



2022/Q3

**New organisation and action plan to  
strengthen profitability and cash flow**

BHG gained market share, while inventory declined and cash flow was improved compared with the previous year. Profitability challenges, primarily as a result of price pressure in the market.



# Today's presenters

Gustaf Öhrn  
Acting President and CEO

Jesper Flemme  
CFO



# Agenda

- Q3 2022 highlights
- Strategic ambition and structure
- Financial update
- Conclusions
- Q&A



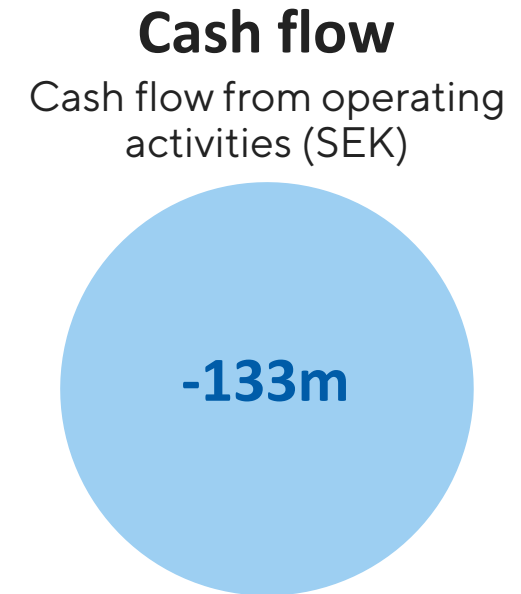
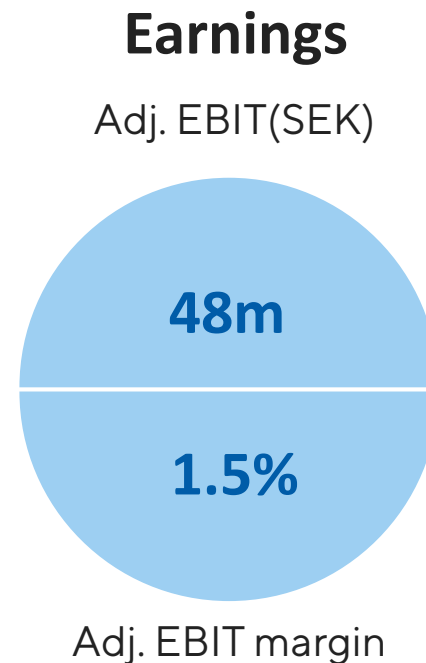
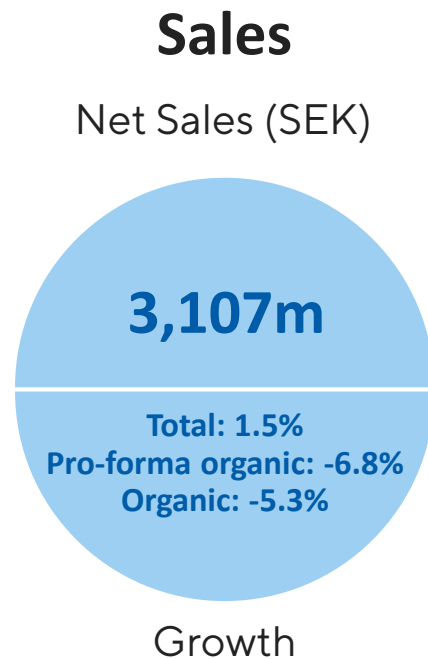


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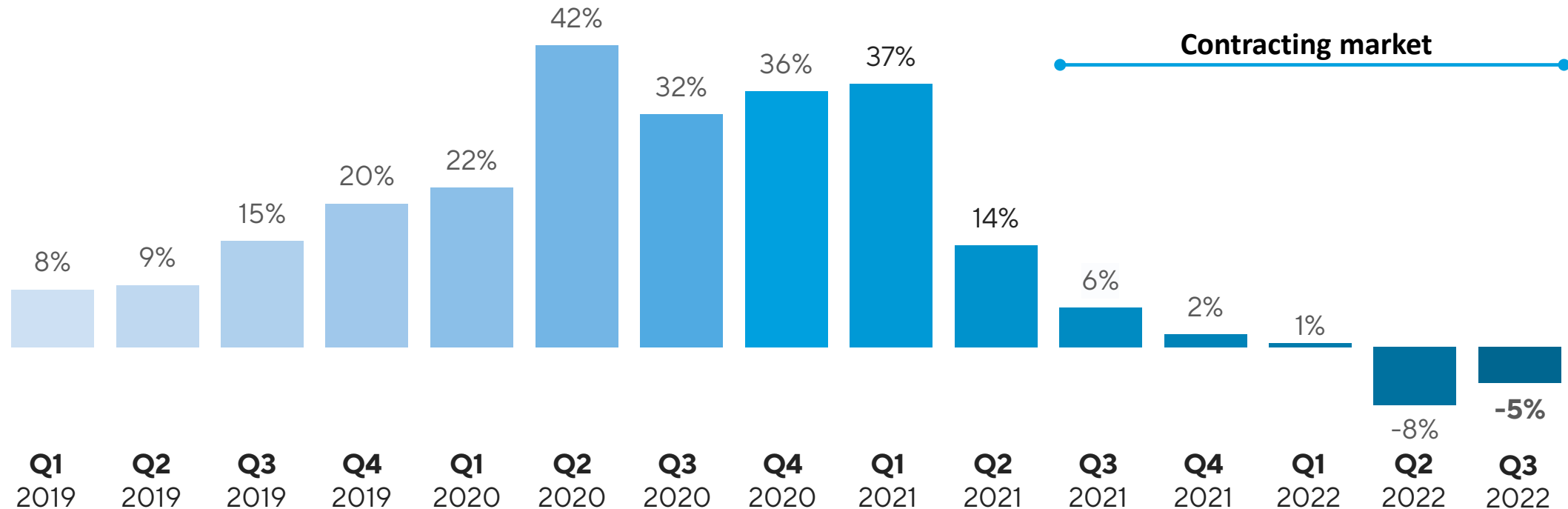
# Select financial highlights – Q3 2022



BHG gained market share, while inventory declined and cash flow was improved compared with the previous year. Profitability challenges, primarily as a result of price pressure in the market

# Difficult market situation – contracting market last 5 quarters

Organic growth, Y-on-Y development



From SEK 200m to SEK 13bn in 10 years

We are gaining share in a tough market

Massive changes to market conditions in the last 12 month

We expect the market to remain challenging for the next 12-18 months

# Several actions taken to respond to challenging market coming 12-18 months

<b>Structural changes / revised strategy</b>	<ul style="list-style-type: none"><li>• Three new segments from 1 January 2023</li><li>• Tailor offering to customer groups, clarify synergies &amp; reduce complexity</li></ul>
<b>Cost initiatives</b>	<ul style="list-style-type: none"><li>• Cost reduction target of SEK 150-200m</li><li>• Primarily organizational and warehousing costs</li></ul>
<b>Stock reduction</b>	<ul style="list-style-type: none"><li>• Target to reduce inventory by SEK 100-200m in Q4 2022</li><li>• Further reductions in 2023</li></ul>
<b>Financial covenants</b>	<ul style="list-style-type: none"><li>• BHG's banks have agreed on a temporary relief of covenants</li><li>• In force 30 September 2022 – 31 December 2023</li></ul>
<b>Stock write down</b>	<ul style="list-style-type: none"><li>• Write down of SEK 375m to reflect net realizable value of seasonal products</li></ul>

# Sources of growth in a tough market – the BHG advantage

- International expansion, including external marketplaces
- Internal marketplace for intercompany sales, facilitating assortment expansion
- Opportunities when competitors go out of business or leave product categories
- When the market recoups we continue to see opportunities within M&A



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# Strategic starting point – Project Olympia



**Reduce complexity** across decentralized BUs with common operating procedures



**Find value** via **revenue synergies** (e.g., intercompany sales, cross-selling)



**Find value** via **cost synergies** (e.g., structural changes, consolidating warehouses, tech)

# Three new segments – platforms for meeting customer needs and increase synergy realisation

## Home Improvement

- Comprehensive offering for Nordic DIY customers with a broad range of well-known products, brands and related services at market-leading prices, primarily through drop-ship

 byggghemma.se

## Value Home

- For price-conscious European customers who want value for their money, with a broad and relevant, primarily private label based, range for the home

trademax

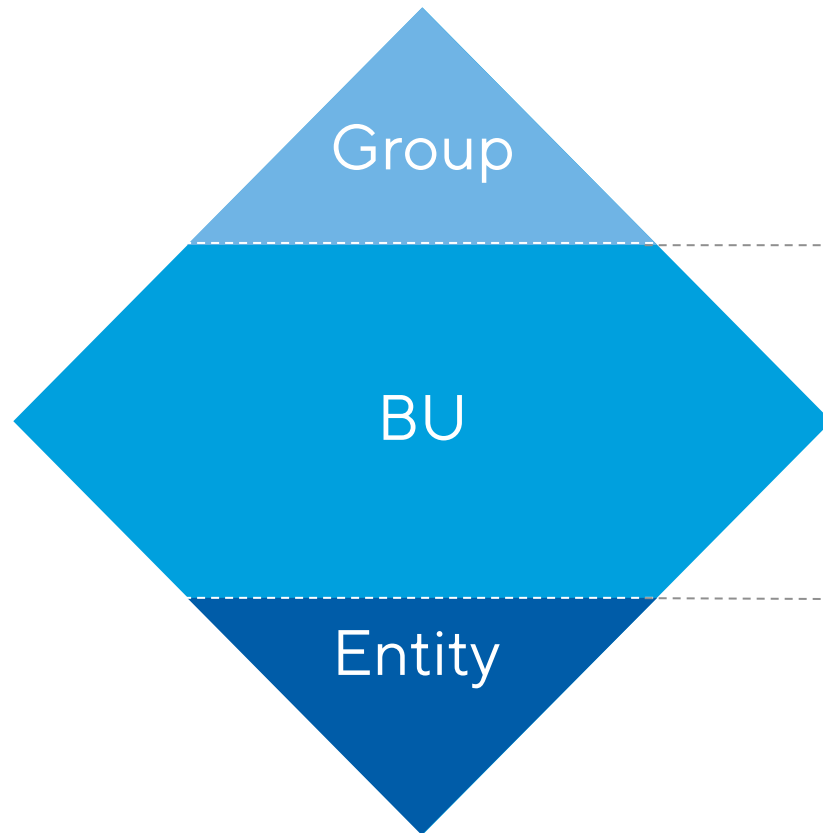
## Premium Living

- Offers customers interested in home furnishings a unique range of premium Scandinavian design products

NORDIC  
NEST

 Svenssons  
i Lammhult

# Group structure and focus



## Set overall strategy and targets

- Critical company-wide corporate functions at group level, to offer support to BUs while fulfilling compliance obligations

## BU strategic direction with operational function

- BU controls assortment, procurement & warehousing to harvest **synergies** across entities

## Customer centricity, product & brand image

- Know the customers, focus on driving conceptualization of offering and customer-centric promos & content

# Agenda

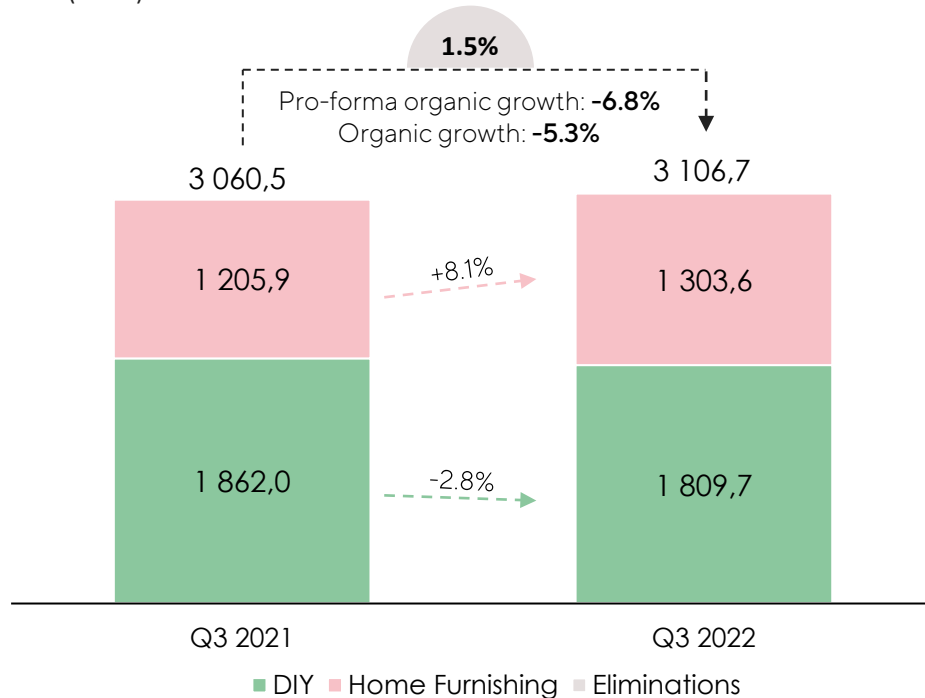
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# Strong sales given the market situation – weak profitability

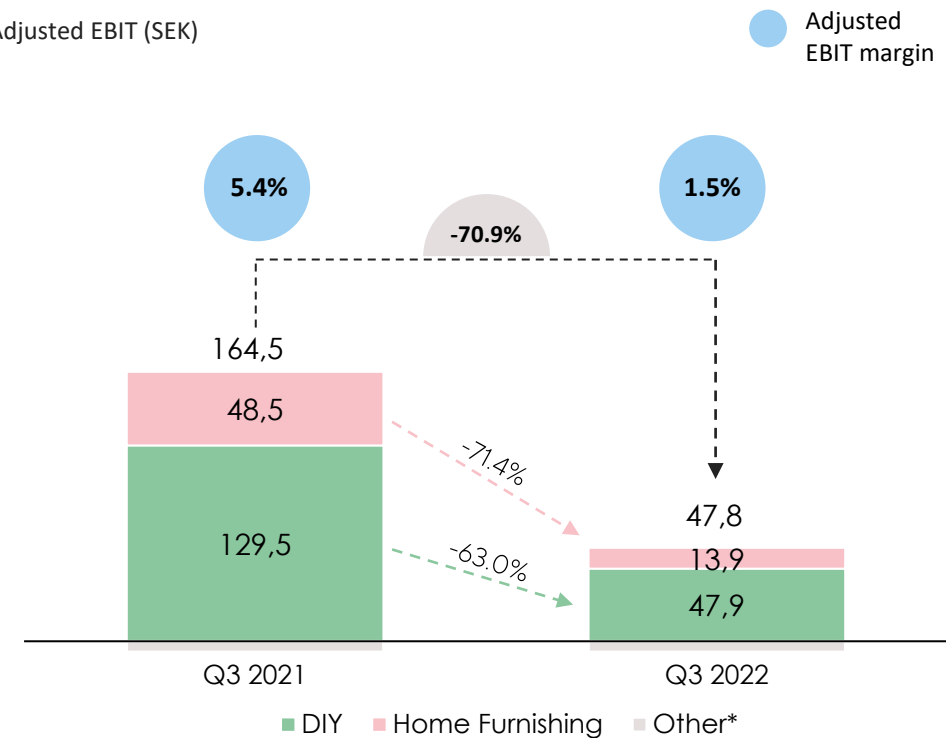
**We further advanced our position in the quarter, despite a weak overall market**

Net sales (SEKm)



**EBIT margin impacted by price pressure in the market due to weak demand**

Adjusted EBIT (SEK)

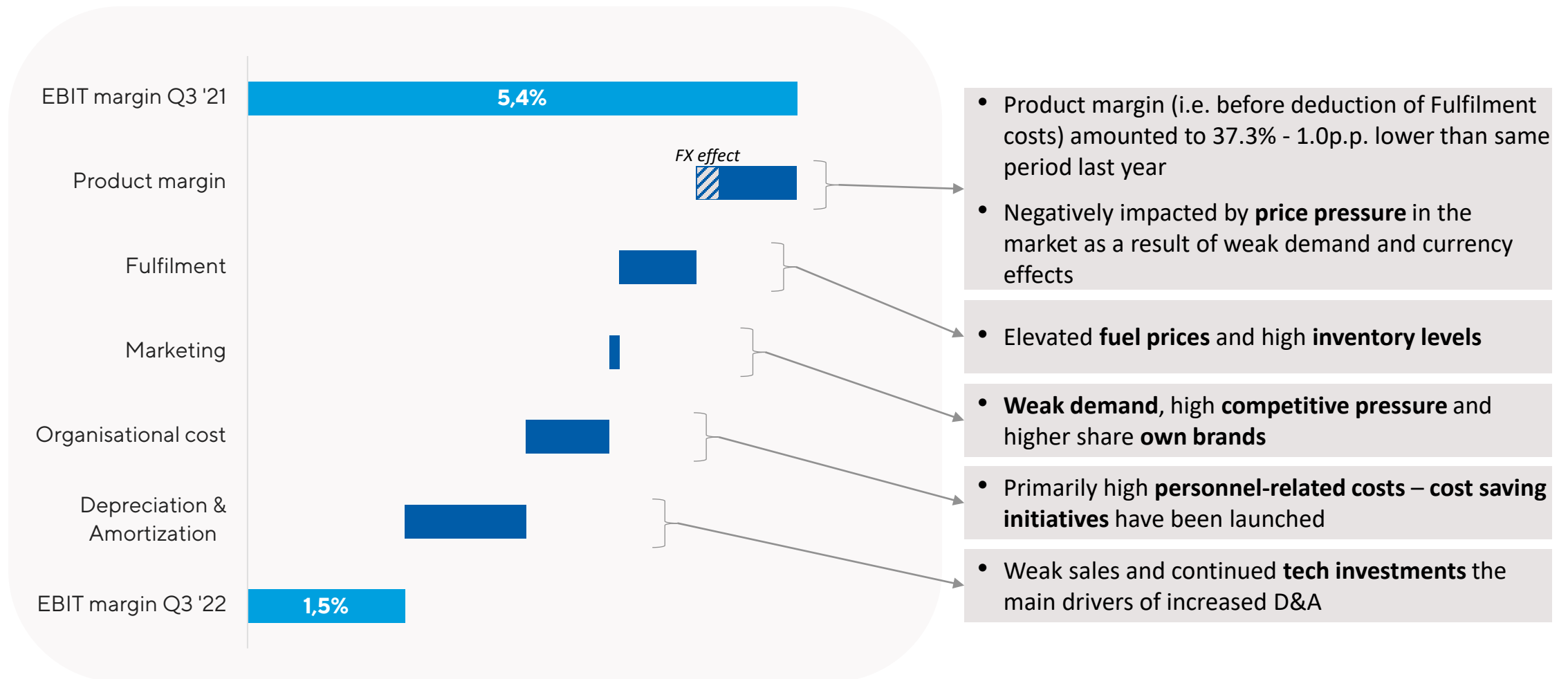


Note: Items affecting comparability in the quarter amount to SEK 384.1 million, including SEK 374.6 million from inventory impairment

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



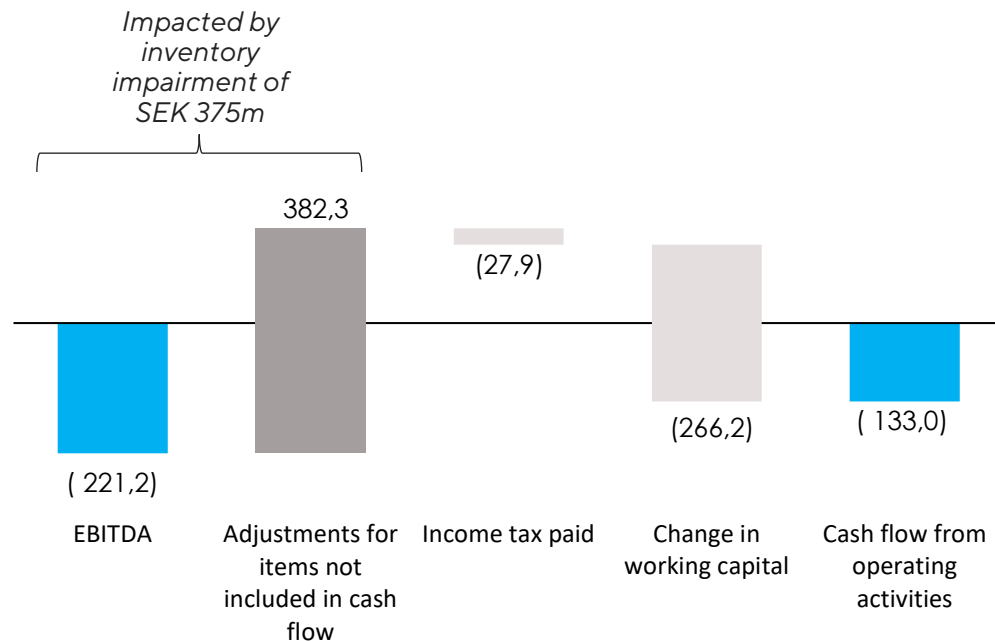
# EBIT margin bridge 2021 Q3 → 2022 Q3



# Forceful actions taken to reduce inventory and improve cash flow – liquidity remains healthy

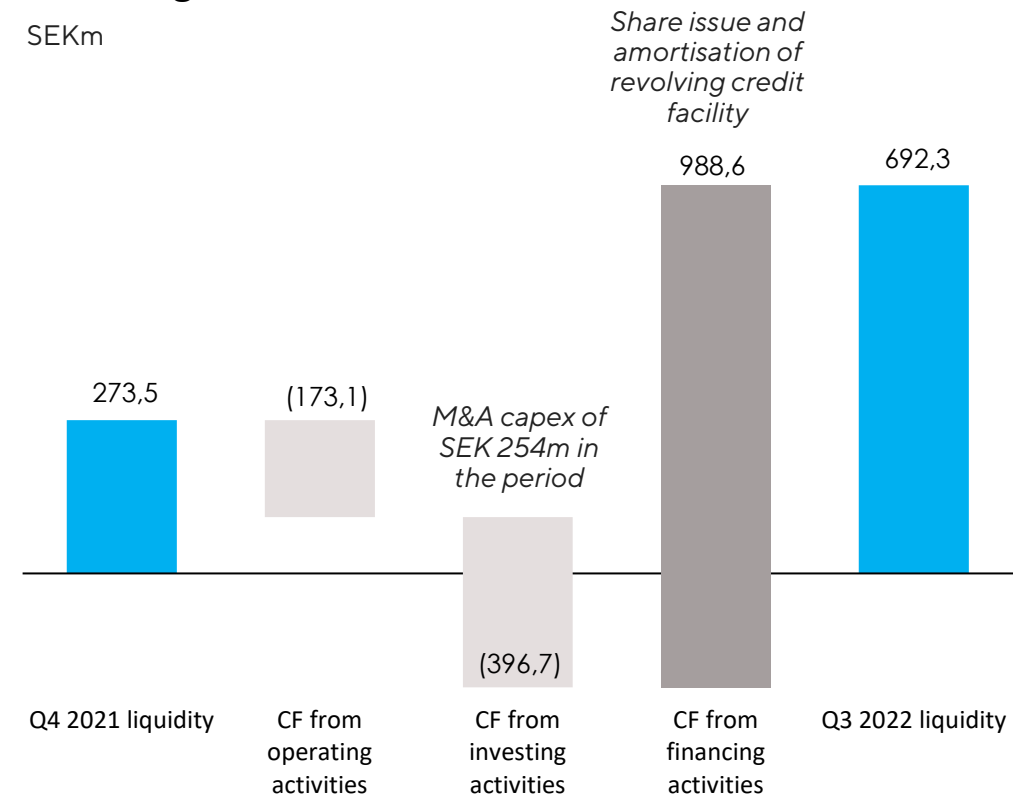
**Negative development in working capital is a result of BHG's seasonal profile**

Jul-Sep 2022 (SEKm)



**Liquidity mainly driven by cash flow from investing and financing activities**

SEKm



# We feel confident in our plan to get back to the capital structure target

## Overview of financial position

SEKm	30 Sep 2022
Interest bearing liabilities	5,087.9
Cash and cash equivalents	(692.3)
Adjustment lease liabilities	(872.7)
Adjustment for earn-outs and deferred payments	(1,398.3)
Adjustment transaction costs	5.2
<b>Net debt / (Net cash)</b>	<b>2,129.8</b>
Q3 2022 LTM adjusted EBITDA* (excl. impact from IFRS 16)	620.6
<b>Net debt / LTM adjusted EBITDA</b>	<b>3.4x</b>

- Net debt / EBITDA of 3.4x, outside the range of the Group's medium-term capital structure target
- Previously announced measures to improve profitability and cash flow are expected to lead to a positive earnings and cash-flow performance, and constitute a first step in future-proofing BHG for future profitable growth
- Renegotiated loan terms provide the scope to act using a long-term approach
- The Group's unutilised credit facilities amounted to SEK 500 million at the end of the period, compared with SEK 800 million at the beginning of the year

\* Pro-forma EBITDA

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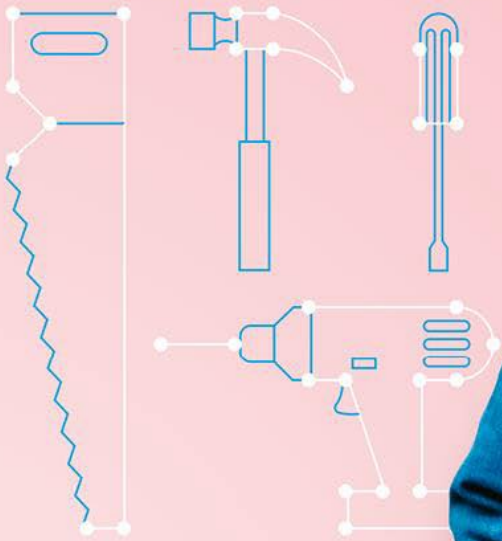
# Q3 Summary

<b>We gained market share in a tough market</b>		<ul style="list-style-type: none"><li>✓ We expect the market to remain challenging for the next 12-18 months</li><li>✓ Prioritization 1) cash flow, 2) profitability, 3) growth</li></ul>
<b>New organization and structural changes</b>		<ul style="list-style-type: none"><li>✓ Three new segments from 1 January 2023</li><li>✓ Tailor offering to customer groups, clarify synergies &amp; reduce complexity</li></ul>
<b>Several actions launched to respond to challenging market</b>		<ul style="list-style-type: none"><li>✓ Cost reduction target of SEK 150-200m</li><li>✓ Inventory reduction targets for rest of 2022 and 2023</li></ul>
<b>We feel confident in our plan to get back to the capital structure target</b>		<ul style="list-style-type: none"><li>✓ Constructive dialogue with our banks leading to temporary relief of covenants</li><li>✓ Measures taken on cost and inventory expected to lead to a positive earnings and cash-flow performance</li></ul>
<b>Fundamental structural trends remain intact</b>		<ul style="list-style-type: none"><li>✓ Migration from physical retail to online for the foreseeable future</li><li>✓ Interest in the home and thus in our DIY and home furnishing categories continues to grow</li></ul>





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## Appendix

# Condensed consolidated financial information

SEKm (if not otherwise stated)	Jul-Sep			Jan-Sep			Jan-Dec
	2022	2021	Δ%	2022	2021	Δ%	2021
Net sales	3,106.7	3,060.5	1.5	10,125.7	9,178.8	10.3	12,666.0
Gross profit	371.5	788.2	-52.9	2,188.8	2,429.2	-9.9	3,357.1
Gross margin (%)	12.0	25.8	-13.8 p.p.	21.6	26.5	-4.8 p.p.	26.5
Adjusted gross profit*	746.1	788.2	-5.3	2,563.4	2,429.2	5.5	3,357.1
Adjusted gross margin (%)	24.0	25.8	-1.7 p.p.	25.3	26.5	-1.1 p.p.	26.5
Adjusted EBITDA*	162.9	241.5	-32.6	664.5	828.9	-19.8	1,104.6
Adjusted EBITDA margin (%)	5.2	7.9	-2.6 p.p.	6.6	9.0	-2.5 p.p.	8.7
Adjusted EBIT*	47.8	164.5	-70.9	344.2	626.3	-45.0	812.7
Adjusted EBIT margin (%)	1.5	5.4	-3.8 p.p.	3.4	6.8	-3.4 p.p.	6.4
Operating income	-361.5	123.0	-393.9	-140.1	553.1	-125.3	710.6
Operating margin (%)	-11.6	4.0	-15.7 p.p.	-1.4	6.0	-7.4 p.p.	5.6
Net profit for the period	-83.8	61.7	-235.7	220.9	376.9	-41.4	490.8
Cash flow from operating activities	-133.0	-232.0	-42.7	-173.1	223.6	-177.4	-27.6
Visits (thousands)	81,051	94,710	-14.4	272,366	305,094	-10.7	411,296
Orders (thousands)	1,164	1,182	-1.6	3,642	3,603	1.1	5,247
Conversion rate (%)	1.4	1.2	0.2 p.p.	1.3	1.2	0.2 p.p.	1.3
Average order value (SEK)	2,724	2,545	7.1	2,834	2,597	9.1	2,439

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

# DIY segment

SEKm (if not otherwise stated)	Jul-Sep			Jan-Sep			Jan-Dec
	2022	2021	Δ%	2022	2021	Δ%	2021
Net sales	1,809.7	1,862.0	-2.8	5,779.3	5,436.5	6.3	7,259.6
Gross profit	186.1	433.6	-57.1	1,103.2	1,344.5	-17.9	1,764.3
Gross margin (%)	10.3	23.3	-13.0 p.p.	19.1	24.7	-5.6 p.p.	24.3
Adjusted gross profit	386.8	433.6	-10.8	1,303.9	1,344.5	-3.0	1,764.3
Adjusted gross margin (%)	21.4	23.3	-1.9 p.p.	22.6	24.7	-2.2 p.p.	24.3
Adjusted EBITDA	100.1	162.1	-38.3	372.5	552.1	-32.5	681.7
Adjusted EBITDA margin (%)	5.5	8.7	-3.2 p.p.	6.4	10.2	-3.7 p.p.	9.4
Adjusted EBIT	47.9	129.5	-63.0	231.6	467.0	-50.4	560.7
Adjusted EBIT margin (%)	2.6	7.0	-4.3 p.p.	4.0	8.6	-4.6 p.p.	7.7
Operating income	-167.6	116.7	-243.6	-15.5	437.8	-103.5	516.6
Operating margin (%)	-9.3	6.3	-15.5 p.p.	-0.3	8.1	-8.3 p.p.	7.1
Net profit for the period	46.6	67.2	-30.6	278.2	305.5	-8.9	216.4
Visits (thousands)	36,498	41,309	-11.6	117,069	129,595	-9.7	165,984
Orders (thousands)	583	587	-0.7	1,789	1,721	3.9	2,373
Conversion rate (%)	1.6	1.4	0.2 p.p.	1.5	1.3	0.2 p.p.	1.4
Average order value (SEK)	3,077	3,065	0.4	3,318	3,278	1.2	3,116

# Home Furnishing segment

SEKm (if not otherwise stated)	Jul-Sep			Jan-Sep			Jan-Dec
	2022	2021	Δ%	2022	2021	Δ%	2021
Net sales	1,303.6	1,205.9	8.1	4,377.3	3,769.6	16.1	5,442.8
Gross profit	186.1	354.9	-47.6	1,087.3	1,089.3	-0.2	1,597.7
Gross margin (%)	14.3	29.4	-15.2 p.p.	24.8	28.9	-4.1 p.p.	29.4
Adjusted gross profit	360.0	354.9	1.4	1,261.2	1,089.3	15.8	1,597.7
Adjusted gross margin (%)	27.6	29.4	-1.8 p.p.	28.8	28.9	-0.1 p.p.	29.4
Adjusted EBITDA	76.3	92.7	-17.7	332.1	334.5	-0.7	494.0
Adjusted EBITDA margin (%)	5.9	7.7	-1.8 p.p.	7.6	8.9	-1.3 p.p.	9.1
Adjusted EBIT	13.9	48.5	-71.4	153.9	217.6	-29.3	324.0
Adjusted EBITmargin (%)	1.1	4.0	-3.0 p.p.	3.5	5.8	-2.3 p.p.	6.0
Operating income	-171.4	39.4	-534.5	-53.3	193.2	-127.6	289.4
Operating margin (%)	-13.1	3.3	-16.4 p.p.	-1.2	5.1	-6.3 p.p.	5.3
Net profit for the period	-117.5	17.2	-781.9	49.4	120.1	-58.8	182.9
Visits (thousands)	44,553	53,401	-16.6	155,298	175,499	-11.5	245,312
Orders (thousands)	581	595	-2.4	1,854	1,882	-1.5	2,874
Conversion rate (%)	1.3	1.1	0.2 p.p.	1.2	1.1	0.1 p.p.	1.2
Average order value (SEK)	2,370	2,032	16.7	2,367	1,974	19.9	1,880

# P&L

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2022	2021	2022	2021	2021
Net sales	3,106.7	3,060.5	10,125.7	9,178.8	12,666.0
Other operating income	2.6	0.7	17.1	1.3	15.6
<b>Total net sales</b>	<b>3,109.3</b>	<b>3,061.2</b>	<b>10,142.8</b>	<b>9,180.2</b>	<b>12,681.6</b>
Cost of goods sold	-2,735.2	-2,272.3	-7,937.0	-6,749.7	-9,308.9
Personnel costs	-264.6	-237.8	-835.5	-700.0	-981.7
Other external costs and operating expenses	-330.4	-326.4	-1,108.7	-914.8	-1,304.0
Other operating expenses	-0.9	-2.6	-6.4	-6.6	-5.0
Depreciation and amortisation of tangible and intangible fixed assets	-139.6	-99.0	-395.4	-256.1	-371.5
<b>Operating income</b>	<b>-361.5</b>	<b>123.0</b>	<b>-140.1</b>	<b>553.1</b>	<b>710.6</b>
Profit/loss from financial items	185.7	-33.1	302.1	-71.2	-79.7
<b>Profit before tax</b>	<b>-175.8</b>	<b>89.8</b>	<b>162.0</b>	<b>481.9</b>	<b>630.9</b>
Income tax	92.0	-28.1	58.9	-105.0	-140.1
<b>Profit for the period</b>	<b>-83.8</b>	<b>61.7</b>	<b>220.9</b>	<b>376.9</b>	<b>490.8</b>
Attributable to:					
Equity holders of the parent	-87.1	61.0	213.7	370.4	480.9
Non-controlling interest	3.4	0.7	7.2	6.5	9.9
<b>Net income for the period</b>	<b>-83.8</b>	<b>61.7</b>	<b>220.9</b>	<b>376.9</b>	<b>490.8</b>
Earnings per share before dilution, SEK	-0.62	0.50	1.61	3.09	3.97
Earnings per share after dilution, SEK	-0.62	0.49	1.61	3.05	3.94

# Balance sheet

SEKm	30 Sep		31 dec
	2022	2021	2021
<b>Non-current assets</b>			
Goodwill	6,460.7	6,403.3	6,318.7
Other intangible fixed assets	2,903.0	2,901.6	2,893.3
<b>Total intangible fixed assets</b>	<b>9,363.7</b>	<b>9,304.9</b>	<b>9,212.0</b>
Buildings and land	21.8	31.8	21.9
Leased fixed assets	893.8	754.4	893.3
Tangible fixed assets	138.8	109.6	136.3
Financial fixed assets	12.8	13.0	13.1
Deferred tax asset	116.3	23.5	26.4
<b>Total fixed assets</b>	<b>10,547.2</b>	<b>10,237.2</b>	<b>10,302.9</b>
<b>Current assets</b>			
Inventories	2,704.6	2,088.2	2,431.5
Current receivables	689.9	570.7	604.4
Cash and cash equivalents	692.3	677.4	273.5
<b>Total current assets</b>	<b>4,086.8</b>	<b>3,336.4</b>	<b>3,309.4</b>
<b>Total assets</b>	<b>14,634.0</b>	<b>13,573.5</b>	<b>13,612.3</b>
<b>Equity</b>			
Equity attributable to owners of the parent	6,725.2	5,166.8	5,211.9
Non-controlling interest	50.4	42.9	44.4
<b>Total equity</b>	<b>6,775.6</b>	<b>5,209.7</b>	<b>5,256.3</b>
<b>Non-current liabilities</b>			
Deferred tax liability	629.6	618.6	636.7
Other provisions	32.0	31.8	43.2
Non-current interest-bearing liabilities to credit institutions	2,816.9	2,523.2	2,517.2
Non-current lease liabilities	571.2	523.4	622.0
Non-current acquisition related interest-bearing liabilities	1,011.6	2,059.3	1,883.5
<b>Total non-current liabilities</b>	<b>5,061.3</b>	<b>5,756.3</b>	<b>5,702.6</b>
<b>Current liabilities</b>			
Current lease liabilities	301.5	224.5	256.7
Current acquisition related interest-bearing liabilities	386.7	97.4	238.1
Other current liabilities	2,108.9	2,285.6	2,158.6
<b>Total current liabilities</b>	<b>2,797.1</b>	<b>2,607.5</b>	<b>2,653.4</b>
<b>Total equity and liabilities</b>	<b>14,634.0</b>	<b>13,573.5</b>	<b>13,612.3</b>



# Consolidated statement of cash flows

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2022	2021	2022	2021	2021
EBITDA	-221.2	221.9	255.5	809.3	1,081.2
Adjustments for items not included in cash flow	382.3	0.6	379.6	17.8	2.4
Income tax paid	-27.9	-24.0	-195.3	-79.5	-105.6
<b>Cash flow from operating activities before changes in working capital</b>	<b>133.3</b>	<b>198.5</b>	<b>439.8</b>	<b>747.5</b>	<b>978.1</b>
Changes in working capital	-266.2	-430.5	-612.8	-523.9	-1,005.7
<b>Cash flow from operating activities</b>	<b>-133.0</b>	<b>-232.0</b>	<b>-173.1</b>	<b>223.6</b>	<b>-27.6</b>
Investments in operations	-43.4	-908.3	-254.3	-1,607.5	-1,610.9
Redemption of loan to seller upon acquisition of operations	-	-65.0	-6.9	-65.0	-65.0
Investments in other non-current assets	-41.5	-43.6	-140.0	-122.6	-193.7
Divestment of operations	-	0.0	0.6	0.0	-0.0
Divestment of other tangible fixed assets	0.6	0.5	1.5	0.8	12.4
Received interest	0.9	0.2	2.3	0.4	1.8
<b>Cash flow to/from investing activities</b>	<b>-83.3</b>	<b>-1,016.2</b>	<b>-396.7</b>	<b>-1,793.9</b>	<b>-1,855.4</b>
New share issue	-0.6	-	988.8	1,715.0	1,719.4
Loans taken*	500.0	1,000.0	800.0	2,650.1	2,650.1
Amortisation of loans	-82.2	-53.6	-732.6	-2,402.8	-2,479.6
Issue of warrants	0.9	-	1.0	20.7	21.6
Interest paid	-25.2	-12.4	-64.7	-39.9	-54.8
Dividend	-	-0.0	-	0.0	0.0
Dividends to non-controlling interests	-	-	-2.1	-	-5.1
<b>Cash flow to/from financing activities</b>	<b>392.9</b>	<b>933.9</b>	<b>990.3</b>	<b>1,943.3</b>	<b>1,851.7</b>
<b>Cash flow for the period</b>	<b>176.6</b>	<b>-314.4</b>	<b>420.5</b>	<b>373.0</b>	<b>-31.2</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>519.9</b>	<b>990.8</b>	<b>273.5</b>	<b>299.0</b>	<b>299.0</b>
Translation differences in cash and cash equivalents	-4.2	1.0	-1.7	5.5	5.8
<b>Cash and cash equivalents at the end of the period</b>	<b>692.3</b>	<b>677.4</b>	<b>692.3</b>	<b>677.4</b>	<b>273.5</b>

\* 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	Jul-Sep		Jan-Sep		Jan-Dec
	2022	2021	2022	2021	2021
<b>Operating income</b>	<b>-361.5</b>	<b>123.0</b>	<b>-140.1</b>	<b>553.1</b>	<b>710.6</b>
Donation UNHCR	-	-	1.5	-	-
Acquisition-related costs	1.0	19.6	12.9	19.6	23.4
Warehouse consolidation	-	-	2.1	-	-
Strategy work	3.1	-	12.5	-	-
Inventory impairment	374.6	-	374.6	-	-
Salary expense for gardening leave	5.5	-	5.5	-	-
<b>Total items affecting comparability</b>	<b>384.1</b>	<b>19.6</b>	<b>409.0</b>	<b>19.6</b>	<b>23.4</b>
Amortisation and impairment of acquisition-related intangible fixed assets	25.2	21.9	75.4	53.5	78.7
<b>Adjusted EBIT</b>	<b>47.8</b>	<b>164.5</b>	<b>344.2</b>	<b>626.3</b>	<b>812.7</b>
<b>Adjusted EBIT (%)</b>	<b>1.5</b>	<b>5.4</b>	<b>3.4</b>	<b>6.8</b>	<b>6.4</b>
Depreciation and amortisation of tangible and intangible fixed assets	114.5	77.2	320.0	202.5	292.8
Gain/loss from sale of fixed assets	0.6	-0.1	0.2	0.1	-0.8
<b>Adjusted EBITDA</b>	<b>162.9</b>	<b>241.5</b>	<b>664.5</b>	<b>828.9</b>	<b>1,104.6</b>
<b>Adjusted EBITDA (%)</b>	<b>5.2</b>	<b>7.9</b>	<b>6.6</b>	<b>9.0</b>	<b>8.7</b>
SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2022	2021	2022	2021	2021
Net sales	3,106.7	3,060.5	10,125.7	9,178.8	12,666.0
Cost of goods	-2,322.6	-1,888.8	-6,640.4	-5,602.3	-7,710.4
<b>Gross profit before direct selling costs</b>	<b>784.1</b>	<b>1,171.7</b>	<b>3,485.3</b>	<b>3,576.5</b>	<b>4,955.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>25.2</b>	<b>38.3</b>	<b>34.4</b>	<b>39.0</b>	<b>39.1</b>
Direct selling costs	-412.6	-383.5	-1,296.6	-1,147.3	-1,598.5
<b>Gross profit</b>	<b>371.5</b>	<b>788.2</b>	<b>2,188.8</b>	<b>2,429.2</b>	<b>3,357.1</b>
<b>Gross profit (%)</b>	<b>12.0</b>	<b>25.8</b>	<b>21.6</b>	<b>26.5</b>	<b>26.5</b>
Inventory impairment	374.6	-	374.6	-	-
<b>Adjusted gross profit before direct selling costs</b>	<b>1,158.7</b>	<b>1,171.7</b>	<b>3,860.0</b>	<b>3,576.5</b>	<b>4,955.6</b>
<b>Adjusted gross profit before direct selling costs (%)</b>	<b>37.3</b>	<b>38.3</b>	<b>38.1</b>	<b>39.0</b>	<b>39.1</b>
<b>Adjusted gross profit</b>	<b>746.1</b>	<b>788.2</b>	<b>2,563.4</b>	<b>2,429.2</b>	<b>3,357.1</b>
<b>Adjusted gross profit (%)</b>	<b>24.0</b>	<b>25.8</b>	<b>25.3</b>	<b>26.5</b>	<b>26.5</b>

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