

Interim report 1 January-31 March 2019

# SOLID FIRST-QUARTER SALES AND RECORD-HIGH MARGINS

## HIGHLIGHTS

### First quarter

- Net sales increased 19.0 percent to SEK 1,220.1 million (1,025.1). Organic growth amounted to 8.0 percent. Orders in the period amounting to approximately SEK 20 million were not recognised during the quarter due to a calendar effect
- Gross profit increased 41.0 percent to SEK 300.4 million (213.1), with a record-high gross margin of 24.6 percent (20.8)
- Adjusted EBITA, excluding IFRS 16 effects, increased 74.4 percent to SEK 53.4 million (30.6), and the adjusted EBITA margin increased to 4.4 percent (3.0). Adjusted EBITA, including IFRS 16 effects, amounted to SEK 55.3 million, corresponding to an EBITA margin of 4.5 percent\*
- Operating income (EBIT), excluding IFRS 16 effects, increased to SEK 36.4 million (-29.2), corresponding to an operating margin of 3.0 percent (-2.9). EBIT, including IFRS 16 effects, amounted to SEK 38.3 million, corresponding to an operating margin of 3.1 percent\*
- Operating cash flow amounted to SEK 16.3 million (50.0), affected by the inventory build-up before the high season
- Net income, excluding IFRS 16 effects, amounted to SEK 19.3 million (-55.0). Taking IFRS 16 into account, net income amounted to SEK 19.0 million\*
- Earnings per share amounted to SEK 0.17 (-1.73) before dilution and SEK 0.17 (-1.73) after dilution

### Key events during and after the period

- Acquisition of Designkupp AS ("vskupp.no") on 29 January. Designkupp is the leading online retailer in Norway focused on bathroom products, with net sales of SEK ~100 million and an EBIT margin of about 3 percent in 2018
- Acquisition of Nordiska Fönster on 1 March. Nordiska Fönster is a leading online retailer in the value-for-money private label doors and windows segment in Sweden, with net sales of SEK ~50 million and a marginal profit in 2018
- On 1 April 2019, Martin Edblad assumed the role of acting President and CEO of Bygghemma Group
- Bygghemma applies IFRS 16 as of 1 January 2019. The new accounting standard has increased the Group's total assets by around SEK 360 million at the start of the year, and is expected to have a positive effect on EBITA and EBITDA of around SEK 7 million and SEK 90 million, respectively, on a full-year 2019 basis. As no pro-forma recalculation has been performed, comparisons with 2018 are made against figures for 2019, excluding the impact of IFRS 16

## FINANCIAL SUMMARY

SEKm (if not otherwise stated)	Q1				Jan-Dec
	2019	2019*	2018	Δ%	2018
Net sales	1,220.1	1,220.1	1,025.1	19.0	4,973.7
Gross profit	300.4	300.4	213.1	41.0	1,047.5
Gross margin (%)	24.6	24.6	20.8	18.4	21.1
Adjusted EBITA**	55.3	53.4	30.6	74.4	202.7
Adjusted EBITA margin (%)	4.5	4.4	3.0	46.5	4.1
Operating income	38.3	36.4	-29.2	-224.6	87.2
Operating margin (%)	3.1	3.0	-2.9	-204.6	1.8
Net profit/loss for the period	19.0	19.3	-55.0	-135.2	50.8
Earnings per share before dilution, SEK	0.17	0.17	-1.73		0.00
Earnings per share after dilution, SEK	0.17	0.17	-1.73		0.00
Cash flow from operations	43.1	21.8	-18.1	-220.3	120.5
Net debt	543.8	543.8	496.3	9.6	473.6

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

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

## CEO's comments on the quarter

In the first quarter, we continued to consolidate our position as the number one European online retailer within home improvement. We did so by further strengthening our dominant position in the Nordic region. Our estimated online market share is now approaching 30 percent within both the DIY and Home Furnishing retail segments.

We continued to build on our positive momentum from the fourth quarter of 2018 and posted our highest first-quarter results to date, driven by a record-high gross margin level. Both divisions performed well in the period and the development within the Home Furnishing division was especially satisfying. It is with great satisfaction I note that the measures taken in terms of assortment, mix and curation during last year are bearing fruit, not least as a result of leverage from improved unit economics from higher average order values.

Net sales grew 19.0 percent and organic growth amounted to 8.0 percent. Organic growth would have been higher if not for the negative calendar effect arising from very strong order volumes over the weekend that ended the quarter.

We reached an adjusted EBITA margin of 4.4 percent in the quarter, compared to last year's 3.0 percent. Taking into account the new IFRS 16, which was adopted on 1 January this year, the margin was even higher at 4.5 percent. However, for the sake of transparency – comparing apples to apples – our comments in this report will focus on figures excluding the effect of IFRS 16, since we do not adjust historical numbers on a pro-forma basis.

As mentioned, our performance within the Home Furnishing segment improved considerably during the period. The segment increased its net sales by 26.7 percent and reported its highest EBITA and EBITA margins ever (for the second consecutive quarter). Organic growth improved from 1.4 percent in the fourth quarter of 2018 to 7.2 percent this quarter. We still have some way to go before we are back on par following the integration of Furniturebox, but the positive trajectory is clear.

The DIY division also performed well, increasing its net sales by 13.4 percent. The markets outside Sweden, especially Denmark and Norway, showed the strongest development. We acquired Designkupp, the leading online pure-play DIY retailer in Norway, alongside Bygghemma, meaning that we are now also the clear leader in the segment in Norway. We also acquired Nordiska Fönster, a leading online player in the value-for-money segment within windows and doors, which considerably strengthened the DIY division's private label offering in this price segment.

In September 2018, we announced the roll-out of our own last-mile operations in Sweden. We have now been operative for over seven months and can conclude that the service is continuing to deliver as expected with a clear improvement in customer satisfaction.

On a final note, I am pleased to report that our market position, business model and potential remain extremely strong, and that the start of 2019 has shown that we have what it takes to reach our goals. We are continuing our efforts to constantly improve and we expect to see tangible results from our hard work and new initiatives moving forward.

Malmö, 25 April 2019

Martin Edblad

*Acting President and CEO, Bygghemma Group*



Martin Edblad, acting President and CEO

# Condensed consolidated financial information

SEKm (if not otherwise stated)	Q1				Jan-Dec
	2019	2019*	2018	Δ%	2018
Net sales	1,220.1	1,220.1	1,025.1	19.0	4,973.7
Gross profit	300.4	300.4	213.1	41.0	1,047.5
Gross margin (%)	24.6	24.6	20.8	18.4	21.1
Adjusted EBITDA**	85.9	62.3	36.5	70.5	231.1
Adjusted EBITDA margin (%)	7.0	5.1	3.6	43.3	4.6
Adjusted EBITA**	55.3	53.4	30.6	74.4	202.7
Adjusted EBITA margin (%)	4.5	4.4	3.0	46.5	4.1
Items affecting comparability	-7.2	-7.2	-50.6	-85.8	-77.9
Operating income	38.3	36.4	-29.2	-224.6	87.2
Operating margin (%)	3.1	3.0	-2.9	-204.6	1.8
Net profit/loss for the period	19.0	19.3	-55.0	-135.2	50.8
Cash flow from operations	43.1	21.8	-18.1	-220.3	120.5
Visits (thousands)	34,882	34,882	25,355	37.6	116,120
Orders (thousands)	399	399	387	3.1	1,735
Conversion rate (%)	1.1	1.1	1.5	-25.1	1.5
Average order value (SEK)	3,129	3,129	2,665	17.4	2,830

\* Adjusted for the effect of the implementation of IFRS 16, meaning that the numbers are fully comparable to the numbers reported for 2018.

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

## COMMENTS ON THE RESULT FOR THE PERIOD 1 JANUARY-31 MARCH 2019

Net sales increased 19.0 percent to SEK 1,220.1 million (1,025.1), and organic growth amounted to 8.0 percent. Organic growth was impacted by a negative calendar effect arising from very strong order volumes over the weekend that ended the quarter. These orders, amounting to SEK 50 million, were converted into net sales in the first few days of the second quarter of 2019. A similar, but less strong, effect occurred in December 2018, when SEK 30 million was recognised in the first quarter of 2019. The net effect over the last two quarters consequently amounted to approximately SEK -20 million in the period. Growth in the quarter was also impacted by fairly steep comps in 2018 for the DIY segment.

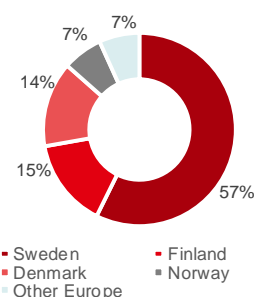
Net sales in the DIY segment increased 13.4 percent compared to the same period in 2018, and organic growth amounted to 8.5 percent. Net sales in the Home Furnishing segment increased 26.7 percent and organic growth amounted to 7.2 percent, compared to 1.4 percent in the fourth quarter of 2018. The increase is mainly explained by a strong performance across the board and improved traction in Furniturebox during the quarter. Furniturebox's traffic is expected to return to previous levels in the second and third quarters of 2019, as previously announced.

The Group's webstores received 34.9 million (25.4) visits during the quarter, generating 399 thousand (387) orders. Traffic from mobiles and tablets accounted for 69.0 percent (64.6) of the total number of visits to the Group's webstores, translating to an increase of 6.8 percent compared with last year. Mobiles and tablets accounted for 63.5 percent (58.3) of visits in the DIY segment and 76.9 percent (72.6) of visits in the Home Furnishing segment.

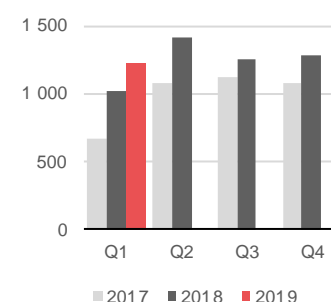
The Group's average order value for the quarter was SEK 3,129 (2,665), an increase driven by an improved assortment mix and a growing number of returning customers.

The Group's gross margin was 24.6 percent (20.8) for the period. The increase is an effect of higher margins, primarily within the Home Furnishing segment, due to assortment work,

Distribution by country (%)



Net sales (SEKm)



promoting items with a higher average order value and reviewing price points as well as a more normalised FX development compared with the same period last year.

The Group's sales and administration costs (defined as the difference between gross profit and adjusted EBITDA) amounted to SEK 238.1 million (176.6), corresponding to 19.5 percent (17.2) of net sales, driven partly by increased capacity requirements following the listing on Nasdaq Stockholm in March 2018.

Including items affecting comparability for the period, sales and administration costs amounted to SEK 245.3 million (227.1), corresponding to 20.1 percent (22.2) of net sales.

Adjusted EBITA, excluding IFRS 16 effects, for the quarter increased to SEK 53.4 million (30.6), the highest level to date for the period, corresponding to an adjusted EBITA margin of 4.4 percent (3.0). Adjusted EBITA, including IFRS 16 effects, amounted to SEK 55.3 million, corresponding to an EBITA margin of 4.5 percent.

The DIY segment saw slightly lower margins in the quarter than last year, mainly due to strong comparables last year and an increased lag in invoicing compared to order intake in the period. The Home Furnishing segment posted its highest EBITA margin to date. This higher margin is mainly attributable to an improved gross margin as a result of a successful expansion of the assortment, development of the web platform, including increased focus on curation, and expansion of the high-ticket item offering, leading to improved unit economics. In addition, the completion of the Furniturebox integration project in the third quarter of 2018 has allowed the organisation to focus on developing the business again.

The items affecting comparability charged to the first quarter were mainly attributable to the implementation of the last-mile project and amounted to SEK 7.2 million. The items affecting comparability charged to the year-earlier period amounted to SEK 50.6 million and were related to the IPO process (30.7), the Furniturebox integration project (7.9) and costs for the long-term incentive program (LTIP) for key employees (11.4).

The Group's operating income for the period, excluding IFRS 16 effects, amounted to SEK 36.4 million (-29.2), and the operating margin to 3.0 percent (-2.9). Operating income for the period, including IFRS 16 effects, amounted to SEK 38.3 million, and the operating margin to 3.1 percent.

Amortisation of acquisition-related intangible assets amounted to SEK 9.8 million (9.3) for the first quarter and comprised amortisation of identified surplus values related to customer relationships and customer databases in acquired companies. No impairment requirements were identified for goodwill or other acquisition-related assets during the period or earlier.

The Group's net financial items for the quarter amounted to SEK -12.4 million (-39.7) and were attributable to fair value adjustments of SEK -4.3 million (-1.0) as well as the company's financing agreements with SEB. Interest expenses for the period amounted to SEK -7.0 million (-12.2), of which SEK -2.3 million (-0.0) relates to leased assets in accordance with IFRS 16.

The Group's profit before tax was SEK 25.9 million (-69.0) for the period.

Net income for the quarter amounted to SEK 19.3 million (-55.0) excluding IFRS 16 effects and SEK 19.0 million including IFRS 16 effects.

The effective tax rate was 26.6 percent (-20.2), corresponding to SEK -6.9 million (+14.0), mainly due to non-deductible costs in the period.

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

- On 1 April 2019, Martin Edblad assumed the role of acting President and CEO of Bygghemma Group as well as head of the Home Furnishing segment, leaving his role as CFO. Mikael Olander, who has combined the roles of President and CEO and head of the DIY segment since 2012, retained the role as head of the DIY segment and was appointed COO with responsibility for M&A. Peter Rosvall, COO since 2012, left his role as COO and was appointed head of New Operations. On the same date, Adam Schatz was appointed as the new CFO of Bygghemma Group.
- On 29 January, Bygghemma Group announced the acquisition of Designkupp AS ("vvsbutikk.no"), the leading online player in Norway primarily focused on bathroom products. The acquisition will strengthen Bygghemma's leading position in Norway. Designkupp was founded in 2005 and had sales of approximately SEK 100 million in 2018, with an operating margin of around 3 percent.

- On 1 March, Bygghemma Group announced the acquisition of Nordiska Fönster. Nordiska Fönster was founded in 2011 and is a leading online retailer in the value-for-money private label doors and windows segment in Sweden. Nordiska Fönster had sales of just over SEK 50 million with a marginal profit in 2018.
- Bygghemma Group First AB applies IFRS 16 as of 1 January 2019. The new accounting standard has increased the Group's total assets by around SEK 360 million, and is expected to have a positive effect of EBITA and EBITDA of around SEK 7 million and SEK 90 million, respectively, on a full-year basis. As no pro-forma recalculation has been performed, comparisons with 2018 are made against figures for 2019 excluding the impact of IFRS 16.

## FINANCIAL TARGETS

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

*The medium-term guidance remains unchanged:*

### Net sales growth

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

### Profitability and cash conversion

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

### Capital structure

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

### Dividend policy

When free cash flow exceeds available investments in profitable growth, and provided that the capital structure target is met, the surplus will be distributed to shareholders.

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

## DIY segment

- The DIY segment's net sales increased 13.4 percent during the first quarter, of which organic growth accounted for 8.5 percent. A negative calendar effect impacted sales in the period
- The adjusted EBITA margin, excluding IFRS 16 effects, amounted to 2.5 percent (3.3) for the first quarter. The EBITA margin, including IFRS 16 effects, amounted to 2.6 percent
- The segment continued to increase its market share during the period, especially in the markets outside Sweden

SEKm (if not otherwise stated)	Q1				Jan-Dec
	2019	2019*	2018	Δ%	2018
Net sales	688.6	688.6	607.2	13.4	3,073.8
Gross profit	148.9	148.9	123.6	20.5	612.1
Gross margin (%)	21.6	21.6	20.4	6.2	19.9
Adjusted EBITDA	32.4	22.9	24.3	-5.8	150.2
Adjusted EBITDA margin (%)	4.7	3.3	4.0	-16.9	4.9
Adjusted EBITA	18.2	17.0	20.3	-16.1	131.2
Adjusted EBITA margin (%)	2.6	2.5	3.3	-26.0	4.3
Items affecting comparability	-1.4	-1.4	-0.3	450.9	-0.9
Operating income	9.7	8.5	13.2	-35.4	102.9
Operating margin (%)	1.4	1.2	2.2	-43.0	3.3
Net profit/loss for the period	0.3	0.5	5.9	-91.5	12.5
Visits (thousands)	17,337	17,337	14,020	23.7	65,762
Orders (thousands)	231	231	229	1.1	1,099
Conversion rate (%)	1.3	1.3	1.6	-18.2	1.7
Average order value (SEK)	3,102	3,102	2,604	19.1	2,746

\* Adjusted for the effect of the implementation of IFRS 16, meaning that the numbers are fully comparable to the numbers reported for 2018.

### COMMENTS ON THE DIY SEGMENT

The first quarter marked another solid performance for the DIY segment. The segment's net sales increased 13.4 percent to SEK 688.6 million (607.2) in the quarter and organic growth amounted to 8.5 percent. A negative calendar effect, explained on page 3 of this report, impacted organic growth in the period, as did steep comps in 2018.

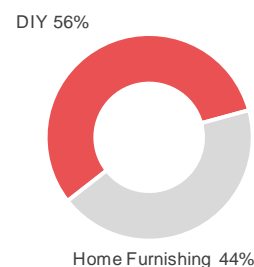
The DIY segment continued to gain market shares in all Nordic markets during the quarter. The segment's Danish and Norwegian operations accounted for the strongest performance, driven by a positive economic development in these markets in general and by a rapidly increasing online penetration in particular, combined with the Bygghemma team's focused work on the webstores, product ranges and pricing.

Swedish sales in the DIY segment were supported by a steadily growing online penetration as well as by continuous operational improvements in terms of service, assortment and pricing, thereby maintaining the delta compared with the total market.

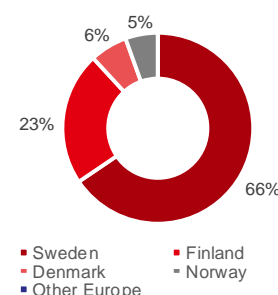
DIY accounted for 56 percent of the Group's total net sales in the period.

The strongest performance in the quarter was attributable to the kitchen/white goods product category, followed by heavy construction and doors/windows. The focus on category leadership yielded positive results, partly due to the specialised knowledge and brand expansion resulting from a number of strategic acquisitions in recent years, most recently from the acquisitions of Vitvaruexperten in 2017, Edututor in 2018 and Nordiska Fönster in 2019.

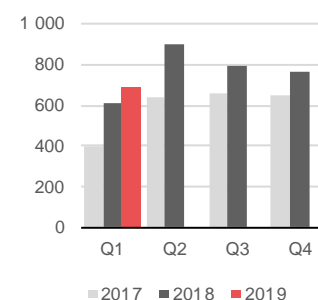
Net sales by segment  
Jan-Mar 2019



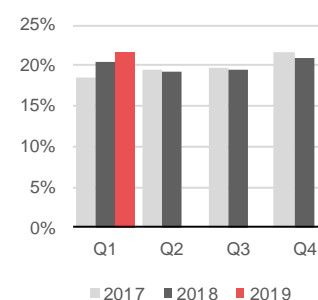
Distribution by country (%)



Net sales (SEKm)

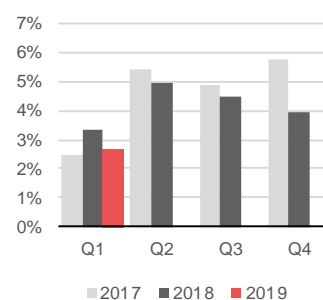


Adjusted gross margin (%)



Adjusted EBITA, excluding IFRS 16 effects, amounted to SEK 17.0 million (20.3) during the first quarter, with an adjusted EBITA margin of 2.5 percent (3.3). Adjusted EBITA, including IFRS 16 effects, amounted to SEK 18.2 million, with an adjusted EBITA margin of 2.6 percent.

The segment's operating income, excluding IFRS 16 effects, amounted to SEK 8.5 million (13.2) during the first quarter, with an operating margin of 1.2 percent (2.2). Operating income, including IFRS 16 effects, amounted to SEK 9.7 million, with an operating margin of 1.4 percent.



# Home Furnishing segment

- Net sales increased 26.7 percent during the first quarter, building on the positive momentum from the fourth quarter, with organic growth increasing to 7.2 percent from 1.4 percent in the fourth quarter
- The adjusted EBITA margin, excluding IFRS 16 effects, amounted to a record-high 7.6 percent (2.7), driven by successful assortment, mix and curation work. The EBITA margin, including IFRS 16 effects, amounted to 7.7 percent
- The roll-out of the last-mile operations continued according to plan during the quarter, with a continued positive reception

SEKm (if not otherwise stated)	Q1			Δ%	Jan-Dec
	2019	2019*	2018		2018
Net sales	534.1	534.1	421.6	26.7	1,918.8
Gross profit	151.7	151.7	90.3	68.0	437.2
Gross margin (%)	28.4	28.4	21.4	32.6	22.8
Adjusted EBITDA	57.5	43.4	13.1	230.1	88.3
Adjusted EBITDA margin (%)	10.8	8.1	3.1	160.6	4.6
Adjusted EBITA	41.1	40.4	11.2	260.1	78.8
Adjusted EBITA margin (%)	7.7	7.6	2.7	184.2	4.1
Items affecting comparability	-5.8	-5.8	-8.2	-29.5	-34.9
Operating income	32.6	31.9	0.5	5956.9	33.7
Operating margin (%)	6.1	6.0	0.1	4681.0	1.8
Net profit/loss for the period	23.3	23.4	-3.8	-711.2	41.0
Visits (thousands)	17,545	17,545	11,335	54.8	50,358
Order (thousands)	168	168	159	5.9	636
Conversion rate (%)	1.0	1.0	1.4	-31.6	1.3
Average order value	3,166	3,166	2,752	15.1	2,976

\* Adjusted for the effect of the implementation of IFRS 16, meaning that the numbers are fully comparable to the numbers reported for 2018.

## COMMENTS ON THE HOME FURNISHING SEGMENT

Net sales in the Home Furnishing segment increased 26.7 percent to SEK 534.1 million (421.6). The increase was driven by a combination of improved organic growth, climbing from 1.4 percent in the fourth quarter 2018 to 7.2 percent in the first quarter 2019, and acquired growth.

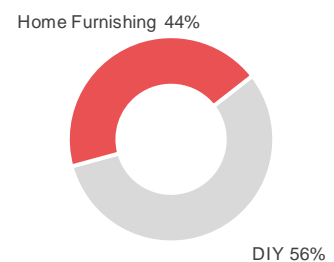
Furniturebox's traffic improved further during the quarter, according to plan, and traffic and sales are thus on a positive trajectory to return to the levels we saw before the web platform change in the second and third quarters of 2019, as previously announced.

The Home Furnishing division gained market shares in all product categories and geographical markets during the quarter compared with the same period in 2018.

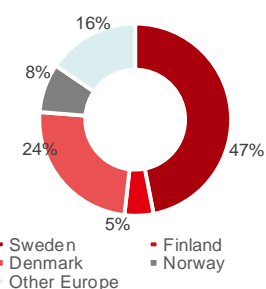
Home Furnishing accounted for 44 percent of the Group's total net sales in the period.

In the third quarter of 2018, the last-mile project was rolled out, enabling the Home Furnishing division to gradually take control of deliveries to end consumers in Sweden. The project has developed according to plan. The costs associated with the launch of the last-mile service will not exceed the previously announced figure of SEK 15 million for 2019 and may even come in somewhat lower. Costs affecting comparability in the first quarter amounted to SEK 5.8 million.

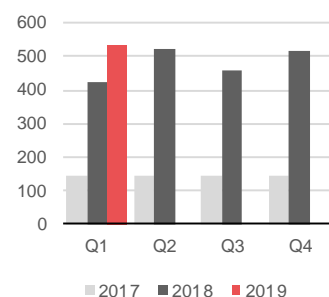
Net sales by segment  
Jan-Mar 2019



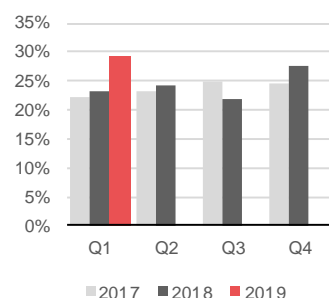
Distribution by country (%)



Net sales (SEKm)



Adjusted gross margin (%)

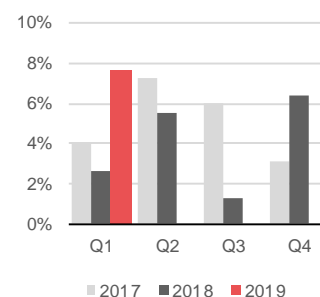




Adjusted EBITA in the period, excluding IFRS 16 effects, increased 260.1 percent to SEK 40.4 million (11.2), with an adjusted EBITA margin of 7.6 percent (2.7). The higher EBITA is driven by a significant upturn in the gross margin, which in turn is attributable to successful assortment, mix and curation work in the period. Furthermore, the completion of the Furniturebox integration project in the third quarter of 2018 has allowed the organisation to focus on developing the business again. Adjusted EBITA, including IFRS 16 effects, amounted to SEK 41.1 million, with an adjusted EBITA margin of 7.7 percent.

The segment's operating income, excluding IFRS 16 effects, amounted to SEK 31.9 million (0.5), with an operating margin of 6.0 percent (0.1). Operating income, including IFRS 16 effects, amounted to SEK 32.6 million, with an operating margin of 6.1 percent.

Adjusted EBITA margin (%)



## Other

### COMMENTS ON THE GROUP'S OTHER OPERATIONS

Net sales amounted to SEK 6.1 million (0.1) for the quarter. Operating income totalled SEK -4.0 million (-43.0) for the quarter. The Group's other operations mainly comprise central Group functions. Accordingly, net sales consist in all material aspects of management fees. The operating costs for the first quarter of 2018 were in all material aspects attributable to the costs associated with the listing on Nasdaq Stockholm.

### CASH FLOW AND FINANCIAL POSITION

The Group's cash flow from operating activities for the quarter was SEK 43.1 million (-18.1). Cash flow from operating activities was mainly driven by the EBITDA generated in the period as well as the Group's negative working capital position, which is the result of a high proportion of direct deliveries from suppliers, relatively limited inventory levels and low levels of accounts receivable (due to factoring without regress). The increase in net working capital in the period was the result of inventory build-up before the high season in the second quarter.

The Group's cash flow and working capital levels follow a seasonal profile: inventory levels increase during the first quarter in preparation for second and third-quarter high-season sales, particularly of outdoor furniture; the second and, to a lesser degree, third quarters are then characterised by high sales and decreasing inventory levels, leading to a high cash conversion.

The Group's cash flow to investing activities was SEK -95.6 million (-22.3) for the quarter, mainly attributable to the acquisition of Designkupp and Nordiska Fönster as well as to deferred payments and earn-outs related to acquisitions during the 2014-2017 period, and to a minor extent also to IT investments related to the web platform and logistical solution.

Cash flow from financing activities was SEK 87.2 million (340.0), attributable to loans raised to finance acquisitions, deferred payments and earn-outs in the period. Cash flow in the year-earlier period was attributable to the share issue in connection with the IPO, which was carried out in order to adjust the Group's capital structure to a level suitable for a listed environment and to facilitate investments and continued expansion through acquisitions.

Operating cash flow was SEK 16.3 million (50.0), corresponding to a cash conversion of 26.2 percent (136.8), driven in part by calendar effects resulting in an increased invoicing lag in the period, but mainly by the inventory build-up before the high season in the second quarter, when the majority of the annual operating cash flow is generated. Operating cash flow was driven by a combination of growth of adjusted EBITDA, a negative working capital position and the Group's limited capex requirements.

Compared with the beginning of the year, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 265.3 million (226.9), an increase attributable to the fact that the Group generated a positive cash flow during the period and to an increase in interest-bearing debt.

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 543.8 million at the end of the quarter, compared with SEK 473.6 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 2.1x, which is in line with the company's medium-term financial target.

The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 350.0 million at the end of the quarter, compared with SEK 320.3 million at the beginning of the year (also refer to "Relevant reconciliations of non-IFRS alternative performance measures (APM)" for a more detailed description).

The Group's unutilised credit facilities amounted to SEK 285.9 million at the end of the period, compared with SEK 394.5 million at the beginning of the year.

The Group's total assets at the end of the reporting period amounted to SEK 5,454.7 million, compared to SEK 4,851.9 million at the beginning of the period. This change is mainly attributable to the effect of the implementation of IFRS 16 as of 1 January 2019.

Compared with the beginning of the year, the Group's equity at the end of the reporting period amounted to SEK 2,830.6 million (2,814.4).

## EMPLOYEES

The number of employees (measured as full-time equivalents, FTEs) was 1,073 at the end of the period. The average number of employees (measured as FTEs) for the most recent 12-month period was 942.

## SEASONAL VARIATIONS

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

## PARENT COMPANY

The Parent Company's net sales amounted to SEK 0.2 million (0.9) for the quarter. Bygghemma Group's CEO, CFO and COO are employed by the Parent Company, which also remunerates the Board of Directors. The Parent Company posted an operating loss of SEK -3.4 million (-26.4) for the quarter. The loss in the year-earlier period was mainly due to costs attributable to the listing on Nasdaq Stockholm in the first quarter. The loss for the period amounted to SEK -2.8 million (-21.4). The Parent Company's cash and cash equivalents totalled SEK 19.9 million at the end of the reporting period, compared with SEK 6.6 million at the beginning of the year.

## ACCOUNTING POLICIES

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

The Group also applies the European Securities and Markets Authority's (ESMA) guidelines for alternative performance measures. The definitions of alternative performance measures can be found in the relevant reconciliations on pages 27-30 of this report.

The interim information on pages 1-12 is an integrated part of this financial report.

## RISKS AND UNCERTAINTIES

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

## RELATED-PARTY TRANSACTIONS

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

## OTHER INFORMATION

No other information applies at the end of the period.

Malmö, 25 April 2019

**Martin Edblad**

*Acting President and CEO*

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

**Bygghemma Group First AB**

Hans Michelsensgatan 9

SE-211 20 Malmö

Corporate registration number: 559077-0763

This information is information that Bygghemma Group First AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 7:00 a.m. CEST on 25 April 2019.

**CONTACT INFORMATION**

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

Martin Edblad, acting President and CEO  
[martin.edblad@bygghemmagroup.se](mailto:martin.edblad@bygghemmagroup.se)  
 +46 (0)734-24 68 51

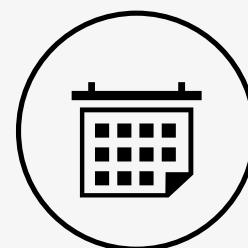
Adam Schatz, CFO  
[adam.schatz@bygghemmagroup.se](mailto:adam.schatz@bygghemmagroup.se)  
 +46 (0)709-32 43 00

Johan Hähnel, Head of Investor Relations  
[ir@bygghemmagroup.se](mailto:ir@bygghemmagroup.se)  
 +46 (0)70-605 63 34



**TELECONFERENCE IN CONNECTION WITH PUBLICATION OF THE QUARTERLY REPORT**

On Thursday, 25 April at 10:00 a.m. CEST, Martin Edblad, acting President and CEO, and Adam Schatz, CFO, will hold a conference call concerning the publication of the quarterly report. The call will be held in English. To participate, please call the following number: +46 (0) 8 505 583 58 or go to the weblink <https://tv.streamfabriken.com/bygghemma-group-q1-2019>. The presentation is available at Bygghemma Group's website: <http://www.bygghemmagroup.com/investor-relations/presentations>



**FINANCIAL CALENDAR**

15 May 2019 Annual General Meeting (Malmö)

18 July 2019 Interim report Jan-Jun

25 October 2019 Interim report Jan-Jun

30 January 2020 Year-end report

**ABOUT BYGGHEMMA GROUP**

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

# Condensed consolidated income statement

SEKm	Q1		Jan-Dec
	2019	2018	2018
Net sales	1,220.1	1,025.1	4,973.7
Other operating income	0.1	-	0.0
<b>Total net sales</b>	<b>1,220.1</b>	<b>1,025.1</b>	<b>4,973.7</b>
Cost of goods sold	-919.7	-812.0	-3,926.2
Personnel costs	-107.2	-106.6	-420.4
Other external costs and operating expenses	-111.2	-117.0	-469.6
Other operating expenses	-3.3	-3.5	-4.4
Depreciation and amortisation of tangible and intangible fixed assets	-40.6	-15.2	-65.8
<b>Operating income</b>	<b>38.3</b>	<b>-29.2</b>	<b>87.2</b>
Profit/loss from financial items	-12.4	-39.7	-39.9
<b>Profit before tax</b>	<b>25.9</b>	<b>-69.0</b>	<b>47.3</b>
Income tax	-6.9	14.0	3.5
<b>Profit/loss for the period</b>	<b>19.0</b>	<b>-55.0</b>	<b>50.8</b>
Attributable to:			
Equity holders of the parent	18.1	-55.0	49.9
Non-controlling interest	0.8	-	0.9
<b>Net income for the period</b>	<b>19.0</b>	<b>-55.0</b>	<b>50.8</b>
Earnings per share before dilution, SEK	0.17	-1.73	0.00
Earnings per share after dilution, SEK	0.17	-1.73	0.00

\* Earnings per share before and after dilution during 2018 has been calculated with deduction of preference interest. The formula for earnings per share is as follows: earnings per share = (profit for the period - interest on preference shares) / average number of outstanding ordinary shares.

# Condensed consolidated statement of comprehensive income

SEKm	Q1		Jan-Dec
	2019	2018	2018
Profit or loss for the period	19.0	-55.0	50.8
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Translation differences for the period	7.7	11.7	7.2
<b>Other comprehensive income for the period</b>	<b>7.7</b>	<b>11.7</b>	<b>7.2</b>
<b>Total comprehensive income for the period</b>	<b>26.7</b>	<b>-43.3</b>	<b>58.0</b>
<b>Total comprehensive income attributable to:</b>			
Parent Company shareholders	25.4	-43.3	58.2
Non-controlling interest	1.3	-	-0.2
<b>Total comprehensive income for the period</b>	<b>26.7</b>	<b>-43.3</b>	<b>58.0</b>
<b>Shares outstanding at period's end</b>			
Before dilution	107,368,421	107,368,421	107,368,421
After dilution	107,368,421	107,368,421	107,368,421
<b>Average number of shares</b>			
Before dilution	107,368,421	61,022,381	95,781,974
After dilution	107,368,421	61,022,381	95,781,974

## CHANGE IN NUMBER OF SHARES IN THE PERIOD

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

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

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

# Condensed consolidated statement of financial position

SEKm	31 Mar		31 Dec
	2019	2018	2018
<b>Non-current assets</b>			
Goodwill	2,671.5	2,455.8	2,590.7
Other intangible fixed assets	1,260.2	1,162.7	1,225.3
<b>Total intangible fixed assets</b>	<b>3,931.8</b>	<b>3,618.5</b>	<b>3,815.9</b>
Buildings and land	11.4	11.2	11.3
Leased fixed assets	351.0	-	-
Tangible fixed assets	25.2	22.9	22.9
Financial fixed assets	5.0	4.9	5.4
Deferred tax asset	9.0	15.7	6.0
<b>Total fixed assets</b>	<b>4,333.4</b>	<b>3,673.2</b>	<b>3,861.5</b>
<b>Current assets</b>			
Inventories	608.9	478.7	504.9
Current receivables	247.2	240.0	258.6
Cash and cash equivalents	265.3	460.6	226.9
<b>Total current assets</b>	<b>1,121.3</b>	<b>1,179.2</b>	<b>990.4</b>
<b>Total assets</b>	<b>5,454.7</b>	<b>4,852.4</b>	<b>4,851.9</b>
<b>Equity</b>			
Equity attributable to owners of the parent	2,798.1	2,675.0	2,783.1
Non-controlling interest	32.6	-	31.3
<b>Total equity</b>	<b>2,830.6</b>	<b>2,675.0</b>	<b>2,814.4</b>
<b>Non-current liabilities</b>			
Deferred tax liability	239.4	257.4	234.3
Other provisions	1.8	1.5	1.9
Non-current interest-bearing liabilities to credit institutions	803.9	-	694.9
Non-current lease liabilities	274.6	-	-
Other non-current liabilities	298.7	217.6	278.3
<b>Total non-current liabilities</b>	<b>1,618.3</b>	<b>476.5</b>	<b>1,209.5</b>
<b>Current liabilities</b>			
Short term interest-bearing loans to credit institutions	-	956.9	-
Current lease liabilities	90.0	-	-
Other interest-bearing liabilities	51.3	25.7	42.0
Other current liabilities	864.4	718.3	786.0
<b>Total current liabilities</b>	<b>1,005.7</b>	<b>1,700.8</b>	<b>828.1</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,454.7</b>	<b>4,852.4</b>	<b>4,851.9</b>

## Condensed consolidated statement of cash flows

SEKm	Q1		Jan-Dec
	2019	2018	2018
Cash flow from operating activities before changes in wo	67.4	-42.0	97.8
Changes in working capital	-24.2	23.9	22.7
<b>Cash flow from operations</b>	<b>43.1</b>	<b>-18.1</b>	<b>120.5</b>
Investments in operations	-74.0	-12.0	-58.9
Investments in other non-current assets	-21.8	-10.4	-68.1
Divestment of other tangible fixed assets	0.2	0.1	0.1
<b>Cash flow to/from investing activities</b>	<b>-95.6</b>	<b>-22.3</b>	<b>-126.8</b>
New share issue	-	343.3	343.4
Loans taken	108.6	-	693.9
Amortisation of loans	-21.4	-3.3	-968.5
Issue of warrants	-	-	4.6
Dividends to shareholders	-	-	0.1
<b>Cash flow to/from financing activities</b>	<b>87.2</b>	<b>340.0</b>	<b>73.5</b>
<b>Cash flow for the period</b>	<b>34.8</b>	<b>299.6</b>	<b>67.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>226.9</b>	<b>156.1</b>	<b>156.1</b>
Translation differences in cash and cash equivalents	3.6	4.8	3.6
<b>Cash and cash equivalents at the end of the period</b>	<b>265.3</b>	<b>460.6</b>	<b>226.9</b>



## Condensed consolidated statement of changes in equity

SEKm	31 Mar		31 Dec
	2019	2018	2018
<b>Opening balance</b>	<b>2,814.4</b>	<b>2,375.1</b>	<b>2,375.1</b>
Comprehensive income for the period	26.7	-43.3	58.0
Effects from changed accounting standards	-10.5	-	-
Acquisitions of partly-owned subsidiaries	-	-	31.5
New share issue	-	343.3	345.2
Issue of warrants	-	-	4.6
<b>Closing balance</b>	<b>2,830.6</b>	<b>2,675.0</b>	<b>2,814.4</b>

\* For 2018, transaction-related costs of approximately SEK 10.5 million (SEK 8.2 million after tax) attributable to the new share issue of common stock are reported net after tax directly in shareholders' equity, as a reduction of the share issue amount.

## Notes

## NOTE 1 SEGMENTS

SEKm	Q1		Jan-Dec
	2019	2018	2018
<b>Net sales</b>			
DIY	688.6	607.2	3,073.8
Home Furnishing	534.1	421.6	1,918.8
<b>Total net sales</b>	<b>1,222.8</b>	<b>1,028.8</b>	<b>4,992.6</b>
Other	6.1	0.1	20.1
Eliminations	-8.8	-3.9	-39.0
<b>Group consolidated total</b>	<b>1,220.1</b>	<b>1,025.1</b>	<b>4,973.7</b>
<b>Revenue from other segments</b>			
DIY	1.4	2.1	7.3
Home Furnishing	1.3	1.7	11.6
Other	6.1	0.1	20.1
<b>Total</b>	<b>8.8</b>	<b>3.9</b>	<b>39.0</b>
SEKm	Q1		Jan-Dec
	2019	2018	2018
<b>Operating income and profit before tax</b>			
DIY	9.7	13.2	102.9
Home Furnishing	32.6	0.5	33.7
<b>Total operating income</b>	<b>42.3</b>	<b>13.8</b>	<b>136.7</b>
Other	-4.0	-43.0	-49.4
<b>Group consolidated operating income</b>	<b>38.3</b>	<b>-29.2</b>	<b>87.2</b>
Financial net	-12.4	-39.7	-39.9
<b>Group consolidated profit before tax</b>	<b>25.9</b>	<b>-69.0</b>	<b>47.3</b>

## Q1 2019

SEKm	DIY	Home Furnishing	Other	Elimination	Group
Sweden	451.3	250.6	6.1	-8.7	699.4
Finland	155.6	26.0	-	-	181.7
Denmark	43.8	130.7	-	-0.2	174.3
Norway	37.9	44.0	-	-	81.9
Rest of Europe	-	82.8	-	-	82.8
<b>Net sales</b>	<b>688.6</b>	<b>534.1</b>	<b>6.1</b>	<b>-8.8</b>	<b>1,220.1</b>

## Q1 2018

SEKm	DIY	Home Furnishing	Other	Elimination	Group
Sweden	437.3	270.8	0.1	-3.1	705.0
Finland	122.9	24.5	-	-	147.4
Denmark	30.7	92.8	-	-0.7	122.7
Norway	16.3	33.6	-	-	49.9
Rest of Europe	-	-	-	-	-
<b>Net sales</b>	<b>607.2</b>	<b>421.6</b>	<b>0.1</b>	<b>-3.9</b>	<b>1,025.1</b>

## Full-year 2018

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

**NOTE 2 DISCLOSURES ON ACQUISITIONS****Net sales and profit/loss for the period for acquired companies**

Since consolidation, the acquisitions have contributed SEK 22.6 million to the Group's net sales and SEK 0.5 million to the Group's profit/loss for the period. If the acquisitions had been consolidated for the full financial year, they would have contributed SEK 40.3 million to the Group's net sales and SEK -1.4 million to the Group's profit/loss for the period.

**Acquisition of Designkupp AS**

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

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

Since the acquisition date, Designkupp has contributed SEK 18.6 million to consolidated revenue and SEK 0.5 million to consolidated after-tax profit. If Designkupp had been consolidated for the full financial year, the company would have contributed SEK 29.6 million to consolidated revenue and SEK -0.6 million to consolidated after-tax profit.

SEKm

**Acquisition of Designkupp AS****Net assets at time of acquisition**

Trademarks	9.8
Customer relationships	12.5
Intangible fixed assets	0.1
Tangible fixed assets	0.7
Inventory	9.2
Accounts receivable	1.8
Other receivables	0.0
Cash and cash equivalents	11.3
Deferred tax liability	-5.1
Accounts payable	-8.9
Other liabilities	-3.9
<b>Net identifiable assets and liabilities</b>	<b>27.5</b>
Goodwill	53.8
<b>Total purchase consideration</b>	<b>81.4</b>
Unpaid part of the purchase consideration	6.1
Deferred purchase consideration	17.3
Earnout provision	20.2
<b>Change in the Group's cash and cash equivalents following the acquisition</b>	<b>-37.7</b>

**Acquisition of Nordiska Fönster i Ängelholm AB**

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

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

Since the acquisition date, Nordiska Fönster has contributed SEK 4.0 million to consolidated revenue and SEK -0.0 million to consolidated after-tax profit. If Nordiska Fönster had been consolidated for the full financial year, the company would have contributed SEK 10.7 million to consolidated revenue and SEK -0.7 million to consolidated after-tax profit.

SEKm

**Acquisition of Nordiska Fönster i Ängelholm AB****Net assets at time of acquisition**

Trademarks	3.5
Customer relationships	3.5
Intangible fixed assets	1.6
Tangible fixed assets	0.4
Deferred tax asset	0.9
Inventory	1.9
Accounts receivable	1.2
Other receivables	0.7
Cash and cash equivalents	0.9
Deferred tax liability	-1.4
Accounts payable	-2.7
Other liabilities	-5.4
<b>Net identifiable assets and liabilities</b>	<b>5.0</b>

Goodwill	21.8
----------	------

<b>Total purchase consideration</b>	<b>26.8</b>
-------------------------------------	-------------

Earnout provision	11.8
-------------------	------

<b>Change in the Group's cash and cash equivalents following the acquisition</b>	<b>-14.9</b>
--	--------------

**NOTE 3 FAIR VALUE****Classification of financial assets and liabilities**

Contingent earn-outs and liabilities to non-controlling interests are included in Level 3 of the valuation hierarchy. Apart from contingent earn-outs and liabilities to non-controlling interests, the carrying amount corresponds to the fair value of all financial instruments recognised in the statement of financial position.

**Measurement of fair value**

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

SEKm	31 Mar	
	2019	2018
<b>Fair value on the opening date</b>	<b>320.3</b>	<b>249.6</b>
Recognition in profit or loss	6.0	5.7
Utilised amount	-31.7	-12.0
Acquisition value at cost	55.3	-
<b>Fair value on the closing date</b>	<b>350.0</b>	<b>243.3</b>

**NOTE 4 RELATED-PARTY TRANSACTIONS**

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

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

**Transactions with the owners**

No transactions with the owners have been made during 2019.

**NOTE 5 EFFECTS OF IFRS 16**

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

**The Group's principles for accounting for leases under IFRS 16**

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

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

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

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

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

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

**Transition method**

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

**Applied exemptions**

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

**Effect on the financial reports**

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

	31 Mar
SEKm	2019
Premises	348.3
Cars	0.2
Other	2.5
<b>Total leased assets</b>	<b>351.0</b>

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

The table below provides a reconciliation between the operating lease obligations (see Note 26 in the Group's annual report for 2018) and the lease liability as of 1 January 2019, and a reconciliation of the change in the lease liability between 1 January 2019 and 31 March 2019.

SEKm	2019
Operating lease obligations as of 31 Decemer 2018	455.4
Deduct low-value lease	-0.6
Deduct short-term lease	-65.8
Add reasonably certain extension periods	8.0
<b>Operating lease included in IFRS 16</b>	<b>396.9</b>
Discount effect	-30.5
<b>Lease liability as of 1 January 2019</b>	<b>366.4</b>
New leases	19.0
Accrued interest	2.3
Lease payments	-23.7
Translation differences	0.6
<b>Lease liability at the end of the period</b>	<b>364.6</b>

#### Key ratios adjusted for the IFRS 16 effect

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

SEKm (if not otherwise stated)	Q1		
	2019	Adjustment of effects from IFRS 16	2019 excl. IFRS 16
Net sales	1,220.1	-	1,220.1
Gross profit	300.4	-	300.4
Gross margin (%)	24.6	-	24.6
Adjusted EBITDA	85.9	-23.7	62.3
Adjusted EBITDA margin (%)	7.0	1.9	5.1
Adjusted EBITA	55.3	-1.8	53.4
Adjusted EBITA margin (%)	4.5	0.2	4.4
Items affecting comparability	-7.2	-	-7.2
Operating income	38.3	-1.8	36.4
Operating margin (%)	3.1	0.2	3.0
Net profit/loss for the period	19.0	0.3	19.3
Cash flow from operations	43.1	-21.4	21.8
Interest bearing debt	809.1	-	809.1
Lease liability	364.6	-364.6	-
Cash and cash equivalents	-265.3	-	-265.3
<b>Total liabilities and cash</b>	<b>908.5</b>	<b>-364.6</b>	<b>543.8</b>

## Condensed Parent Company income statement

SEKm	Q1		Jan-Dec
	2019	2018	2018
Net sales	0.2	0.9	2.4
<b>Total net sales</b>	<b>0.2</b>	<b>0.9</b>	<b>2.4</b>
Personnel cost	-1.4	-11.2	-15.9
Other external costs	-2.2	-16.1	-18.7
<b>Operating income</b>	<b>-3.4</b>	<b>-26.4</b>	<b>-32.3</b>
Profit/loss from financial items	-0.2	-1.0	0.1
Appropriations	-	-	29.5
<b>Profit before tax</b>	<b>-3.5</b>	<b>-27.5</b>	<b>-2.6</b>
Income tax	0.8	6.0	0.5
<b>Profit/loss for the period</b>	<b>-2.8</b>	<b>-21.4</b>	<b>-2.1</b>

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



# Condensed Parent Company balance sheet

SEKm	31 Mar		31 Dec
	2019	2018	2018
<b>Non-current assets</b>			
Other intangible fixed assets	0.3	-	0.2
<b>Total intangible fixed assets</b>	<b>0.3</b>	<b>-</b>	<b>0.2</b>
Participations in Group companies	2,691.6	2,352.1	2,691.6
Long term receivables from Group companies	11.0	13.9	29.0
Deferred tax asset	2.3	-	2.3
<b>Total fixed assets</b>	<b>2,705.1</b>	<b>2,366.0</b>	<b>2,723.1</b>
<b>Current assets</b>			
Short term receivables	2.2	10.7	1.5
Short term receivables from Group companies	59.1	-	72.7
Cash and cash equivalents	19.9	354.8	6.6
<b>Total current assets</b>	<b>81.1</b>	<b>365.5</b>	<b>80.8</b>
<b>Total assets</b>	<b>2,786.2</b>	<b>2,731.5</b>	<b>2,803.9</b>
<b>Equity</b>			
Restricted equity	3.2	3.2	3.2
Unrestricted equity	2,717.3	2,694.3	2,720.1
<b>Total equity</b>	<b>2,720.6</b>	<b>2,697.5</b>	<b>2,723.3</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities to credit institutions	57.6	-	30.0
<b>Total non-current liabilities</b>	<b>57.6</b>	<b>-</b>	<b>30.0</b>
<b>Current liabilities</b>			
Other current liabilities	8.1	33.9	50.6
<b>Total current liabilities</b>	<b>8.1</b>	<b>33.9</b>	<b>50.6</b>
<b>Total shareholders' equity and liabilities</b>	<b>2,786.2</b>	<b>2,731.5</b>	<b>2,803.9</b>

## Key ratios

	2019	2018				Jan-Dec
	Q1	Q4	Q3	Q2	Q1	
<b>THE GROUP</b>						
Adjusted total expenses	-260.2	-251.6	-225.8	-236.1	-199.3	-912.8
Adjusted EBITA margin %	4.5	4.7	3.2	5.1	3.0	4.1
Adjusted gross profit	305.6	302.3	256.4	298.6	220.6	1,077.9
Adjusted gross margin %	25.0	23.6	20.5	21.1	21.5	21.7
Equity/asset ratio %	51.9	58.0	57.2	57.1	55.1	58.0
Net debt (+) / Net cash (-)	543.8	473.6	451.1	357.5	496.3	473.6
Cash flow from operations (SEKm)	43.1	22.5	-46.7	162.8	-18.1	120.5
Earnings per share (SEK)	0.17	0.45	0.23	0.30	-1.73	0.00
Visits (thousands)	34,882	32,349	28,589	29,827	25,355	116,120
Orders (thousands)	399	456	426	465	387	1,735
Average order value (SEK)	3,129	2,793	2,864	2,974	2,665	2,830
<b>DIY</b>						
Visits (thousands)	17,337	15,911	17,584	18,247	14,020	65,762
Orders (thousands)	231	284	284	302	229	1,099
Average order value (SEK)	3,102	2,611	2,807	2,922	2,604	2,746
<b>Home Furnishing</b>						
Visits (thousands)	17,545	16,438	11,005	11,579	11,335	50,358
Orders (thousands)	168	172	142	163	159	636
Average order value (SEK)	3,166	3,092	2,978	3,071	2,752	2,976

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

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

### ADJUSTED EBITA, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

Management uses adjusted EBITA and adjusted EBITDA to monitor the Group's underlying earnings capacity and profitability. Adjusted EBITA corresponds to operating income adjusted for amortisation and impairment losses on acquisition-related intangible assets and items affecting comparability. Adjusted EBITDA corresponds to adjusted EBITA adjusted for depreciation, amortisation and impairment losses on tangible and intangible assets.

#### Group

SEKm	Q1			Jan-Dec
	2019	2019*	2018	2018
Operating income	38.3	36.4	-29.2	87.2
Depreciation and amortisation of acquisition-related intangible fixed assets	9.8	9.8	9.3	37.5
<b>EBITA</b>	<b>48.1</b>	<b>46.2</b>	<b>-19.9</b>	<b>124.8</b>
<b>EBITA (%)</b>	<b>3.9</b>	<b>3.8</b>	<b>-1.9</b>	<b>2.5</b>
Acquisition-related costs	1.4	1.4	0.6	2.0
Integration costs and costs related to warehouse move	-	-	7.9	27.5
Costs in connection with the establishment of own distribution network	5.8	5.8	-	6.3
Costs related to LTIP	-	-	11.4	11.4
Costs related to the process for expanding the shareholder base	-	-	30.7	30.7
<b>Total items affecting comparability</b>	<b>7.2</b>	<b>7.2</b>	<b>50.6</b>	<b>77.9</b>
<b>Adjusted EBITA</b>	<b>55.3</b>	<b>53.4</b>	<b>30.6</b>	<b>202.7</b>
<b>Adjusted EBITA (%)</b>	<b>4.5</b>	<b>4.4</b>	<b>3.0</b>	<b>4.1</b>
Depreciation and amortisation of tangible and intangible fixed assets	30.7	8.9	5.9	28.4
<b>Adjusted EBITDA</b>	<b>85.9</b>	<b>62.3</b>	<b>36.5</b>	<b>231.1</b>
<b>Adjusted EBITDA (%)</b>	<b>7.0</b>	<b>5.1</b>	<b>3.6</b>	<b>4.6</b>
Net sales	1,220.1	1,220.1	1,025.1	4,973.7
Cost of goods sold	-919.7	-919.7	-812.0	-3,926.2
<b>Gross profit</b>	<b>300.4</b>	<b>300.4</b>	<b>213.1</b>	<b>1,047.5</b>
<b>Gross profit (%)</b>	<b>24.6</b>	<b>24.6</b>	<b>20.8</b>	<b>21.1</b>
Integration costs and costs related to warehouse move	-	-	7.5	26.3
Costs in connection with the establishment of own distribution network	5.2	5.2	-	4.2
<b>Adjusted gross profit</b>	<b>305.6</b>	<b>305.6</b>	<b>220.6</b>	<b>1,077.9</b>
<b>Adjusted gross profit (%)</b>	<b>25.0</b>	<b>25.0</b>	<b>21.5</b>	<b>21.7</b>

## DIY segment

SEKm	Q1			Jan-Dec
	2019	2019*	2018	2018
Operating income	9.7	8.5	13.2	102.9
Depreciation and amortisation of acquisition-related intangible fixed assets	7.1	7.1	6.8	27.4
<b>EBITA</b>	<b>16.8</b>	<b>15.7</b>	<b>20.1</b>	<b>130.3</b>
<b>EBITA (%)</b>	<b>2.4</b>	<b>2.3</b>	<b>3.3</b>	<b>4.2</b>
Acquisition-related costs	1.4	1.4	0.3	0.9
<b>Total items affecting comparability</b>	<b>1.4</b>	<b>1.4</b>	<b>0.3</b>	<b>0.9</b>
<b>Adjusted EBITA</b>	<b>18.2</b>	<b>17.0</b>	<b>20.3</b>	<b>131.2</b>
<b>Adjusted EBITA (%)</b>	<b>2.6</b>	<b>2.5</b>	<b>3.3</b>	<b>4.3</b>
Depreciation and amortisation of tangible and intangible fixed assets	14.2	5.8	4.0	19.0
<b>Adjusted EBITDA</b>	<b>32.4</b>	<b>22.9</b>	<b>24.3</b>	<b>150.2</b>
<b>Adjusted EBITDA (%)</b>	<b>4.7</b>	<b>3.3</b>	<b>4.0</b>	<b>4.9</b>
Net sales	688.6	688.6	607.2	3,073.8
Cost of goods sold	-539.7	-539.7	-483.6	-2,461.7
<b>Gross profit</b>	<b>148.9</b>	<b>148.9</b>	<b>123.6</b>	<b>612.1</b>
<b>Gross profit (%)</b>	<b>21.6</b>	<b>21.6</b>	<b>20.4</b>	<b>19.9</b>
<b>Adjusted gross profit</b>	<b>148.9</b>	<b>148.9</b>	<b>123.6</b>	<b>612.1</b>
<b>Adjusted gross profit (%)</b>	<b>21.6</b>	<b>21.6</b>	<b>20.4</b>	<b>19.9</b>

## Home Furnishing segment

SEKm	Q1			Jan-Dec
	2019	2019*	2018	2018
Operating income	32.6	31.9	0.5	33.7
Depreciation and amortisation of acquisition-related intangible fixed assets	2.7	2.7	2.5	10.2
<b>EBITA</b>	<b>35.3</b>	<b>34.6</b>	<b>3.0</b>	<b>43.9</b>
<b>EBITA (%)</b>	<b>6.6</b>	<b>6.5</b>	<b>0.7</b>	<b>2.3</b>
Acquisition-related costs	-	-	0.3	1.1
Integration costs and costs related to warehouse move	-	-	7.9	27.5
Costs in connection with the establishment of own distribution network	5.8	5.8	-	6.3
<b>Total items affecting comparability</b>	<b>5.8</b>	<b>5.8</b>	<b>8.2</b>	<b>34.9</b>
<b>Adjusted EBITA</b>	<b>41.1</b>	<b>40.4</b>	<b>11.2</b>	<b>78.8</b>
<b>Adjusted EBITA (%)</b>	<b>7.7</b>	<b>7.6</b>	<b>2.7</b>	<b>4.1</b>
Depreciation and amortisation of tangible and intangible fixed assets	16.4	3.0	1.9	9.4
<b>Adjusted EBITDA</b>	<b>57.5</b>	<b>43.4</b>	<b>13.1</b>	<b>88.3</b>
<b>Adjusted EBITDA (%)</b>	<b>10.8</b>	<b>8.1</b>	<b>3.1</b>	<b>4.6</b>
Net sales	534.1	534.1	421.6	1,918.8
Cost of goods sold	-382.4	-382.4	-331.3	-1,481.7
<b>Gross profit</b>	<b>151.7</b>	<b>151.7</b>	<b>90.3</b>	<b>437.2</b>
<b>Gross Profit (%)</b>	<b>28.4</b>	<b>28.4</b>	<b>21.4</b>	<b>22.8</b>
Integration costs and costs related to warehouse move	-	-	7.5	26.3
Costs in connection with the establishment of own distribution network	5.2	5.2	-	4.2
<b>Adjusted gross profit</b>	<b>156.9</b>	<b>156.9</b>	<b>97.8</b>	<b>467.6</b>
<b>Adjusted gross profit (%)</b>	<b>29.4</b>	<b>29.4</b>	<b>23.2</b>	<b>24.4</b>

**NET DEBT/NET CASH**

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

At the end of the first quarter, net debt amounted to SEK 543.8 million, corresponding to net debt in relation to LTM adjusted EBITDA of 2.1x. The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 350.0 million at the end of the quarter, compared with SEK 320.3 million at the beginning of the year. Lease liabilities reflect the balance sheet effect of IFRS 16, which was adopted on 1 January 2019, and amounted to SEK 364.6 at the end of the quarter, compared with SEK 0.0 million at the end of last quarter.

SEKm	31 Mar		31 Dec
	2019	2018	2018
Non-current interest-bearing debt	1,377.2	217.6	973.3
Shor-term interest-bearing debt	141.3	982.5	42.0
<b>Total interest-bearing debt</b>	<b>1,518.5</b>	<b>1,200.1</b>	<b>1,015.3</b>
Cash and cash equivalents	-265.3	-460.6	-226.9
Adjustment lease liabilities	-364.6	-	-
Adjustment of earn-outs and deferred payments	-350.0	-243.3	-320.3
Adjustment transaction costs	5.3	-	5.6
<b>Net debt (+) / Net cash (-)</b>	<b>543.8</b>	<b>496.3</b>	<b>473.6</b>

## Definitions

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

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