



Q3 Report 2023

26 October 2023

Gustaf Öhrn, President and CEO

Jesper Flemme, CFO



Today's presenters

Gustaf Öhrn
President and CEO

Jesper Flemme
CFO



Agenda

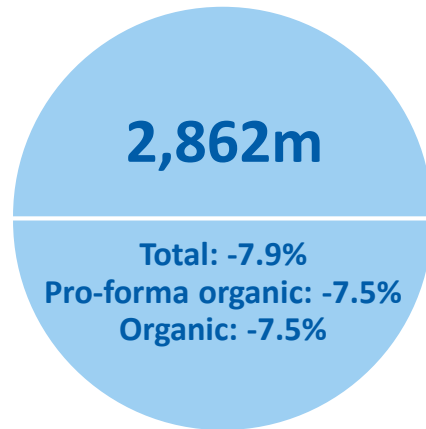
- **Q3 2023 highlights**
- Financial update
- Conclusions
- Q&A



Select financial highlights – Q3 2023

Sales

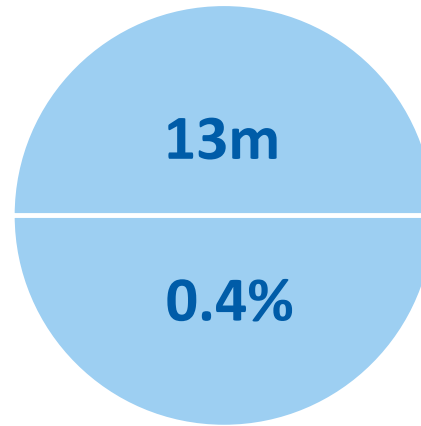
Net Sales (SEK)



Growth

Earnings

Adj. EBIT(SEK)



Adj. EBIT margin

Cash flow

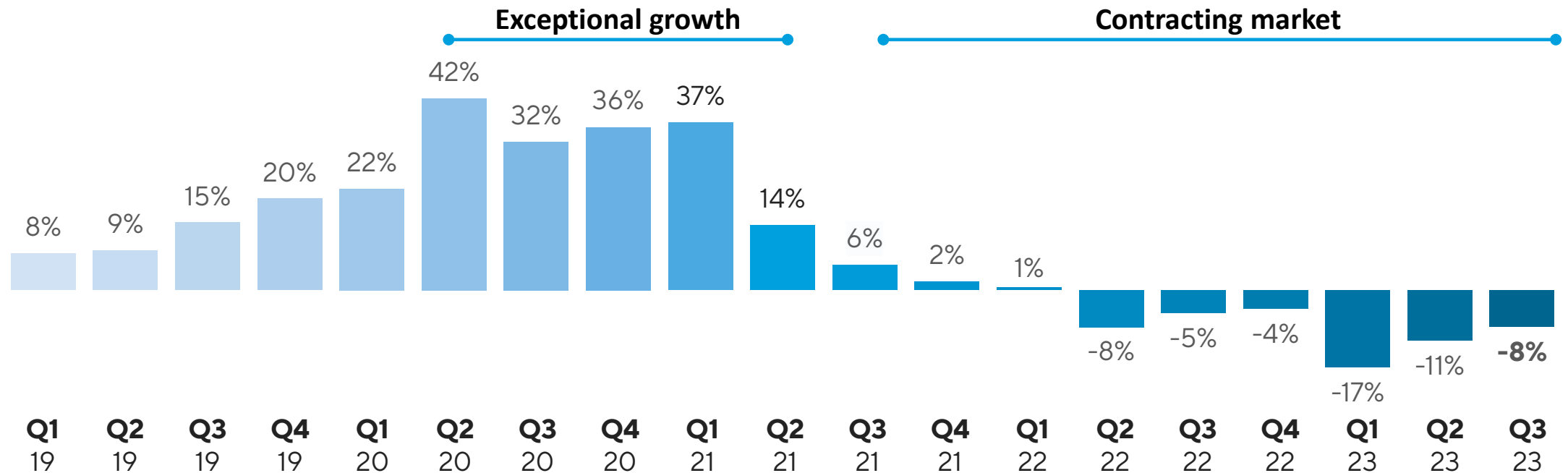
Cash flow from operating activities (SEK)



- Sales decrease vs. last year has gradually improved the last two quarters – we are taking market share
- Significant improvement in cash flow from operating activities driven by inventory reductions
- Successful focus on cash flow in 2023 – we will prioritize profit over cash rest of 2023 and 2024

We expect challenging market rest of 2023 and 2024

BHG organic growth, Y-on-Y development



Market development

- Market still challenging
- Price pressure in the market from low demand and overstock for some competitors
- Demand in capital intensive categories still weak
- Still low intensity in the housing market and consumers have less disposable income than one year ago

Outlook

- High uncertainty in demand – our base scenario is that rest of 2023 and 2024 will continue to be challenging
- Likely close to “peak rent” but also likely that it will take longer before rents come down again
- Some positive signs: lower freight price from Asia compared to one year ago, lower purchase prices in some product categories

We are implementing our strategy and delivering on tactical targets

Significantly strengthened balance sheet and cash flow thereby reducing risk

Strengthen cash-flow

- **SEK 1.2bn** in cash flow from operating activities year to date compared to SEK -173m same period last year
- Inventory reduction has been single most important action to improve our cash flow

Strengthen the balance sheet

- More than **SEK 1bn** lower total interest-bearing liabilities compared to beginning of the year
- Improved cash flow and decrease in acquisition related liabilities, lease liabilities and increase in cash

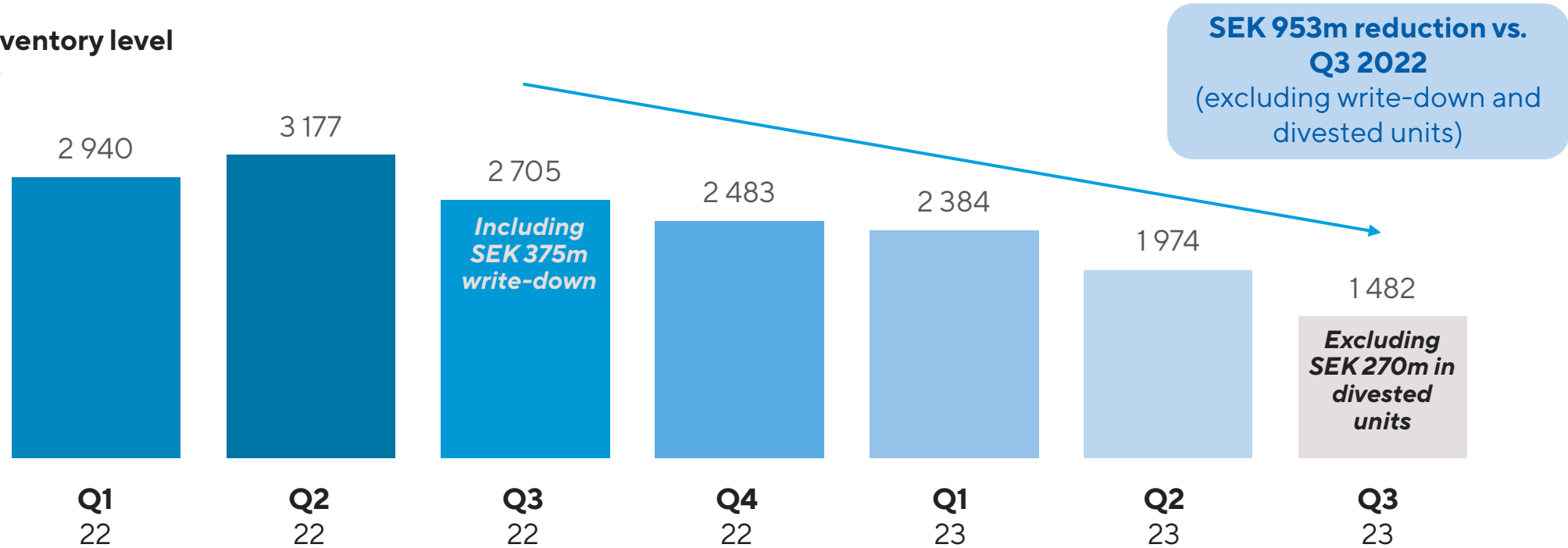
Improve profitability

- **SEK 59m** improvement in EBIT YTD proforma from restructuring program in Value Home
- Delivering according to plan on cost reduction program – lowering SG&A and warehousing costs

We have reduced inventory by SEK 953m* since Q3 2022

Continued reduction last 5 quarters

BHG inventory level
(SEKm)



- SEK 222m reduction in inventory in Q3, and SEK 731m so far this year (excluding divested units)
- Ahead of plan to reduce inventory by SEK 600m in 2023
- We see potential for more reductions looking forward

So far we have done much in terms of consolidation and simplification of our structure

Consolidations

- We have consolidated units to achieve economies of scale and simplify our structure

Divestments

- We have left businesses that do not fit into our strategy and burdens our profitability

Reduced store footprint

- We have significantly reduced the store foot print in the Value Home segment – reducing fixed costs and risk

Close down of non-performing units

- We have closed down non-performing units, burdening our profitability

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

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

 NORDIC NEST

Premium Living

- Drive geographic expansion in Nordic Nest
- Continue work on automation and efficiency improvements
- Consolidate entities into fewer and larger platforms to increase competitiveness

A BHG unit is winner of the Swedish SEO price for the fifth year in a row

- For the fifth year in a row a BHG unit has won the Swedish SEO price – a testament of our online marketing strategy and team
 - 2023: **Svenssons.se** (Furniture)
 - 2022: **Chilli.se** (Furniture)
 - 2021: **Bygghemma.se** (Building goods)
 - 2020: **Chilli.se** (Furniture)
 - 2019: **Bygghemma.se** (Building goods)
- The price was initiated in 2019 and the jury consists of independent SEO experts from Sweden's largest SEO agencies



Agenda

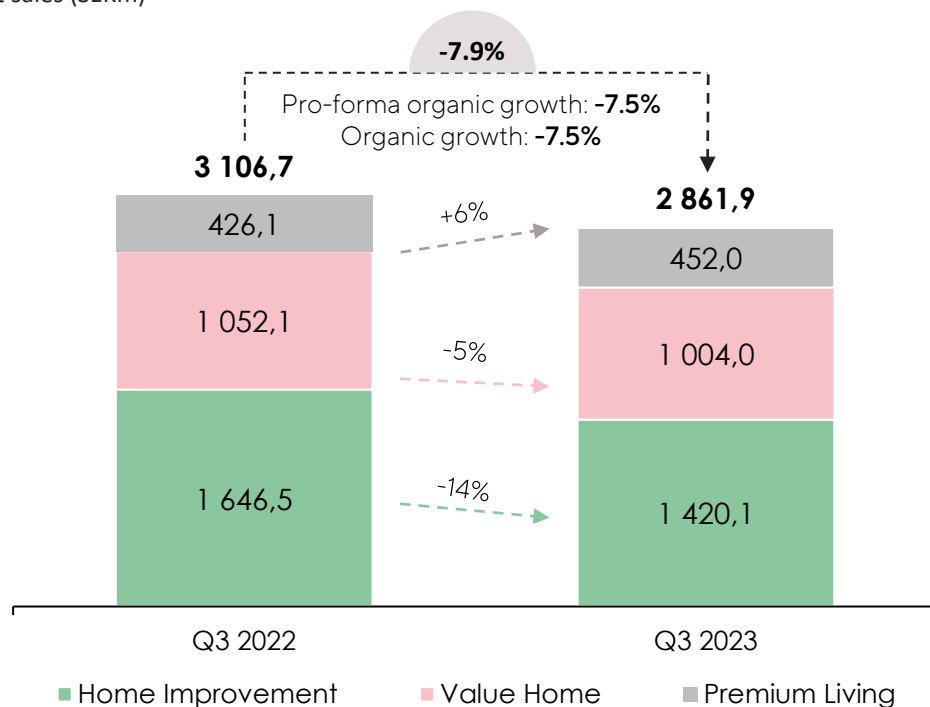
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We have taken share in a challenging market and deliver on our cost reduction initiatives

We have taken share in a continued weak market – sales supported by international sales outside the Nordics

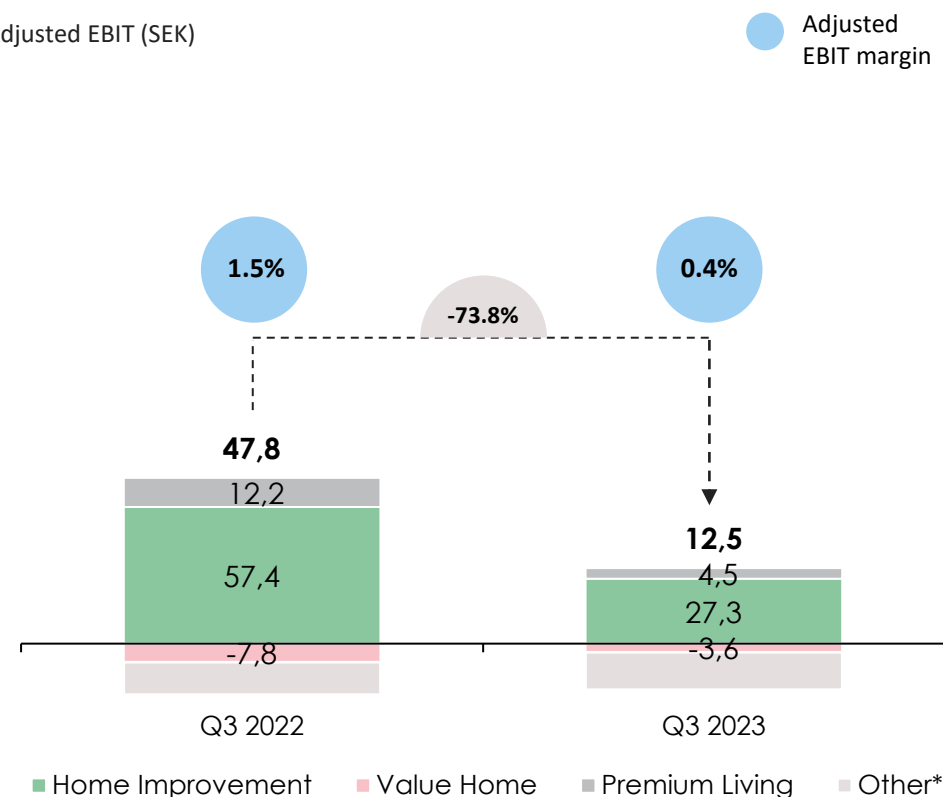
Net sales (SEKm)



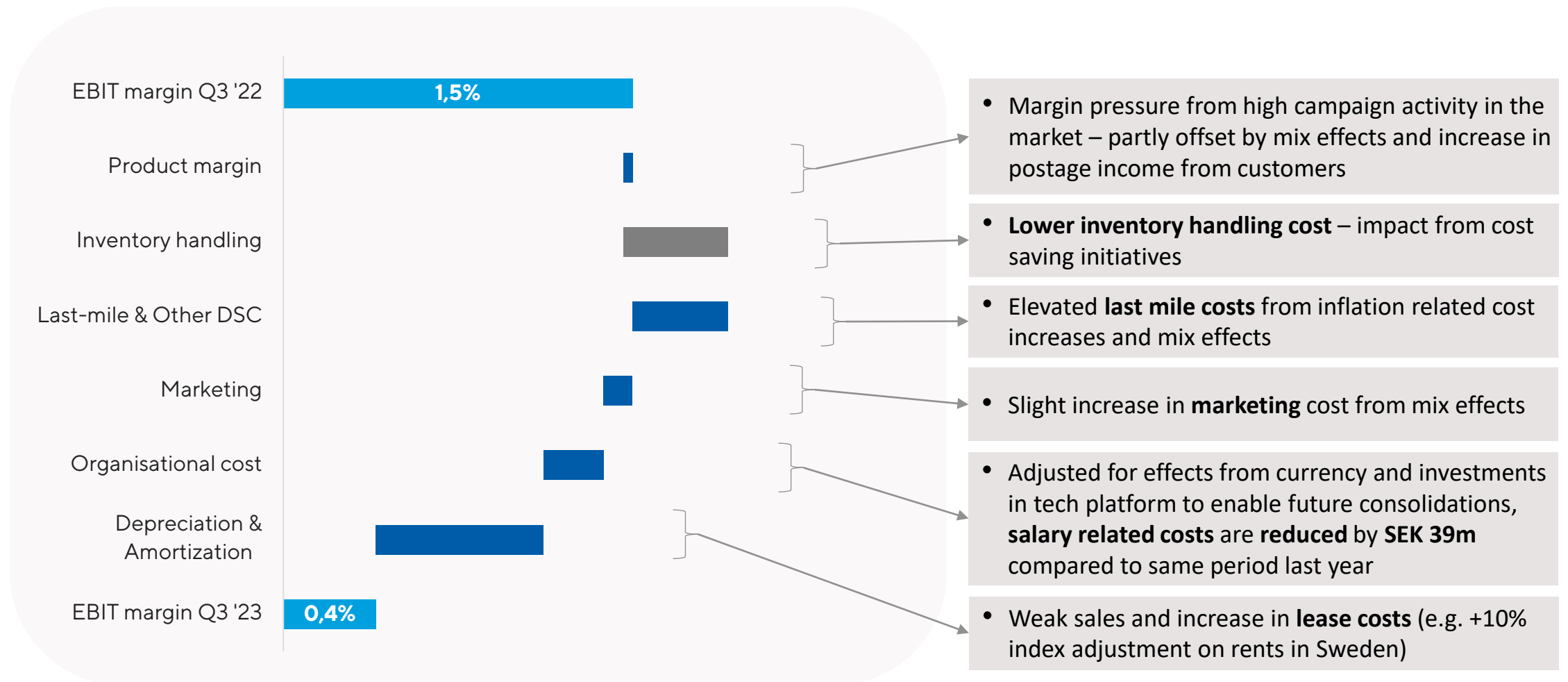
* The Group's other operations primarily consist of Group-wide functions and financing arrangements

EBIT margin supported by improved inventory handling and SG&A costs

Adjusted EBIT (SEK)



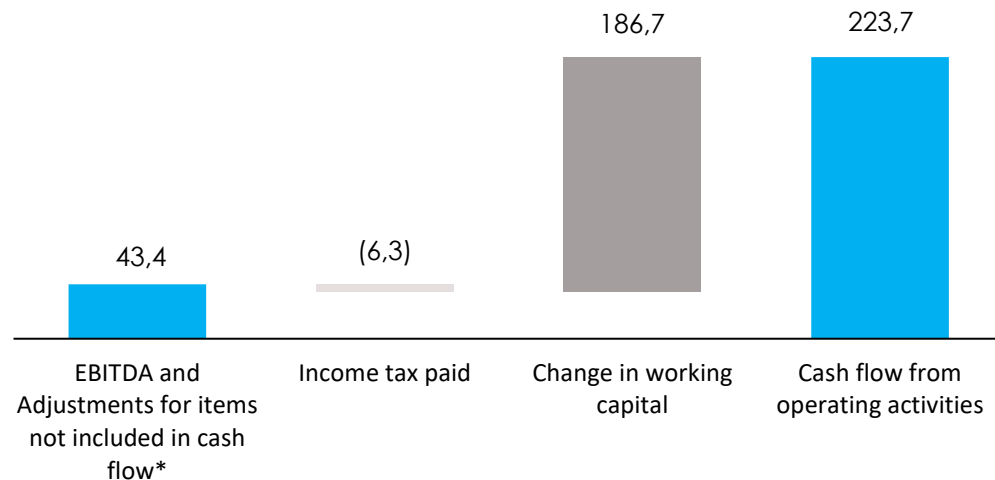
EBIT margin bridge 2022 Q3 → 2023 Q3



We have generated SEK 1.2bn in cash flow from operating activities during the first 3 quarters of the year

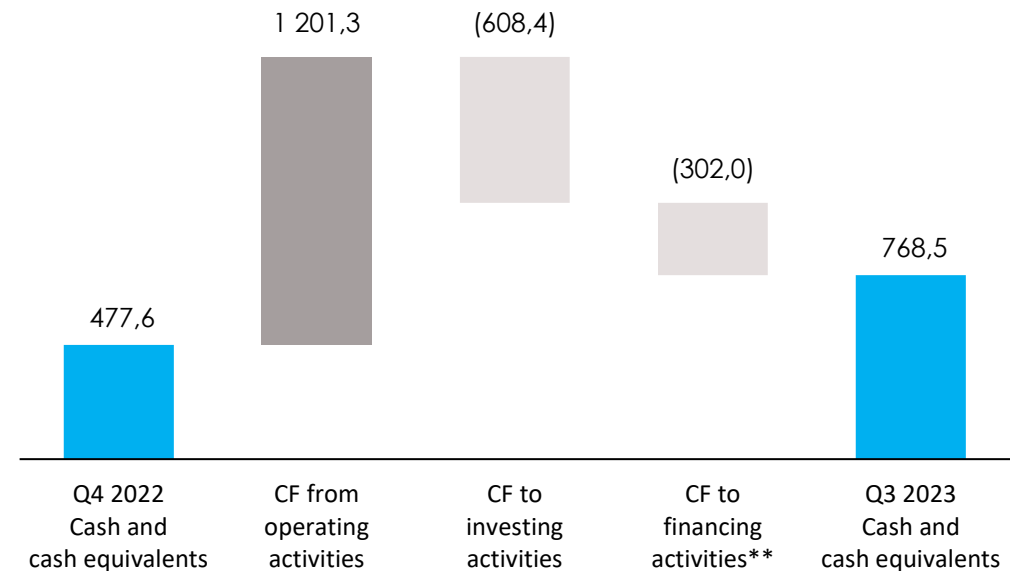
Significant improvement in cash flow from operating activities compared to last year (Q3 2022: -133m)

Jul-Sep 2023 (SEKm)



Liquidity mainly driven by cash flow from operating activities

SEKm



* EBITDA was SEK -1,022.5m and Adjustments for items not included in cash flow was SEK 1,065,9m in the quarter

** Including translation differences

We have reduced total interest bearing liabilities by more than SEK 1bn since the start of the year – reducing risk

Overview of financial position

SEKm	30 Sep 2023	31 Dec 2022	Δ
Total interest bearing liabilities	3,126.8	4,141.1	(1,014.3)
Cash and cash equivalents	(768.5)	(477.6)	(290.9)
Adjustment lease liabilities	(767.6)	(877.7)	110.1
Adjustment for earn-outs and deferred payments	(369.8)	(1,254.2)	884.4
Adjustment transaction costs	10.6	11.8	(1.2)
Net debt / (Net cash)	1,231.5	1,543.4	(311.9)
Adj. EBITDAaL Pro forma, LTM*	287.6	491.2	(203.6)
Net debt in relation to adj. EBITDAaL Pro forma, LTM	4.28x	3.14x	

- SEK 884m reduction in Adjustments for earn-outs and deferred payments since year end primarily driven by 20.1% sale in Furniture1 (SEK 440m) and divestment of AH-Trading (SEK 83m)
- SEK 110m reduction in Adjustment lease liabilities primarily driven by divestment of AH-Trading and My Home
- Reduction in Net debt by SEK 312m driven by improved cash flow from inventory reductions

* LTM adjusted EBITDA less depreciation of right-of-use assets and interest on lease liabilities under IFRS 16 (or “Adjusted EBITDA after leases”), plus adjusted EBITDAaL for acquired operations as though the acquired operations had been included in the consolidated income statement for the entire LTM period but not for the comparative period (pro-forma adjustment). For divested operations, a corresponding adjustment is made, meaning that adjusted EBITDAaL for the divested companies is excluded as though the divested companies were not included in the consolidated income statement for the entire LTM period but were included in the comparative period.

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Q3 Summary

Balance sheet significantly strengthened – reducing risk

- ✓ Total interest bearing liabilities reduced by more than SEK 1bn since start of the year

Continued strong cash flow

- ✓ We have generated SEK 1.2bn in cash flow from operating activities so far into the year – single most important action has been the successful inventory reduction

Actions to improve profitability

- ✓ Significantly reduced fixed costs through the restructuring program in Value Home
- ✓ We are delivering on plan on cost reduction program
- ✓ Continued consolidations to fewer and larger platforms to gain economies of scale

Continued challenging market

- ✓ We expect the market to remain challenging rest of 2023 and into 2024
- ✓ Several sales initiatives to drive growth (e.g. internationalization, intercompany sales, marketplace, etc.)

We will prioritize profit over cash flow rest of 2023 and 2024

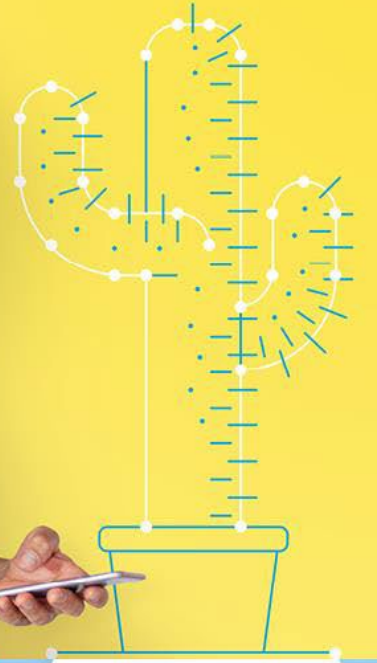
- ✓ In 2023 we have prioritized cash flow and to strengthen our balance sheet
- ✓ Rest of 2023 and 2024 we will prioritize actions to drive profitability

Fundamental structural trends remain intact

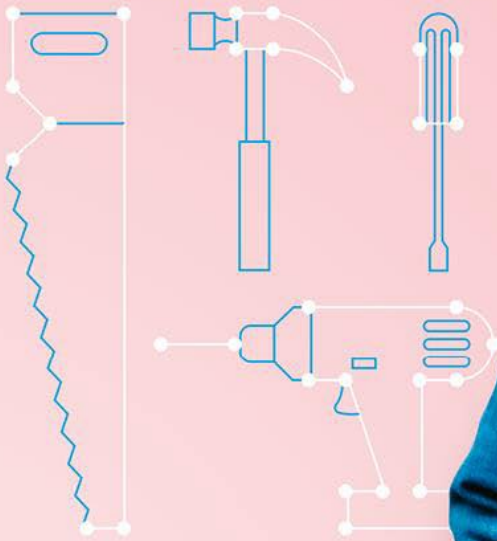
- ✓ Migration from physical retail to online for the foreseeable future
- ✓ Prospects are good for returning to pre-pandemic profitability and cash flow

Q&A





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