

YEAR-END REPORT 2022




BORÅSTAPETER


Cole & Son

Wall & decò

pappelina®

ARTSCAPE.
WINDOW FILM DESIGN

embellence
GROUP

Continued healthy profitability despite headwind in Nordic demand

Fourth quarter of 2022

- Net sales amounted to MSEK 176.9 (174.0), up 1.7%. Acquisition-based growth of 16.1%, exchange rate effects of 2.1% and organic growth of –16.5%
- EBITA amounted to MSEK 14.7 (25.8).
- Adjusted EBITA* amounted to MSEK 22.0 (30.4)
- Net profit for the period amounted to MSEK 9.9 (18.4), and earnings per share for the period before dilution were SEK 0.44 (0.86)
- Operating cash flow amounted to MSEK 16.0 (15.3)

Significant events during the quarter

- Karin Lidén became new CFO of Embellence Group AB
- Ahead of the 2023 Annual General Meeting, the Board of Directors proposes a dividend of SEK 0.80 per share, corresponding to 31% of net profit for the year

“A sharp slowdown in consumer demand in the Nordics, at the same time as sales in our second largest region, Europe, remained at the same level as in 2021”

Olle Svensk
CEO
Embellence Group AB

MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Group				
Net sales	176.9	174.0	720.1	646.9
EBITA	14.7	25.8	88.5	88.3
Adjusted EBITA*	22.0	30.4	102.6	99.9
Profit before tax	13.3	23.0	70.4	74.3
Net profit for the period	9.9	18.4	57.4	59.3
Operating cash flow	16.0	15.3	107.9	62.1
EBITA margin, %	8.3%	14.8%	12.3%	13.7%
Adjusted EBITA margin, %	12.5%	17.5%	14.3%	15.4%
Net debt	233.7	125.0	233.7	125.0
Net debt excl. IFRS 16 effects	163.4	57.9	163.4	57.9
Net debt/EBITDA (R12)	2.1	1.2	2.1	1.2
Net debt/EBITDA excl. IFRS 16 effects (R12)	1.7	0.6	1.7	0.6
Equity ratio, %	46.8%	47.1%	46.8%	47.1%
Earnings per share for the period before dilution (SEK)	0.44	0.86	2.57	2.77
Earnings per share for the period after dilution (SEK)	0.44	0.85	2.57	2.72
Number of employees	247	236	247	236

*EBITA excluding acquisition costs and restructuring costs in the Nordics.

Decline in demand in the Nordics, cost saving programme and digitalisation.

The cautious consumer demand that we reported on in the report for the third quarter of 2022 was amplified during the final quarter of the year. Sales in the Nordics declined by 24% compared with the year-earlier quarter. In Europe, sales remained unchanged, despite a decline of MSEK -3 in Russia, while Rest of World increased robustly due to the Artscape acquisition.

Net sales for the quarter amounted to MSEK 176.9, corresponding to an increase of 1.7% compared with the year-earlier quarter. Adjusted EBITA amounted to MSEK 22.0 (30.4), corresponding to an adjusted EBITA margin of 12.5% (17.5). The reduction in earnings was mainly attributable to lower sales in the Nordics, higher costs for input goods and lower capacity utilisation in Borås Tapetfabrik. In addition, it is important to remember that the fourth quarter of 2021 was characterised by lower market-related costs due to the pandemic.

Looking at the year in its entirety, sales amounted to MSEK 720.1, which corresponds to growth of 11.3%, with reduced demand in the Nordics being offset by increased revenue related to the acquisition of Artscape. Adjusted EBITA amounted to MSEK 102.6 (99.9), corresponding to an adjusted EBITA margin of 14.3% (15.4). The lower margin was mainly due to higher costs for input material as a result of rising inflation, but also to the sales trend, primarily in the Nordics.

The slowdown in the Nordics during the quarter and the year was a direct consequence of the macro-economic developments, with high electricity prices, rising interest rates, generally high inflationary pressure and declining disposable incomes. Viewed from this perspective, we are nonetheless fairly satisfied with our performance for the year in its entirety.

Major focus on cost controls

During the fourth quarter of the year, several organisational changes were implemented, which resulted in personnel cutbacks and the accompanying non-recurring costs of MSEK 5.3. As of the first quarter of 2023, the measures are expected to generate savings of approximately MSEK 9 on a full-year basis. It is always difficult to implement personnel cutbacks, but in the prevailing market situation, it is necessary to reduce our fixed costs to thus increase our financial resistance. Moreover, since we are seeing continued cost pressure for input materials and to secure our margins, we will implement further price increases at the beginning of 2023.

A multi-channel model that contributes to stability

The major challenges in our business environment will probably also leave their mark in 2023. We anticipate continued uncertainty and caution among consumers, but foresee continued healthy demand in hospitality. Compared with the Nordics, several of the major markets in Europe are displaying good stability.

Under these circumstances, our multi-channel model and broad geographical reach is a strength. When demand declines in one channel or geography, we can shift focus to others – just as we are now doing by focusing on architecture and design-driven projects in the luxury residential segment as well as hotels and restaurants. In January and February 2023, we have participated in several international industry fairs in Paris, Frankfurt and New York, where we interacted with architects, designers and agents from the entire world.

Building strong brands

Our business model is based on acquiring, owning and developing strong brands in their respective niches. Brands that for consumers, designers and architects are credible, genuine, clear and are aimed at premium or luxury.

Our perspective is long term and despite the challenges, we continue to invest in our brands. In close cooperation with the respective management groups, we are continuing the work to develop and refine – based on the history and position of the individual brand. Work is currently being conducted, for example, to strengthen Artscape's brand position in premium.

Continued major focus on digitalisation

Digitalisation also remains one of the key parts of the strategy going forward. The possibilities of digitalisation are enormous and have an impact on essentially all parts of our value chain, from production to sales. In all areas, projects are now being conducted that aim to strengthen the offering and the customer experience, increase efficiency and, ultimately, to reduce costs. Production itself is one of the areas with the greatest potential. During 2022, the share of digitally printed wallpaper increased by 4 percentage points.

The more tangible activities also include investments in our own online sales for several of our brands, including Boråstapeter, Pappelina and Cole&Son. Direct sales to consumers, designers and architects have increased for several years, a trend that was further strengthened during the pandemic. Among the advantages

are a high level of service and short delivery times. Just as in other industries, we also see an increasing wish to shop directly from the brand.

A good year despite difficult conditions

As we now summarise the year, I can state that we achieved sales of MSEK 720.1 and an adjusted EBITA of MSEK 102.6. In absolute figures, we have never been larger or had better earnings. However, the situation in our business environment is

challenging and the focus in 2023 will be profitability, stable cash flow and a resilient balance sheet.

Last but not least, I would like to thank all of the employees at Embellence Group for your commitment, passion and professional work during occasionally uncertain circumstances. Together, we teamed up to make 2022 a great year!

Olle Svensk
CEO

Our business model

We believe in building strong, well-defined premium brands with distinct positions that are recognised by consumers, designers and architects worldwide. Each with their own unique story and offering.

We aim to ensure that each brand is present where its core consumers expect it to be. We achieve this by applying selective distribution strategies per brand that are supplemented with own e-commerce sales.

Focus on Premium

We design, manufacture, market and sell wallpaper, textiles, rugs, and window film, especially focusing on the premium segment. Gross margins at Group level are at about 52–58%, while in the premium segment they are 55–70%.

Annual market growth in premium is deemed to be between 5 and 8%, and we intend to systematically increase our market share through organic growth supplemented with add-on acquisitions.

Decentralised organisation

We believe that a decentralised organisation supplemented with carefully considered synergies offers the best balance between entrepreneurship and agility, as well as cost benefits and capital expenditures.

Our financial goals

Operating margin

Embellence Group's long-term target is to achieve an EBITA margin of at least 15% over a business cycle.

Net sales growth

Embellence aims to reach net sales of SEK 1.2bn for financial year 2025. This corresponds to more than double 2020 net sales. This will be reached by organic growth and add-on acquisitions.

Indebtedness

The company's interest-bearing net debt should not exceed 2.5 times EBITDA. A temporary increase may occur in connection with acquisitions, however.

Dividend policy

Embellence Group's goal is to pay dividends of 30 to 50% of the profit for the period. When deciding on dividends, the company's financial position, cash flow and future prospects must be taken into account.

Net sales
Full-year 2022, MSEK

720

Adjusted EBITA margin
12M 2022

14%

Share of
Premium 12M 2022

63%

Our fantastic brand portfolio:



Group performance

Net sales and earnings

Net sales for the quarter amounted to MSEK 176.9 (174), up 1.7% compared with the year-earlier period. Excluding income from Artscape, which was acquired in Q1 2022, growth was -16.5%. Positive exchange rate effects contributed 2.1%.

During the year, net sales amounted to MSEK 720.1 (646.9), corresponding to an increase of 11.3%. Organic growth amounted to -6.7%, acquisition-related income from Artscape corresponded to 16.1% and positive exchange rate effects had an impact of 1.9%. The effect of the termination of deliveries to

Russia, a component of organic growth, was -1.7% for the full year.

Adjusted EBITA for the quarter amounted to MSEK 22.0 (30.4). The decrease for the quarter was mainly due to reduced sales in the Nordics and higher costs for input goods.

Net profit for the quarter amounted to MSEK 9.9 (18.4), resulting in earnings per share before dilution of SEK 0.44 (0.86).

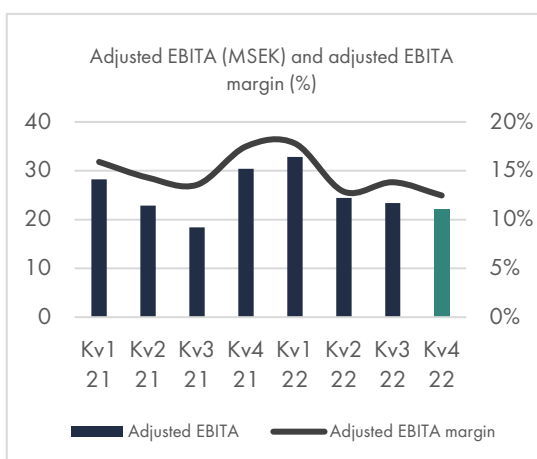
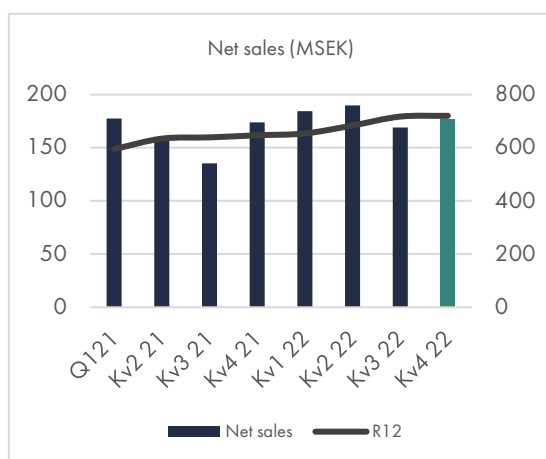
Profit before tax for the full year amounted to MSEK 70.4 (74.3), resulting in earnings per share before dilution of SEK 2.57 (2.77).

Net sales per segment

MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Nordics	69.0	90.6	294.0	328.3
of which premium	29%	30%	29%	29%
Europe	60.7	60.9	242.2	241.8
of which premium	86%	75%	84%	80%
Rest of World	47.2	22.5	183.9	76.8
of which premium	80%	79%	90%	85%
Total	176.9	174.0	720.1	646.9

Adjusted EBITA per segment

MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Nordics	8.4	18.8	35.6	52.8
Europe	7.9	8.5	40.2	37.7
Rest of World	5.7	3.1	26.8	9.4
Total	22.0	30.4	102.6	99.9



Net financial items

Net financial items for the quarter were MSEK 3.5 (-6.0) and MSEK -0.6 (-6.0) for the full year. Net financial items for the quarter were positively impacted by unrealised exchange rate gains of net MSEK 7.4, mainly related to interest-bearing liabilities in USD.

For the full year, net financial items were positively impacted by the write-off of the estimated earnout of MSEK 16.9 related to the acquisition of Artscape Inc and negatively by interest rates and unrealised exchange rate losses for interest-bearing liabilities in USD.

Net sales trend

Q4	MSEK	%
Net sales 2021	174.0	
Acquisitions	27.9	16.1%
Organic growth	-28.6	-16.5%
Currency	3.6	2.1%
Net sales 2022	176.9	1.7%

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 16.0 (15.3). Operating cash flow was relatively robust, due primarily to strong underlying earnings, but also to lower working capital. Cash flow from investing activities for the quarter amounted to MSEK -4.0 (-8.7).

Cash flow from financing activities for the quarter amounted to MSEK -30.3 (-37.0). The trend is the result of a decline of MSEK 17.6 in the utilisation of the overdraft facility in the fourth quarter of 2022, while it declined in the year-earlier quarter by MSEK 35.3. In addition, loans and lease liabilities were repaid.

Cash flow for the quarter amounted to MSEK -18.3 (-30.5).

Investments and divestments

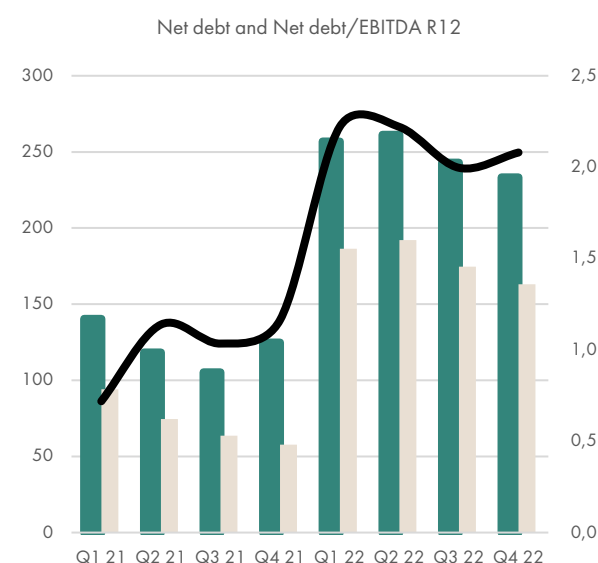
The company's investments in tangible and intangible assets amounted to MSEK 6.1 (8.7) for the quarter and MSEK 16.2 (18.8) for the full year.

Financial position

The company's total assets amounted to MSEK 853.2 (623.5) at the end of the quarter. The equity ratio was 46.8% (47.1) and cash and cash equivalents at the end of the quarter amounted to MSEK 66.2 (58.0).

The company's total net debt amounted to MSEK 233.7 (125.0) at the end of the quarter. The change in net debt is due primarily to an increase in interest-bearing liabilities in conjunction with the acquisition of Artscape.

The debt/equity ratio (net debt/EBITDA) was 2.1 times at the end of the quarter. (1.2).



MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Cash flow from operating activities	16.0	15.3	107.9	62.1
Cash flow from investing activities	-4.0	-8.7	-156.3	-53.2
Cash flow from financing activities	-30.3	-37.0	54.2	-2.3
Cash flow for the period	-18.3	-30.5	5.8	6.6

NORDICS

Dampened demand and implemented cost savings

Net sales and earnings

Net sales for the quarter in the Nordics totalled MSEK 69.0 (90.6). All of the Nordic countries were impacted by a strong decline in demand as a result of the macroeconomic situation in these countries with inflation, higher interest rates and high energy prices. The largest market by far, Sweden, also noted the largest decrease measured in SEK.

Adjusted EBITA amounted to MSEK 8.4 (18.8). The decline is due to reduced sales, as well as lower cost absorption as a result of lower production volumes, which in turn is a consequence of ongoing efforts to optimise inventories of finished goods as well as lower sales volumes. A comprehensive cost review was conducted and implemented. It is expected to have an impact on earnings during 2023.

The share of premium for the quarter totalled 29%, compared with 30% in the year-earlier period.

% of total sales

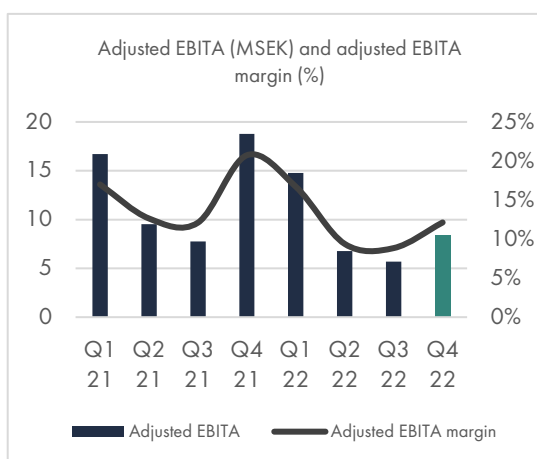
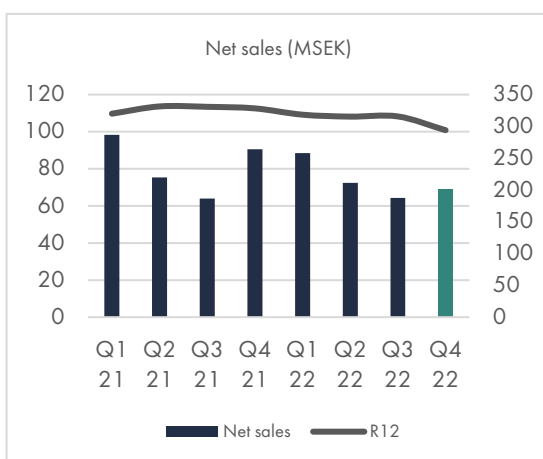
39%

Share of Premium

29%

Performance measures

MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
NORDICS:				
Net sales	69.0	90.6	294.0	328.3
Adjusted EBITA	8.4	18.8	35.6	52.8
Adjusted EBITA margin	12%	21%	12%	16%
Share of premium	29%	30%	29%	29%



EUROPE

Stable sales in key markets

Net sales and earnings

Net sales for the quarter in Europe totalled MSEK 60.7 (60.9). The trend from the third quarter continued and is partly due to the termination of sales to the Russian market. Overall, this contributed to a revenue loss of about MSEK -3 during the fourth quarter. The largest market, the UK, posted continued strong growth and all indications point toward an increased market share. Sales in Italy also performed well. Of the major markets, Germany posted weaker sales.

Adjusted EBITA amounted to MSEK 7.9 (8.5). An advantageous sales mix generated a higher gross margin, at the same time as a return to normal market activity and higher costs for input materials impacted operating expenses.

The share of premium for the quarter totalled 86%, compared with 75% in the year-earlier period.

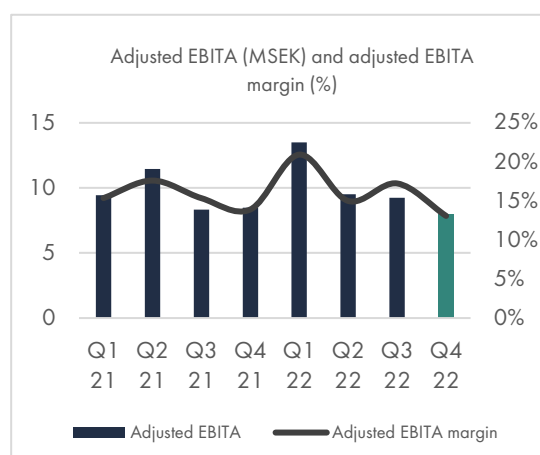
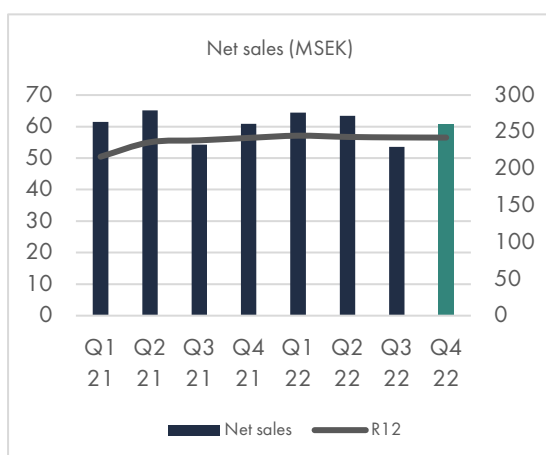
% of total sales

34%

Share of Premium

86%

MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
EUROPE:				
Net sales	60.7	60.9	242.2	241.8
Adjusted EBITA	7.9	8.5	40.2	37.7
Adjusted EBITA margin	13%	14%	17%	16%
Share of premium	86%	75%	84%	80%



REST OF WORLD

Increased sales as a result of Artscape acquisition

Net sales and earnings

Net sales in Rest of World during the quarter totalled MSEK 47.2 (22.5). This robust performance was due primarily to the acquisition of Artscape. In Rest of World, organic sales were also affected by reduced demand.

Adjusted EBITA amounted to MSEK 5.7 (3.2), an increase that was primarily driven by higher sales.

The share of premium for the third quarter was 80% compared with 79% in the year-earlier quarter.

% of total sales

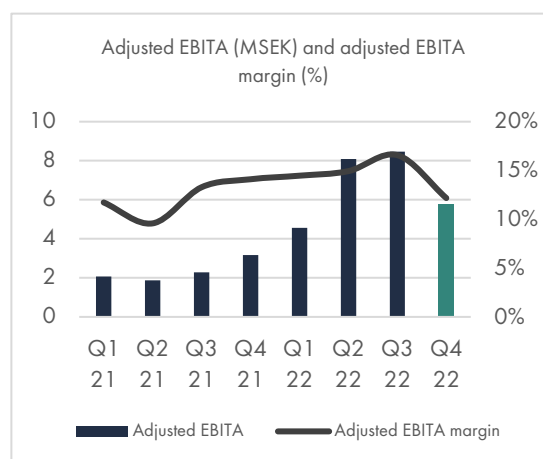
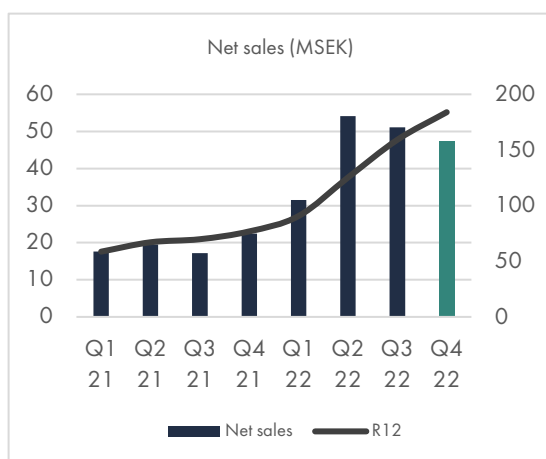
27%

Share of Premium

80%

Performance measures

MSEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
REST OF WORLD:				
Net sales	47.2	22.5	183.9	76.8
Adjusted EBITA	5.7	3.2	26.8	9.4
Adjusted EBITA margin	12%	14%	15%	12%
Share of premium	80%	79%	90%	85%



Other Group

Organisation

The number of FTEs on 31 December 2022 was 247 (236), of whom 127 (127) were women and 120 (109) men.

Related-party transactions

No related-party transactions took place.

Risks and uncertainties

Embellence Group works continuously to identify and manage the risks associated with the Group's operations. The company has a well-functioning risk-management process in place whereby risks are consolidated, reported and monitored by Group management. For a complete description of the risks impacting the company, refer to Note 1 of the 2021 Annual Report.

Seasonal variations

Some seasonal variations arise, with the first and fourth quarters normally tending to be slightly stronger.

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. For the Parent Company, recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board was applied to the preparation of this interim report.

Accounting policies and the basis of calculations are the same as the policies applied in the company's most recent annual report. The carrying amount is a good approximation of fair value for financial assets and liabilities.

Significant events during the quarter

- Karin Lidén became new CFO of Embellence Group AB
- Ahead of the 2023 Annual General Meeting, the Board of Directors proposes a dividend of SEK 0.80 per share, corresponding to 31% of net profit for the year

Significant events after the end of the quarter

- There were no significant events after the end of the quarter.

Audit

This report has not been audited.

Parent Company

Fourth quarter of 2022

The Parent Company's net sales amounted to MSEK 3.5 (3.2). Net profit for the period after tax amounted to MSEK 28.0 (34.0). Net profit for the period was positively impacted by Group contributions and unrealised exchange rate gains related to interest-bearing liabilities in USD, as well as interest expense on the same loans.

Full-year 2022

The Parent Company's net sales amounted to MSEK 13.4 (11.9). Net profit for the period after tax amounted to MSEK 7.0 (49.1). Net profit for the year was primarily impacted by an increase in interest-bearing liabilities in conjunction with the acquisition of Artscape.

Shares and owners

Embellence Group's share capital amounted to MSEK 56.5, distributed among 22,583,877 shares, each with a quota value of SEK 2.50. All shares carry the same voting rights and equal rights to dividends.

The largest owners on 31 December 2022

	No. of shares	Share of capital and votes, %
Acervo AB	3,643,000	16.1
JCE Asset Management	2,871,131	12.7
U.S. Bank National Association, W9	1,136,495	5.0
Ramhill AB	1,100,000	4.9
Henrik Nyqvist (incl. companies)	1,054,653	4.7
Avanza Pension AB	1,054,003	4.7
Calypra AB	810,000	3.6
T-Konsortiet	792,216	3.5
FE Småbolags Sverige	715,402	3.2
Nordnet Pensionsförsäkring AB	659,431	2.9
Total, ten largest owners	13,824,733	61.3
Other shareholders	8,759,144	38.7
Total	22,583,877	100.0

Incentive programme

Embellence Group has an incentive programmes in the form of a warrants programme for the Board of Directors (Styrelse-LTIP 2020) and executive management (LTIP 2020). Additional information about the programme can be found in Note 31 of the company's 2021 Annual Report. Moreover, the 2022 Annual General Meeting resolved to introduce LTIP 2022, an incentive programme for certain members of executive management and consultants through issuing a maximum of 176,000 warrants with the right to subscribe for 176,000 new shares in the company (LTIP 2022). 45,500 warrants were subscribed in the second quarter of 2022, corresponding to 0.20% of the total number of shares. The exercise price is SEK 39.85 and the warrants can be exercised from 1 June 2025 up through 30 June 2025. The warrants have been measured at market value using the Black & Scholes valuation model and participants in the programme acquired the warrants at market value, and thus no share-based payments arose. The estimated fair value on the award date for warrants awarded was SEK 6.57.

Information about Nasdaq First North Premier Growth Market

Nasdaq First North Premier Growth Market ("First North") is an alternative marketplace operated by Nasdaq Stockholm. It does not have the same legal status as a regulated market. Companies on Nasdaq First are governed by First North's Premier Growth Market's Rulebook and not by the legal requirements placed on trading on a regulated market. An investment in a company traded on First North is riskier than a corresponding investment in a company in a regulated market. Companies must apply to the exchange and be approved before trading on First North can commence. A certified advisor guides the company through the listing process and oversees the company's continuous compliance with First North's standards.

FNCA Sweden AB is Embellence Group's certified advisor that can be contacted on: info@fnca.se or +46 8 52 80 03 99.

Signatures and assurance

The undersigned assure that the interim report provides a fair review of the Parent Company and the Group's operations, financial position and earnings and describes the material risks

and uncertainties faced by the Parent Company and the companies included in the Group.

Borås, 21 February 2023

Morten Falkenberg
Chairman

Olof Svensk
CEO

Karin Dennford

Hanna Graflund Sleyman

Henrik Nyqvist

Paul Steene

Christina Ståhl

Condensed consolidated income statement

MSEK	October-December		January-December	
	2022	2021	2022	2021
Net sales	176.9	174.0	720.1	646.9
Cost of goods sold	-71.1	-76.6	-296.9	-287.8
Gross profit	105.8	97.4	423.2	359.1
Selling and administrative expenses	-96.8	-76.9	-355.0	-282.1
Other operating income	1.2	3.1	7.2	5.1
Other operating expenses	-0.4	0.0	-4.4	-1.8
Operating profit	9.8	23.6	71.0	80.3
Net financial items	3.5	-0.6	-0.6	-6.0
Profit before tax	13.3	23.0	70.4	74.3
Tax	-3.4	-4.6	-13.0	-15.0
Net profit for the period	9.9	18.4	57.4	59.3
Earnings per share for the period before dilution¹⁾ (SEK)	0.44	0.86	2.57	2.77
Earnings per share for the period after dilution¹⁾ (SEK)	0.44	0.85	2.57	2.72
Other comprehensive income				
Actuarial gains and losses after tax	0.6	0.2	0.6	0.2
Translation differences	-12.1	4.1	26.9	12.7
Total other comprehensive income	-11.5	4.3	27.5	12.9
Comprehensive income for the period	-1.6	22.7	84.9	72.2

¹⁾ Refer to Note 1 on page 22.

Condensed consolidated balance sheet

MSEK	31 December	
	2022	2021
ASSETS		
Intangible non-current assets	381.8	208.8
Tangible non-current assets	72.5	69.8
Right-of-use assets	67.6	67.2
Deferred tax assets	1.9	0.6
Financial non-current assets	2.7	1.1
Total non-current assets	526.5	347.5
Inventories	129.5	86.9
Accounts receivable	98.9	104.8
Current tax assets	6.4	4.8
Other receivables	7.5	6.3
Prepaid expenses and accrued income	18.2	15.2
Cash and cash equivalents	66.2	58.0
Total current assets	326.7	276.0
Total assets	853.2	623.5

Condensed consolidated balance sheet (cont.)

MSEK	31 December	
	2022	2021
EQUITY AND LIABILITIES		
Share capital	56.5	53.5
Other contributed capital	84.7	48.8
Reserves	29.5	2.0
Retained earnings, including net profit for the year	228.4	189.1
Equity attributable to Parent Company shareholders	399.1	293.4
Provisions for pensions	5.9	4.6
Deferred tax liabilities	15.4	14.4
Liabilities from credit institutions	74.8	0.0
Lease liabilities	53.3	55.0
Other non-current liabilities	22.2	0.0
Total non-current liabilities	171.6	74.0
Liabilities to credit institutions	14.8	0.0
Bank overdraft facility	117.9	116.0
Lease liabilities	16.9	12.0
Accounts payable	48.9	47.9
Other current liabilities	28.5	29.9
Accrued expenses and deferred income	55.5	50.3
Total current liabilities	282.5	256.1
Total liabilities	454.1	330.1
Total equity and liabilities	853.2	623.5

Indebtedness

MSEK	31 December	
	2022	2021
Lease liabilities	70.3	67.0
Bank overdraft facility	117.9	116.0
Other interest-bearing receivables and liabilities	111.7	0.0
Gross debt	299.9	183.0
Cash and cash equivalents	-66.2	-58.0
Net debt	233.7	125.0
EBITDA	112.3	107.4
Net debt / EBITDA (R12)	2.1	1.2
Net debt / EBITDA excl. IFRS 16 effects (R12)	1.7	0.6
Equity ratio	46.8%	47.0%
Quota value per share (SEK)	2.5	2.5

Condensed consolidated cash-flow statement

MSEK	October-December		January-December	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Operating profit	9.8	23.6	71.0	80.3
<i>Adjustments for non-cash items</i>				
Depreciation and amortisation	11.2	6.9	41.3	27.2
Other	0.4	0.8	2.3	7.7
Total	21.4	31.3	114.6	115.2
Interest received	0.9	0.4	0.2	1.0
Interest paid	-3.8	-1.9	-12.7	-8.0
Tax paid	-5.1	-0.5	-18.6	-9.4
Cash flow from operating activities before changes in working capital	13.4	29.3	83.5	98.8
Cash flow from changes in working capital	2.6	-14.1	24.4	-36.7
Cash flow from operating activities	16.0	15.2	107.9	62.1
INVESTING ACTIVITIES				
Acquisition of tangible and intangible assets	-6.1	-8.7	-16.2	-18.8
Acquisition of companies, less acquired cash and cash equivalents	2.1	0.0	-140.1	-34.4
Cash flow from investing activities	-4.0	-8.7	-156.3	-53.2
FINANCING ACTIVITIES				
Change in bank overdraft facilities	-17.6	-35.2	1.9	8.1
Repayment of lease liabilities	-4.7	-1.8	-12.6	-10.4
Loans raised	0.0	0.0	94.5	0.0
Repayment of loans	-8.0	0.0	-11.9	0.0
Option premiums received	0.0	0.0	0.3	0.0
Dividend	0.0	0.0	-18.0	0.0
Cash flow from financing activities	-30.3	-37.0	54.2	-2.3
Cash flow for the period	-18.3	-30.5	5.8	6.6
Cash and cash equivalents at beginning of period	86.4	87.4	58.0	49.0
Exchange rate differences in cash and cash equivalents	-1.9	1.1	2.4	2.4
Cash and cash equivalents at end of period	66.2	58.0	66.2	58.0

Consolidated statement of changes in equity

MSEK	2022
Opening equity 1 Jan 2022	293.4
Net profit for the period	57.4
Other comprehensive income	27.6
Issue in kind	38.5
Dividend	-18.1
Option premiums received	0.3
Closing balance 31 Dec 2022	399.1

MSEK	2021
Opening equity 1 Jan 2021	211.8
Net profit for the period	59.3
Other comprehensive income	12.9
Shareholder contributions received	9.4
Closing balance 31 Dec 2021	293.4

Condensed Parent Company income statement

MSEK	October-December		January-December	
	2022	2021	2022	2021
Net sales	3.5	3.2	13.4	11.9
Administrative expenses	-9.3	-4.9	-25.4	-26.6
Operating loss	-5.8	-1.7	-12.0	-14.7
Net financial items	2.7	-0.5	-18.2	24.6
Profit/loss after financial items	-3.1	-2.2	-30.2	9.9
Group contributions	45.6	48.2	45.6	48.2
Other appropriations	-5.1	-3.0	-5.1	-3.0
Profit before tax	37.4	43.0	10.3	55.1
Tax	-9.4	-9.0	-3.3	-6.0
Net profit for the period	28.0	34.0	7.0	49.1

Condensed Parent Company balance sheet

MSEK	31 December	
	2022	2021
ASSETS		
Intangible non-current assets	1.4	1.6
Deferred tax assets	0.3	0.2
Financial non-current assets	617.0	409.4
Total non-current assets	618.7	411.2
Current tax assets	0.4	0.0
Other receivables	0.2	0.3
Prepaid expenses and accrued income	1.4	1.4
Cash and cash equivalents	0.0	0.0
Total current assets	2.0	1.7
Total assets	620.7	413.0

MSEK	31 December	
	2022	2021
EQUITY AND LIABILITIES		
Share capital	56.5	53.5
Statutory reserve	10.0	10.0
Share premium reserve	102.2	66.3
Retained earnings, including net profit for the year	36.3	47.5
Equity attributable to Parent Company shareholders	205.0	177.3
Untaxed reserves	8.1	3.0
Provisions for pensions	1.1	0.9
Liabilities to credit institutions	74.8	0.0
Other non-current liabilities	22.2	0.0
Total non-current liabilities	98.1	0.9
Liabilities to credit institutions	14.8	0.0
Bank overdraft facility	117.9	116.0
Accounts payable	0.5	0.5
Liabilities to Group companies	162.6	105.5
Other current liabilities	6.0	2.7
Accrued expenses and deferred income	7.7	7.1
Total current liabilities	309.5	231.8
Total liabilities	407.6	232.7
Total equity and liabilities	620.7	413.0

Quarterly overview

MSEK	Kv1 2021	Kv2 2021	Kv3 2021	Kv4 2021	Kv1 2022	Kv2 2022	Kv3 2022	Kv4 2022
Net sales	177.5	160.0	135.5	174.0	184.4	189.9	169.0	176.9
Adjusted EBITA	28.2	22.9	18.4	30.4	32.8	24.4	23.4	22.0
Adjusted EBITA margin, %	15.9%	14.3%	13.6%	17.5%	17.8%	12.8%	13.8%	12.5%
Share of premium, %	52%	57%	57%	51%	57%	65%	67%	62%

Quarterly data per segment

MSEK	Kv1 2021	Kv2 2021	Kv3 2021	Kv4 2021	Kv1 2022	Kv2 2022	Kv3 2022	Kv4 2022
Net sales per segment								
Nordics	98.3	75.4	64.0	90.6	88.4	72.4	64.3	69.0
Europe	61.5	65.1	54.3	60.9	64.5	63.4	53.6	60.7
Rest of World	17.7	19.5	17.2	22.5	31.5	54.1	51.1	47.2
TOTAL	177.5	160.0	135.5	174.0	184.4	189.9	169.0	176.9

MSEK	Kv1 2021	Kv2 2021	Kv3 2021	Kv4 2021	Kv1 2022	Kv2 2022	Kv3 2022	Kv4 2022
Adjusted EBITA per segment								
Nordics	16.7	9.5	7.7	18.8	14.8	6.7	5.7	8.4
Europe	9.4	11.5	8.3	8.5	13.5	9.6	9.2	7.9
Rest of World	2.1	1.9	2.3	3.1	4.6	8.1	8.5	5.7
Total adjusted EBITA	28.2	22.9	18.3	30.4	32.8	24.4	23.4	22.0
Items affecting comparability	-5.3	-1.7	0.0	-4.6	-2.1	-2.4	-2.4	-7.3
EBITA	22.9	21.2	18.3	25.8	30.7	22.0	21.0	14.7
Impairment of intangible assets	-1.8	-1.9	-2.0	-2.2	-2.9	-4.7	-4.9	-5.0
Total EBIT	21.1	19.3	16.3	23.6	27.8	17.3	16.1	9.8

Notes

Note 1 Earnings per share

SEK	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Continuing operations				
Earnings per share before dilution	0.44	0.86	2.57	2.77
Earnings per share after dilution	0.44	0.85	2.57	2.72
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)				
Net profit for the period	9.9	18.4	57.4	59.3
<i>Profit above is attributable to Parent Company shareholders in its entirety.</i>				
Weighted average number of shares before and after dilution				
<i>Before dilution</i>				
Weighted average number of ordinary shares for calculation of earnings per share before dilution	22,583,877	21,400,000	22,321,154	21,400,000
<i>Warrants</i>				
Adjustment for calculation of earnings per share after dilution attributable to warrants	0	246,139	0	381,785
<i>After dilution</i>				
Weighted average number of ordinary shares and potential ordinary shares used as denominator for calculation of earnings per share after dilution	22,583,877	21,646,139	22,321,154	21,781,785

Note 2 Acquisition of Artscape Inc.

The US company Artscape Inc. was acquired on 4 March 2022. The acquisition proceeds amounted to MSEK 220.4. The cash flow effect of the acquisition was MSEK 140.1. On acquisition, the company had net cash/cash and cash equivalents of MSEK 3.9. Since the acquisition, the company has contributed MSEK 104.1 in net sales and MSEK 6.1 in profit after tax. If the acquisition had been completed on 1 January 2022, the company would have contributed MSEK 126.8 in net sales and MSEK 7.5 in profit after tax.

Purchase consideration Artscape Inc., MSEK:

Cash and cash equivalents	144.1
Promissory note	20.9
Embellence shares	38.5
Earnout*	16.9
Total payment for shares	220.4

*In the third quarter of 2022, the estimated earnout of MSEK 16.9 was written off since Artscape's earnings for 2022 were deemed not to reach the criteria stipulated for payment to be paid.

Recognised amounts of identifiable acquired assets and assumed liabilities in Artscape Inc., MSEK:

MSEK	Preliminary
Cash and cash equivalents	3.2
Tangible non-current assets	6.5
Intangible non-current assets: Brands	52.8
Intangible non-current assets: Customer relationships	45.5
Intangible non-current assets: Other	0.5
Inventories	39.0
Accounts receivable and other receivables	21.5
Other receivables	1.2
Accounts payable	-5.0
Deferred tax liabilities	-
Other liabilities	-12.8
Total identifiable net assets	152.4
Goodwill	68.0
Total identifiable net assets	220.4

The acquisition-related costs amounted to a total of MSEK 3.9, of which MSEK 0.2 in the fourth quarter of 2022. The fair value of the agreed-upon conditional purchase price, MSEK 16.9, was estimated by applying the income approach. Fair value is estimated based on an assumed EBITDA for Artscape Inc. The nominal value was estimated according to the fair value of the liability, since the discount effect was not significant. The earnout was based on a multiple of 6x the EBITDA for 2022 compared with the adjusted EBITDA for 2021. Based on the forecast for 2022, the earnout is estimated at MSEK 16.9. The fair value of accounts receivable amounted to MSEK 21.1, of which MSEK 0.5 was deemed uncertain.

Definitions

Share of premium

Net sales of premium products divided by total net sales.

Number of employees

Total number of employees included on Embellence Group's payroll at the end of the period.

Gross margin premium

Gross profit from premium products divided by net sales of premium products.

Gross profit premium

Net sales less costs of goods sold for premium products.

EBITA

(Earnings before interest, taxes and amortisation). Operating profit/loss before impairment of intangible assets.

EBITA margin

EBITA divided by net sales.

EBITDA

(Earnings before interest, taxes, depreciation and amortisation). Operating profit/loss before depreciation and amortisation.

Adjusted EBITA

EBITA adjusted for items affecting comparability.

Adjusted EBITA margin

Adjusted EBITA divided by net sales.

Items affecting comparability

Material costs that impact comparability of accounting periods. These items include, but are not limited to, restructuring costs, listing costs, acquisition costs and losses in connection with divestments of operations.

Net debt

The sum of non-current interest-bearing liabilities, non-current lease liabilities, current interest-bearing liabilities, current lease liabilities, liabilities and receivables against Group companies and bank overdraft minus cash and cash equivalents.

Net debt/EBITDA

Net debt divided by EBITDA, rolling 12 months.

Net debt/EBITDA excl. IFRS 16 effects

Net debt divided by EBITDA, rolling 12 months, excluding lease liabilities, interest and impairments under IFRS 16.

Net sales currency effect

Translation effects based on current exchange rates compared with exchange rates for the year-earlier period.

Net sales – organic growth

Change in net sales after adjustments for net sales that have arisen from acquired or divested operations, in constant currencies.

Premium sales

Wallpaper for which the end consumer pays more than SEK 700 per roll. Artscape's products and the majority of Pappelina's product range.

Earnings per share in SEK

Profit after tax divided by the normal number of shares.

Earnings per share in SEK after dilution

Earnings after tax divided by the average number of shares outstanding during the period plus the number of shares that would have been issued as an effect of the ongoing incentive programmes.

Equity ratio

Equity attributable to Parent Company shareholders as a percentage of total assets.

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Financial calendar

Interim report Q1 2023	27 April 2023
Annual General Meeting	28 April 2023
Interim report Q2 2023	19 July 2023
Interim report Q3 2023	25 October 2023
Year-end report 2023	21 February 2024

About Embellence Group AB

Embellence Group acquires, owns and develops strong brands in wallpaper, textiles, rugs and other interior decoration.

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