



Q2 Report 2023

20 July 2023

Gustaf Öhrn, President and CEO

Jesper Flemme, CFO



Today's presenters

Gustaf Öhrn
President and CEO

Jesper Flemme
CFO



This is BHG

Back in 2012, we started our journey to disrupt and reinvent retail. Since then, we've evolved through organic initiatives and ~35 acquisitions to a decentralised group of ~20 businesses in three BUs and a small central office with centres of excellence

Home Improvement

Home Improvement is active in the Nordic market and to a large extent based on a drop shipping model with a low level of tied-up capital, with a broad product range and price matching

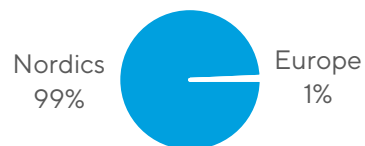
Select key brands



Share of BHG sales LTM

50%

Geographic sales split LTM



Value Home

Value Home is active mainly in the Nordic, Eastern European and German markets and is a value-driven model that focuses on offering competitive prices, enabled by private label products

Select key brands



Share of BHG sales LTM

34%

Geographic sales split LTM



Premium Living

Premium Living has a premium position that is primarily based on wholesale in order to internationalise Scandinavian design

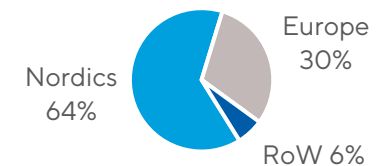
Select key brands



Share of BHG sales LTM

17%

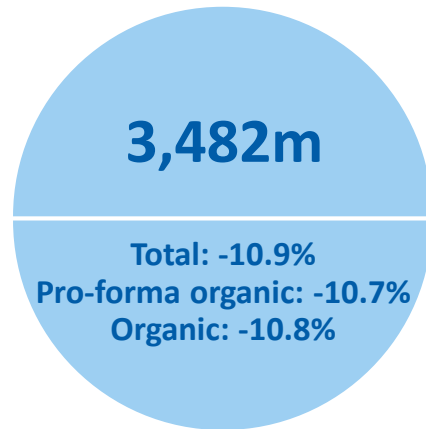
Geographic sales split LTM



Select financial highlights – Q2 2023

Sales

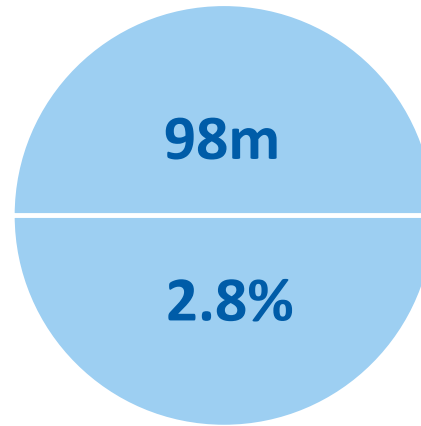
Net Sales (SEK)



Growth

Earnings

Adj. EBIT(SEK)



Adj. EBIT margin

Cash flow

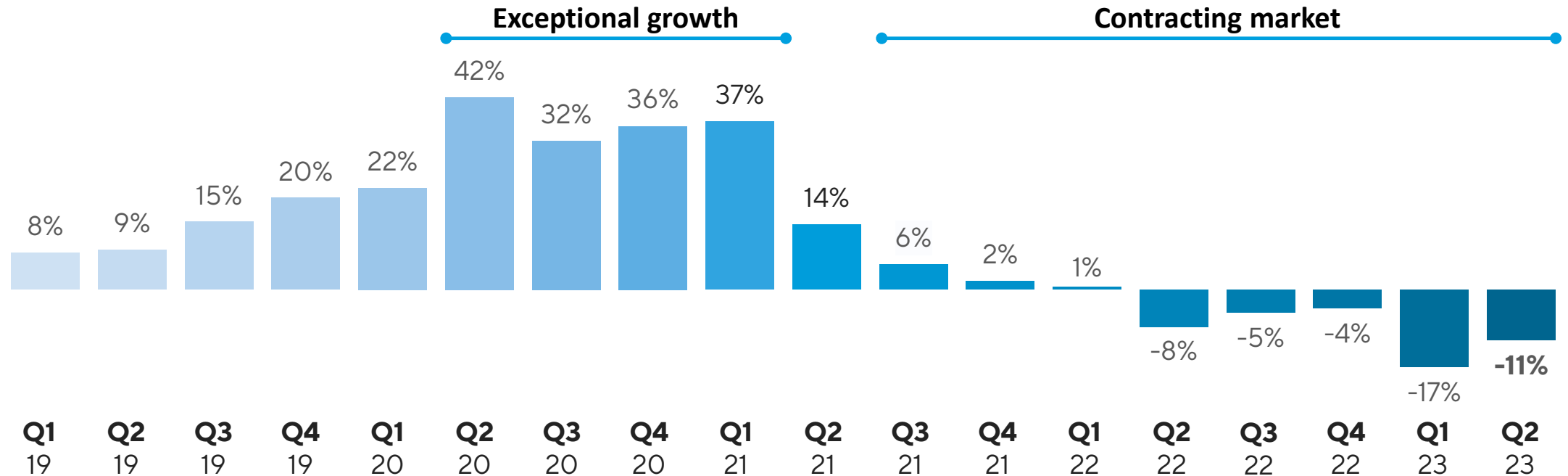
Cash flow from operating activities (SEK)



- Gaining share in a weak market
- Cash flow from operating activities improved in the quarter by SEK 929 from last year

We expect market to be soft rest of 2023 and into 2024

BHG organic growth, Y-on-Y development



Market development

- Improvement from historically weak Q1 driven by late spring and potentially from indications of improved consumer confidence from low point in late 2022
- Demand in capital intensive categories still weak
- Still low intensity in the housing market

Outlook

- High uncertainty in demand – our base scenario is that rest of 2023 and into 2024 will continue to be challenging
- Over stock in market is still present but declining – looking forward putting less pressure on margins
- Interest rates have likely not peaked but more clarity on “peak rent” – less unclarity from consumers on future rent level

Key focus areas and actions right now

Improve profitability

- Cost reduction target of SEK 150-200m (organizational and warehousing costs)
- Simplify structure by consolidations and closings of businesses and store footprint
- Investing in tech to facilitate future consolidations and reduce costs

Strengthen cash-flow

- Inventory reduction is single most important action to improve our cash flow
- Targets set on each entity and followed up weekly
- Cash flow from operating activities amounted to SEK 767m in Q2

Strengthen the balance sheet

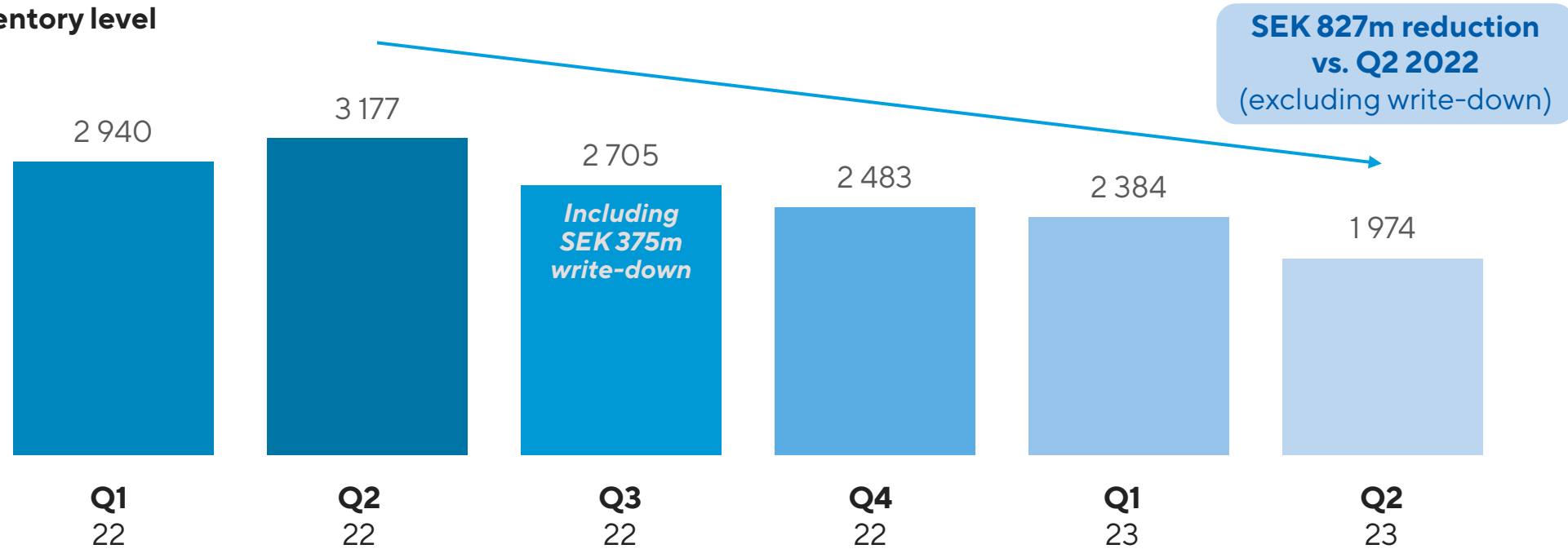
- Improve cash flow through inventory reduction
- Sell 20.1% in Furniture1 – reducing acquisition-related liabilities by SEK 470m
- Renegotiated financing agreement gives additional flexibility regarding covenants

- We must be able to **both** be **operationally super active** to drive **sales, margin** and **reduce SG&A** but at the **same time** be able to understand and **adapt** to a **changing future**

We have reduced inventory by SEK 827m since Q2 2022

Continued reduction last 4 quarters

BHG inventory level
(SEKm)



- SEK 410m reduction in inventory in Q2, and SEK 510m so far this year
- Ahead of plan to reduce inventory by SEK 600m in 2023
- We see potential for more reductions in 2024

Strategic priorities across the group to take us back to pre-pandemic levels of profit and cash flow

Customer centricity	<ul style="list-style-type: none"> Seamless and personalized customer experience throughout buying journey, leveraging analytics and AI capabilities for enhanced personalization and customer insights
Competitiveness	<ul style="list-style-type: none"> Implementing efficient operational processes, including optimizing the supply chain, warehouse consolidation, online marketing and managing costs effectively
Sustainability	<ul style="list-style-type: none"> Emphasizing sustainable and eco-friendly practices across product categories including offering energy-efficient appliances, eco-friendly materials, and sustainable packaging
Assortment expansion	<ul style="list-style-type: none"> Offering a wide, diverse and relevant selection of products to cater to various customer needs and preferences
Simplification & consolidation	<ul style="list-style-type: none"> Several actions taken and ongoing to consolidate and simplify our businesses – more to come <div data-bbox="1070 962 2331 1286"> <p>The diagram illustrates consolidation actions across three segments:</p> <ul style="list-style-type: none"> Home Improvement: POLARPUMPEN and Nordiska Fönster are consolidated into bygghemma.se. LSBOGAGEN.SE is consolidated into HAGA BRAND GROUP. Value Home: My Home is consolidated into NORDIC NEST. Premium Living: Several brands (NETRAUTA.FI, taloon.com, Hemmy.se, vitvaruexperten, edutor, stonet) are marked with red X's, indicating they are being consolidated or discontinued. </div>

Key strategic and operational priorities per BU

 byggghemma.se

Home Improvement

- Consolidate entities into fewer and larger platforms to increase competitiveness and simplify structure
- Reduce inventory and cut fixed costs to reflect current demand situation
- Leverage intercompany sales and expand geographically
- Investments in tech platform to enable future consolidations and improve customer experience

 trademax

Value Home

- Reduce inventory, optimise warehousing and scale down fixed costs including store footprint
- Upgrade tech platform to improve customer experience and reduce costs
- Consolidate entities into fewer and larger platforms to increase competitiveness

 NORDIC NEST

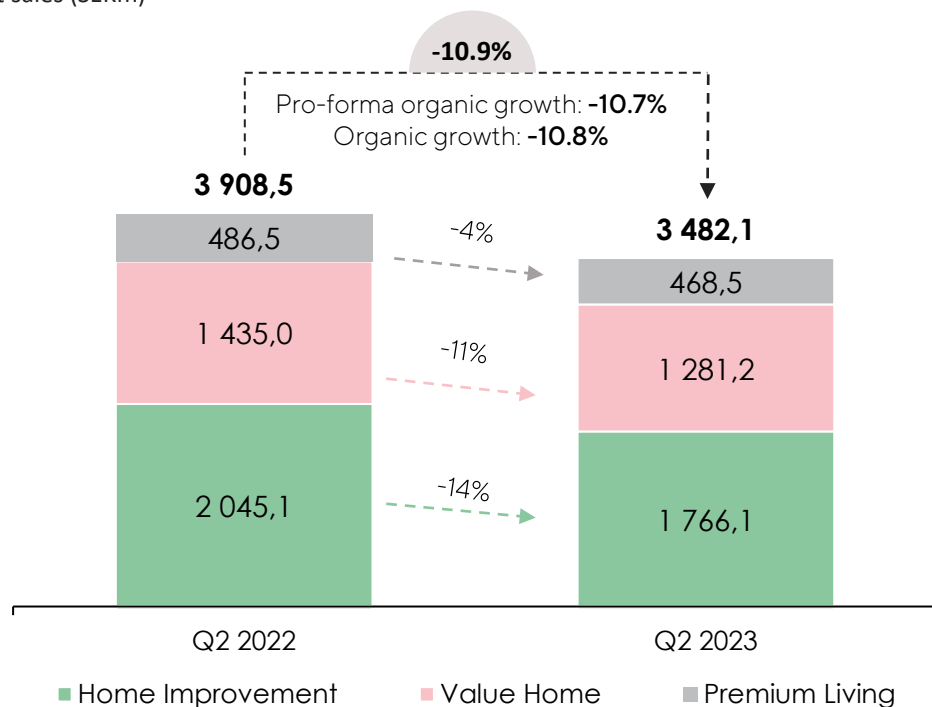
Premium Living

- Drive geographic expansion in Nordic Nest
- Continue work on automation and efficiency improvements – warehouse automation implemented in Q4 2022 and has already improved warehousing costs

Q2 profitability is a step in the right direction but more needs to be done

We have taken share in a weak market

Net sales (SEKm)

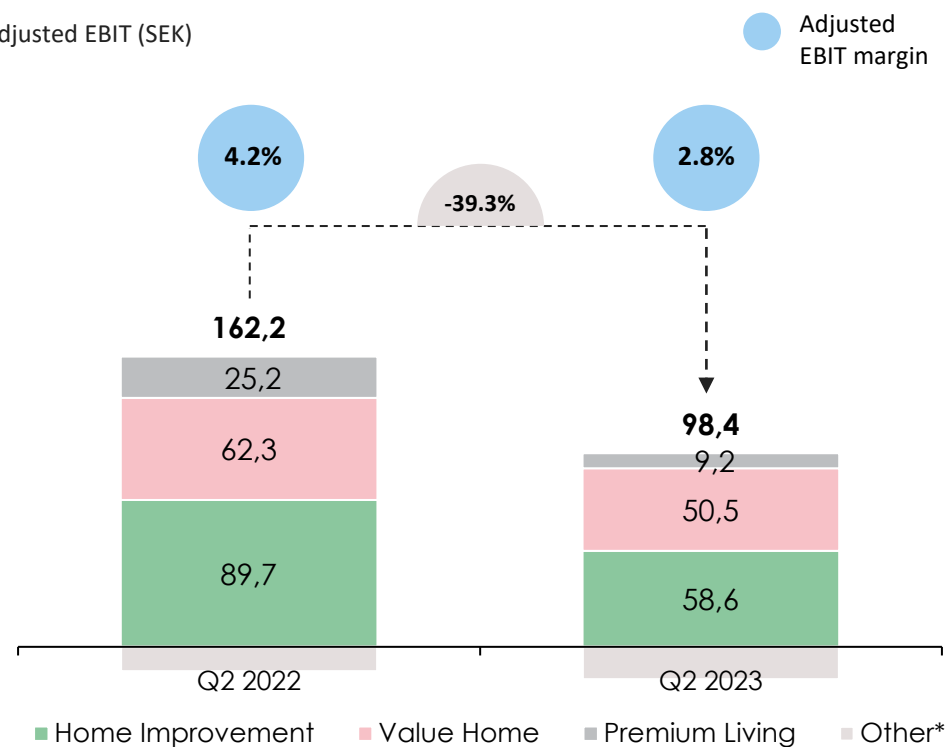


Note: Items affecting comparability in the quarter amount to SEK -4.3 million

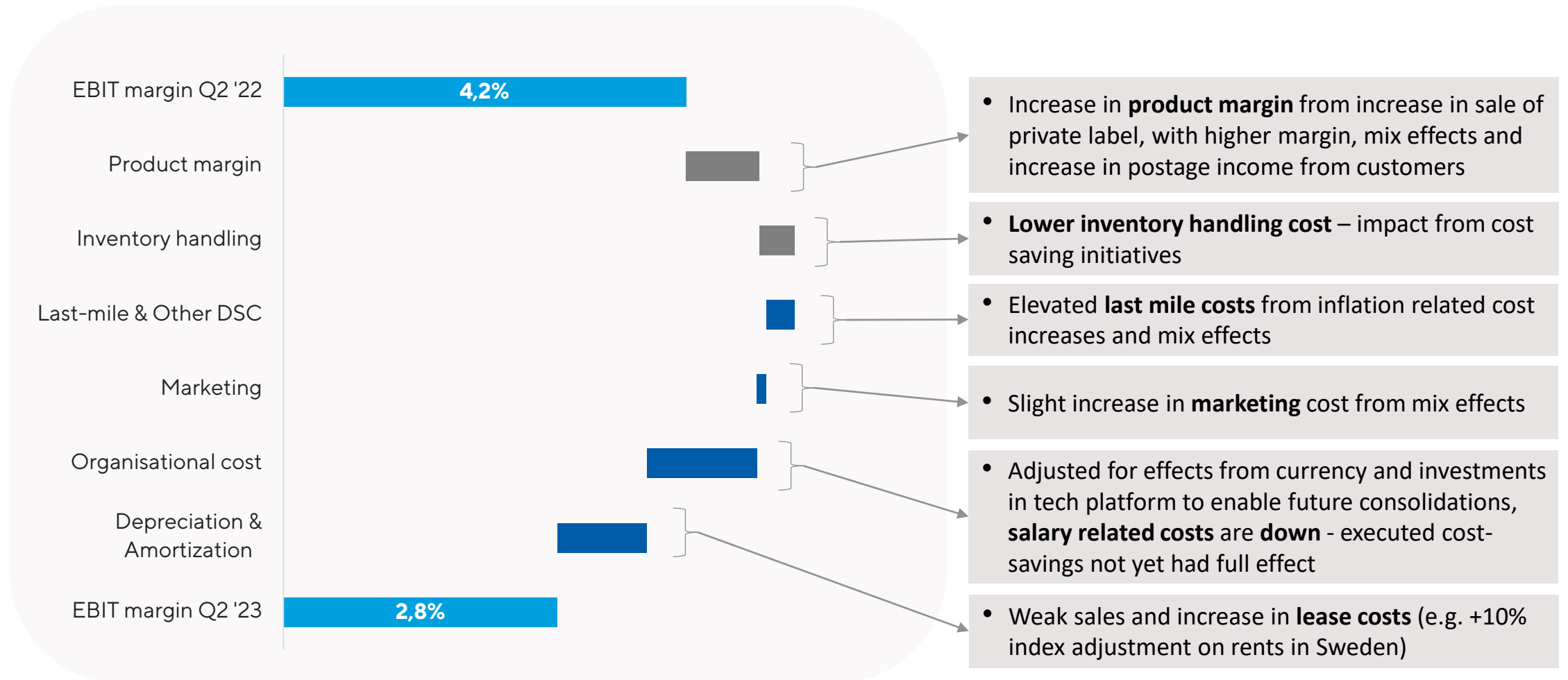
* The Group's other operations primarily consist of Group-wide functions and financing arrangements

EBIT margin supported by solid product margin and improved inventory handling costs

Adjusted EBIT (SEK)



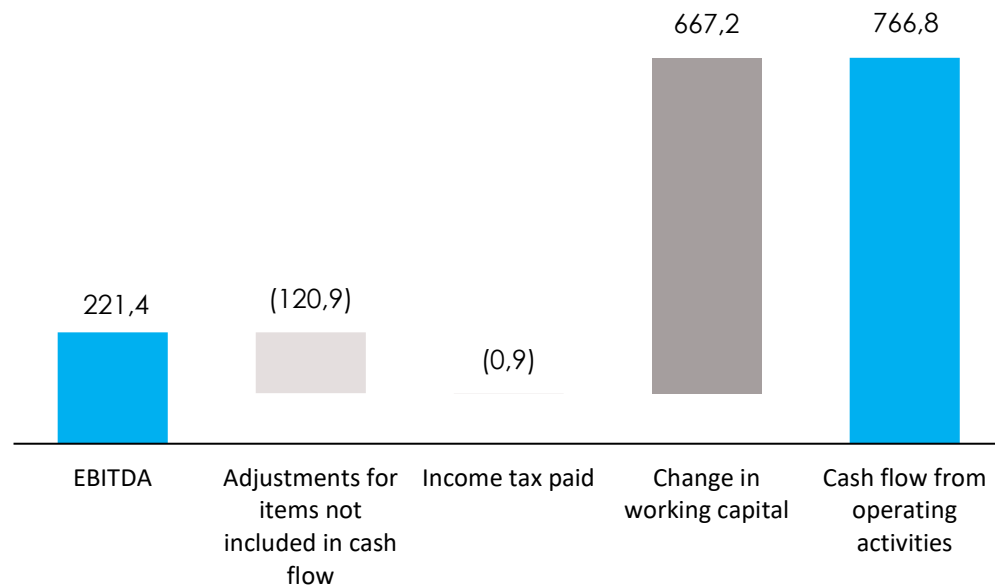
EBIT margin bridge 2022 Q2 → 2023 Q2



Extremely strong cash flow in the second quarter

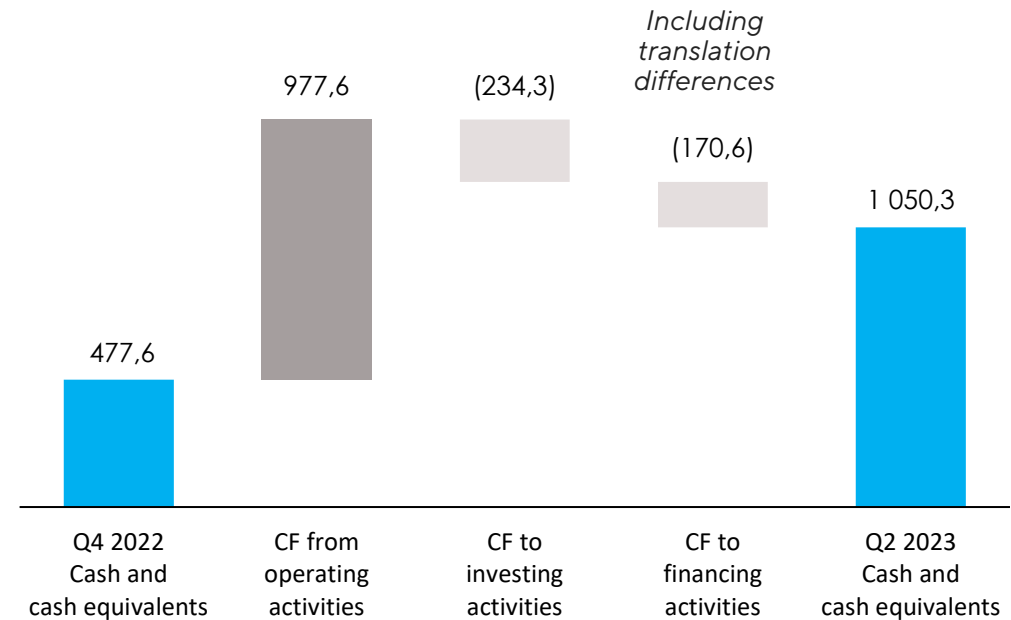
Significant improvement in cash flow from operating activities compared to last year (Q2 2022: -162m)

Apr-Jun 2023 (SEKm)



Liquidity mainly driven by cash flow from operating activities

SEKm



Significant improvement in our financial position






Overview of financial position

SEKm	30 June 2023	31 Dec 2022	Δ
Interest bearing liabilities	4,077.9	4,141.1	(63.2)
Cash and cash equivalents	(1,050.3)	(477.6)	(573.2)
Adjustment lease liabilities	(894.9)	(877.7)	(17.2)
Adjustment for earn-outs and deferred payments	(1,180.6)	(1,254.2)	73.6
Adjustment transaction costs	16.7	11.8	4.9
Net debt / (Net cash)	968.8	1,543.4	(574.6)
Q2 2023 LTM adjusted EBITDA* (excl. impact from IFRS 16)	236.3	491.2	(254.9)
Net debt / LTM adjusted EBITDA	4.10x	3.14x	

- Reduced net debt on the back of substantial improvement in cash flow
- Announced sale of 20.1% in Furniture1 will reduce our interest bearing liabilities and earn-outs & deferred payments by an additional SEK 470m
- Adjusted for the Furniture1 transaction our earn-outs and deferred payments would have been SEK 711m at the end of Q2 (pending approval at EGM)
- Renegotiated financing agreement will provide additional flexibility regarding the group's financial covenants

* Pro-forma EBITDA

Q2 Summary

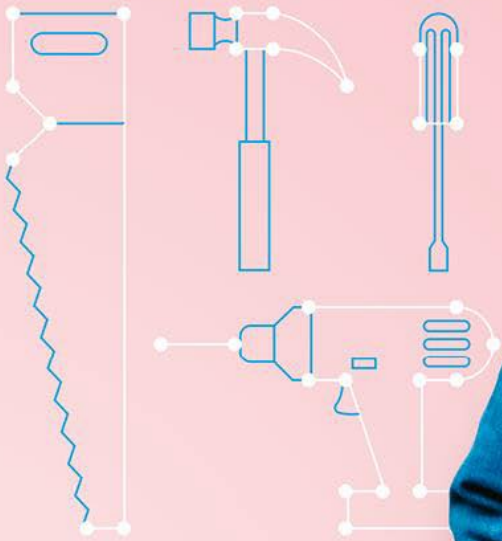
Improved profitability and strong cashflow	<ul style="list-style-type: none"> ✓ EBIT SEK 98m – Significant improvement from weak Q1 ✓ Cash flow from operating activities SEK 767m – Improvement of SEK 929m from last year
Challenging market 	<ul style="list-style-type: none"> ✓ We expect the market to remain challenging rest of 2023 and into 2024 ✓ Prioritizing cash flow and profitability ✓ Several sales initiatives to drive growth (e.g. internationalization, intercompany sales, marketplace, etc.)
Actions to improve profitability 	<ul style="list-style-type: none"> ✓ Cost reduction target of SEK 150-200m (organizational and warehousing costs) ✓ Simplify structure by consolidations and closings of businesses and store footprint
Consolidations 	<ul style="list-style-type: none"> ✓ Several actions taken and ongoing to consolidate and simplify our businesses ✓ Investing in tech to facilitate future consolidations and reduce costs
Actions to strengthened financial position 	<ul style="list-style-type: none"> ✓ Sell 20.1% in Furniture1 – reducing acquisition-related liabilities by SEK 470m ✓ Renegotiated financing agreement gives additional flexibility regarding covenants
Fundamental structural trends remain intact 	<ul style="list-style-type: none"> ✓ Migration from physical retail to online for the foreseeable future ✓ We foresee the long term trend of interest in the home environment to continue ✓ Prospects are good for returning to pre-pandemic profitability and cash flow

Q&A





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