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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)

2,716m

Total: -22.0%
Organic: -13.5%

Growth

EARNINGS

Adj. EBIT(SEK)

99.1m
(+0.7 vs. LY)

3.6%
(+0.8 p.p. vs. LY)

EBIT-margin

CASH FLOW

Cash flow from operating activities (SEK)

328m

169.9%

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

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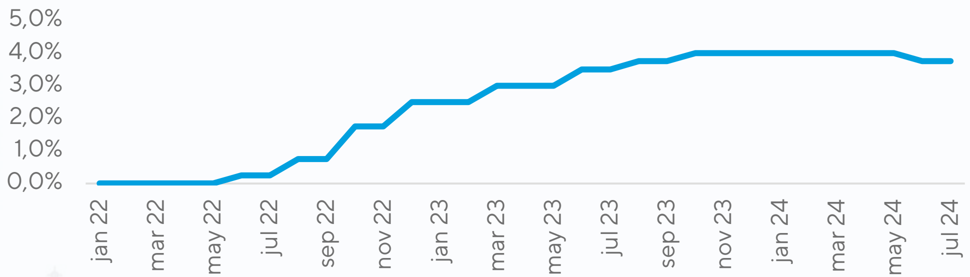
Macro climate has improved but our view that the market will be challenging throughout 2024 remains

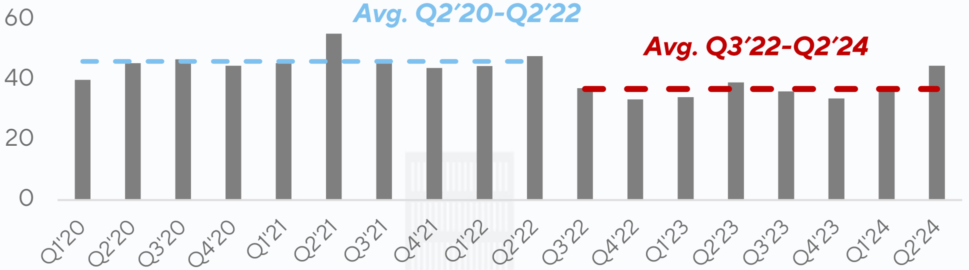
Several macro indicators have continued to improve sequentially last quarters. Most notably **consumer confidence, renovation index** and **housing transactions**

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

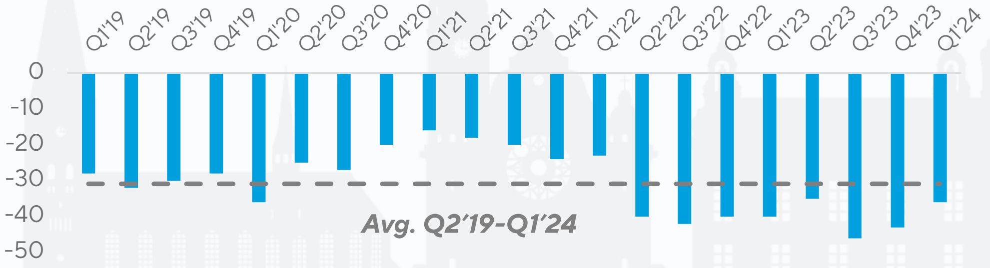
Interest rate (Sweden)



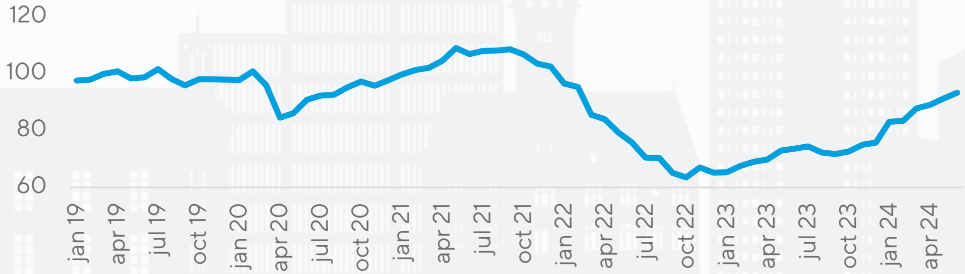
Housing transactions in Sweden, thousands



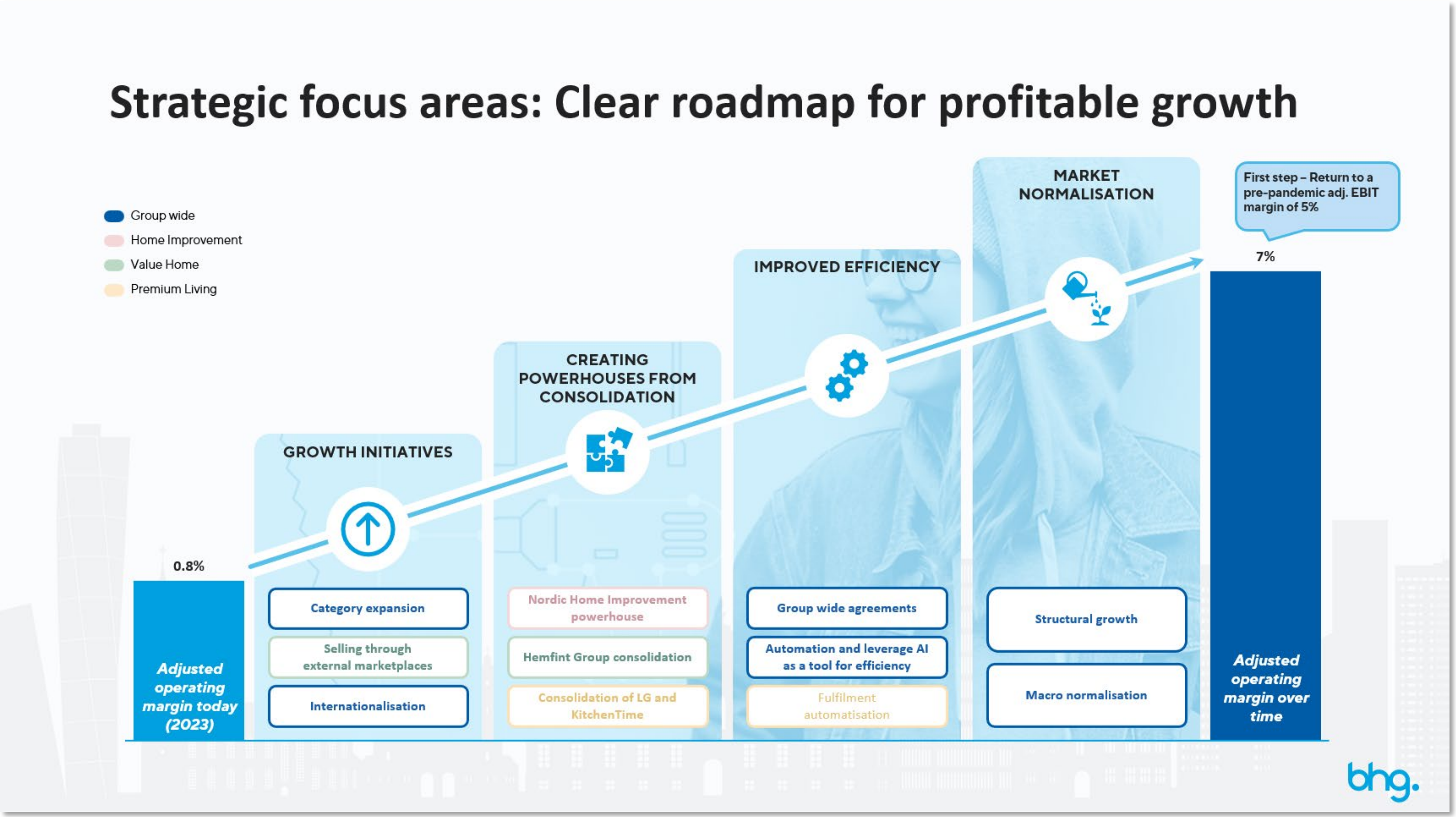
Intention to renovate within next 12 months (Sweden), Index



Consumer confidence, Index (Sweden)



Source: Sveriges Riksbank, Svensk Mäklarstatistik, Konjunkturinstitutet



Strategic focus areas presented during the Capital Markets Day, 14 May 2024

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**

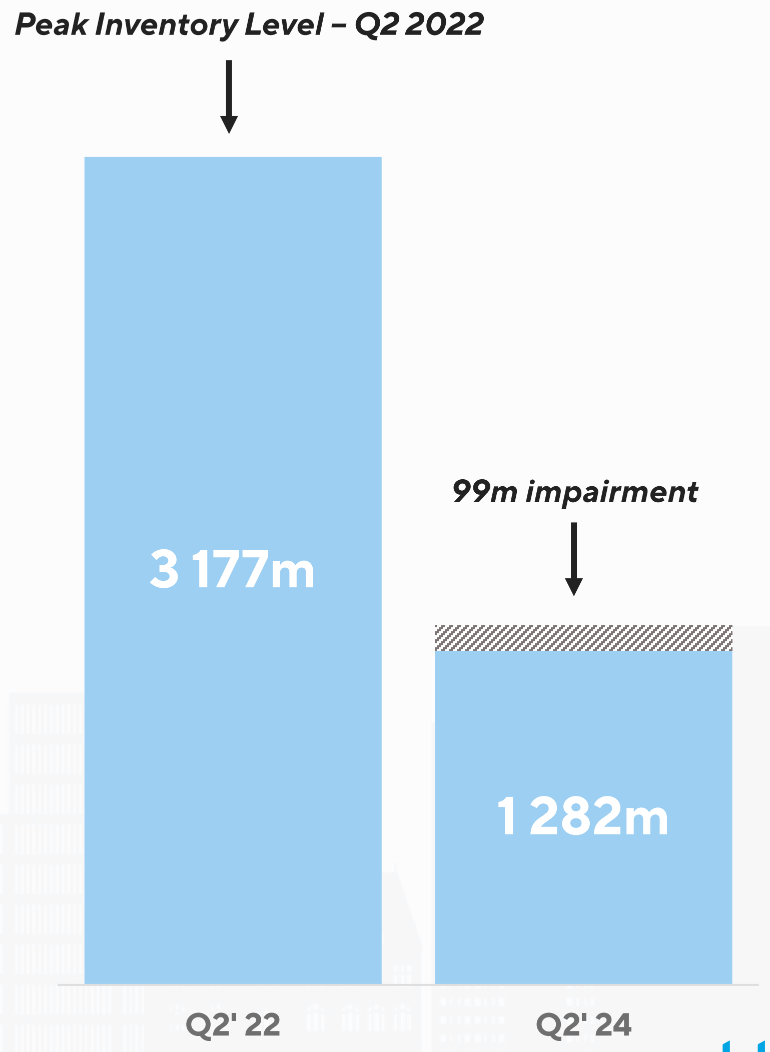
We significantly reduced warehouse space and implemented a write down of inventory

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

- ✓ **18.000 m²** has been reduced in **Q2**
- ❑ **17.000 m²** planned to be reduced in **Q3**
- ❑ **10.000 m²** 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**



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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

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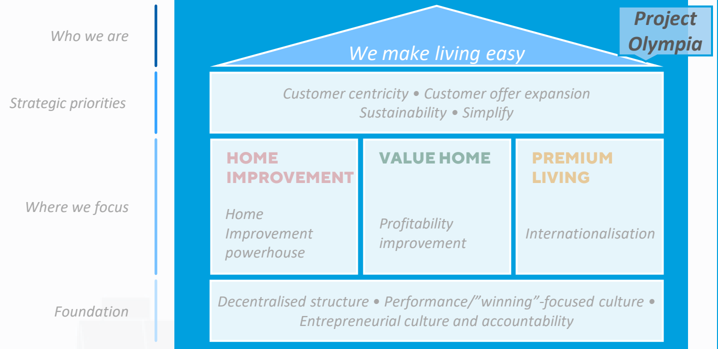
We are prepared for when the market rebounds

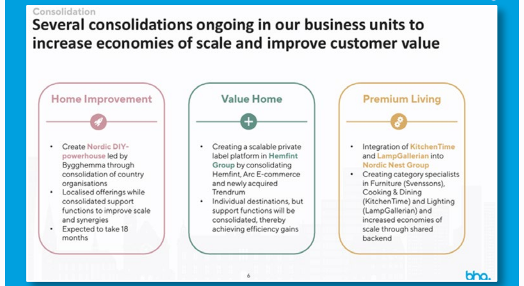
STRATEGICALLY



Actionable strategy defined

STRUCTURALLY

Q1'24



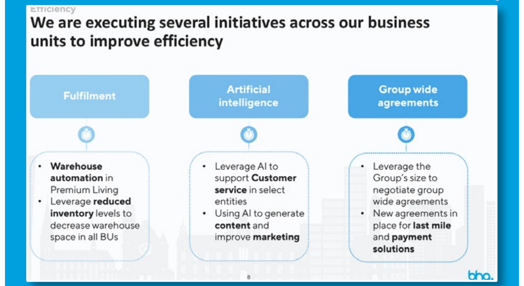
Three business units formed

Consolidation

Divestments of non-core assets

OPERATIONALLY

Q2'24



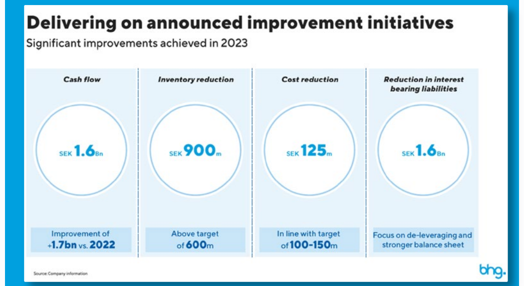
Scalable solutions

Automation

Experienced management

Efficiency initiatives

FINANCIALLY



Cost reductions

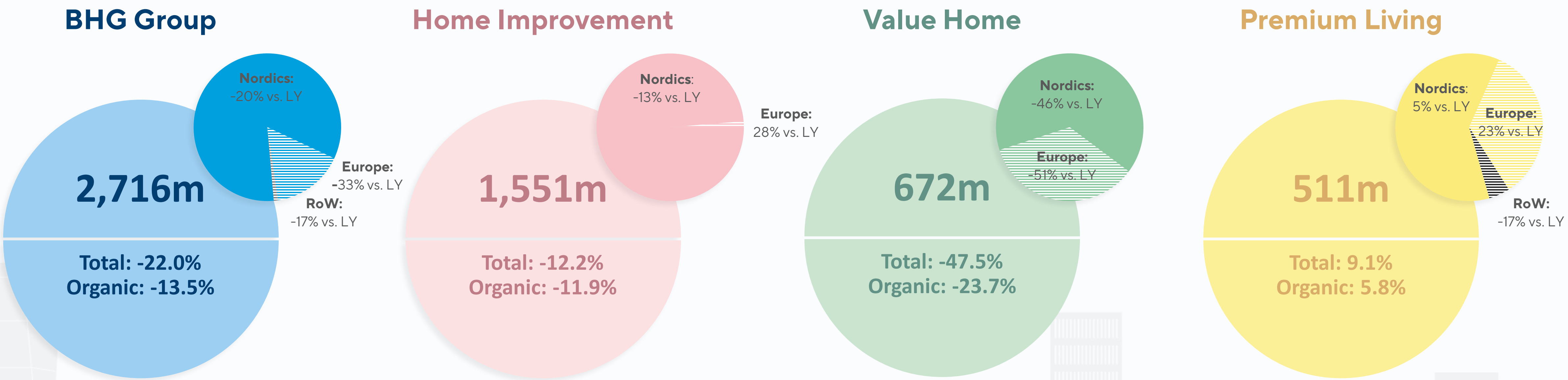
Inventory reduction

Strong cash flow

Reduction in net debt

As presented during Capital Markets Day, 14 May 2024

Growth impacted by continued challenging market



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

Net sales Q2 - SEKm

Profitability improved from last year despite market challenges

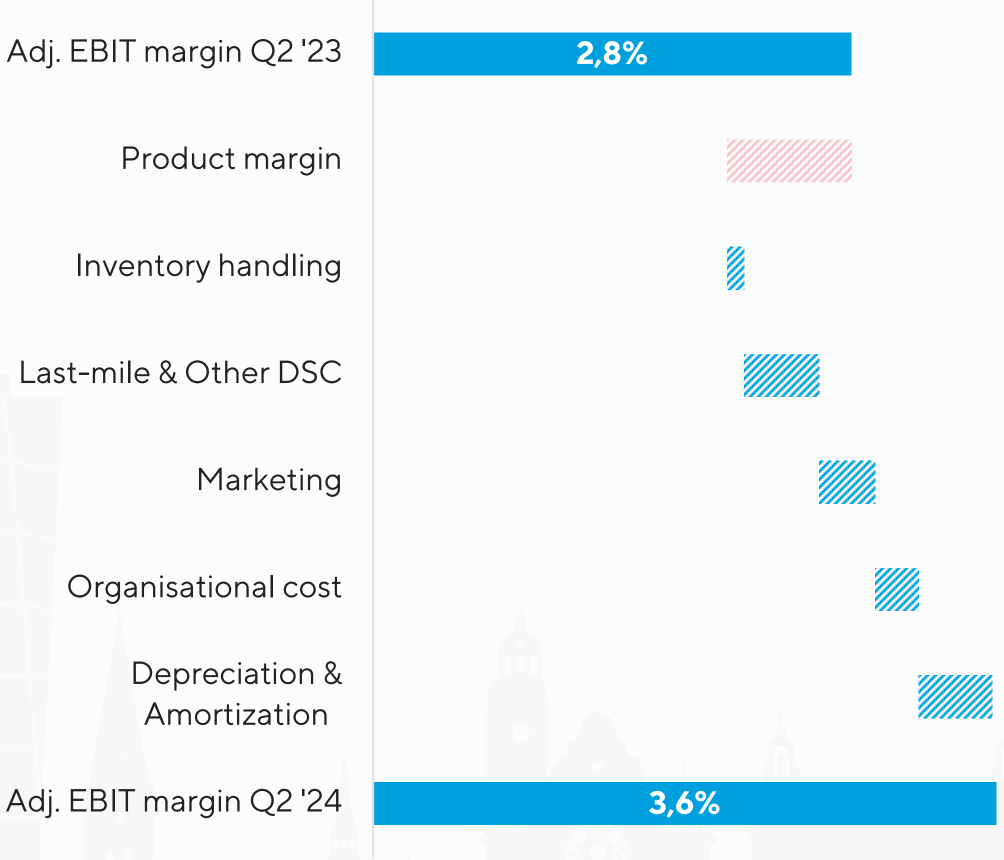
BHG Group	Home Improvement	Value Home	Premium Living
99.1m	**80.2m**	**28.6m**	**4.6m**
+0.7 vs. LY	*+21.6m vs. LY*	*-21.9m vs. LY*	*-4.5m vs. LY*
3.6%	**5.2%**	**4.2%**	**0.9%**
+0.8 p.p. vs. LY	*+1.9 p.p. vs. LY*	*+0.3 p.p. vs. LY*	*-1.0 p.p. vs. LY*

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

Adjusted EBIT Q2 - SEKm

EBIT margin bridge 2023 Q2 → 2024 Q2

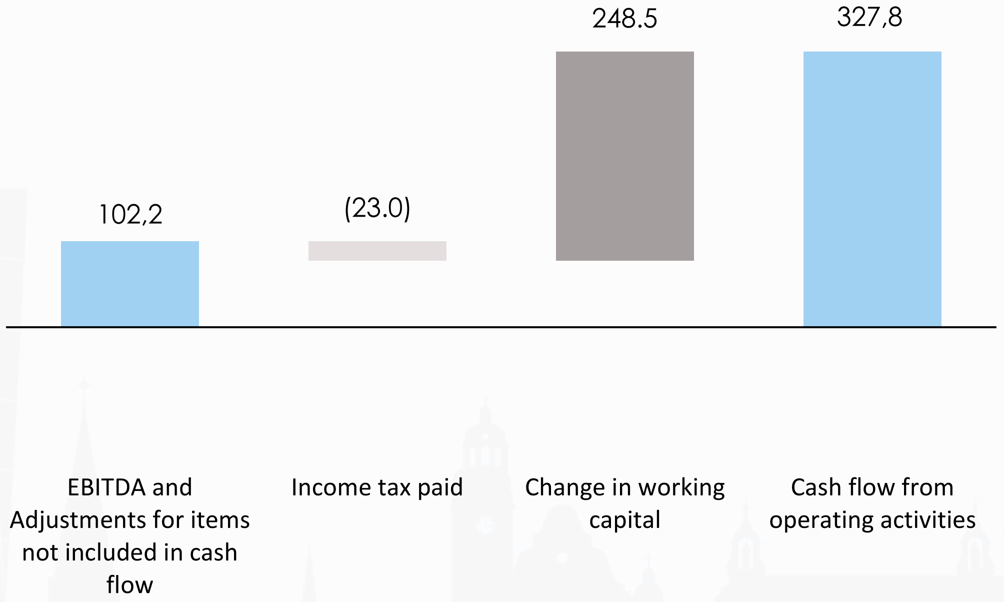


- The weaker **Gross Margin** was primarily driven by the **Premium Living** and **Value Home** business areas. We are pleased with the absolute margin in **Value Home**, but the current market made it difficult maintain last years pricing model. The trend in **Premium Living** was mainly attributed 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

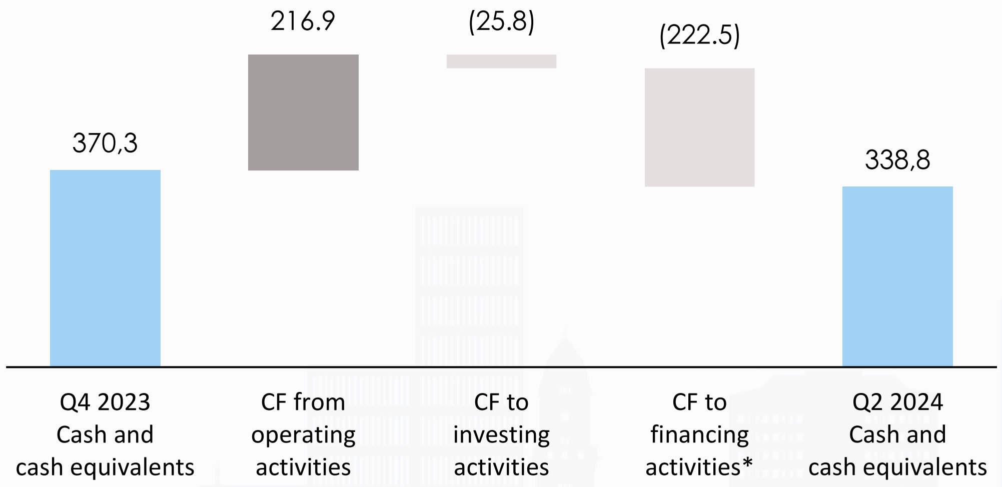
Working capital was driven by BHG's seasonal profile as well as our continued success in reducing inventory

Apr-Jun 2024 (SEKm)



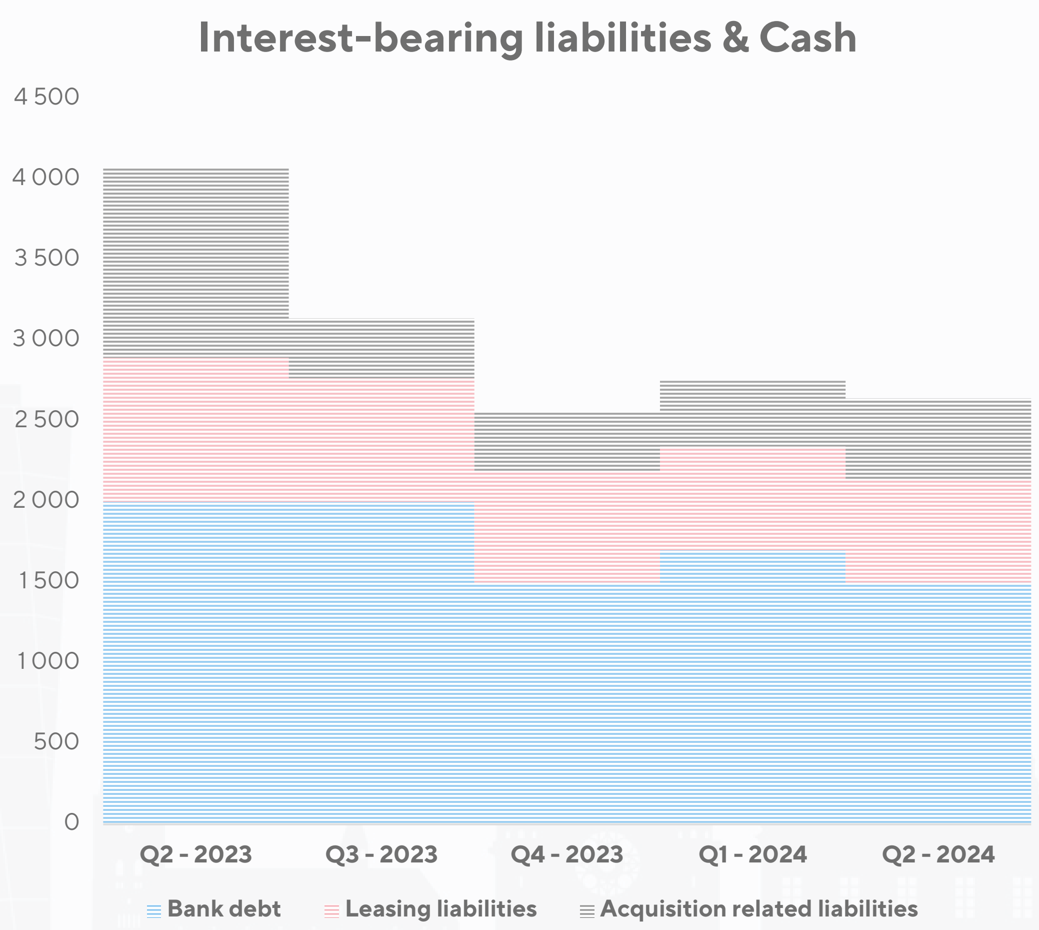
Stable development in liquidity

SEKm



* Including translation differences

Continued deleveraging



$$\frac{\text{Net debt } 1{,}161.2\text{m}}{\text{EBITDAaL LTM } 257.6\text{m}} = 4.51\text{x}$$

- 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

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Summary

Market remains challenging, and we except 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!


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Q&A