

BHG significantly reduces warehouse space after consolidation and successful reduction of inventory and writes down parts of inventory

Consolidations and substantially decreased inventory levels enable BHG Group ("BHG") to reduce warehouse space, which is expected to lead to reduced rent costs of approximately SEK 38 million on an annual basis. In connection with the consolidation of warehouse space, BHG has made a total review of the inventory. From the peak level of SEK 3,177 million at the end of the second quarter of 2022, BHG has reduced the inventory to SEK 1,425 million until the end of the first quarter of this year. This enabled BHG already in 2023 to reduce warehouse space and thereby costs by SEK 30 million on an annual basis. Despite the successful reduction of the inventory, BHG assesses that certain goods with for example a limited technical life or a limited warranty period will not be sold out at the current sales rate. Therefore, an impairment of the inventory by SEK 99 million is implemented during the second quarter.

The warehouse space will be reduced by 45,000 square meters, primarily within the Value Home business area, in three stages. As a first step, the warehouse space outside Helsingborg has been reduced by 18,000 square meters during the second quarter. During the third quarter, as a second step, the warehouse space in southern Stockholm is planned to be reduced by 17,000 square meters. As a third step, the remaining warehouse of 10,000 square meters in southern Stockholm is planned to be completely vacated in the fourth quarter of 2025. Total cost savings when the above measures are implemented are estimated at approximately SEK 38 million on a rolling 12-month basis, attributable to depreciation of leased assets and interest expenses on leasing liabilities. SEK 28 million of the cost savings comes from the measures that are implemented in 2024 and thus have full effect in 2025. The total cost of the above measures amounts to SEK 40 million related to impairment of leasing assets which does not impact cash flow. SEK 21 million of the costs will be attributed to the second and SEK 19 million to the third quarter of 2024.

"We continue to execute on our strategy for increased profitability and competitiveness. The decisive actions we took in 2023 to reduce our inventory and consolidate has enabled us to improve efficiency of our logistics flows, lower our costs and improve our customer offering," says BHG Group CEO Gustaf Öhrn.

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Attachments

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