

# INTERIM REPORT THIRD QUARTER

2023



  
BORÅSTAPETER

  
Cole & Son  
ESTABLISHED 1829

Wall & decò

pappelina®

ARTSCAPE  
WINDOW FILM DESIGN

  
BORÅS TAPETFABRIK

**embellence**  
GROUP

# Strong earnings trend and organic growth

## Third quarter 2023

- Net sales amounted to MSEK 183.2 (169.0), up 8.4% (exchange rate effect +4.1%)
- EBITA amounted to MSEK 26.5 (21.0), up 26.2%
- Adjusted EBITA amounted to MSEK 26.5 (23.4), up 13.2%
- Adjusted EBITA margin amounted to 14.4% (13.8%)
- Net profit for the period amounted to MSEK 13.2 (20.7) and earnings per share for the period before dilution to SEK 0.59 (0.92)
- Operating cash flow amounted to MSEK 13.2 (28.2)

“Despite the prevailing climate, we achieved organic growth with healthy profitability in all months of the quarter.”

Olle Svensk  
CEO, Embellence Group AB

## Significant events during the quarter

- No significant events during the quarter

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022- Sep 2023	Full-year 2022
<b>Group</b>						
Net sales	183.2	169.0	550.6	543.2	727.5	720.1
EBITA	26.5	21.0	68.8	73.8	83.5	88.5
Adjusted EBITA*	26.5	23.4	72.0	80.6	94.0	102.6
Profit before tax	17.5	21.7	32.1	57.1	45.4	70.4
Net profit for the period	13.2	20.7	23.8	47.5	33.8	57.4
Operating cash flow	13.2	28.2	27.5	91.9	43.4	107.9
EBITA margin, %	14.4%	12.4%	12.5%	13.6%	11.5%	12.3%
Adjusted EBITA margin, %	14.4%	13.8%	13.1%	14.8%	12.9%	14.3%
Net debt	242.1	243.2	242.1	243.2	242.1	233.7
Net debt/EBITDA R12					2.2	2.1
Net debt/EBITDA R12 excl. IFRS 16 effects					1.9	1.7
Equity ratio, %	49.6%	46.0%	49.6%	46.0%	49.6%	46.8%
Earnings per share for the period before dilution (SEK)	0.59	0.92	1.06	2.15	1.42	2.57
Earnings per share for the period after dilution (SEK)	0.59	0.92	1.06	2.14	1.44	2.57
No. of employees	231	264	231	264	231	247

\*EBITA excluding acquisition costs and restructuring costs.

# Organic growth with lower cost base creates positive leverage effect on earnings

Despite continuing major challenges in our business environment, we achieved both growth and profitability in all months of the third quarter. We now have clear confirmation that the activities and initiatives we have recently implemented have been right and helped to strengthen us in various ways – as both a Group and individual brands.

Sales amounted to MSEK 183.2, up 8.4% compared with the year-earlier quarter, of which 4.3% was organic. The fact that we achieved organic growth in all months of the quarter is particularly gratifying. Demand was favourable in most geographic markets, and for most brands. Sales increased 16.6% in Rest of World, 9.5% in Europe and 1.0% in the Nordics.

In terms of costs, we noted that the total cost of input materials was still higher than one year ago. Since early 2023, however, the increase has slowed down and the prices for some materials have actually started to fall. We expect this trend to become apparent in the financial statements as of the fourth quarter of 2023.

EBITA for the quarter amounted to MSEK 26.5, corresponding to an EBITA margin of 14.4%. In view of the challenges, we feel satisfied. The trend is a direct consequence of the stable sales combined with price increases and completed efficiency improvements. All in all, this shows clearly the leverage that is now possible due to an overall lower cost base. It is both encouraging and inspiring as we now look forward.

Net profit for the period amounted to MSEK 13.2, mainly the result of higher finance costs in the form of increased interest expense and a negative exchange rate effect.

## **Intense work across all brands**

In recent years, the pace of change and development has increased significantly for our brands. During the quarter, all brands carried out extensive work in relation to their offering and customer service as well as production and underlying processes.

In terms of the individual brands, we can confirm that Boråstapeter showed a positive trend during the quarter, partly due to the launch of a new Borosan collection. This also contributed to a strong quarter with high capacity utilisation for Tapetfabrik. At the same time, the positive sales trend continued for Boråstapeter in the US. This increase occurred from a low level, but followed a trend that we have now seen over a number of quarters.

Cole & Son was focused on the opening of a new Flagship Gallery in central London (see the photo on the front page of this report) and the successful launch of a new Fornasetti collection.

In Pappelina, efforts to achieve efficiency improvements in the production process continued. In addition, the launch of a new collection – The Woodlands Collection – was successful.

Wall&decò continued its strategic review of the organisation during the quarter, with the overall purpose of strengthening the offering and increasing international sales, especially in the US. There was also a special focus on strengthening the marketing of the hospitality segment.

There are now positive signs in Artscape of the determined efforts with the offering and range that have been taking place recently. Moving forward, the focus will shift to online shopping and increased investments in digital marketing. In addition, the expansion into selected markets in Europe has commenced.

Several brands showed a continued trend of growing direct-to-consumer sales via online stores.

## **Focus ahead**

The business environment is challenging and for the remainder of 2023, we will continue to focus on securing profitability, stable cash flows and a resilient balance sheet. Here and now, we are prioritising organic growth and profitability.

Our business model is largely based on combining the capacity of a large company, in term of resources and structures, with the agility, adaptability and market knowledge of a small company. In a challenging market, having operations in different geographic markets, and across a range of geographic market and customer segments is a great strength. It contributes to healthy risk diversification and improves our resilience to temporary downturns in certain specific niches.

The pace of change will also remain high moving forward – at Group level, as well as individual brand level. A particular priority is initiatives that strengthen the offering while also

helping to reduce costs. These include digital initiatives linked to both production and sales. The potential is great and we will be intensifying our efforts in this area as we move forward.

Once again, I would like to thank all employees for your dedicated efforts to purposefully develop the company despite the challenging conditions.

Borås, October 2023,

Olle Svensk  
CEO Embellence Group AB

# 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 have been strengthened in recent years and are now at nearly 60%, due to a larger share of premium sales. Market growth in Premium is deemed to be between 5 and 8% over a business cycle, 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 profit for the period. When deciding on dividends, the company's financial position, cash flow and future prospects must be taken into account.



# Group performance

## Net sales

Net sales for the quarter amounted to MSEK 183.2 (169.0), up 8.4% compared with the year-earlier quarter. Exchange rate effects contributed +4.1%. The trend was positive in most geographic markets and for most brands, but strongest in Rest of World, which rose 16.6%. Sales increased 9.5% in Europe, while sales recovered in the Nordics and increased 1.0%.

Net sales for the period amounted to MSEK 550.6 (543.2), up 1.4% compared with the year-earlier period. Exchange rate effects contributed +3.0%.

## Earnings

Adjusted EBITA for the quarter amounted to MSEK 26.5 (23.4), mainly the result of favourable sales combined with completed efficiency improvements and previous price increases.

Net profit for the quarter amounted to MSEK 13.2 (20.7), resulting in earnings per share before dilution of SEK 0.59 (0.92).

Adjusted EBITA for the period amounted to MSEK 72.0 (80.6).

Net profit for the period amounted to MSEK 23.8 (47.5), corresponding to earnings per share before dilution of SEK 1.06 (2.15).

## Net financial items

Net financial items for the quarter were MSEK -3.4 (5.6). The negative net financial items were driven by higher interest expense of MSEK -4.4 (-3.5) but offset to some degree by the remeasurement of financial items in foreign currency at +1.1 MSEK (-7.9). The year-earlier quarter contained an impairment of MSEK +16.9 on the earnout for Artscape.

Net financial items for the period amounted to MSEK -20.4 (-4.1). The negative net financial items were driven by interest expense of MSEK -13.6 (-8.9) and the remeasurement of financial items in foreign currency at MSEK -6.8 (-12.1).

## Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 13.2 (28.2). The decrease was mainly due to a change in working capital, which was negative during the quarter. Accounts receivable increased due to high sales, while accounts payable decreased. In addition, an updated pricing structure in the Nordics in early 2023 led to a year-on-year decrease in provisions for customer bonuses. This will be positive for cash flow in the first quarter of 2024.

Cash flow from investing activities for the quarter amounted to MSEK -6.1 (-3.4).

Cash flow from financing activities for the quarter amounted to MSEK -13.4 (-0.9).

Cash flow for the quarter amounted to MSEK -6.3 (23.9).

Cash flow for the period totalled MSEK -20.2 (24.1).

## Investments and divestments

The Group's investments in tangible and intangible assets amounted to MSEK -6.1 (-3.4). The vast majority comprised investments in updated e-commerce solutions and a new Flagship Gallery and head office in the UK.

Investments in tangible and intangible assets for the period amounted to MSEK -12.7 (-10.1).

## Financial position

The Group's total assets amounted to MSEK 858.2 (871.2) at the end of the quarter. The equity ratio was 49.6% (46.0) and cash and cash equivalents at the end of the quarter amounted to MSEK 48.8 (86.4). The Group's total net debt amounted to MSEK 242.1 (243.2) at the end of the quarter. At the end of the quarter, net debt/EBITDA (R12) was 2.2 times. (2.0).

## Net sales trend

Q3	MSEK	%
Net sales 2022	169.0	
Organic growth	7.3	4.3%
Currency	7.0	4.1%
<b>Net sales 2023</b>	<b>183.2</b>	<b>8.4%</b>

## Net sales per segment

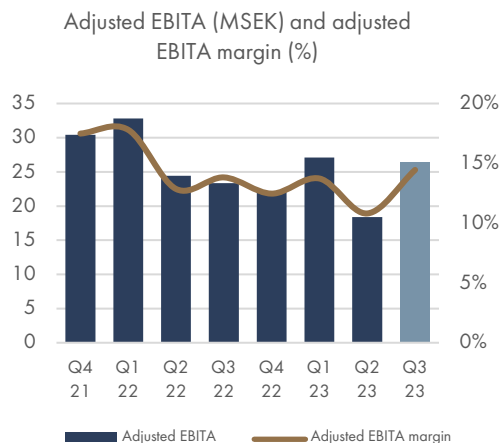
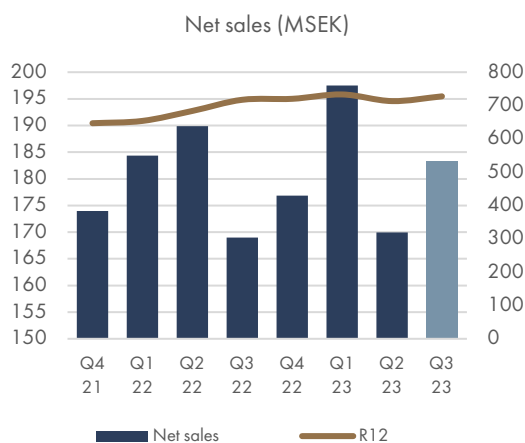
MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022-Sep 2023	Full-year 2022
Nordics	64.9	64.3	206.2	225.0	275.2	294.0
of which premium	30%	30%	32%	29%	31%	29%
Europe	58.7	53.6	186.0	181.5	246.7	242.2
of which premium	79%	86%	81%	84%	83%	84%
Rest of World	59.6	51.1	158.4	136.7	205.6	183.9
of which premium	88%	95%	91%	94%	89%	90%
<b>Total</b>	<b>183.2</b>	<b>169.0</b>	<b>550.6</b>	<b>543.2</b>	<b>727.5</b>	<b>720.1</b>

## Adjusted EBITA per segment

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022-Sep 2023	Full-year 2022
Nordics	8.1	5.7	22.9	27.3	31.4	35.6
Europe	10.9	9.2	31.0	32.2	39.8	40.2
Rest of World	7.5	8.5	18.1	21.1	23.9	26.8
<b>Total</b>	<b>26.5</b>	<b>23.4</b>	<b>72.0</b>	<b>80.6</b>	<b>94.0</b>	<b>102.6</b>

## Cash flow

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022-Sep 2023	Full-year 2022
Cash flow from operating activities	13.2	28.2	27.5	91.9	43.5	107.9
Cash flow from investing activities	-6.1	-3.4	-12.7	-152.4	-16.6	-156.3
Cash flow from financing activities	-13.4	-0.9	-35.0	84.6	-65.4	54.2
<b>Cash flow for the period</b>	<b>-6.3</b>	<b>23.9</b>	<b>-20.2</b>	<b>24.1</b>	<b>-38.5</b>	<b>5.8</b>



## NORDICS:

# Stable sales and cost control improved earnings

### Net sales and earnings

Net sales in the Nordics amounted to MSEK 64.9 (64.3), entailing slight growth compared with preceding years. Demand in Sweden was the main driver.

Adjusted EBITA amounted to MSEK 8.1 (5.7). The increase was mainly due to a generally lower cost base where the cost-savings programme in Sweden, which was implemented last year, generated an impact.

The share of premium for the quarter totalled 30%, compared with 30% in the corresponding quarter of 2022. During the quarter, the launch of a new professional collection, which is part of the value segment, commenced in Sweden.

Net sales Q3

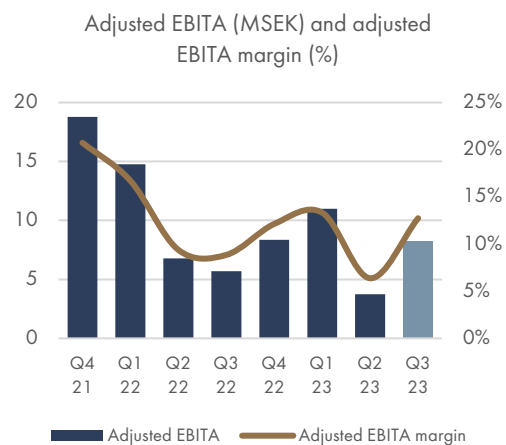
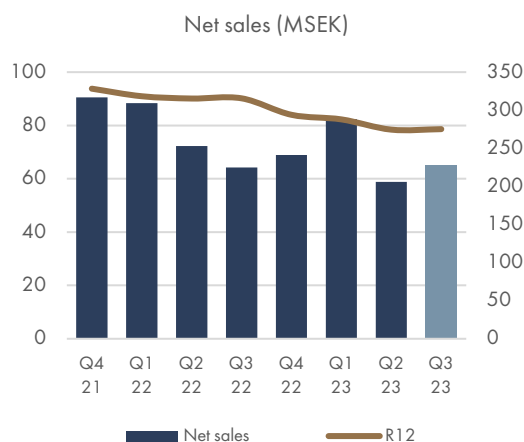
64.9

% of total sales

35%

### Performance measures

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022- Sep 2023	Full-year 2022
<b>NORDICS</b>						
Net sales	64.9	64.3	206.2	225.0	275.2	294.0
Adjusted EBITA	8.1	5.7	22.9	27.2	31.2	35.6
Adjusted EBITA margin	12%	9%	11%	12%	11%	12%
Share of premium	30%	30%	32%	29%	31%	29%





## EUROPE:

# Growth with continued strong earnings

### Net sales and earnings

Net sales in Europe totalled MSEK 58.7 (53.6). Sales in the UK, Italy and France contributed favourable growth. The trend in Germany was weaker, however, with negative growth.

Adjusted EBITA amounted to MSEK 10.9 (9.2). The improved EBITA margin was a result of increased sales and completed cost savings.

The share of premium for the quarter totalled 79%, compared with 86% in the year-earlier period.

Net sales Q3

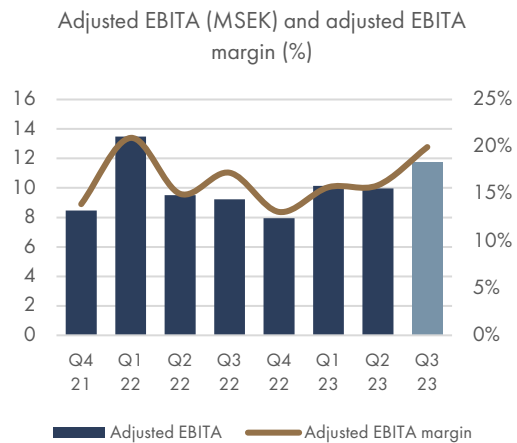
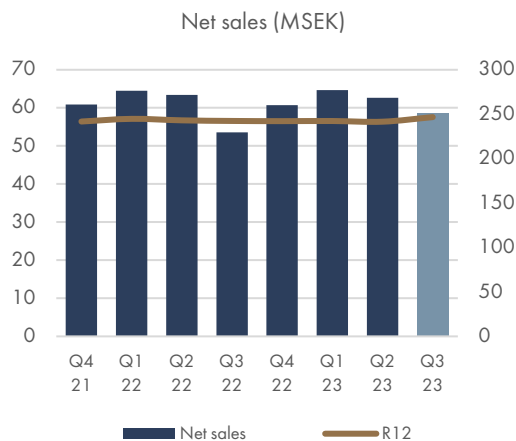
58.7

% of total sales

32%

### Performance measures

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022- Sep 2023	Full-year 2022
<b>EUROPE:</b>						
Net sales	58.7	53.6	186.0	181.5	246.7	242.2
Adjusted EBITA	10.9	9.2	31.0	32.2	39.0	40.2
Adjusted EBITA margin	19%	17%	17%	18%	16%	17%
Share of premium	79%	86%	81%	84%	83%	84%



## REST OF WORLD:

# Strong growth and healthy profitability

### Net sales and earnings

Rest of World amounted to MSEK 59.6 (51.1), up 16.7% compared with the year-earlier period. All major markets, led by the US, delivered a strong performance. Single large deliveries in Hospitality to a number of smaller markets also contributed to the sales trend.

Adjusted EBITA amounted to MSEK 7.5 (8.5). The adjusted EBITA margin was 13% (17), an improvement compared with earlier quarters this year. The main reason for the lower margin compared with the year-earlier quarter was the sales mix.

The share of premium for the third quarter amounted to 88% (95).

Net sales Q3

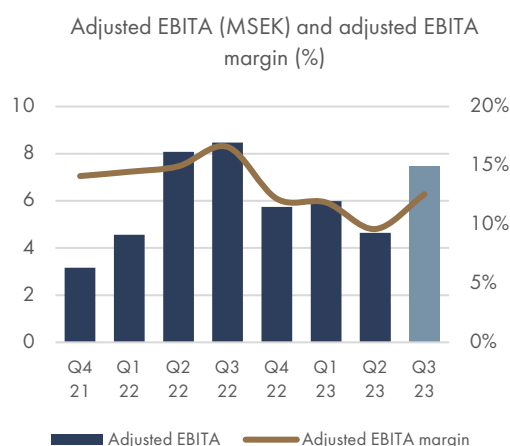
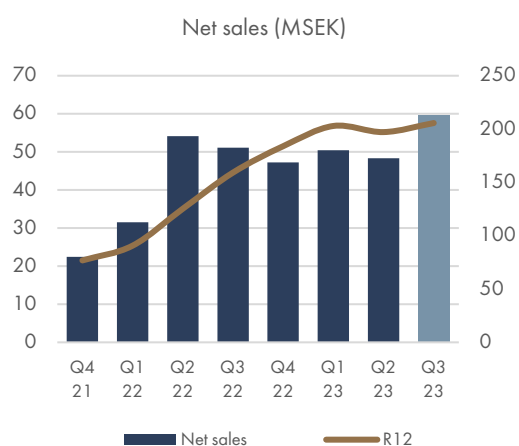
59.6

% of total sales

33%

### Performance measures

MSEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	R12 Oct 2022- Sep 2023	Full-year 2022
<b>REST OF WORLD:</b>						
Net sales	59.6	51.1	158.4	136.7	205.6	183.9
Adjusted EBITA	7.5	8.5	18.1	21.1	23.9	26.8
Adjusted EBITA margin	13%	17%	11%	16%	12%	15%
Share of premium	88%	95%	91%	94%	89%	90%



# Other Group

## Organisation

The number of FTEs on 30 September 2023 was 231 (264), of whom 119 (139) were women and 112 (125) 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 the 2022 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

- No significant events during the quarter.

## Significant events after the end of the quarter

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

## Audit

This report has been audited.

# Parent Company

## Third quarter 2023

The Parent Company's net sales amounted to MSEK 3.3 (3.5). Net profit for the period after tax amounted to MSEK 29.5 (loss: - 8.9).

## Nine-month period 2023

The Parent Company's net sales amounted to MSEK 9.9 (9.9). Net profit for the period after tax amounted to MSEK 14.3 (loss: - 21.1).

# 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, 24 October 2023

Morten Falkenberg  
Chairman

Olof Svensk  
CEO

Karin Dennford

Anneli Kansbod

Henrik Nyqvist

Christina Ståhl

# Condensed consolidated income statement

MSEK	July-September		January-September		Full-year
	2023	2022	2023	2022	2022
<b>Net sales</b>	<b>183.2</b>	<b>169.0</b>	<b>550.6</b>	<b>543.2</b>	<b>720.1</b>
Cost of goods sold	-77.6	-70.8	-227.6	-225.8	-296.9
<b>Gross profit</b>	<b>105.6</b>	<b>98.2</b>	<b>323.0</b>	<b>317.4</b>	<b>423.2</b>
Selling and administrative expenses	-85.5	-83.2	-272.1	-258.2	-355.0
Other operating income	1.3	2.3	4.1	6.0	7.2
Other operating expenses	-0.5	-1.2	-2.5	-4.0	-4.4
<b>Operating profit</b>	<b>20.9</b>	<b>16.1</b>	<b>52.5</b>	<b>61.2</b>	<b>71.0</b>
Net financial items	-3.4	5.6	-20.4	-4.1	-0.6
<b>Profit before tax</b>	<b>17.5</b>	<b>21.7</b>	<b>32.1</b>	<b>57.1</b>	<b>70.4</b>
Tax	-4.3	-1.0	-8.3	-9.6	-13.0
<b>Net profit for the period</b>	<b>13.2</b>	<b>20.7</b>	<b>23.8</b>	<b>47.5</b>	<b>57.4</b>
<b>Earnings per share for the period before dilution<sup>1)</sup> (SEK)</b>	<b>0.59</b>	<b>0.92</b>	<b>1.06</b>	<b>2.15</b>	<b>2.57</b>
<b>Earnings per share for the period after dilution<sup>1)</sup> (SEK)</b>	<b>0.59</b>	<b>0.92</b>	<b>1.06</b>	<b>2.14</b>	<b>2.57</b>
<b>Other comprehensive income</b>					
Actuarial gains and losses after tax	0.0	0.0	0.0	0.0	0.6
Translation differences	-8.6	22.9	21.4	39.1	26.9
<b>Total other comprehensive income</b>	<b>-8.6</b>	<b>22.9</b>	<b>21.4</b>	<b>39.1</b>	<b>27.5</b>
<b>Comprehensive income for the period</b>	<b>4.6</b>	<b>43.6</b>	<b>45.2</b>	<b>86.6</b>	<b>84.9</b>

<sup>1)</sup> Refer to Note 1 on page 21.

# Condensed consolidated balance sheet

MSEK	30 September		31 December	
	2023	2022	2022	2022
<b>ASSETS</b>				
Intangible non-current assets	378.6	391.7	381.8	
Tangible non-current assets	77.0	70.5	72.5	
Right-of-use assets	58.5	66.4	67.6	
Deferred tax assets	2.7	1.4	1.9	
Financial non-current assets	3.3	1.5	2.7	
<b>Total non-current assets</b>	<b>520.1</b>	<b>531.5</b>	<b>526.5</b>	
Inventories	142.7	124.8	129.5	
Accounts receivable	110.3	95.4	98.9	
Current tax assets	6.1	6.6	6.4	
Other receivables	6.5	6.8	7.5	
Prepaid expenses and accrued income	23.7	19.7	18.2	
Cash and cash equivalents	48.8	86.4	66.2	
<b>Total current assets</b>	<b>338.1</b>	<b>339.7</b>	<b>326.7</b>	
<b>Total assets</b>	<b>858.2</b>	<b>871.2</b>	<b>853.2</b>	

# Condensed consolidated balance sheet (cont.)

MSEK	30 September		31 December	
	2023	2022	2022	
<b>EQUITY AND LIABILITIES</b>				
Share capital	56.5	56.5	56.5	
Other contributed capital	84.4	84.7	84.7	
Reserves	50.9	41.1	29.5	
Retained earnings, including net profit for the year	234.1	218.4	228.4	
<b>Equity attributable to Parent Company shareholders</b>	<b>425.9</b>	<b>400.7</b>	<b>399.1</b>	
Provisions for pensions	6.7	5.5	5.9	
Deferred tax liabilities	15.2	13.9	15.4	
Other non-current interest-bearing liabilities	64.1	86.3	97.0	
Lease liabilities	45.6	52.8	53.3	
Other non-current liabilities	0.0	23.7	-	
<b>Total non-current liabilities</b>	<b>131.6</b>	<b>182.2</b>	<b>171.6</b>	
Other current interest-bearing liabilities	39.6	15.8	14.8	
Bank overdraft facility	124.8	135.6	117.9	
Lease liabilities	16.9	15.3	16.9	
Accounts payable	47.0	41.5	48.9	
Other current liabilities	14.2	27.0	28.5	
Accrued expenses and deferred income	58.2	53.1	55.5	
<b>Total current liabilities</b>	<b>300.7</b>	<b>288.3</b>	<b>282.5</b>	
<b>Total liabilities</b>	<b>432.3</b>	<b>470.5</b>	<b>454.1</b>	
<b>Total equity and liabilities</b>	<b>858.2</b>	<b>871.2</b>	<b>853.2</b>	

## Indebtedness

MSEK	30 September		31 December	
	2023	2022	2022	
Lease liabilities	62.5	68.2	70.3	
Bank overdraft facility	124.8	135.6	117.9	
Other interest-bearing receivables and liabilities	103.6	125.8	111.7	
<b>Gross debt</b>	<b>290.9</b>	<b>329.6</b>	<b>299.9</b>	
Cash and cash equivalents	-48.8	-86.4	-66.2	
<b>Net debt</b>	<b>242.1</b>	<b>243.2</b>	<b>233.7</b>	
EBITDA	109.7	121.8	112.3	
<b>Net debt / EBITDA (R12)</b>	<b>2.2</b>	<b>2.0</b>	<b>2.1</b>	
<b>Net debt / EBITDA excl. IFRS 16 effects (R12)</b>	<b>1.9</b>	<b>1.6</b>	<b>1.7</b>	
Equity ratio	49.6%	46.0%	46.8%	
Quota value per share (SEK)	2.5	2.5	2.5	

# Condensed consolidated cash-flow statement

MSEK	July-September		January-September		Full-year
	2023	2022	2023	2022	2022
<b>OPERATING ACTIVITIES</b>					
Operating profit	20.9	16.1	52.5	61.2	71.0
<i>Adjustments for non-cash items</i>					
Depreciation and amortisation	12.4	11.1	36.2	30.1	41.3
Other	-2.2	2.1	4.5	1.2	2.3
<b>Total</b>	<b>31.1</b>	<b>29.3</b>	<b>100.4</b>	<b>92.5</b>	<b>114.6</b>
Interest received	0.8	0.0	0.3	0.1	0.2
Interest paid	-4.4	-3.5	-13.6	-8.9	-12.7
Tax paid	-3.5	-4.3	-13.3	-13.6	-18.6
<b>Cash flow from operating activities before changes in working capital</b>	<b>24.0</b>	<b>21.5</b>	<b>66.6</b>	<b>70.1</b>	<b>83.5</b>
Cash flow from changes in working capital	-10.8	6.7	-39.1	-21.8	24.4
<b>Cash flow from operating activities</b>	<b>13.2</b>	<b>28.2</b>	<b>27.5</b>	<b>91.9</b>	<b>107.9</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of tangible and intangible assets	-6.1	-3.4	-12.7	-10.1	-16.2
Acquisition of companies, less acquired cash and cash equivalents	0.0	0.0	0.0	-142.3	-140.1
<b>Cash flow from investing activities</b>	<b>-6.1</b>	<b>-3.4</b>	<b>-12.7</b>	<b>-152.4</b>	<b>-156.3</b>
<b>FINANCING ACTIVITIES</b>					
Change in bank overdraft facilities	-5.2	1.7	6.8	19.6	1.9
Repayment of lease liabilities	-4.1	-2.6	-11.5	-7.9	-12.6
New borrowing	0.0	0.0	0.0	94.5	94.5
Repayment of loans	-4.1	0.0	-11.9	-3.8	-11.9
Option premiums repaid/received	0.0	0.0	-0.3	0.3	0.3
Dividend	0.0	0.0	-18.1	-18.1	-18.0
<b>Cash flow from financing activities</b>	<b>-13.4</b>	<b>-0.9</b>	<b>-35.0</b>	<b>84.6</b>	<b>54.2</b>
Cash flow for the period	-6.3	23.9	-20.2	24.1	5.8
Cash and cash equivalents at beginning of period	56.0	60.0	66.2	58.0	58.0
Exchange rate differences in cash and cash equivalents	-0.9	2.5	2.8	4.3	2.4
Cash and cash equivalents at end of period	48.8	86.4	48.8	86.4	66.2



# Consolidated statement of changes in equity

MSEK	2023
<b>Opening equity 1 Jan 2023</b>	<b>399.1</b>
Net profit for the period	23.8
Other comprehensive income	21.4
Dividend	-18.1
Option premiums repaid	-0.3
<b>Closing balance 30 Sep 2023</b>	<b>425.9</b>

MSEK	2022
<b>Opening balance 1 Jan 2022</b>	<b>293.4</b>
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
<b>Closing balance 31 Dec 2022</b>	<b>399.1</b>

# Condensed Parent Company income statement

MSEK	July-September		January-September		Full-year
	2023	2022	2023	2022	2022
<b>Net sales</b>	<b>3.3</b>	<b>3.5</b>	<b>9.9</b>	<b>9.9</b>	<b>13.4</b>
Administrative expenses	-6.8	-4.7	-20.0	-16.1	-25.4
<b>Operating loss</b>	<b>-3.5</b>	<b>-1.2</b>	<b>-10.1</b>	<b>-6.2</b>	<b>-12.0</b>
Net financial items	91.1	-10.6	77.1	-20.9	-18.2
<b>Profit/loss after financial items</b>	<b>87.6</b>	<b>-11.8</b>	<b>67.0</b>	<b>-27.1</b>	<b>-30.2</b>
Group contributions	0.0	0.0	0.0	0.0	45.6
Other appropriations	0.0	0.0	0.0	0.0	-5.1
<b>Profit/loss before tax</b>	<b>87.6</b>	<b>-11.8</b>	<b>67.0</b>	<b>-27.1</b>	<b>10.3</b>
Tax	1.9	2.9	7.3	6.0	-3.3
<b>Net profit/loss for the period</b>	<b>89.5</b>	<b>-8.9</b>	<b>74.3</b>	<b>-21.1</b>	<b>7.0</b>

# Condensed Parent Company balance sheet

MSEK	30 September		31 December
	2023	2022	2022
<b>ASSETS</b>			
Intangible non-current assets	1.0	1.5	1.4
Deferred tax assets	7.5	6.3	0.3
Financial non-current assets	617.4	619.0	617.0
<b>Total non-current assets</b>	<b>625.9</b>	<b>626.8</b>	<b>618.7</b>
Current tax assets	2.3	0.0	0.0
Other receivables	0.2	0.4	0.2
Prepaid expenses and accrued income	2.1	1.7	1.4
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<b>4.6</b>	<b>2.1</b>	<b>1.6</b>
<b>Total assets</b>	<b>630.5</b>	<b>628.9</b>	<b>620.3</b>

MSEK	30 September		31 December
	2023	2022	2022
<b>EQUITY AND LIABILITIES</b>			
Share capital	56.5	56.5	56.5
Statutory reserve	10.0	10.0	10.0
Share premium reserve	101.9	102.2	102.2
Retained earnings, including net profit for the year	92.6	8.3	36.3
<b>Equity attributable to Parent Company shareholders</b>	<b>261.0</b>	<b>177.0</b>	<b>205.0</b>
<b>Untaxed reserves</b>	<b>8.1</b>	<b>3.0</b>	<b>8.1</b>
Provisions for pensions	1.3	1.1	1.1
Other non-current interest-bearing liabilities	64.1	86.3	97.0
Other non-current liabilities	0.0	23.7	-
<b>Total non-current liabilities</b>	<b>65.4</b>	<b>111.1</b>	<b>98.1</b>
Other current interest-bearing liabilities	39.6	15.8	14.8
Bank overdraft facility	124.8	135.6	117.9
Accounts payable	1.0	0.7	0.5
Liabilities to Group companies	123.4	176.0	162.6
Other current liabilities	0.6	4.2	5.6
Accrued expenses and deferred income	6.6	5.5	7.7
<b>Total current liabilities</b>	<b>296.0</b>	<b>337.8</b>	<b>309.1</b>
<b>Total liabilities</b>	<b>361.4</b>	<b>448.9</b>	<b>407.2</b>
<b>Total equity and liabilities</b>	<b>630.5</b>	<b>628.9</b>	<b>620.3</b>

# Quarterly overview

MSEK	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Net sales	174.0	184.4	189.9	169.0	176.9	197.5	169.9	183.2
Adjusted EBITA	30.4	32.8	24.4	23.4	22.0	27.1	18.4	26.5
Adjusted EBITA margin, %	17.5%	17.8%	12.8%	13.8%	12.5%	13.7%	10.8%	14.4%
Share of premium, %	51%	57%	65%	67%	62%	63%	69%	64%

## Quarterly data per segment

MSEK	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Net sales per segment</b>								
Nordics	90.6	88.4	72.4	64.3	69.0	82.4	58.9	64.9
Europe	60.9	64.5	63.4	53.6	60.7	64.6	62.7	58.7
Rest of World	22.5	31.5	54.1	51.1	47.2	50.5	48.3	59.6
<b>TOTAL</b>	<b>174.0</b>	<b>184.4</b>	<b>189.9</b>	<b>169.0</b>	<b>176.9</b>	<b>197.5</b>	<b>169.9</b>	<b>183.2</b>

MSEK	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Adjusted EBITA per segment</b>								
Nordics	18.8	14.8	6.7	5.7	8.4	11.0	3.8	8.1
Europe	8.5	13.5	9.6	9.2	7.9	10.1	10.0	10.9
Rest of World	3.1	4.6	8.1	8.5	5.7	6.0	4.6	7.5
<b>Total adjusted EBITA</b>	<b>30.4</b>	<b>32.9</b>	<b>24.4</b>	<b>23.4</b>	<b>22.0</b>	<b>27.1</b>	<b>18.4</b>	<b>26.5</b>
Items affecting comparability	-4.6	-2.1	-2.4	-2.4	-7.3	0.0	-3.2	0.0
<b>EBITA</b>	<b>25.8</b>	<b>30.7</b>	<b>22.0</b>	<b>21.0</b>	<b>14.7</b>	<b>27.1</b>	<b>15.2</b>	<b>26.5</b>
Impairment of intangible assets	-2.2	-2.9	-4.7	-4.9	-5.0	-5.2	-5.5	-5.6
<b>Total EBIT</b>	<b>23.6</b>	<b>27.8</b>	<b>17.3</b>	<b>16.1</b>	<b>9.7</b>	<b>21.9</b>	<b>9.7</b>	<b>20.9</b>

# Notes

## Note 1 Earnings per share

SEK	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Full-year 2022
<b>Net profit for the period</b>					
Earnings per share before dilution	0.59	0.92	1.06	2.15	2.57
Earnings per share after dilution	0.59	0.92	1.06	2.14	2.57
<b>Performance measures used in the calculation of earnings per share before and after dilution (MSEK)</b>					
Net profit for the period	13.2	20.7	23.8	47.5	57.4
<i>Profit above is attributable to Parent Company shareholders in its entirety.</i>					
<b>Weighted average number of shares before and after dilution</b>					
<i>Before dilution</i>					
Weighted average number of ordinary shares for calculation of earnings per share before dilution	22,583,877	22,583,877	22,583,877	22,054,076	22,321,154
<i>Warrants</i>					
Adjustment for calculation of earnings per share after dilution attributable to warrants	0	0	0	141,481	0
<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	22,583,877	22,583,877	22,195,557	22,321,154

## 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 for 2022 was MSEK 140.1. On acquisition, the company had net cash/cash and cash equivalents of MSEK 3.9. During 2022, the company 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 in 2022.

Purchase consideration Artscape Inc., MSEK:

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

\* 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 made.

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

MSEK

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
<b>Total identifiable net assets</b>	<b>152.4</b>
Goodwill	68.0
<b>Total identifiable net assets</b>	<b>220.4</b>

The acquisition-related costs amounted to a total of MSEK 3.9 for 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**

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.

Artscene'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.

## About Embellence Group AB

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

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## Publication

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## Financial calendar

Q4 2023 – 21 February

Q1 2024 – 7 May

Q2 2024 – 18 July

Q3 2024 – 24 October

Q4 2024 – 20 February 2025