



## Today's presenters

Gustaf Öhrn, CEO

Jesper Flemme, CFO



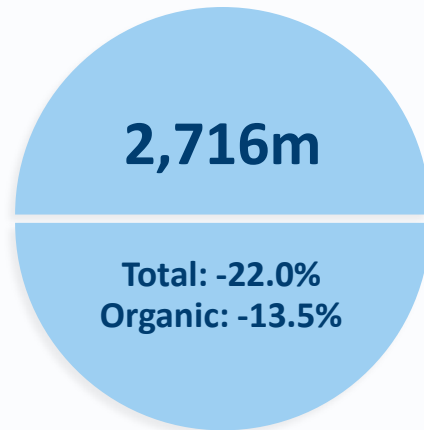
# Q2 REPORT 2024

18 July 2024

# Q2 2024 – Profitability growth despite market challenges

## SALES

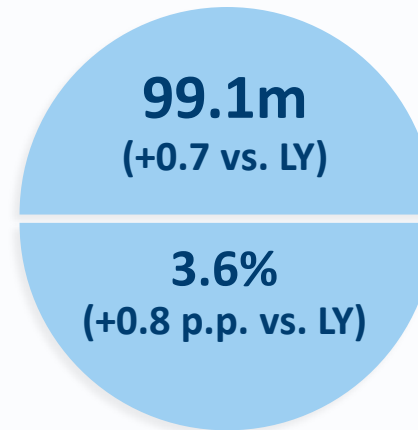
Net Sales (SEK)



Growth

## EARNINGS

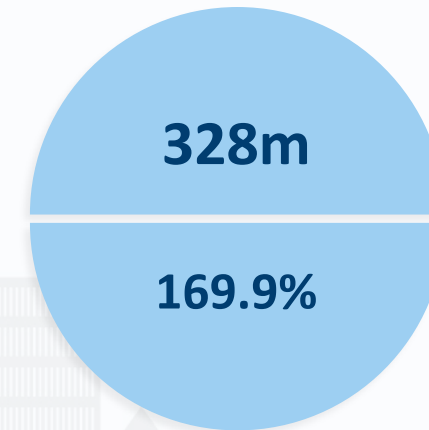
Adj. EBIT(SEK)



EBIT-margin

## CASH FLOW

Cash flow from operating activities (SEK)



Cash conversion

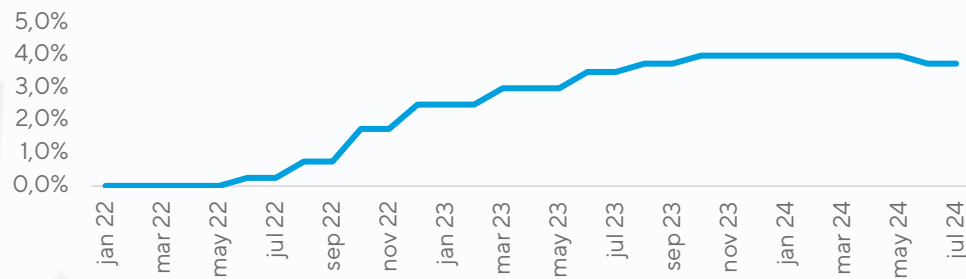
- For the third consecutive quarter, we improved our profitability compared with last year
- Market remains challenging despite several positive macro-signs
- We carried out and announced a number of initiatives in the second quarter to improve profitability

# Macro climate has improved but our view that the market will be challenging throughout 2024 remains

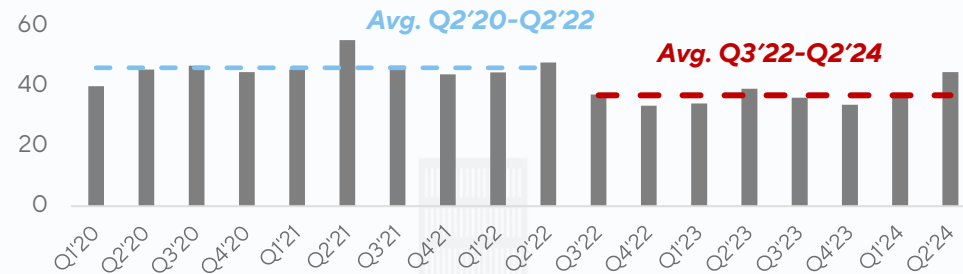
Several macro indicators have continued to improve sequentially last quarters. Most notably **consumer confidence**, **renovation index** and **housing transactions**

However, above will have **a delayed effect on consumer spending** and we're yet to see any positive effects on disposable income

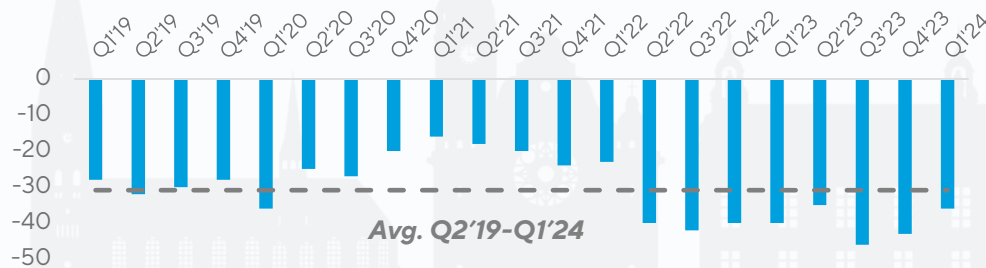
Interest rate (Sweden)



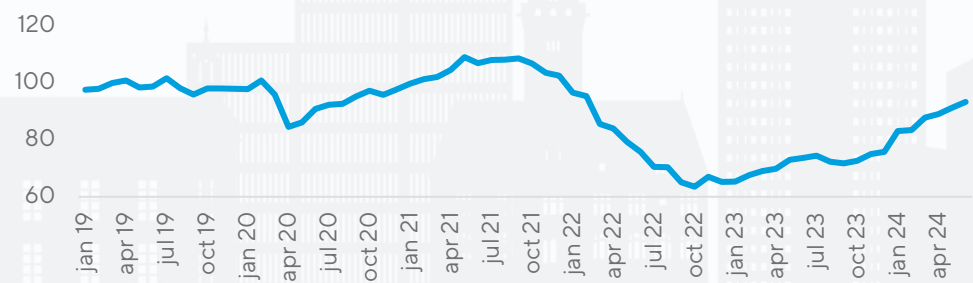
Housing transactions in Sweden, thousands



Intention to renovate within next 12 months (Sweden), Index



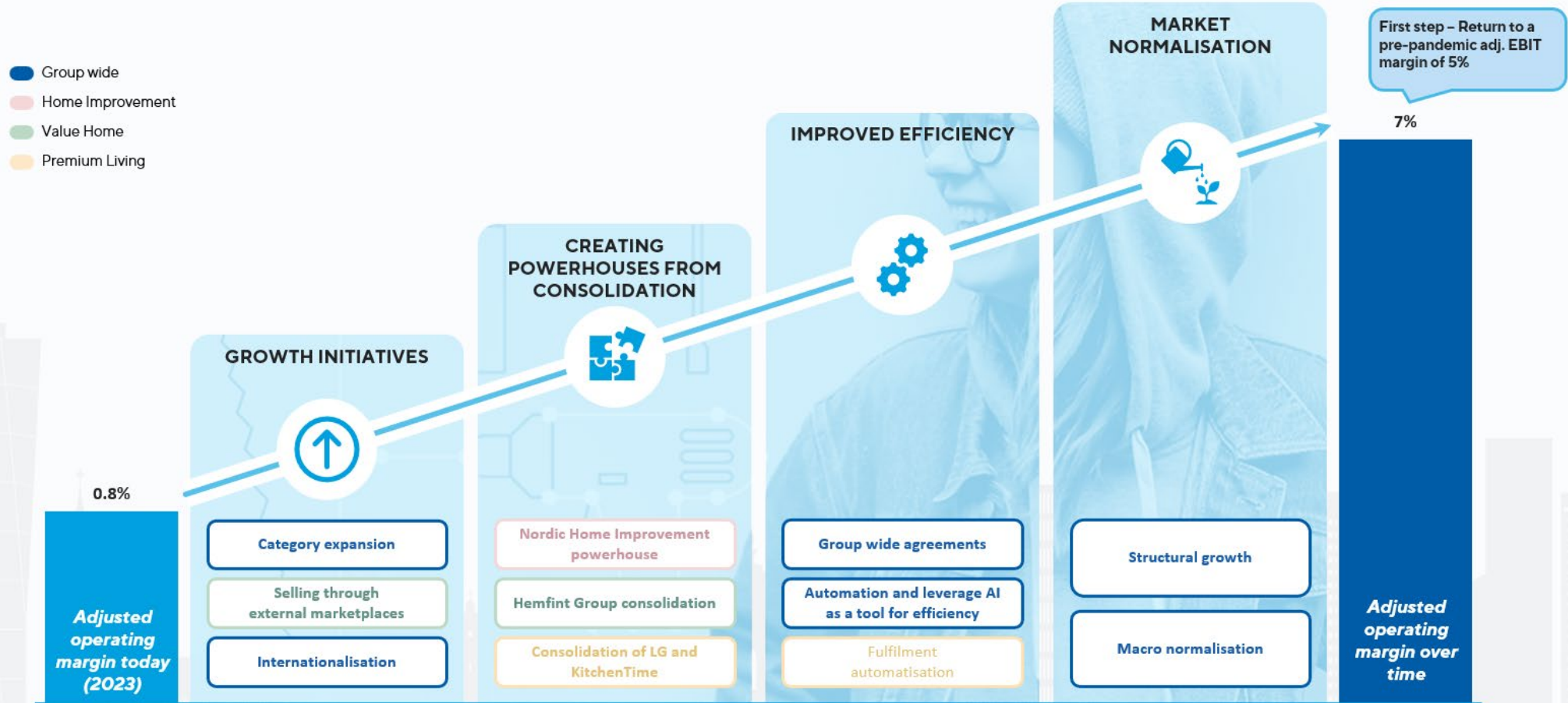
Consumer confidence, Index (Sweden)



Source: Sveriges Riksbank, Svensk Mäklarstatistik, Konjunkturinstitutet



# Strategic focus areas: Clear roadmap for profitable growth



# We have continued to execute on our focus areas during the quarter

## GROWTH INITIATIVES



**Focus on activities to drive geographical expansion** in Premium Living have continued to yield results – share of sales outside Nordics increased by 2.5 p.p. vs. LY



**Increased share of entry-price assortment** to increase competitiveness in Value Home, result yet not materialized

## CONSOLIDATION



Continued consolidation of our Nordic DIY operations into a scalable platform to create a **Nordic Powerhouse** through Bygghemma Nordic, divestment of Designkupp



Continued development of a scalable private label platform through **Hemfint Group**



Completed consolidation of **Lightshop** and **KitchenTime** into the same technical platform

## EFFICIENCY



Reduced warehouse space with **18.000 square meters** in Value Home



Continued to **reduce costs** related to last mile-deliveries, enabled by **group-wide agreements**



Initiated actions to increase use of **AI** to **reduce cost**, for example in **Customer Service**

# We significantly reduced warehouse space and implemented a write down of inventory

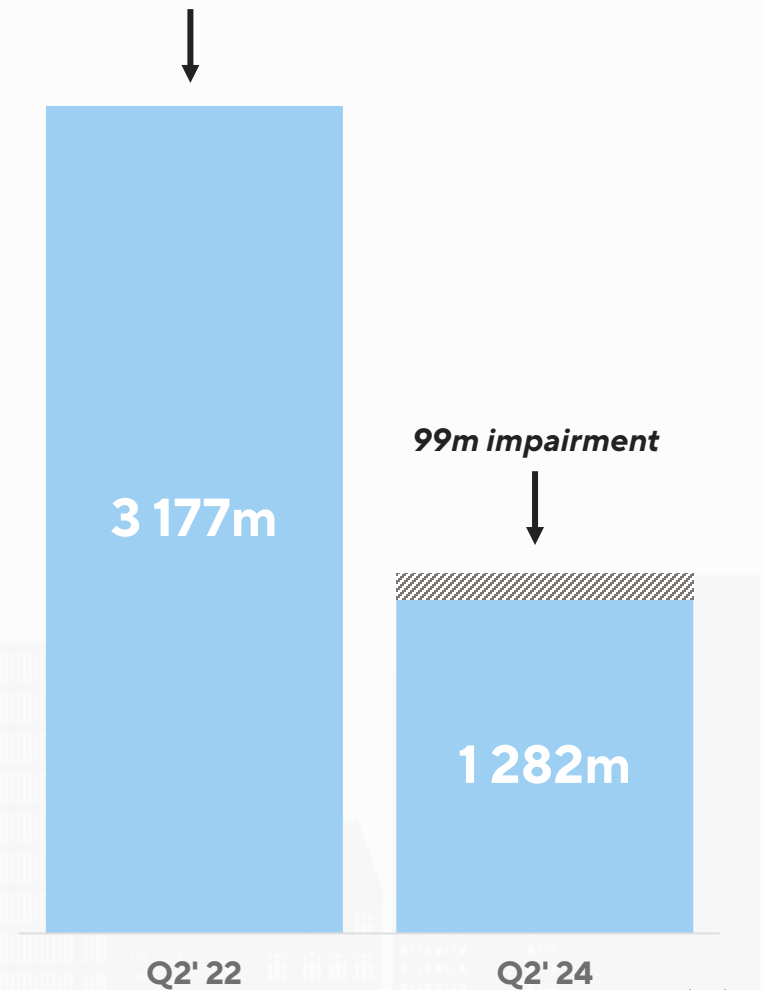
As communicated on June 25, consolidations and decreased inventory have enabled us to **reduce warehouse space significantly within Value Home**

- ✓ **18.000 m<sup>2</sup>** has been reduced in **Q2**
- ❑ **17.000 m<sup>2</sup>** planned to be reduced in **Q3**
- ❑ **10.000 m<sup>2</sup>** planned to be reduced in **Q4 2025**

Above is expected to lead to **reduced rent costs** of approximately **38m on an annual basis** when completed – which adds to the reductions in space and costs made already in 2023, which amounted to **30m on an annual basis**

In connection with the consolidation, we made a **total review of the inventory** where it was assessed that certain goods wouldn't sell out at the current sales rate. **This resulted in an impairment of the inventory by 99m**, which corresponds to **~3% of peak inventory value Q2 2022**

Peak Inventory Level – Q2 2022



# We have updated our financial targets to reflect our strategic priorities in a new market situation

## Net Sales

Continue to deliver organic growth **above the addressable market**

## EBIT

**Return to an adjusted EBIT margin of 5%.** Over time, further improve adjusted EBIT margin to 7%

## Capital structure

Objective to strengthen the balance sheet and operate with a **net debt/EBITDA target of below 2.5x**, subject to flexibility for strategic activities

## Dividend policy (unchanged)

When free cash flow exceeds available investments in profitable growth, and provided that the capital structure target is met, the surplus will be distributed to shareholders

# We are prepared for when the market rebounds

Who we are  
Strategic priorities  
Where we focus  
Foundation

## STRATEGICALLY

*We make living easy*

**Project Olympia**

Customer centricity • Customer offer expansion  
Sustainability • Simplify

<b>HOME IMPROVEMENT</b>	<b>VALUE HOME</b>	<b>PREMIUM LIVING</b>
Home Improvement powerhouse	Profitability improvement	Internationalisation

Decentralised structure • Performance/"winning"-focused culture • Entrepreneurial culture and accountability

### Actionable strategy defined

## STRUCTURALLY

**Q1'24**

Consolidation

Several consolidations ongoing in our business units to increase economies of scale and improve customer value

<p><b>Home Improvement</b></p> <ul style="list-style-type: none"> <li>Create Nordic DIY-sawhouse led by Bygghemma through consolidation of country organisations</li> <li>Localised offerings while consolidated support functions to improve scale and synergies</li> <li>Expected to take 18 months</li> </ul>	<p><b>Value Home</b></p> <ul style="list-style-type: none"> <li>Creating a scalable private label platform in Heimfrit Group by consolidating Heimfrit, Arc E-commerce and newly acquired Trendium</li> <li>Individual destinations, but support functions will be consolidated, thereby achieving efficiency gains</li> </ul>	<p><b>Premium Living</b></p> <ul style="list-style-type: none"> <li>Integration of KitchenTime and Samplings into Nordic Nest Group</li> <li>Creating category specialists in Furniture (Svenssons), Cooking &amp; Dining (KöchenTime) and Lighting (LampGalleriet) and increased economies of scale through shared backend</li> </ul>
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### Three business units formed

### Consolidation

### Divestments of non-core assets

## OPERATIONALLY

**Q2'24**

Efficiency

We are executing several initiatives across our business units to improve efficiency

<p><b>Fulfillment</b></p> <ul style="list-style-type: none"> <li><b>Warehouse automation</b> in Premium Living</li> <li>Leverage <b>reduced inventory</b> levels to decrease warehouse space in all BUs</li> </ul>	<p><b>Artificial intelligence</b></p> <ul style="list-style-type: none"> <li>Leverage AI to support <b>Customer service</b> in select entities</li> <li>Using AI to generate <b>content</b> and improve <b>marketing</b></li> </ul>	<p><b>Group wide agreements</b></p> <ul style="list-style-type: none"> <li>Leverage the Group's size to negotiate group wide agreements</li> <li>New agreements in place for <b>last mile</b> and <b>payment solutions</b></li> </ul>
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### Scalable solutions

### Automation

### Experienced management

### Efficiency initiatives

## FINANCIALLY

**Delivering on announced improvement initiatives**

Significant improvements achieved in 2023

<p><b>Cash flow</b></p> <p>SEK 1.6bn</p> <p>Improvement of <b>-1.7bn vs. 2022</b></p>	<p><b>Inventory reduction</b></p> <p>SEK 900m</p> <p>Above target of <b>600m</b></p>	<p><b>Cost reduction</b></p> <p>SEK 125m</p> <p>In line with target of <b>100-150m</b></p>	<p><b>Reduction in interest bearing liabilities</b></p> <p>SEK 1.6bn</p> <p>Focus on de-leveraging and stronger balance sheet</p>
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### Cost reductions

### Inventory reduction

### Strong cash flow

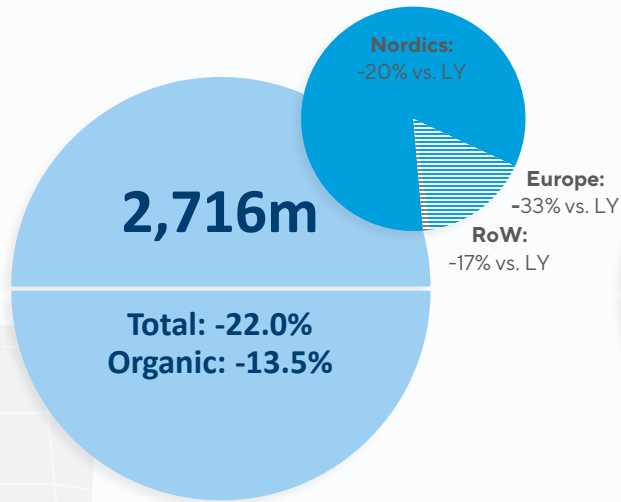
### Reduction in net debt

As presented during Capital Markets Day, 14 May 2024

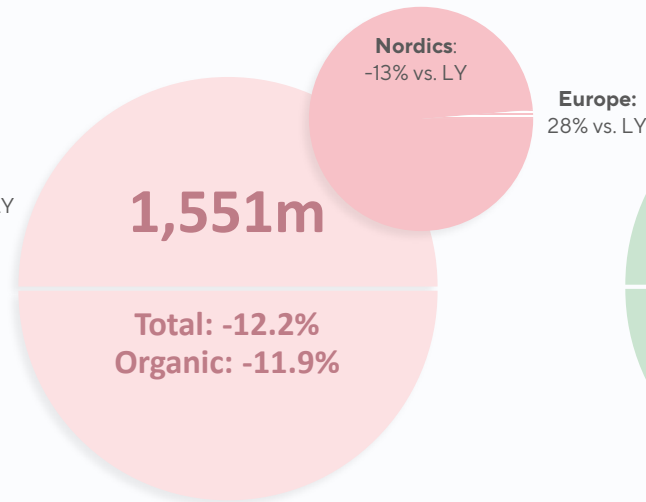


# Growth impacted by continued challenging market

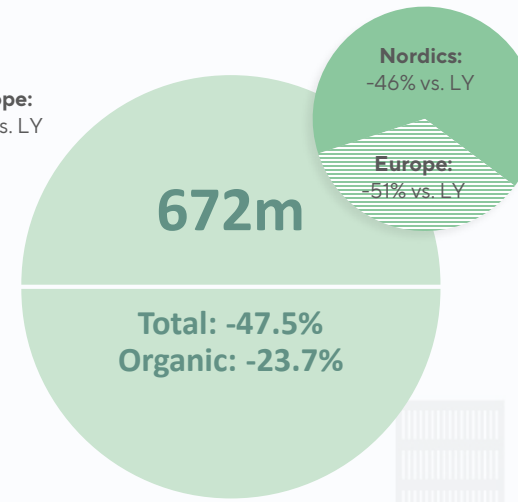
## BHG Group



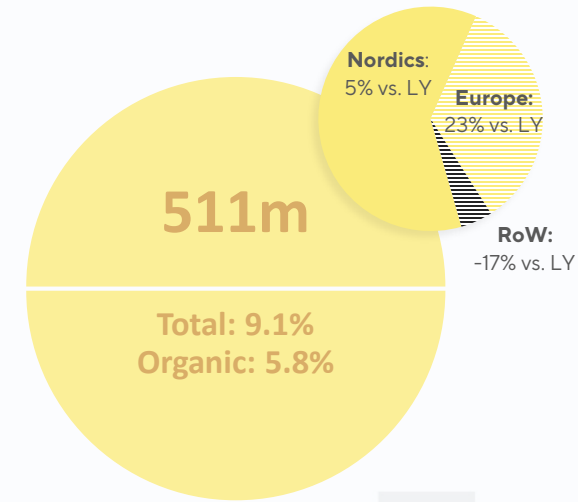
## Home Improvement



## Value Home



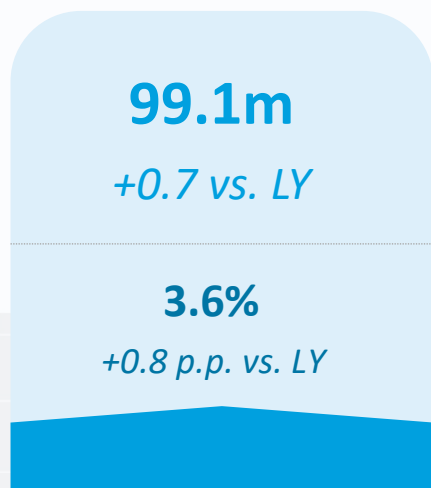
## Premium Living



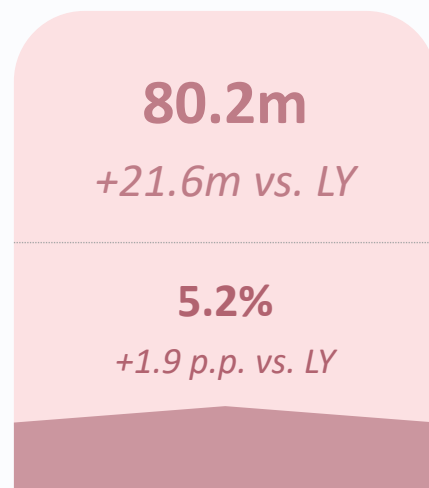
- **Demand** in renovation-related and capital-intensive product categories **remains weak**
- **Our premium range performed well in international markets**

# Profitability improved from last year despite market challenges

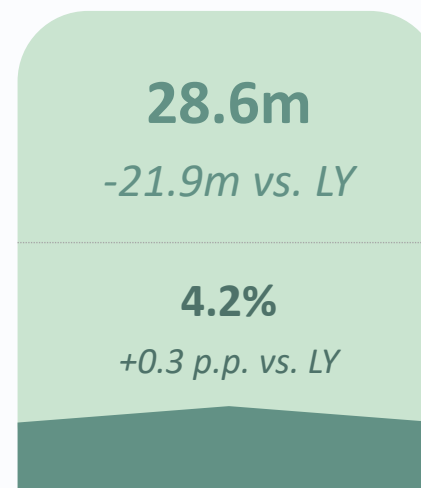
## BHG Group



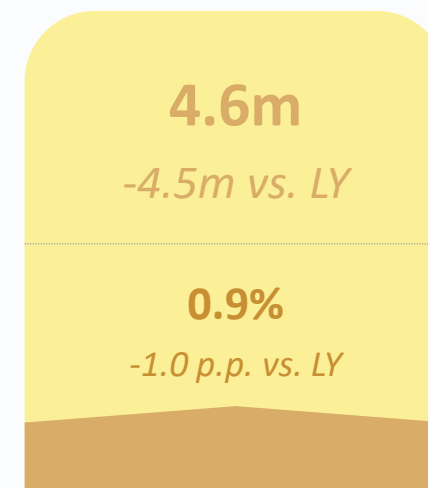
## Home Improvement



## Value Home



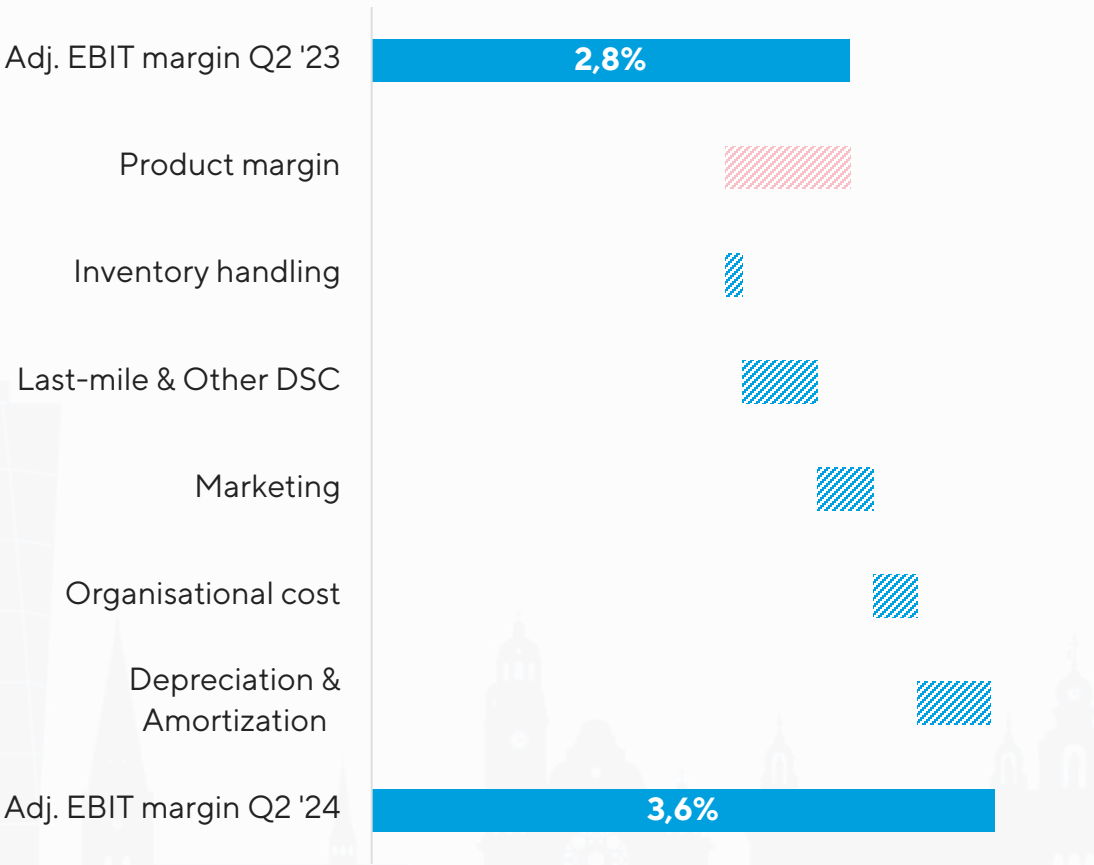
## Premium Living



Third consecutive quarter of profitability improvement from last year – main driver is extensive cost reductions made in 2023 and so far 2024

Home Improvement profitability uptick primarily from strengthened gross margin driven by consolidation of purchasing

# EBIT margin bridge 2023 Q2 → 2024 Q2

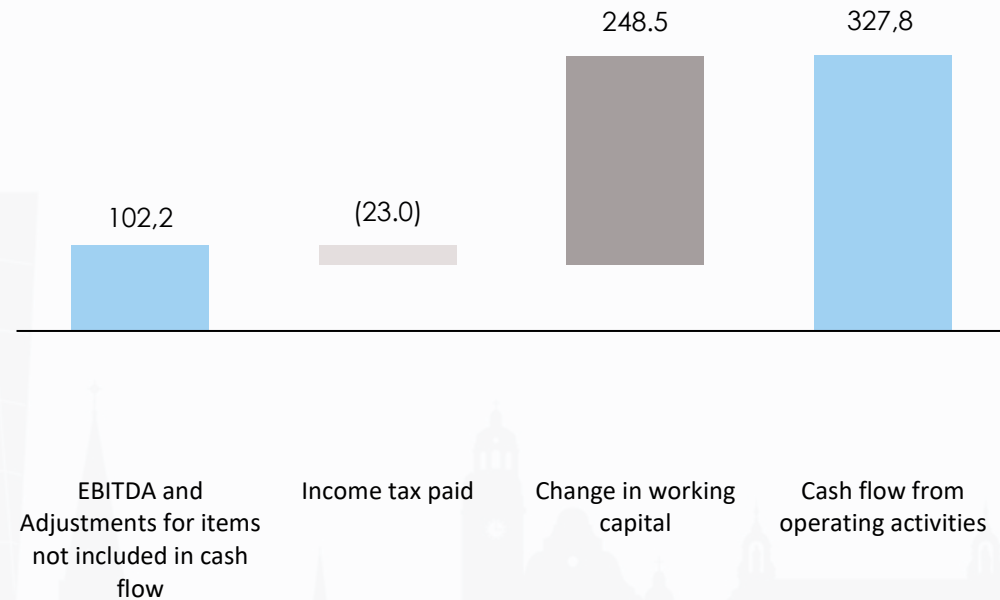


- The weaker **Gross Margin** was primarily driven by the **Premium Living** and **Value Home** business areas. We are pleased with the absolute margin in **Value Home**, but the current market made it difficult maintain last years pricing model. The trend in **Premium Living** was mainly attributed to a mix shift towards furniture with lower product margins
- **Last-mile costs** improved, primarily through **efficiencies** and better **Group-wide agreements** with third-party suppliers
- **SG&A improved** with 0.3 p.p. compared to previous year. SEK 71.6 million was attributable to divested operations and the remaining **SEK 94.0 million to savings resulting from the extensive cost-cutting and structural measures taken in 2023 and to date this year.**

# Cash flow follows the normal seasonal pattern

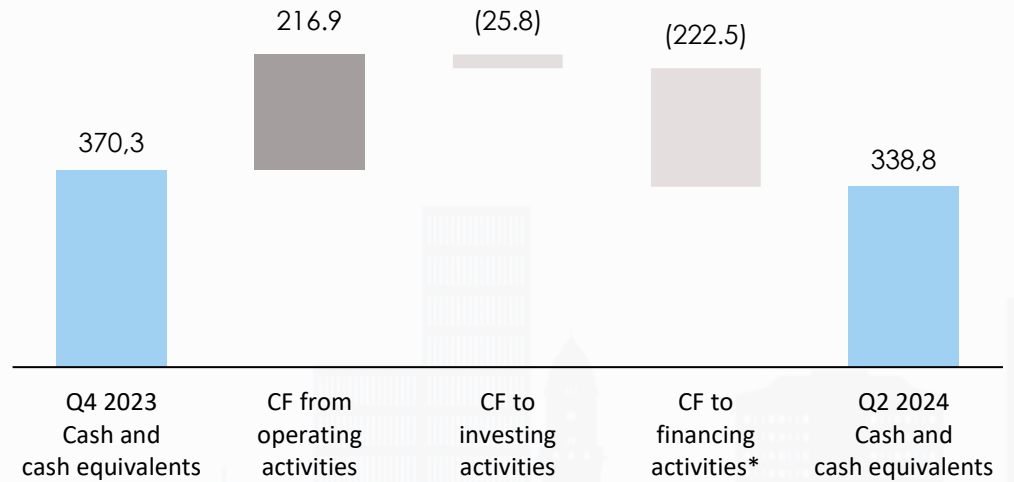
**Working capital was driven by BHG's seasonal profile as well as our continued success in reducing inventory**

Apr-Jun 2024 (SEKm)



**Stable development in liquidity**

SEKm

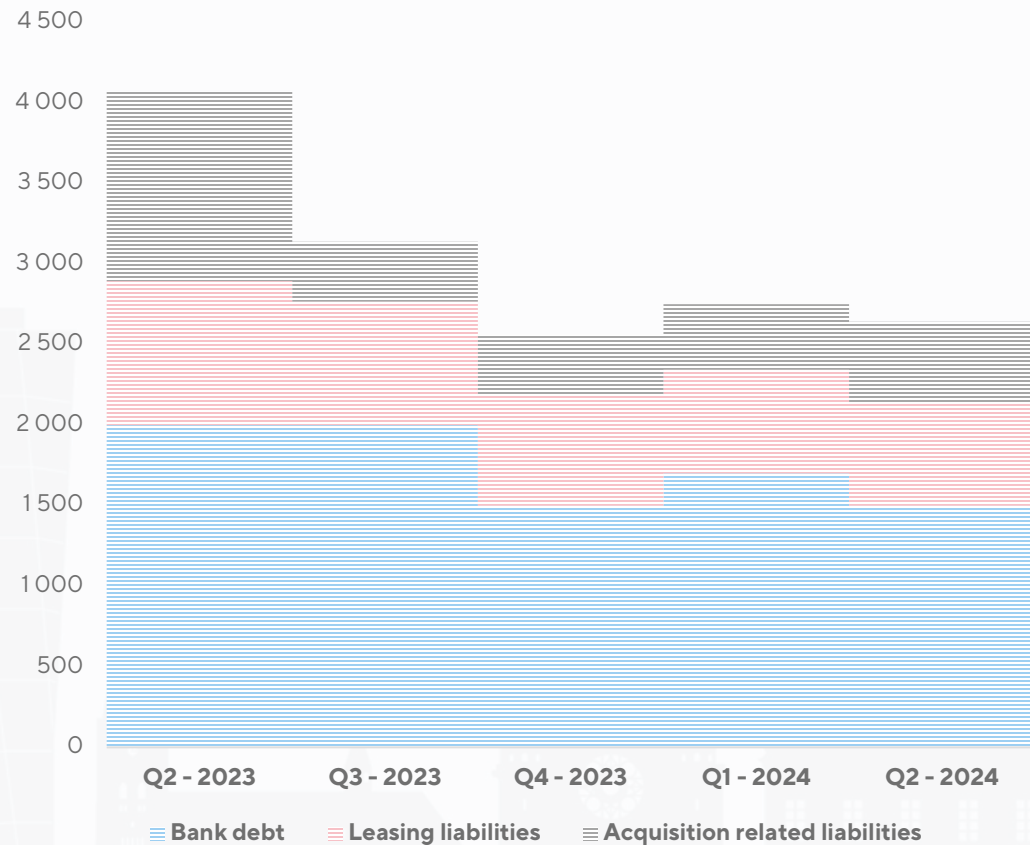


\* Including translation differences



# Continued deleveraging

Interest-bearing liabilities & Cash



**Net debt**

1,161.2m

=

**4.51x**

**EBITDAaL LTM**

257.6m

- We have **extended our financing agreement** with our banks until May 2026
- Total facilities **reduced from SEK 3.3bn to SEK 2.3bn**, where of SEK 0.8bn unutilised
- Acquisition related liabilities amounts to **508m** whereof **273m** short-term

# Summary



**Market remains challenging**, and we expect to see a **delayed effect from the positive macro improvements**



Our focus is to improve profitability through our key focus areas **Growth, Consolidation and Efficiency**



In the second quarter we have continued **consolidation** in all business areas – Bygghemma Nordic, Hemfint Group and Lightshop into Nordic Nest.



We **significantly reduced warehouse space** and implemented a write down of inventory



We have updated our **financial targets** to reflect our strategic priorities in a new market situation



**We are ready to play offense and we are well prepared for when the market rebounds!**



