

Interim report: 1 January-30 June 2020

Exceptional growth

– A record-breaking quarter for growth, profit and cash generation

HIGHLIGHTS

1 April - 30 June

- Net sales increased 57.7% to SEK 2,694.9 million (1,708.8). Organic growth was 41.8%
- Gross profit increased 69.9% to SEK 675.5 million (397.6), with a gross margin of 25.1% (23.3)
- Adjusted EBIT amounted to SEK 232.7 million (102.3), corresponding to an adjusted EBIT margin of 8.6% (6.0)
- Operating income amounted to SEK 222.0 million (91.9), corresponding to an operating margin of 8.2% (5.4)
- Cash flow from operating activities amounted to SEK 605.1 million (260.6)
- Net profit for the period amounted to SEK 147.2 million (53.9), an increase of 173.2% on the prior year
- Earnings per share amounted to SEK 1.34 (0.50) before dilution and SEK 1.33 (0.50) after dilution

1 January-30 June

- Net sales increased 47.6% to SEK 4,323.3 million (2,928.9). Organic growth was 33.6%
- Gross profit increased 57.0% to SEK 1,096.0 million (698.1), with a gross margin of 25.4% (23.8)
- Adjusted EBIT amounted to SEK 312.7 million (157.5), corresponding to an adjusted EBIT margin of 7.2% (5.4)
- Operating income amounted to SEK 291.2 million (130.2), corresponding to an operating margin of 6.7% (4.4)
- Cash flow from operating activities amounted to SEK 753.4 million (312.8)
- Net profit for the period amounted to SEK 193.4 million (76.0), an increase of 154.4% on the prior year
- Earnings per share amounted to SEK 1.78 (0.69) before dilution and SEK 1.77 (0.69) after dilution

Key events during and after the period

- As part of the new corporate identity under the BHG brand, Bygghemma Group First AB changed its name to BHG Group AB on 29 May. The new brand is part of an updated identity for the website, social media and other external and internal communication for the Group.

FINANCIAL SUMMARY

SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec	
	2020	2019	Δ%	2020	2019	Δ%	2019	
Net sales	2,694.9	1,708.8	57.7	4,323.3	2,928.9	47.6	6,212.5	
Gross profit	675.5	397.6	69.9	1,096.0	698.1	57.0	1,490.5	
Gross margin (%)	25.1	23.3	1.8 p.p.	25.4	23.8	1.5 p.p.	24.0	
Adjusted EBIT*	232.7	102.3	127.6	312.7	157.5	98.5	330.1	
Adjusted EBIT margin (%)	8.6	6.0	2.7 p.p.	7.2	5.4	1.9 p.p.	5.3	
Operating income	222.0	91.9	141.5	291.2	130.2	123.7	282.0	
Operating margin (%)	8.2	5.4	2.9 p.p.	6.7	4.4	2.3 p.p.	4.5	
Net profit for the period	147.2	53.9	173.2	193.4	76.0	154.4	179.9	
Earnings per share before dilution, SEK	1.34	0.50		1.78	0.69		1.64	
Earnings per share after dilution, SEK	1.33	0.50		1.77	0.69		1.64	
Cash flow from operating activities	605.1	260.6	132.2	753.4	312.8	140.9	422.2	
Net debt (+) / Net cash (-)	-26.7	357.7		-26.7	357.7		547.6	

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 26 of this report for a more detailed description.



CEO's comments

The second quarter of the year developed into our strongest to date. The normal peak season was combined with changed customer behaviours in the wake of the corona pandemic. This has among other things meant that Nordic consumers spent more time at home, were less inclined to shop at physical stores and also realised that they will be travelling less for some time to come. Due to this new situation, Nordic consumers increased their investments in products for the home, while also discovering the advantages of shopping online.

Our operations, particularly in the DIY segment, noted exceptionally strong demand, with growth figures for many businesses of well over 100 percent. Although we expect a return to more normal growth levels, the exceptionally high demand we experienced was relatively constant over the three months of the quarter and the third quarter also started strongly.

For BHG, the situation outlined above meant that we recorded net sales of SEK 2,694.9 million in the quarter, up 57.7 percent, corresponding to organic growth of 41.8 percent. The sharp sales growth also resulted in very strong adjusted EBIT, of SEK 232.7 million, corresponding to an adjusted EBIT margin of 8.6 percent, and cash flow from operating activities of SEK 605.1 million.

BHG's financial position is stronger than ever and allows us to execute our organic growth initiatives robustly, while continuing to combine these with an active acquisition strategy.

The extraordinary demand situation has put both our customer service organisation and our external logistics partners to the test, since some parts of the operations did not have time to scale up fast enough during the period. Our employees worked tirelessly to handle this exceptional situation and we are now on the right track in this respect as well, which is key to fulfilling our customer promise and our mission: *We make living easy!*

We launched our new corporate and brand identity during the quarter and, as part of this process, changed the name of the Group to BHG Group AB. We are not changing our strong consumer brands, but rather see the new Group profile as the umbrella that encompasses our driven entrepreneurs and employees, and through which we operate in society at large. At the same time, our new identity reflects our heritage and our conviction that we are continuing the journey of growth that we have been on since the Group was founded in 2012. Although the shift towards online during the past period has accelerated, it still has a long way to go before reaching saturation.

BHG stands stronger than ever in this attractive market with 1) a market leading, continuously expanding product range, which is rapidly approaching one million unique products, 2) price leadership and a high and growing share of proprietary brands, 3) a digital lead in terms of both online shopping experience and traffic generation and 4) a palette of complementary infrastructure, logistics and installation services. Together, this combination forms what we call *the BHG ecosystem*.

Interest in the BHG share has increased gradually since the IPO in 2018. I would like to thank the shareholders who have been with us since the start of our journey as a listed company for their trust in us and warmly welcome all new shareholders! Finally, I would like to thank our employees for their fantastic efforts in a quarter that has been incredibly stimulating – but also demanding!



Adam Schatz,
President and CEO

Malmö, 23 July 2020
Adam Schatz
President and CEO, BHG Group

Condensed consolidated financial information

SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec
	2020	2019	Δ%	2020	2019	Δ%	2019
Net sales	2,694.9	1,708.8	57.7	4,323.3	2,928.9	47.6	6,212.5
Gross profit	675.5	397.6	69.9	1,096.0	698.1	57.0	1,490.5
Gross margin (%)	25.1	23.3	1.8 p.p.	25.4	23.8	1.5 p.p.	24.0
Adjusted EBITDA*	273.5	135.7	101.5	408.6	221.7	84.3	475.3
Adjusted EBITDA margin (%)	10.2	7.9	2.2 p.p.	9.5	7.6	1.9 p.p.	7.7
Adjusted EBIT*	232.7	102.3	127.6	312.7	157.5	98.5	330.1
Adjusted EBIT margin (%)	8.6	6.0	2.7 p.p.	7.2	5.4	1.9 p.p.	5.3
Items affecting comparability	-	-0.3		-	-7.5		-7.5
Operating income	222.0	91.9	141.5	291.2	130.2	123.7	282.0
Operating margin (%)	8.2	5.4	2.9 p.p.	6.7	4.4	2.3 p.p.	4.5
Net profit for the period	147.2	53.9	173.2	193.4	76.0	154.4	179.9
Cash flow from operating activities	605.1	260.6	132.2	753.4	312.8	140.9	422.2
Visits (thousands)	91,615	43,583	110.2	148,539	78,464	89.3	184,398
Orders (thousands)	893	503	77.6	1,432	902	58.8	1,940
Conversion rate (%)	1.0	1.2	-0.2 p.p.	1.0	1.1	-0.2 p.p.	1.1
Average order value (SEK)	3,188	3,417	-6.7	3,165	3,290	-3.8	3,227

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 26 of this report for a more detailed description.

COMMENTS ON THE RESULT FOR THE PERIOD

The second quarter of the year is typically the strongest quarter seasonally. Even considering this, the Group reported a strong performance for the quarter:

- The Group's sales amounted to SEK 2,695 million for the quarter and SEK 4,323 million for the first half of the year. Total growth amounted to 57.7% and organic growth to 41.8% for the quarter, and 47.6% and 33.6% for the first half of the year. Growth was particularly strong in the DIY segment, where all geographies performed very well. The Home Furnishing segment also performed well, with the highest growth noted in Denmark and Eastern Europe.
- Adjusted EBIT amounted to SEK 232.7 million for the quarter and SEK 312.7 million for the first half of the year, corresponding to an EBIT margin of 8.6% for the quarter and 7.2% for the first half of the year. The high adjusted EBIT margin was the result of a disciplined execution of pricing and product mix strategies, including the continuously growing share of proprietary brands in the DIY segment, combined with good operational leverage due to high growth.
- Cash flow from operating activities amounted to SEK 605.1 million for the quarter and SEK 753.4 million for the first half of the year, as a result of BHG's attractive business model, which among other this is characterised by low tied-up capital and thus high cash flows when growth is strong.

- We continued to expand the share of sales from proprietary brands in the DIY segment, not least as a result of sharp growth in relatively recently acquired operations. The trend in the share of proprietary brands clearly illustrates how BHG is using its M&A tool, in conjunction with organic initiatives, to accelerate strategy execution.
- We actively pursued several potential acquisition targets during the quarter. Practical considerations – such as difficulties in arranging physical meetings – as well as valuation expectations – affected primarily by the currently favorable conditions in the DIY market – have temporarily made it more difficult to close acquisitions.
- The special market conditions also led to a changed product mix, among other things resulting in sharp growth for products with a lower average order value (AOV) than in the year-earlier period. A large share of these could be sent as postal packages to a service point, which meant that a strong gross margin could be maintained.

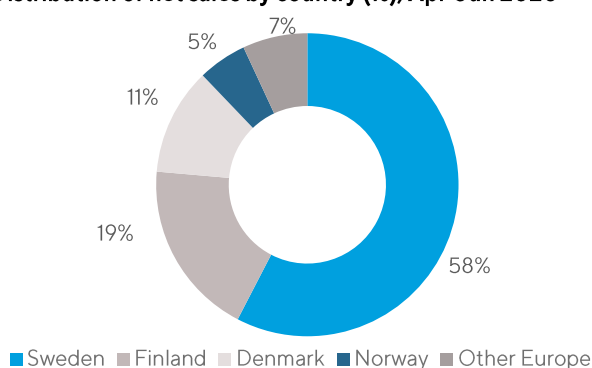
The exceptional growth for the quarter should be seen in light of the unusually favourable market conditions, particularly in DIY. We do not yet have complete data of how the overall market developed but can state that BHG – with total growth of 57.7% and organic growth of 41.8% – strengthened its already leading position during the quarter. Furthermore, the profit and cash flow development testifies to the strength of our business model, and the validity of our four strategic cornerstones:

- Offering the leading product range in the market – and continuously expanding it.

- Utilising economies of scale – *to be a price leader, with good profitability, and to have a high and growing share of proprietary brands in the sales mix.*
- Maintaining our digital lead – *by creating the best curated and most seamless shopping experience on our sites and being best-in-class in terms of digital traffic generation.*
- Supporting our digital presence with physical infrastructure – *such as customer service, product experts with the best availability in the market, showrooms, own deliveries and installation services.*

We have made solid progress towards achieving our mission, but much work still lies ahead in our endeavour: *We make living easy!* The unexpectedly strong order intake meant that a number of our customer service organisations and external logistics partners were under-dimensioned, particularly at the start of the quarter, which in turn led to our delivery promise not being kept to the extent we strive for and, as a direct consequence, that customer-service response times were, at times, long. We have now scaled up both externally and internally and made solid progress on working through the backlog that arose, which is key to keeping our customer promise.

Distribution of net sales by country (%), Apr-Jun 2020



Net sales

Net sales increased 57.7% to SEK 2,694.9 million (1,708.8) for the quarter and 47.6% to SEK 4,323.3 million (2,928.9) for the first half of the year. Organic growth was 41.8% for the quarter and 33.6% for the first half 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 44.2% for the quarter and 35.5% for the first half of the year, a testament to our ability to boost growth in acquired companies by leveraging the Group's skills, scale and infrastructure.

Net sales in the DIY segment increased 73.8% and organic growth was 48.3% for the quarter, and 59.1% and 36.2% for the first half of the year. Many of the Group's destinations reported an exceptionally strong quarter; in many respects a further acceleration of the first quarter of the year, with the Danish operations, as well as several of the Group's Swedish niche destinations based on proprietary brands, as the main driving forces.

Net sales in the Home Furnishing segment increased 32.3% and organic growth was 31.5% for the quarter, and 31.3% and 29.8% for the first half of the year. The Danish and

Eastern European operations delivered the strongest performance, but other geographies also trended well. The segment's performance was largely similar to what we have noted in recent quarters. The effects of the corona pandemic were thus less pronounced compared with the DIY segment.

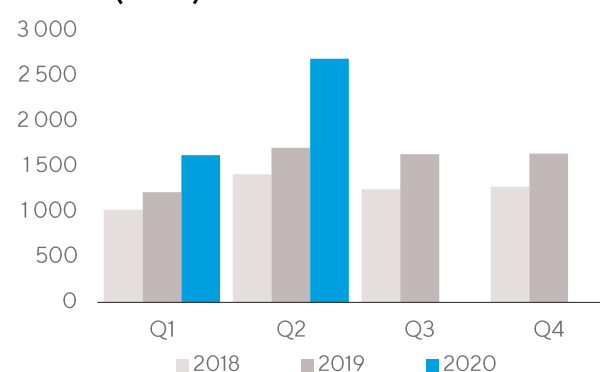
The Group's webstores received 91.6 million (43.6) visits during the quarter, generating 893 thousand (503) orders, and 148.5 million (78.5) visits and 1,432 thousand (902) orders in the first half of the year. For some time now, the vast majority of traffic to the Group's destinations has come from tablets and mobiles. The Group's market-leading traffic generation and web teams thus apply a "mobile first" approach.

The Group's sales mix changed during the period, among other things because of the sharp growth in product categories with slightly lower AOV, as well as growth in Denmark within the DIY segment and Eastern Europe within the Home Furnishing segment; both of which are markets with structurally lower AOVs than the Group's other units.

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 exceptional growth for small parcels could be managed by delivering to service points.

The trend in the number of visits to the Group's destinations was very strong – at an annual rate of more than 350 million – which was also the reason for the slightly lower conversion rate.

Net sales (SEK m)



Gross margin and SG&A

To provide further margin transparency, we are continuing to supplement the information about our gross margin, which refers to the contribution margin after all direct selling expenses, such as freight, inventory management etc. with a breakdown, also in product margins. The product margin was 35.7% (34.0) for the quarter and 36.4% (35.1) for the first half of the year. The fully loaded contribution margin amounted to 25.1% (23.3) for the quarter and 25.4% (23.8) for the first half of the year.

The gross margin – which is impacted by the peak season and thus a higher number of sales campaigns than in the first quarter of the year as well as a different product mix – improved on the prior year during the quarter, a trend that just as in the first quarter was driven by a continued focus on

cost and process efficiencies in purchasing and logistics, as well as a growing share of sales of proprietary brands. The depreciation of the NOK versus USD and EUR rates primarily impacted the Home Furnishing segment adversely, but the net effect on the EBIT level was offset by rapid pricing adjustments in the period.

The Group's selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 402.0 million (261.9) for the quarter, corresponding to 14.9% (15.3) of net sales, and to SEK 687.3 million (481.5) for the first half of the year, corresponding to 15.9% (16.4).

The unusually low level of SG&A to net sales in the quarter partially resulted from a lag in scaling up customer-facing resources to meet the exceptional demand. Other than this, the SG&A level reflects the Group's strong cost culture, rapid growth and growing share of proprietary brands, which typically require a slightly larger organisation and somewhat higher costs for online marketing, but at the same time scales well with higher sales volumes. In addition, costs for online marketing, which form part of SG&A, should primarily be related to order intake rather than invoiced sales, and the former exceeded the latter in the quarter.

No items affecting comparability were charged to the quarter or the first half of the year.

Earnings

Bolstered by strong deliveries from both the DIY and Home Furnishing segments, the Group achieved a record-breaking operating margin in the second quarter as well as the first half of the year.

The Group's adjusted EBIT amounted to SEK 232.7 million (102.3) for the quarter and SEK 312.7 million (157.5) for the first half of the year, corresponding to an EBIT margin of 8.6% (6.0) for the quarter and 7.2% (5.4) for the first half of the year.

Items affecting comparability amounted to SEK 0.0 million (0.3) in the quarter and SEK 0.0 (7.5) for the first half of the year. Items affecting comparability that were charged to the second quarter of 2019 were attributable to acquisition-related expenses.

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.

The Group's operating income amounted to SEK 222.0 million (91.9) for the quarter, corresponding to an operating margin of 8.2% (5.4), and SEK 291.2 million (130.2) for the first half of the year, corresponding to an operating margin of 6.7% (4.4) for the first half of the year.

Amortisation of acquisition-related intangible assets amounted to SEK 10.8 million (10.0) for the quarter and SEK 21.5 million (19.8) for the first half of the year and comprised amortisation of identified surplus values related to customer relationships and customer databases in acquired companies. No impairment need 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 -31.8 million (-20.6) for the quarter and primarily comprised reassessed earn-outs of SEK -22.7 million. Interest expenses for the quarter amounted to SEK -8.0 million, of which SEK -2.3 million related to lease liabilities in accordance with IFRS 16. The Group's net financial items amounted to SEK -39.1 million (-29.9) for the first half of the year and primarily comprised reassessed earn-outs of SEK -23.8 million. Interest expenses amounted to SEK -16.4 million, of which SEK -5.6 million related to lease liabilities in accordance with IFRS 16.

The Group's profit before tax was SEK 190.1 million (71.3) for the quarter and SEK 252.1 million (100.3) for the first half of the year.

Net income amounted to SEK 147.2 million (53.9) for the quarter and SEK 193.4 million (76.0) for the first half of the year.

The effective tax rate was -22.6% (-24.4), corresponding to SEK -42.9 million (-17.4) for the quarter and SEK -23.3 million (-24.2), corresponding to SEK -58.7 million (-24.3) for the first half of the year.

KEY EVENTS DURING AND AFTER THE SECOND QUARTER OF 2020

- As part of the new corporate identity under the BHG brand, Bygghemma Group First AB changed its name to BHG Group AB on 29 May. The new brand is part of an updated identity for the website, social media and other internal and external communication for the Group.

FINANCIAL TARGETS

The Group's 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.

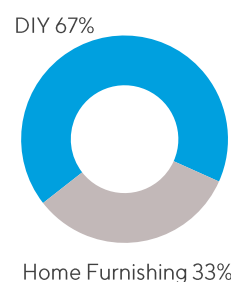


2020/Q2

DIY segment

- The segment reported its best quarter to date in terms of net sales, adjusted EBIT and cash conversion.
- The segment's net sales increased 73.8% in the quarter and 59.1% in the first half of the year, of which organic growth accounted for 48.3% and 36.2%, respectively.
- The gross margin amounted to SEK 22.7% (20.5) for the quarter and SEK 22.7% (21.0) for the first half of the year. The margin was favourably impacted by a higher share of sales of proprietary brands.
- Adjusted EBIT amounted to SEK 162.6 million (53.0) for the quarter and SEK 201.8 million (71.1) for the first half of the year, corresponding to an adjusted EBIT margin of 8.9% (5.1) and 7.3% (4.1), respectively.

Net sales by segment,
Apr-Jun 2020



SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec
	2020	2019	Δ%	2020	2019	Δ%	2019
Net sales	1,818.7	1,046.2	73.8	2,760.1	1,734.8	59.1	3,700.8
Gross profit	413.1	214.9	92.3	627.1	363.8	72.4	794.3
Gross margin (%)	22.7	20.5	2.2 p.p.	22.7	21.0	1.8 p.p.	21.5
Adjusted EBITDA	185.5	68.1	172.1	247.8	100.6	146.4	235.4
Adjusted EBITDA margin (%)	10.2	6.5	3.7 p.p.	9.0	5.8	3.2 p.p.	6.4
Adjusted EBIT	162.6	53.0	207.0	201.8	71.1	183.7	167.9
Adjusted EBIT margin (%)	8.9	5.1	3.9 p.p.	7.3	4.1	3.2 p.p.	4.5
Items affecting comparability	-	-0.1		-	-1.5		-1.4
Operating income	154.6	45.6	238.9	185.8	55.3	236.1	136.9
Operating margin (%)	8.5	4.4	4.1 p.p.	6.7	3.2	3.5 p.p.	3.7
Net profit for the period	93.6	22.0	324.9	113.0	25.2	347.6	28.1
Visits (thousands)	46,950	23,647	98.5	71,638	40,984	74.8	86,473
Orders (thousands)	588	317	85.5	898	548	63.7	1,141
Conversion rate (%)	1.3	1.3	-0.1 p.p.	1.3	1.3	-0.1 p.p.	1.3
Average order value (SEK)	3,271	3,392	-3.6	3,287	3,270	0.5	3,255

COMMENTS ON THE DIY SEGMENT

The DIY segment performed exceptionally strongly in the second quarter and thus continued to consolidate its position as the leading player in online DIY in the Nordics.

Growth in the segment had already picked up towards the end of 2019 and throughout the first quarter, to subsequently accelerate sharply in the second half of March and has since continued without diminishing in the second quarter and into the third.

We expect to see a return to more normal growth figures as the most immediate effects of the changed customer behaviours in the wake of the pandemic abate. At the same time, it seems likely that certain effects, including the increased e-commerce penetration, will persist, which would mean that a new base has been established from which we

can continue to grow with our communicated organic growth target over a business cycle, i.e. 15% annually.

During the quarter, we continued to develop our unique customer offering – *the BHG ecosystem* – by:

- further expanding what is already the leading range of external and proprietary brands in the market,
- widening our digital lead, as exemplified by more consumers than ever visiting our sites,
- further broadening our range of installation services.

Several of the segment's destinations grew by 100% or more compared with the year-earlier period, such as the Danish platform and two of the companies that were acquired in 2019. The combination of sharp organic growth and success for the recently acquired businesses, of which all

three of the most recent additions have their base in proprietary brands, led to a continued increase in the share of sales from proprietary brands. Overall, our portfolio has a good balance between well-known external and our own brands, but we see scope for further increasing the share of the latter in future periods, especially as our employees have demonstrated time and time again that we have the critical mass to build strong brands using cost-effective product development, leading design and digital marketing.

The exceptional growth in the quarter also led to a shift in the category mix, with the leisure, HVAC and construction categories increasing the most. Although the traditionally strongest category of garden also performed well in the second quarter, certain problems were experienced with product availability, such as for large garden equipment and greenhouses. Both of these factors combined resulted in a different ratio between large bulky items, which are sent on pallets, and small parcels, sent as packages to service points, which is the reason for the decline in AOV in the period.

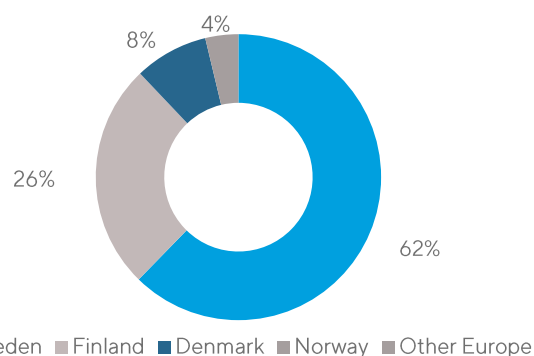
The DIY segment accounted for 67% of the Group's total net sales for the quarter and 64% for the first half of the year, and rose 73.8% to SEK 1,818.7 million (1,046.2) for the quarter and 59.1% to SEK 2,760.1 million (1,734.8) for the first half of the year. All markets reported extraordinarily high growth for the quarter and like the first quarter of the year, the Danish operations performed particularly well, as did a number of the Group's Swedish niche destinations.

All five acquisitions completed in 2019 and to date this year – Designkupp in Norway, and Nordiska Fönster, Arc E-commerce, LS-bolagen and Hemfint in Sweden – reported healthy growth in the period.

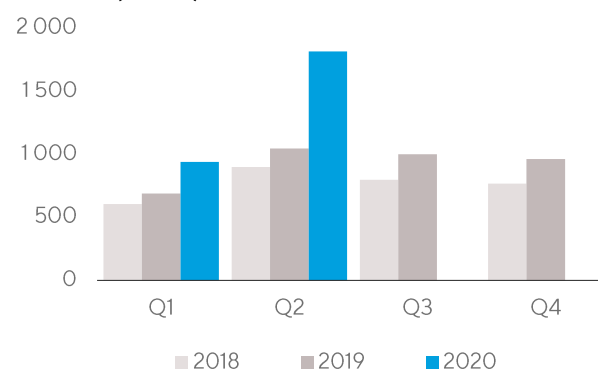
Adjusted EBIT for the quarter amounted to a record-breaking SEK 162.6 million (53.0), with an adjusted EBIT margin of 8.9% (5.1). Adjusted EBIT amounted to SEK 201.8 million (71.1) for the first half of the year, with an adjusted EBIT margin of 7.3% (4.1).

The segment's operating income amounted to SEK 154.6 million (45.6) for the quarter, with an operating margin of 8.5% (4.4). Operating income for the first half of the year amounted to SEK 185.8 million (55.3), with an operating margin of 6.7% (3.2).

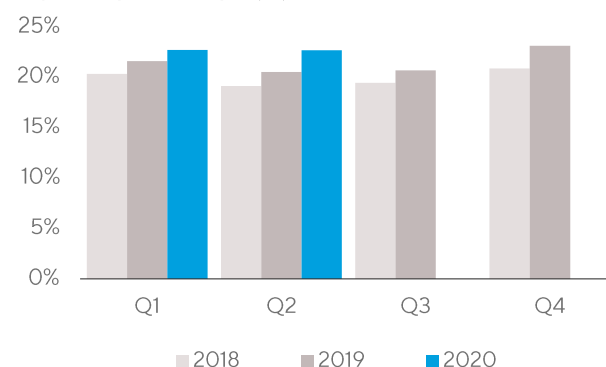
Distribution of net sales by country (%), Apr-Jun 2020



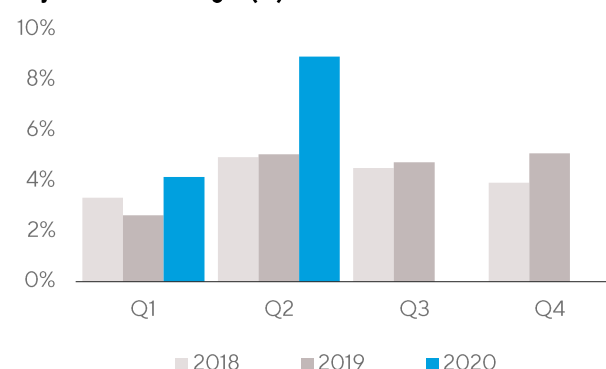
Net sales (SEK m)



Adjusted gross margin (%)



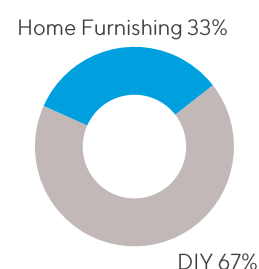
Adjusted EBIT margin (%)



Home Furnishing segment

- The segment's net sales increased 32.3% in the quarter and 31.3% in the first half of the year, of which organic growth accounted for 31.5% and 29.8%, respectively.
- The gross margin amounted to SEK 29.7% (27.4) for the quarter and SEK 29.7% (27.8) for the first half of the year.
- Adjusted EBIT amounted to SEK 85.1 million (54.6) for the quarter and SEK 129.7 million (95.7) for the first half of the year, corresponding to an adjusted EBIT margin of 9.6% (8.2) and 8.2% (7.9), respectively.
- Investments continued to be made, particularly in the continued roll-out of our own last-mile deliveries in the Nordics and online marketing in the fast-growing Eastern European operations.

Net sales by segment, Apr-Jun 2020



SEKm (if not otherwise stated)	Apr-Jun			Jan-Jun			Jan-Dec	
	2020	2019	Δ%	2020	2019	Δ%	2019	
Net sales	885.8	669.8	32.3	1,580.4	1,203.9	31.3	2,533.1	
Gross profit	262.7	183.4	43.2	469.7	335.1	40.2	697.5	
Gross margin (%)	29.7	27.4	2.3 p.p.	29.7	27.8	1.9 p.p.	27.5	
Adjusted EBITDA	103.0	72.9	41.4	179.5	130.4	37.7	262.7	
Adjusted EBITDA margin (%)	11.6	10.9	0.7 p.p.	11.4	10.8	0.5 p.p.	10.4	
Adjusted EBIT	85.1	54.6	55.9	129.7	95.7	35.5	185.0	
Adjusted EBITmargin (%)	9.6	8.2	1.5 p.p.	8.2	7.9	0.3 p.p.	7.3	
Items affecting comparability	-	-0.2		-	-6.0		-6.0	
Operating income	82.3	51.6	59.5	124.1	84.2	47.4	168.0	
Operating margin (%)	9.3	7.7	1.6 p.p.	7.9	7.0	0.9 p.p.	6.6	
Net profit for the period	66.8	37.5	78.0	96.0	61.1	57.2	74.6	
Visits (thousands)	44,665	19,935	124.0	76,900	37,480	105.2	97,925	
Orders (thousands)	305	186	64.2	535	354	51.2	799	
Conversion rate (%)	0.7	0.9	-0.2 p.p.	0.7	0.9	-0.2 p.p.	0.8	
Average order value (SEK)	3,027	3,461	-12.5	2,962	3,321	-10.8	3,188	

COMMENTS ON THE HOME FURNISHING SEGMENT

The Home Furnishing segment is now in its seventh consecutive quarter with good growth and an extraordinarily strong margin structure.

Changed customer behaviours in the wake of the pandemic had seemingly less of an impact on the Home Furnishing segment than the DIY segment. However, we also estimate that the total market did not develop as favourably for the Home Furnishing segment as it did for the DIY segment.

- The segment recorded total growth of 32.3% and organic growth of 31.6% for the quarter.
- The roll-out of our own last-mile deliveries continued now that Southern Sweden has also been successfully established. The segment presently covers all markets in

Eastern Europe where we are represented and the three metropolitan areas of Sweden with own last-mile deliveries.

- Net sales rose 25% or more in the quarter in all geographic markets except Norway, which despite a weak NOK and the price increases we implemented to offset the currency headwind grew by more than 10%. Growth was especially brisk in the segment's Eastern European and Danish operations.

Net sales in the Home Furnishing segment rose 32.3% to SEK 885.8 million (669.8) for the quarter and the segment accounted for 33% of the Group's total net sales for the quarter. In the first half of the year, net sales increased 31.3% to SEK 1,580.4 million (1,203.9) and accounted for 36% of the Group's total net sales. Organic growth continued to show a positive trend – from just under 10% in the first two quarters of

the preceding year to 19.7% in the third quarter, 28.9% in the fourth quarter, 27.6% in the first quarter of 2020 and now 31.5% in the second quarter of 2020.

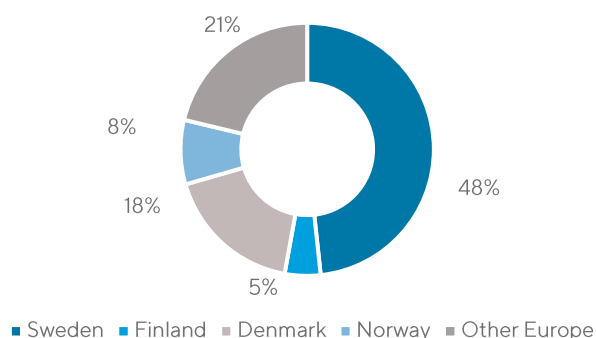
The single category with the fastest growth was interior design, followed by bathroom, garden and flat packs (i.e. chairs, tables etc.,). This change in the product mix – with lower price points for interior design products than for garden and flat pack products in particular – combined with the rapid growth in Eastern Europe, led to a slightly lower AOV for the segment over the year-earlier quarter, but did not have any negative effect on unit economics, since the AOV for the part of the range that is sent on pallets remained at a high level.

The continued roll-out of our own last-mile deliveries in Sweden progressed according to plan during the period. After the setups in Stockholm and Gothenburg (which also includes Borås) reached critical mass, the infrastructure in Skåne, which was launched at the end of the first quarter, has also been established now. As of the third quarter, all own Swedish last-mile deliveries are climate compensated. A continued roll-out is planned, probably most likely with the metropolitan areas of Helsinki and Oslo next in line.

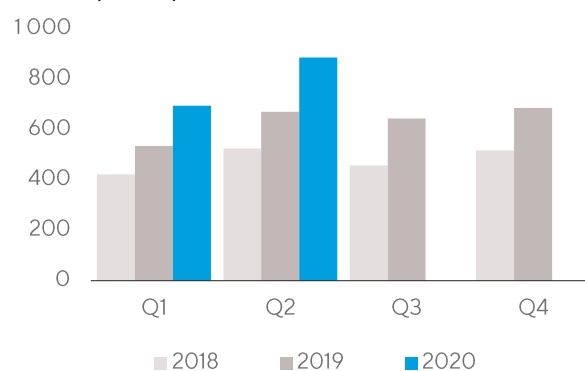
Adjusted EBIT for the quarter amounted to SEK 85.1 million (54.6), with an adjusted EBIT margin of 9.6% (8.2). Adjusted EBIT amounted to SEK 129.7 million (95.7) for the first half of the year, with an adjusted EBIT margin of 8.2% (7.9).

The segment's operating income amounted to SEK 82.3 million (51.6) for the quarter, with an operating margin of 9.3% (7.7). Operating income for the first half of the year amounted to SEK 124.1 million (84.2), with an operating margin of 7.9% (7.0).

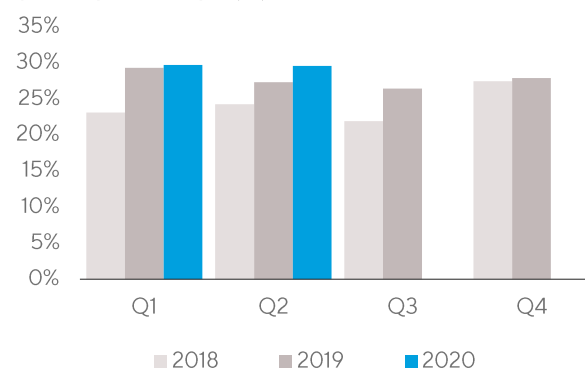
Distribution of net sales by country (%), Apr-Jun 2020



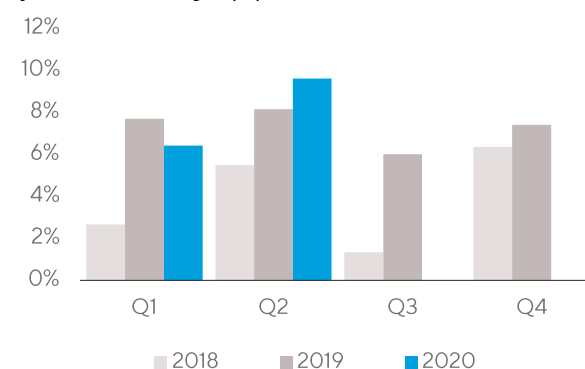
Net sales (SEK m)



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 605.1 million (260.6) and SEK 753.4 million (312.8) for the first half of the year, the highest levels for a single quarter and first half to date. Cash flow from operating activities was mainly driven by the Group's EBITDA during the period as well as the favourable working capital development, 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 in the period strengthened 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 second and third quarters due to seasonally high sales, after which working capital and inventories typically increase in the fourth quarter. The positive cash flow effect from changes in working capital during the period was mainly the result of an improvement in current liabilities and accounts payable.

The Group's cash flow to investing activities was SEK -25.6 million (-51.5) for the quarter and SEK -81.8 million (-147.1) for the first half of the year, and during the period was mainly attributable to disbursements for deferred 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 financing activities was SEK -30.4 million (-194.8) for the quarter and SEK -35.4 (-115.0) for the first half of the year, attributable to the increased drawdown of the Group's acquisition facility, and to contingent and deferred earn-outs, repayment of lease liabilities and interest paid.

Cash flow from operating activities was SEK 605.1 million (260.6) for the quarter and SEK 753.4 million (312.8) for the first half of the year, corresponding to a cash conversion (in relation to adjusted EBITDA) of 220.2% (183.4) for the period and 180.8% (130.9) for the first half of the year.

The Group's cash conversion is a result of the growth in EBITDA, a favourable working capital position and relatively low capex requirements. The exceptional growth for the quarter led to a decline in working capital for the period, as a result of advance payments from customers and higher accounts payable than at the start of the period.

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 898.1 million (270.3), which is mainly attributable to the Group's positive operating cash flow during the period.

The Group's net cash, 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 26.7 million at the end of the period, compared with a net debt of SEK 547.6 million at the beginning of the year. Accordingly, the Group outperformed its medium-term capital structure target, corresponding to net debt in relation to LTM adjusted EBITDA in the range of 1.5-2.5x.

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 750.9 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 523.6 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 6,976.3 million, compared with 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 3,010.6 million (SEK 2,925.1) million at the beginning of the year.

EMPLOYEES

The number of employees (measured as FTEs) was 1,614 at the end of the period. The average number of employees (FTEs) for the most recent 12-month period was 1,436.

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 (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 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 amounted to SEK 0.0 million (0.2) for the quarter and SEK 1.5 (0.5) for the first half of the year. In the previous periods, the Group's CEO, CFO and COO were the only employees in the Parent Company. Due to the organisational changes during the quarter, an additional number of employees were transferred to the Parent Company. The Parent Company posted an operating loss of SEK -13.1 million (-5.4) for the quarter and SEK -13.4 million (-8.8) for the first half of the year. The Parent Company's cash and cash equivalents totalled SEK 34.0 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 change of accounting policy for interest payments in the cash flow statement as 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 26-30 of this report.

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

Change of accounting policy for 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 include only 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 7.9 million in the second quarter of 2019 and SEK 28.9 million for the full year.
- Cash flow from financing activities decreased SEK 8.3 million in the second quarter of 2019 and SEK 30.5 million for the full year.

- Cash flow to investing activities increased SEK 0.3 million in the second quarter and SEK 1.5 million for the full year.

Parent Company

- Cash flow from operating activities increased SEK 0.8 million in the second quarter of 2019 and SEK 1.7 million for the full year.
- Cash flow from financing activities decreased SEK 0.8 million in the second quarter of 2019 and SEK 1.8 million for the full year.
- Cash flow to investing activities increased SEK 0.0 million in the second 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.

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 82.0. The highest price paid, quoted in June, was SEK 86.9, and the lowest price paid, quoted in March, was SEK 36.2.

During the first half of 2020, 58,105,189 BHG shares were traded, equivalent to a turnover rate of 54.1%.

As per June 30, BHG had approximately 5,900 shareholders, of which the largest were EQT (20.0%), FSN Capital (10.3%), Swedbank Robur Fonder (8.0%), Capital Group (8.0%) and Handelsbanken Fonder (5.5%).

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

Malmö, 23 July 2020

Gustaf Öhrn
Chairman

Christian Bubenheim
Board member

Johan Giléus
Board member

Ingrid Jonasson Blank
Board member

Bert Larsson
Board member

Niklas Ringby
Board member

Niclas Thiel
Board member

Adam Schatz
President and CEO

This report has not been audited by the company's auditors.

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 and the Swedish 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 23 July 2020.

CONTACT INFORMATION

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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 23 July in connection with the publication of the interim report. The call will be held in English. To participate, please call +46 (0) 8 566 427 04 or visit <https://tv.streamfabriken.com/bhg-q2-2020>. 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-June 2020 and previous quarterly and year-end reports are available at <https://www.wearebhg.com/investors/financial-reports/>

FINANCIAL CALENDAR

29 October 2020	Interim report January-September 2020
29 January 2021	Year-end report 2020

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 over 800,000 unique products and encompassing a complete offering within DIY, leisure, furniture and furnishings.

The Group includes over 85 online destinations – including sites like www.bygghemma.se, www.trademax.se, www.chilli.se and 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 1,500 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.

Condensed consolidated income statement

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Net sales	2,694.9	1,708.8	4,323.3	2,928.9	6,212.5
Other operating income	3.2	-0.0	0.1	0.0	0.3
Total net sales	2,698.1	1,708.7	4,323.3	2,928.9	6,212.7
Cost of goods sold	-2,019.4	-1,311.1	-3,227.3	-2,230.8	-4,721.9
Personnel costs	-166.3	-123.7	-305.2	-230.9	-493.4
Other external costs and operating expenses	-238.8	-137.1	-380.4	-248.2	-525.5
Other operating expenses	0.0	-2.2	-1.7	-5.5	-4.9
Depreciation and amortisation of tangible and intangible fixed assets	-51.6	-42.7	-117.5	-83.3	-185.0
Operating income	222.0	91.9	291.2	130.2	282.0
Profit/loss from financial items	-31.8	-20.6	-39.1	-29.9	-48.9
Profit before tax	190.1	71.3	252.1	100.3	233.1
Income tax	-42.9	-17.4	-58.7	-24.3	-53.2
Profit for the period	147.2	53.9	193.4	76.0	179.9
Attributable to:					
Equity holders of the parent	144.3	53.3	190.9	74.6	176.2
Non-controlling interest	2.9	0.6	2.5	1.5	3.6
Net income for the period	147.2	53.9	193.4	76.0	179.9
Earnings per share before dilution, SEK	1.34	0.50	1.78	0.69	1.64
Earnings per share after dilution, SEK	1.33	0.50	1.77	0.69	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 4,370,542 (2,760,016) warrants outstanding, of which 952,098 (0) had dilution effect during the quarter and 628,093 (0) had dilution effect during the first half of the year.

Condensed consolidated statement of comprehensive income

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Profit for the period	147.2	53.9	193.4	76.0	179.9
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Translation differences for the period	-19.3	7.6	-8.1	15.3	5.8
Other comprehensive income for the period	-19.3	7.6	-8.1	15.3	5.8
Total comprehensive income for the period	128.0	61.5	185.3	91.4	185.7
Total comprehensive income attributable to:					
Parent Company shareholders	127.1	60.5	182.8	89.0	181.6
Non-controlling interest	0.9	1.0	2.6	2.3	4.1
Total comprehensive income for the period	128.0	61.5	185.3	91.4	185.7
Shares outstanding at period's end	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	107,368,421	107,368,421
After dilution	108,320,519	107,368,421	107,996,514	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 half of the year, respectively.

Condensed consolidated statement of financial position

SEKm	30 Jun		31 Dec
	2020	2019	2019
Non-current assets			
Goodwill	3,011.0	2,713.5	2,896.7
Other intangible fixed assets	1,320.5	1,268.3	1,293.6
Total intangible fixed assets	4,331.6	3,981.8	4,190.2
Buildings and land	10.6	11.4	10.7
Leased fixed assets	480.2	348.7	459.2
Tangible fixed assets	45.7	34.4	39.8
Financial fixed assets	8.3	5.1	6.6
Deferred tax asset	11.9	9.2	13.5
Total fixed assets	4,888.3	4,390.6	4,720.1
Current assets			
Inventories	810.3	605.3	668.4
Current receivables	379.6	306.3	359.5
Cash and cash equivalents	898.1	281.7	270.3
Total current assets	2,088.0	1,193.3	1,298.1
Total assets	6,976.3	5,584.0	6,018.2
Equity			
Equity attributable to owners of the parent	2,972.7	2,855.0	2,889.7
Non-controlling interest	37.9	33.6	35.4
Total equity	3,010.6	2,888.6	2,925.1
Non-current liabilities			
Deferred tax liability	254.6	239.5	249.6
Other provisions	23.3	2.0	23.0
Non-current interest-bearing liabilities to credit institutions	821.4	616.4	813.6
Non-current lease liabilities	347.5	267.7	339.7
Other non-current liabilities	703.5	338.7	507.0
Total non-current liabilities	2,150.2	1,464.3	1,933.0
Current liabilities			
Current interest-bearing liabilities to credit institutions	46.4	18.0	-
Current lease liabilities	129.8	94.9	118.9
Other interest-bearing liabilities	47.5	53.2	47.5
Other current liabilities	1,591.9	1,064.9	993.8
Total current liabilities	1,815.5	1,231.0	1,160.1
Total equity and liabilities	6,976.3	5,584.0	6,018.2

Condensed consolidated statement of cash flows

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
EBITDA	273.5	135.5	408.6	214.2	467.8
Adjustments for items not included in cash flow	-0.3	0.7	-6.2	9.2	7.9
Income tax paid	-17.0	-13.0	-31.8	-23.9	-34.4
Cash flow from operating activities before changes in working capital	256.3	123.1	370.6	199.5	441.3
Changes in working capital	348.8	137.5	382.8	113.3	-19.2
Cash flow from operating activities	605.1	260.6	753.4	312.8	422.2
Investments in operations	-6.2	-27.1	-36.2	-101.1	-251.4
Investments in other non-current assets	-19.8	-24.7	-46.2	-46.4	-98.0
Divestment of other tangible fixed assets	0.1	-0.1	0.1	0.1	1.3
Received interest	0.2	0.3	0.4	0.4	1.5
Cash flow to/from investing activities	-25.6	-51.5	-81.8	-147.1	-346.5
Loans taken	5.5	20.3	53.5	128.9	307.4
Amortisation of loans	-27.7	-212.8	-72.0	-234.2	-315.7
Issue of warrants	-	6.0	-	6.0	6.0
Interest paid	-8.2	-8.3	-16.9	-15.7	-30.5
Cash flow to/from financing activities	-30.4	-194.8	-35.4	-115.0	-32.8
Cash flow for the period	549.1	14.3	636.2	50.8	42.8
Cash and cash equivalents at the beginning of the period	366.3	265.3	270.3	226.9	226.9
Translation differences in cash and cash equivalents	-17.3	2.1	-8.4	4.0	0.6
Cash and cash equivalents at the end of the period	898.1	281.7	898.1	281.7	270.3



Condensed consolidated statement of changes in equity

SEKm	30 Jun		31 Dec
	2020	2019	2019
Opening balance	2,925.1	2,814.4	2,814.4
Comprehensive income for the period	185.3	91.4	185.7
Effects from changed accounting standards	-	-10.5	-10.5
Issue of warrants	-	6.0	6.0
Remeasurement of liabilities to non-controlling interests	-99.8	-12.7	-70.5
Closing balance	3,010.6	2,888.6	2,925.1

Notes

NOTE 1 SEGMENTS

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Net sales					
DIY	1,818.7	1,046.2	2,760.1	1,734.8	3,700.8
Home Furnishing	885.8	669.8	1,580.4	1,203.9	2,533.1
Total net sales	2,704.5	1,716.0	4,340.5	2,938.8	6,233.9
Other*	4.0	6.8	7.2	13.0	26.9
Eliminations	-13.6	-14.0	-24.5	-22.9	-48.4
Group consolidated total	2,694.9	1,708.8	4,323.3	2,928.9	6,212.5
Revenue from other segments					
DIY	3.1	2.3	7.6	3.7	6.7
Home Furnishing	6.5	4.9	9.7	6.2	14.8
Other*	4.0	6.8	7.2	13.0	26.9
Total	13.6	14.0	24.5	22.9	48.4

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Operating income and profit before tax					
DIY	154.6	45.6	185.8	55.3	136.9
Home Furnishing	82.3	51.6	124.1	84.2	168.0
Total operating income	236.9	97.2	309.9	139.5	304.9
Other*	-15.0	-5.3	-18.7	-9.3	-22.9
Group consolidated operating income	222.0	91.9	291.2	130.2	282.0
Financial net	-31.8	-20.6	-39.1	-29.9	-48.9
Group consolidated profit before tax	190.1	71.3	252.1	100.3	233.1

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



Apr-Jun 2020						Jan-Jun 2020				
SEKm	DIY	Home Furnishing	Other	Elim- ination	Group	DIY	Home Furnishing	Other	Elim- ination	Group
Sweden	1,133.3	427.8	4.0	-12.4	1,552.7	1,764.3	752.1	7.2	-20.5	2,503.2
Finland	465.4	40.4	-	-0.0	505.8	653.7	68.0	-	-1.7	719.9
Denmark	152.0	156.5	-	-	308.5	213.3	302.1	-	-	515.4
Norway	68.0	72.9	-	-	140.9	122.4	129.9	-	-	252.2
Rest of Europe	-	188.2	-	-1.2	187.0	6.4	328.3	-	-2.3	332.4
Net sales	1,818.7	885.8	4.0	-13.6	2,694.9	2,760.1	1,580.4	7.2	-24.5	4,323.3

Apr-Jun 2019						Jan-Jun 2019				
SEKm	DIY	Home Furnishing	Other	Elim- ination	Group	DIY	Home Furnishing	Other	Eliminati on	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

Full-year 2019					
SEKm	DIY	Home Furnishing	Other	Elim- ination	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
Net sales	3,700.8	2,533.1	26.9	-48.4	6,212.5

NOTE 2 DISCLOSURES ON ACQUISITIONS**Acquisitions in 2020**

- On 17 February, the Group acquired 51% of the shares in Hemfint Kristianstad AB (Hemfint.se). The acquisition is recognized 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 recognized 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	79.0	12.4	30.1	-36.5
Acquisition of shares in Hemfint Kristianstad AB	26.1	71.9	98.0	3.8	58.0	-36.2
Additional purchase price, Arredo Holding AB	-	-	-	-	-	-0.9
Additional purchase price, Edututor Oy	-	-	-	-	-	-5.3
Additional purchase price, Designkupp AS	-	-	-	-	-	-5.5
Additional purchase price, Vitvarubolaget i Sundbyberg AB	-	-	-	-	-	-0.7
	59.1	117.8	176.9	16.2	88.1	-85.0

* 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 acquisition dates, the acquisitions have contributed SEK 174.9 million to the Group's net sales and SEK 13.8 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 186.1 million to the Group's net sales and SEK 12.6 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 Jun		31 Dec
	2020	2019	2019
Reported value on the opening date	554.5	320.3	320.3
Recognition in profit or loss	20.9	16.3	19.1
Recognised in equity	99.8	12.7	70.5
Utilised amount	-12.3	-46.7	-108.4
Acquisition value at cost	88.1	89.2	253.0
Reported value on the closing date	750.9	391.9	554.5

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.

Condensed Parent Company income statement

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Net sales	0.0	0.2	1.5	0.5	0.9
Total net sales	0.0	0.2	1.5	0.5	0.9
Personnel cost	-9.8	-3.6	-8.9	-5.0	-15.4
Other external costs	-3.3	-2.0	-5.9	-4.2	-6.9
Depreciation and amortisation of tangible and intangible fixed assets	-0.0	-0.0	-0.1	-0.0	-0.1
Operating income	-13.1	-5.4	-13.4	-8.8	-21.4
Profit/loss from financial items	-0.5	-0.7	-1.0	-0.8	-1.7
Group contributions	-	-	-	-	33.0
Profit/loss before tax	-13.7	-6.1	-14.3	-9.6	9.9
Income tax	2.9	1.3	3.1	2.1	-2.5
Profit/loss for the period	-10.7	-4.8	-11.3	-7.6	7.5

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 Jun		31 Dec
	2020	2019	2019
Non-current assets			
Other intangible fixed assets	0.6	0.3	0.5
Total intangible fixed assets	0.6	0.3	0.5
Participations in Group companies	2,691.6	2,691.6	2,691.6
Deferred tax asset	-	2.3	-
Total fixed assets	2,692.2	2,694.2	2,692.0
Current assets			
Short-term receivables	10.1	11.5	7.8
Short-term receivables from Group companies	-	0.0	32.9
Cash and cash equivalents	34.0	29.5	17.2
Total current assets	44.1	41.0	57.9
Total assets	2,736.2	2,735.2	2,749.9
Equity			
Restricted equity	3.2	3.2	3.2
Unrestricted equity	2,722.3	2,718.5	2,733.5
Total equity	2,725.5	2,721.8	2,736.8
Current liabilities			
Other current liabilities	10.7	13.4	13.2
Total current liabilities	10.7	13.4	13.2
Total equity and liabilities	2,736.2	2,735.2	2,749.9



Key ratios

	2020			2019				
	Q2	Q1	Jan-Jun	Q4	Q3	Q2	Q1	Jan-Dec
THE GROUP								
Adjusted total expenses	-453.5	-351.3	-804.8	-334.7	-305.9	-305.4	-260.2	-1,206.2
Adjusted EBIT margin %	8.6	4.9	7.2	5.5	5.0	6.0	4.5	5.3
Adjusted gross profit	675.5	420.5	1,096.0	414.3	378.1	397.6	305.6	1,495.7
Adjusted gross margin %	25.1	25.8	25.4	25.2	23.1	23.3	25.0	24.1
Equity/assets ratio %	43.2	45.8	43.2	48.6	50.2	51.7	51.9	48.6
Net debt (+) / Net cash (-)	-26.7	499.6	-26.7	547.6	433.1	357.7	544.6	547.6
Cash flow from operating activities (SEKm)	605.1	148.3	753.4	51.9	57.5	260.6	52.2	422.2
Earnings per share (SEK)	1.34	0.43	1.78	0.58	0.36	0.50	0.20	1.64
Visits (thousands)	91,615	56,924	148,539	57,926	48,007	43,583	34,882	184,398
Orders (thousands)	893	539	1,432	537	501	503	399	1,940
Average order value (SEK)	3,188	3,128	3,165	3,109	3,242	3,417	3,129	3,227
DIY								
Visits (thousands)	46,950	24,689	71,638	25,362	20,126	23,647	17,337	86,473
Orders (thousands)	588	310	898	310	283	317	231	1,141
Average order value (SEK)	3,271	3,316	3,287	3,128	3,364	3,392	3,102	3,255
Home Furnishing								
Visits (thousands)	44,665	32,235	76,900	32,564	27,881	19,935	17,545	97,925
Orders (thousands)	305	230	535	228	218	186	168	799
Average order value (SEK)	3,027	2,875	2,962	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 as 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 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	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Operating income	222.0	91.9	291.2	130.2	282.0
Acquisition-related costs	-	0.3	-	1.7	1.7
Last-mile project	-	-	-	5.8	5.8
Total items affecting comparability	-	0.3	-	7.5	7.5
Amortisation and impairment of acquisition-related intangible fixed assets	10.8	10.0	21.5	19.8	40.6
Adjusted EBIT	232.7	102.3	312.7	157.5	330.1
Adjusted EBIT (%)	8.6	6.0	7.2	5.4	5.3
Depreciation and amortisation of tangible and intangible fixed assets	40.9	32.7	96.0	63.4	144.4
Gain/loss from sale of fixed assets	-0.1	0.8	-0.1	0.7	0.8
Adjusted EBITDA	273.5	135.7	408.6	221.7	475.3
Adjusted EBITDA (%)	10.2	7.9	9.5	7.6	7.7
Net sales	2,694.9	1,708.8	4,323.3	2,928.9	6,212.5
Cost of goods	-1,731.9	-1,126.9	-2,748.2	-1,901.9	-4,023.8
Gross profit before direct selling costs	963.0	581.8	1,575.1	1,026.9	2,188.6
Gross profit before direct selling costs (%)	35.7	34.0	36.4	35.1	35.2
Direct selling costs	-287.5	-184.2	-479.2	-328.9	-698.1
Gross profit	675.5	397.6	1,096.0	698.1	1,490.5
Gross profit (%)	25.1	23.3	25.4	23.8	24.0
Last-mile project	-	-	-	5.2	5.2
Adjusted gross profit	675.5	397.6	1,096.0	703.2	1,495.7
Adjusted gross profit (%)	25.1	23.3	25.4	24.0	24.1

**DIY segment**

SEKm	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Operating income	154.6	45.6	185.8	55.3	136.9
Acquisition-related costs	-	0.1	-	1.5	1.4
Total items affecting comparability	-	0.1	-	1.5	1.4
Amortisation and impairment of acquisition-related intangible fixed assets	8.0	7.3	16.0	14.4	29.6
Adjusted EBIT	162.6	53.0	201.8	71.1	167.9
Adjusted EBIT (%)	8.9	5.1	7.3	4.1	4.5
Depreciation and amortisation of tangible and intangible fixed assets	22.9	15.2	46.0	29.4	67.3
Gain/loss from sale of fixed assets	-0.0	0.0	-0.0	0.0	0.2
Adjusted EBITDA	185.5	68.1	247.8	100.6	235.4
Adjusted EBITDA (%)	10.2	6.5	9.0	5.8	6.4
Net sales	1,818.7	1,046.2	2,760.1	1,734.8	3,700.8
Cost of goods	-1,242.2	-760.7	-1,884.2	-1,249.5	-2,641.2
Gross profit before direct selling costs	576.6	285.5	875.9	485.4	1,059.6
Gross profit before direct selling costs (%)	31.7	27.3	31.7	28.0	28.6
Direct selling costs	-163.4	-70.6	-248.8	-121.6	-265.3
Gross profit	413.1	214.9	627.1	363.8	794.3
Gross profit (%)	22.7	20.5	22.7	21.0	21.5
Adjusted gross profit	413.1	214.9	627.1	363.8	794.3
Adjusted gross profit (%)	22.7	20.5	22.7	21.0	21.5



Home Furnishing segment

	Apr-Jun		Jan-Jun		Jan-Dec
	2020	2019	2020	2019	2019
Operating income	82.3	51.6	124.1	84.2	168.0
Acquisition-related costs	-	0.2	-	0.2	0.2
Last-mile project	-	-	-	5.8	5.8
Total items affecting comparability	-	0.2	-	6.0	6.0
Amortisation and impairment of acquisition-related intangible fixed assets	2.8	2.8	5.5	5.5	11.0
Adjusted EBIT	85.1	54.6	129.7	95.7	185.0
Adjusted EBIT (%)	9.6	8.2	8.2	7.9	7.3
Depreciation and amortisation of tangible and intangible fixed assets	18.0	17.5	49.9	34.0	77.1
Gain/loss from sale of fixed assets	-0.1	0.8	-0.0	0.7	0.6
Adjusted EBITDA	103.0	72.9	179.5	130.4	262.7
Adjusted EBITDA (%)	11.6	10.9	11.4	10.8	10.4
Net sales	885.8	669.8	1,580.4	1,203.9	2,533.1
Cost of goods	-499.0	-372.8	-880.3	-661.6	-1,402.7
Gross profit before direct selling costs	386.8	297.0	700.1	542.4	1,130.3
Gross profit before direct selling costs (%)	43.7	44.3	44.3	45.0	44.6
Direct selling costs	-124.1	-113.6	-230.4	-207.3	-432.8
Gross profit	262.7	183.4	469.7	335.1	697.5
Gross profit (%)	29.7	27.4	29.7	27.8	27.5
Last-mile project	-	-	-	5.2	5.2
Adjusted gross profit	262.7	183.4	469.7	340.3	702.7
Adjusted gross profit (%)	29.7	27.4	29.7	28.3	27.7



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 second quarter, net cash amounted to SEK 26.7 million. Accordingly, the Group exceeded its medium-term capital structure target corresponding to net debt in relation to LTM adjusted EBITDA in the range of 1.5-2.5x. 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 750.9 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 and amounted to SEK 477.2 million at the end of the quarter, compared with SEK 458.5 million at the beginning of the year.

SEKm	30 Jun		31 Dec
	2020	2019	2019
Non-current interest-bearing debt	1,872.3	1,222.8	1,660.3
Short-term interest-bearing debt	223.6	166.1	166.3
Total interest-bearing debt	2,095.9	1,389.0	1,826.7
Cash and cash equivalents	-898.1	-281.7	-270.3
Adjustment lease liabilities	-477.2	-362.6	-458.5
Adjustment of earn-outs and deferred payments	-750.9	-391.9	-554.5
Adjustment transaction costs	3.6	4.9	4.3
Net debt (+) / Net cash (-)	-26.7	357.7	547.6

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 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 EBITA 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.