

Q4
2021

Delivering on our strategy

embellence
GROUP

Today's presenters



Olle Svensk
CEO
Embellence Group since 2016



Pär Ihrskog
CFO
Embellence Group since 2019

This is Embellence Group

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



Mission

Embellence Group's mission is to contribute to a more beautiful and more inspiring everyday life.

Vision

Embellence Group will be a leading House of Brands in interior decoration with a focus on premium brands in wallpaper, textiles, rugs and other interior decoration. Embellence Group will drive development in a changing wallpaper and interior decoration market.

A competitive brand platform



Highlights Q4

- **Solid finish** of year 2021

		MSEK	%
– Q4;	Sales	174	4,7
	Adj EBITA	30,4	17,5
– FY2021;	Sales	646,9	13,5
	Adj EBITA	99,9	15,4

- **Decentralization continues** with organisational and legal changes at Boråstapeter
- Pappelina acquired two production facilities allowing **improved delivery performance and better gross margins**
- The Board will propose **a dividend of SEK 0,80 per share** to the 2022 AGM

Significant events after the end of the quarter:

- **Embellence Group acquires US company Artscape, Inc.**
- Cole&Son to open a **Flagship Store in Chelsea, London**



Key figures

	Q4 2021	Q4 2020	FY 2021	FY 2020
Net sales (MSEK)	174.0	166.1	646.9	569.9
Adjusted EBITA (MSEK)	30.4	30.0	99.9	82.5
Adjusted EBITA margin (%)	17,5%	18,1%	15,4%	14,5%
Operating Cash flow	15.2	19.5	62.1	67.1

Net sales

- Net sales for the quarter amounted to MSEK 174.0 (166.1), up 4.7%.
- Excluding income from Pappelina, which was acquired in Q1 2021, growth was - 4.7%.
- Net sales for the year amounted to MSEK 646.9 (569.9), up 13.5%.
- Excluding income from Pappelina, which was acquired in Q1 2021, growth was 3,9%.

Adjusted EBITA

- Adjusted EBITA amounted to MSEK 30.4 (30.0) and 99.9 (82.5) for the full year.
- Despite increased costs for input materials, energy and investments in e-commerce, higher sales led to increased earnings both for the quarter and for full-year 2021.

Operating cash flow

- Operating cash flow was negatively affected by changes in working capital - which in turn is mainly due repayment of deferred VAT and employer contributions, (a consequence of government support measures related to the pandemic).

Key figures

Net sales (MSEK)



Adjusted EBITA (MSEK) and adjusted EBITA-margin (%)



Share of premium FY
54%

Share of premium Q4
51%

Acquisition of Artscape, Inc.



Acquisition of Artscape, Inc.

- **Pattern-based** window film (“artwork for windows”)
- **Premium position** in its niche market
- **Profitable** growth since formed in 1999
- Up until now focus on the **US market**
- Annual sales of ~**MUSD 14**
- App. 40 employees with **outsourced production**





Terms & financing

- MUSD 20 (on a cash-free and debt-free basis),
 - corresponding to an EV/EBITA multiple of approximately 5.1x – after tax relief.
 - Earn-out potential x6 on profit growth '22 vs '21
- Structure
 - 70% cash
 - 20% newly issued shares in Embellence Group
 - Subject to lock-up
 - 10% promissory note loan
- Artscape Management will remain in the company
- Access date is March 1, 2022.

Synergies and opportunities

- Artscape has continued **growth potential in Americas**
- Major potential for the pattern-based window film category in Europe, **focusing on end-consumer**
 - Cost synergies with Embellence Group's European warehouse and distribution centre in Borås
- **Design synergies** with Boråstapeter
- **Strong cash flow and profitability**
 - immediately contributes to Embellence Group financial performance
- **Diversification** of Embellence Group's product offering
- Great **potential for DTC e-commerce**
 - Easy application for end-consumer



Nordics:

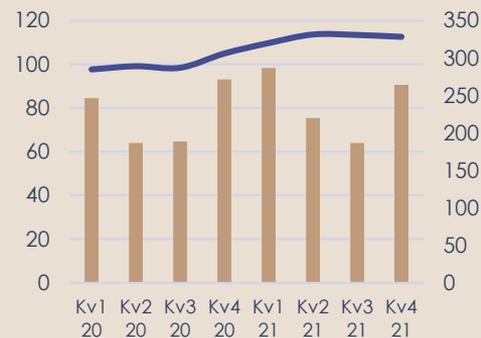
Improved margins due to increased share of premium

- Q4 Net sales down 2.6%
 - Due to strong comp. Figures
- Adjusted EBITA 18.8 MSEK (18.0).
 - Due to increased share of premium sales

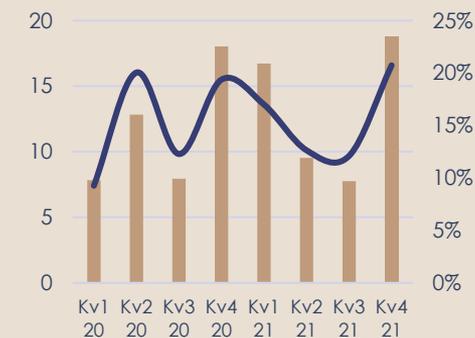


	Q4 2021	Q4 2020	2021	2020
Net sales (MSEK)	90.6	93.0	328.3	306.1
Adjusted EBITA (MSEK)	18.8	18.0	52.8	46.6
Adjusted EBITA margin (%)	21%	19%	16%	15%

Net sales and R12 (MSEK)



Adjusted EBITA (MSEK) and adjusted EBITA-margin (%)



Europe:

Growth despite supply chain disruptions

- Net sales up 5.7%
 - Lower demand in in the UK and France. Stronger demand in Italy.
 - Positive contribution from Pappelina
 - Supply chain disruptions W&D.
- Adjusted EBITA 8.5 MSEK (9.0).
 - Affected by increased costs for input materials

Share of total sales
35%

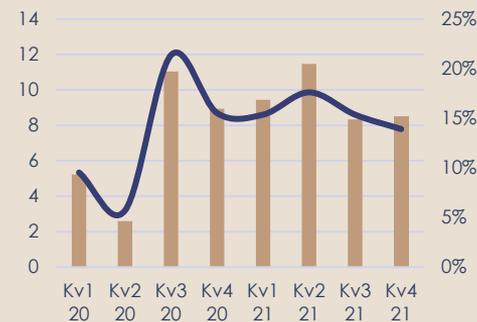
Share of premium
75%

	Q4 2021	Q4 2020	2021	2020
Net sales (MSEK)	60.9	57.6	241.8	209.6
Adjusted EBITA (MSEK)	8.5	9.0	37.7	27.8
Adjusted EBITA margin (%)	14%	16%	16%	13%

Net sales and R12 (MSEK)



Adjusted EBITA (MSEK) and adjusted EBITA-margin (%)



Rest of World:

Strong growth

- Net sales up 45.2%
 - Stable organic growth and contribution from Pappelina
- Adjusted EBITA 3.1 MSEK (3.0).
 - Affected by higher net sales and investments in e-commerce

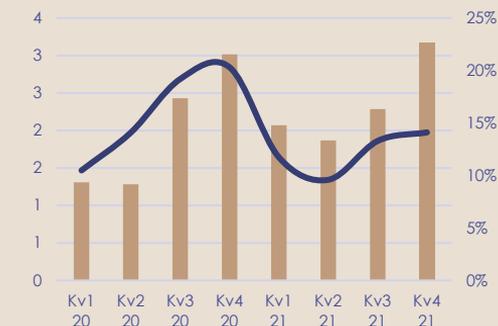


	Q4 2021	Q4 2020	2021	2020
Net sales (MSEK)	22,5	15,5	76,8	54,2
Adjusted EBITA (MSEK)	3,1	3,0	9,4	8,0
Adjusted EBITA margin (%)	14%	20%	12%	15%

Net sales and R12 (MSEK)



Adjusted EBITA (MSEK) and adjusted EBITA-margin (%)



Focus on 3 strategic areas

1

Continued leverage on premium

- Premium wallpaper expected to outperform the value segment
 - *Estimated underlying market growth of min 5%*

2

Further international growth; organic and through acquisitions

- Organic growth in Europe and ROW
- Add-on acquisitions of complementing premium brands

3

Develop closer relationships with customers, architects and designers through digital innovation

- Launch of D2C into new geographies
- Further investments in digital tools (e.g. Wonderwall or similar)

Financial targets



Net sales growth
SEK 1.2bn

Outcome Q4 2021
MSEK 174.0

Outcome FY 2021
MSEK 646.9



EBITA margin
 $\geq 15\%$

Outcome Q4 2021
14.8%

Outcome FY 2021
13.7%



Leverage
 $< 2.5x$ Net Debt /
EBITDA

Outcome 31 Dec. 2021
1.2x



Dividend policy
30-50% after tax

Board proposal
0,80 SEK/share
~30% of net earnings



Highlights

- Profitable Sales Growth in 2021: +13,5% (whereof 3,9% organic)
 - In line with our target to double revenue by 2025
- Adjusted EBITA FY 2021: +15,4%
 - Above communicated financial target
- Acquisition of US company Artscape, Inc
 - Net sales of 14,3mUSD, and EBITA-margin of 26%
- The Board will propose a dividend of SEK 0,80 per share at the AGM2022
 - ~30% of net profit

Bottom-line is:

...we are on track to reach our target for 2025

Q&A

THANK YOU!