



Interim report: 1 January-30 September 2020

## Continued strong growth

- Clear economies of scale and increased margins

### HIGHLIGHTS

#### 1 July - 30 September

- Net sales increased 39.7% to SEK 2,290.3 million (1,639.0). Organic growth was 32.3%
- Gross profit increased 57.0% to SEK 593.5 million (378.1), with a gross margin of 25.9% (23.1)
- Adjusted EBIT amounted to SEK 194.0 million (82.5), corresponding to an adjusted EBIT margin of 8.5% (5.0)
- Operating income amounted to SEK 183.2 million (72.2), corresponding to an operating margin of 8.0% (4.4)
- Cash flow from operating activities amounted to SEK 20.9 million (57.5)
- Net profit for the period amounted to SEK 134.9 million (39.7), an increase of 239.5% on the prior year
- Earnings per share amounted to SEK 1.24 (0.36) before dilution and SEK 1.22 (0.36) after dilution

#### 1 January - 30 September

- Net sales increased 44.8% to SEK 6,613.6 million (4,567.8). Organic growth was 33.1%
- Gross profit increased 57.0% to SEK 1,689.5 million (1,076.2), with a gross margin of 25.5% (23.6)
- Adjusted EBIT amounted to SEK 506.7 million (240.0), corresponding to an adjusted EBIT margin of 7.7% (5.3)
- Operating income amounted to SEK 474.4 million (202.4), corresponding to an operating margin of 7.2% (4.4)
- Cash flow from operating activities amounted to SEK 774.3 million (370.3)
- Net profit for the period amounted to SEK 328.4 million (115.8), an increase of 183.6% on the prior year
- Earnings per share amounted to SEK 3.02 (1.06) before dilution and SEK 2.98 (1.06) after dilution

#### Key events during and after the period

- Acquisition of Sleepo AB on 1 September, which strengthens the Group's portfolio of external and proprietary brands in furniture and home furnishing
- In accordance with a decision made at the Annual General Meeting, an incentive programme for senior executives, key individuals and employees was launched on 2 September, in which 1.0 million warrants, corresponding to a potential dilution effect of 0.9%, were subscribed for

### FINANCIAL SUMMARY

SEKm (if not otherwise stated)	Jul-Sep			Jan-Sep			Jan-Dec 2019
	2020	2019	Δ%	2020	2019	Δ%	
Net sales	2,290.3	1,639.0	39.7	6,613.6	4,567.8	44.8	6,212.5
Gross profit	593.5	378.1	57.0	1,689.5	1,076.2	57.0	1,490.5
Gross margin (%)	25.9	23.1	2.8 p.p.	25.5	23.6	2.0 p.p.	24.0
Adjusted EBIT*	194.0	82.5	135.1	506.7	240.0	111.1	330.1
Adjusted EBIT margin (%)	8.5	5.0	3.4 p.p.	7.7	5.3	2.4 p.p.	5.3
Operating income	183.2	72.2	153.7	474.4	202.4	134.4	282.0
Operating margin (%)	8.0	4.4	3.6 p.p.	7.2	4.4	2.7 p.p.	4.5
Net profit for the period	134.9	39.7	239.5	328.4	115.8	183.6	179.9
Earnings per share before dilution, SEK	1.24	0.36		3.02	1.06		1.64
Earnings per share after dilution, SEK	1.22	0.36		2.98	1.06		1.64
Cash flow from operating activities	20.9	57.5	-63.7	774.3	370.3	109.1	422.2
Net debt (+) / Net cash (-)	86.5	433.1	-80.0	86.5	433.1	-80.0	547.6

\* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 27 of this report for a more detailed description.



# CEO's comments

We have concluded yet another strong quarter. As we reported earlier, changed customer behaviour in the wake of the coronavirus pandemic had an exceptional impact on demand in the second quarter of the year. It is clear that many of the underlying driving forces also had an effect on the third quarter of the year.

The ongoing structural shift from offline to online has accelerated, while changed leisure and travel patterns have also continued. Overall, this has contributed to consumer interest in online shopping and in home improvements remaining on a high level.

As a result of our strong market position and growth in our underlying markets, particularly in the DIY segment, we achieved net sales of SEK 2,290.3 million in the quarter, an increase of 39.7%, of which 32.3% was organic growth. The continued favourable sales growth resulted in an adjusted EBIT of SEK 194.0 million, corresponding to an adjusted EBIT margin of 8.5%.

One of our strategic cornerstones is to constantly develop and expand our product range, both by increasing the depth of the categories in which we are already strong and by broadening our range with the addition of new categories.

As a result of expanding primarily the DIY segment in recent years to include new categories, such as for example, leisure, smart homes and household appliances, the total market that we address has increased. We estimate that the total Nordic market on which we now operate generates sales of approximately SEK 300 billion per year. Since the lion's share of annual market growth is attributable to the online segment, we have, based on our leading position in this part of the market, excellent opportunities to continue to grow in the Nordic region – as well as in the rapidly expanding Eastern European markets where we are present. With rolling net sales of SEK 8.3 billion over the past twelve months – and given the continued growth of our markets – we are well on our way to achieving our milestone of SEK 10 billion in sales.

Satisfied customers are the essence of our work. As we reported earlier, our organisation and our external logistics partners were put to the test by the exceptional growth in the second quarter. We constantly strive to enhance the customer experience and made progress on this in the third quarter, including through important logistics investments that form the foundation for smoother deliveries. Improving customer systems and processes remains a focal point of our journey to fulfil our mission: *We make living easy!*

We have noted rising interest in BHG, both from society at large and from the stock market, as we have continued growing and improved the communication about who we are. From a position about 18 months ago with around a thousand shareholders, we have broadened our ownership base, both on the institutional side and among private investors. We have also seen a distinct uptick in interest in the BHG share among foreign investors. Our current level of slightly more than 5,000 shareholders includes a number of renowned Swedish and international institutions.

In recent quarters, FSN Capital, which was our principle owner for several years, has chosen to gradually pass the baton to a number of new, professional owners, headed by EQT. I want to take this opportunity to thank FSN for their important contribution to our development over the past years.

Finally, I want to thank all of our fantastic employees for their commitment and professionalism – and to welcome our new colleagues from Sleepo AB, which was acquired during the quarter.



Adam Schatz,  
President and CEO

Malmö, 29 October 2020

Adam Schatz

President and CEO, BHG Group



# Condensed consolidated financial information

SEKm (if not otherwise stated)	Jul-Sep		Δ%	Jan-Sep		Δ%	Jan-Dec	
	2020	2019		2020	2019		2019	
Net sales	2,290.3	1,639.0	39.7	6,613.6	4,567.8	44.8	6,212.5	
Gross profit	593.5	378.1	57.0	1,689.5	1,076.2	57.0	1,490.5	
Gross margin (%)	25.9	23.1	2.8 p.p.	25.5	23.6	2.0 p.p.	24.0	
Adjusted EBITDA*	244.6	121.8	100.9	653.3	343.5	90.2	475.3	
Adjusted EBITDA margin (%)	10.7	7.4	3.3 p.p.	9.9	7.5	2.4 p.p.	7.7	
Adjusted EBIT*	194.0	82.5	135.1	506.7	240.0	111.1	330.1	
Adjusted EBIT margin (%)	8.5	5.0	3.4 p.p.	7.7	5.3	2.4 p.p.	5.3	
Items affecting comparability	-	-0.0	-100.0	-	-7.5	-100.0	-7.5	
Operating income	183.2	72.2	153.7	474.4	202.4	134.4	282.0	
Operating margin (%)	8.0	4.4	3.6 p.p.	7.2	4.4	2.7 p.p.	4.5	
Net profit for the period	134.9	39.7	239.5	328.4	115.8	183.6	179.9	
Cash flow from operating activities	20.9	57.5	-63.7	774.3	370.3	109.1	422.2	
Visits (thousands)	75,648	48,007	57.6	224,187	126,472	77.3	184,398	
Orders (thousands)	726	501	44.9	2,158	1,403	53.8	1,940	
Conversion rate (%)	1.0	1.0	-0.1 p.p.	1.0	1.1	-0.1 p.p.	1.1	
Average order value (SEK)	3,058	3,242	-5.7	3,129	3,273	-4.4	3,227	

\* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 27 of this report for a more detailed description.

## COMMENTS ON THE RESULT FOR THE PERIOD

Growth in the third quarter, and now at the beginning of the fourth quarter, bears witness to the fact that the changed customer behaviours during the early stages of the pandemic are persisting to a high degree. Reduced travel and an increased acceptance of remote working have continued to favour consumption within our categories and, in particular, through the online channel.

- The Group's sales amounted to SEK 2,290.3 million for the quarter and SEK 6,613.6 million for the first nine months of the year. Total growth amounted to 39.7% and organic growth to 32.3% for the quarter, and 44.8% and 33.1% for the first nine months of the year. Growth was particularly strong in the DIY segment, in which Sweden performed especially well. The Home Furnishing segment also performed well, with the highest growth noted in Eastern Europe, followed by Sweden.
- Adjusted EBIT amounted to SEK 194.0 million for the quarter and SEK 506.7 million for the first nine months of the year, corresponding to an adjusted EBIT margin of 8.5% for the quarter and 7.7% for the first nine months of the year. The high adjusted EBIT margin was the result of a favourable price and product mix, including the continuously growing share of proprietary brands in the DIY segment, as well as good operational leverage in inventory, logistics and operating expenses due to high growth. The gross margin for the quarter amounted to 25.9%, which was our highest level to date.

- The strengthened SEK, hampered sales growth by approximately 2.0 percentage points during the quarter. At the same time, the positive effects on the cost base meant that the net effect of the currency fluctuations on EBIT were approximately SEK +14 million, corresponding to approximately +0.7 percentage points on the adjusted EBIT margin.
- Cash flow from operating activities was SEK 20.9 million for the quarter. Cash flow for the first nine months of the year amounted to SEK 774.3 million. The strong cash flow was attributable to BHG's attractive business model, which among other things is characterised by low tied-up capital and high cash flows when growth is strong.
- As in earlier quarters, we continued to expand the share of sales from proprietary brands in the DIY segment. The portfolio of brands that we have developed ourselves is growing rapidly. In addition, a number of the companies acquired in recent years have grown strongly, not least due to sales synergies that have been generated in cooperation with other Group companies.
- During the quarter, Sleepo was acquired and was consolidated in our Home Furnishing segment from 1 September. Sleepo has successfully established a leading presence in a number of key home furnishing categories and built a strong portfolio of external and proprietary brands that complement BHG Group's existing portfolio.



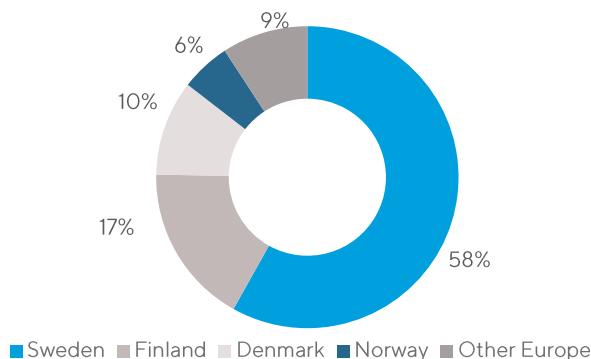
Continued favourable market conditions for Home improvement, meaning the combination of our two segments, DIY and Home Furnishing, contributed to the strong earnings for the quarter.

The breadth of our range is one of our four cornerstones, alongside:

- Scale – *for price leadership and a high share of proprietary brands*
- Digital shopping experience – *to make it possible for the customer to find what they need*
- Complementary infrastructure, in the form of showrooms and services – *so that, step-by-step, we can progress toward our mission, "We make living easy"*

As we have broadened our range and entered new categories, the total market that we address has also expanded. We foresee continued favourable opportunities for category expansion within the framework of Home improvement, including in areas such as smart homes, training, agriculture, household appliances, home furnishing and kitchen equipment. Our estimate, arrived at in collaboration with an external consulting firm, is that the Nordic market that we address is worth approximately SEK 300 billion per year and that online penetration in this market is just under 12%.

#### Distribution of net sales by country (%), Jul-Sep 2020



#### Net sales

Net sales increased 39.7% to SEK 2,290.3 million (1,639.0) for the quarter and 44.8% to SEK 6,613.6 million (4,567.8) for the first nine months of the year. Organic growth was 32.3% for the quarter and 33.1% for the first nine months of the year. Proforma organic growth (also including the performance of recent acquisitions, which typically grow faster when they become part of the Group) was 32.5% for the quarter and 34.3% for the first nine months of the year.

Net sales in the DIY segment increased 46.0% and organic growth was 34.6% for the quarter, and 54.3% and 35.6% for the first nine months of the year. Our major platforms, such as bygghemma.se, delivered on a high level, at the same time as some of the Group's more specialised destinations, including Arc E-commerce and Nordiska Fönster, both with strong portfolios of proprietary brands, grew by more than 100%.

Net sales in the Home Furnishing segment increased 29.5% and organic growth was 28.6% for the quarter, and 30.7% and 29.4% for the first nine months of the year. The

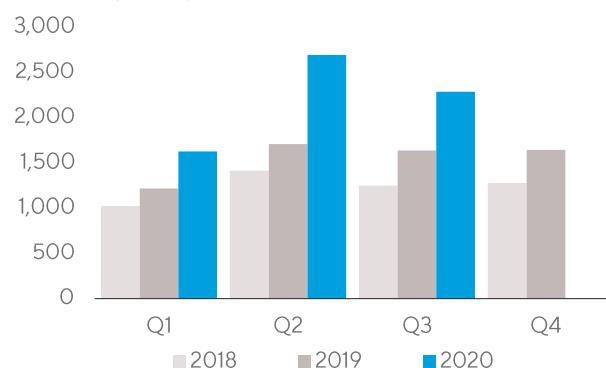
East European and Swedish markets delivered the highest growth.

The Group's webstores received 75.6 million (48.0) visits during the quarter, generating 726 thousand (501) orders, as well as 224.2 million (126.5) visits and 2,158 thousand (1,403) orders in the first nine months of the year. For some time now, the vast majority of traffic to the Group's destinations has come from tablets and mobiles. The Group's market-leading traffic generation and web team thus apply a "mobile first" approach.

Just as during the second quarter of the year, the Group's sales mix changed during the period, among other things, because of the sharp growth in product categories with slightly lower AOV. However, as the gross margin trend clearly demonstrates, this did not have any negative effect on earnings since an advantageous AOV structure could be maintained in relation to the delivery options relevant to a given category. In other words, the AOV for bulky products, which are sent on pallets, remained high and the high growth for small parcels could be managed by delivering to service points. Finally, it can be noted that approximately 25% of the decline in AOV was due to negative currency effects.

Although the trend in the number of visits to the Group's destinations was strong – with growth of 45% – the conversion rate stayed at a level in line with the year-earlier period.

#### Net sales (SEKm)



#### Gross margin and SG&A

The product margin was 37.0% (34.4) for the quarter and 36.6% (34.8) during the first nine months of the year. The recognised gross margin (that is, the margin after deductions for direct selling expenses, such as freight, inventory management, etc.), amounted to 25.9% (23.1) for the quarter, the strongest we have reported to date, and 25.5% (23.6) for the first nine months of the year.

The strong, and in both segments significantly improved, gross margin is explained by:

- A higher share of sales of proprietary brands.
- Continued focus on maintaining the price points for bulky products, for which the shipping costs otherwise comprise a significant portion of the gross contribution.
- Additional cost and process efficiency gains in purchasing and logistics, partly as a result of the high volumes.
- Fewer campaigns than usual in conjunction with the end of the season due to strong demand, combined with a limited



market offering for certain product categories (such as greenhouses, whirlpool bathtubs and garden equipment).

- Positive net effects on the gross margin from currency fluctuations, particularly from a strengthened SEK against the USD and EUR.

The Group's selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 348.9 million (256.4) for the quarter, corresponding to 15.2% (15.6) of net sales, and to SEK 1,036.2 million (737.9) for the first nine months of the year, corresponding to 15.7% (16.2).

The level of SG&A in relation to net sales during the quarter was low, as it was during the exceptional second quarter. Cost focus is and will remain one of the cornerstones of our culture and is a prerequisite for our continued price leadership in the market. At the same time, the Group is in a phase in which we are adding resources to manage the high growth in the short term, while also continuing to build the organisation to enable the delivery of high growth and favourable levels of customer satisfaction also in the long term. Our continued endeavour to ramp up the share of proprietary brands will also require a somewhat more comprehensive organisation and probably also slightly higher online marketing, which we report as part of SG&A.

Finally, SG&A was charged with costs of SEK 10.7 million related to the incentive programme that was launched during the quarter.

No items affecting comparability were charged to the quarter or to the first nine months of the year. As of the third-quarter of 2019, expenses relating to the execution of the Group's ongoing M&A agenda have been treated as part of the ordinary course of business and are not therefore treated as items affecting comparability.

## **Earnings**

Continued favourable market conditions and both segments' strong position contributed to the operating margin nearly reaching the record-breaking level of the second quarter and the operating margin for the first nine months of the year amounted to its highest level to date.

The Group's adjusted EBIT amounted to SEK 194.0 million (82.5) for the quarter and SEK 506.7 million (240.0) for the first nine months of the year, corresponding to an EBIT margin of 8.5% (5.0) for the quarter and 7.7% (5.3) for the first nine months of the year.

Items affecting comparability amounted to SEK 0.0 million (0.0) for the quarter and SEK 0.0 (7.5) for the first nine months of the year.

The Group's operating income amounted to SEK 183.2 million (72.2) for the quarter, corresponding to an operating margin of 8.0% (4.4), and SEK 474.4 million (202.4) for the first nine months of the year, corresponding to an operating margin of 7.2% (4.4).

Amortisation of acquisition-related intangible assets amounted to SEK 10.8 million (10.3) for the quarter and SEK 32.3 million (30.2) for the first nine months of the year and comprised amortisation of identified surplus values related to customer relationships and customer databases in acquired companies. No impairment of goodwill or other assets was

identified during the period, or in the corresponding period of the preceding year.

The Group's net financial items amounted to SEK -10.0 million (-16.7) for the quarter. Interest expenses for the quarter amounted to SEK -7.5 million, of which SEK -2.8 million related to lease liabilities in accordance with IFRS 16. The Group's net financial items amounted to SEK -49.1 million (-46.5) for the first nine months of the year, which included reassessed earn-outs of SEK -25.0 million. Interest expenses amounted to SEK -23.9 million, of which SEK -8.3 million related to lease liabilities in accordance with IFRS 16.

The Group's profit before tax was SEK 173.2 million (55.5) for the quarter and SEK 425.3 million (155.9) for the first nine months of the year.

Net income amounted to SEK 134.9 million (39.7) for the quarter and SEK 328.4 million (115.8) for the first nine months of the year. The effective tax rate was -22.1% (-28.5), corresponding to SEK -38.3 million (-15.8) for the quarter and -22.8% (-25.7), corresponding to SEK -96.9 million (-40.1) for the first nine months of the year.

## **KEY EVENTS DURING AND AFTER THE THIRD QUARTER OF 2020**

- Acquisition of Sleepo AB on 1 September, which strengthens the Group's portfolio of external and proprietary brands in furniture and home furnishing.
- In accordance with a decision made at the Annual General Meeting, an incentive programme for senior executives, key individuals and employees was launched on 2 September, in which 1.0 million warrants, corresponding to a potential dilution effect of 0.9%, were subscribed for.

## **FINANCIAL TARGETS**

The Group's medium-term financial targets remain unchanged since the previous quarter.

### **Net sales growth**

Increase net sales by an average of 20-25% per year over the medium term, with approximately 15% of this increase comprising organic growth. The Group'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 EBIT margin of about 7% 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.

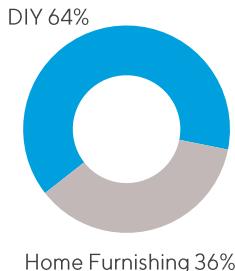


# 2020/Q3

## DIY segment

- The segment reported an extraordinarily strong quarter, characterised by healthy growth, record-breaking gross margins and cost control, which combined to result in the highest adjusted EBIT margin to date
- The segment's net sales increased 46.0% in the quarter and 54.3% in the first nine months, of which organic growth accounted for 34.6% and 35.6%, respectively
- The gross margin was 23.1% (20.7) for the quarter and 22.9% (20.9) during the first nine months of the year. The margin was favourably impacted by a high share of sales comprising proprietary brands, as well as healthy demand and, accordingly, less intensive sales campaigns than usual
- Adjusted EBIT amounted to SEK 131.2 million (47.7) for the quarter and SEK 333.0 million (118.8) for the first nine months of the year, corresponding to an adjusted EBIT margin of 9.0% (4.8) and 7.9% (4.3), respectively

**Net sales by segment, Jul-Sep 2020**



SEKm (if not otherwise stated)	Jul-Sep			Jan-Sep			Jan-Dec 2019
	2020	2019	Δ%	2020	2019	Δ%	
Net sales	1,463.8	1,002.7	46.0	4,223.9	2,737.5	54.3	3,700.8
Gross profit	338.8	207.6	63.2	965.8	571.4	69.0	794.3
Gross margin (%)	23.1	20.7	2.4 p.p.	22.9	20.9	2.0 p.p.	21.5
Adjusted EBITDA	155.5	65.8	136.1	403.3	166.4	142.3	235.4
Adjusted EBITDA margin (%)	10.6	6.6	4.1 p.p.	9.5	6.1	3.5 p.p.	6.4
Adjusted EBIT	131.2	47.7	175.3	333.0	118.8	180.4	167.9
Adjusted EBIT margin (%)	9.0	4.8	4.2 p.p.	7.9	4.3	3.5 p.p.	4.5
Items affecting comparability	-	-0.0	-100.0	-	-1.5	-100.0	-1.4
Operating income	123.2	40.1	207.2	309.0	95.4	223.9	136.9
Operating margin (%)	8.4	4.0	4.4 p.p.	7.3	3.5	3.8 p.p.	3.7
Net profit for the period	92.8	13.3	596.3	205.7	38.6	433.5	28.1
Visits (thousands)	36,401	20,126	80.9	108,039	61,111	76.8	86,473
Orders (thousands)	436	283	53.9	1,334	832	60.4	1,141
Conversion rate (%)	1.2	1.4	-0.2 p.p.	1.2	1.4	-0.1 p.p.	1.3
Average order value (SEK)	3,225	3,364	-4.2	3,266	3,302	-1.1	3,255

### COMMENTS ON THE DIY SEGMENT

The DIY segment followed up its exceptionally strong performance in the second quarter with yet another strong quarter, during which its position as the leading player in online DIY in the Nordics was strengthened. The start of the fourth quarter has also been strong.

- Growth in the segment had already picked up towards the end of 2019 and during the first quarter of 2020, to subsequently accelerate sharply in the second half of March and throughout the second quarter. The strong growth that continued in the third quarter of the year bears witness to the effects of the changed customer behaviours in the wake of the pandemic continuing to have a favourable, although somewhat diminishing, impact. It

seems likely that the higher e-commerce penetration will persist, which would mean that a new base has been established from which we can continue to grow.

- During the quarter, we continued to develop our customer offering – the BHG ecosystem – i.a. through continuous expansion of the market's leading range of external brands and strong growth for our proprietary brands. Furthermore, the foundation has been laid for significantly improving the delivery service during the fourth quarter by introducing consolidated deliveries for our Swedish platform. The introduction of this service, combined with the option of evening deliveries, will bring additional flexibility and choice for our customers. In addition, we are continuing to roll out our installation platform, which encompasses a



significant share of the relevant product categories and enables a centralised, standardised and quality-assured workflow. Our nationwide Swedish installation network is in place and the installation platform has now also been introduced in the Finnish market.

The DIY segment accounted for 64% of the Group's total net sales for the quarter and 64% for the first nine months of the year. Net sales increased 46.0% to SEK 1,463.8 million (1,002.7) for the quarter and 54.3% to SEK 4,223.9 million (2,737.5) during the first nine months of the year.

The segment's platforms in Sweden, Finland and Denmark performed well during the quarter, while a number of the more specialised operations in Sweden, particularly those with a high share of proprietary brands, reported very strong growth.

As we reported earlier, our portfolio generally has a good balance between well-known external and our own brands. The former will continue to comprise the majority share of sales in the segment, but at the same time, we see scope for further increasing the share of proprietary brands, not least since have achieved critical mass in the form of infrastructure and human capital to be able to cost-efficiently develop and sell proprietary brands.

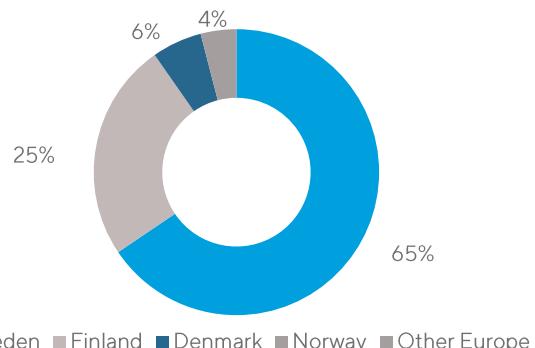
Our own brands also tend to sell well throughout the Nordic markets. An example of this is Bathlife, our flagship in the bathroom category. Bathlife was developed by our Swedish team and was the single best-selling brand on our Swedish platform during the quarter. At the same time Bathlife also had strong growth in Finland and was the second-largest individual brand on our Finnish platform during the quarter (after a local sauna brand).

Growth was particularly strong in categories such as bathroom, leisure and garden, leading to a change in product mix. The strong demand also entailed that product availability was limited in some categories with high AOVs, such as in garden (large machinery, greenhouses and whirlpool bathtubs, for example). Overall, this resulted in a shift in the ratio between large, bulky items (that are sent on pallets) and small parcels (that are sent as packages to service points), which, alongside a negative currency effect, is the reason for the decline in AOV in the period.

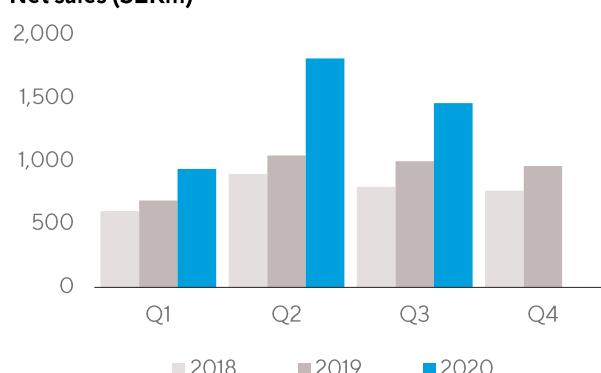
Adjusted EBIT for the quarter amounted to SEK 131.2 million (47.7), with an adjusted EBIT margin of a record-breaking 9.0% (4.8). Adjusted EBITA for the first nine months of the year amounted to SEK 333.0 million (118.8), with an adjusted EBIT margin of 7.9% (4.3).

The segment's operating income amounted to SEK 123.2 million (40.1) for the quarter, corresponding to an operating margin of 8.4% (4.0). Operating income for the first nine months of the year amounted to SEK 309.0 million (95.4), with an operating margin of 7.3% (3.5).

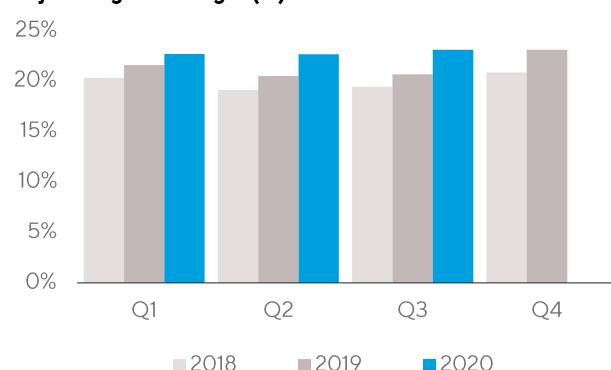
#### Distribution of net sales by country (%), Jul-Sep 2020



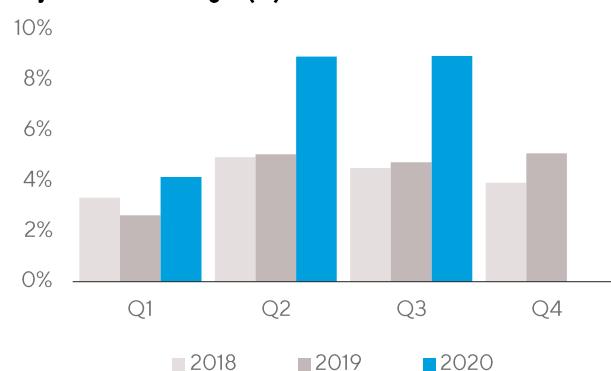
#### Net sales (SEKm)



#### Adjusted gross margin (%)



#### Adjusted EBIT margin (%)

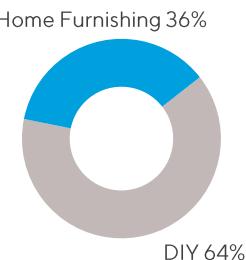




## Home Furnishing segment

- Growth and profitability for the segment were healthy. The operations in Eastern Europe, followed by those in Sweden and Denmark, displayed the most robust growth. At the same time, steps were taken to prepare for accelerating our presence in Norway
- The segment's net sales increased 29.5% in the quarter and 30.7% in the first nine months, of which organic growth accounted for 28.6% and 29.4%, respectively
- The gross margin amounted to SEK 30.7% (26.5) for the quarter and SEK 30.0% (27.4) for the first nine months of the year
- Adjusted EBIT amounted to SEK 82.9 million (38.6) for the quarter and SEK 212.6 million (134.3) for the first nine months of the year, corresponding to an adjusted EBIT margin of 9.9% (6.0) and 8.8% (7.3), respectively
- Sleepo was acquired during the year and consolidated in the segment as of September

**Net sales by segment, Jul-Sep 2020**



SEKm (if not otherwise stated)	Jul-Sep		Δ%	Jan-Sep		Δ%	Jan-Dec
	2020	2019		2020	2019		2019
Net sales	833.8	643.9	29.5	2,414.2	1,847.8	30.7	2,533.1
Gross profit	255.6	170.8	49.7	725.3	505.9	43.4	697.5
Gross margin (%)	30.7	26.5	4.1 p.p.	30.0	27.4	2.7 p.p.	27.5
Adjusted EBITDA	109.3	59.7	83.0	288.8	190.1	51.9	262.7
Adjusted EBITDA margin (%)	13.1	9.3	3.8 p.p.	12.0	10.3	1.7 p.p.	10.4
Adjusted EBIT	82.9	38.6	114.6	212.6	134.3	58.2	185.0
Adjusted EBITmargin (%)	9.9	6.0	3.9 p.p.	8.8	7.3	1.5 p.p.	7.3
Items affecting comparability	-	-		-	-6.0	-100.0	-6.0
Operating income	80.1	35.9	123.4	204.3	120.1	70.1	168.0
Operating margin (%)	9.6	5.6	4.0 p.p.	8.5	6.5	2.0 p.p.	6.6
Net profit for the period	59.7	27.7	115.7	155.7	88.7	75.5	74.6
Visits (thousands)	39,247	27,881	40.8	116,148	65,361	77.7	97,925
Orders (thousands)	290	218	33.1	824	571	44.3	799
Conversion rate (%)	0.7	0.8	0.0 p.p.	0.7	0.9	-0.2 p.p.	0.8
Average order value (SEK)	2,807	3,084	-9.0	2,907	3,230	-10.0	3,188

### COMMENTS ON THE HOME FURNISHING SEGMENT

The Home Furnishing segment is now in its eighth consecutive quarter of good growth and a strong operating margin. The positive trend thus predates the outbreak of the coronavirus pandemic. Compared to the DIY segment, the effects of the changed customer behaviours in the wake of the pandemic were also less significant.

- The segment recorded growth of 29.5% and organic growth of 28.6% for the quarter.
- The further development of our warehouse and logistics infrastructure in the Nordics continued, with a uniform and modern software platform in place at all last-mile terminals, which for example enables improved track-and-trace functionality for customers.

- Net sales increased most in the East European markets, followed by the Swedish and Danish markets.
- The Norwegian market had the lowest level of growth in the quarter, which was partly due to the price increases implemented in the second quarter to offset the effects of the then rapidly weakened NOK. The currency has since stabilised. At the same time, we deem that the growth potential in the Norwegian market is good and important steps have been taken to accelerate growth, including advanced plans to open a first showroom in Norway, which is intended to ultimately serve as a base for the Norwegian organisation, and establish last-mile infrastructure.



Net sales in the Home Furnishing segment rose 29.5% to SEK 833.8 million (643.9) for the quarter and the segment, corresponding to 36% of the Group's total net sales. In the first nine months of the year, net sales increased 30.7% to SEK 2,414.2 million (1,847.8), corresponding to 36% of the Group's total net sales. Organic growth amounted to 28.6% for the quarter and was in line with that delivered by the segment since the third quarter of 2019.

For the second consecutive quarter, the single category with the fastest growth was interior design, followed by bathroom and flatpacks (that is tables, chairs, etc.). Just as in the second quarter, the growth in the interior design category led to a change in the product mix, which, combined with the rapid growth in Eastern Europe and negative currency effects, contributed to somewhat lower AOV for the segment over the year-earlier quarter. However, it was possible to maintain a good margin structure, since the AOV for the part of the range that is sent on pallets remained at a high level.

Key steps were taken to further develop the Nordic warehouse and logistics infrastructure, including consolidation of the central warehouse in Helsingborg. With a space of 48,800 m<sup>2</sup>, it now accommodates the entire stock of indoor furniture for our Home Furnishing Nordic operation, which serves all of the Nordic markets.

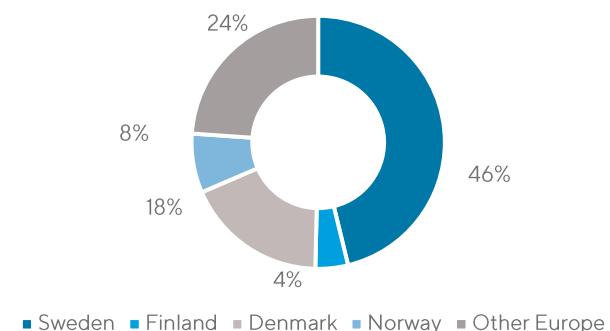
In addition, the new software platform in the last-mile terminals enables improved track-and-trace options for customers. The new platform is also a requirement for enabling booking times for evening and weekend deliveries, for example, and the option of collection at terminal - functionality that is planned for launch during the fourth quarter.

There are also plans for the last-mile infrastructure in greater Stockholm to be expanded during the fourth quarter. Next in line, probably as early as the first quarter of 2021, is Oslo, where a first showroom is also scheduled to open before the end of the year.

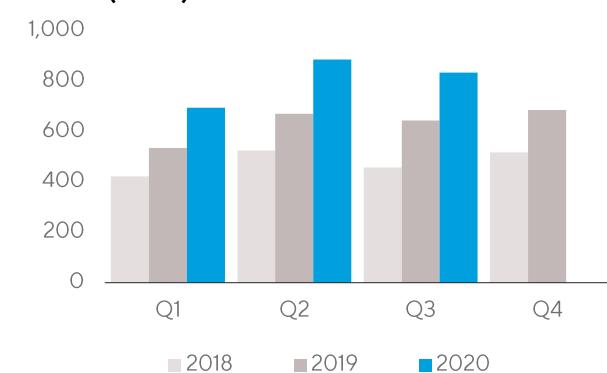
Adjusted EBIT for the quarter amounted to SEK 82.9 million (38.6), with an adjusted EBIT margin of 9.9% (6.0). Adjusted EBITA for the first nine months of the year amounted to SEK 212.6 million (134.3), with an adjusted EBIT margin of 8.8% (7.3).

The segment's operating income amounted to SEK 80.1 million (35.9) for the quarter, corresponding to an operating margin of 9.6% (5.6). Operating income for the first nine months of the year amounted to SEK 204.3 million (120.1), with an operating margin of 8.5% (6.5).

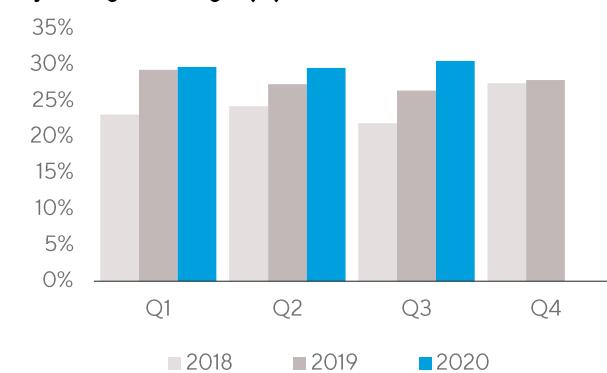
#### Distribution of net sales by country (%), Jul-Sep 2020



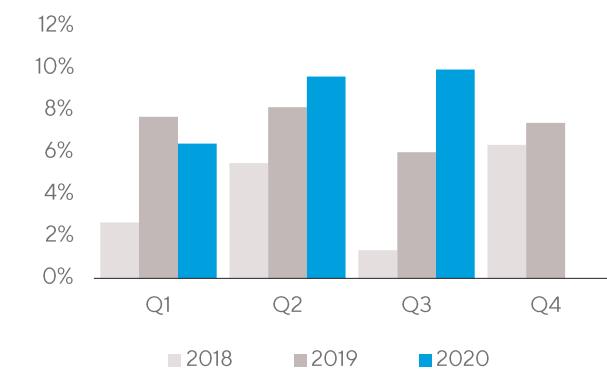
#### Net sales (SEKm)



#### Adjusted gross margin (%)



#### Adjusted EBIT margin (%)





# Other

## CASH FLOW AND FINANCIAL POSITION

The Group's cash flow from operating activities for the quarter was SEK 20.9 million (57.5) and SEK 774.3 million (370.3) for the first nine months of the year. Cash flow from operating activities was mainly driven by the Group's EBITDA during the first nine months of the year, as well as the favourable working capital trend, which is the result of a high share of direct deliveries from suppliers, relatively limited inventory levels as well as low levels of accounts receivable (due to factoring without regress and a high share of card payments).

The exceptional demand during the second quarter of the year led to an increase in working capital during the third quarter as a result of an outflow of supplier payments. Accordingly, this partially changed the usual seasonal profile for working capital, with inventory build-ups of primarily outdoor furniture and leisure products during the first quarter prior to the peak season, with high sales and thus high cash conversion during the seasonally strong second and third quarters, after which working capital and inventories typically increase in the fourth quarter.

Cash flow from operating activities was SEK 20.9 million (57.5), corresponding to a cash conversion (in relation to adjusted EBITDA) of 8.1% (41.9), and was SEK 774.3 million (370.3) for the first nine months of the year, corresponding to a cash conversion (in relation to adjusted EBITDA) of 116.2% (99.4).

The Group's cash flow to investing activities was SEK -100.2 million (-90.4) for the quarter and SEK -182.0 million (-237.5) for the first nine months of the year, and during the period was mainly attributable to the acquisition of Sleepo AB, disbursements for contracted considerations and earn-outs related to acquisitions in previous periods, as well as IT investments related to web platforms and logistics solutions.

Cash flow from and to financing activities was SEK 54.3 million (57.5) for the quarter and SEK 18.9 million (-57.5) for the first nine months of the year, attributable to the increased drawdown of the Group's acquisition facility, repayment of lease liabilities, warrant premiums paid and interest paid.

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 874.2 million (270.3), which is mainly attributable to the Group's positive operating cash flow during the period.

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, amounted to SEK 86.5 million at the end of the period, compared with SEK 547.6 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 0.1x, which outperformed the Group's medium-term capital structure target.

The Group's other current and non-current interest-bearing liabilities consist of contingent 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 728.6 million at the end of the period, compared with SEK

554.5 million at the beginning of the year (also refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" for a more detailed description).

The Group's unutilised credit facilities amounted to SEK 434.2 million at the end of the period, compared with SEK 577.1 million at the beginning of the year.

The Group's total assets at the end of the reporting period amounted to SEK 6,957.5 million, compared to SEK 6,018.2 million at the beginning of the year.

The Group's equity at the end of the reporting period amounted to SEK 3,145.2 million (SEK 2,925.1 million at the beginning of the year).

## EMPLOYEES

The number of employees (measured as FTEs) was 1,775 at the end of the period. The average number of employees (FTEs) for the most recent 12-month period was 1,559.

## SEASONAL VARIATIONS

The Group's operations are impacted by seasonal variations' effect on 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 (approximately 60%) of the Group's sales are normally generated, and lower in the first and fourth quarters. Although seasonal variations do not normally affect the Group's relative earnings and cash flow from year to year, earnings and cash flow may be impacted in years with extremely mild or severe weather conditions, or with very high or low rainfall. 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 amounted to SEK 0.1 million (0.2) for the quarter and SEK 1.6 million (0.7) for the first nine months of the year. In the previous periods, the Group's CEO, CFO and COO were the only employees of the Parent Company. Due to organisational changes in the second quarter, an additional number of employees was transferred to the Parent Company. The incentive programme launched during the quarter was charged to the Parent Company's earnings in an amount of SEK -10.7 million (0.0). The Parent Company posted an operating loss of SEK -19.5 million (-3.2) for the quarter and SEK -32.8 million (-12.0) for the first nine months of the year. The Parent Company's cash and cash equivalents totalled SEK 33.0 million at the end of the reporting period, compared with SEK 17.2 million at the beginning of the year.



## ACCOUNTING POLICIES

This report has been prepared by applying the rules of IAS 34 Interim Financial Reporting and applicable regulations contained in the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. For the Group and the Parent Company, the same accounting policies and estimation techniques have been applied as in the 2019 annual report, with the exception of the change of accounting policy for interest payments in the cash flow statement as described below.

The Group also applies the European Securities and Markets Authority's (ESMA) guidelines for alternative performance measures. Definitions of alternative performance measures can be found in the relevant reconciliations on pages 27-31 of this report.

The interim information on page 1-14 is an integrated part of this financial report.

### Change of accounting policy regarding interest payments in the cash flow statement

As of 1 January 2020, BHG recognises interest paid under financing activities in the statements of cash flows for the Group and the Parent Company. Interest paid was previously recognised as part of operating activities. Comparative periods for 2019 have been restated to reflect this change. BHG believes that recognition of interest paid under financing activities leads to more reliable and relevant information about cash flows attributable to financing via interest-bearing liabilities. This is because financing activities in the cash flow statement will not then only include cash flows attributable to raising and amortising loans, but also cash flows attributable to the payment of interest on the loans raised. As a result of the change in policy, the amount of interest paid can also be seen directly in the statement of cash flows since interest paid is presented on a separate row under financing activities. In connection with this, BHG has also chosen to present interest received as part of investment activities.

### Effects of change of accounting policy

Due to the change of accounting policy, the cash flow from operating activities for the comparative year of 2019 increased by an amount corresponding to net interest payments, while the cash flow from financing activities decreased by an amount corresponding to interest paid, and investment activities increased by an amount corresponding to interest received. The tables below present the effects of the change of accounting policy for the quarter and full year 2019.

#### Group

- Cash flow from operating activities increased SEK 6.1 million in the third quarter of 2019 and SEK 28.9 million for the full year.

- Cash flow from financing activities decreased SEK 6.1 million in the third quarter of 2019 and SEK 30.5 million for the full year.
- Cash flow to investing activities increased SEK 0.0 million in the third quarter and SEK 1.5 million for the full year.

#### Parent Company

- Cash flow from operating activities increased SEK 0.4 million in the third quarter of 2019 and SEK 1.7 million for the full year.
- Cash flow from financing activities decreased SEK 0.4 million in the third quarter of 2019 and SEK 1.8 million for the full year.
- Cash flow to investing activities increased SEK 0.0 million in the third quarter and SEK 0.1 million for the full year.

## 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 2019 annual report. Apart from the risks described therein, the assessment is that there are no additional material risks.

The long-term effects of the coronavirus pandemic are currently difficult to assess, see also Note 5.

## RELATED-PARTY TRANSACTIONS

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

## THE BHG SHARE

The BHG Group AB (publ) share is listed on Nasdaq Stockholm Mid Cap under the ticker BHG with the ISIN code SE0010948588.

The share price at the beginning of the year was SEK 58.4. On the last day of trading in the period, the share price was SEK 126.2. The highest price paid, quoted in September, was SEK 127.0, and the lowest price paid, quoted in March, was SEK 36.2.

During the first nine months of 2020, 93,895,520 BHG shares were traded, equivalent to a turnover rate of 87.5%.

As per 30 September, BHG had approximately 5,200 shareholders, of which the largest were EQT (20.0%), Swedbank Robur Fonder (8.2%), Capital Group (8.0%), Handelsbanken Fonder (4.6%) and Lannebo Fonder (4.3%).

As per 30 September 2020, the number of shares issued was 107,368,421, all of which were ordinary shares.



**Malmö, 29 October 2020**

**Adam Schatz**  
President and CEO

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

This information is information that BHG Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 7:00 a.m. CET on 29 October 2020.

#### **CONTACT INFORMATION**

For further information, visit [www.wearebhg.com](http://www.wearebhg.com) or contact:

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

Adam Schatz, President and CEO, and Jesper Flemme, Acting CFO, will hold a conference call at 10:00 a.m. on Thursday 29 October in connection with the publication of the interim report. The call will be held in English. To participate, please call +46 (0)8 5055 8357 or visit <https://tv.streamfabriken.com/bhg-q3-2020>. The presentation is available from the Group's website: <https://www.wearebhg.com/investors/presentations/>



#### **QUARTERLY REPORTS ON WWW.WEAREBHG.COM**

The full report for the period January–September 2020 and previous quarterly and year-end reports are available at <https://www.wearebhg.com/investors/financial-reports/>

#### **FINANCIAL CALENDAR**

29 January 2021	Year-end report 2020
27 April 2021	Interim report January–March 2021
5 May 2021	Annual general meeting (Malmö)
22 July 2021	Interim report January–June 2021
28 October 2021	Interim report January–September 2021



## ABOUT THE GROUP

BHG is the number 1 consumer e-commerce company in the Nordics. We're also present in most of Eastern and Central Europe. Our strong position in these markets makes us the largest European pure-play within the Home Improvement space, meaning Do-It-Yourself and Home furnishings. With an ecosystem of online stores, supported by physical destinations and services, such as last-mile deliveries and installations, we offer the market's leading range of well-known external and strong own brands, totalling just under 1,000,000 unique products and encompassing a complete offering within DIY, leisure, furniture and home furnishings.

The Group includes over 85 online destinations – including sites like [www.bygghemma.se](http://www.bygghemma.se), [www.trademax.se](http://www.trademax.se), [www.chilli.se](http://www.chilli.se) and [www.furniturebox.se](http://www.furniturebox.se) – and over 70 showrooms. We are headquartered in Malmö, Sweden, with operations throughout Europe. Our share is traded on Nasdaq Stockholm, under the ticker BHG.

The BHG brands employ more than 1,900 people, working every day to create the ultimate online shopping experience by combining an unbeatable product range with smart technology, leading product expertise and a broad range of services.



# Auditor's report

BHG Group AB, reg. no. 559077-0763

## INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of BHG Group AB (publ) as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, 29 October 2020

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi  
Partner in charge  
Authorized Public Accountant

Vicky Johansson  
Authorized Public Accountant



# Condensed consolidated income statement

SEKm	Jul-Sep		Jan-Sep		Jan-Dec 2019
	2020	2019	2020	2019	
Net sales	2,290.3	1,639.0	6,613.6	4,567.8	6,212.5
Other operating income	0.4	0.2	0.1	0.2	0.3
<b>Total net sales</b>	<b>2,290.7</b>	<b>1,639.1</b>	<b>6,613.7</b>	<b>4,568.0</b>	<b>6,212.7</b>
Cost of goods sold	-1,696.8	-1,260.8	-4,924.1	-3,491.6	-4,721.9
Personnel costs	-166.1	-118.3	-471.3	-349.2	-493.4
Other external costs and operating expenses	-183.2	-136.8	-563.6	-385.0	-525.5
Other operating expenses	-0.1	-1.9	-1.4	-7.4	-4.9
Depreciation and amortisation of tangible and intangible fixed assets	-61.4	-49.1	-178.9	-132.4	-185.0
<b>Operating income</b>	<b>183.2</b>	<b>72.2</b>	<b>474.4</b>	<b>202.4</b>	<b>282.0</b>
Profit/loss from financial items	-10.0	-16.7	-49.1	-46.5	-48.9
<b>Profit before tax</b>	<b>173.2</b>	<b>55.5</b>	<b>425.3</b>	<b>155.9</b>	<b>233.1</b>
Income tax	-38.3	-15.8	-96.9	-40.1	-53.2
<b>Profit for the period</b>	<b>134.9</b>	<b>39.7</b>	<b>328.4</b>	<b>115.8</b>	<b>179.9</b>
Attributable to:					
Equity holders of the parent	133.0	39.0	323.9	113.6	176.2
Non-controlling interest	2.0	0.7	4.5	2.2	3.6
<b>Net income for the period</b>	<b>134.9</b>	<b>39.7</b>	<b>328.4</b>	<b>115.8</b>	<b>179.9</b>
Earnings per share before dilution, SEK	1.24	0.36	3.02	1.06	1.64
Earnings per share after dilution, SEK	1.22	0.36	2.98	1.06	1.64

\* The formula for earnings per share is as follows: earnings per share = net profit/loss for the period/(average number of ordinary shares outstanding + dilution effect due to outstanding warrants). At the end of the period, there was a total of 5,407,542 (4,370,542) warrants outstanding, of which 2,020,709 (0) had a dilution effect during the quarter and 1,248,833 (0) had a dilution effect during the first nine months of the year.



# Condensed consolidated statement of comprehensive income

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2020	2019	2020	2019	2019
Profit for the period	134.9	39.7	328.4	115.8	179.9
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss					
Translation differences for the period	2.0	7.7	-6.1	23.1	5.8
<b>Other comprehensive income for the period</b>	<b>2.0</b>	<b>7.7</b>	<b>-6.1</b>	<b>23.1</b>	<b>5.8</b>
<b>Total comprehensive income for the period</b>	<b>136.9</b>	<b>47.5</b>	<b>322.2</b>	<b>138.9</b>	<b>185.7</b>
<b>Total comprehensive income attributable to:</b>					
Parent Company shareholders	134.8	46.2	317.5	135.3	181.6
Non-controlling interest	2.2	1.3	4.7	3.6	4.1
<b>Total comprehensive income for the period</b>	<b>136.9</b>	<b>47.5</b>	<b>322.2</b>	<b>138.9</b>	<b>185.7</b>
<b>Shares outstanding at period's end</b>	<b>107,368,421</b>	<b>107,368,421</b>	<b>107,368,421</b>	<b>107,368,421</b>	<b>107,368,421</b>
<b>Average number of shares</b>					
Before dilution	107,368,421	107,368,421	107,368,421	107,368,421	107,368,421
After dilution	109,389,130	107,368,421	108,617,254	107,368,421	107,368,421

\* The average number of shares before and after dilution differs because the exercise price for the outstanding employee warrant programmes is less than the average share price during the quarter and the first nine months of the year, respectively.



# Condensed consolidated statement of financial position

SEKm	30 Sep		31 Dec
	2020	2019	2019
<b>Non-current assets</b>			
Goodwill	3,050.0	2,855.2	2,896.7
Other intangible fixed assets	1,335.1	1,293.0	1,293.6
<b>Total intangible fixed assets</b>	<b>4,385.1</b>	<b>4,148.2</b>	<b>4,190.2</b>
Buildings and land	10.6	11.1	10.7
Leased fixed assets	477.6	411.5	459.2
Tangible fixed assets	45.4	35.2	39.8
Financial fixed assets	8.5	5.2	6.6
Deferred tax asset	18.6	10.5	13.5
<b>Total fixed assets</b>	<b>4,945.9</b>	<b>4,621.7</b>	<b>4,720.1</b>
<b>Current assets</b>			
Inventories	767.8	634.7	668.4
Current receivables	369.6	309.0	359.5
Cash and cash equivalents	874.2	307.1	270.3
<b>Total current assets</b>	<b>2,011.6</b>	<b>1,250.8</b>	<b>1,298.1</b>
<b>Total assets</b>	<b>6,957.5</b>	<b>5,872.5</b>	<b>6,018.2</b>
<b>Equity</b>			
Equity attributable to owners of the parent	3,106.7	2,914.1	2,889.7
Non-controlling interest	38.5	34.9	35.4
<b>Total equity</b>	<b>3,145.2</b>	<b>2,949.0</b>	<b>2,925.1</b>
<b>Non-current liabilities</b>			
Deferred tax liability	256.1	244.7	249.6
Other provisions	24.0	1.8	23.0
Non-current interest-bearing liabilities to credit institutions	911.1	735.6	813.6
Non-current lease liabilities	345.1	314.8	339.7
Other non-current liabilities	707.9	409.4	507.0
<b>Total non-current liabilities</b>	<b>2,244.2</b>	<b>1,706.3</b>	<b>1,933.0</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities to credit institutions	46.4	-	-
Current lease liabilities	131.4	110.9	118.9
Other interest-bearing liabilities	20.7	77.2	47.5
Other current liabilities	1,369.7	1,029.1	993.8
<b>Total current liabilities</b>	<b>1,568.1</b>	<b>1,217.2</b>	<b>1,160.1</b>
<b>Total equity and liabilities</b>	<b>6,957.5</b>	<b>5,872.5</b>	<b>6,018.2</b>



# Condensed consolidated statement of cash flows

SEKm	Jul-Sep		Jan-Sep		Jan-Dec 2019
	2020	2019	2020	2019	
EBITDA	244.6	121.8	653.3	336.0	467.8
Adjustments for items not included in cash flow	1.8	6.2	-4.5	15.4	7.9
Income tax paid	-17.2	-11.8	-49.0	-35.7	-34.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>229.2</b>	<b>116.2</b>	<b>599.8</b>	<b>315.7</b>	<b>441.3</b>
Changes in working capital	-208.4	-58.7	174.5	54.6	-19.2
<b>Cash flow from operating activities</b>	<b>20.9</b>	<b>57.5</b>	<b>774.3</b>	<b>370.3</b>	<b>422.2</b>
Investments in operations	-84.3	-72.5	-120.5	-173.6	-251.4
Investments in other non-current assets	-17.9	-18.2	-64.1	-64.7	-98.0
Divestment of operations	0.1	-	0.1	-	-
Divestment of other tangible fixed assets	0.2	0.3	0.3	0.4	1.3
Received interest	1.7	0.0	2.1	0.4	1.5
<b>Cash flow to/from investing activities</b>	<b>-100.2</b>	<b>-90.4</b>	<b>-182.0</b>	<b>-237.5</b>	<b>-346.5</b>
Loans taken	89.4	100.8	142.9	229.6	307.4
Amortisation of loans	-34.8	-37.1	-106.8	-271.3	-315.7
Issue of warrants	12.9	-	12.9	6.0	6.0
Interest paid	-7.7	-6.1	-24.6	-21.8	-30.5
Dividends to non-controlling interests	-5.5	-	-5.5	-	-
<b>Cash flow to/from financing activities</b>	<b>54.3</b>	<b>57.5</b>	<b>18.9</b>	<b>-57.5</b>	<b>-32.8</b>
<b>Cash flow for the period</b>	<b>-25.0</b>	<b>24.6</b>	<b>611.2</b>	<b>75.4</b>	<b>42.8</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>898.1</b>	<b>281.7</b>	<b>270.3</b>	<b>226.9</b>	<b>226.9</b>
Translation differences in cash and cash equivalents	1.2	0.8	-7.2	4.8	0.6
<b>Cash and cash equivalents at the end of the period</b>	<b>874.2</b>	<b>307.1</b>	<b>874.2</b>	<b>307.1</b>	<b>270.3</b>



# Condensed consolidated statement of changes in equity

SEKm	30 Sep		31 Dec
	2020	2019	2019
<b>Opening balance</b>	<b>2,925.1</b>	<b>2,814.4</b>	<b>2,814.4</b>
Comprehensive income for the period	322.2	138.9	185.7
Effects from changed accounting standards	-	-10.5	-10.5
Issue of warrants	6.7	6.0	6.0
Dividends to non-controlling interests	-5.5	-	-
Remeasurement of liabilities to non-controlling interests	-103.3	0.2	-70.5
<b>Closing balance</b>	<b>3,145.2</b>	<b>2,948.9</b>	<b>2,925.1</b>



# Notes

## NOTE 1 SEGMENTS

SEKm	Jul-Sep		Jan-Sep		Jan-Dec	
	2020	2019	2020	2019	2019	
<b>Net sales</b>						
DIY	1,463.8	1,002.7	4,223.9	2,737.5	3,700.8	
Home Furnishing	833.8	643.9	2,414.2	1,847.8	2,533.1	
<b>Total net sales</b>	<b>2,297.6</b>	<b>1,646.5</b>	<b>6,638.1</b>	<b>4,585.3</b>	<b>6,233.9</b>	
Other*	4.6	5.6	11.9	18.6	26.9	
Eliminations	-11.9	-13.2	-36.4	-36.1	-48.4	
<b>Group consolidated total</b>	<b>2,290.3</b>	<b>1,639.0</b>	<b>6,613.6</b>	<b>4,567.8</b>	<b>6,212.5</b>	
<b>Revenue from other segments</b>						
DIY	3.3	1.8	10.8	5.5	6.7	
Home Furnishing	4.1	5.7	13.8	12.0	14.8	
Other*	4.5	5.6	11.7	18.6	26.9	
<b>Total</b>	<b>11.9</b>	<b>13.2</b>	<b>36.4</b>	<b>36.1</b>	<b>48.4</b>	

SEKm	Jul-Sep		Jan-Sep		Jan-Dec	
	2020	2019	2020	2019	2019	
<b>Operating income and profit before tax</b>						
DIY	123.2	40.1	309.0	95.4	136.9	
Home Furnishing	80.1	35.9	204.3	120.1	168.0	
<b>Total operating income</b>	<b>203.4</b>	<b>76.0</b>	<b>513.3</b>	<b>215.5</b>	<b>304.9</b>	
Other*	-20.1	-3.8	-38.9	-13.1	-22.9	
<b>Group consolidated operating income</b>	<b>183.2</b>	<b>72.2</b>	<b>474.4</b>	<b>202.4</b>	<b>282.0</b>	
Financial net	-10.0	-16.7	-49.1	-46.5	-48.9	
<b>Group consolidated profit before tax</b>	<b>173.2</b>	<b>55.5</b>	<b>425.3</b>	<b>155.9</b>	<b>233.1</b>	

\* The Group's other operations primarily consist of Group-wide functions and financing arrangements. Accordingly, net sales consist in all material aspects of management fees.



SEKm	Jul-Sep 2020					Jan-Sep 2020				
	Home			Elimination		Home			Elimination	
	DIY	Furnishing	Other	Group	DIY	Furnishing	Other	Group	DIY	Furnishing
Sweden	951.2	385.2	4.6	-9.9	1,331.2	2,696.8	1,137.4	11.9	-30.4	3,815.7
Finland	359.0	34.6	-	-0.8	392.8	1,013.5	102.7	-	-2.6	1,113.6
Denmark	82.2	151.7	-	-	233.9	299.4	453.8	-	-	753.2
Norway	58.7	63.0	-	-	121.7	185.3	192.9	-	-	378.2
Rest of Europe	12.7	199.2	-	-1.1	210.8	28.9	527.5	-	-3.4	553.0
<b>Net sales</b>	<b>1,463.8</b>	<b>833.8</b>	<b>4.6</b>	<b>-11.9</b>	<b>2,290.3</b>	<b>4,223.9</b>	<b>2,414.2</b>	<b>11.9</b>	<b>-36.4</b>	<b>6,613.6</b>

SEKm	Jul-Sep 2019					Jan-Sep 2019				
	Home			Elimination		Home			Elimination	
	DIY	Furnishing	Other	Group	DIY	Furnishing	Other	Group	DIY	Furnishing
Sweden	607.2	292.2	5.6	-10.4	894.5	1,682.3	897.2	18.6	-32.5	2,565.6
Finland	286.0	30.5	-	-	316.5	734.3	88.9	-	-	823.2
Denmark	60.1	123.5	-	-0.2	183.5	180.8	371.7	-	-0.5	551.9
Norway	49.4	62.3	-	-0.0	111.6	140.1	173.7	-	-0.4	313.3
Rest of Europe	-	135.4	-	-2.6	132.9	-	316.3	-	-2.6	313.7
<b>Net sales</b>	<b>1,002.7</b>	<b>643.9</b>	<b>5.6</b>	<b>-13.2</b>	<b>1,639.0</b>	<b>2,737.5</b>	<b>1,847.8</b>	<b>18.6</b>	<b>-36.1</b>	<b>4,567.8</b>

SEKm	Full-year 2019				
	Home				
	DIY	Furnishing	Other	Elimination	Group
Sweden	2,311.6	1,196.1	26.9	-43.4	3,491.3
Finland	964.4	117.1	-	-	1,081.5
Denmark	229.4	498.7	-	-0.7	727.4
Norway	195.4	238.8	-	-0.4	433.8
Rest of Europe	-	482.3	-	-3.8	478.5
<b>Net sales</b>	<b>3,700.8</b>	<b>2,533.1</b>	<b>26.9</b>	<b>-48.4</b>	<b>6,212.5</b>



## NOTE 2 DISCLOSURES ON ACQUISITIONS

### Acquisitions in 2020

- On 27 August 2020, after making a recommended cash offer to the shareholders of Sleepo AB (Sleepo.se) on 27 July, BHG decided to complete the offer. On 30 September 2020, BHG had acquired 95.6% of the shares in Sleepo AB and had commenced the compulsory redemption of the remaining shares. The acquisition is recognised in the home furnishing segment from 1 September.
- On 17 February the Group acquired 51% of the shares in Hemfint Kristianstad AB (Hemfint.se). The acquisition is recognised in the DIY segment from 1 February.
- On 20 December 2019, the Group acquired 100% of the shares in Lindström & Sondén AB (LSBolagen.com). The acquisition is recognised in the DIY segment from 1 January.

(SEKm)	2020					
	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalents	Contingent/deferred purchase price, vendor loans	Net cash flow
Acquisition of shares in Lindström & Sondén AB*	33.1	45.9	<b>79.0</b>	12.4	30.1	<b>-36.5</b>
Acquisition of shares in Hemfint Kristianstad AB	26.1	71.9	<b>98.0</b>	3.8	58.0	<b>-36.2</b>
Acquisition of shares in Sleepo AB	20.8	35.2	<b>56.0</b>	2.1	2.5	<b>-51.4</b>
Additional purchase price, Arredo Holding AB	-	-	-	-	-	<b>-0.9</b>
Additional purchase price, Edututor Oy	-	-	-	-	-	<b>-5.3</b>
Additional purchase price, Designkupp AS	-	-	-	-	-	<b>-11.3</b>
Additional purchase price, Vitvarubolaget i Sundbyberg AB	-	-	-	-	-	<b>-0.7</b>
Additional purchase price, LampGallerian Växjö AB	-	-	-	-	-	<b>-3.4</b>
Additional purchase price, Arc E-commerce AB	-	-	-	-	-	<b>-22.6</b>
Additional purchase price, Vitvaruexperten.com Nordic AB	-	-	-	-	-	<b>-0.8</b>
	<b>79.9</b>	<b>153.0</b>	<b>232.9</b>	<b>18.3</b>	<b>90.5</b>	<b>-169.1</b>

\* Lindström & Sondén AB was acquired in late December 2019 and consolidated from 1 January 2020, whereby the paid consideration of SEK 48.9 million was reported in the statement of cash flows for 2019, while cash and cash equivalents of SEK 12.4 million in the acquired company will be reported in 2020. In total, the acquisition reduced the Group's cash and cash equivalents by a net amount of SEK 36.5 million.

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

Since the respective acquisition dates, the acquisitions have contributed SEK 296.8 million to the Group's net sales and SEK 27.2 million to the Group's profit/loss after tax. If the acquisitions had been consolidated from the beginning of the financial year, they would have contributed SEK 369.4 million to the Group's net sales and SEK 25.2 million to the Group's profit/loss after tax.



### NOTE 3 FAIR VALUE

Contingent earn-outs are included in Level 3 of the valuation hierarchy, meaning the level applicable for assets and liabilities that are considered illiquid and difficult to value, and for which inputs for measuring fair value are unobservable inputs in the market. The fair value of contingent considerations is calculated by discounting future cash flows with 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.

The table presents the carrying amount of contingent and deferred earn-outs attributable to the Group's acquisitions and liabilities to non-controlling interests.

The carrying amount for all financial assets and financial liabilities is deemed to be a reasonable approximation of the fair values of the items.

SEKm	30 Sep		31 Dec
	2020	2019	2019
<b>Reported value on the opening date</b>	<b>554.5</b>	<b>320.3</b>	<b>320.3</b>
Recognition in profit or loss	22.6	26.8	19.1
Recognised in equity	103.3	-0.2	70.5
Utilised amount	-45.0	-79.6	-108.4
Acquisition value at cost	93.1	219.2	253.0
<b>Reported value on the closing date</b>	<b>728.6</b>	<b>486.6</b>	<b>554.5</b>

### NOTE 4 RELATED-PARTY TRANSACTIONS

Transactions between BHG Group AB and its subsidiaries 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 2020, apart from through the incentive programme launched during the quarter.

### NOTE 5 CONSEQUENCES OF THE CORONAVIRUS PANDEMIC

The coronavirus pandemic has led to Nordic consumers travelling less and spending more time at home. Due to the prevailing situation, consumers have therefore chosen to invest more in their homes and to make their purchases to a greater extent online rather than in physical stores. Since BHG sells home improvement products online, this changed customer behaviour has increased demand for BHG's products. BHG's financial position has remained strong throughout the pandemic.

During the coronavirus pandemic, BHG has made a conscious effort to ensure the safety of its personnel and supply chains. Some personnel have worked from home, travel has been restricted and meetings have been conducted using videoconferencing. BHG has had close cooperation with its suppliers to ensure deliveries and expanded inventory to minimise the risk of goods shortages. At the beginning of the pandemic, certain freight suppliers experienced challenges in meeting the strong increase in demand, but the situation has now improved. The extraordinary increase in demand due to the pandemic has intensified the pressure on BHG's customer service centre, but by employing a focused work approach, the situation is now better.

BHG's strong position in home improvement products online in the Nordics should continue to benefit the company going forward. It is considered probable that the increased online penetration that has occurred during the pandemic will remain and, accordingly, the market for BHG's products has become larger.



# Condensed Parent Company income statement

SEKm	Jul-Sep		Jan-Sep		Jan-Dec 2019
	2020	2019	2020	2019	
Net sales	0.1	0.2	1.6	0.7	0.9
<b>Total net sales</b>	<b>0.1</b>	<b>0.2</b>	<b>1.6</b>	<b>0.7</b>	<b>0.9</b>
Personnel cost	-17.6	-2.5	-26.5	-7.5	-15.4
Other external costs	-2.0	-0.9	-7.9	-5.1	-6.9
Depreciation and amortisation of tangible and intangible fixed assets	-0.0	-0.0	-0.1	-0.0	-0.1
<b>Operating income</b>	<b>-19.5</b>	<b>-3.2</b>	<b>-32.8</b>	<b>-12.0</b>	<b>-21.4</b>
Profit/loss from financial items	-0.4	-0.4	-1.4	-1.2	-1.7
Group contributions	-	-	-	-	33.0
<b>Profit/loss before tax</b>	<b>-19.9</b>	<b>-3.6</b>	<b>-34.2</b>	<b>-13.2</b>	<b>9.9</b>
Income tax	4.3	0.8	7.3	2.8	-2.5
<b>Profit/loss for the period</b>	<b>-15.6</b>	<b>-2.8</b>	<b>-26.9</b>	<b>-10.4</b>	<b>7.5</b>

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

SEKm	30 Sep		31 Dec	
	2020	2019	2019	2019
<b>Non-current assets</b>				
Other intangible fixed assets	0.6	0.3	0.5	
<b>Total intangible fixed assets</b>	<b>0.6</b>	<b>0.3</b>	<b>0.5</b>	
Participations in Group companies	2,691.6	2,691.6	2,691.6	
Deferred tax asset	-	2.3	-	
<b>Total fixed assets</b>	<b>2,692.2</b>	<b>2,694.2</b>	<b>2,692.0</b>	
<b>Current assets</b>				
Short-term receivables	13.4	11.2	7.8	
Short-term receivables from Group companies	0.0	-	32.9	
Cash and cash equivalents	33.0	21.3	17.2	
<b>Total current assets</b>	<b>46.4</b>	<b>32.5</b>	<b>57.9</b>	
<b>Total assets</b>	<b>2,738.6</b>	<b>2,726.7</b>	<b>2,749.9</b>	
<b>Equity</b>				
Restricted equity	3.2	3.2	3.2	
Unrestricted equity	2,713.4	2,715.7	2,733.5	
<b>Total equity</b>	<b>2,716.6</b>	<b>2,718.9</b>	<b>2,736.8</b>	
<b>Current liabilities</b>				
Other current liabilities	22.0	7.8	13.2	
<b>Total current liabilities</b>	<b>22.0</b>	<b>7.8</b>	<b>13.2</b>	
<b>Total equity and liabilities</b>	<b>2,738.6</b>	<b>2,726.7</b>	<b>2,749.9</b>	



# Key ratios

	2020				2019				
	Q3	Q2	Q1	Jan-Sep	Q4	Q3	Q2	Q1	Jan-Dec
<b>THE GROUP</b>									
Adjusted total expenses	-410.3	-453.5	-351.3	-1,215.1	-334.7	-305.9	-305.4	-260.2	-1,206.2
Adjusted EBIT margin %	8.5	8.6	4.9	7.7	5.5	5.0	6.0	4.5	5.3
Adjusted gross profit	593.5	675.5	420.5	1,689.5	414.3	378.1	397.6	305.6	1,495.7
Adjusted gross margin %	25.9	25.1	25.8	25.5	25.2	23.1	23.3	25.0	24.1
Equity/assets ratio %	45.2	43.2	45.8	45.2	48.6	50.2	51.7	51.9	48.6
Net debt (+) / Net cash (-)	86.5	-26.7	499.6	86.5	547.6	433.1	357.7	544.6	547.6
Cash flow from operating activites (SEKm)	20.9	605.1	148.3	774.3	51.9	57.5	260.6	52.2	422.2
Earnings per share (SEK)	1.24	1.34	0.43	3.02	0.58	0.36	0.50	0.20	1.64
Visits (thousands)	75,648	91,615	56,924	224,187	57,926	48,007	43,583	34,882	184,398
Orders (thousands)	726	893	539	2,158	537	501	503	399	1,940
Average order value (SEK)	3,058	3,188	3,128	3,129	3,109	3,242	3,417	3,129	3,227
<b>DIY</b>									
Visits (thousands)	36,401	46,950	24,689	108,039	25,362	20,126	23,647	17,337	86,473
Orders (thousands)	436	588	310	1,334	310	283	317	231	1,141
Average order value (SEK)	3,225	3,271	3,316	3,266	3,128	3,364	3,392	3,102	3,255
<b>Home Furnishing</b>									
Visits (thousands)	39,247	44,665	32,235	116,148	32,564	27,881	19,935	17,545	97,925
Orders (thousands)	290	305	230	824	228	218	186	168	799
Average order value (SEK)	2,807	3,027	2,875	2,907	3,082	3,084	3,461	3,166	3,188



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

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**

Adjusted EBIT corresponds to operating income excluding amortisation of acquisition-related intangible assets, gains/losses on sales of fixed assets and, where applicable, items affecting comparability. In other words, adjusted EBIT, in accordance with the accounting rules, includes all depreciation and amortisation of tangible and intangible assets attributable to the business (which was also the case for the previously used measure - 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.

Using the estimation technique for adjusted EBIT facilitates the understanding of the Group's earnings and profit, since adjusted EBIT provides a correct picture of the Group's operating income, without deduction of the accounting-related amortisation arising due to the acquisition analyses in conjunction with the acquisitions (which are not related to the underlying operations). Furthermore, the measure simplifies peer comp analysis of companies that do not make acquisitions, while analysis and assessment of acquisition candidates becomes clearer and more transparent, since their EBIT contribution will then correspond to their actual contribution to the Group after 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

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2020	2019	2020	2019	2019
<b>Operating income</b>	<b>183.2</b>	<b>72.2</b>	<b>474.4</b>	<b>202.4</b>	<b>282.0</b>
Acquisition-related costs	-	0.0	-	1.7	1.7
Last-mile project	-	-	-	5.8	5.8
<b>Total items affecting comparability</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>7.5</b>	<b>7.5</b>
Amortisation and impairment of acquisition-related intangible fixed assets	10.8	10.3	32.3	30.2	40.6
<b>Adjusted EBIT</b>	<b>194.0</b>	<b>82.5</b>	<b>506.7</b>	<b>240.0</b>	<b>330.1</b>
<b>Adjusted EBIT (%)</b>	<b>8.5</b>	<b>5.0</b>	<b>7.7</b>	<b>5.3</b>	<b>5.3</b>
Depreciation and amortisation of tangible and intangible fixed assets	50.6	38.8	146.6	102.2	144.4
Gain/loss from sale of fixed assets	0.0	0.4	-0.0	1.2	0.8
<b>Adjusted EBITDA</b>	<b>244.6</b>	<b>121.8</b>	<b>653.3</b>	<b>343.5</b>	<b>475.3</b>
<b>Adjusted EBITDA (%)</b>	<b>10.7</b>	<b>7.4</b>	<b>9.9</b>	<b>7.5</b>	<b>7.7</b>
Net sales	2,290.3	1,639.0	6,613.6	4,567.8	6,212.5
Cost of goods	-1,442.2	-1,075.2	-4,190.4	-2,977.1	-4,023.8
<b>Gross profit before direct selling costs</b>	<b>848.1</b>	<b>563.8</b>	<b>2,423.2</b>	<b>1,590.7</b>	<b>2,188.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>37.0</b>	<b>34.4</b>	<b>36.6</b>	<b>34.8</b>	<b>35.2</b>
Direct selling costs	-254.6	-185.6	-733.7	-514.5	-698.1
<b>Gross profit</b>	<b>593.5</b>	<b>378.1</b>	<b>1,689.5</b>	<b>1,076.2</b>	<b>1,490.5</b>
<b>Gross profit (%)</b>	<b>25.9</b>	<b>23.1</b>	<b>25.5</b>	<b>23.6</b>	<b>24.0</b>
Last-mile project	-	-	-	5.2	5.2
<b>Adjusted gross profit</b>	<b>593.5</b>	<b>378.1</b>	<b>1,689.5</b>	<b>1,081.4</b>	<b>1,495.7</b>
<b>Adjusted gross profit (%)</b>	<b>25.9</b>	<b>23.1</b>	<b>25.5</b>	<b>23.7</b>	<b>24.1</b>

**DIY segment**

SEKm	Jul-Sep		Jan-Sep		Jan-Dec
	2020	2019	2020	2019	2019
<b>Operating income</b>	<b>123.2</b>	<b>40.1</b>	<b>309.0</b>	<b>95.4</b>	<b>136.9</b>
Acquisition-related costs	-	0.0	-	1.5	1.4
<b>Total items affecting comparability</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>1.5</b>	<b>1.4</b>
Amortisation and impairment of acquisition-related intangible fixed assets	8.0	7.5	24.0	21.9	29.6
<b>Adjusted EBIT</b>	<b>131.2</b>	<b>47.7</b>	<b>333.0</b>	<b>118.8</b>	<b>167.9</b>
<b>Adjusted EBIT (%)</b>	<b>9.0</b>	<b>4.8</b>	<b>7.9</b>	<b>4.3</b>	<b>4.5</b>
Depreciation and amortisation of tangible and intangible fixed assets	24.3	17.8	70.3	47.2	67.3
Gain/loss from sale of fixed assets	0.0	0.4	-0.0	0.4	0.2
<b>Adjusted EBITDA</b>	<b>155.5</b>	<b>65.8</b>	<b>403.3</b>	<b>166.4</b>	<b>235.4</b>
<b>Adjusted EBITDA (%)</b>	<b>10.6</b>	<b>6.6</b>	<b>9.5</b>	<b>6.1</b>	<b>6.4</b>
Net sales	1,463.8	1,002.7	4,223.9	2,737.5	3,700.8
Cost of goods	-989.0	-723.1	-2,873.2	-1,972.6	-2,641.2
<b>Gross profit before direct selling costs</b>	<b>474.9</b>	<b>279.5</b>	<b>1,350.7</b>	<b>764.9</b>	<b>1,059.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>32.4</b>	<b>27.9</b>	<b>32.0</b>	<b>27.9</b>	<b>28.6</b>
Direct selling costs	-136.1	-71.9	-384.9	-193.5	-265.3
<b>Gross profit</b>	<b>338.8</b>	<b>207.6</b>	<b>965.8</b>	<b>571.4</b>	<b>794.3</b>
<b>Gross profit (%)</b>	<b>23.1</b>	<b>20.7</b>	<b>22.9</b>	<b>20.9</b>	<b>21.5</b>
<b>Adjusted gross profit</b>	<b>338.8</b>	<b>207.6</b>	<b>965.8</b>	<b>571.4</b>	<b>794.3</b>
<b>Adjusted gross profit (%)</b>	<b>23.1</b>	<b>20.7</b>	<b>22.9</b>	<b>20.9</b>	<b>21.5</b>


**Home Furnishing segment**

	Jul-Sep		Jan-Sep		Jan-Dec
	2020	2019	2020	2019	2019
<b>Operating income</b>	<b>80.1</b>	<b>35.9</b>	<b>204.3</b>	<b>120.1</b>	<b>168.0</b>
Acquisition-related costs	-	-	-	0.2	0.2
Last-mile project	-	-	-	5.8	5.8
<b>Total items affecting comparability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.0</b>	<b>6.0</b>
Amortisation and impairment of acquisition-related intangible fixed assets	2.8	2.8	8.3	8.2	11.0
<b>Adjusted EBIT</b>	<b>82.9</b>	<b>38.6</b>	<b>212.6</b>	<b>134.3</b>	<b>185.0</b>
<b>Adjusted EBIT (%)</b>	<b>9.9</b>	<b>6.0</b>	<b>8.8</b>	<b>7.3</b>	<b>7.3</b>
Depreciation and amortisation of tangible and intangible fixed assets	26.3	21.0	76.2	55.0	77.1
Gain/loss from sale of fixed assets	0.0	0.1	0.0	0.8	0.6
<b>Adjusted EBITDA</b>	<b>109.3</b>	<b>59.7</b>	<b>288.8</b>	<b>190.1</b>	<b>262.7</b>
<b>Adjusted EBITDA (%)</b>	<b>13.1</b>	<b>9.3</b>	<b>12.0</b>	<b>10.3</b>	<b>10.4</b>
Net sales	833.8	643.9	2,414.2	1,847.8	2,533.1
Cost of goods	-459.8	-359.4	-1,340.0	-1,021.0	-1,402.7
<b>Gross profit before direct selling costs</b>	<b>374.0</b>	<b>284.4</b>	<b>1,074.2</b>	<b>826.8</b>	<b>1,130.3</b>
<b>Gross profit before direct selling costs (%)</b>	<b>44.9</b>	<b>44.2</b>	<b>44.5</b>	<b>44.7</b>	<b>44.6</b>
Direct selling costs	-118.5	-113.7	-348.9	-320.9	-432.8
<b>Gross profit</b>	<b>255.6</b>	<b>170.8</b>	<b>725.3</b>	<b>505.9</b>	<b>697.5</b>
<b>Gross profit (%)</b>	<b>30.7</b>	<b>26.5</b>	<b>30.0</b>	<b>27.4</b>	<b>27.5</b>
Last-mile project	-	-	-	5.2	5.2
<b>Adjusted gross profit</b>	<b>255.6</b>	<b>170.8</b>	<b>725.3</b>	<b>511.0</b>	<b>702.7</b>
<b>Adjusted gross profit (%)</b>	<b>30.7</b>	<b>26.5</b>	<b>30.0</b>	<b>27.7</b>	<b>27.7</b>



### NET DEBT/NET CASH

Management is of the opinion that because the Group's actual net debt/net cash corresponds to the Group's non-current and current interest-bearing liabilities to credit institutions less cash and cash equivalents, investments in securities, etc. and transaction fees, other non-current and current interest-bearing liabilities should be excluded. 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. Lease liabilities reflect the balance sheet effects of IFRS 16.

At the end of the third quarter, net debt amounted to SEK 86.5 million, corresponding to net debt in relation to LTM adjusted EBITDA of 0.1x. The Group's other current and non-current interest-bearing liabilities consist of contingent and deferred 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 728.6 million at the end of the quarter, compared with SEK 554.5 million at the beginning of the year. Lease liabilities reflect the balance sheet effects of IFRS 16, which was and amounted to SEK 476.5 million at the end of the quarter, compared with SEK 458.5 million at the beginning of the year.

SEKm	30 Sep		31 Dec
	2020	2019	2019
Non-current interest-bearing debt	1,964.1	1,459.7	1,660.3
Short-term interest-bearing debt	198.4	188.2	166.3
<b>Total interest-bearing debt</b>	<b>2,162.5</b>	<b>1,647.9</b>	<b>1,826.7</b>
Cash and cash equivalents	-874.2	-307.1	-270.3
Adjustment lease liabilities	-476.5	-425.7	-458.5
Adjustment of earn-outs and deferred payments	-728.6	-486.6	-554.5
Adjustment transaction costs	3.3	4.6	4.3
<b>Net debt (+) / Net cash (-)</b>	<b>86.5</b>	<b>433.1</b>	<b>547.6</b>

# 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 margin before direct selling costs	Gross profit before direct selling costs - primarily postage and fulfilment - as a percentage of net sales.	An additional margin measure, complementing the fully-loaded gross margin measure, allowing for further transparency.
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 includes 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.
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.
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.
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 EBIT	Adjusted EBIT corresponds to operating profit adjusted for amortisation and impairment losses on acquisition-related intangible assets, gain/loss from sale of fixed assets and, from time to time, items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA	EBITDA excluding items affecting comparability.	This performance measure provides an indication of the profit generated by the Group'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 EBIT margin	Adjusted EBITDA as a percentage of net sales.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted selling, general and administrative expenses	The difference between adjusted gross profit and adjusted EBITDA, which excludes other specified items.	Selling, general and administrative expenses provide an indication of operating expenses, excluding cost of goods sold, thereby giving an indication of the efficiency of the Group's operations.
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 excluding items affecting comparability.	Adjusted gross profit gives an indication of the contribution margin in the operations.



Performance measure	Definition	Reasoning
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 is a term used to describe items which, when excluded, show the Group's earnings excluding items which, by nature, are of a non-recurring nature in the operating activities.
Cash conversion	Pre-tax cash flow from operating activities less investments in non-current assets (capex) as a percentage of adjusted EBITDA.	Operating cash conversion enables the Group 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 Group to compare growth between various periods and in relation to the overall market and competitors.
Net debt	The sum of interest-bearing liabilities, excluding lease liabilities, earn-outs and deferred payments and less cash and cash equivalents.	Net debt is a measure that shows the Group's interest bearing net debt to financial institutions.
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 Group 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 rate 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 Group's short-term financial capacity, since it gives an indication as to whether the Group'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.