

INTERIM REPORT FIRST QUARTER 2023



BORÅSTAPETER



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ARTSCAPE.
WINDOW FILM DESIGN

embellence
GROUP

Stable profitability in a challenging market

First quarter 2023

- Net sales amounted to MSEK 197.5 (184.4), up 7.1%
- Organic, currency adjusted growth of -3.1%
- EBITA amounted to MSEK 27.1 (30.7), down -11.7%
- Adjusted EBITA amounted to MSEK 27.1 (32.8), down -17.3%
- Net profit for the period amounted to MSEK 12.9 (24.8) and earnings per share for the period before dilution to SEK 0.57 (1.15)
- Operating cash flow amounted to MSEK 2.2 (37.2)

“With robust profitability, we continue to navigate an uncertain market and business environment.”

Olle Svensk
CEO
Embellence Group AB

Significant events during the quarter

- No significant events during the quarter

MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022-March 2023	Full-year 2022
Group				
Net sales	197.5	184.4	733.2	720.1
EBITA	27.1	30.7	84.9	88.5
Adjusted EBITA*	27.1	32.8	96.9	102.6
Profit before tax	16.8	32.1	55.1	70.4
Net profit for the period	12.9	24.8	45.5	57.4
Operating cash flow	2.2	37.2	73.0	107.9
EBITA margin, %	13.7%	16.7%	11.6%	12.3%
Adjusted EBITA margin, %	13.7%	17.8%	13.2%	14.3%
Net debt	236.9	257.0	236.9	233.7
Net debt/EBITDA (R12)			2.2	2.1
Net debt/EBITDA excl. IFRS 16 effects (R12)			1.8	1.7
Equity ratio, %	47.9%	42.3%	47.9%	46.8%
Earnings per share before dilution (SEK)	0.57	1.15	1.99	2.57
Earnings per share after dilution (SEK)	0.57	1.14	2.00	2.57
No. of employees	238	272	238	247

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

Continued challenging market

For the first quarter of 2023, we can report sales of MSEK 197 and an EBITA margin of 13.7%. The sales increase of +7.1% compared with Q1 2022 was a consequence of the acquisition of Artscape. Underlying organic growth amounted to -3.1%, which was an improvement compared with the preceding quarter. Strategic marketing activities, cost for input materials still on high levels, as well as low volumes in our production units, had a negative impact on operating profit.

In the Nordics, sales during the quarter declined by -6.8%, but we noted some recovery during March. We regard the cautious demand as a direct consequence of the development in the region, with high electricity prices, rising interest rates, generally high inflationary pressure and declining disposable incomes.

Our sales in Europe were in line with the year-earlier quarter, with continued strong sales in the UK, but also in Switzerland and Austria. The termination of sales in Russia last year resulted in a negative effect of MSEK -1.7 on the quarter.

In Rest of World, we had strong growth of 60% due to the add-on acquisition av Artscape. Underlying organic growth amounted to 10%. It is primarily the American market that is growing, but our increased focus on the hospitality sector in the Middle East is also beginning to generate results.

Cost-savings programme generates results

The measures we implemented at the end of 2022 reduced our fixed costs and, as planned, had an effect as of January 2023. Our systematic work to enhance operational efficiency and achieve productivity improvements can be seen, for example, in a reduction in our personnel by more than 10% compared with a year ago.

To secure our margins, we started implementing price increases at the beginning of the year and these will sequentially take effect in the next few months. Costs for input material are significantly higher than a year ago. However, they began to level off during the quarter. Nevertheless, the weak SEK remains challenging for our production in Sweden.

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 short-term challenges, we continue to invest in our brands. During the quarter, we invested in participation in international trade fairs in Europe and the US. In close cooperation with the respective management groups, we are continuing the work to develop and refine – based on the history, position and potential of the individual brand.

Strong growth in own e-commerce channels

As a complement to sales through retailers and architects & designers, we offer our own online sales. We do not compete on price, but on high service, short delivery times and a guarantee that the buyer will receive original products.

The share of own e-commerce remains at low levels, but is noting healthy growth.

Our differentiated business model gives us stability

The major challenges in our business environment will probably also leave their mark in 2023. In this situation, our geographical spread and multichannel model – meaning sales via retailers (off and online), to architects & designers and using our own online sales channels – are a major strength.

Focus on improving our existing business

We currently have a fantastic brand portfolio and our immediate focus is to continue developing this and to return to organic growth.

Once again, I would like to thank all of the employees at Embellence Group for your commitment, passion and professional work during occasionally uncertain circumstances.

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 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.

Net sales
Q1 2023, MSEK

197.5

Adjusted EBITA
margin

13.7%

Share of
Premium

63%

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.

Our fantastic brand portfolio:



Group performance first quarter 2023

Net sales and earnings

Net sales amounted to MSEK 197.5 (184.4), up 7.1% compared with the year-earlier period. Acquisition-related growth amounted to 8.5%. Exchange rate effects contributed 1.7%. Net sales decreased organically by -3.1% compared with the year-earlier period. The decrease was mainly due to weak sales in the Nordics and France and the termination of deliveries to Russia.

Adjusted EBITA amounted to MSEK 27.1 (32.8). The decrease was primarily due to strategic market activities at the beginning of the year and under-utilisation of production units.

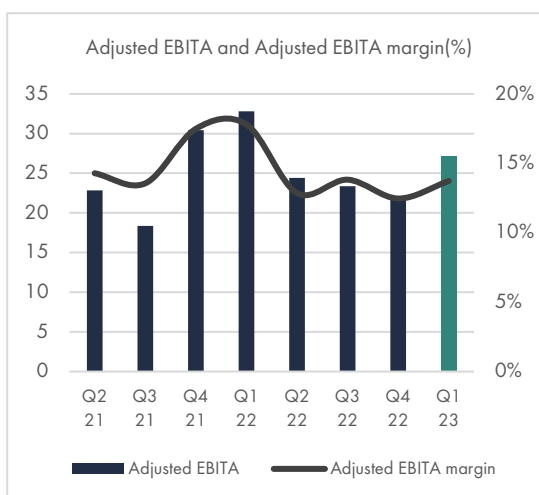
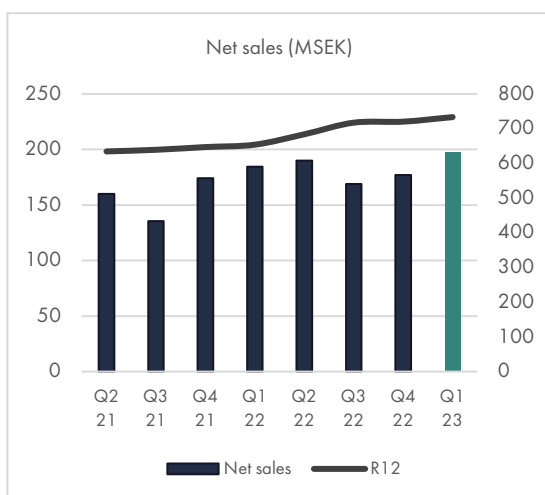
Net profit for the quarter amounted to MSEK 12.9 (24.8), resulting in earnings per share before dilution of SEK 0.57 (1.15).

Net sales per segment

MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022-March 2023	Full-year 2022
Nordics	82.4	88.4	288.0	294.0
of which premium	30%	29%	29%	29%
Europe	64.6	64.5	242.3	242.2
of which premium	83%	80%	85%	84%
Rest of World	50.5	31.5	202.9	183.9
of which premium	92%	92%	90%	90%
Total	197.5	184.4	733.2	720.1

Adjusted EBITA per segment

MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022-March 2023	Full-year 2022
Nordics	11.0	14.8	31.8	35.6
Europe	10.1	13.5	36.8	40.2
Rest of World	6.0	4.5	28.3	26.8
Total	27.1	32.8	96.9	102.6



Net financial items

Net financial items for the quarter were MSEK -5.1 (4.3), down on the year-earlier period, driven by increased interest expenses and exchange rate losses. There were positive exchange rate effects in the preceding year.

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 2.2 (37.2). The decrease was mainly due to the change in working capital, which was negative during the quarter. This was mainly due to the sales increase compared with the preceding quarter and, accordingly, higher trade receivables, but also a reduction in other operating liabilities.

Cash flow from investing activities for the quarter amounted to MSEK -4.5 (-145.3).

Cash flow from financing activities for the quarter amounted to MSEK -8.0 (89.4), all of which was repayment of loans and lease liabilities.

Cash flow for the quarter amounted to MSEK -10.3 (-18.7).

Investments and divestments

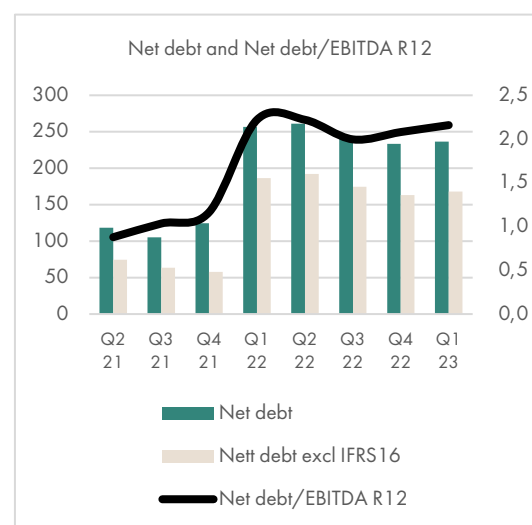
The Group's investments in tangible and intangible assets amounted to MSEK -4.5 (-3.0). The vast majority comprised investments in fixed assets in our production and distribution.

Financial position

The Group's total assets amounted to MSEK 863.3 (816.0) at the end of the quarter. The equity ratio was 47.9% (42.3) and cash and cash equivalents at the end of the quarter amounted to MSEK 56.7 (39.8). The Group's total net debt amounted to MSEK 236.9 (257.0) at the end of the quarter. The debt/equity ratio (net debt/EBITDA) was 2.2 times at the end of the quarter. (2.2).

Net sales trend

Q1	MSEK	%
Net sales 2022	184.4	
Acquisitions	15.6	8.5%
Organic growth	-5.6	-3.1%
Currency	3.2	1.7%
Net sales 2023	197.5	7.1%



MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022-March 2023	Full-year 2022
Cash flow from operating activities	2.2	37.2	73.0	107.9
Cash flow from investing activities	-4.5	-145.3	-15.5	-156.3
Cash flow from financing activities	-8.0	89.4	-43.2	54.2
Cash flow for the period	-10.3	-18.7	14.3	5.8

NORDICS:

Continued cautious consumer demand

Net sales and earnings

Net sales in the Nordics amounted to MSEK 82.4 (88.4), corresponding to a decrease of -6.8% year-on-year. Demand remained cautious in all Nordic countries, which was a consequence of the development in the region, with high electricity prices, rising interest rates, generally high inflationary pressure and declining disposable incomes.

Adjusted EBITA amounted to MSEK 11.0 (14.8). The decrease was mainly due to lower sales volumes. The cost-savings programme in Sweden that was implemented last year generated an impact in the form of reduced operational expenses, but some surplus capacity remains in production.

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

% of total sales

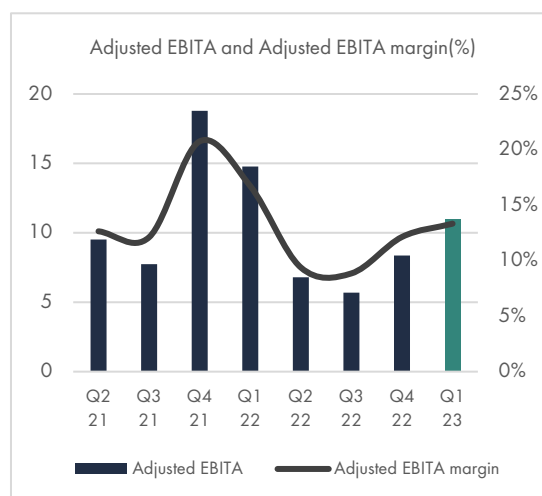
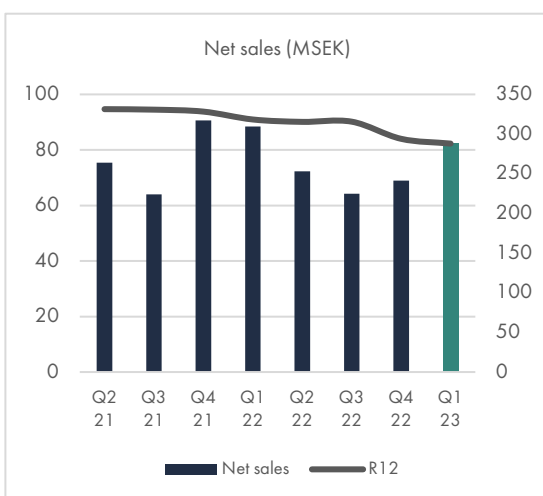
42%

Share of Premium

30%

Performance measures

MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022 -March 2023	Full-year 2022
Nordics				
Net sales	82.4	88.4	288.0	294.0
Adjusted EBITA	11.0	14.8	31.8	35.6
Adjusted EBITA margin	13%	17%	11%	12%
Share of premium	30%	29%	29%	29%



EUROPE:

Stable trend with increased share of projects

Net sales and earnings

Net sales in Europe totalled MSEK 64.6 (64.5). Sales in the UK, Switzerland and Austria remained strong, while in other countries, it was in line with the year-earlier quarter. France had negative growth for the quarter. The absence of sales to Russia had a negative impact. In the corresponding quarter of the preceding year, sales amounted to approximately to MSEK 1.7.

Adjusted EBITA amounted to MSEK 10.1 (13.5). The decrease was due to the sales mix, higher costs of input materials, as well as increased marketing activities that affected operating expenses.

The share of premium for the quarter totalled 83%, compared with 80% in the year-earlier period.

% of total sales

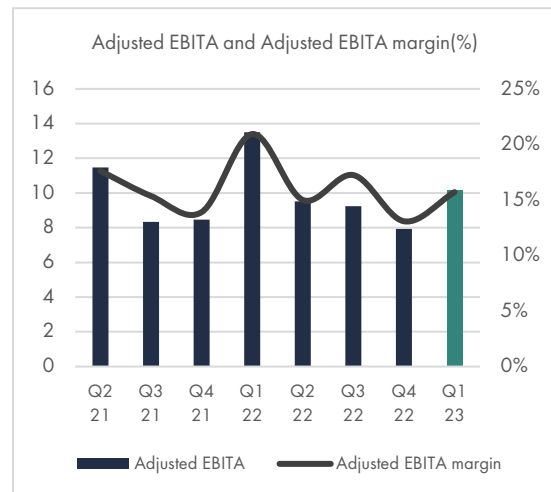
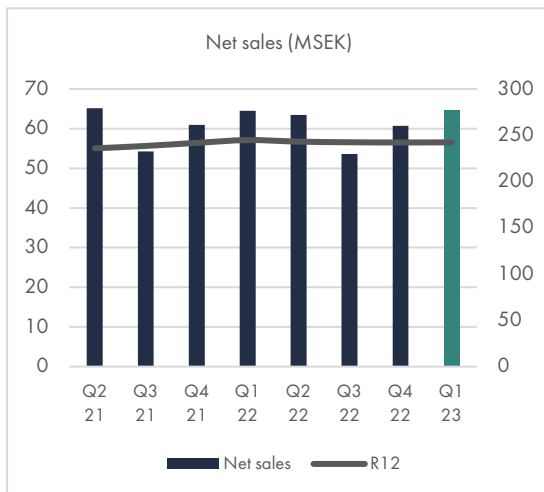
33%

Share of Premium

83%

Performance measures

MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022 -March 2023	Full-year 2022
EUROPE:				
Net sales	64.6	64.5	242.3	242.2
Adjusted EBITA	10.1	13.5	36.8	40.2
Adjusted EBITA margin	16%	21%	15%	17%
Share of premium	83%	80%	85%	84%



REST OF WORLD:

Underlying growth of 10%

Net sales and earnings

Rest of World amounted to MSEK 50.5 (31.5), up 60.3% compared with the year-earlier period. This robust sales trend was mainly due to the acquisition of Artscape, but also increased sales by other companies in the US and in the Middle East.

Adjusted EBITA amounted to MSEK 6.0 (4.6). The EBITA margin was 12% (14%). In Rest of World, the lower margin was also due to higher costs for input materials, combined with a higher level of marketing activities.

The share of premium for the first quarter amounted to 92% (92).

% of total sales

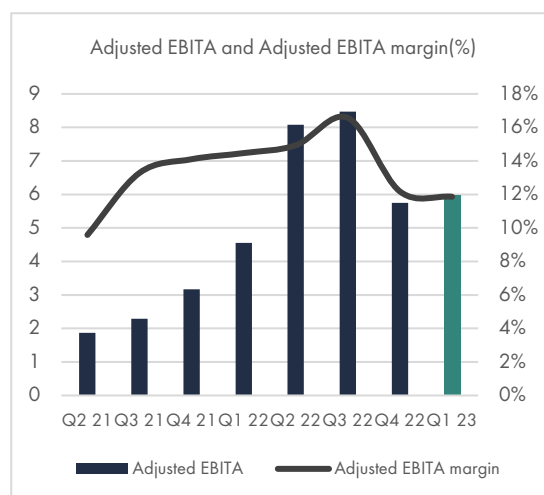
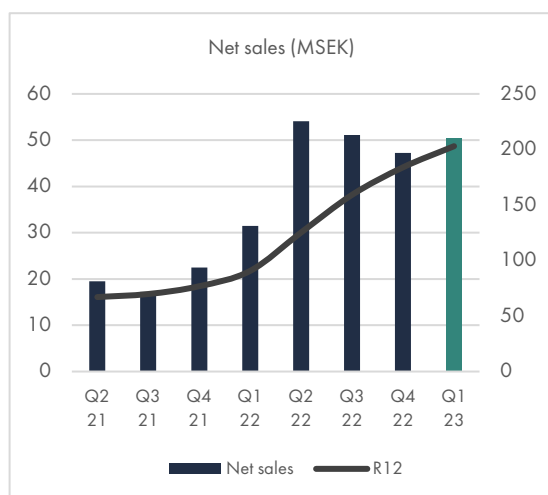
25%

Share of Premium

92%

Performance measures

MSEK	Jan-Mar 2023	Jan-Mar 2022	R12 April 2022 -March 2023	Full-year 2022
REST OF WORLD:				
Net sales	50.5	31.5	202.9	183.9
Adjusted EBITA	6.0	4.6	28.3	26.8
Adjusted EBITA margin	12%	14%	14%	15%
Share of premium	92%	92%	90%	90%



Other Group

Organisation

The number of FTEs on 31 March 2023 was 238 (272), of whom 120 (151) were women and 118 men (121).

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 not been audited.

Parent Company

First quarter 2023

The Parent Company's net sales amounted to MSEK 3.3 (3.0). Net loss for the period after tax amounted to MSEK -6.5 (1.7).

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, 27 April 2023

Morten Falkenberg
Chairman

Olof Svensk
CEO

Karin Dennford

Hanna Graflund Sleyman

Henrik Nyqvist

Paul Steene

Christina Ståhl

Condensed consolidated income statement

MSEK	Jan-Mar		Full-year 2022
	2023	2022	2022
Net sales	197.5	184.4	720.1
Cost of goods sold	-84.5	-74.9	-296.9
Gross profit	113.0	109.5	423.2
Selling and administrative expenses	-91.5	-83.1	-355.0
Other operating income	1.1	2.3	7.2
Other operating expenses	-0.7	-0.9	-4.4
Operating profit	21.9	27.8	71.0
Net financial items	-5.1	4.3	-0.6
Profit before tax	16.8	32.1	70.4
Tax	-3.9	-7.3	-13.0
Net profit for the period	12.9	24.8	57.4
Earnings per share for the period before dilution¹⁾ (SEK)	0.57	1.15	2.57
Earnings per share for the period after dilution¹⁾ (SEK)	0.57	1.14	2.57
Other comprehensive income			
Actuarial gains and losses after tax	-	-	0.6
Translation differences	2.3	-11.3	26.9
Total other comprehensive income	2.3	-11.3	27.5
Comprehensive income for the period	15.2	13.5	84.9

¹⁾ Refer to Note 1 on page 21.

Condensed consolidated balance sheet

MSEK	31 March		31 December
	2023	2022	2022
ASSETS			
Intangible non-current assets	377.6	363.3	381.8
Tangible non-current assets	73.6	69.6	72.5
Right-of-use assets	65.1	69.7	67.6
Deferred tax assets	3.0	0.8	1.9
Financial non-current assets	3.7	1.4	2.7
Total non-current assets	523.0	504.8	526.5
Inventories	132.7	120.1	129.5
Accounts receivable	115.1	121.9	98.9
Current tax assets	3.6	5.1	6.4
Other receivables	10.4	5.3	7.5
Prepaid expenses and accrued income	21.8	19.0	18.2
Cash and cash equivalents	56.7	39.8	66.2
Total current assets	340.3	311.2	326.7
Total assets	863.3	816.0	853.2

Condensed consolidated balance sheet (cont.)

MSEK	31 March		31 December
	2023	2022	2022
EQUITY AND LIABILITIES			
Share capital	56.5	56.5	56.5
Other contributed capital	84.4	84.4	84.7
Reserves	31.8	-9.3	29.5
Retained earnings, including net profit for the year	241.2	213.8	228.4
Equity attributable to Parent Company shareholders	413.9	345.4	399.1
Provisions for pensions	6.9	5.6	5.9
Deferred tax liabilities	15.3	14.1	15.4
Other non-current interest-bearing liabilities	69.9	100.3	97.0
Lease liabilities	51.0	56.5	53.3
Other non-current liabilities	-	16.1	-
Total non-current liabilities	143.1	192.6	171.6
Other current interest-bearing liabilities	37.5	13.2	14.8
Bank overdraft facility	117.5	113.1	117.9
Lease liabilities	17.8	13.8	16.9
Accounts payable	59.8	54.1	48.9
Other current liabilities	22.4	31.3	28.5
Accrued expenses and deferred income	51.3	52.5	55.5
Total current liabilities	306.3	278.0	282.5
Total liabilities	449.4	470.6	454.1
Total equity and liabilities	863.3	816.0	853.2

Indebtedness

MSEK	31 March		31 December
	2023	2022	2022
Lease liabilities	68.6	70.3	70.3
Bank overdraft facility	117.5	113.1	117.9
Other interest-bearing receivables and liabilities	107.5	113.4	111.7
Gross debt	293.6	296.8	299.9
Cash and cash equivalents	-56.7	-39.8	-66.2
Net debt	236.9	257.0	233.7
EBITDA	109.7	115.8	112.3
Net debt / EBITDA (R12)	2.2	2.2	2.1
Net debt / EBITDA excl. IFRS 16 effects (R12)	1.8	1.8	1.7
Equity ratio	47.9%	42.3%	46.8%
Quota value per share (SEK)	2.5	2.5	2.5

Condensed consolidated cash-flow statement

MSEK	January-March		Full-year
	2023	2022	2022
OPERATING ACTIVITIES			
Operating profit	21.9	27.8	71.0
<i>Adjustments for non-cash items</i>			
Depreciation and amortisation	11.7	8.4	41.3
Other	-0.2	-6.6	2.3
Total	33.4	29.6	114.6
Interest received	0.1	0.3	0.2
Interest paid	-4.6	-2.7	-12.7
Tax paid	-1.7	-4.4	-18.6
Cash flow from operating activities before changes in working capital	27.2	22.8	83.5
Cash flow from changes in working capital	-25.0	14.4	24.4
Cash flow from operating activities	2.2	37.2	107.9
INVESTING ACTIVITIES			
Acquisition of tangible and intangible assets	-4.5	-3.0	-16.2
Acquisition of companies, less acquired cash and cash equivalents	-	-142.3	-140.1
Cash flow from investing activities	-4.5	-145.3	-156.3
FINANCING ACTIVITIES			
Change in bank overdraft facilities	-0.5	-2.9	1.9
Repayment of lease liabilities	-3.3	-2.2	-12.6
New borrowing	-	94.5	94.5
Repayment of loans	-3.9	-	-11.9
Option premiums repaid/received	-0.3	-	0.3
Dividend	-	-	-18.0
Cash flow from financing activities	-8.0	89.4	54.2
Cash flow for the period	-10.3	-18.7	5.8
Cash and cash equivalents at beginning of period	66.2	58.0	58.0
Exchange rate differences in cash and cash equivalents	0.8	0.5	2.4
Cash and cash equivalents at end of period	56.7	39.8	66.2

Consolidated statement of changes in equity

MSEK	2023
Opening equity 1 Jan 2023	399.1
Net profit for the period	12.9
Other comprehensive income	2.2
Option premiums repaid	-0.3
Closing balance 31 Mar 2023	413.9

MSEK	2022
Opening balance 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

Condensed Parent Company income statement

MSEK	January-March		Full-year
	2023	2022	2022
Net sales	3.3	3.0	13.4
Administrative expenses	-5.5	-5.4	-25.4
Operating loss	-2.2	-2.4	-12.0
Financial income	-6.1	4.5	-18.2
Profit/loss after financial items	-8.3	2.1	-30.2
Group contributions	-	-	45.6
Other appropriations	-	-	-5.1
Profit before tax	-8.3	2.1	10.3
Tax	1.8	-0.4	-3.3
Net profit/loss for the period	-6.5	1.7	7.0

Condensed Parent Company balance sheet

MSEK	31 March		31 December
	2023	2022	2022
ASSETS			
Intangible non-current assets	1.3	1.6	1.4
Deferred tax assets	0.3	0.2	0.3
Financial non-current assets	617.2	634.6	617.0
Total non-current assets	618.8	636.4	618.7
Current tax assets	0.9	-	-
Other receivables	3.6	0.4	0.2
Prepaid expenses and accrued income	3.4	2.7	1.4
Cash and cash equivalents	-	-	-
Total current assets	7.9	3.1	1.6
Total assets	626.7	639.5	620.3

MSEK	31 March		31 December
	2023	2022	2022
EQUITY AND LIABILITIES			
Share capital	56.5	56.5	56.5
Statutory reserve	10.0	10.0	10.0
Share premium reserve	101.9	101.9	102.2
Retained earnings, including net profit for the year	29.9	49.1	36.3
Equity attributable to Parent Company shareholders	198.3	217.5	205.0
Untaxed reserves	8.1	3.0	8.1
Provisions for pensions	1.2	0.9	1.1
Other non-current interest-bearing liabilities	69.9	100.3	97.0
Other non-current liabilities	-	16.1	-
Total non-current liabilities	71.1	117.3	98.1
Other current interest-bearing liabilities	37.5	13.2	14.8
Bank overdraft facility	117.5	113.1	117.9
Accounts payable	1.1	1.8	0.5
Liabilities to Group companies	185.7	158.1	162.6
Other current liabilities	2.2	9.6	5.6
Accrued expenses and deferred income	5.2	5.9	7.7
Total current liabilities	349.2	301.7	309.1
Total liabilities	420.3	419.0	407.2
Total equity and liabilities	626.7	639.5	620.3

Quarterly overview

MSEK	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net sales	160.0	135.5	174.0	184.4	189.9	169.0	176.9	197.5
Adjusted EBITA	22.9	18.4	30.4	32.8	24.4	23.4	22.0	27.1
Adjusted EBITA margin, %	14.3%	13.6%	17.5%	17.8%	12.8%	13.8%	12.5%	13.7%
Share of premium, %	57%	57%	51%	57%	65%	67%	62%	63%

Quarterly data per segment

MSEK	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Net sales per segment								
Nordics	75.4	64.0	90.6	88.4	72.4	64.3	69.0	82.4
Europe	65.1	54.3	60.9	64.5	63.4	53.6	60.7	64.6
Rest of World	19.5	17.2	22.5	31.5	54.1	51.1	47.2	50.5
TOTAL	160.0	135.5	174.0	184.4	189.9	169.0	176.9	197.5

MSEK	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Adjusted EBITA per segment								
Nordics	9.5	7.7	18.8	14.8	6.7	5.7	8.4	11.0
Europe	11.5	8.3	8.5	13.5	9.6	9.2	7.9	10.1
Rest of World	1.9	2.3	3.1	4.6	8.1	8.5	5.7	6.0
Total adjusted EBITA	22.9	18.3	30.4	32.9	24.4	23.4	22.0	27.1
Items affecting comparability	-1.7	0.0	-4.6	-2.1	-2.4	-2.4	-7.3	0.0
EBITA	21.2	18.3	25.8	30.7	22.0	21.0	14.7	27.1
Impairment of intangible assets	-1.9	-2.0	-2.2	-2.9	-4.7	-4.9	-5.0	-5.2
Total EBIT	19.3	16.3	23.6	27.8	17.3	16.1	9.7	21.9

Notes

Note 1 Earnings per share

SEK	Jan-Mar 2023	Jan-Mar 2022	Full-year 2022
Net profit for the period			
Earnings per share before dilution	0.57	1.15	2.57
Earnings per share after dilution	0.57	1.14	2.57
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)			
Net profit for the period	12.9	24.8	57.4
<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	21,518,388	22,321,154
<i>Warrants</i>			
Adjustment for calculation of earnings per share after dilution attributable to warrants	0	180,648	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	21,699,036	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 has contributed with 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 for year 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. IFRS16

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.

About Embellence Group AB

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

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Financial calendar

Annual General Meeting	28 April 2023
Q2 2023	19 July 2023
Q3 2023	25 October 2023
Q4 2023	21 February 2024