BHG GROUP Q2 2022



20/07/2022

Condensed consolidated financial information

BHG GROUP Q2 2022

SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec
	2022	2021	Δ%	2022	2021	Δ%	2021
Net sales	3,908.5	3,550.6	10.1	7,019.1	6,118.4	14.7	12,666.0
Gross profit	975.6	943.2	3.4	1,817.3	1,641.0	10.7	3,357.1
Gross margin (%)	25.0	26.6	-02 p.p.	25.9	26.8	-01 p.p.	26.5
Adjusted EBITDA*	269.2	344.8	-21.9	501.6	587.4	-14.6	1,104.6
Adjusted EBITDA margin (%)	6.9	9.7	-03 p.p.	7.1	9.6	-02 p.p.	8.7
Adjusted EBIT*	162.2	278.0	-41.7	296.4	461.8	-35.8	812.7
Adjusted EBIT margin (%)	4.2	7.8	-04 p.p.	4.2	7.5	-03 p.p.	6.4
Operating income	123.4	261.6	-52.8	221.3	430.1	-48.5	710.6
Operating margin (%)	3.2	7.4	-04 p.p.	3.2	7.0	-04 p.p.	5.6
Net profit for the period	193.5	199.9	-3.2	304.7	315.2	-3.3	490.8
Cash flow from operating activities	-161.8	336.1	-148.1	-40.1	455.6	-108.8	-27.6
Visits (thousands)	91,998	108,555	-15.3	191,316	210,384	-9.1	411,296
Orders (thousands)	1,265	1,276	-0.8	2,479	2,421	2.4	5,247
Conversion rate (%)	1.4	1.2	00 p.p.	1.3	1.2	00 p.p.	1.3
Average order value (SEK)	3,019	2,808	7.5	2,886	2,622	10.0	2,439

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APM)" for a more detailed description.

DIY segment

BHG GROUP Q2 2022

SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec
	2022	2021	Δ%	2022	2021	Δ%	2021
Net sales	2,302.5	2,185.1	5.4	3,969.5	3,574.5	11.1	7,259.6
Gross profit	519.5	555.6	-6.5	917.1	910.9	0.7	1,764.3
Gross margin (%)	22.6	25.4	-2.9 p.p.	23.1	25.5	-2.4 p.p.	24.3
Adjusted EBITDA	164.3	257.3	-36.1	272.4	389.9	-30.1	681.7
Adjusted EBITDA margin (%)	7.1	11.8	-4.6 p.p.	6.9	10.9	-4.0 p.p.	9.4
Adjusted EBIT	117.5	229.6	-48.8	183.7	337.5	-45.6	560.7
Adjusted EBIT margin (%)	5.1	10.5	-5.4 p.p.	4.6	9.4	-4.8 p.p.	7.7
Operating income	102.7	221.2	-53.6	152.1	321.2	-52.7	516.6
Operating margin (%)	4.5	10.1	-5.7 p.p.	3.8	9.0	-5.2 p.p.	7.1
Net profit for the period	150.9	173.6	-13.1	231.6	238.3	-2.8	216.4
Visits (thousands)	41,822	50,349	-16.9	80,571	88,286	-8.7	165,984
Orders (thousands)	658	648	1.5	1,206	1,134	6.3	2,373
Conversion rate (%)	1.6	1.3	0.3 p.p.	1.5	1.3	0.2 p.p.	1.4
Average order value (SEK)	3,471	3,511	-1.1	3,435	3,388	1.4	3,116

Home Furnishing segment

BHG GROUP Q2 2022

SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec
	2022	2021	Δ%	2022	2021	Δ%	2021
Net sales	1,618.4	1,378.5	17.4	3,073.7	2,563.7	19.9	5,442.8
Gross profit	456.7	391.5	16.7	901.2	734.4	22.7	1,597.7
Gross margin (%)	28.2	28.4	-0.2 p.p.	29.3	28.6	0.7 p.p.	29.4
Adjusted EBITDA	119.4	118.7	0.6	255.8	241.8	5.8	494.0
Adjusted EBITDA margin (%)	7.4	8.6	-1.2 p.p.	8.3	9.4	-1.1 p.p.	9.1
Adjusted EBIT	59.7	79.9	-25.3	140.1	169.1	-17.1	324.0
Adjusted EBITmargin (%)	3.7	5.8	-2.1 p.p.	4.6	6.6	-2.0 p.p.	6.0
Operating income	48.0	71.8	-33.2	118.0	153.7	-23.2	289.4
Operating margin (%)	3.0	5.2	-2.2 p.p.	3.8	6.0	-2.2 p.p.	5.3
Net profit for the period	62.5	46.0	35.8	166.9	102.9	62.3	182.9
Visits (thousands)	50,176	58,205	-13.8	110,745	122,098	-9.3	245,312
Orders (thousands)	607	627	-3.3	1,273	1,287	-1.1	2,874
Conversion rate (%)	1.2	1.1	0.1 p.p.	1.1	1.1	0.1 p.p.	1.2
Average order value (SEK)	2,528	2,082	21.5	2,366	1,947	21.5	1,880

P&L

BHG GROUP Q2 2022

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2022	2021	2022	2021	2021
Net sales	3,908.5	3,550.6	7,019.1	6,118.4	12,666.0
Other operating income	0.1	1.3	15.7	0.6	15.6
Total net sales	3,908.6	3,551.9	7,034.7	6,119.0	12,681.6
Cost of goods sold	-2,932.9	-2,607.4	-5,201.8	-4,477.4	-9,308.9
Personnel costs	-292.5	-263.3	-570.9	-462.2	-981.7
Other external costs and operating expenses	-424.5	-336.5	-778.3	-588.3	-1,304.0
Other operating expenses	-3.2	0.0	-6.7	-3.9	-5.0
Depreciation and amortisation of tangible and intangible fixed assets	-132.1	-83.2	-255.7	-157.0	-371.5
Operating income	123.4	261.6	221.3	430.1	710.6
Profit/loss from financial items	85.9	-12.9	116.5	-38.0	-79.7
Profit before tax	209.3	248.7	337.8	392.1	630.9
Income tax	-15.8	-48.8	-33.1	-76.9	-140.1
Profit for the period	193.5	199.9	304.7	315.2	490.8
Attributable to:					
Equity holders of the parent	191.0	196.7	300.8	309.3	480.9
Non-controlling interest	2.5	3.3	3.9	5.8	9.9
Net income for the period	193.5	199.9	304.7	315.2	490.8
Earnings per share before dilution, SEK	1.44	1.63	2.34	2.61	3.97
Earnings per share after dilution, SEK	1.43	1.62	2.33	2.58	3.94

Balance sheet

SEKm	30 Jun		31 Dec
	2022	2021	2021
Non-current assets			
Goodwill	6,415.4	5,006.8	6,318.7
Other intangible fixed assets	2,909.7	2,014.7	2,893.3
Total intangible fixed assets	9,325.1	7,021.5	9,212.0
Buildings and land	22.0	10.0	21.9
Leased fixed assets	940.3	675.2	893.3
Tangible fixed assets	139.9	86.3	136.3
Financial fixed assets	13.3	10.2	13.1
Deferred tax asset	25.5	27.5	26.4
Total fixed assets	10,466.1	7,830.7	10,302.9
Current assets			
Inventories	3,176.9	1,462.6	2,431.5
Current receivables	622.7	464.2	604.4
Cash and cash equivalents	519.9	990.8	273.5
Total current assets	4,319.6	2,917.6	3,309.4
Total assets	14,785.7	10,748.3	13,612.3
Equity			
Equity attributable to owners of the parent	6,621.9	4,758.0	5,211.9
Non-controlling interest	50.2	41.9	44.4
Total equity	6,672.2	4,800.0	5,256.3
Non-current liabilities			
Deferred tax liability	632.2	413.7	636.7
Other provisions	31.1	35.7	43.2
Non-current interest-bearing liabilities to credit institutions	2,317.0	1,490.7	2,517.2
Non-current lease liabilities	617.9	477.3	622.0
Non-current acquisition related interest-bearing liabilities	1,363.1	1,156.2	1,883.5
Total non-current liabilities	4,961.4	3,573.7	5,702.6
Current liabilities			
Current lease liabilities	302.7	189.7	256.7
Current acquisition related interest-bearing liabilities	423.8	71.9	238.1
Other current liabilities	2,425.6	2,113.0	2,158.6
Total current liabilities	3,152.1	2,374.7	2,653.4
Total equity and liabilities	14,785.7	10,748.3	13,612.3

Consolidated statement of cash flows

BHG GROUP Q2 2022

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2022	2021	2022	2021	2021
EBITDA	255.5	344.8	476.7	587.4	1,081.2
Adjustments for items not included in cash flow	15.0	10.5	-2.8	17.2	2.4
Income tax paid	-64.2	-19.3	-167.4	-55.5	-105.6
Cash flow from operating activities before changes in working capital	206.2	336.0	306.5	549.1	978.1
Changes in working capital	-368.0	0.1	-346.6	-93.4	-1,005.7
Cash flow from operating activities	-161.8	336.1	-40.1	455.6	-27.6
Investments in operations	-156.6	-563.2	-210.9	-699.2	-1,610.9
Redemption of loan to seller upon acquisition of operations	-	-	-6.9	-	-65.0
Investments in other non-current assets	-49.6	-41.6	-98.5	-79.0	-193.7
Divestment of operations	-	-	0.6	-	-0.0
Divestment of other tangible fixed assets	0.2	0.1	0.9	0.3	12.4
Received interest	0.9	0.2	1.4	0.2	1.8
Cash flow to/from investing activities	-205.1	-604.5	-313.4	-777.7	-1,855.4
New share issue	989.4	-0.8	989.4	1,715.0	1,719.4
Loans taken*	-	1,490.1	300.0	1,650.1	2,650.1
Amortisation of loans	-576.2	-2,158.8	-650.5	-2,349.1	-2,479.6
Issue of warrants	-	20.7	0.1	20.7	21.6
Interest paid	-21.9	-18.9	-39.5	-27.4	-54.8
Dividend	-	0.0	-	0.0	0.0
Dividends to non-controlling interests	-2.1	-	-2.1	-	-5.1
Cash flow to/from financing activities	389.2	-667.6	597.4	1,009.4	1,851.7
Cash flow for the period	22.3	-936.0	243.9	687.3	-31.2
Cash and cash equivalents at the beginning of the period	504.4	1,934.7	273.5	299.0	299.0
Translation differences in cash and cash equivalents	-6.8	-8.0	2.5	4.5	5.8
Cash and cash equivalents at the end of the period	519.9	990.8	519.9	990.8	273.5

* Cash flow from interest-bearing loans raised is recognised for full-year 2021 after deductions for transaction expenses of SEK 9.9 million.

Reconciliation of non-IFRS metrics

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2022	2021	2022	2021	2021
Operating income	123.4	261.6	221.3	430.1	710.6
Donation UNHCR	-	-	1.5	-	-
Acquisition-related costs	4.3	-	11.9	-	23.4
Warehouse consolidation	-	-	2.1	-	-
Strategy work	9.4	-	9.4	-	-
Total items affecting comparability	13.7	-	24.9	-	23.4
Amortisation and impairment of acquisition-related intangible fixed assets	25.1	16.5	50.2	31.7	78.7
Adjusted EBIT	162.2	278.0	296.4	461.8	812.7
Adjusted EBIT (%)	4.2	7.8	4.2	7.5	6.4
Depreciation and amortisation of tangible and intangible fixed assets	107.0	66.8	205.5	125.4	292.8
Gain/loss from sale of fixed assets	-0.0	-0.0	-0.4	0.2	-0.8
Adjusted EBITDA	269.2	344.8	501.6	587.4	1,104.6
Adjusted EBITDA (%)	6.9	9.7	7.1	9.6	8.7
SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2022	2021	2022	2021	2021
Net sales	3,908.5	3,550.6	7,019.1	6,118.4	12,666.0
Cost of goods	-2,440.8	-2,165.4	-4,317.8	-3,713.6	-7,710.4
Gross profit before direct selling costs	1,467.7	1,385.2	2,701.2	2,404.8	4,955.6
Gross profit before direct selling costs (%)	37.6	39.0	38.5	39.3	39.1
Direct selling costs	-492.1	-442.0	-883.9	-763.8	-1,598.5
Gross profit	975.6	943.2	1,817.3	1,641.0	3,357.1
Gross profit (%)	25.0	26.6	25.9	26.8	26.5
Adjusted gross profit	975.6	943.2	1,817.3	1,641.0	3,357.1
Adjusted gross profit (%)	25.0	26.6	25.9	26.8	26.5



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