

Interim report: 1 January-31 December 2021

SEK 12 billion in net sales surpassed

- Strategic initiatives, strengthened market shares and successful integration of acquired businesses resulted in growth for the quarter of 48.1% despite a weak overall market.

HIGHLIGHTS

1 October-31 December

- Net sales increased 48.1% to SEK 3,487.2 million (2,354.6). Organic growth was 1.8% and pro-forma organic growth was 9.3%
- Gross profit increased 45.0% to SEK 927.9 million (640.0), with a gross margin of 26.6% (27.2)
- Adjusted EBIT amounted to SEK 186.4 million (194.1), corresponding to an adjusted EBIT margin of 5.3% (8.2)
- Operating income amounted to SEK 157.4 million (183.4), corresponding to an operating margin of 4.5% (7.8)
- Cash flow from operating activities amounted to SEK -246.8 million (220.7)
- Net profit for the period amounted to SEK 118.3 million (91.9)
- Earnings per share amounted to SEK 0.93 (0.85) before dilution and SEK 0.92 (0.83) after dilution

1 January-31 December

- Net sales increased 41.2% to SEK 12,666.0 million (8,968.2). Organic growth was 12.8% and pro-forma organic growth was 17.9%
- Gross profit increased 44.3% to SEK 3,357.1 million (2,362.2), with a gross margin of 26.5% (25.9)
- Adjusted EBIT amounted to SEK 812.7 million (700.8), corresponding to an adjusted EBIT margin of 6.4% (7.8)
- Operating income amounted to SEK 710.6 million (657.8), corresponding to an operating margin of 5.6% (7.3)
- Cash flow from operating activities amounted to SEK -23.2 million (994.3)
- Net profit for the period amounted to SEK 495.2 million (420.3)
- Earnings per share amounted to SEK 4.01 (3.87) before dilution and SEK 3.97 (3.80) after dilution

The Board of Directors proposes to the Annual General Meeting that no dividend be paid to the shareholders for the 2021 financial year.

Key events during and after the period

• M&A and PMI (Post Merger Integration): Successful integration of completed acquisitions

- The six acquisitions completed in 2021, three in each segment, performed well and the integration process was successful, for example, in the form of product assortment exchange, improved traffic generation, consolidation of selected DIY proprietary brands and coordination of warehouse and logistics infrastructure.
- Sellers' valuation expectations, which do not adequately reflect the prevailing market circumstances, however meant that we discontinued a couple of advanced acquisition processes.
- A strong M&A pipeline for 2022 will ensure that our acquisition journey continues.

• Growth initiatives: Progress on central organic initiatives

- Investments in technology platforms for product and customer data, and first automation of warehouse infrastructure launched.
- The ultimate aim of the initiatives above is to complement the customer offering and create a leading customer experience through further product range expansion and exchange between the operating units, geographic expansion of proprietary brands and by strengthening BHG's digital leadership and infrastructure. Customer satisfaction improved considerably during the period.
- Commenced data collection based on the EU taxonomy. This data will also form the basis of defining ESG targets in the 2021 Sustainability Report.

FINANCIAL SUMMARY

SEKm (if not otherwise stated)	Oct-Dec			Jan-Dec		
	2021	2020	Δ%	2021	2020	Δ%
Net sales	3,487.2	2,354.6	48.1	12,666.0	8,968.2	41.2
Gross profit	927.9	640.0	45.0	3,357.1	2,326.2	44.3
Gross margin (%)	26.6	27.2	-0.6 p.p.	26.5	25.9	0.6 p.p.
Adjusted EBIT*	186.4	194.1	-4.0	812.7	700.8	16.0
Adjusted EBIT margin (%)	5.3	8.2	-2.9 p.p.	6.4	7.8	-1.4 p.p.
Operating income	157.4	183.4	-14.2	710.6	657.8	8.0
Operating margin (%)	4.5	7.8	-3.3 p.p.	5.6	7.3	-1.7 p.p.
Net profit for the period	118.3	91.9	28.7	495.2	420.3	17.8
Earnings per share before dilution, SEK	0.93	0.85	9.4	4.01	3.87	3.6
Earnings per share after dilution, SEK	0.92	0.83	10.8	3.97	3.80	4.5
Cash flow from operating activities	-246.8	220.7	-211.8	-23.2	994.3	-102.3
Net debt (+) / Net cash (-)	2,251.3	1,796.0	25.4	2,251.3	1,796.0	25.4

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 33 of this report for a more detailed description.

Comments by Adam Schatz

President and CEO, BHG Group

Part of the culture at BHG is that we always look ahead to new opportunities. However, I have decided to start this final interim report for the year by briefly looking back on what we have achieved since we were listed in 2018.

- A leading online position in the Nordic region has been established and work on creating an equally strong position in continental Europe has commenced.
- Net sales have tripled and operating income more than quadrupled. At the same time, I firmly believe that our growth journey is still in its infancy. We serve very large markets with healthy underlying growth. In addition, we have clear geographic expansion opportunities – not least in continental Europe – and a long list of potential acquisitions.
- We have honed our model – *Organic initiative + acquisitions + synergies* – and supplemented our strong corporate culture, which remains founded on entrepreneurship and ambition, but is now just as much focused on the customer, sustainability and data.
- We have carried out and integrated 36 acquisitions, 16 of which since the IPO and six in 2021.
- After having achieved our previous financial targets, including doubling net sales to SEK 10 billion, we updated our targets during the year, aiming to double our size again in the mid-term. We are quickly approaching these targets now that we have reported annual sales for 2021 of SEK 12.7 billion and pro-forma sales of SEK 14.0 billion.



"We have further advanced our position in our Nordic home markets and established a rapidly growing presence in mainland Europe."

We delivered yet another quarter of growth despite a weaker overall market and challenging comparative figures and strengthened our market position. Net sales amounted to SEK 3,487.2 million, up 48.1%, corresponding to pro-forma organic growth of 9.3% and organic growth of 1.8%. Pro-forma growth compared with 2019, i.e. from the time before the outbreak of the pandemic, exceeded 56% – clear confirmation that the long-term trend toward higher market shares for BHG is intact. Adjusted EBIT amounted to SEK 186.4 million for the quarter, corresponding to an adjusted EBIT margin of 5.3%.

We are a leading player in a large, rapidly growing yet fragmented market and our customer offering encompasses everything for the home online."

M&A remains an important tool going forward. However, during the quarter we decided not to complete several potential acquisitions due to the sellers' valuation expectations not adequately reflecting the prevailing market circumstances. Nevertheless, there are many relevant acquisition opportunities on our list, and we firmly believe that our acquisition journey will continue in 2022. Similar to previous interim reports, we have again decided to put the spotlight on one of our units, this time the relatively newly acquired HYMA – I recommend that you read CEO Anders Carlsson's reflections on the company's start as part of BHG on page 10 of the report.

Through our efforts to meet and surpass our customers' expectations, we build BHG for the future:

- **Here and now**, we are investing to advance our positions in terms of product assortment, delivery and data/automation – and of course organic and acquisition-driven growth, not least in continental Europe. A temporarily weaker market provides an excellent opportunity for a leading player to strengthen its position.
- **In a mid-term perspective**, we will have achieved and surpassed our financial targets, including attaining SEK 20 billion in sales. At the same time as we will have significantly enhanced our ability to serve our customers in the best possible way and taken further steps within the sustainability area, including the forthcoming definition of our sustainability targets and reporting in line with the EU taxonomy. Both of these aspects will form part of our 2021 Sustainability Report.
- **In the longer term**, we envisage a BHG that has fully emerged as the leading online player in Europe in home improvement, with the broadest customer platform in the market. According to our assessment, the annual Nordic home improvement market generates sales of about SEK 300 billion and the European overall market is 15-20 times larger. Online penetration has increased steadily over the past decade yet remains relatively low at about 14%.

Our investments are long-term, and we are convinced that the strength of our model will be reflected in the BHG share in the future.

I would like to conclude by thanking our employees for their tireless work to gradually move us closer to fulfilling our mission: *We make living easy!*

Malmö, 28 January 2022

Adam Schatz
President and CEO, BHG Group

Condensed consolidated financial information

SEKm (if not otherwise stated)	Oct-Dec			Jan-Dec		
	2021	2020	Δ%	2021	2020	Δ%
Net sales	3,487.2	2,354.6	48.1	12,666.0	8,968.2	41.2
Gross profit	927.9	640.0	45.0	3,357.1	2,326.2	44.3
Gross margin (%)	26.6	27.2	-0.6 p.p.	26.5	25.9	0.6 p.p.
Adjusted EBITDA*	275.7	249.5	10.5	1,104.6	902.7	22.4
Adjusted EBITDA margin (%)	7.9	10.6	-2.7 p.p.	8.7	10.1	-1.3 p.p.
Adjusted EBIT*	186.4	194.1	-4.0	812.7	700.8	16.0
Adjusted EBIT margin (%)	5.3	8.2	-2.9 p.p.	6.4	7.8	-1.4 p.p.
Items affecting comparability	-3.8	-	-	-23.4	-	-
Operating income	157.4	183.4	-14.2	710.6	657.8	8.0
Operating margin (%)	4.5	7.8	-3.3 p.p.	5.6	7.3	-1.7 p.p.
Net profit for the period	118.3	91.9	28.7	495.2	420.3	17.8
Cash flow from operating activities	-246.8	220.7	-211.8	-23.2	994.3	-102.3
Visits (thousands)	106,202	77,950	36.2	411,296	302,133	36.1
Orders (thousands)	1,644	865	90.0	5,247	3,012	74.2
Conversion rate (%)	1.5	1.1	0.4 p.p.	1.3	1.0	0.3 p.p.
Average order value** (SEK)	2,093	2,725	-23.2	2,439	3,018	-19.2

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 33 of this report for a more detailed description.

** Average order value (AOV) was impacted by the consolidation of Nordic Nest, whose AOV is about one-third that of the Group's other operations, as of 1 January.

COMMENTS ON THE RESULT FOR THE PERIOD

We continued to strengthen our market position during the quarter. In a shrinking overall market and despite high comparative figures, we grew and increased our market shares. This further underpins our assessment that the increase in online penetration during the first year of the pandemic has established a new and higher base from which our growth now continues.

Considering our robust growth in 2020, it is relevant to remind ourselves of the slightly longer-term perspective. Our journey over the past two-year period from the fourth quarter of 2019 to the end of the most recent quarter can be summarised as follows:

- 112.0% total growth (45.6% CAGR),
- 55.6% pro-forma organic growth (meaning unit for unit with the companies that currently make up BHG; CAGR 24.7%), and
- 35.3% organic growth (16.3% CAGR),

The general market scenario from the third quarter continued in the fourth, with bottlenecks and price increases along the supply chain and fiercer competition for customers, which among other things resulted in higher costs for online marketing compared with the year-earlier period. As expected, we can now see signs that several competitors have implemented or are preparing to implement price increases to compensate for higher prices of raw materials and continuing overextended delivery chains. We have

leveraged our position as the largest online pure-play in the Nordic region to navigate the prevailing supply and demand situation.

The fourth quarter of the year was characterised by:

- Growth, driven by a successful Black Week campaign period, international expansion, acquisitions, and the strong performance by companies acquired during the year. The continuing challenging external circumstances impacted both segments, but the actions we have taken, particularly in the Home Furnishing segment, have generated the desired effect.
- The Group's net sales amounted to SEK 3,487.2 million for the quarter and SEK 12,666.0 million for the full year. Total growth amounted to 48.1% for the quarter and 41.2% for the full year, pro-forma organic growth (meaning organic growth including the six acquisitions carried out in the past year) amounted to 9.3% and organic growth to 1.8% for the quarter and to 17.9% and 12.8% for the full year.
- Adjusted EBIT amounted to SEK 186.4 million for the quarter and SEK 812.7 million for the full year, corresponding to an adjusted EBIT margin of 5.3% for the quarter and 6.4% for the full year. The EBIT margin was negatively impacted by higher shipping, product, fulfilment and traffic generation costs.
- Cash flow from operating activities amounted to SEK -246.8 million for the quarter and SEK -23.2 million for the full year and was mainly impacted by the build-up of

inventories to ensure high product availability despite the disruptions in the global logistics chains and the date on which consolidation of some of the major acquisitions for the year began.

- Continued progress on central initiatives was made during the quarter, including:
 - Investments in our technology platform for product and customer data and launch of the Group's first automation of warehouse infrastructure. The ultimate aim of the initiatives is to complement the customer offering and create a market-leading customer experience through further product range expansion and exchange between the operating units, geographic expansion of proprietary brands and by strengthening BHG's digital leadership and infrastructure.
 - Considerable improvement in customer satisfaction.
 - The start of data collection based on the EU taxonomy, which will form the foundation for defining ESG targets in the 2021 Sustainability Report (refer to the sustainability section on page 5).

The home improvement market

The overall home improvement market remains significantly larger than before the outbreak of the pandemic. However, our assessment is that the market contracted in both the third and fourth quarters of 2021 compared with the corresponding periods in 2020. The market already began to face a slowdown back in the second quarter of 2021. This was partly the result of the comparison with the high demand during the first year of the coronavirus pandemic and partly the normalisation of the consumption of services, which have returned to pre-pandemic levels.

The overall market trend was particularly weak around Black Week – a period in which BHG's units nevertheless reported a strong performance – and subsequently stabilised slightly closer to year-end. It should also be noted that all home improvement categories are continuing to report strong growth compared with the pre-pandemic period.

The market has been impacted for some time by disruptions in the global supply chain in the wake of the pandemic. These cost increases are now starting to be reflected in higher consumer prices in certain categories. Our assessment is that consumer price increases will continue into the next quarter. As we announced in our earlier interim reports this year, we expect shipping costs to remain high and certain bottlenecks to continue into 2022, although they will probably not deteriorate any further.

The market challenges mentioned above are affecting all players in Europe and our prospects for navigating the prevailing circumstances are good.

Outlook

Despite the overall market being relatively weak in the fourth quarter and the problems that are continuing to impact the product supply chain, our position in the Nordic region and selected markets in continental Europe remains strong, not least in Eastern Europe (through Furniture1) and Germany (through selected parts of the DIY segment, but particularly in the Home Furnishing segment through Nordic Nest and recently acquired AH-Trading).

Our size and approach of combining organic initiatives with acquisitions and leveraging synergies provide us with a major advantage, particularly in the prevailing market:

- We have favourable prerequisites to ensure that BHG's businesses are prioritised by our manufacturing partners and freight companies.
- We have a market-leading digital position and can therefore drive traffic efficiently.
- As the only online player in home improvement with the history and ability to continuously consolidate our markets through acquisitions, we can continue to strengthen our business under all market conditions.

The Group does not publish any forecasts, but we can confirm that the annual growth in order intake at start of the first quarter of the year was stronger than in both of the preceding quarters.

The assessment that our online markets can be expected to grow by approximately 15% annually remains, and in addition to this base growth, the Group has good opportunities to execute on geographic initiatives, both organic and acquisition-related ones. For further information, refer to the Group's medium-term financial targets (refer to page 7).

M&A

Acquisitions will remain an important tool going forward. Assisted by our strengthened integration team, acquired companies can more quickly capitalise on our organic initiatives, which are based on the four strategic cornerstones, with the ultimate aim of bringing us closer to fulfilling our mission: *We make living easy*.

Many potential acquisition opportunities were evaluated during the quarter. We nevertheless decided to discontinue a couple of advanced acquisition processes in which the sellers' valuation expectations did not, in our opinion, adequately reflect the prevailing market circumstances. A strong M&A pipeline ensures that our acquisition journey will continue in 2022.

With the acquisitions completed during the year, BHG has significantly consolidated its position as the leading online pure-play in the Nordic region, with a rapidly expanding presence in continental Europe in general and in Eastern Europe and Germany in particular.

With the acquisitions and the subsequent merger of Nordic Nest and Svenssons i Lammhult, the Group has established a premium platform in Home Furnishing. Furthermore, the combination of organic initiatives, acquisitions and synergies has enabled the share of the Group's sales generated outside our traditional Nordic home markets to increase sharply in recent years. In the fourth quarter, 17.6% of the Group's net sales was generated from markets outside the Nordic region, up 3.4 percentage points on a pro-forma basis compared with the year-earlier period.

Our prerequisites for maintaining a high acquisition rate are in place, and the pipeline of relevant acquisition candidates – both in our Nordic home markets and in large nearby geographic regions – is strong.

When it comes to acquisitions, our focus is on the home improvement market, a market where the level of online penetration is still relatively low, but which is expected to

grow significantly in the coming years. In this market, we are looking for:

- Acquisitions that accelerate our product range expansion and enable geographic expansion, including new platform acquisitions as well as category acquisitions that will be integrated with one of our main platforms over time.
- Acquisitions that facilitate synergies in the form of product assortment exchange, digital traffic generation, maximising the business insights obtained from the data flowing through our growing group of operations, and leveraging economies of scale in terms of purchasing.

Sustainability at BHG

The process of fully integrating ESG into our strategy and our Group-wide projects and activities continued in the quarter. We are now at the point of defining our short and long-term sustainability targets and intend to include them in our 2021 Sustainability Report, which as usual will comprise part of the annual report. Furthermore, we will report in accordance with the EU taxonomy in the sustainability report.

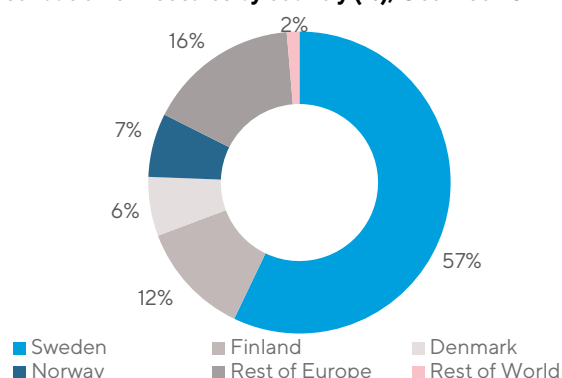
During the period, BHG adopted an update to its Code of Conduct and the Code of Conduct for the Group's suppliers. Both of these Codes are based on the ten principles of the UN Global Compact and the main underlying declarations on human rights, fundamental principles and rights at work, the Rio declaration on environment and development, and the United Nations Convention against Corruption. The updated Codes started to be implemented in all BHG subsidiaries during the period.

Currency effects

The Group does not hedge currency exposure, except for Hafa Bathroom Group, which was acquired in the second quarter.

Exchange-rate fluctuations had a negative, albeit relatively negligible, impact on both net sales and operating income for the quarter.

Distribution of net sales by country (%), Oct-Dec 2021



Net sales

Both total growth and pro-forma growth (including the performance of recent acquisitions, which typically grow faster when they become part of the Group) were favourable, despite challenging comparative figures. Organic growth for the Group was impacted by high comparative figures and an overall market that contracted during the quarter. Despite

this, positive organic growth for the quarter could be reported due to strong sales during the Black Week period, during which BHG clearly advanced its positions.

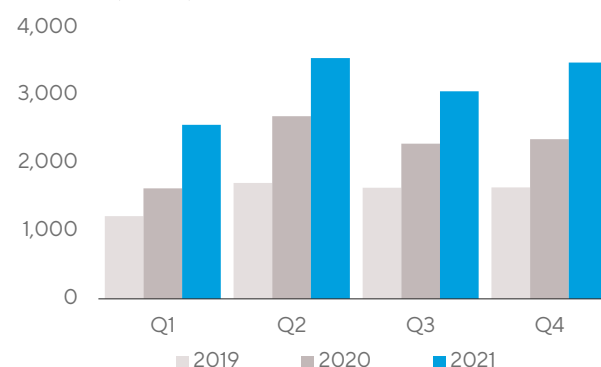
Net sales increased 48.1% to SEK 3,487.2 million (2,354.6) for the quarter and 41.2% to SEK 12,666.0 million (8,968.2) for the full year. Organic growth was 1.8% for the quarter and 12.8% for the full year. Pro-forma organic growth was 9.3% for the quarter and 17.9% for the full year. Sales in the German market were particularly strong and for the first time Germany became the third largest BHG geography.

Net sales in the DIY segment increased 26.7% to SEK 1,823.6 million for the quarter and 28.2% to SEK 7,259.6 million for the full year. Organic growth was 2.3% for the quarter and 15.4% for the full year. Pro-forma organic growth was 3.3% for the quarter and 14.6% for the full year. The Swedish operations delivered at a high level, while the other Nordic units encountered more difficult comparative figures – a picture very much like the trend seen in both the second and third quarters.

Net sales in the Home Furnishing segment increased 81.3% to SEK 1,673.2 million for the quarter and 63.1% to SEK 5,442.8 million for the full year. Organic growth was 1.0% for the quarter and 8.2% for the full year. Pro-forma organic growth was 16.8% for the quarter and 22.3% for the full year. Growth was largely driven by sales to customers in continental Europe, particularly via Nordic Nest and Furniture1.

The Group's traffic generation and web team, which works across all units, navigated the continuing challenges of the traffic generation market. Traffic to the Group's webstores performed well despite this and surpassed 100 million. The number of visitors for the quarter was 106.2 million (78.0), which generated 1,644 thousand (865) orders. At the same time the conversion rate increased 0.4 of a percentage point.

Net sales (SEKm)



Gross margin and SG&A

The product margin was 39.5% (38.7) for the quarter and 39.1% (37.4) for the full year. The reported gross margin (that is, the margin after deductions for direct selling expenses, such as logistics, fulfilment, etc.) amounted to 26.6% (27.2) for the quarter and 26.5% (25.9) for the full year. This improvement in the product margin was driven by a positive shift in the mix toward a higher share of proprietary brands in the DIY segment and healthy growth in the Home Furnishing segment, which more than compensated for higher shipping and fulfilment costs.

Overall, the gross margin development in the quarter was attributable to:

- Price and mix: A higher share of sales and price adjustments in the Home Furnishing segment and a higher share of sales of proprietary brands in the DIY segment.
- Increases in the prices of raw materials and shipping, plus higher fulfilment costs. The first clear signs of increases in market prices to compensate for cost increases in the product and logistics chain could be discerned during the quarter.

The Group carefully monitors the development of AOV and focuses particularly on ensuring that the AOV for bulky products, which are sent on pallets, remains high. Essentially all of the operating units managed to maintain, or increase, their AOV during the quarter. The decline in AOV in the Home Furnishing segment was entirely attributable to the shift in the mix toward more parcel shipments following the consolidation of Nordic Nest from 1 January.

Selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 652.2 million (390.6) for the quarter, corresponding to 18.7% (16.6) of net sales, and to SEK 2,252.4 million (1,423.5) for the full year, corresponding to 17.8% (15.9).

SG&A was primarily impacted by increased costs for online marketing as a result of higher traffic generation costs, driven by market price increases for the cost per click (CPC). A large share of this increase was attributable to the normalisation of the unusually low CPC levels in the first year of the pandemic. SG&A as a share of sales was also negatively affected by the date at which AH-Trading was consolidated. AH-Trading's assortment is almost exclusively made up of outdoor furniture and related products and the operations is therefor highly seasonal.

The increase in SG&A in relation to net sales was also the result of the continued increase in the share of sales from own brands. Our aim to increase the share of proprietary brands requires a more comprehensive organisation and increased online marketing. Finally, we continue to be in a phase in which we are building the organisation to enable the delivery of high growth with favourable customer satisfaction and increased customer loyalty in the long term. Customer satisfaction also improved significantly during the year.

As previously mentioned, we decided to discontinue two advanced acquisition processes in new markets for us during the quarter. In connection with this, we recognised transaction costs corresponding to SEK 3.6 million as items affecting comparability during the quarter. Since the third quarter of 2019, we only recognise exceptional transaction costs related to our acquisition agenda.

Earnings

The Group's adjusted EBIT amounted to SEK 186.4 million (194.1) for the quarter and SEK 812.7 million (700.8) for the full year, corresponding to an adjusted EBIT margin of 5.3% (8.2) for the quarter and 6.4% (7.8) for the full year.

The Group's operating income amounted to SEK 157.4 million (183.4) for the quarter and SEK 710.6 million (657.8) for the full year, corresponding to an operating margin of 4.5% (7.8) for the quarter and 5.6% (7.3) for the full year.

Amortisation of acquisition-related intangible assets amounted to SEK 25.2 million (10.7) for the quarter and SEK 78.7 million (43.0) for the full year. Amortisation pertained to 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 -8.5 million (-58.4) for the quarter, which included reassessed earn-outs of SEK +8.0 million. Interest expenses for the quarter amounted to SEK -13.8 million, of which SEK -4.4 million related to lease liabilities in accordance with IFRS 16. For the full year, the Group's net financial items amounted to SEK -79.7 million (-107.5), which included reassessed earn-outs of SEK -12.3 million. Interest expenses amounted to SEK -49.7 million, of which SEK -15.6 million related to lease liabilities in accordance with IFRS 16.

The Group's profit before tax was SEK 149.0 million (125.0) for the quarter and SEK 630.9 million (550.3) for the full year.

Net income was SEK 118.3 million (91.9) for the quarter and SEK 495.2 million (420.3) for the full year. The effective tax rate was -20.6% (-26.5) for the quarter, corresponding to SEK -30.7 million (-33.1), and -21.5% (-23.6) for the full year, corresponding to SEK -135.7 million (-130.0).

Key events during and after the period

- **M&A and PMI (Post Merger Integration):** *Successful integration of completed acquisitions*
 - The six acquisitions completed in 2021, three in each segment, performed well and the integration process was successful, for example, in the form of product assortment exchange, improved traffic generation, consolidation of selected DIY proprietary brands and coordination of warehouse and logistics infrastructure.
 - Sellers' valuation expectations, which do not adequately reflect the prevailing market circumstances, however meant that we discontinued a couple of advanced acquisition processes.
 - A strong M&A pipeline for 2022 will ensure that our acquisition journey continues.
- **Growth initiatives:** *Progress on central organic initiatives*
 - Investments in technology platforms for product and customer data, and first automation of warehouse infrastructure launched.
 - The ultimate aim of the initiatives above is to complement the customer offering and create a leading customer experience through further product range expansion and exchange between the operating units, geographic expansion of proprietary brands and by strengthening BHG's digital leadership and infrastructure. Customer satisfaction improved considerably during the period.
 - Commenced data collection based on the EU taxonomy. This data will also form the basis of defining ESG targets in the 2021 Sustainability Report.

FINANCIAL TARGETS**Net sales**

The Group's objective is to achieve net sales of SEK 20 billion over the medium term, including acquisitions. The target of SEK 20 billion in net sales is to be achieved by combining organic growth at least in line with the market, which is expected to grow by approximately 15% per year over a business cycle, with acquisitions, which are to add 5-10 percentage points of growth per year. The combination of organic and inorganic initiatives is to translate into growth in the range of 20-25% per year.

Profitability

The Group intends to continue conducting its operations in such a manner that growth goes hand in hand with healthy profitability. The profitability target is to achieve and adjusted EBIT margin of at least 7%.

Capital structure

To maintain 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 is to be distributed to shareholders.

2021/Q4

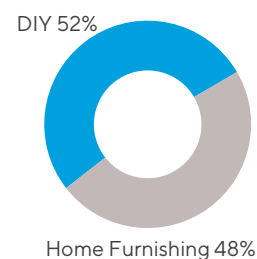
DIY segment

“Several important initiatives were implemented during the quarter to strengthen our position in the market. As part of our efforts to achieve our mission – We Make Living Easy – we made significant investments to fully leverage our large volume of customer data, further broadened our product portfolio and realised tangible improvements in customer satisfaction.”

Mikael Hagman, Head of the DIY segment

- The segment further strengthened its leading Nordic position. In a quarter in which the DIY market contracted, the segment reported growth and thus strengthened its market shares. Customer satisfaction was also improved.
- The segment's net sales increased 26.7% in the quarter and 28.2% in the full year, of which organic growth accounted for 2.3% and 15.4%, respectively. Pro-forma organic growth was 3.3% and 14.6%, respectively
- The gross margin amounted to 23.0% (25.0) for the quarter and 24.3% (23.4) for the full year
- Adjusted EBIT amounted to SEK 93.7 million (142.8) for the quarter and SEK 560.7 million (475.8) for the full year, corresponding to an adjusted EBIT margin of 5.1% (9.9) and 7.7% (8.4), respectively
- The adjusted EBIT margin was negatively affected by higher shipping, inventory and traffic generation costs as well as IT, automation and organisation investments aimed at meeting and exceeding customer expectations

Net sales by segment, Oct-Dec 2021



SEKm (if not otherwise stated)	Oct-Dec			Jan-Dec		
	2021	2020	Δ%	2021	2020	Δ%
Net sales	1,823.0	1,439.2	26.7	7,259.6	5,663.1	28.2
Gross profit	419.9	360.3	16.5	1,764.3	1,322.8	33.4
Gross margin (%)	23.0	25.0	-2.0 p.p.	24.3	23.4	0.9 p.p.
Adjusted EBITDA	129.6	168.4	-23.0	681.7	571.6	19.3
Adjusted EBITDA margin (%)	7.1	11.7	-4.6 p.p.	9.4	10.1	-0.7 p.p.
Adjusted EBIT	93.7	142.8	-34.4	560.7	475.8	17.8
Adjusted EBIT margin (%)	5.1	9.9	-4.8 p.p.	7.7	8.4	-0.7 p.p.
Items affecting comparability	-	-		-	-	
Operating income	78.8	134.9	-41.6	516.6	444.0	16.4
Operating margin (%)	4.3	9.4	-5.1 p.p.	7.1	7.8	-0.7 p.p.
Net profit for the period	-89.1	-20.3	338.2	216.4	185.4	16.7
Visits (thousands)	36,389	31,894	14.1	165,984	139,931	18.6
Orders (thousands)	652	490	33.2	2,373	1,814	30.8
Conversion rate (%)	1.8	1.5	0.3 p.p.	1.4	1.3	0.1 p.p.
Average order value (SEK)	2,688	2,819	-4.7	3,116	3,155	-1.2

COMMENTS ON THE DIY SEGMENT

The DIY segment continued to strengthen its Nordic position and capture market shares during the quarter. The segment grew despite particularly high comparative figures and market complications regarding delivery chains and generally weaker demand.

As we reported in the preceding quarter, we do not expect the total DIY market to be as favourable in forthcoming period as it was during the first year of the pandemic. At the same time, we remain convinced that the higher online penetration achieved during the pandemic will persist and thus that a new base has been established from which we can continue to grow.

Our customer offering comprises a combination of the broadest portfolio of external brands along with a growing share of proprietary brands, at marketing-leading prices, supplemented with the most attractive digital shopping experience and infrastructure in the form of showrooms and services. The focus on strengthening the product assortment, delivery capacity and investments in data and automation helped improve customer satisfaction during the quarter:

- **Product assortment:** The continuously ongoing assortment expansion – focusing on external and proprietary brands as well as installation services – provides the foundation that allows us to remain the most relevant channel for our customers. Our proprietary system for the automated exchange of product information makes it possible to expose customers quickly and easily to more and more of the Group's joint product portfolio, in whichever channels they interact with us. The system was further developed during the quarter and put into use by additional Group companies.
- **Delivery:** The drop shipping model, which remains our most important delivery channel in the segment, is capital efficient, and we have decided to take this model to the next level through IT investments in order to meet our customers' growing expectations regarding delivery options, times and precision. Key steps in this work were made during the quarter. For example, our Finnish DIY operations implemented a system based on machine learning to ensure more accurate delivery promises. The next step in the development is to implement an automated system for notifying customers of any deviations from the delivery promise in 2022. Furthermore, the installation offering continued to be expanded to include new categories, and the number of installations carried out reached the highest levels to date during the quarter, up 25% year on year. The installation offering contributes to product sales and creates particularly satisfied customers.
- **Data and automation:** We strive to leverage data and automation to an even greater degree throughout our value chain, and significant investments have been made to ensure that we can maximise the breadth of our offering and use all of the data flowing through our systems in order to optimise our operations and further enhance the customer experience. The upgrade of our customer platform, which we initiated in the third quarter of 2021, proceeded according to plan, with launch scheduled for the first half of 2022. During the quarter, just before the important Black Week period, we also completed our first inventory automation (in our Danish DIY business). Feedback has been very positive. Danish customers have exceptionally high expectations regarding rapid deliveries. With this investment, the order backlog for the Danish

warehouse has disappeared completely due to dramatic efficiency enhancements to the pick and pack process, among other factors.

Our acquisition strategy continued to help strengthen our position by creating a broader product portfolio and customer base, but also through the additions provided by the acquisitions in the form of strong management teams.

The process of integrating the businesses acquired during the year proceeded according to plan. For example, our proprietary bathroom, door and window brands were consolidated under Hafa Bathroom Group, and the Group's inventory of external garden brands (Husqvarna, Gardena, Landmann) were pooled together under HYMA. Gathering more in-house proprietary and external brands on these platforms will give us an opportunity to optimise our inventory and logistics infrastructure for the Group.

The DIY segment accounted for 52% of the Group's total net sales for the quarter and 57% for the full year. Net sales increased 26.7% to SEK 1,823.0 million (1,439.2) for the quarter and 28.2% to SEK 7,259.6 million (5,663.1) for the full year.

The segment's sales mix performed in line with the third quarter, with the strongest outcome in the Swedish operations, followed by Norway and Finland. The Danish operations, which had the highest comparative figures, delivered a weaker performance. Meanwhile, the targeted initiatives in the segment's new markets outside the Nordic region, based on our proprietary brands, continued to make good progress, albeit from a low starting point.

Challenges in the form of longer lead times and production bottlenecks persisted and are expected to continue for some time. Combined with the ongoing shift in the mix toward a higher share of proprietary brands, this resulted in an acceptance of somewhat higher inventory levels for the time being.

Adjusted EBIT for the quarter amounted to SEK 93.7 million (142.8), with an adjusted EBIT margin of 5.1% (9.9). Adjusted EBIT for the full year was SEK 560.7 million (475.8), with an adjusted EBIT margin of 7.7% (8.4). The lower adjusted EBIT margin compared with the year-earlier period was mainly due to the following factors: 1) Exceptionally high profitability in the year-earlier period, 2) the negative impact of shipping, inventory and traffic generation costs, and 3) IT, automation and organisation investments aimed at enhancing customer satisfaction.

The segment's operating income amounted to SEK 78.8 million (134.9) for the quarter, corresponding to an operating margin of 4.3% (9.4). Operating income for the full year amounted to SEK 516.6 million (444.0), with an operating margin of 7.1% (7.8).

HYMA: CLEAR SYNERGIES

BHG completed the acquisition of HYMA in August 2021, after having followed the company for a long period of time. HYMA holds a leading market position in a number of BHG's core categories, such as garden, tools and leisure, and has a broad portfolio of external and proprietary brands. The acquisition has further strengthened BHG's breadth and depth in key DIY categories, creating favourable opportunities for continued growth in BHG's online platforms in the Nordic region.

ANDERS CARLSSON, CEO: FIRST MONTHS WITH BHG

"I would like to start by commending BHG for a professional and respectful acquisition process. In my opinion, the people I met throughout the process were genuine and friendly – from our initial talks to the completed transaction, you simply want to do business with BHG."

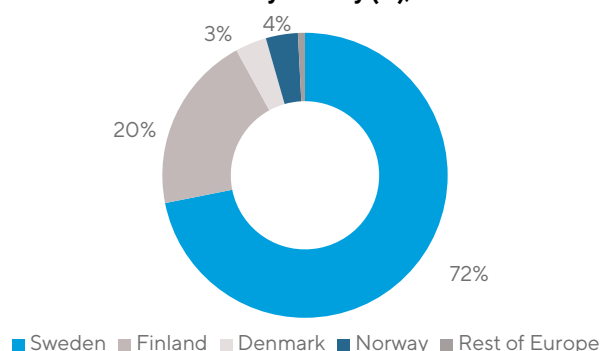
The first period with BHG involved onboarding with weekly follow-ups, ranging from reporting to enabling synergies and establishing partnerships throughout the Group. HYMA has already generated significant synergies on both the income and cost sides, such as product assortment exchange, consolidation of logistics operations and contractual improvements. We also made major improvements to our search engine optimisation based on an analysis and proposals from BHG's SEO team.

Entrepreneurship is important to me in our work and our business – BHG and its management team empower you with responsibility, encourage you to take initiative and take your operations to new heights. Personally, I find it is impressive that entrepreneurship can be maintained on such a scale – it is a strong element of BHG's corporate culture!

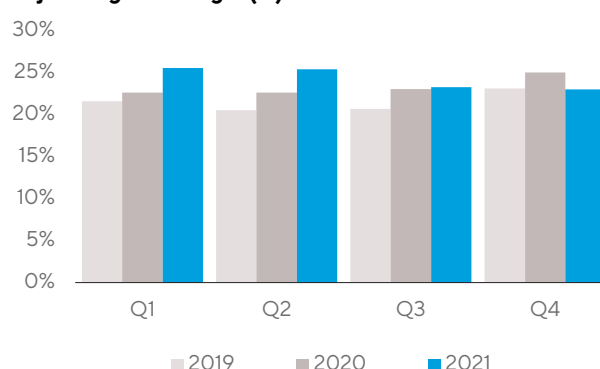
I expect the future together with BHG to be inspiring and full of initiatives that create value, development and competitiveness."



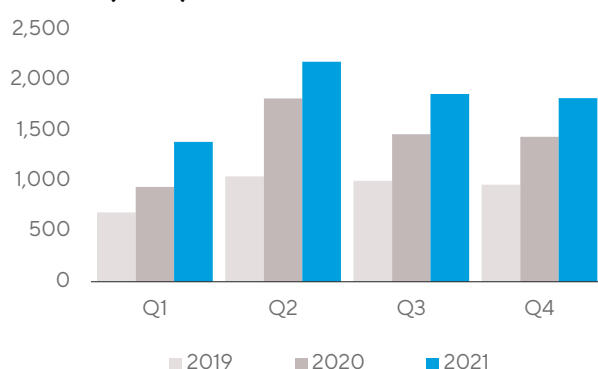
Distribution of net sales by country (%), Oct-Dec 2021



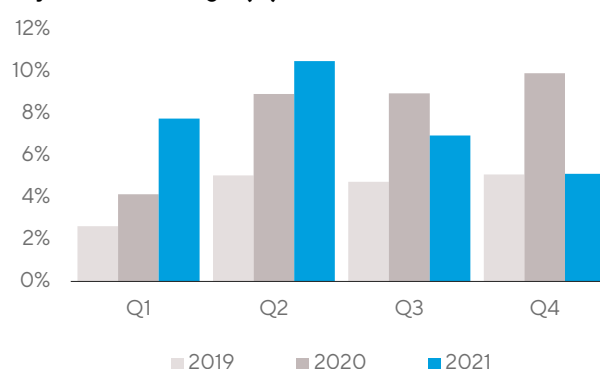
Adjusted gross margin (%)



Net sales (SEKm)



Adjusted EBIT margin (%)



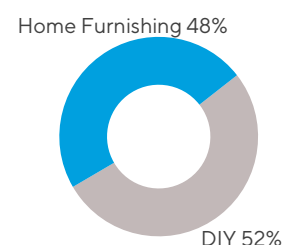
Home Furnishing segment

"The position of the segment in the important mainland European market continued to strengthen during the quarter. With Furniture1, Nordic Nest and AH-Trading, we are carving out a strong position in Europe, while growth prospects in the Nordic region remain healthy."

Christian Eriksson, Head of the Home Furnishing segment

- Following the acquisitions of Nordic Nest, Svenssons i Lammhult and AH-Trading earlier during the year, the Home Furnishing segment has increased considerably, with total growth of 81.3% in the quarter and 63.1% in the full year. The newly acquired businesses performed well.
- The segment turned around negative organic growth last quarter to growth of 1.0% for this quarter, despite high comparative figures and a weak overall market, and 8.2% for the full year.
- Pro-forma organic growth, which includes the strong performance of Nordic Nest and Svenssons i Lammhult, amounted to 16.8% for the quarter and 22.3% for the full year.
- The gross margin amounted to 30.4% (30.3) for the quarter and 29.4% (30.1) for the full year, a marginal improvement compared with the year-earlier period and a significant improvement over the third quarter. One of the reasons for the improvement was price adjustments that partly offset higher logistics costs.
- Adjusted EBIT amounted to SEK 106.4 million (63.6) for the quarter and SEK 324.0 million (276.2) for the full year, corresponding to an adjusted EBIT margin of 6.4% (6.9) and 6.0% (8.3), respectively
- The adjusted EBIT margin was negatively affected by higher shipping, inventory and traffic generation costs as well as the date on which AH-Trading was acquired. AH-Trading's focus on outdoor furniture means that all of the profit for the operations is generated in the warmer months of the year.

Net sales by segment, Oct-Dec 2021



SEKm (if not otherwise stated)	Oct-Dec			Jan-Dec		
	2021	2020	Δ%	2021	2020	Δ%
Net sales	1,673.2	923.0	81.3	5,442.8	3,337.2	63.1
Gross profit	508.4	280.1	81.5	1,597.7	1,005.4	58.9
Gross margin (%)	30.4	30.3	0.0 p.p.	29.4	30.1	-0.8 p.p.
Adjusted EBITDA	159.5	93.4	70.9	494.0	382.1	29.3
Adjusted EBITDA margin (%)	9.5	10.1	-0.6 p.p.	9.1	11.5	-2.4 p.p.
Adjusted EBIT	106.4	63.6	67.2	324.0	276.2	17.3
Adjusted EBITmargin (%)	6.4	6.9	-0.5 p.p.	6.0	8.3	-2.3 p.p.
Items affecting comparability	-	-		-	-	
Operating income	96.2	60.8	58.3	289.4	265.0	9.2
Operating margin (%)	5.7	6.6	-0.8 p.p.	5.3	7.9	-2.6 p.p.
Net profit for the period	62.8	-30.3	n/a	182.9	125.4	45.9
Visits (thousands)	69,813	46,056	51.6	245,312	162,202	51.2
Orders (thousands)	992	375	164.2	2,874	1,198	139.9
Conversion rate (%)	1.4	0.8	0.6 p.p.	1.2	0.7	0.4 p.p.
Average order value* (SEK)	1,702	2,601	-34.6	1,880	2,811	-33.1

** AOV was impacted by the consolidation of Nordic Nest, whose AOV is about one-third that of the segment's other operations, as of 1 January.

COMMENTS ON THE HOME FURNISHING SEGMENT

The fourth-quarter home furnishing market featured the same dynamics as in the third quarter: weaker demand, higher traffic generation costs and continued disruptions in the global supply and logistics chains. Despite this, the segment posted strong pro-forma organic growth and also turned around the negative organic growth from the preceding quarter.

The segment's premium platform (Nordic Nest Group, including Svenssons i Lammhult) and the East European operations reported the strongest performance. The segment's specialist businesses also reported healthy growth. The single largest operation, our Nordic furniture platform focusing on value-for-money, managed to significantly improve its profitability – these were key efforts that started in the second half of the year and that we prioritised ahead of growth during this period. There is still considerable uncertainty as to how demand in our important Swedish and Danish markets will develop in the short term, but we have entered the new year with a healthy foundation for the operations.

AH-Trading, which was acquired during the third quarter, has provided the segment with new growth opportunities, not least due to the potential created through a mutual product assortment exchange (see below). AH-Trading was consolidated from 1 September, and because the business has so far focused exclusively on outdoor furniture and related products, with a strong dependency on the outdoor season, AH-Trading made a marginal contribution to sales for the quarter and had a certain negative impact on profitability.

The Home Furnishing segment fundamentally strengthened during the year, with:

- Total growth in 2021 of more than 60%
- A newly established platform in the form of Nordic Nest Group, and
- Entry into Germany through the acquisition of AH-Trading and Nordic Nest's sharp growth in the German market.

From having almost exclusively focused on the Nordic markets until 2018, the segment has since successfully established a rapidly growing presence in continental Europe. In the fourth quarter, customers from countries outside the Nordic region accounted for more than one-third of sales for the segment.

Focus will continue to be directed to executing on initiatives for profitable growth:

- **Product assortment:** The Group-wide proprietary product assortment exchange system has been implemented in many of the segment's operations. The opportunities that have been generated for exchanging product assortments between the Nordic operations and AH-Trading's German customer base have started to be addressed, with highly positive initial results. To date, the exchange has involved shipments being sent from our Nordic central warehouse in Helsingborg, Sweden, to AH-Trading's warehouse in Nordrhein Westfalen. The plan is to exchange product assortments in both directions once the outdoor season starts. In late autumn, the Nordic operations was able to

resume the broadening of the product range with renewed energy as supplier trade fairs were once again held.

- **Delivery:** The roll-out of showrooms in Norway reported promising initial results and, coupled with last-mile deliveries, comprises a key element in the segment's efforts to significantly expand its presence in the country. Growth in the Danish market also picked up during the quarter, supported by the new warehouse infrastructure that enables the operations to deliver more quickly to customers in the important region of Zealand. Last but not least, the expansion of Nordic Nest's warehouse is progressing, which will enable continued international growth.
- **Data and automation:** We strive to leverage data and automation to an even greater degree in everything we do. An agreement was signed with an integration partner after we decided in the third quarter to automate Nordic Nest's warehouse. The ongoing warehouse expansion lays the foundation for our automation solution that is scheduled to be commissioned ahead of Black Week 2022. The automation of the warehouse will boost efficiency and enable fast, cost-efficient deliveries to the operation's rapidly growing customer base.

Net sales in the Home Furnishing segment rose 81.3% to SEK 1,673.2 million (923.0) for the quarter, corresponding to 48% of the Group's total net sales. In the full year, net sales increased 63.1% to SEK 5,442.8 million (3,337.2) and accounted for 43% of the Group's total net sales.

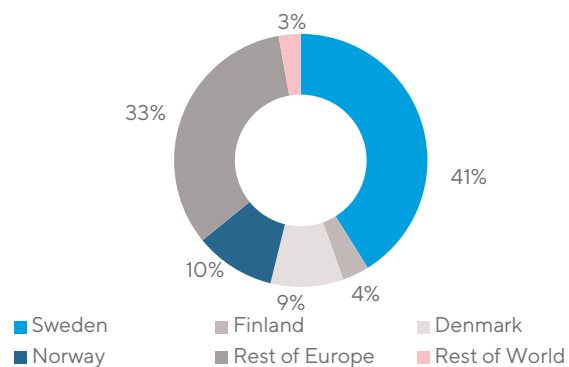
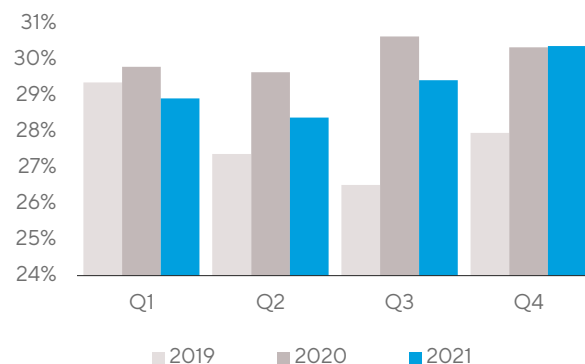
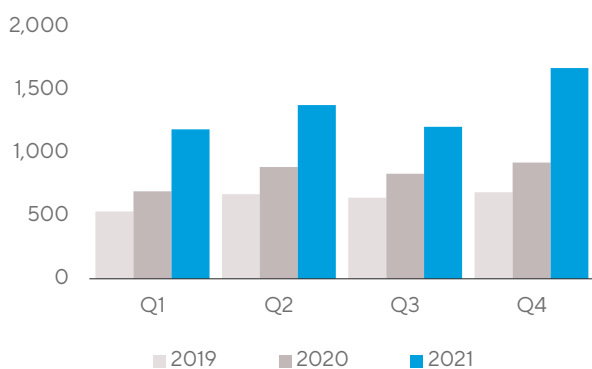
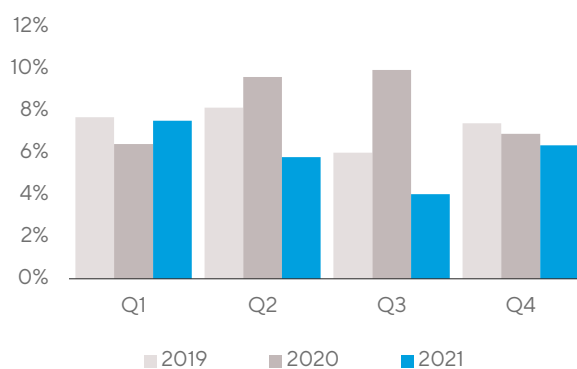
The decline in AOV in the period was fully attributable to the incorporation of Nordic Nest – whose AOV is about one-third that of the Group's other home furnishing operations – and its robust growth. AOV for other operations increased during the quarter.

As reported in previous quarters, the operations continued to be impacted by bottlenecks in the product supply chain, not least from Asia. Along with higher raw material prices, these bottlenecks resulted in increased purchasing and logistics costs. Our assessment is that the problems will not deteriorate further and that we have seen the start of a gradual recovery to normality. Significant price adjustments were made in the Nordic value-for-money operations during the quarter, and several competitors have also either started to adjust prices or announced impending adjustments.

The cost for digital traffic generation (CPC) remained high in all markets during the period. This general trend impacted all market players and was a result of intense competition for customers as the consumption of services has increased.

Adjusted EBIT for the quarter amounted to SEK 106.4 million (63.6), with an adjusted EBIT margin of 6.4% (6.9). Adjusted EBIT for the full year was SEK 324.0 million (276.2), with an adjusted EBIT margin of 6.0% (8.3). The adjusted EBIT margin was negatively affected by higher shipping, inventory and traffic generation costs as well as the date on which AH-Trading was acquired. AH-Trading's focus on outdoor furniture means that the operations are heavily seasonal with all profit generated in the warmer months of the year.

The segment's operating income amounted to SEK 96.2 million (60.8) for the quarter, corresponding to an operating margin of 5.7% (6.6). Operating income for the full year amounted to SEK 289.4 million (265.0), with an operating margin of 5.3% (7.9).

Distribution of net sales by country (%), Oct-Dec 2021**Adjusted gross margin (%)****Net sales (SEKm)****Adjusted EBIT margin (%)**

Other

CASH FLOW AND FINANCIAL POSITION

The Group's cash flow from operating activities was SEK -246.8 million (220.7) for the quarter and SEK -23.2 million (994.3) for the full year. Cash flow from operating activities was mainly driven by a negative development in tied-up working capital, which was primarily the result of a build-up of inventories.

As a result of the disruptions in the global logistics chains, the Group has chosen to accept a slightly higher inventory level in order to ensure product availability and therefore be able to maintain growth. The Group's inventory levels were also impacted by a growing share of sales of proprietary brands in the DIY segment, which are largely shipped from Asia, and by a deliberate adjustment of the range to reduce seasonal dependency.

The Group's cash flow and working capital position follow a seasonal profile, with inventory build-ups primarily of outdoor furniture and leisure products during the first quarter prior to the peak season, followed by high sales and thus a high cash conversion during the seasonally strong second and third quarters, after which working capital and inventories typically increase in the fourth quarter.

In the past 24 months, the Group has significantly increased its share of sales of proprietary brands in the DIY segment, which has resulted in higher inventory levels and strengthened the Group's seasonal working capital profile. The acquisition of Nordic Nest, which has its peak season in the fourth quarter, and the growing importance of Black Week sales have partly changed the seasonal profile of the Group's working capital position in the opposite direction. Strong demand in the fourth quarter results in lower working capital due to high accounts payable, with an inverse effect in the first quarter based on an outflow of supplier payments. All in all, the impact of higher sales of proprietary brands on working capital exceeds the impact from the acquisition of Nordic Nest and Black Week.

In the fourth quarter, the acquisition of AH-Trading, with a distinct high season during the gardening season, had a negative effect on working capital due to a build-up of inventory.

Cash flow from operating activities was SEK -246.8 million (220.7) for the quarter, corresponding to a cash conversion (in relation to adjusted EBITDA) of -107.4% (79.3), and SEK -23.2 million (994.3) for the full year, corresponding to a cash conversion (in relation to adjusted EBITDA) of -10.4% (105.9).

The Group's cash flow to investing activities was SEK -61.5 million (-1,860.6) for the quarter and SEK -1,855.4 million (-2,042.6) for the full year, and during the period was mainly attributable to 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 to financing activities amounted to SEK -96.0 million (1,086.2) for the quarter and SEK 1,847.3 million (1,105.1) for full year, primarily attributable repayments of lease liabilities and interest paid.

The Group's cash and cash equivalents at the end of the reporting period, compared with the beginning of the year, amounted to SEK 273.5 million (299.0).

The Group's net debt, which is defined as the Group's current and non-current interest-bearing liabilities to credit institutions, less cash and cash equivalents and investments in securities, etc., amounted to SEK 2,251.3 million at the end of the period, compared with SEK 1,796.0 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 2.34x, which is within the range of the Group's medium-term capital structure target.

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 2,121.7 million at the end of the period, compared with SEK 1,023.3 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 800.0 million at the end of the period, compared with SEK 300.0 million at the beginning of the year.

The Group's total assets at the end of the reporting period, compared with the beginning of the year, amounted to SEK 13,528.9 million (8,629.7).

The Group's equity at the end of the reporting period amounted to SEK 5,256.2 million (SEK 2,823.0 million at the beginning of the year).

EMPLOYEES

The number of employees (measured as FTEs) at the end of the period was 2,939. The average number of employees (FTEs) for the most recent 12-month period was 2,577.

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 highest in the second quarter. The third and fourth quarters are generally equal in terms of sales, with demand in the third quarter benefiting from the impact of the weather and demand in the fourth quarter growing as the importance of Black Week increased. Demand, and consequently the Group's sales, have historically been lowest in the first quarter. 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.

PARENT COMPANY

The Parent Company's net sales amounted to SEK 0.8 million (-) for the quarter and SEK 2.6 (1.6) for the full year. The

Parent Company posted an operating loss of SEK -16.4 million (-11.1) for the quarter and SEK -91.1 million (-43.9) for the full year. Outstanding incentive programmes were charged to Parent Company earnings for the full year in an amount of SEK -5.8 million (-14.2). Unlike previous programmes, costs for the Group's fourth incentive programme, rolled out in 2021, are not charged to the Parent Company's earnings. The Parent Company's cash and cash equivalents totalled SEK 0.0 million at the end of the reporting period, compared with SEK 58.8 million at the beginning of the year.

DIVIDEND

The Board of Directors' proposal to the Annual General Meeting is that no dividend be paid to the shareholders for the 2021 financial year. The basis for this proposal is the high availability of investments in profitable growth, particularly through continued acquisitions.

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 2020 annual report.

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 33–37 of this report.

The interim information on pages 1–17 is an integrated part of this financial report.

RISKS AND UNCERTAINTIES

There are several strategic, operational and financial risks and uncertainty factors that can affect the Group's financial results and position. Most risks can be managed through internal procedures, while others are largely driven by external factors. There are risks and uncertainties related to IT and management systems, suppliers, season and weather variations and exchange rates, while other risks and uncertainties may also arise in the case of new competition, changed market conditions or changed consumer behaviour for online sales. The Group is also exposed to interest-rate risk.

During the past 12 months, the Group has strengthened its systems and processes in order to minimise risks related to cyber security.

For a more detailed description of the risks and uncertainties faced by the Group and the Parent Company, refer to Note 26 in the 2020 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 Large Cap under the ticker BHG with the ISIN code SE0010948588.

The share price at the beginning of the year was SEK 178.8. On the last day of trading in the period, the share price was SEK 95.5. The highest price paid, quoted in January, was SEK 192.0, and the lowest price paid, quoted in December, was SEK 83.9.

During the period, 134,155,315 BHG shares were traded, equivalent to a turnover rate of 108%.

As of 31 December, BHG had approximately 11,000 shareholders, of which the largest were EQT (17.7%), Handelsbanken Fonder (8.9%), Capital Group (8.0%), Swedbank Robur Fonder (7.1%) and Lannebo Fonder (3.6%).

As of 31 December 2021, the number of shares issued was 123,815,730, all of which were ordinary shares.

Change in number of shares

On 3 February 2021, BHG Group AB carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds for the Group of SEK 1,544.3 million after a deduction for transaction costs of SEK 21.4 million.

During the first quarter, the number of shares and votes in BHG Group AB also changed due to the exercise of warrants issued at an Extraordinary General Meeting on 26 March 2018 within the framework of the long-term incentive programme 2018/2021, which comprised a total of 2,760,016 warrants. Each warrant entitled the holder to subscribe for one share. The exercise period was from 1 January 2021 to 26 March 2021. The subscription price according to the warrants was SEK 61.75 per share. All of the warrants have been exercised, generating proceeds of SEK 170.4 million for the Group.

During the third quarter, in connection with the acquisition of Hyma Skog & Trädgård AB, BHG Group AB carried out an issue in kind, through which the number of shares and votes increased by 2,887,293.

After the directed issue and the exercise of warrants within the framework of the incentive programme 2018/2021 during the first quarter and the issue in kind carried out during the third quarter, the total number of shares outstanding in BHG Group AB amounted to 123,815,730 as of 31 December 2021.

Malmö, 28 January 2022

Gustaf Öhrn
Chairman

Christian Bubenheim
Board member

Camilla Giesecke
Board member

Johan Giléus
Board member

Mariette Kristensson
Board member

Niklas Ringby
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. The information was submitted for publication, through the agency of the contact persons set out below, at 7:00 a.m. CET on 28 January 2022.

CONTACT INFORMATION

For further information, visit www.wearebhg.com or contact:

Adam Schatz, President and CEO
adam.schatz@bhggroup.se
+46 (0)709 32 43 00

Jesper Flemme, CFO
jesper.flemme@bhggroup.se
+46 (0)720 80 25 69

Johan Hähnel, Head of Investor Relations
johan.hahnel@bhggroup.se
+46 (0)70 605 63 34



CONFERENCE CALL IN CONNECTION WITH PUBLICATION OF THE QUARTERLY REPORT

Adam Schatz, President and CEO, and Jesper Flemme, CFO, will hold a conference call at 10:00 a.m. on Friday, 28 January in connection with the publication of the interim report. The call will be held in English. To participate, please call +46850558368 or visit <https://tv.streamfabriken.com/bhg-q4-2021>. The presentation will be available from the Group's website: <https://www.wearebhg.com/investors/presentations/>.



QUARTERLY REPORTS ON WWW.WEAREBHG.COM

The full year-end report for the period January-December 2021 and previous quarterly and year-end reports are available at <https://www.wearebhg.com/investors/financial-reports/>

FINANCIAL CALENDAR

Week 14 2022	2021 Annual Report
27 April 2022	Interim report January-March 2022
5 May 2022	Annual General Meeting (Malmö)
20 July 2022	Interim report January-June 2022
27 October 2022	Interim report January-September 2022

ABOUT THE GROUP

BHG is the number 1 consumer e-commerce company in the Nordics. In addition to our Nordic operations, we also have a significant presence in the rest of Europe, as well as in selected markets outside of Europe. Our strong position in these markets makes us the largest European online 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 installation, we offer the market's leading range of well-known external and strong own brands, totalling close to 1 million unique products and encompassing a complete offering within DIY, leisure, furniture and furnishings.

The Group includes over 100 online sites – including sites like www.bygghemma.se, www.trademax.se, www.chilli.se, www.furniturebox.se and www.nordicnest.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 2,000 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	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net sales	3,487.2	2,354.6	12,666.0	8,968.2
Other operating income	16.7	5.5	14.8	4.3
Total net sales	3,503.9	2,360.1	12,680.9	8,972.5
Cost of goods sold	-2,559.3	-1,714.5	-9,308.9	-6,642.0
Personnel costs	-281.7	-184.6	-981.7	-652.6
Other external costs and operating expenses	-388.4	-211.4	-1,302.5	-775.0
Other operating expenses	-1.7	-0.0	-5.8	-0.1
Depreciation and amortisation of tangible and intangible fixed assets	-115.4	-66.0	-371.5	-245.0
Operating income	157.4	183.4	710.6	657.8
Profit/loss from financial items	-8.5	-58.4	-79.7	-107.5
Profit before tax	149.0	125.0	630.9	550.3
Income tax	-30.7	-33.1	-135.7	-130.0
Profit for the period	118.3	91.9	495.2	420.3
Attributable to:				
Equity holders of the parent	114.9	91.2	485.3	415.1
Non-controlling interest	3.4	0.7	9.9	5.1
Net income for the period	118.3	91.9	495.2	420.3
Earnings per share before dilution, SEK	0.93	0.85	4.01	3.87
Earnings per share after dilution, SEK	0.92	0.83	3.97	3.80

* 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 3,847,532 (5,407,542) warrants outstanding, of which 872,362 (2,646,597) had a dilution effect during the quarter and 1,157,388 (1,780,554) had a dilution effect during the full year.

Condensed consolidated statement of comprehensive income

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Profit for the period	118.3	91.9	495.2	420.3
Other comprehensive income				
Items that subsequently could be reclassified to profit or loss				
Translation differences for the period	6.0	-5.2	18.3	-11.3
Other comprehensive income for the period	6.0	-5.2	18.3	-11.3
Total comprehensive income for the period	124.3	86.7	513.5	409.0
Total comprehensive income attributable to:				
Parent Company shareholders	120.9	87.8	502.9	405.3
Non-controlling interest	3.5	-1.1	10.6	3.6
Total comprehensive income for the period	124.3	86.7	513.5	409.0
Shares outstanding at period's end	123,815,730	107,368,421	123,815,730	107,368,421
Average number of shares				
Before dilution	123,815,730	107,368,421	120,986,410	107,368,421
After dilution	124,688,092	110,015,018	122,143,798	109,148,975

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

Condensed consolidated statement of financial position

SEKm	31 Dec	
	2021	2020
Non-current assets		
Goodwill	6,318.7	4,395.1
Other intangible fixed assets	2,893.3	1,804.4
Total intangible fixed assets	9,212.0	6,199.6
Buildings and land	21.9	10.0
Leased fixed assets	893.3	601.9
Tangible fixed assets	136.3	64.0
Financial fixed assets	13.1	9.4
Deferred tax asset	26.4	19.1
Total fixed assets	10,302.9	6,904.0
Current assets		
Inventories	2,431.5	992.3
Current receivables	521.0	434.5
Cash and cash equivalents	273.5	299.0
Total current assets	3,225.9	1,725.7
Total assets	13,528.9	8,629.7
Equity		
Equity attributable to owners of the parent	5,211.9	2,787.2
Non-controlling interest	44.4	35.8
Total equity	5,256.3	2,823.0
Non-current liabilities		
Deferred tax liability	636.7	375.0
Other provisions	43.2	22.7
Non-current interest-bearing liabilities to credit institutions	2,517.2	2,042.6
Non-current lease liabilities	622.0	449.8
Non-current acquisition related interest-bearing liabilities	1,883.5	948.0
Total non-current liabilities	5,702.6	3,838.1
Current liabilities		
Current interest-bearing liabilities to credit institutions	-	46.4
Current lease liabilities	256.7	149.8
Current acquisition related interest-bearing liabilities	238.1	75.3
Other current liabilities	2,075.2	1,697.2
Total current liabilities	2,570.0	1,968.6
Total equity and liabilities	13,528.9	8,629.7

Condensed consolidated statement of cash flows

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
EBITDA	271.9	249.5	1,081.2	902.7
Adjustments for items not included in cash flow	-15.3	-9.8	2.4	-14.2
Income tax paid	-21.6	-7.0	-101.2	-56.0
Cash flow from operating activities before changes in working capital	235.0	232.7	982.5	832.5
Changes in working capital	-481.8	-11.9	-1,005.7	161.8
Cash flow from operating activities	-246.8	220.7	-23.2	994.3
Investments in operations	-3.4	-1,738.6	-1,610.9	-1,859.1
Redemption of loan to seller upon acquisition of operations	-	-91.8	-65.0	-91.8
Investments in other non-current assets	-71.1	-30.0	-193.7	-94.1
Divestment of operations	-0.0	0.3	-0.0	0.4
Divestment of other tangible fixed assets	11.7	0.2	12.4	0.5
Received interest	1.4	-0.6	1.8	1.5
Cash flow to/from investing activities	-61.5	-1,860.6	-1,855.4	-2,042.6
Loans taken*	-	1,134.2	2,650.1	1,277.1
Amortisation of loans	-76.8	-40.5	-2,479.6	-147.3
Issue of warrants	0.9	-	21.6	12.9
Interest paid	-14.9	-7.6	-54.8	-32.2
Dividends to non-controlling interests	-5.1	-	-5.1	-5.5
Cash flow to/from financing activities	-96.0	1,086.2	1,847.3	1,105.1
Cash flow for the period	-404.2	-553.7	-31.2	56.8
Cash and cash equivalents at the beginning of the period	677.4	873.5	299.0	270.3
Translation differences in cash and cash equivalents	0.3	-20.9	5.8	-28.1
Cash and cash equivalents at the end of the period	273.5	299.0	273.5	299.0

* Cash flow from interest-bearing loans raised is recognised after deductions for transaction expenses of SEK 9.9 million.

Condensed consolidated statement of changes in equity

SEKm	31 Dec	
	2021	2020
Opening balance	2,823.0	2,925.1
Comprehensive income for the period	513.5	409.0
Acquisition of non-controlling interests in Furniture1 UAB	-	-11.6
New share issues*	2,119.3	-
Issue of warrants	17.5	7.5
Dividends to non-controlling interests	-5.1	-5.5
Remeasurement of liabilities to non-controlling interests	-211.9	-501.5
Closing balance	5,256.3	2,823.0

* The proceeds for the period from the new issue are recognised net after a deduction for transaction costs of SEK 21.4 million.

Notes

NOTE 1 SEGMENTS

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net sales				
DIY	1,823.0	1,439.2	7,259.6	5,663.1
Home Furnishing	1,673.2	923.0	5,442.8	3,337.2
Total net sales	3,496.3	2,362.2	12,702.4	9,000.3
Other*	7.7	6.2	24.9	18.0
Eliminations	-16.8	-13.8	-61.3	-50.1
Group consolidated total	3,487.2	2,354.6	12,666.0	8,968.2
Revenue from other segments				
DIY	1.6	2.7	9.8	13.6
Home Furnishing	7.6	4.9	26.6	18.7
Other*	7.7	6.2	24.9	17.9
Total	16.8	13.8	61.3	50.1

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Operating income and profit before tax				
DIY	78.8	134.9	516.6	444.0
Home Furnishing	96.2	60.8	289.4	265.0
Total operating income	174.9	195.7	806.0	709.0
Other*	-17.5	-12.3	-95.4	-51.2
Group consolidated operating income	157.4	183.4	710.6	657.8
Financial net	-8.5	-58.4	-79.7	-107.5
Group consolidated profit before tax	149.0	125.0	630.9	550.3

* 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	Oct-Dec 2021					Jan-Dec 2021				
	DIY	Home Furnishing	Other	Elim- ination	Group	DIY	Home Furnishing	Other	Elim- ination	Group
Sweden	1,310.3	688.1	7.7	-14.9	1,991.2	4,943.1	2,363.2	24.9	-51.8	7,279.3
Finland	367.3	57.1	-	0.0	424.5	1,599.3	191.5	-	-3.5	1,787.4
Denmark	64.8	155.8	-	-	220.6	392.8	655.4	-	-	1,048.2
Norway	66.1	171.9	-	-	238.0	268.9	532.4	-	-	801.3
Rest of Europe	14.5	553.3	-	-1.9	565.9	55.6	1,563.6	-	-6.1	1,613.1
Rest of World	-	47.0	-	-	47.0	-	136.7	-	-	136.7
Net sales	1,823.0	1,673.2	7.7	-16.8	3,487.2	7,259.6	5,442.8	24.9	-61.3	12,666.0

SEKm	Oct-Dec 2020					Jan-Dec 2020				
	DIY	Home Furnishing	Other	Elim- ination	Group	DIY	Home Furnishing	Other	Elim- ination	Group
Sweden	962.7	437.9	6.2	-12.3	1,394.5	3,659.5	1,575.2	18.0	-42.7	5,210.1
Finland	316.5	38.9	-	-0.0	355.4	1,330.1	141.6	-	-2.6	1,469.0
Denmark	81.5	158.3	-	-	239.8	380.8	612.1	-	-	992.9
Norway	66.7	71.2	-	-	137.9	252.0	264.1	-	-	516.1
Rest of Europe	11.8	216.7	-	-1.4	227.1	40.7	744.2	-	-4.9	780.1
Net sales	1,439.2	923.0	6.2	-13.8	2,354.6	5,663.1	3,337.2	18.0	-50.1	8,968.2

NOTE 2 DISCLOSURES ON ACQUISITIONS

Acquisitions in 2021

- On 5 February 2021, the Group acquired 51% of the shares in IP Agency Finland Oy (IP Agency), a leading online company in the sports and leisure category. The products are made up of proprietary brands that are sold primarily in Finland, Sweden, Belgium, the DACH region and the US. IP Agency's annual sales growth for the past three years has exceeded 120%. IP Agency's sales in 2020 amounted to SEK 195 million and its EBITA to SEK 52 million. The acquisition is recognised in the DIY segment from 1 February.
- On 19 March 2021, the Group announced that an agreement had been entered into to acquire 100% of the shares in E. Svenssons i Lammhult AB (Svenssons i Lammhult), a leading Swedish retail chain offering furniture and home furnishings from more than 170 well-known quality brands and over 25,000 products. These brands primarily comprise design classics and a carefully selected home furnishings range. Svenssons i Lammhult's sales in 2020 amounted to SEK 263 million and its EBITA to SEK -13 million. The acquisition is recognised in the Home Furnishing segment from 1 May.
- On 6 April, the Group announced that an agreement had been entered into to acquire 94% of the shares in Hafa Bathroom Group AB, Sweden's largest privately owned bathroom company with a market-leading online platform and three strong brands: Hafa, NORO and Westerbergs. BHG has thereby further strengthened its share of proprietary brands in the bathroom segment, with favourable opportunities for growth in the Nordic region. Hafa Bathroom Group's sales in 2020 amounted to SEK 269 million. Excluding sales through BHG channels, its sales amounted to approximately SEK 200 million. EBITA amounted to SEK 22 million. The acquisition is recognised in the DIY segment from 1 May.
- On 9 June, the Group announced that an agreement had been entered into to acquire 92.2% of the shares in HYMA Skog & Trädgård AB (HYMA). The acquisition is recognised in the DIY segment from 1 August.
- On 2 September, the Group acquired 80% of the shares in AH-Trading GmbH (AH-Trading). The acquisition is recognised in the home furnishing segment from 1 September.

SEKm	2021						
	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalents	Issued shares in BHG Group AB	Contingent/deferred purchase price, vendor loans	Net cash flow
Business combinations during 2021							
Acquisition of shares in IP Agency Oy	87.9	279.7	367.6	46.0	-	140.8	-180.8
Acquisition of shares in Hafa Bathroom Group AB	97.2	97.8	195.0	4.5	-	15.7	-174.8
Acquisition of shares in E. Svenssons i Lammhult AB	96.0	133.2	229.2	16.1	-	30.0	-183.1
Acquisition of Hyma Skog & Trädgård AB	630.5	981.3	1,611.7	56.0	404.2	625.1	-526.4
Acquisition of AH-Trading GmbH	250.6	413.6	664.2	67.7	-	267.2	-329.3
Acquisition of non-controlling interests							
Acquisition of shares in Inredhemma Danmark ApS	-	-	-	-	-	-	-6.8
Acquisition of shares in Hemfint i Kristianstad AB	-	-	-	-	-	-	-65.1
Acquisition of shares in Vitvaruexperten.com Nordic AB	-	-	-	-	-	-	-13.3
Acquisition of shares in Polarpumpen AB	-	-	-	-	-	-	-41.7
Compulsory redemption, Sleepo AB	-	-	-	-	-	-	-2.5
Contingent consideration							
Additional purchase price, Arc E-commerce AB	-	-	-	-	-	-	-20.8
Additional purchase price, Arredo Holding AB	-	-	-	-	-	-	-0.9
Additional purchase price, Edututor Oy	-	-	-	-	-	-	-5.0
Additional purchase price, Lindström & Sondén AB	-	-	-	-	-	-	-10.1
Additional purchase price, Vitvarubolaget i Sundbyberg AB	-	-	-	-	-	-	-0.7
Additional purchase price, Designkupp AS	-	-	-	-	-	-	-12.4
Additional purchase price, Stonefactory Scandinavia AB	-	-	-	-	-	-	-4.5
Additional purchase price, Nordiska Fönster i Ängelholm AB	-	-	-	-	-	-	-29.2
Additional purchase price, LampGallerian Växjö AB	-	-	-	-	-	-	-3.4
	1,162.1	1,905.6	3,067.7	190.3	404.2	1,078.8	-1,610.8

Revenue and profit/loss for the period for acquired companies

Since the acquisition date, the acquisitions have contributed SEK 1,072.7 million to the Group's revenue and SEK 40.6 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 2,405.2 million to the Group's revenue and SEK 98.5 million to the Group's profit/loss after tax.

Acquisition of AH-Trading GmbH

On 2 September, the Group acquired 80% of the shares in AH-Trading GmbH (AH-Trading), one of Germany's leading e-commerce companies in garden furniture in the mid and premium segments. All of the company's approximately 10,000 products are sold online, about half of which are proprietary brands. AH-Trading's sales in 2020 amounted to SEK 469 million and its EBITA to SEK 34 million.

Revenue and profit/loss for the period

Since the acquisition date, AH-Trading has contributed SEK 67.7 million to the Group's revenue and SEK -7.1 million to Group's profit/loss after tax. If AH-Trading had been consolidated from the beginning of the financial year, it would have contributed SEK 661.9 million to the Group's revenue and SEK 40.1 million to the Group's profit/loss after tax.

SEKm

Acquisition of AH-Trading GmbH**Net assets at time of acquisition**

Trademarks	178.3
Customer relationships	71.3
Intangible fixed assets	19.5
Leased fixed assets	40.8
Tangible fixed assets	10.8
Financial fixed assets	0.1
Inventory	134.4
Accounts receivable	18.4
Other receivables	7.3
Cash and cash equivalents	67.7
Deferred tax liability	-74.9
Provisions	-0.4
Non-current liabilities	-33.4
Non-current leasing liabilities	-28.4
Accounts payable	-88.8
Current leasing liabilities	-12.4
Other liabilities	-59.8

Net identifiable assets and liabilities **250.6**

Goodwill	413.6
----------	-------

Total purchase consideration **664.2****Consideration transferred, cash flow and impact on cash and cash equivalents**

Consideration transferred	-664.2
Less:	
Liability to non-controlling interest	157.9
Contingent consideration	109.4

Cash flow - paid purchase price **-397.0**

Cash and cash equivalents in the acquired business	67.7
--	------

Effect on cash and cash equivalents **-329.3**



Acquisition of Hyma Skog & Trädgård AB

On 9 June, the Group announced that an agreement had been entered into to acquire 92.2% of the shares in HYMA Skog & Trädgård AB (HYMA). HYMA holds a leading market position in a number of BHG's core categories, such as garden, tools and leisure, with a broad portfolio of external and proprietary brands. HYMA has a long history of strong and profitable organic growth supplemented by strategic acquisitions. HYMA's sales in 2020 amounted to SEK 797 million and its EBITA to SEK 57 million.

Revenue and profit/loss for the period

Since the acquisition date, HYMA has contributed SEK 404.0 million to the Group's revenue and SEK 14.3 million to the Group's profit/loss after tax. If HYMA had been consolidated from the beginning of the financial year, it would have contributed SEK 943.4 million to the Group's revenue and SEK 25.5 million to the Group's profit/loss after tax.

SEKm

Acquisition of Hyma Skog & Trädgård AB

Net assets at time of acquisition

Trademarks	355.4
Customer relationships	252.6
Intangible fixed assets	16.7
Buildings and land	22.0
Leased fixed assets	9.8
Tangible fixed assets	5.6
Financial fixed assets	0.6
Deferred tax asset	2.8
Inventory	272.9
Accounts receivable	11.9
Other receivables	13.6
Cash and cash equivalents	56.0
Deferred tax liability	-134.1
Provisions	-0.1
Non-current liabilities	-66.2
Non-current leasing liabilities	-6.6
Accounts payable	-138.9
Current leasing liabilities	-3.2
Other liabilities	-40.3

Net identifiable assets and liabilities **630.5**

Goodwill 981.3

Total purchase consideration **1,611.7**

Consideration transferred, cash flow and impact on cash and cash equivalents

Consideration transferred -1,611.7

Less:

Issued shares (2,887,293 ordinary shares) 404.2

Liability to non-controlling interest 163.4

Contingent consideration 461.7

Cash flow - paid purchase price **-582.4**

Cash and cash equivalents in the acquired business 56.0

Effect on cash and cash equivalents **-526.4**

NOTE 3 FAIR VALUE

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position comprise liabilities for contingent considerations and currency forwards. The carrying amount for all financial assets and financial liabilities is deemed to be a reasonable approximation of the fair values of the items.

Contingent earn-outs

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.

SEKm	31 Dec	
	2021	2020
Reported value on the opening date	1,023.3	554.5
Recognition in profit or loss	14.6	63.6
Recognised in equity	221.5	485.7
Utilised amount	-216.5	-220.7
Acquisition value at cost	1,078.8	140.1
Reported value on the closing date	2,121.7	1,023.3

Currency forwards

As a result of the acquisition of Hafa Bathroom Group (see Note 2), the Group also recognises currency forwards at fair value since such instruments are used by Hafa Bathroom Group to hedge its exposure to currency exchange risk. The fair value of the currency forwards as of 31 December 2021 was SEK 1.5 million (0.0), of which SEK 1.5 million (0.0) comprised assets and SEK 0.0 million (0.0) comprised liabilities for the Group. The currency forwards are measured based on a discount comprising the difference between the contracted forward rate and the actual forward rate for a currency forward maturing on the same date. This measurement is included in Level 2 of the valuation hierarchy.

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

During the first quarter of 2021, the Group carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds of SEK 1,544.3 million after a deduction for transaction fees. All warrants within the framework of the incentive programme LTIP 2018 were exercised during the first quarter. Through the exercise of warrants, 2,760,016 shares were issued for a subscription price of SEK 61.75 per share, generating proceeds of SEK 170.4 million.

During the third quarter, in connection with the acquisition of Hyma Skog & Trädgård AB, BHG Group AB carried out an issue in kind, through which the number of shares and votes increased by 2,887,293. No other transactions with shareholders were carried out during the year.

NOTE 5 CONSEQUENCES OF THE CORONAVIRUS PANDEMIC

The coronavirus pandemic has led to consumers travelling less and spending more time at home. During the pandemic, consumers therefore chose 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 during the pandemic led to increased demand for BHG's products. BHG's strong position in home improvement products online in the Nordics should continue to benefit the company going forward. We still consider it probable that the increased online penetration that has occurred during the pandemic will remain and, accordingly, that the market for BHG's products has become larger than before the pandemic.

BHG has had a close cooperation with its suppliers during the pandemic to ensure deliveries and expanded inventory to minimise the risk of goods shortages. However, the market has been impacted for some time by disruptions in the global logistics and supply chains in the wake of the pandemic, resulting in, for example, higher shipping costs. We expect certain bottlenecks to remain in 2022.

Now that the Covid-19 restrictions have partly been lifted, the consumption of services that were not available during the pandemic has increased and demand for products has decreased. As a result, competition for customers in BHG's categories has intensified. As the largest online pure-play in the Nordic region, we have a strong position to navigate a more complicated supply and demand situation.



NOTE 6 REFINANCING

In the second quarter of 2021, BHG completed refinancing whereby the Group's existing credit facilities with SEB were replaced with new facilities provided jointly by SEB and Danske Bank. The credit line under the previous facilities originally totalled SEK 2,395 million (SEK 2,349 million after a repayment of SEK 46 million), of which SEK 1,000 million matured in May 2022 and the remainder in March 2023. At the beginning of the second quarter, the Group utilised SEK 2,109 million the credit line available under the previous facilities. The new facilities have a total credit line of SEK 3,300 million divided between a term loan, a revolving credit facility and an overdraft facility (refer to the table below):

SEKm	31 Dec 2021		
	Full size amount	Utilized amount	Unutilized amount
Term loan facility	1,500.0	1,500.0	-
Revolving credit facility	1,500.0	1,000.0	500.0
Overdraft facility	300.0	-	300.0
Total	3,300.0	2,500.0	800.0

The facilities mature on May 2024, but BHG has an option to extend the agreement until May 2026 at the longest. However, such an extension must be approved by the lenders. The facilities are conditional on the Group fulfilling certain financial covenants in the form of the debt/equity ratio and interest coverage ratio. The term loan is in SEK and carries variable interest in the form of STIBOR plus a margin. Within the framework of the revolving credit facility, borrowing in different currencies is permitted. Depending on which currency is used, the Group will pay variable interest in the form of an applicable IBOR plus a margin.

In connection with the repayment of the previous facilities, the transaction fees attributable to these facilities were expensed, which had a negative impact of SEK 5.2 million on the Group's net financial items for the second quarter of 2021.

Condensed Parent Company income statement

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Net sales	0.8	-	2.6	1.6
Total net sales	0.8	-	2.6	1.6
Personnel cost	-12.2	-7.7	-63.1	-34.2
Other external costs	-5.0	-3.3	-30.4	-11.2
Depreciation and amortisation of tangible and intangible fixed assets	-0.1	-0.0	-0.2	-0.2
Operating income	-16.4	-11.1	-91.1	-43.9
Profit/loss from financial items	7.1	-1.0	18.0	-2.4
Group contributions	76.0	132.3	76.0	132.3
Profit/loss before tax	66.7	120.2	2.9	86.0
Income tax	-14.0	-25.7	-0.3	-18.4
Profit/loss for the period	52.7	94.5	2.6	67.6

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	31 Dec	
	2021	2020
Non-current assets		
Other intangible fixed assets	0.8	0.8
Total intangible fixed assets	0.8	0.8
Participations in Group companies	3,678.3	2,691.6
Long-term receivables from Group companies	3,690.0	1,000.0
Total fixed assets	7,369.1	3,692.4
Current assets		
Short-term receivables	7.2	5.6
Short-term receivables from Group companies	124.2	223.2
Cash and cash equivalents	-	58.8
Total current assets	131.3	287.6
Total assets	7,500.4	3,979.9
Equity		
Restricted equity	3.7	3.2
Unrestricted equity	4,933.3	2,808.7
Total equity	4,937.0	2,811.9
Untaxed reserves	28.6	28.6
Non-current liabilities		
Non-current interest-bearing liabilities to credit institutions	2,492.3	996.9
Total non-current liabilities	2,492.3	996.9
Current liabilities		
Other current liabilities	42.5	142.5
Total current liabilities	42.5	142.5
Total equity and liabilities	7,500.4	3,979.9

Key ratios

	2021					2020				
	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Q3	Q2	Q1	Jan-Dec
THE GROUP										
Net sales growth (%)	48.1	33.6	31.8	57.7	41.2	43.2	39.7	57.7	33.5	44.4
Organic growth (%)	1.8	5.5	14.1	36.5	12.8	35.5	32.3	41.8	22.1	33.7
Proforma organic growth (%)	9.3	10.2	16.8	42.7	17.9	44.5	32.5	44.2	23.3	38.7
Gross profit beofre direct selling costs (%)	39.5	38.3	39.0	39.7	39.1	38.7	37.4	36.1	37.8	37.4
Gross profit (%)	26.6	25.8	26.6	27.2	26.5	27.2	25.9	25.0	25.8	25.9
Adjusted EBIT (%)	5.3	5.4	7.8	7.2	6.4	8.2	8.5	8.6	4.9	7.8
Earnings per share before dilution, SEK	0.93	0.50	1.63	0.97	4.01	0.85	1.24	1.34	0.43	3.87
Earnings per share after dilution, SEK	0.92	0.49	1.62	0.96	3.97	0.83	1.22	1.33	0.43	3.80
Equity/assets ratio %	38.9	38.4	44.7	42.2	38.9	32.7	45.2	43.2	45.8	32.7
Net debt (+) / Net cash (-)	2,251.3	1,854.3	509.2	173.9	2,251.3	1,796.0	87.2	-26.2	500.0	1,796.0
Cash flow from operating activites (SEKm)	-246.8	-232.0	336.1	119.5	-23.2	220.7	20.7	605.0	147.9	994.3
Visits (thousands)	106,202	94,710	108,555	101,829	411,296	77,950	75,644	90,672	57,866	302,133
Orders (thousands)	1,644	1,182	1,276	1,145	5,247	865	715	889	543	3,012
Average order value (SEK)	2,093	2,545	2,808	2,416	2,439	2,725	3,080	3,193	3,119	3,018
DIY										
Net sales growth (%)	26.7	27.2	20.1	47.6	28.2	49.4	46.0	73.8	36.7	53.0
Organic growth (%)	2.3	10.1	14.9	44.8	15.4	39.4	34.6	48.3	17.9	36.6
Proforma organic growth (%)	3.3	9.5	13.4	43.3	14.6	39.3	35.4	51.1	21.5	38.3
Gross profit beofre direct selling costs (%)	33.5	34.0	35.8	35.1	34.6	34.4	33.1	32.3	32.2	33.0
Gross profit (%)	23.0	23.3	25.4	25.6	24.3	25.0	23.1	22.6	22.6	23.4
Adjusted EBIT (%)	5.1	7.0	10.5	7.8	7.7	9.9	9.0	8.9	4.2	8.4
Visits (thousands)	36,389	41,309	50,349	37,936	165,984	31,894	36,398	47,004	24,634	139,931
Orders (thousands)	652	587	648	486	2,373	490	427	584	313	1,814
Average order value (SEK)	2,688	3,065	3,511	3,226	3,116	2,819	3,264	3,280	3,298	3,155
Home Furnishing										
Net sales growth (%)	81.3	44.6	55.6	70.6	63.1	34.7	29.5	32.3	30.0	31.7
Organic growth (%)	1.0	-2.4	12.3	25.4	8.2	30.1	28.6	31.5	27.6	29.6
Proforma organic growth (%)	16.8	11.1	22.6	41.5	22.3	50.7	27.3	31.6	26.7	39.3
Gross profit beofre direct selling costs (%)	46.0	44.6	44.1	44.9	45.0	45.2	44.9	43.7	45.1	44.7
Gross profit (%)	30.4	29.4	28.4	28.9	29.4	30.3	30.7	29.7	29.8	30.1
Adjusted EBIT (%)	6.4	4.0	5.8	7.5	6.0	6.9	9.9	9.6	6.4	8.3
Visits (thousands)	69,813	53,401	58,205	63,893	245,312	46,056	39,246	43,668	33,232	162,202
Orders (thousands)	992	595	627	659	2,874	375	288	305	230	1,198
Average order value (SEK)	1,702	2,032	2,082	1,820	1,880	2,601	2,806	3,027	2,875	2,811



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	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Operating income	157.4	183.4	710.6	657.8
Acquisition-related costs	3.8	-	23.4	-
Total items affecting comparability	3.8	-	23.4	-
Amortisation and impairment of acquisition-related intangible fixed assets	25.2	10.7	78.7	43.0
Adjusted EBIT	186.4	194.1	812.7	700.8
Adjusted EBIT (%)	5.3	8.2	6.4	7.8
Depreciation and amortisation of tangible and intangible fixed assets	90.2	55.3	292.8	201.9
Gain/loss from sale of fixed assets	-0.9	0.0	-0.8	-0.0
Adjusted EBITDA	275.7	249.5	1,104.6	902.7
Adjusted EBITDA (%)	7.9	10.6	8.7	10.1
Net sales	3,487.2	2,354.6	12,666.0	8,968.2
Cost of goods	-2,108.1	-1,443.4	-7,710.4	-5,609.9
Gross profit before direct selling costs	1,379.1	911.2	4,955.6	3,358.3
Gross profit before direct selling costs (%)	39.5	38.7	39.1	37.4
Direct selling costs	-451.2	-271.2	-1,598.5	-1,032.1
Gross profit	927.9	640.0	3,357.1	2,326.2
Gross profit (%)	26.6	27.2	26.5	25.9
Adjusted gross profit	927.9	640.0	3,357.1	2,326.2
Adjusted gross profit (%)	26.6	27.2	26.5	25.9

**DIY segment**

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Operating income	78.8	134.9	516.6	444.0
Total items affecting comparability	-	-	-	-
Amortisation and impairment of acquisition-related intangible fixed assets	14.9	7.9	44.1	31.8
Adjusted EBIT	93.7	142.8	560.7	475.8
Adjusted EBIT (%)	5.1	9.9	7.7	8.4
Depreciation and amortisation of tangible and intangible fixed assets	37.1	25.6	122.0	95.9
Gain/loss from sale of fixed assets	-1.2	-0.1	-1.0	-0.1
Adjusted EBITDA	129.6	168.4	681.7	571.6
Adjusted EBITDA (%)	7.1	11.7	9.4	10.1
Net sales	1,823.0	1,439.2	7,259.6	5,663.1
Cost of goods	-1,213.2	-944.7	-4,747.2	-3,794.1
Gross profit before direct selling costs	609.9	494.4	2,512.4	1,869.0
Gross profit before direct selling costs (%)	33.5	34.4	34.6	33.0
Direct selling costs	-190.0	-134.1	-748.1	-546.2
Gross profit	419.9	360.3	1,764.3	1,322.8
Gross profit (%)	23.0	25.0	24.3	23.4
Adjusted gross profit	419.9	360.3	1,764.3	1,322.8
Adjusted gross profit (%)	23.0	25.0	24.3	23.4



Home Furnishing segment

SEKm	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Operating income	96.2	60.8	289.4	265.0
Total items affecting comparability	-	-	-	-
Amortisation and impairment of acquisition-related intangible fixed assets	10.2	2.9	34.6	11.2
Adjusted EBIT	106.4	63.6	324.0	276.2
Adjusted EBIT (%)	6.4	6.9	6.0	8.3
Depreciation and amortisation of tangible and intangible fixed assets	52.8	29.6	169.8	105.8
Gain/loss from sale of fixed assets	0.3	0.1	0.2	0.1
Adjusted EBITDA	159.5	93.4	494.0	382.1
Adjusted EBITDA (%)	9.5	10.1	9.1	11.5
Net sales	1,673.2	923.0	5,442.8	3,337.2
Cost of goods	-903.7	-505.9	-2,994.7	-1,845.9
Gross profit before direct selling costs	769.5	417.1	2,448.1	1,491.3
Gross profit before direct selling costs (%)	46.0	45.2	45.0	44.7
Direct selling costs	-261.2	-137.0	-850.4	-485.9
Gross profit	508.4	280.1	1,597.7	1,005.4
Gross profit (%)	30.4	30.3	29.4	30.1
Adjusted gross profit	508.4	280.1	1,597.7	1,005.4
Adjusted gross profit (%)	30.4	30.3	29.4	30.1



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 year, net debt amounted to SEK 2,251.3 million, corresponding to net debt in relation to LTM adjusted EBITDA of 2.34x. 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 2,121.7 million at the end of the year, compared with SEK 1,023.3 million at the beginning of the year. Lease liabilities reflect the balance sheet effects of IFRS 16 and amounted to SEK 878.7 million at the end of the year, compared with SEK 599.6 million at the beginning of the year.

SEKm	31 Dec	
	2021	2020
Non-current interest-bearing debt	5,022.7	3,440.4
Short-term interest-bearing debt	494.8	271.4
Total interest-bearing debt	5,517.6	3,711.8
Cash and cash equivalents	-273.5	-299.0
Adjustment lease liabilities	-878.7	-599.6
Adjustment of earn-outs and deferred payments	-2,121.7	-1,023.3
Adjustment transaction costs	7.7	6.1
Net debt (+) / Net cash (-)	2,251.3	1,796.0



Definitions

Performance measure	Definition	Reasoning
Share turnover rate	Number of shares traded during the period divided by the weighted-average number of shares outstanding before dilution.	The share turnover rate shows the rate at which shares in BHG Group AB are bought and sold through trading on NASDAQ Stockholm.
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, the 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, the 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 EBIT 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.

Performance measure	Definition	Reasoning
Share turnover rate	Number of shares traded during the period divided by the weighted-average number of shares outstanding before dilution.	The share turnover rate shows the rate at which shares in BHG Group AB are bought and sold through trading on NASDAQ Stockholm.
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.
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 and earn-outs, less cash and cash equivalents, investments in securities, etc. and prepaid borrowing costs.	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 rates of recently acquired companies since joining the Group. This measure thus includes the effect of sales synergies as a result of acquisitions.
Working capital	Inventories and non-interest-bearing current assets less non-interest-bearing current liabilities.	Working capital provides an indication of the 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 for monitoring value creation.
Equity/assets ratio	Equity, including non-controlling interests, as a percentage of total assets.	This performance measure reflects the company's financial position and thus its long-term solvency. A favourable equity/assets ratio and strong financial position enable the Group to handle periods with a weak economic situation and provide the financial strength for growth. A lower equity/assets ratio entails a higher financial risk, but also higher financial leverage.