bygghemma GROUP

2019/Q2

Interim report 1 January-30 June 2019

# RECORD SALES, EBIT AND CASH GENERATION

## HIGHLIGHTS

### Second quarter

- Net sales increased 20.5 percent to SEK 1,708.8 million (1,417.8). Organic growth amounted to 8.6 percent
- Gross profit increased 36.4 percent to SEK 397.6 million (291.5), with a gross margin of 23.3 percent (20.6)
- Adjusted EBIT, excluding IFRS 16 effects, increased 39.9 percent to SEK 100.4 million (71.7), and the adjusted EBIT margin increased to 5.9 percent (5.1)*. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 102.3 million, corresponding to an EBIT margin of 6.0 percent
- Operating income, excluding IFRS 16 effects, increased to SEK 90.1 million (55.0), corresponding to an operating margin of 5.3 percent (3.9)*. Operating income, including IFRS 16 effects, amounted to SEK 92.0 million, corresponding to an operating margin of 5.4 percent
- Operating cash flow amounted to SEK 224.3 million (171.8), corresponding to a cash conversion of 201.1 percent
- Net income, excluding IFRS 16 effects, amounted to SEK 44.6 million (32.1)*. Taking IFRS 16 into account, net income amounted to SEK 44.4 million
- Earnings per share amounted to SEK 0.48 (0.30) before dilution and SEK 0.48 (0.30) after dilution

### 1 January-30 June

- Net sales increased 19.9 percent to SEK 2,928.9 million (2,442.9). Organic growth amounted to 8.3 percent
- Gross profit increased 38.3 percent to SEK 698.1 million (504.6), with a record-high gross margin of 23.8 percent (20.7)
- Adjusted EBIT, excluding IFRS 16 effects, increased 50.2 percent to SEK 153.8 million (102.4), and the adjusted EBIT margin increased to 5.3 percent (4.2)*. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 157.5 million, corresponding to an EBIT margin of 5.4 percent
- Operating income, excluding IFRS 16 effects, increased to SEK 126.5 million (25.8), corresponding to an operating margin of 4.3 percent (1.1)*. Operating income, including IFRS 16 effects, amounted to SEK 130.2 million, corresponding to an operating margin of 4.4 percent
- Operating cash flow amounted to SEK 240.6 million (221.8), corresponding to a cash conversion of 138.5 percent
- Net income, excluding IFRS 16 effects, amounted to SEK 64.0 million (-22.9)*. Taking IFRS 16 into account, net income amounted to SEK 63.3 million
- Earnings per share amounted to SEK 0.65 (-0.87) before dilution and SEK 0.65 (-0.87) after dilution

**Key events during and after the quarter**

- Acquisition of LampGallerian Växjö AB on 10 May, further strengthening the Group's leading Nordic online position in home furnishings

## FINANCIAL SUMMARY

| | Q2 | | | | Jan-Jun | | | | Jan-Dec |
|---|---|---|---|---|---|---|---|---|---|
| SEKm (if not otherwise stated) | 2019 | 2019* | 2018 | Δ% | 2019 | 2019* | 2018 | Δ% | 2018 |
| Net sales | 1,708.8 | 1,708.8 | 1,417.8 | 20.5 | 2,928.9 | 2,928.9 | 2,442.9 | 19.9 | 4,973.7 |
| Gross profit | 397.6 | 397.6 | 291.5 | 36.4 | 698.1 | 698.1 | 504.6 | 38.3 | 1,047.5 |
| Gross margin (%) | 23.3 | 23.3 | 20.6 | 2.7 p.p. | 23.8 | 23.8 | 20.7 | 3.2 p.p. | 21.1 |
| Adjusted EBIT** | 102.3 | 100.4 | 71.7 | 39.9 | 157.5 | 153.8 | 102.4 | 50.2 | 202.7 |
| Adjusted EBIT margin (%) | 6.0 | 5.9 | 5.1 | 0.8 p.p. | 5.4 | 5.3 | 4.2 | 1.1 p.p. | 4.1 |
| Operating income | 92.0 | 90.1 | 55.0 | 63.8 | 130.2 | 126.5 | 25.8 | 390.8 | 87.2 |
| Operating margin (%) | 5.4 | 5.3 | 3.9 | 1.4 p.p. | 4.4 | 4.3 | 1.1 | 3.3 p.p. | 1.8 |
| Net profit/loss for the period | 44.4 | 44.6 | 32.1 | 39.1 | 63.3 | 64.0 | -22.9 | n/a | 50.8 |
| Earnings per share before dilution, SEK | 0.48 | 0.41 | 0.30 | | 0.65 | 0.58 | -0.87 | | 0.00 |
| Earnings per share after dilution, SEK | 0.48 | 0.41 | 0.30 | | 0.65 | 0.58 | -0.87 | | 0.00 |
| Cash flow from operations | 252.0 | 230.0 | 162.8 | 41.3 | 295.2 | 251.7 | 144.7 | 73.9 | 120.5 |
| Net debt | 357.7 | 357.7 | 357.5 | 0.1 | 357.7 | 357.7 | 357.5 | 0.1 | 473.6 |

* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.
** Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APM)" on page 29 of this report for a more detailed description.

# CEO's comments on the result

Martin Edblad, acting President and CEO

We continued our fast growth, increased adjusted EBIT almost 40 percent and delivered a record-high operating cash flow in the second quarter on the back of solid performances in both the DIY and Home Furnishing segments[1]. A significant milestone was reached as the quarter's adjusted EBIT broke the triple-digit mark for the first time in our history. With overall revenue growth of 20.5 percent in the quarter, and organic growth of 8.6 percent, we further improved our leading position as the number one listed consumer-focused online retailer in the Nordics as well as the leading European pureplay online retailer within the home improvement space. Our pro-forma organic growth[2] (including the performance of our recent acquisitions, which typically accelerates once they join the Group) amounted to 11.2 percent. We reiterate that our estimated online market share in the Nordics within both segments is approaching 30 percent.

In addition to reaching a record-high adjusted EBIT in absolute terms, SEK 100.4 million, we also delivered our highest adjusted EBIT margin to date at 5.9 percent, compared with last year's margin of 5.1 percent. Taking into account the new IFRS 16 standard, which was adopted on 1 January this year, the margin was 6.0 percent. However, since we do not adjust historical figures on a pro-forma basis, our comments in this report, as in our first-quarter report, will focus on figures excluding the effect of IFRS 16.

Our strong performance was attributable to the numerous operational improvements implemented throughout the Group's value chain, ranging from purchasing to online capabilities. The second quarter further benefited from a continued focus on curation and unit economics and our average order value (AOV) once again increased during the quarter, ending higher than in the first quarter of the year and considerably higher than in 2018. This continuous increase was driven by factors such as our expanding assortment and improved technical capabilities, including the application of machine learning to help drive the business towards its established commercial objectives.

The DIY division performed well, especially considering the strong comparative figures in the preceding year. The segment's sales grew 16.2 percent in the quarter. Our performance in Finland, where the Group already holds a dominant position, stood out in particular and our market-leading position further improved. The other Nordic countries, including the large Swedish business, also did well. The categories that performed the best were garden, flooring, doors and windows. Our integration work related to the companies that were acquired in the first quarter of the year, Designkupp (Norway) and Nordiska Fönster (Sweden), proceeded according to plan.

The Home Furnishing segment improved its performance for the third consecutive quarter, with net sales up 27.8 percent and its highest adjusted EBIT and EBIT margins ever. Organic growth also continued to improve, reaching 7.8 percent. Furniturebox is gradually regaining its former position, and all other major destinations are showing a strong performance. The continued fine-tuning and further roll-out of our own last-mile logistics operations in Sweden are progressing well; ten months after launch, the infrastructure setup has been established in the greater Stockholm and Gothenburg areas, and the Öresund region is next in line.

Looking back on the past three quarters, we can conclude that the Group's performance has met our expectations. The Group's core strategy and operating focus remain in place and can be summed up as follows:

- A continuous drive for category leadership and expansion (mainly organic, augmented by acquisitions),
- a cost and infrastructure position which allows us to match lowest market pricing, while maintaining strong operating margins and cash generation,
- offering a great customer experience through best-in-class online and technical capabilities

Malmö, 18 July 2019

Martin Edblad
*Acting President and CEO, Bygghemma Group*

[1] Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APM)" on page 29 for a further description
[2] Refer to "Definitions" on page 32 for a further description

# Condensed consolidated financial information

| | Q2 | | | | Jan-Jun | | | | Jan-Dec |
|---|---|---|---|---|---|---|---|---|---|
| SEKm (if not otherwise stated) | 2019 | 2019* | 2018 | Δ% | 2019 | 2019* | 2018 | Δ% | 2018 |
| Net sales | 1,708.8 | 1,708.8 | 1,417.8 | 20.5 | 2,928.9 | 2,928.9 | 2,442.9 | 19.9 | 4,973.7 |
| Gross profit | 397.6 | 397.6 | 291.5 | 36.4 | 698.1 | 698.1 | 504.6 | 38.3 | 1,047.5 |
| Gross margin (%) | 23.3 | 23.3 | 20.6 | 2.7 p.p. | 23.8 | 23.8 | 20.7 | 3.2 p.p. | 21.1 |
| Adjusted EBITDA** | 135.7 | 111.5 | 78.9 | 41.3 | 221.7 | 173.8 | 115.5 | 50.5 | 231.1 |
| Adjusted EBITDA margin (%) | 7.9 | 6.5 | 5.6 | 1.0 p.p. | 7.6 | 5.9 | 4.7 | 1.2 p.p. | 4.6 |
| Adjusted EBIT** | 102.3 | 100.4 | 71.7 | 39.9 | 157.5 | 153.8 | 102.4 | 50.2 | 202.7 |
| Adjusted EBIT margin (%) | 6.0 | 5.9 | 5.1 | 0.8 p.p. | 5.4 | 5.3 | 4.2 | 1.1 p.p. | 4.1 |
| Items affecting comparability | -0.3 | -0.3 | -7.4 | -96.0 | -7.5 | -7.5 | -58.0 | -87.1 | -77.9 |
| Operating income | 92.0 | 90.1 | 55.0 | 63.8 | 130.2 | 126.5 | 25.8 | 390.8 | 87.2 |
| Operating margin (%) | 5.4 | 5.3 | 3.9 | 1.4 p.p. | 4.4 | 4.3 | 1.1 | 3.3 p.p. | 1.8 |
| Net profit/loss for the period | 44.4 | 44.6 | 32.1 | 39.1 | 63.3 | 64.0 | -22.9 | n/a | 50.8 |
| Cash flow from operations | 252.0 | 230.0 | 162.8 | 41.3 | 295.2 | 251.7 | 144.7 | 73.9 | 120.5 |
| Visits (thousands) | 43,583 | 43,583 | 29,827 | 46.1 | 78,464 | 78,464 | 55,182 | 42.2 | 116,120 |
| Orders (thousands) | 503 | 503 | 465 | 8.1 | 902 | 902 | 852 | 5.8 | 1,735 |
| Conversion rate (%) | 1.2 | 1.2 | 1.6 | -0.4 p.p. | 1.1 | 1.1 | 1.5 | -0.4 p.p. | 1.5 |
| Average order value (SEK) | 3,417 | 3,417 | 2,974 | 14.9 | 3,290 | 3,290 | 2,833 | 16.1 | 2,830 |

* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures as reported (not pro-forma for IFRS 16 2018).

** Refer to “Relevant reconciliations of non-IFRS alternative performance measures (APM)” on page 29 of this report for a more detailed description.

## COMMENTS ON THE RESULT FOR THE PERIOD

### Net sales

Net sales increased 20.5 percent to SEK 1,708.8 million (1,417.8) for the quarter and 19.9 percent to SEK 2,928.9 million (2,442.9) for the year to date (YTD). Organic growth amounted to 8.6 percent for the quarter and 8.3 percent YTD. Pro-forma organic growth (including the performance of recent acquisitions, which typically accelerates once they join the Group) amounted to 11.2 percent and 11.6 percent, respectively.

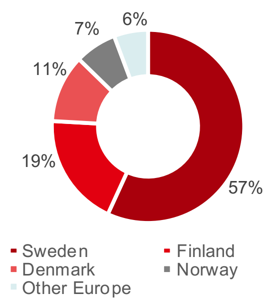
Net sales in the DIY segment increased 16.2 percent in the quarter and 15.1 percent YTD and organic growth amounted to 9.0 percent and 8.8, percent respectively.

Net sales in the Home Furnishing segment increased 27.8 percent in the quarter and 27.3 percent YTD, and organic growth amounted to 7.8 percent in the quarter (compared to 7.2 percent in the first quarter of the year and 1.4 percent in the fourth quarter of 2018) and 7.5 percent YTD.

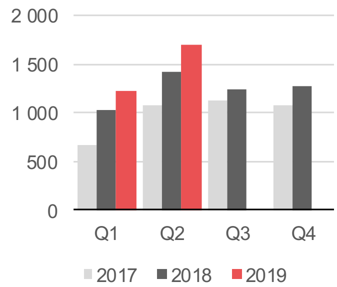
The Group’s webstores received 43.6 million (29.8) visits during the quarter and 78.5 million (55.2) YTD, generating 503 thousand (465) orders in the quarter and 902 thousand (852) YTD. YTD traffic from mobiles and tablets accounted for 70.9 percent (65.8) of the total number of visits to the Group’s webstores, translating to an increase of 7.8 percent compared with last year. Mobiles and tablets accounted for 66.2 percent (60.5) of visits in the DIY segment and 78.3 percent (73.5) of visits in the Home Furnishing segment.

The Group’s AOV continued to increase and amounted to SEK 3,417 (2,974) in the quarter and SEK 3,290 (2,833) YTD. This consistent increase was driven by an expanding assortment, coupled with improved curation and technical capabilities, including the application of machine learning to drive the business towards its established commercial objectives, such as higher price points.

**Distribution by country (%)**
**April-Jun 2019**




**Net sales (SEKm)**



## Gross margin and SG&A

The Group's gross margin was 23.3 percent (20.6) for the quarter and 23.8 percent (20.7) YTD. This increase was partially attributable to the growth in AOV explained above and to a continued focus on cost and process efficiencies, including in e.g. procurement and logistics. The Group also continued to increase its high-margin ancillary revenue streams, such as customer financing and installation. These measures have more than compensated for continued FX-related headwinds. The lower gross margin compared to the first quarter was due to seasonal effects, with a higher share of DIY sales and outdoor furniture sales in the second quarter as well as an increased number of sales campaigns in the high season.

The Group's selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 286.1 million (219.6) for the quarter, corresponding to 16.7 percent (15.5) of net sales, and SEK 529.4 million (403.7) YTD, corresponding to 18.1 percent (16.5) of net sales. The Group is well positioned to benefit from scale effects, which will allow the net sales to grow at a faster pace than SG&A. However, it should be noted that SG&A does contain some elements, such as online marketing and additional costs associated with peak demand in customer services, which correlate with the development in sales.

Including items affecting comparability for the period, SG&A amounted to SEK 286.4 million (220.0) for the quarter, corresponding to 16.8 percent (15.5) of net sales, and SEK 531.7 million (447.1) YTD, corresponding to 18.2 percent (18.3) of net sales.

## Earnings

The operating margins in both segments improved compared to the first quarter of the year – markedly so within the DIY segment – and also grew compared to the corresponding quarter in the previous year. Combined with a strong sales performance, this led to both segments delivering an all-time high EBIT. One of the factors contributing to this strong performance is the process for onboarding new acquisitions, which is continuously being fine-tuned, incorporating lessons learnt from previous processes. This has meant that full operational focus has been maintained while several integration and acquisition processes have continued.

The Group's management uses the measure adjusted EBIT (previously adjusted EBITA) to track the underlying profit generation and profitability of the Group. The adjustments to EBIT include adding back the amortization which arises as a technical accounting effect from the purchase price allocation done in conjunction with acquisitions as well as, from time to time, items affecting comparability. The adjusted EBIT thus tracks the underlying operating performance of the Group and facilitates comparisons with previous periods as well as with peer companies.

Adjusted EBIT, excluding IFRS 16 effects, for the quarter and YTD increased to SEK 100.4 million (71.7) and 153.8 million (102.4), respectively. The adjusted EBIT margin amounted to 5.9 percent (5.1) for the quarter and 5.3 percent (4.2) YTD. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 102.3 million for the quarter, corresponding to an EBIT margin of 6.0 percent, and 157.5 million YTD, corresponding to an EBIT margin of 5.4 percent. The Group thus continues the step-wise improvement of the operating margin towards the 7% which constitutes the financial target for profitability in the medium term.

Items affecting comparability amounted to SEK 0.3 (7.4) million in the quarter and were attributable to acquisition-related expenses. The items affecting comparability charged to the first quarter of the year were mainly attributable to the implementation of the last-mile project and amounted to SEK 7.2 million (50.6). The items affecting comparability charged to the first quarter of 2018 primarily related to the IPO process, the integration of Furniturebox and costs for the long-term incentive program (LTIP) for key employees. This year's less extensive LTIP programme has been treated as an ordinary cost of business and amounted to SEK 0.2 million in the second quarter.

The Group's operating income, excluding IFRS 16 effects, amounted to SEK 90.1 million (55.0) for the quarter and SEK 126.5 million (25.8) YTD, and the operating margin totalled 5.3 percent (3.9) for the quarter and 4.3 percent (1.1) YTD.

Amortisation of acquisition-related intangible assets amounted to SEK 10.0 million (9.3) for the quarter and SEK 19.8 million (18.6) YTD and comprised amortisation of identified surplus values related to customer relationships and customer databases in acquired companies. No impairment requirements were identified for goodwill or other acquisition-related assets during the period.

The Group's net financial items amounted to SEK -30.2 million (-9.9) for the quarter and SEK -42.6 million (-49.7) YTD and were attributable to reassessed earn-outs of SEK -18.4 million in the quarter and SEK -22.7 million YTD as well as the company's financing arrangements with SEB. Interest expenses for the quarter amounted to SEK -8.3 million, of which SEK -2.2 million relates to leased assets in accordance with IFRS 16. Interest expenses YTD amounted to SEK -15.4 million, of which SEK -4.5 million relates to leased assets in accordance with IFRS 16.

The Group's profit before tax was SEK 61.8 million (45.1) for the quarter and SEK 87.6 million (-23.9) YTD.

Net income for the quarter amounted to SEK 44.6 million (32.1) excluding IFRS 16 effects and SEK 44.4 million including IFRS 16 effects. Net income YTD amounted to SEK 64.0 million (-22.9) excluding IFRS 16 effects and SEK 63.3 million including IFRS 16 effects.

The effective tax rate was 28.2 percent (28.8) for the quarter and 27.7 percent (-4.0) YTD, corresponding to SEK -17.4 million (-13.0) and SEK -24.3 million (1.0), respectively.

## KEY EVENTS DURING AND AFTER THE SECOND QUARTER OF 2019

- Acquisition of Lampgallerian Växjö AB ("Lampgallerian") on 10 May. Lampgallerian, a leading pureplay online retailer in Sweden for indoor and outdoor lighting had net sales and an operating margin in excess of SEK 40 million and 6 percent, respectively, in 2018. The acquisition further strengthens the Group's leading Nordic online position in Home Furnishings.

## FINANCIAL TARGETS

The Group's medium-term financial targets remain unchanged since the previous quarter. The financial targets are stated in relation to the accounting principles for leases that the Group applied in 2018 and earlier, meaning that all leases are recognised under IAS 17 instead of under IFRS 16 (see also Note 5).

*The medium-term guidance is unchanged:*

### Net sales growth

Increase net sales by an average of 20-25 percent per year over the medium term, with approximately 15 percent of this increase comprising organic growth. The company's objective is to reach net sales of SEK 10 billion over the medium term, including acquisitions.

### Profitability and cash conversion

Gradually improve profitability to reach an adjusted EBITA margin, excluding IFRS 16 effects, of about 7 percent over the medium term. Achieve cash conversion* in line with adjusted EBITDA as a result of the business model.

### Capital structure

Net debt, excluding IFRS 16 effects, in relation to rolling 12-month (LTM) EBITDA in the range of 1.5-2.5x, subject to flexibility for strategic activities.

### Dividend policy

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.

* Operating cash flow over adjusted EBITDA in percent (also refer to *"Definitions"* on page 32 of this report).


# DIY segment

- The segment's net sales increased 16.2 percent in the quarter and 15.1 percent YTD, of which organic growth accounted for 9.0 percent and 8.8 percent, respectively
- Gross margin amounted to 20.5 percent (19.2) for the quarter and 21.0 percent (19.6) YTD. The margin was favorably impacted by growth in ancillary revenue streams and a higher AOV
- Adjusted EBIT, excluding the effects of IFRS 16, amounted to SEK 51.8 million (44.6) for the quarter and SEK 68.9 million (64.9) YTD, the highest quarterly and six-month levels to date. The adjusted EBIT margin was 5.0 percent (5.0) for the quarter and 4.0 percent (4.3) for the first six months. Adjusted EBIT, including the effects of IFRS 16, amounted to SEK 53.0 million for the quarter and SEK 71.1 million YTD, with an adjusted EBIT margin of 5.1 percent and 4.1 percent, respectively

| | Q2 | | | | Jan-Jun | | | | Jan-Dec |
|---|---|---|---|---|---|---|---|---|---|
| SEKm (if not otherwise stated) | 2019 | 2019* | 2018 | Δ% | 2019 | 2019* | 2018 | Δ% | 2018 |
| Net sales | 1,046.2 | 1,046.2 | 900.5 | 16.2 | 1,734.8 | 1,734.8 | 1,507.7 | 15.1 | 3,073.8 |
| Gross profit | 214.9 | 214.9 | 172.6 | 24.5 | 363.8 | 363.8 | 296.2 | 22.8 | 612.1 |
| Gross margin (%) | 20.5 | 20.5 | 19.2 | 1.4 p.p. | 21.0 | 21.0 | 19.6 | 1.3 p.p. | 19.9 |
| Adjusted EBITDA | 68.1 | 58.6 | 49.7 | 18.0 | 100.6 | 81.5 | 73.9 | 10.2 | 150.2 |
| Adjusted EBITDA margin (%) | 6.5 | 5.6 | 5.5 | 0.1 p.p. | 5.8 | 4.7 | 4.9 | -0.2 p.p. | 4.9 |
| Adjusted EBIT | 53.0 | 51.8 | 44.6 | 16.3 | 71.1 | 68.9 | 64.9 | 6.2 | 131.2 |
| Adjusted EBIT margin (%) | 5.1 | 5.0 | 5.0 | 0.0 p.p. | 4.1 | 4.0 | 4.3 | -0.3 p.p. | 4.3 |
| Items affecting comparability | -0.1 | -0.1 | -0.3 | -81.2 | -1.5 | -1.5 | -0.6 | 149.0 | -0.9 |
| Operating income | 45.6 | 44.5 | 37.4 | 18.9 | 55.3 | 53.0 | 50.6 | 4.7 | 102.9 |
| Operating margin (%) | 4.4 | 4.3 | 4.2 | 0.1 p.p. | 3.2 | 3.1 | 3.4 | -0.3 p.p. | 3.3 |
| Net profit/loss for the period | 12.7 | 12.9 | 22.4 | -42.7 | 13.0 | 13.4 | 28.3 | -52.8 | 12.5 |
| Visits (thousands) | 23,647 | 23,647 | 18,247 | 29.6 | 40,984 | 40,984 | 32,267 | 27.0 | 65,762 |
| Orders (thousands) | 317 | 317 | 302 | 4.8 | 548 | 548 | 531 | 3.2 | 1,099 |
| Conversion rate (%) | 1.3 | 1.3 | 1.7 | -0.3 p.p. | 1.3 | 1.3 | 1.6 | -0.3 p.p. | 1.7 |
| Average order value (SEK) | 3,392 | 3,392 | 2,922 | 16.1 | 3,270 | 3,270 | 2,785 | 17.4 | 2,746 |

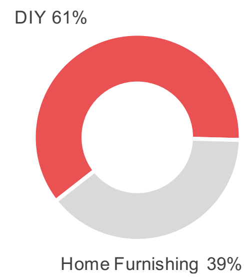
* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

## COMMENTS ON THE DIY SEGMENT

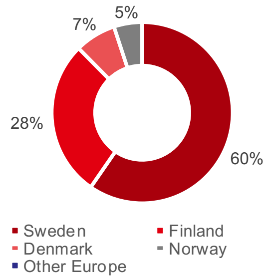
The origins of Bygghemma Group can be traced back to Sweden and www.bygghemma.se. Organic growth, several strategic acquisitions (including Taloon.com, Frishop.dk and Vvskupp.no) and greenfield expansion have since transformed this nucleus into the Bygghemma DIY segment, the number one online DIY retailer in the Nordic region, with a market share approaching 30 percent.

This position was further strengthened during the second quarter, which is seasonally the strongest quarter for the overall DIY market, driven by a higher share of home improvement projects during the lighter and warmer part of the year. While the overall market is influenced by developments in the Nordic housing markets, the online segment is considerably less sensitive since overall market fluctuations are offset by a continued strong shift away from

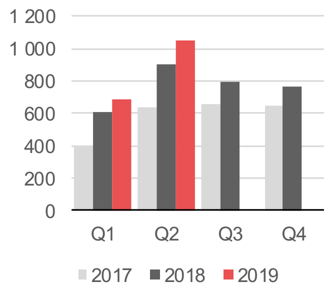
**Net sales by segment**
**Apr-Jun 2019**



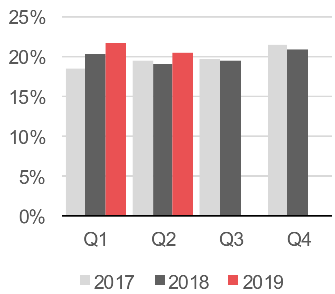

**Distribution by country (%)**
**Apr-Jun 2019**




**Net sales (SEKm)**




**Adjusted gross margin (%)**



offline to online destinations. This effect allowed the segment to continue growing at a good pace in the quarter, despite an overall slowdown in the total market.

The DIY segment delivered strong net sales – its highest ever quarterly net sales – with solid growth, not least considering the high comparative figures in the corresponding period in the previous year, which was characterised by extraordinary weather conditions in the Nordic region. Furthermore, growth picked up markedly during the latter part of the period, including a strong finish to the weekend ending the quarter, positioning the segment favourably ahead of the third quarter of the year. The segment accounted for 61 percent of the Group's total net sales for the quarter and 59 percent for the first six months.

The segment's net sales increased 16.2 percent to SEK 1,046.2 million (900.5) for the quarter and 15.1 percent to SEK 1,734.8 million YTD. This strong growth meant that the DIY segment continued to gain market shares in all Nordic markets in the period.

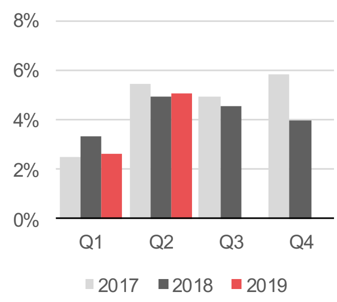
The majority of the growth was organic in all geographies, including a strong performance in the categories of garden, flooring, doors and windows as well as an increase in revenue from ancillary services, such as installation and consumer financing. The focus on strong country organisations in close proximity to customers and local suppliers/brands continues to be a key driver and is enabling a steady expansion of category breadth and width.

Sales growth was further augmented by the targeted acquisitions carried out during the period: Designkupp and Nordiska Fönster were both acquired in the first quarter of the year. While Designkupp has established Bygghemma as the number one pureplay online DIY retailer in Norway, Nordiska Fönster has extended Bygghemma's category lead within the window and door segment. Both businesses are delivering according to plan, and the integration processes are proceeding satisfactorily.

Adjusted EBIT, excluding IFRS 16 effects, increased 16.3 percent to SEK 51.8 million (44.6) for the quarter and 6.2 percent to SEK 68.9 million (64.9) YTD. The adjusted EBIT margin was 5.0 percent (5.0) for the quarter and 4.0 percent (4.3) YTD. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 53.0 million for the quarter, with an adjusted EBIT margin of 5.1 percent, and SEK 71.1 million YTD, with an adjusted EBIT margin of 4.1 percent.

The segment's operating income, excluding IFRS 16 effects, amounted to SEK 44.5 million (37.4) for the quarter, with an operating margin of 4.3 percent (4.2), and SEK 53.0 million (50.6) YTD, with an operating margin of 3.1 percent (3.4). Operating income, including IFRS 16 effects, amounted to SEK 45.6 million for the quarter, with an operating margin of 4.4 percent, and SEK 55.3 million YTD, with an operating margin of 3.2 percent.

**Adjusted EBIT margin (%)**



# Home Furnishing segment

- The segment's net sales increased 27.8 percent during the quarter and 27.3 percent for the first six months, of which organic growth accounted for 7.8 and 7.5 percent, respectively
- Gross margin rose to 27.4 percent (23.0) for the quarter and 27.8 percent (22.3) YTD, the highest gross margins ever recorded, as a result of optimised pricing, improved curation and growing ancillary revenue streams. These measures more than offset the negative impact of FX developments on the gross margin
- Adjusted EBIT, excluding the effects of IFRS 16, amounted to SEK 53.8 million (28.8) for the quarter and SEK 94.2 million (40.0) YTD, the highest quarterly and six-month levels to date. The adjusted EBIT margin was 8.0 percent (5.5) for the quarter and 7.8 percent (4.2) for the first six months. Adjusted EBIT, including the effects of IFRS 16, amounted to SEK 54.6 million for the quarter and SEK 95.7 million YTD, with an adjusted EBIT margin of 8.2 percent and 7.9 percent, respectively
- The continued roll-out of the Group's own last-mile logistics operations in Sweden are progressing well, with the Öresund region next in line for in-house coverage

| | Q2 | | | | Jan-Jun | | | | Jan-Dec |
|---|---|---|---|---|---|---|---|---|---|
| SEKm (if not otherwise stated) | 2019 | 2019* | 2018 | ∆% | 2019 | 2019* | 2018 | ∆% | 2018 |
| Net sales | 669.8 | 669.8 | 524.0 | 27.8 | 1,203.9 | 1,203.9 | 945.6 | 27.3 | 1,918.8 |
| Gross profit | 183.4 | 183.4 | 120.3 | 52.4 | 335.1 | 335.1 | 210.6 | 59.1 | 437.2 |
| Gross margin (%) | 27.4 | 27.4 | 23.0 | 4.4 p.p. | 27.8 | 27.8 | 22.3 | 5.6 p.p. | 22.8 |
| Adjusted EBITDA | 72.9 | 58.2 | 30.9 | 88.5 | 130.4 | 101.6 | 44.0 | 130.8 | 88.3 |
| Adjusted EBITDA margin (%) | 10.9 | 8.7 | 5.9 | 2.8 p.p. | 10.8 | 8.4 | 4.7 | 3.8 p.p. | 4.6 |
| Adjusted EBIT | 54.6 | 53.8 | 28.8 | 87.1 | 95.7 | 94.2 | 40.0 | 135.6 | 78.8 |
| Adjusted EBIT margin (%) | 8.2 | 8.0 | 5.5 | 2.5 p.p. | 7.9 | 7.8 | 4.2 | 3.6 p.p. | 4.1 |
| Items affecting comparability | -0.2 | -0.2 | -7.1 | -96.7 | -6.0 | -6.0 | -15.3 | -60.6 | -34.9 |
| Operating income | 51.6 | 50.9 | 19.2 | 164.9 | 84.2 | 82.8 | 19.7 | 319.3 | 33.7 |
| Operating margin (%) | 7.7 | 7.6 | 3.7 | 3.9 p.p. | 7.0 | 6.9 | 2.1 | 4.8 p.p. | 1.8 |
| Net profit/loss for the period | 37.3 | 37.4 | 10.0 | 272.9 | 60.6 | 60.9 | 6.2 | 882.0 | 41.0 |
| Visits (thousands) | 19,935 | 19,935 | 11,579 | 72.2 | 37,480 | 37,480 | 22,915 | 63.6 | 50,358 |
| Order (thousands) | 186 | 186 | 163 | 14.2 | 354 | 354 | 321 | 10.1 | 636 |
| Conversion rate (%) | 0.9 | 0.9 | 1.4 | -0.5 p.p. | 0.9 | 0.9 | 1.4 | -0.5 p.p. | 1.3 |
| Average order value | 3,461 | 3,461 | 3,071 | 12.7 | 3,321 | 3,321 | 2,913 | 14.0 | 2,976 |

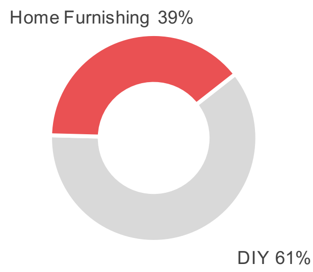
* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

## COMMENTS ON THE HOME FURNISHING SEGMENT

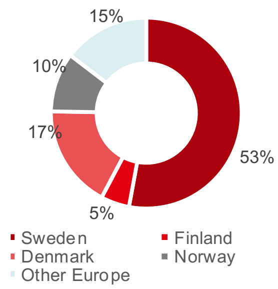
The strong performance in the Home Furnishing segment during the first half of 2019 was attributable to the Group's dominant online position and clear strategy focusing on value, assortment and online user experience:

- Following the establishment of the segment through the platform acquisition of Trademax in 2013, a number of bolt-on acquisitions (such as Chilli, Furniturebox, Kodin1, MyHome and Furniture1) have boosted the segment's online dominance in the Nordic region, with a market share approaching 30 percent

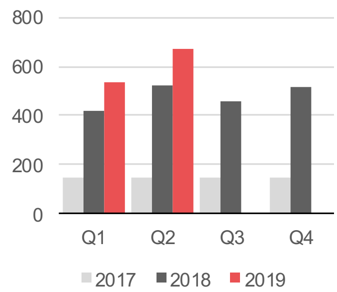
**Net sales by segment**
**Apr-Jun 2019**



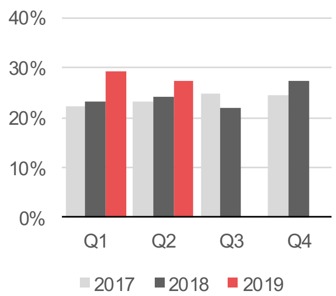

**Distribution by country (%)**
**Apr-Jun 2019**




**Net sales (SEKm)**




**Adjusted gross margin (%)**



- Investments in technology, purchasing and the last-mile project, have increased the segment's control over purchasing and logistics, resulting in improved margins and customer satisfaction
- The return to a dedicated operational focus on product assortment, mix and curation in the past nine months (following the completion of the Furniturebox integration in the third quarter of 2018) has laid the groundwork for a more attractive customer purchasing journey and even stronger operating margins, including an increase in AOV and the operating leverage enabled through a higher gross margin

The Home Furnishing segment performed strongly during the period, strengthening its market shares in all geographies. The segment accounted for 39 percent of the Group's total net sales for the quarter and 41 percent for the first six months. The net sales composition was well balanced; while outdoor furniture, a significant driver in the overall furniture market in the spring and early summer period, performed well, the categories of indoor furniture and furnishings also contributed favourably.

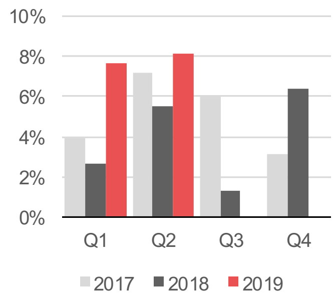
Net sales in the Home Furnishing segment increased 27.8 percent to SEK 669.8 million (524.0) for the quarter and 27.3 percent to SEK 1,203.9 million (945.6) YTD, buoyed by recently acquired businesses and accelerating organic growth. Organic growth continued to improve quarter-on-quarter (from 1.4 percent in the fourth quarter of 2018 to 7.2 percent in the first quarter 2019 and 7.8 percent in the second quarter of 2019). Furniturebox is gradually regaining its former position, and all other major online destinations are showing a strong performance.

The continued roll-out of the last-mile logistics operations in Sweden is progressing well. Ten months after launch, the infrastructure setup has been established in the greater Stockholm and Gothenburg areas, and the Öresund region is next in line. As communicated in the previous quarter, the implementation costs associated with the project will not exceed SEK 15 million for 2019. Costs affecting comparability amounted to SEK 5.8 million in the first quarter and SEK 0.2 million in the second quarter.

Adjusted EBIT, excluding IFRS 16 effects, increased 87.1 percent to SEK 53.8 million (28.8) for the quarter and 135.6 percent to SEK 94.2 million (40.0) YTD. The adjusted EBIT margin was 8.0 percent (5.5) for the quarter and 7.8 percent (4.2) YTD. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 54.6 million for the quarter, with an adjusted EBIT margin of 8.2 percent, and SEK 95.7 million YTD, with an adjusted EBIT margin of 7.9 percent.

The segment's operating income, excluding IFRS 16 effects, amounted to SEK 50.9 million (19.2) for the quarter, with an operating margin of 7.6 percent (3.7), and SEK 82.8 million (19.7) YTD, with an operating margin of 6.9 percent (2.1). Operating income, including IFRS 16 effects, amounted to SEK 51.6 million for the quarter, with an operating margin of 7.7 percent, and SEK 84.2 million YTD, with an operating margin of 7.0 percent.

**Adjusted EBIT margin (%)**



# Other

## COMMENTS ON THE GROUP'S OTHER OPERATIONS

Net sales amounted to SEK 6.8 million (7.4) for the quarter and SEK 13.0 million (7.5) for the first six months. Operating income totalled SEK -5.3 million (-1.6) for the quarter and SEK -9.3 million (-44.6) for the first six months. The Group's other operations mainly comprise central Group functions. Accordingly, net sales consist in all material respects of management fees. The operating costs for the first quarter of 2018 were in all material respects attributable to the costs associated with the listing on Nasdaq Stockholm.

## CASH FLOW AND FINANCIAL POSITION

The Group's cash flow from operating activities for the quarter was SEK 252.0 million (162.8). For the six-month period, cash flow from operating activities was SEK 295.2 million (144.7). Cash flow from operating activities was mainly driven by the Group's EBITDA during the period as well as negative working capital, which is the result of a high proportion of direct deliveries from suppliers, relatively limited inventory levels and low levels of accounts receivable (due to a high share of card purchases and factoring without regress).

The decrease in net working capital in the period follows the usual seasonal profile, with inventory levels increasing during the first quarter prior to high-season sales, particularly of outdoor furniture, and then decreasing with a correspondingly high cash conversion, mainly during the second and third quarters, due to seasonally high sales levels.

The Group's cash flow to investing activities was SEK -51.8 million (-27.0) for the quarter and SEK -147.4 million (-49.3) for the first six months, attributable to the acquisitions of Designkupp, Nordiska Fönster and Lampgallerian as well as to deferred payments and earn-outs related to acquisitions during the 2014-2017 period, and to IT investments related to the web platform and logistical solution.

Cash flow from financing activities was SEK -186.5 million (-299.5) for the quarter and SEK -99.3 million (40.5) for the first six months, attributable to the repayment of a revolving credit facility as well as an increase in an acquisition facility in connection with acquisitions, deferred payments and earn-outs. Cash flow in the year-earlier period was attributable to the share issue in connection with the IPO, which was carried out in order to adjust the Group's capital structure to a level suitable for a listed environment and to facilitate investments and continued expansion through acquisitions.

Operating cash flow was SEK 224.3 million (171.8) for the quarter, which is the highest level to date, and SEK 240.6 million (221.8) for the first six months, as a result of a combination of growth of adjusted EBITDA, a positive change in working capital and the Group's low capex requirements. This corresponds to a cash conversion (in relation to adjusted EBITDA) of 201 percent for the quarter and 139 percent for the first six months, substantially outperforming the company's medium-term financial target.

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 281.7 million (299.9), which is primarily explained by the operating cash flow generated during the period and the repayment of a revolving credit facility.

The Group's net debt, which is defined as the Group's current and non-current interest-bearing liabilities to credit institutions less cash and cash equivalents and investments in securities, etc., amounted to SEK 357.7 million at the end of the quarter, compared with SEK 473.6 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 1.2x, outperforming the company's medium-term financial target.

The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 391.9 million at the end of the quarter, compared with SEK 320.3 million at the beginning of the year (also refer to "Relevant reconciliations of non-IFRS alternative performance measures (APM)" for a more detailed description).

The Group's unutilised credit facilities amounted to SEK 455.6 million at the end of the period, compared with SEK 394.5 million at the beginning of the year.

The Group's total assets at the end of the reporting period amounted to SEK 5,584.0 million, compared to SEK 4,851.9 million at the beginning of the period. This change is mainly attributable to the effect of the implementation of IFRS 16 as of 1 January 2019.

Compared with the beginning of the year, the Group's equity at the end of the reporting period amounted to SEK 2,888.7 million (2,814.4).

## EMPLOYEES

The number of employees (measured as FTEs) was 1,220 at the end of the period. The average number of employees (FTEs) for the most recent 12-month period was 1,041.

## SEASONAL VARIATIONS

The Group's operations are impacted by seasonal variations affecting consumers' total demand, especially for building products and outdoor furniture. Due to the effect of weather on demand, the Group's sales and cash flow are usually higher in the second and third quarters when most (nearly 60 percent) of the Group's sales are normally generated, and lower in the first and fourth quarters. Although seasonal variations normally do not affect the Group's relative profit and cash flow from year to year, profit and cash flow may be impacted in years with extremely hot or cold weather conditions, or with very high or low downfall. Weather conditions may also have a significant impact on individual quarters, but usually even out over the full year.

## PARENT COMPANY

The Parent Company's net sales for the quarter amounted to SEK 0.2 million (1.0) for the quarter and SEK 0.5 million (1.9) for the first six months. The Group's CEO, CFO and COO are employed by the Parent Company, which also remunerates the Board of Directors. The Parent Company posted operating loss of SEK -5.4 million (-1.2) for the quarter and SEK -8,8 million (-27.6) for the first six months. The loss was mainly due to costs attributable to the listing on Nasdaq Stockholm in the first quarter. The loss for the quarter amounted to SEK -4.8 million (-0.9) and the loss for the first six months to SEK -7.6 million (-22.4). The Parent Company's cash and cash equivalents totalled SEK 29.5 at the end of the reporting period, compared with SEK 6.6 million at the beginning of the year.

## ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim Report. For the Group and the Parent Company, the same accounting policies and calculation bases have been applied as in the annual report for 2018, with the exception that the Group applies IFRS 16 Leases as of 1 January 2019. The Parent Company does not apply IFRS 16 in accordance with the exception contained in RFR 2. A description of IFRS 16 and the effects of the transition to this standard can be found in Note 5.

The Group also applies the European Securities and Markets Authority's (ESMA) guidelines for alternative performance measures. The definitions of alternative performance measures can be found in the relevant reconciliations on pages 29-31 of this report.

The interim information on pages 1-13 is an integrated part of this financial report.

## RISKS AND UNCERTAINTIES

There are several strategic, operational and financial risks and uncertainty factors that can affect the Group's financial results and position. Most risks can be managed through internal procedures, while others are largely driven by external factors. There are risks and uncertainties related to IT and management systems, suppliers, season and weather variations and exchange rates, while other risks and uncertainties may also arise in the case of new competition, changed market conditions or changed consumer behaviour for online sales. The Group is also exposed to interest-rate risk. For a more detailed description of the risks and uncertainties faced by the Group and the Parent Company, refer to Note 25 in the annual report 2018. Apart from the risks described therein, the assessment is that there are no additional material risks.

## RELATED-PARTY TRANSACTIONS

All transactions with related parties are based on appropriate market terms. For more information, see Note 4 in this report.

**Malmö, 18 July 2019**

**Henrik Theilbjørn**
Chairman

**Peter Möller**
Board member

**Ingrid Jonasson Blank**
Board member

**Bert Larsson**
Board member

**Johan Giléus**
Board member

**Christophe Le Houédec**
Board member

**Tom Tang**
Board member

**Martin Edblad**
Acting President and CEO

**This report has not been reviewed by the company's auditor.**

**Bygghemma Group First AB (publ)**
Hans Michelsensgatan 9
SE-211 20 Malmö
Corporate registration number: 559077-0763

This information is information that Bygghemma Group First AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, at 7:00 a.m. CEST on 18 July 2019.

## CONTACT INFORMATION

For further information, visit www.bygghemmagroup.se or contact:

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Johan Hähnel, Head of Investor Relations
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## CONFERENCE CALL IN CONNECTION WITH PUBLICATION OF THE QUARTERLY REPORT

On Thursday, 18 July at 10:00 a.m. CEST, Martin Edblad, acting President and CEO, and Adam Schatz, CFO, will hold a conference call concerning the publication of the quarterly report. The call will be held in English. To participate, please call +46 (0)8 505 583 54 or go to the weblink https://tv.streamfabriken.com/bygghemma-group-q2-2019. The presentation is available from Bygghemma Group's website: http://www.bygghemmagroup.com/investor-relations/presentations

## FINANCIAL CALENDAR

29 October 2019 Interim report

31 January 2020 Year-end report

## ABOUT BYGGHEMMA GROUP

Bygghemma Group is the leading online supplier of home improvement products in the Nordic region. We offer our customers a broad product range at attractive prices, with convenient home delivery. We conduct operations in two segments: DIY and Home Furnishing. DIY comprises sales of products from well-known brands for homes and gardens, and Home Furnishing comprises sales of furniture and home decor, mainly under proprietary brands. Bygghemma Group includes a wide range of webstores, such as www.bygghemma.se, www.trademax.se, www.chilli.se and www.furniturebox.se. Bygghemma Group had sales of SEK 5 billion in 2018, has its head office in Malmö and is listed on Nasdaq Stockholm Mid Cap.

# Condensed consolidated income statement

| | Q2 | | Jan-Jun | | Jan-Dec |
|---|---|---|---|---|---|
| SEKm | 2019 | 2018 | 2019 | 2018 | 2018 |
| Net sales | 1,708.8 | 1,417.8 | 2,928.9 | 2,442.9 | 4,973.7 |
| Other operating income | -0.0 | - | 0.0 | - | 0.0 |
| **Total net sales** | **1,708.7** | **1,417.8** | **2,928.9** | **2,442.9** | **4,973.7** |
| Cost of goods sold | -1,311.1 | -1,126.4 | -2,230.8 | -1,938.3 | -3,926.2 |
| Personnel costs | -123.7 | -102.4 | -230.9 | -209.0 | -420.4 |
| Other external costs and operating expenses | -137.1 | -116.1 | -248.2 | -233.1 | -469.6 |
| Other operating expenses | -2.2 | -1.5 | -5.5 | -5.0 | -4.4 |
| Depreciation and amortisation of tangible and intangible fixed assets | -42.7 | -16.5 | -83.3 | -31.7 | -65.8 |
| **Operating income** | **92.0** | **55.0** | **130.2** | **25.8** | **87.2** |
| Profit/loss from financial items | -30.2 | -9.9 | -42.6 | -49.7 | -39.9 |
| **Profit/loss before tax** | **61.8** | **45.1** | **87.6** | **-23.9** | **47.3** |
| Income tax | -17.4 | -13.0 | -24.3 | 1.0 | 3.5 |
| **Profit/loss for the period** | **44.4** | **32.1** | **63.3** | **-22.9** | **50.8** |
| Attributable to: | | | | | |
| Equity holders of the parent | 43.7 | 32.1 | 61.9 | -22.9 | 49.9 |
| Non-controlling interest | 0.6 | - | 1.5 | - | 0.9 |
| **Net income for the period** | **44.4** | **32.1** | **63.3** | **-22.9** | **50.8** |
| Earnings per share before dilution, SEK | 0.48 | 0.30 | 0.65 | -0.87 | 0.00 |
| Earnings per share after dilution, SEK | 0.48 | 0.30 | 0.65 | -0.87 | 0.00 |

* Earnings per share before and after dilution during 2018 has been calculated with deduction of preference interest. The formula for earnings per share is as follows: earnings per share = (profit/loss for the period - interest on preference shares) /(average number of ordinary shares outstanding + number of outstanding warrants which are in the money at the close of the period). At the end of the period, there was a total of 4,370,542 warrants outstanding.

# Condensed consolidated statement of comprehensive income

| | Q2 | | Jan-Jun | | Jan-Dec |
|---|---|---|---|---|---|
| SEKm | 2019 | 2018 | 2019 | 2018 | 2018 |
| Profit/loss for the period | 44.4 | 32.1 | 63.3 | -22.9 | 50.8 |
| **Other comprehensive income** | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Translation differences for the period | 7.7 | 4.0 | 15.4 | 15.7 | 7.2 |
| **Other comprehensive income for the period** | **7.7** | **4.0** | **15.4** | **15.7** | **7.2** |
| **Total comprehensive income for the period** | **52.0** | **36.1** | **78.8** | **-7.3** | **58.0** |
| **Total comprehensive income attributable to:** | | | | | |
| Parent Company shareholders | 51.0 | 36.1 | 76.4 | -7.3 | 58.2 |
| Non-controlling interest | 1.0 | - | 2.3 | - | -0.2 |
| **Total comprehensive income for the period** | **52.0** | **36.1** | **78.8** | **-7.3** | **58.0** |
| **Shares outstanding at period's end** | | | | | |
| Before dilution | 107,368,421 | 107,368,421 | 107,368,421 | 107,368,421 | 107,368,421 |
| After dilution | 107,368,421 | 107,368,421 | 107,368,421 | 107,368,421 | 107,368,421 |
| **Average number of shares** | | | | | |
| Before dilution | 107,368,421 | 107,368,421 | 107,368,421 | 84,195,443 | 95,781,974 |
| After dilution | 107,368,421 | 107,368,421 | 107,368,421 | 84,195,443 | 95,781,974 |

## CHANGE IN NUMBER OF SHARES IN THE PERIOD

No changes in the number of shares in the period. As part of the preparations for the IPO in 2018, an Extraordinary General Meeting on 9 February 2018 resolved to implement a 1:84 share split, which increased the number of shares in the parent company from 2,371,927 to 199,241,868. In connection with this split, the share capital of the parent company was increased by SEK 18,975.416 through a bonus issue without issuing new shares. The same meeting subsequently resolved to reduce the share capital by SEK 2,895.984 by withdrawing 241,332 series A ordinary shares without repayment to the shareholders. Furthermore, the meeting resolved to convert 20,641,649 series B01 preference shares to series A ordinary shares. The parent company thereafter had 199,000,536 shares outstanding of various series (68,474,609 series A ordinary shares and 130,525,927 preference shares of different series) and share capital of SEK 2,388,006.432. The overall purpose of these transactions was to enable the parent company to have exactly 100,000,000 ordinary shares of one and the same series following settlement of the preference share structure in connection with the IPO, but prior to the offering that formed part of the IPO.

On 26 March 2018, an Extraordinary General Meeting resolved to convert 31,525,391 preference shares of different series into exactly 100,000,000 ordinary shares. At the same time, the meeting resolved to reduce the share capital by SEK 1,188,006 by withdrawing all of the parent company’s remaining 99,00,536 preference shares of different series without repayment to the shareholders, and to subsequently increase the share capital through a bonus issue of SEK 1,800,000 without issuing new shares. Following these decisions, the parent company’s shares outstanding amounted to 100,000,000 ordinary shares and the share capital to exactly SEK 3,000,000.

Bygghemma Group First AB was listed on the Nordic Mid Cap segment of Nasdaq Stockholm on 27 March 2018 under the ticker symbol BHG. In conjunction with the listing, 7,368,421 new shares were issued by the parent company. At 31 March 2018, the total number of shares in the parent company subsequently totalled 107,368,421.

# Condensed consolidated statement of financial position

| | 30 Jun | | 31 Dec |
|---|---|---|---|
| SEKm | 2019 | 2018 | 2018 |
| **Non-current assets** | | | |
| Goodwill | 2,713.5 | 2,462.8 | 2,590.7 |
| Other intangible fixed assets | 1,268.3 | 1,169.1 | 1,225.3 |
| **Total intangible fixed assets** | **3,981.8** | **3,631.9** | **3,815.9** |
| Buildings and land | 11.4 | 11.3 | 11.3 |
| Leased fixed assets | 348.7 | - | - |
| Tangible fixed assets | 34.4 | 22.1 | 22.9 |
| Financial fixed assets | 5.1 | 5.1 | 5.4 |
| Deferred tax asset | 9.2 | 15.3 | 6.0 |
| **Total fixed assets** | **4,390.7** | **3,685.8** | **3,861.5** |
| **Current assets** | | | |
| Inventories | 605.3 | 502.4 | 504.9 |
| Current receivables | 306.3 | 268.6 | 258.6 |
| Cash and cash equivalents | 281.7 | 299.9 | 226.9 |
| **Total current assets** | **1,193.3** | **1,071.0** | **990.4** |
| **Total assets** | **5,584.0** | **4,756.8** | **4,851.9** |
| **Equity** | | | |
| Equity attributable to owners of the parent | 2,855.1 | 2,717.6 | 2,783.1 |
| Non-controlling interest | 33.6 | - | 31.3 |
| **Total equity** | **2,888.7** | **2,717.6** | **2,814.4** |
| **Non-current liabilities** | | | |
| Deferred tax liability | 239.5 | 255.8 | 234.3 |
| Other provisions | 2.0 | 2.6 | 1.9 |
| Non-current interest-bearing liabilites to credit institutions | 616.4 | 651.1 | 694.9 |
| Non-current lease liabilities | 267.7 | - | - |
| Other non-current liabilities | 338.7 | 220.1 | 278.3 |
| **Total non-current liabilities** | **1,464.3** | **1,129.6** | **1,209.5** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities to credit institutions | 18.0 | - | - |
| Current lease liabilities | 94.9 | - | - |
| Other interest-bearing liabilities | 53.2 | 23.7 | 42.0 |
| Other current liabilities | 1,064.9 | 886.0 | 786.0 |
| **Total current liabilities** | **1,231.0** | **909.6** | **828.1** |
| **Total equity and liabilities** | **5,584.0** | **4,756.8** | **4,851.9** |

# Condensed consolidated statement of cash flows

| | Q2 | | Jan-Jun | | Jan-Dec |
|---|---|---|---|---|---|
| SEKm | 2019 | 2018 | 2019 | 2018 | 2018 |
| Cash flow from operating activities before changes in working capital | 114.5 | 50.6 | 181.9 | 8.6 | 97.8 |
| Changes in working capital | 137.5 | 112.2 | 113.3 | 136.1 | 22.7 |
| **Cash flow from operations** | **252.0** | **162.8** | **295.2** | **144.7** | **120.5** |
| Investments in operations | -27.1 | -7.7 | -101.1 | -19.7 | -58.9 |
| Investments in other non-current assets | -24.7 | -19.3 | -46.4 | -29.8 | -68.1 |
| Divestment of operations | - | - | - | - | 0.0 |
| Divestment of other tangible fixed assets | -0.1 | 0.0 | 0.1 | 0.1 | 0.1 |
| **Cash flow to/from investing activities** | **-51.8** | **-27.0** | **-147.4** | **-49.3** | **-126.8** |
| New share issue | - | 1.9 | - | 345.2 | 343.4 |
| Loans taken | 20.3 | 650.8 | 128.9 | 650.8 | 693.9 |
| Amortisation of loans | -212.8 | -956.8 | -234.2 | -960.0 | -968.5 |
| Issue of warrants | 6.0 | 4.6 | 6.0 | 4.6 | 4.6 |
| Dividends to shareholders | - | - | - | - | 0.1 |
| **Cash flow to/from financing activities** | **-186.5** | **-299.5** | **-99.3** | **40.5** | **73.5** |
| **Cash flow for the period** | **13.7** | **-163.7** | **48.4** | **135.9** | **67.3** |
| **Cash and cash equivalents at the beginning of the period** | **265.3** | **460.6** | **226.9** | **156.1** | **156.1** |
| Translation differences in cash and cash equivalents | 2.7 | 3.1 | 6.3 | 7.9 | 3.6 |
| **Cash and cash equivalents at the end of the period** | **281.7** | **299.9** | **281.7** | **299.9** | **226.9** |

# Condensed consolidated statement of changes in equity

| | 30 Jun | | 31 dec |
|---|---|---|---|
| SEKm | 2019 | 2018 | 2018 |
| **Opening balance** | **2,814.4** | **2,375.1** | **2,375.1** |
| Comprehensive income for the period | 78.8 | -7.3 | 58.0 |
| Effects from changed accounting standards | -10.5 | - | - |
| Acquisitions of partly owned subsidiaries | - | - | 31.5 |
| New share issue | - | 345.2 | 345.2 |
| Issue of warrants | 6.0 | 4.6 | 4.6 |
| **Closing balance** | **2,888.7** | **2,717.6** | **2,814.4** |

* For 2018, transaction-related costs of approximately SEK 8.1 million (SEK 6.3 million after tax) attributable to the new share issue of common stock are reported net after tax directly in equity as a reduction of the share issue amount.

# Notes

## NOTE 1 SEGMENTS

| | Q2 | | Jan-Jun | | Jan-Dec |
|---|---|---|---|---|---|
| SEKm | 2019 | 2018 | 2019 | 2018 | 2018 |
| **Net sales** | | | | | |
| DIY | 1,046.2 | 900.5 | 1,734.8 | 1,507.7 | 3,073.8 |
| Home Furnishing | 669.8 | 524.0 | 1,203.9 | 945.6 | 1,918.8 |
| **Total net sales** | **1,716.0** | **1,424.5** | **2,938.8** | **2,453.3** | **4,992.6** |
| Other | 6.8 | 7.4 | 13.0 | 7.5 | 20.1 |
| Eliminations | -14.0 | -14.0 | -22.9 | -17.9 | -39.0 |
| **Group consolidated total** | **1,708.8** | **1,417.8** | **2,928.9** | **2,442.9** | **4,973.7** |
| **Revenue from other segments** | | | | | |
| DIY | 2.3 | 2.5 | 3.7 | 4.6 | 7.3 |
| Home Furnishing | 4.9 | 4.1 | 6.2 | 5.8 | 11.6 |
| Other | 6.8 | 7.4 | 13.0 | 7.5 | 20.1 |
| **Total** | **14.0** | **14.0** | **22.9** | **17.9** | **39.0** |

| | Q2 | | Jan-Jun | | Jan-Dec |
|---|---|---|---|---|---|
| SEKm | 2019 | 2018 | 2019 | 2018 | 2018 |
| **Operating income and profit before tax** | | | | | |
| DIY | 45.6 | 37.4 | 55.3 | 50.6 | 102.9 |
| Home Furnishing | 51.6 | 19.2 | 84.2 | 19.7 | 33.7 |
| **Total operating income** | **97.2** | **56.6** | **139.5** | **70.4** | **136.7** |
| Other | -5.3 | -1.6 | -9.3 | -44.6 | -49.4 |
| **Group consolidated operating income** | **92.0** | **55.0** | **130.2** | **25.8** | **87.2** |
| Financial net | -30.2 | -9.9 | -42.6 | -49.7 | -39.9 |
| **Group consolidated profit/loss before tax** | **61.8** | **45.1** | **87.6** | **-23.9** | **47.3** |

| SEKm | Q2 2019 DIY | Q2 2019 Home Furnishing | Q2 2019 Other | Q2 2019 Elimination | Q2 2019 Group | Jan-Jun 2019 DIY | Jan-Jun 2019 Home Furnishing | Jan-Jun 2019 Other | Jan-Jun 2019 Elimination | Jan-Jun 2019 Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Sweden | 623.9 | 354.4 | 6.8 | -13.4 | 971.7 | 1,075.2 | 605.0 | 13.0 | -22.1 | 1,671.1 |
| Finland | 292.6 | 32.4 | - | - | 325.1 | 448.3 | 58.5 | - | - | 506.8 |
| Denmark | 76.9 | 117.5 | - | -0.2 | 194.1 | 120.7 | 248.1 | - | -0.4 | 368.4 |
| Norway | 52.9 | 67.4 | - | -0.4 | 119.8 | 90.7 | 111.4 | - | -0.4 | 201.7 |
| Rest of Europe | - | 98.1 | - | - | 98.1 | - | 180.9 | - | - | 180.9 |
| **Net sales** | **1,046.2** | **669.8** | **6.8** | **-14.0** | **1,708.8** | **1,734.8** | **1,203.9** | **13.0** | **-22.9** | **2,928.9** |

| SEKm | Q2 2018 DIY | Q2 2018 Home Furnishing | Q2 2018 Other | Q2 2018 Elimination | Q2 2018 Group | Jan-Jun 2018 DIY | Jan-Jun 2018 Home Furnishing | Jan-Jun 2018 Other | Jan-Jun 2018 Elimination | Jan-Jun 2018 Group |
|---|---|---|---|---|---|---|---|---|---|---|
| Sweden | 581.8 | 342.7 | 7.4 | -12.6 | 919.3 | 1,019.1 | 613.4 | 7.5 | -15.8 | 1,624.3 |
| Finland | 224.0 | 28.1 | - | -0.7 | 251.3 | 346.9 | 52.5 | - | -0.7 | 398.7 |
| Denmark | 68.5 | 97.4 | - | -0.4 | 165.6 | 99.3 | 190.2 | - | -1.1 | 288.3 |
| Norway | 26.1 | 55.9 | - | -0.3 | 81.7 | 42.4 | 89.5 | - | -0.3 | 131.6 |
| Rest of Europe | - | - | - | - | - | - | - | - | - | - |
| **Net sales** | **900.5** | **524.0** | **7.4** | **-14.0** | **1,417.8** | **1,507.7** | **945.6** | **7.5** | **-17.9** | **2,442.9** |

| SEKm | Full-year 2018 DIY | Full-year 2018 Home Furnishing | Full-year 2018 Other | Full-year 2018 Elimination | Full-year 2018 Group |
|---|---|---|---|---|---|
| Sweden | 2,029.1 | 1,105.1 | 20.1 | -37.3 | 3,116.9 |
| Finland | 762.4 | 102.3 | - | - | 864.7 |
| Denmark | 187.3 | 413.8 | - | -1.3 | 599.9 |
| Norway | 95.0 | 184.9 | - | -0.3 | 279.5 |
| Rest of Europe | - | 112.8 | - | - | 112.8 |
| **Net sales** | **3,073.8** | **1,918.8** | **20.1** | **-39.0** | **4,973.7** |

# NOTE 2 DISCLOSURES ON ACQUISITIONS

## Net sales and profit/loss for the period for acquired companies

Since consolidation, acquisitions have contributed SEK 67.3 million to the Group's net sales and SEK 1.2 million to the Group's profit/loss for the period. If the acquisitions had been consolidated for the full financial year, they would have contributed SEK 103.1 million to the Group's net sales and SEK -0.6 million to the Group's profit/loss for the period.

## Acquisition of Designkupp AS

On 29 January 2019, the Group acquired 95 percent of Designkupp AS ("VVSKupp"). VVSKupp, which was founded in 2005, is the leading online player in Norway within bathroom products, with sales of approximately SEK 100 million in 2018 and an EBIT margin of 3 percent.

### Net sales and profit/loss for the period

Since the acquisition date, Designkupp has contributed SEK 44.2 million to consolidated revenue and SEK 1.7 million to consolidated after-tax profit. If Designkupp had been consolidated for the full financial year, the company would have contributed SEK 55.6 million to consolidated revenue and SEK 0.5 million to consolidated after-tax profit.

| SEKm | |
|---|---|
| **Acquisition of Designkupp AS** | |
| **Net assets at time of acquisition** | |
| Trademarks | 9.8 |
| Customer relationships | 12.5 |
| Intangible fixed assets | 0.1 |
| Tangible fixed assets | 0.7 |
| Inventory | 9.2 |
| Accounts receivable | 1.8 |
| Other receivables | 0.0 |
| Cash and cash equivalents | 11.3 |
| Deferred tax liability | -5.1 |
| Accounts payable | -8.9 |
| Other liabilities | -3.9 |
| **Net identifiable assets and liabilities** | **27.5** |
| Goodwill | 53.8 |
| **Total purchase consideration** | **81.4** |
| Liability to non-controlling interest | 6.1 |
| Deferred purchase consideration | 17.3 |
| Earn-out provision | 20.2 |
| **Change in the Group's cash and cash equivalents following the acquisition** | **-37.7** |

## Acquisition of Nordiska Fönster i Ängelholm AB

On 1 March 2019, the Group acquired 100 percent of Nordiska Fönster i Ängelholm AB ("Nordiska Fönster"). Nordiska Fönster, which was founded in 2011, offers primarily high-quality windows and doors at competitive prices, with sales of just over SEK 50 million in 2018 and marginally positive earnings.

### Net sales and profit/loss for the period

Since the acquisition date, Nordiska Fönster has contributed SEK 16.6 million to consolidated revenue and SEK -0.4 million to consolidated after-tax profit. If Nordiska Fönster had been consolidated for the full financial year, the company would have contributed SEK 23.3 million to consolidated revenue and SEK -1.1 million to consolidated after-tax profit.

| SEKm | |
|---|---|
| **Acquisition of Nordiska Fönster i Ängelholm AB** | |
| | |
| **Net assets at time of acquisition** | |
| Trademarks | 3.5 |
| Customer relationships | 3.5 |
| Intangible fixed assets | 1.6 |
| Tangible fixed assets | 0.4 |
| Deferred tax asset | 0.9 |
| Inventory | 1.9 |
| Accounts receivable | 1.2 |
| Other receivables | 0.7 |
| Cash and cash equivalents | 0.9 |
| Deferred tax liability | -1.4 |
| Accounts payable | -2.7 |
| Other liabilities | -5.4 |
| **Net identifiable assets and liabilities** | **5.0** |
| | |
| Goodwill | 21.8 |
| **Total purchase consideration** | **26.8** |
| | |
| Earn-out provision | 11.8 |
| **Change in the Group's cash and cash equivalents following the acquisition** | **-14.9** |

### Acquisition of LampGallerian Växjö AB

On 10 May 2019, the Group acquired 51 percent of LampGallerian Växjö AB ("LampGallerian"). LampGallerian, a leading webstore in Sweden for indoor and outdoor lighting, with sales of just over SEK 40 million in 2018 and an operating income (EBIT) of approximately SEK 4 million.

### Net sales and profit/loss for the period

Since the acquisition date, LampGallerian has contributed SEK 6.5 million to consolidated revenue and SEK -0.1 million to consolidated after-tax profit. If LampGallerian had been consolidated for the full financial year, the company would have contributed SEK 24.2 million to consolidated revenue and SEK 0.0 million to consolidated after-tax profit.

| SEKm | |
|---|---|
| **Acquisition of LampGallerian Växjö AB** | |
| | |
| **Net assets at time of acquisition** | |
| Trademarks | 4.1 |
| Customer relationships | 2.0 |
| Intangible fixed assets | 0.0 |
| Tangible fixed assets | 5.4 |
| Inventory | 7.0 |
| Accounts receivable | 0.3 |
| Other receivables | 0.2 |
| Cash and cash equivalents | 1.9 |
| Deferred tax liability | -1.8 |
| Accounts payable | -3.3 |
| Other liabilities | -27.7 |
| **Net identifiable assets and liabilities** | **11.3** |
| | |
| Goodwill | 38.0 |
| **Total purchase consideration** | **49.4** |
| | |
| Unpaid part of the purchase consideration | 24.4 |
| Earn-out provision | 9.7 |
| **Change in the Group's cash and cash equivalents following the acquisition** | **-15.3** |

## NOTE 3 FAIR VALUE

### Classification of financial assets and liabilities

Contingent earn-outs and liabilities to non-controlling interests are included in Level 3 of the valuation hierarchy, i.e. the level applicable for assets and liabilities that are considered illiquid and difficult to value. Apart from contingent earn-outs and liabilities to non-controlling interests, the carrying amount corresponds to the fair value of all financial instruments recognised in the statement of financial position.

### Measurement of fair value

The fair value of contingent earn-outs and liabilities to non-controlling interests is calculated by discounting future cash flows by a risk-adjusted discount interest rate. Expected cash flows are forecast using probable scenarios for future EBITDA levels, amounts that will result from various outcomes and the probability of those outcomes.

| | 30 Jun | | 31 Dec |
|---|---|---|---|
| SEKm | 2019 | 2018 | 2018 |
| **Fair value on the opening date** | **320.3** | **249.6** | **249.6** |
| Recognition in profit or loss | 19.1 | 11.4 | -7.7 |
| Utilised amount | -36.7 | -18.2 | -30.1 |
| Acquisition value at cost | 89.2 | 1.0 | 108.5 |
| **Fair value on the closing date** | **391.9** | **243.8** | **320.3** |

## NOTE 4 RELATED-PARTY TRANSACTIONS

Transactions between Bygghemma Group First AB and its subsidiaries, which are related to Bygghemma Group First AB, have been eliminated in the consolidated financial statements.

All transactions between related parties have been conducted on commercial terms, on an arm's length basis.

### Transactions with the owners
No transactions with the owners have been made during 2019.

## NOTE 5 EFFECTS OF IFRS 16
Bygghemma has applied IFRS 16 Leases since 1 January 2019. IFRS 16 has replaced the principles of IAS 17 Leases. This note describes the impact of the transition to IFRS 16 on the Group's financial accounts as well as the new principles for the recognition of leases.

### The Group's principles for recognition of leases under IFRS 16
Bygghemma primarily leases warehouse, office and shop premises. The Group previously recognised these leases as operating leases and the lease payments were accrued on a straight-line basis over the lease term. From 1 January 2019, the Group instead recognises leases both as a right-of-use asset, which represents the right to use the underlying asset, and as a lease liability, which represents the obligation to honour the lease commitment. Lease expenses are split between depreciation and interest expense. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis (or over the economic life of the asset if this is shorter than the lease term).

The lease liability is initially measured on a present-value basis. Lease liabilities are discounted by using the lease's implicit interest rate, if this interest rate can be easily determined. If the interest rate cannot be easily determined, the incremental borrowing rate is used, which is the case for a majority of the Group's leases. Lease liabilities include:

a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
b) variable lease payment that are based on an index or a rate
c) amounts expected to be payable by the Group under residual value guarantees
d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
e) payments of penalties for terminating the lease, if the lease term reflects the Group's exercising that option to end the lease agreement.

At the start of a lease, the right-of-use assets are measured at cost, comprising the following:

a) the amount of the initial measurement of lease liability
b) any lease payments made on or before the commencement date less any lease incentives received
c) any initial direct costs, and
d) restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### Transition method
The Group will apply the modified retrospective approach. This entails that the accumulated impact of the implementation of IFRS 16 will be recognised in accumulated profit or loss in the opening balance as of 1 January 2019 without restating comparative figures. The right-of-use assets attributable to earlier operating leases will be measured at an amount corresponding to what would have been recognised if IFRS 16 had been applied as of the date when the lease was entered into, discounted by the incremental borrowing rate as of 1 January 2019.

### Applied exemptions
- In accordance with the IFRS 16 transition rules, the Group also chose to exclude the leases concluded in 2019 from the liability recognised as of 1 January 2019.
- Low-value leases (leases where the underlying assets have a value of SEK 50 thousand or less in new condition) – which mainly comprise computers, printers/photocopiers and coffee machines – will not be included in the lease liability and will instead continue to be recognised as an expense on a straight-line basis over the lease term.
- Bygghemma has furthermore decided not to include short-term leases (leases with a term of 12 months or less) in the calculation of the lease liability. These leases will be recognised as low-value leases; see above.

### Effect on the financial reports
Upon the transition to IFRS 16, additional right-of-use assets of about SEK 353 million, lease liabilities of approximately SEK 366 million and deferred tax assets of approximately SEK 3 million were added, which will reduce the Group's equity by about SEK 10 million, net, as of 1 January 2019. The reported right-of-use assets are attributable to the following asset classification:

| | 30 Jun |
|---|---|
| SEKm | 2019 |
| Premises | 345.6 |
| Cars | 0.8 |
| Other | 2.2 |
| **Total leased assets** | **348.7** |

In the valuation of the lease liability, the Group discounted the lease fees by the incremental borrowing rate as of 1 January 2019. The weighted average interest rate used is 2.35 percent.

The table below provides a reconciliation between the operating lease obligations (see Note 26 in the Group's annual report for 2018) and the lease liability as of 1 January 2019, and a reconciliation of the change in the lease liability between 1 January 2019 and 30 June 2019.

| SEKm | 2019 |
|---|---|
| Operating lease obligations as of 31 December 2018 | 455.4 |
| Deduct low-value lease | -0.6 |
| Deduct short-term lease | -65.8 |
| Add reasonably certain extension periods | 8.0 |
| **Operating lease included in IFRS 16** | **396.9** |
| | |
| Discount effect | -30.5 |
| **Lease liability as of 1 January 2019** | **366.4** |
| | |
| New leases | 38.5 |
| Accrued interest | 4.5 |
| Lease payments | -47.9 |
| Translation differences | 1.1 |
| **Lease liability at the end of the period** | **362.6** |

## Key ratios adjusted for the IFRS 16 effect

The table below shows the effect of IFRS 16 on selected key ratios. The column "2019" shows key ratios based on reported figures according to IFRS, including IFRS 16. The column "2019 excl. IFRS 16" shows how the same key figures would have looked if Bygghemma had applied the same accounting policies for leases as in 2018 in 2019 (meaning IAS 17 and not IFRS 16).

| | Q2 | | | Jan-Jun | | |
|---|---|---|---|---|---|---|
| SEKm (if not otherwise stated) | 2019 | Adjustment of effects from IFRS 16 | 2019 excl. IFRS 16 | 2019 | Adjustment of effects from IFRS 16 | 2019 excl. IFRS 16 |
| Net sales | 1,708.8 | - | 1,708.8 | 2,928.9 | - | 2,928.9 |
| Gross profit | 397.6 | - | 397.6 | 698.1 | - | 698.1 |
| Gross margin (%) | 23.3 | - | 23.3 | 23.8 | - | 23.8 |
| Adjusted EBITDA | 135.7 | -24.2 | 111.5 | 221.7 | -47.9 | 173.8 |
| Adjusted EBITDA margin (%) | 7.9 | 1.4 | 6.5 | 7.6 | 1.6 | 5.9 |
| Adjusted EBIT | 102.3 | -1.9 | 100.4 | 157.5 | -3.7 | 153.8 |
| Adjusted EBIT margin (%) | 6.0 | 0.1 | 5.9 | 5.4 | 0.1 | 5.3 |
| Items affecting comparability | -0.3 | - | -0.3 | -7.5 | - | -7.5 |
| Operating income | 92.0 | -1.9 | 90.1 | 130.2 | -3.7 | 126.5 |
| Operating margin (%) | 5.4 | 0.1 | 5.3 | 4.4 | 0.1 | 4.3 |
| Net profit/loss for the period | 44.4 | 0.3 | 44.6 | 63.3 | 0.6 | 64.0 |
| | | | | | | |
| Cash flow from operations | 252.0 | -22.0 | 230.0 | 295.2 | -43.4 | 251.7 |
| | | | | | | |
| Total assets | 5,584.0 | -351.5 | 5,232.5 | 5,584.0 | -351.5 | 5,232.5 |
| | | | | | | |
| Interest-bearing debt | 639.4 | - | 639.4 | 639.4 | - | 639.4 |
| Lease liability | 362.6 | -362.6 | - | 362.6 | -362.6 | - |
| Cash and cash equivalents | -281.7 | - | -281.7 | -281.7 | - | -281.7 |
| **Total liabilities and cash** | **720.3** | **-362.6** | **357.7** | **720.3** | **-362.6** | **357.7** |

# Condensed Parent Company income statement

| | Q2 | | Jan-Jun | | Jan-Dec |
|---|---|---|---|---|---|
| SEKm | 2019 | 2018 | 2019 | 2018 | 2018 |
| Net sales | 0.2 | 1.0 | 0.5 | 1.9 | 2.4 |
| **Total net sales** | **0.2** | **1.0** | **0.5** | **1.9** | **2.4** |
| | | | | | |
| Personnel cost | -3.6 | -1.7 | -5.0 | -12.9 | -15.9 |
| Other external costs | -2.0 | -0.5 | -4.2 | -16.6 | -18.7 |
| **Operating income** | **-5.4** | **-1.2** | **-8.8** | **-27.6** | **-32.3** |
| | | | | | |
| Profit/loss from financial items | -0.7 | 0.0 | -0.8 | -1.0 | 0.1 |
| Appropriations | - | - | - | - | 29.5 |
| **Profit/loss before tax** | **-6.1** | **-1.2** | **-9.6** | **-28.7** | **-2.6** |
| | | | | | |
| Income tax | 1.3 | 0.3 | 2.1 | 6.3 | 0.5 |
| **Profit/loss for the period** | **-4.8** | **-0.9** | **-7.6** | **-22.4** | **-2.1** |

A statement of other comprehensive income has not been prepared since the Parent Company did not conduct any transactions recognised as other comprehensive income.

# Condensed Parent Company balance sheet

| | 30 Jun | | 31 Dec |
|---|---|---|---|
| SEKm | 2019 | 2018 | 2018 |
| **Non-current assets** | | | |
| Other intangible fixed assets | 0.3 | - | 0.2 |
| **Total intangible fixed assets** | **0.3** | **-** | **0.2** |
| | | | |
| Participations in Group companies | 2,691.6 | 2,691.6 | 2,691.6 |
| Long-term receivables from Group companies | - | 29.0 | 29.0 |
| Deferred tax asset | 2.3 | - | 2.3 |
| **Total fixed assets** | **2,694.2** | **2,720.6** | **2,723.1** |
| | | | |
| **Current assets** | | | |
| Short-term receivables | 11.5 | 11.4 | 1.5 |
| Short-term receivables from Group companies | 0.0 | 2.7 | 72.7 |
| Cash and cash equivalents | 29.5 | 12.2 | 6.6 |
| **Total current assets** | **41.0** | **26.2** | **80.8** |
| **Total assets** | **2,735.2** | **2,746.8** | **2,803.9** |
| | | | |
| **Equity** | | | |
| Restricted equity | 3.2 | 3.2 | 3.2 |
| Unrestriced equity | 2,718.5 | 2,699.8 | 2,720.1 |
| **Total equity** | **2,721.8** | **2,703.0** | **2,723.3** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current interest-bearing liabilites to credit institutions | - | 30.0 | 30.0 |
| **Total non-current liabilities** | **-** | **30.0** | **30.0** |
| | | | |
| **Current liabilities** | | | |
| Other current liabilities | 13.4 | 13.8 | 50.6 |
| **Total current liabilities** | **13.4** | **13.8** | **50.6** |
| **Total equity and liabilities** | **2,735.2** | **2,746.8** | **2,803.9** |

# Key ratios

| | 2019 | | 2018 | | | | |
|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Jan-Dec |
| **THE GROUP** | | | | | | | |
| Adjusted total expenses | -305.4 | -260.2 | -251.6 | -225.8 | -236.1 | -199.3 | -912.8 |
| Adjusted EBIT margin % | 6.0 | 4.5 | 4.7 | 3.2 | 5.1 | 3.0 | 4.1 |
| Adjusted gross profit | 397.6 | 305.6 | 302.3 | 256.4 | 298.6 | 220.6 | 1,077.9 |
| Adjusted gross margin % | 23.3 | 25.0 | 23.6 | 20.5 | 21.1 | 21.5 | 21.7 |
| Equity/assets ratio % | 51.7 | 51.9 | 58.0 | 57.2 | 57.1 | 55.1 | 58.0 |
| Net debt (+) / Net cash (-) | 357.7 | 544.6 | 473.6 | 451.1 | 357.5 | 496.3 | 473.6 |
| Cash flow from operations (SEKm) | 252.0 | 43.2 | 22.5 | -46.7 | 162.8 | -18.1 | 120.5 |
| Earnings per share (SEK) | 0.48 | 0.17 | 0.45 | 0.23 | 0.30 | -1.73 | 0.00 |
| Visits (thousands) | 43,583 | 34,882 | 32,349 | 28,589 | 29,827 | 25,355 | 116,120 |
| Orders (thousands) | 503 | 399 | 456 | 426 | 465 | 387 | 1,735 |
| Average order value (SEK) | 3,417 | 3,129 | 2,793 | 2,864 | 2,974 | 2,665 | 2,830 |
| **DIY** | | | | | | | |
| Visits (thousands) | 23,647 | 17,337 | 15,911 | 17,584 | 18,247 | 14,020 | 65,762 |
| Orders (thousands) | 317 | 231 | 284 | 284 | 302 | 229 | 1,099 |
| Average order value (SEK) | 3,392 | 3,102 | 2,611 | 2,807 | 2,922 | 2,604 | 2,746 |
| **Home Furnishing** | | | | | | | |
| Visits (thousands) | 19,935 | 17,545 | 16,438 | 11,005 | 11,579 | 11,335 | 50,358 |
| Orders (thousands) | 186 | 168 | 172 | 142 | 163 | 159 | 636 |
| Average order value (SEK) | 3,461 | 3,166 | 3,092 | 2,978 | 3,071 | 2,752 | 2,976 |

# Relevant reconciliations of non-IFRS alternative performance measures (APM)

Some of the data stated in this report, as used by management and analysts for assessing the Group's development, is not defined in accordance with IFRS. Management is of the opinion that this data makes it easier for investors to analyse the Group's development, for the reasons stated below. Investors should regard this data as a complement rather than a replacement for financial information presented in accordance with IFRS. The Group's definitions of these performance measures may differ from similarly named measures reported by other companies.

## ADJUSTED EBIT, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

As of the Q2 2019-report, the Group introduces the measure adjusted EBIT to further clarify the Group's underlying profit generation and profitability. Adjusted EBIT replaces the term that was previously used; adjusted EBITA. Adjusted EBIT corresponds to operating income adjusted for amortisation and impairment losses on acquisition-related intangible assets and items affecting comparability. In other words, adjusted EBIT includes all depreciation and amortisation arising from the ongoing business (which was also the case for the term used earlier, adjusted EBITA). The difference between adjusted EBIT and EBIT is that the amortisation which arises as a result of the accounting treatment of purchase price allocations in conjunction with acquisitions is added back to adjusted EBIT.

By using the measure Adjusted EBIT, the Group simplifies the analysis of the Group's profit generation and profitability. The Adjusted EBIT measure provides a correct picture of the Group's operating results, since it excludes the accounting-related amortisation which arises from purchase price allocations in conjunction with acquisitions. Further, the measure simplifies peer comp analysis of companies which do not make acquisitions and makes the analysis of acquisition opportunities clearer and more transparent, since the anticipated operating EBIT-contribution of acquisition opportunities then corresponds to their actual EBIT contribution post consolidation. It is also important to note that the effect of acquisitions is already reflected in the Group's capital structure and net debt, in accordance with generally accepted accounting practices.

Adjusted gross profit and adjusted EBITDA correspond to gross profit and EBITDA adjusted for items affecting comparability.

### Group

| | Q2 | | | Jan-Jun | | | Jan-Dec |
|---|---|---|---|---|---|---|---|
| SEKm | 2019 | 2019* | 2018 | 2019 | 2019* | 2018 | 2018 |
| **Operating income** | **92.0** | **90.1** | **55.0** | **130.2** | **126.5** | **25.8** | **87.2** |
| Acquisition-related costs | 0.3 | 0.3 | 0.3 | 1.7 | 1.7 | 0.9 | 2.0 |
| Integration costs and costs related to warehouse move | - | - | 7.1 | - | - | 15.0 | 27.5 |
| Last mile project | - | - | - | 5.8 | 5.8 | - | 6.3 |
| Costs related to LTIP | - | - | - | - | - | 11.4 | 11.4 |
| Costs related to the process for expanding the shareholder base | - | - | - | - | - | 30.7 | 30.7 |
| **Total items affecting comparability** | **0.3** | **0.3** | **7.4** | **7.5** | **7.5** | **58.0** | **77.9** |
| Amortisation and impairment of acquisition-related intangible fixed assets | 10.0 | 10.0 | 9.3 | 19.8 | 19.8 | 18.6 | 37.5 |
| **Adjusted EBIT** | **102.3** | **100.4** | **71.7** | **157.5** | **153.8** | **102.4** | **202.7** |
| **Adjusted EBIT (%)** | **6.0** | **5.9** | **5.1** | **5.4** | **5.3** | **4.2** | **4.1** |
| Depreciation and amortisation of tangible and intangible fixed assets | 33.5 | 11.1 | 7.2 | 64.2 | 20.0 | 13.1 | 28.4 |
| **Adjusted EBITDA** | **135.7** | **111.5** | **78.9** | **221.7** | **173.8** | **115.5** | **231.1** |
| **Adjusted EBITDA (%)** | **7.9** | **6.5** | **5.6** | **7.6** | **5.9** | **4.7** | **4.6** |
| Net sales | 1,708.8 | 1,708.8 | 1,417.8 | 2,928.9 | 2,928.9 | 2,442.9 | 4,973.7 |
| Cost of goods sold | -1,311.1 | -1,311.1 | -1,126.4 | -2,230.8 | -2,230.8 | -1,938.3 | -3,926.2 |
| **Gross profit** | **397.6** | **397.6** | **291.5** | **698.1** | **698.1** | **504.6** | **1,047.5** |
| **Gross profit (%)** | **23.3** | **23.3** | **20.6** | **23.8** | **23.8** | **20.7** | **21.1** |
| Integration costs and costs related to warehouse move | - | - | 7.1 | - | - | 14.6 | 26.3 |
| Last mile project | - | - | - | 5.2 | 5.2 | - | 4.2 |
| **Adjusted gross profit** | **397.6** | **397.6** | **298.6** | **703.2** | **703.2** | **519.2** | **1,077.9** |
| **Adjusted gross profit (%)** | **23.3** | **23.3** | **21.1** | **24.0** | **24.0** | **21.3** | **21.7** |

* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

## DIY segment

| SEKm | Q2 2019 | Q2 2019* | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2019* | Jan-Jun 2018 | Jan-Dec 2018 |
|---|---|---|---|---|---|---|---|
| **Operating income** | **45.6** | **44.5** | **37.4** | **55.3** | **53.0** | **50.6** | **102.9** |
| Acquisition-related costs | 0.1 | 0.1 | 0.3 | 1.5 | 1.5 | 0.6 | 0.9 |
| **Total items affecting comparability** | **0.1** | **0.1** | **0.3** | **1.5** | **1.5** | **0.6** | **0.9** |
| Amortisation and impairment of acquisition-related intangible fixed assets | 7.3 | 7.3 | 6.8 | 14.4 | 14.4 | 13.7 | 27.4 |
| **Adjusted EBIT** | **53.0** | **51.8** | **44.6** | **71.1** | **68.9** | **64.9** | **131.2** |
| **Adjusted EBIT (%)** | **5.1** | **5.0** | **5.0** | **4.1** | **4.0** | **4.3** | **4.3** |
| Depreciation and amortisation of tangible and intangible fixed assets | 15.2 | 6.7 | 5.1 | 29.4 | 12.6 | 9.0 | 19.0 |
| **Adjusted EBITDA** | **68.1** | **58.6** | **49.7** | **100.6** | **81.5** | **73.9** | **150.2** |
| **Adjusted EBITDA (%)** | **6.5** | **5.6** | **5.5** | **5.8** | **4.7** | **4.9** | **4.9** |
| Net sales | 1,046.2 | 1,046.2 | 900.5 | 1,734.8 | 1,734.8 | 1,507.7 | 3,073.8 |
| Cost of goods sold | -831.3 | -831.3 | -727.9 | -1,371.1 | -1,371.1 | -1,211.5 | -2,461.7 |
| **Gross profit** | **214.9** | **214.9** | **172.6** | **363.8** | **363.8** | **296.2** | **612.1** |
| **Gross profit (%)** | **20.5** | **20.5** | **19.2** | **21.0** | **21.0** | **19.6** | **19.9** |
| **Adjusted gross profit** | **214.9** | **214.9** | **172.6** | **363.8** | **363.8** | **296.2** | **612.1** |
| **Adjusted gross profit (%)** | **20.5** | **20.5** | **19.2** | **21.0** | **21.0** | **19.6** | **19.9** |

* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

## Home Furnishing segment

| | Q2 2019 | Q2 2019* | Q2 2018 | Jan-Jun 2019 | Jan-Jun 2019* | Jan-Jun 2018 | Jan-Dec 2018 |
|---|---|---|---|---|---|---|---|
| **Operating income** | **51.6** | **50.9** | **19.2** | **84.2** | **82.8** | **19.7** | **33.7** |
| Acquisition-related costs | 0.2 | 0.2 | - | 0.2 | 0.2 | 0.3 | 1.1 |
| Integration costs and costs related to warehouse move | - | - | 7.1 | - | - | 15.0 | 27.5 |
| Last mile project | - | - | - | 5.8 | 5.8 | - | 6.3 |
| **Total items affecting comparability** | **0.2** | **0.2** | **7.1** | **6.0** | **6.0** | **15.3** | **34.9** |
| Amortisation and impairment of acquisition-related intangible fixed assets | 2.7 | 2.7 | 2.5 | 5.4 | 5.4 | 4.9 | 10.2 |
| **Adjusted EBIT** | **54.6** | **53.8** | **28.8** | **95.7** | **94.2** | **40.0** | **78.8** |
| **Adjusted EBIT (%)** | **8.2** | **8.0** | **5.5** | **7.9** | **7.8** | **4.2** | **4.1** |
| Depreciation and amortisation of tangible and intangible fixed assets | 18.3 | 4.4 | 2.1 | 34.7 | 7.4 | 4.0 | 9.4 |
| **Adjusted EBITDA** | **72.9** | **58.2** | **30.9** | **130.4** | **101.6** | **44.0** | **88.3** |
| **Adjusted EBITDA (%)** | **10.9** | **8.7** | **5.9** | **10.8** | **8.4** | **4.7** | **4.6** |
| Net sales | 669.8 | 669.8 | 524.0 | 1,203.9 | 1,203.9 | 945.6 | 1,918.8 |
| Cost of goods sold | -486.4 | -486.4 | -403.7 | -868.8 | -868.8 | -735.0 | -1,481.7 |
| **Gross profit** | **183.4** | **183.4** | **120.3** | **335.1** | **335.1** | **210.6** | **437.2** |
| **Gross Profit (%)** | **27.4** | **27.4** | **23.0** | **27.8** | **27.8** | **22.3** | **22.8** |
| Integration costs and costs related to warehouse move | - | - | 7.1 | - | - | 14.6 | 26.3 |
| Last mile project | - | - | - | 5.2 | 5.2 | - | 4.2 |
| **Adjusted gross profit** | **183.4** | **183.4** | **127.4** | **340.3** | **340.3** | **225.2** | **467.6** |
| **Adjusted gross profit (%)** | **27.4** | **27.4** | **24.3** | **28.3** | **28.3** | **23.8** | **24.4** |

* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

## NET DEBT/NET CASH

Management calculates total net debt/net cash as the Group's non-current and current interest-bearing liabilities to credit institutions less cash and cash equivalents, investments in securities and transaction fees, excluding other non-current and current interest-bearing liabilities, which reflects the definition of net debt in the Group's financial covenants. The Group's other non-current and current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense and uncertainty with respect to their actual outcome. Lease liabilities reflect the balance sheet effect of IFRS 16, which was adopted on 1 January 2019.

At the end of the second quarter, net debt amounted to SEK 357.7 million, corresponding to net debt in relation to LTM adjusted EBITDA of 1.2x. The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 391.9 million at the end of the quarter, compared with SEK 320.3 million at the beginning of the year. Lease liabilities reflect the balance sheet effect of IFRS 16, which was adopted on 1 January 2019, and amounted to SEK 362.6 at the end of the quarter, compared with SEK 0.0 million at the beginning of the year.

| | 30 Jun | | 31 Dec |
|---|---|---|---|
| SEKm | 2019 | 2018 | 2018 |
| Non-current interest-bearing debt | 1,222.8 | 871.2 | 973.3 |
| Short-term interest-bearing debt | 166.1 | 23.7 | 42.0 |
| **Total interest-bearing debt** | **1,389.0** | **894.9** | **1,015.3** |
| Cash and cash equivalents | -281.7 | -299.9 | -226.9 |
| Adjustment lease liabilities | -362.6 | - | - |
| Adjustment of earn-outs and deferred payments | -391.9 | -243.8 | -320.3 |
| Adjustment transaction costs | 4.9 | 6.2 | 5.6 |
| **Net debt (+) / Net cash (-)** | **357.7** | **357.5** | **473.6** |

# Definitions

| Performance measure | Definition | Reasoning |
|---|---|---|
| Number of visits | Number of visits to the Group's webstores during the period in question. | This performance measure is used to measure customer activity. |
| Number of orders | Number of orders placed during the period in question. | This performance measure is used to measure customer activity. |
| Gross margin | Gross profit as a percentage of net sales. | Gross margin gives an indication of the contribution margin as a share of net sales. |
| Gross profit | Net sales less cost of goods sold. Gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Gross profit does not include items affecting comparability. | Gross profit gives an indication of the contribution margin in the operations. |
| EBIT | Earnings before interest, tax and acquisition-related amortisation and impairment. | Together with EBITDA, EBIT provides an indication of the profit generated by operating activities. |
| EBIT margin | EBIT as a percentage of net sales. | In combination with net sales growth, EBIT margin is a useful performance measure for monitoring value creation. |
| EBITDA | Operating income before depreciation, amortisation, impairment, financial net and tax. | EBITDA provides a general indication as to the profit generated in the operations before depreciation, amortisation and impairment. |
| EBITDA margin | EBITDA as a percentage of net sales. | In combination with net sales growth, EBITDA margin is a useful performance measure for monitoring value creation. |
| Average order value (AOV) | Total order value (meaning Internet sales, postage income and other related services) divided by the number of orders. | Average order value is a useful indication of revenue generation. |
| Investments | Investments in tangible and intangible fixed assets. | Investments provide an indication of total investments in tangible and intangible assets. |
| Adjusted gross margin | Adjusted gross profit as a percentage of net sales. | Adjusted gross margin gives an indication of the contribution margin as a share of net sales. |
| Adjusted gross profit | Net sales less cost of goods sold. Adjusted gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Adjusted gross profit excludes items affecting comparability. | Adjusted gross profit gives an indication of the contribution margin in the operations. |
| Adjusted EBIT | Adjusted EBIT corresponds to operating income adjusted for amortisation and impairment losses on acquisition-related intangible assets and, from time to time, items affecting comparability. | This performance measure provides an indication of the profit generated by the company's operating activities. |
| Adjusted EBIT margin | Adjusted EBIT as a percentage of net sales. | This performance measure provides an indication of the profit generated by the company's operating activities. |
| Adjusted EBITDA | EBITDA excluding items affecting comparability. | This performance measure provides an indication of the profit generated by the company's operating activities. |
| Adjusted EBITDA margin | Adjusted EBITDA as a percentage of net sales. | This performance measure is relevant to creating an understanding of the operational profitability generated by the business. |
| Adjusted sales and administration costs | The difference between adjusted gross profit and adjusted EBITDA, which excludes other specified items. | Sales and administration costs provide an indication of operating expenses, excluding cost of goods sold, thereby giving an indication of the efficiency of the company's operations. |
| Adjusted sales and administration costs/net sales | Adjusted sales and administration costs as a percentage of net sales. | Provides an indication of operating expenses as a percentage of net sales, thereby giving an indication of operating leverage. |

| | | |
|---|---|---|
| Items affecting comparability | Items affecting comparability relate to events and transactions whose impact on earnings are important to note when the financial results for the period are compared with previous periods. Items affecting comparability include costs of advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations, capital gains and losses on divestments, material impairment losses and other material non-recurring costs and revenue. Items affecting comparability are reported separately to illustrate the performance of the underlying operations. | Items affecting comparability is a term used to describe items which, when excluded, show the company's earnings excluding items which, by nature, are of a non-recurring nature in the operating activities. |
| Cash conversion | Operating cash flow from operating activities as a percentage of adjusted EBITDA | Operating cash conversion enables the company to monitor management of its ongoing investments and working capital. |
| Net sales growth | Annual growth in net sales calculated as a comparison with the preceding year and expressed as a percentage. | Net sales growth provides a measure for the company to compare growth between various periods and in relation to the overall market and competitors. |
| Net debt | The sum of interest-bearing liabilities less cash and cash equivalents. | Net debt is a measure that shows the company's total debt. |
| Operating cash flow | Adjusted EBITDA including changes in working capital (Δ working capital), and less investments in non-current assets (capex). | Operating cash flow is used to monitor cash flow in the operations. |
| Organic growth | Refers to growth for comparable webstores and showrooms compared with the preceding year, including units with consolidated comparative data for a full calendar year, meaning changes in net sales after adjustment for acquired net sales in accordance with the above definition. | Organic growth is a measure that enables the company to monitor underlying net sales growth, excluding the effects of acquisitions. |
| Pro-forma organic growth | Refers to growth for comparable webstores and showrooms compared with the preceding year, including all current units comprising the Group, meaning including year-on-year growth of recent acquisitions. | Pro-forma organic growth is a measure which includes the growth rates of recently acquired companies since joining the Group. This measure thus includes the effect of sales synergies as a result of acquisitions. |
| Working capital | Inventories and non-interest-bearing current assets less non-interest-bearing current liabilities. | Working capital provides an indication of the company's short-term financial capacity, since it gives an indication as to whether the company's short-term assets are sufficient to cover its current liabilities. |
| Operating margin (EBIT margin) | EBIT as a percentage of net sales. | In combination with net sales growth, operating margin is a useful measure in order to monitor value creation. |