

# INTERIM REPORT QUARTER 3 2022



  
BORÅSTAPETER

  
Cole & Son

Wall & decò

pappelina®

  
at escape  
ARTWORK FOR  
YOUR WINDOWS

**embellence**  
GROUP



# A strong quarter in challenging times

## Third quarter 2022

- Net sales amounted to MSEK 169.0 (135.5), up 24.7%
- Acquisition-based growth of 23.0%, exchange rate effects of 1.5% and organic growth of 0.2%
- EBITA amounted to MSEK 21.0 (18.4), up 14.1%
- Adjusted EBITA\* amounted to MSEK 23.4 (18.4)
- Net profit for the period\*\* amounted to MSEK 20.7 (12.2), and the period's earnings per share before dilution were SEK 0.92 (0.57)
- Operating cash flow amounted to MSEK 28.2 (16.1)

## Significant events during the quarter

- No significant events

"Our sales per region is becoming increasingly balanced, which has contributed to us delivering a strong quarter in which the majority of performance measures are going in the right direction."

Olle Svensk  
CEO  
Embellence Group AB

MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	R12 Oct 2021- Sep 2022	Full-year 2021
<b>Group</b>						
Net sales	169.0	135.5	543.2	472.9	717.2	646.9
EBITA	21.0	18.4	73.8	62.5	99.5	88.3
Adjusted EBITA*	23.4	18.4	80.6	69.5	111.0	99.9
Profit before tax	21.7	14.3	57.1	51.3	80.1	74.3
Net profit for the period**	20.7	12.2	47.5	40.9	65.9	59.3
Operating cash flow	28.2	16.1	91.9	46.8	107.2	62.1
EBITA margin, %	12.4%	13.5%	13.6%	13.2%	13.9%	13.7%
Adjusted EBITA margin, %	13.8%	13.6%	14.8%	14.7%	15.5%	15.4%
Net debt	243.2	105.6	243.2	105.6	243.2	125.0
Net debt excl. IFRS 16 effects	175.0	63.9	175.0	63.9	175.0	58.0
Net debt/EBITDA (R12)	–	–	–	–	2.0	1.2
Net debt/EBITDA excl. IFRS 16 effects (R12)	–	–	–	–	1.6	0.6
Equity ratio, %	46.0%	45.5%	46.0%	45.5%	46.0%	47.1%
Earnings per share for the period before dilution (SEK)	0.92	0.57	2.15	1.91	3.01	2.77
Earnings per share for the period after dilution (SEK)	0.92	0.56	2.14	1.87	2.99	2.72
Number of employees	264	207	264	207	264	236

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

\*\*Net profit for the period was positively impacted by the write-off of the estimated earnout of MSEK 16.9 related to the acquisition of Artscape Inc. In addition, earnings for the period were negatively impacted by unrealised exchange rate losses totalling MSEK -7.9 related to interest-bearing liabilities in USD.

# We are building a high-quality company with passion and professionalism

As we put the third quarter of the year behind us, we can surmise that most performance measures are going in the right direction. We demonstrated substantial sales growth thanks to the add-on acquisition of Artscape, we strengthened our operating profit both in absolute and percentage terms, we noted solid cash flow and, consequently, the Group's net debt declined. Organic growth, excluding currency effects, amounted to 0.2 of a percentage point. Sales were negatively impacted by approximately MSEK -3 due to the termination of sales in Russia, corresponding to just over -2%, compared with the corresponding quarter in 2021.

I view the fact that Embellence Group is delivering strong performance measures in times such as these as an indication that we are making progress on what we have been working hard to achieve in recent years – building a robust, high-quality company that can post healthy profitability regardless of economic conditions. At the same time, it is with great humility we approach the quarters and years ahead. We know that we are strong and that our decentralised strategy with brand-driven offerings that target the premium and luxury segment is effective, but in times such as these, there is considerable uncertainty on what awaits around the corner.

## **Our strategy balances shifting market dynamics**

The trends during the quarter are the same as previously. We noted generally cautious consumer demand, a continued strengthening of physical retail and a healthy level of activity in hospitality.

In terms of e-commerce customers, we noted a decline compared with 2021. This is partly the result of reduced sales to consumers, but also because e-commerce operators have pulled the brakes on inventory purchases.

Our multi-channel model is a major asset in this situation. When demand declines in one channel, we can shift focus to others – just as we are now doing by focusing on physical retail and, in particular, architecture and design-driven projects in the luxury residential segment as well as hotels and restaurants. These are market segments in which we continue to see healthy demand.

## **Profitable growth**

It is a sign of strength that we are maintaining our organic sales considering the turbulent external environment, while the acquisition of Artscape has led to sales growth of 24.7%. In addition, EBITA has increased 14.1% and adjusted EBITA 27%.

## **Continued focus on cutting costs in the Nordics**

Intense efforts are ongoing at Borås Tapetfabrik and Boråstapeter to reduce the amount of product articles, ensure the quality of stored product articles and generally reduce inventory levels of wallpaper. During the quarter, this led to us unlocking capital and attaining better inventory levels, but it also led to lower-than-planned cost absorption in production, which negatively impacted earnings for the Nordics.

We are continually working to streamline operations, adapt our costs and, when possible, switch fixed costs to variable. The previously announced cost-reduction programme will continue into the fourth quarter. The scope and expected impact of the programme will be reported at a later date.

## **Launches, trade fairs and sustainability**

For the company's sales teams, August and September were very intense with a high level of activity. For example, Cole & Son launched *The Gardens* collection during London Design Week, which was very well received. In addition, Pappellina's design classic "Vera" celebrated its 20-year anniversary. This was celebrated with an updated version woven in Biovyn, a material based on bio-attributed PVC produced from a by-product from the Nordic forest industry, tall oil. This enabled us to reduce the carbon footprint of the "Vera 2.0" rug by more than 90%. This is one of several concrete examples of how we are working systematically to further develop our operations from a sustainability perspective.

## **Forecasting is very difficult, especially if it's about the future**

Rising interest rates, increased inflation and reduced activity in the housing market have a dampening effect on demand. There are a number of concerns moving forward, but with continual cost awareness and a diverse channel strategy, we are able to refrain from spending where necessary and invest where we see growth potential.

Last but not least, my sincere thanks to all of my colleagues – you are doing a fantastic job. Without your passion and professionalism, this would not be possible.

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

### 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.

### Operating margin

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

### 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  
9M 2022, MSEK

543

Adjusted EBITA  
margin, 9M 2022

14.8%

Share of  
Premium 9M 2022

64%

## Our fantastic brand portfolio



# Group performance third quarter 2022

## Net sales and earnings

Net sales amounted to MSEK 169.0 (135.5), up 24.7% compared with the year-earlier period. The increase was due to increased sales in Rest of World – a direct result of the acquisition of Artscape. Sales in the Nordics and Europe were in line with the year-earlier quarter.

Net sales in the first three quarters of 2022 amounted to MSEK 543.2 (472.9), up 14.9%.

EBITA for the quarter amounted to MSEK 21.0 (18.4), up 14.1%. The EBITA margin for the quarter

amounted to 12.4% (13.5), with the decline was due to non-recurring costs of MSEK 2.4 (0). The adjusted EBITA margin was 13.8% (13.6).

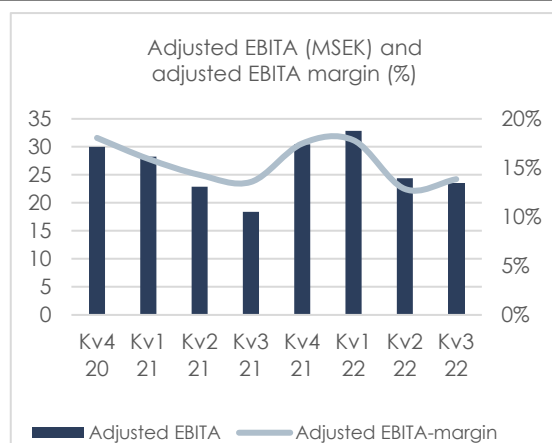
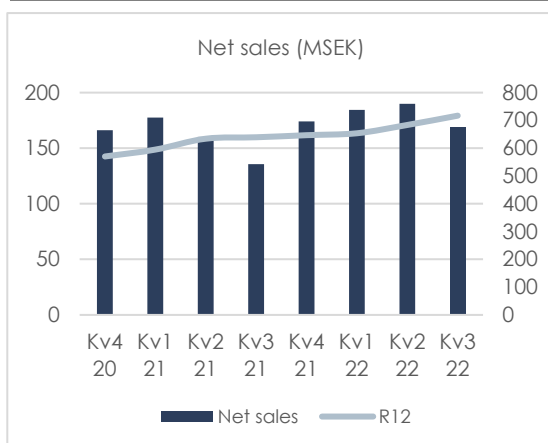
Net profit for the period amounted to MSEK 20.7 (12.2), resulting in earnings per share before dilution of SEK 0.92 (0.57). Net profit for the period was positively impacted by the write-off of the estimated earnout of MSEK 16.9 related to the acquisition of Artscape Inc. In addition, earnings for the period were negatively impacted by unrealised exchange rate losses totalling MSEK -7.9 related to interest-bearing liabilities in USD.

## Net sales per segment

MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	R12 Oct 2021-Sep 2022	Full-year 2021
Nordics	64.3	64.0	225.0	237.7	315.6	328.3
of which premium	30%	31%	29%	29%	29%	29%
Europe	53.6	54.3	181.5	180.8	242.4	241.8
of which premium	86%	79%	84%	81%	81%	80%
Rest of World	51.1	17.2	136.7	54.4	159.2	76.8
of which premium	95%	90%	94%	87%	92%	85%
<b>Total</b>	<b>169.0</b>	<b>135.5</b>	<b>543.2</b>	<b>472.9</b>	<b>717.2</b>	<b>646.9</b>

## Adjusted EBITA per segment

MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	R12 Oct 2021-Sep 2022	Full-year 2021
Nordics	5.7	7.8	27.3	34.0	46.0	52.8
Europe	9.2	8.3	32.2	29.2	40.7	37.7
Rest of World	8.5	2.3	21.1	6.2	24.3	9.4
<b>Total</b>	<b>23.4</b>	<b>18.4</b>	<b>80.6</b>	<b>69.4</b>	<b>111.0</b>	<b>99.9</b>



### Net financial items

Net financial items for the quarter were MSEK 5.6 (-2.0). 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. In addition, net financial items for the period were negatively impacted by unrealised exchange rate losses totalling MSEK -7.9 related to interest-bearing liabilities in USD.

### Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 28.2 (16.1). Operating cash flow was relatively robust, due primarily to strong underlying earnings and a more advantageous change in working capital compared with Q2, 2022.

Cash flow from investing activities for the quarter amounted to MSEK -3.4 (-2.4).

Cash flow from financing activities for the quarter amounted to MSEK -0.9 (-9.8). The trend is the result of an increase of MSEK 1.7 in the utilisation of the overdraft facility in the third quarter of 2022, while it declined in the year-earlier quarter by MSEK 6.9. The net difference is MSEK 8.6.

Cash flow for the period amounted to MSEK 23.9 (3.9).

### Investments and divestments

The company's investments in tangible and intangible assets amounted to MSEK 3.4 (2.4).

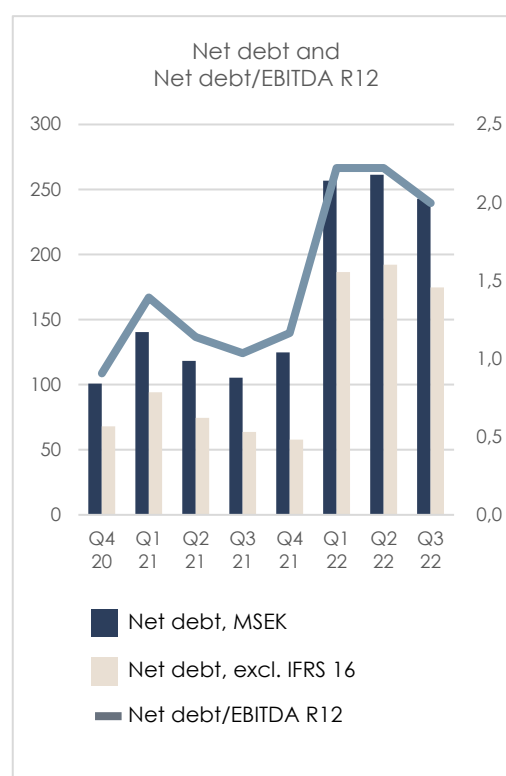
### Financial position

The company's total assets amounted to MSEK 871.2 (594.7) at the end of the quarter. The equity ratio was 46.0% (45.5) and cash and cash equivalents at the end of the quarter amounted to MSEK 86.4 (87.4).

The company's total net debt amounted to MSEK 243.2 (105.6) 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 2.0 times (1.0) at the end of the quarter. The debt/equity ratio pro forma, meaning including 12 months' EBITDA from Artscape, yielded a debt/equity ratio of 1.7.

### Net sales trend

Q3	MSEK	%
Net sales 2021	135.5	
Acquisitions	31.1	+23.0
Organic growth	0.3	+0.2
Currency	2.1	+1.5
<b>Net sales 2022</b>	<b>169.0</b>	<b>+24.7</b>



MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-year 2021
Cash flow from operating activities	28.2	16.1	91.9	46.8	62.1
Cash flow from investing activities	-3.4	-2.4	-152.4	-44.5	-53.2
Cash flow from financing activities	-0.9	-9.8	84.6	34.7	-2.3
<b>Cash flow for the period</b>	<b>23.9</b>	<b>3.9</b>	<b>24.1</b>	<b>37.0</b>	<b>6.6</b>

## NORDICS

# Soft demand and high price pressure require additional measures

### Net sales and earnings

Net sales in the Nordics totalled MSEK 64.3 (64.0). In the largest market, Sweden, sales were somewhat higher than in the year-earlier period. Sales in Denmark and Norway were also somewhat stronger than in the year-earlier period, while sales were somewhat weaker in Finland.

Adjusted EBITA amounted to MSEK 5.7 (7.7). The decline is partly due to 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 and lower sales volumes. Earnings were also impacted by increased marketing activities. A comprehensive cost review has been initiated.

The share of premium for the quarter totalled 30%, compared with 31% in the year-earlier period.

% of total sales

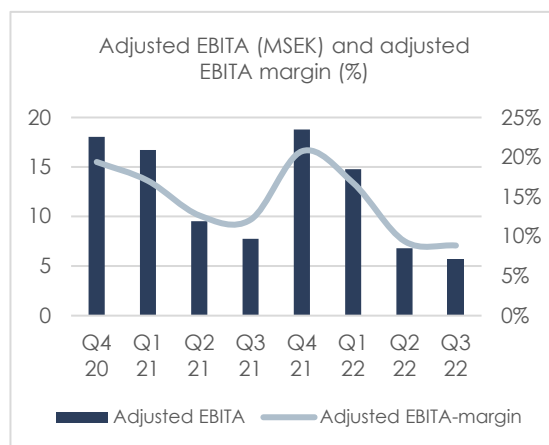
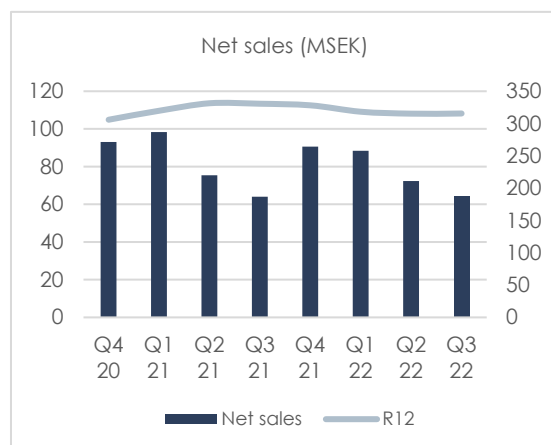
38%

Share of Premium

30%

### Performance measures

MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	R12 Oct 2021-Sep 2022	Full-year 2021
<b>NORDICS:</b>						
Net sales	64.3	64.0	225.0	237.7	315.6	328.3
Adjusted EBITA	5.7	7.7	27.2	34.0	46.0	52.8
Adjusted EBITA margin	9%	12%	12%	14%	15%	16%
Share of premium	30%	31%	29%	29%	29%	29%



## EUROPE

## Strong sales in key markets

## Net sales and earnings

Net sales in Europe totalled MSEK 53.6 (54.3). The trend is partly due to the termination of sales to the Russian market. Overall, this contributed to a revenue loss of about MSEK -3. 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 9.2 (8.3). The improvement in earnings is the result of a favourable sales mix, which led to a higher gross margin.

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

% of total sales

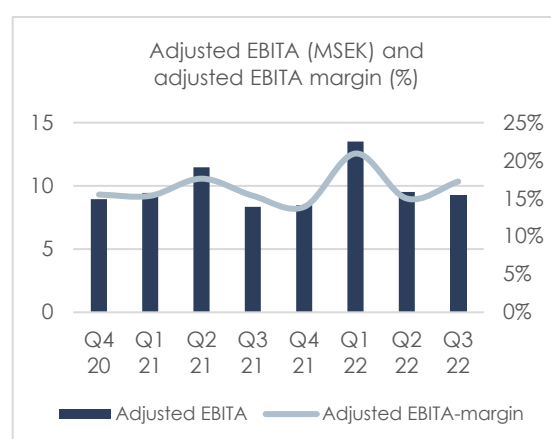
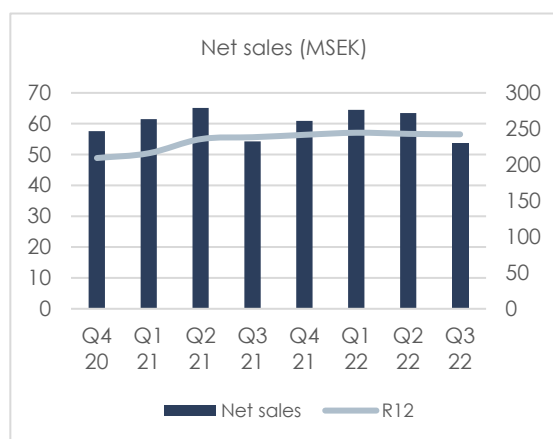
32%

Share of Premium

86%

## Performance measures

MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	R12 Oct 2021- Sep 2022	Full-year 2021
<b>EUROPE:</b>						
Net sales	53.6	54.3	181.5	180.8	242.4	241.8
Adjusted EBITA	9.2	8.3	32.2	29.2	40.7	37.7
Adjusted EBITA margin	17%	15%	18%	16%	17%	16%
Share of premium	86%	79%	84%	81%	81%	80%





## REST OF WORLD

# Organic growth and increased sales as a result of the Artscape acquisition

### Net sales and earnings

Net sales in Rest of World totalled MSEK 51.1 (17.2). This robust performance was due primarily to the acquisition of Artscape, but even excluding Artscape we noted positive growth in North America and Australia. In China, sales decreased slightly.

Adjusted EBITA amounted to MSEK 8.5 (2.4), an increase that was primarily driven by higher sales.

The share of premium for the third quarter was 95% compared with 90% in the year-earlier quarter. The increase in premium sales was driven primarily by the add-on acquisition.

% of total sales

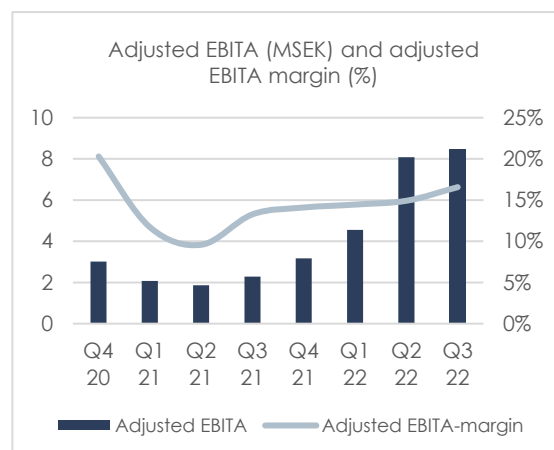
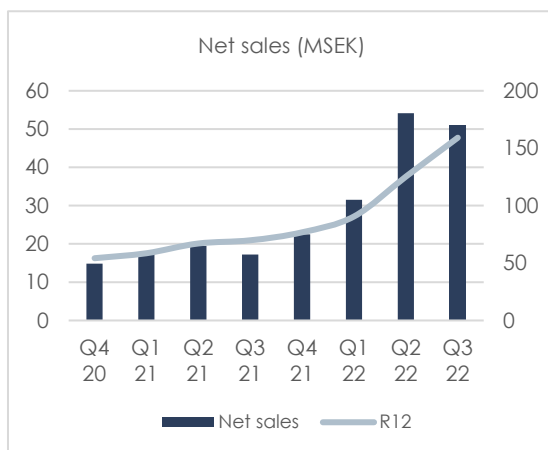
30%

Share of Premium

95%

### Performance measures

MSEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	R12 Oct 2021-Sep 2022	Full-year 2021
<b>REST OF WORLD:</b>						
Net sales	51.1	17.2	136.7	54.4	159.2	76.8
Adjusted EBITA	8.5	2.4	21.1	6.2	24.3	9.4
Adjusted EBITA margin	17%	14%	16%	11%	15%	12%
Share of premium	95%	90%	94%	87%	92%	85%



# Other Group

## Organisation

The number of FTEs on 30 September 2022 was 264 (207), of whom 139 (106) were women and 125 (101) 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

- No significant events

## Significant events after the end of the quarter

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

## Audit

This report was subject to review by the company's auditor.

---

# Parent Company

## Third quarter 2022

The Parent Company's net sales amounted to MSEK 3.5 (2.9). Net loss for the period after tax amounted to MSEK -8.9 (profit: 25.3). Earnings for the period were negatively impacted by unrealised exchange rate losses totalling MSEK -7.0, net, related to interest-bearing liabilities in USD. In the year-earlier period, the Parent Company received dividends from subsidiaries of MSEK 26.9.

# 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 30 September 2022

	No. of shares	Share of capital and votes, %
NORDNET PENSIONS FÖRSÄKRING AB	3,019,120	13.4
JCE ASSET MANAGEMENT AB	2,871,131	12.7
ACERVO AB	1,530,000	6.8
U.S. BANK NATIONAL ASSOCIATION, W9	1,136,495	5.0
NQ FÖRVALTNING AB	1,043,055	4.6
AVANZA PENSION	1,009,397	4.5
CALYPTRA AB	810,000	3.6
T-KONSORTIET AB	792,216	3.5
FE SMÅBOLAGS SVERIGE	715,402	3.2
JERKER ADEBERG HOLDING AB	572,647	2.5
<b>Total, ten largest owners</b>	<b>13,499,463</b>	<b>59.8</b>
Other shareholders	9,084,414	40.2
<b>Total</b>	<b>22,583,877</b>	<b>100.0</b>

### Incentive programme

Embellence Group has an incentive programme 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. 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, 25 October 2022**

Morten Falkenberg  
Chairman

Olle Svensk  
CEO

Karin Dennford

Hanna Graflund Sleyman

Henrik Nyqvist

Paul Steene

Christina Ståhl



# Auditor's report

Embellence Group AB (publ), 556006-0625

## Introduction

We have reviewed the condensed interim financial information (interim report) of Embellence Group AB as of 30 September 2022 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg 25 October 2022

PricewaterhouseCoopers AB

Patrik Resebo  
Authorized Public Accountant

# Condensed consolidated income statement

	July-September		January-September		Full-year
MSEK	2022	2021	2022	2021	2021
<b>Net sales</b>	<b>169.0</b>	<b>135.5</b>	<b>543.2</b>	<b>472.9</b>	<b>646.9</b>
Cost of goods sold	-70.8	-59.1	-225.8	-211.2	-287.8
<b>Gross profit</b>	<b>98.2</b>	<b>76.4</b>	<b>317.4</b>	<b>261.7</b>	<b>359.1</b>
Selling and administrative expenses	-83.2	-59.8	-258.2	-205.3	-282.1
Other operating income	2.3	0.7	6.0	2.4	5.1
Other operating expenses	-1.2	-1.0	-4.0	-2.1	-1.8
<b>Operating profit</b>	<b>16.1</b>	<b>16.3</b>	<b>61.2</b>	<b>56.7</b>	<b>80.3</b>
Net financial items	5.6	-2.0	-4.1	-6.2	-6.0
<b>Profit before tax</b>	<b>21.7</b>	<b>14.3</b>	<b>57.1</b>	<b>51.3</b>	<b>74.3</b>
Tax	-1.0	-2.1	-9.6	-10.4	-15.0
<b>Net profit for the period</b>	<b>20.7</b>	<b>12.2</b>	<b>47.5</b>	<b>40.9</b>	<b>59.3</b>
<b>Earnings per share for the period before dilution<sup>1)</sup> (SEK)</b>	<b>0.92</b>	<b>0.57</b>	<b>2.15</b>	<b>1.91</b>	<b>2.77</b>
<b>Earnings per share for the period after dilution<sup>1)</sup> (SEK)</b>	<b>0.92</b>	<b>0.56</b>	<b>2.14</b>	<b>1.87</b>	<b>2.72</b>
<b>Other comprehensive income</b>					
Actuarial gains and losses after tax	0.0	0.0	0.0	0.0	0.2
Translation differences	22.9	1.1	39.1	8.6	12.7
<b>Total other comprehensive income</b>	<b>22.9</b>	<b>1.1</b>	<b>39.1</b>	<b>8.6</b>	<b>12.9</b>
<b>Comprehensive income for the period</b>	<b>43.6</b>	<b>13.3</b>	<b>86.6</b>	<b>49.5</b>	<b>72.2</b>

<sup>1)</sup> Refer to Note 1 on page 22.

# Condensed consolidated balance sheet

MSEK	30 September		31 December
	2022	2021	2021
<b>ASSETS</b>			
Intangible non-current assets	391.7	206.8	208.8
Tangible non-current assets	70.5	65.9	69.8
Right-of-use assets	66.4	42.7	67.2
Deferred tax assets	1.4	4.4	0.6
Financial non-current assets	1.5	0.9	1.1
<b>Total non-current assets</b>	<b>531.5</b>	<b>320.7</b>	<b>347.5</b>
Inventories	124.8	84.5	86.9
Accounts receivable	95.4	77.9	104.8
Current tax assets	6.6	5.3	4.8
Other receivables	6.8	6.5	6.3
Prepaid expenses and accrued income	19.7	12.4	15.2
Cash and cash equivalents	86.4	87.4	58.0
<b>Total current assets</b>	<b>339.7</b>	<b>274.0</b>	<b>276.0</b>
<b>Total assets</b>	<b>871.2</b>	<b>594.7</b>	<b>623.5</b>

# Condensed consolidated balance sheet (cont.)

MSEK	30 September		31 December
	2022	2021	2021
<b>EQUITY AND LIABILITIES</b>			
Share capital	56.5	53.5	53.5
Other contributed capital	84.7	48.8	48.8
Reserves	41.1	-2.3	2.0
Retained earnings, including net profit for the year	218.4	170.6	189.1
<b>Equity attributable to Parent Company shareholders</b>	<b>400.7</b>	<b>270.6</b>	<b>293.4</b>
Provisions for pensions	5.5	4.4	4.6
Deferred tax liabilities	13.9	13.1	14.4
Liabilities from credit institutions	86.3	0.0	0.0
Lease liabilities	52.8	33.0	55.0
Other non-current liabilities	23.7	0.0	0.0
<b>Total non-current liabilities</b>	<b>182.2</b>	<b>50.5</b>	<b>74.0</b>
Liabilities to credit institutions	15.8	0.0	0.0
Bank overdraft facility	135.6	151.3	116.0
Lease liabilities	15.3	8.8	12.0
Accounts payable	41.5	42.4	47.9
Other current liabilities	27.0	28.4	29.9
Accrued expenses and deferred income	53.1	42.7	50.3
<b>Total current liabilities</b>	<b>288.3</b>	<b>273.6</b>	<b>256.1</b>
<b>Total liabilities</b>	<b>470.5</b>	<b>324.1</b>	<b>330.1</b>
<b>Total equity and liabilities</b>	<b>871.2</b>	<b>594.7</b>	<b>623.5</b>

## Indebtedness

MSEK	30 September		31 December
	2022	2021	2021
Lease liabilities	68.2	41.8	67.0
Bank overdraft facility	135.6	151.3	116.0
Other interest-bearing receivables and liabilities	125.8	0.0	0.0
<b>Gross debt</b>	<b>329.6</b>	<b>193.1</b>	<b>183.0</b>
Cash and cash equivalents	-86.4	-87.4	-58.0
<b>Net debt</b>	<b>243.2</b>	<b>105.7</b>	<b>125.0</b>
<b>EBITDA</b>	<b>121.8</b>	<b>104.7</b>	<b>107.4</b>
<b>Net debt / EBITDA (R12)</b>	<b>2.0</b>	<b>1.0</b>	<b>1.2</b>
<b>Net debt / EBITDA excl. IFRS 16 effects (R12)</b>	<b>1.6</b>	<b>0.7</b>	<b>0.6</b>
<b>Equity ratio</b>	<b>46.0%</b>	<b>45.5%</b>	<b>47.1%</b>
<b>Quota value per share (SEK)</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>



# Condensed consolidated cash-flow statement

	July-September		January-September		Full-year
MSEK	2022	2021	2022	2021	2021
<b>OPERATING ACTIVITIES</b>					
Operating profit	16.1	16.3	61.2	56.7	80.3
<i>Adjustments for non-cash items</i>					
Depreciation and amortisation	11.1	6.9	30.1	20.3	27.2
Other	2.1	2.3	1.2	6.9	7.7
<b>Total</b>	<b>29.3</b>	<b>25.5</b>	<b>92.5</b>	<b>83.9</b>	<b>115.2</b>
Interest received	0.0	0.1	0.1	0.6	1.0
Interest paid	-3.5	-2.0	-8.9	-6.2	-8.0
Tax paid	-4.3	-3.3	-13.6	-8.9	-9.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>21.5</b>	<b>20.3</b>	<b>70.1</b>	<b>69.4</b>	<b>98.8</b>
Cash flow from changes in working capital	6.7	-4.2	-21.8	-22.6	-36.7
<b>Cash flow from operating activities</b>	<b>28.2</b>	<b>16.1</b>	<b>91.9</b>	<b>46.8</b>	<b>62.1</b>
<b>INVESTING ACTIVITIES</b>					
Acquisition of tangible and intangible assets	-3.4	-2.4	-10.1	-10.1	-18.8
Acquisition of companies, less acquired cash and cash equivalents	0.0	0.0	-142.3	-34.4	-34.4
<b>Cash flow from investing activities</b>	<b>-3.4</b>	<b>-2.4</b>	<b>-152.4</b>	<b>-44.5</b>	<b>-53.2</b>
<b>FINANCING ACTIVITIES</b>					
Change in bank overdraft facilities	1.7	-6.9	19.6	43.4	8.1
Repayment of lease liabilities	-2.6	-2.9	-7.9	-8.7	-10.4
Loans raised	0.0	0.0	94.5	0.0	–
Repayment of loans	0.0	0.0	-3.8	0.0	–
Option premiums received	0.0	0.0	0.3	0.0	–
Dividend	0.0	0.0	-18.1	0.0	–
<b>Cash flow from financing activities</b>	<b>-0.9</b>	<b>-9.8</b>	<b>84.6</b>	<b>34.7</b>	<b>-2.3</b>
Cash flow for the period	23.9	3.9	24.1	37.0	6.6
Cash and cash equivalents at beginning of period	60.0	83.4	58.0	49.0	49.0
Exchange rate differences in cash and cash equivalents	2.5	0.1	4.3	1.4	2.4
Cash and cash equivalents at end of period	86.4	87.4	86.4	87.4	58.0

# Consolidated statement of changes in equity

MSEK	2022
<b>Opening equity 1 Jan 2022</b>	<b>293.4</b>
Net profit for the period	47.5
Other comprehensive income	39.1
Issue in kind	38.5
Dividend	-18.1
Option premiums received	0.3
<b>Closing balance 30 Sep 2022</b>	<b>400.7</b>

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

# Condensed Parent Company income statement

MSEK	July-September		January-September		Full-year
	2022	2021	2022	2021	2021
<b>Net sales</b>	<b>3.5</b>	<b>2.9</b>	<b>9.9</b>	<b>8.7</b>	<b>11.9</b>
Administrative expenses	-4.7	-4.2	-16.1	-21.7	-26.6
<b>Operating loss</b>	<b>-1.2</b>	<b>-1.3</b>	<b>-6.2</b>	<b>-13.0</b>	<b>-14.7</b>
Net financial items	-10.6	26.2	-20.9	25.0	24.6
<b>Profit/loss after financial items</b>	<b>-11.8</b>	<b>24.9</b>	<b>-27.1</b>	<b>12.0</b>	<b>9.9</b>
Group contributions	0.0	0.0	0.0	0.0	48.2
Other appropriations	0.0	0.0	0.0	0.0	-3.0
<b>Profit/loss before tax</b>	<b>-11.8</b>	<b>24.9</b>	<b>-27.1</b>	<b>12.0</b>	<b>55.1</b>
Tax	2.9	0.4	6.0	3.1	-6.0
<b>Net profit/loss for the period</b>	<b>-8.9</b>	<b>25.3</b>	<b>-21.1</b>	<b>15.1</b>	<b>49.1</b>

# Condensed Parent Company balance sheet

MSEK	30 September		31 December
	2022	2021	2021
<b>ASSETS</b>			
Intangible non-current assets	1.5	0.8	1.6
Deferred tax assets	6.3	7.4	0.2
Financial non-current assets	619.0	409.3	409.5
<b>Total non-current assets</b>	<b>626.8</b>	<b>417.5</b>	<b>411.2</b>
Other receivables	0.4	0.0	0.3
Prepaid expenses and accrued income	1.7	1.0	1.4
Cash and cash equivalents	0.0	0.0	0.0
<b>Total current assets</b>	<b>1.9</b>	<b>1.0</b>	<b>1.7</b>
<b>Total assets</b>	<b>628.9</b>	<b>418.5</b>	<b>413.0</b>

MSEK	30 September		31 December
	2022	2021	2021
<b>EQUITY AND LIABILITIES</b>			
Share capital	56.5	53.5	53.5
Statutory reserve	10.0	10.0	10.0
Share premium reserve	102.2	66.3	66.3
Retained earnings, including net profit for the year	8.3	13.5	47.5
<b>Equity attributable to Parent Company shareholders</b>	<b>177.0</b>	<b>143.3</b>	<b>177.3</b>
<b>Unfunded reserves</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>
Provisions for pensions	1.1	0.8	0.9
Liabilities to credit institutions	86.3	0.0	0.0
Other non-current liabilities	23.7	0.0	0.0
<b>Total non-current liabilities</b>	<b>111.1</b>	<b>0.8</b>	<b>0.9</b>
Liabilities to credit institutions	15.8	0.0	0.0
Bank overdraft facility	135.6	151.3	116.0
Accounts payable	0.7	0.8	0.5
Liabilities to Group companies	176.0	118.6	105.5
Other current liabilities	4.2	0.5	2.8
Accrued expenses and deferred income	5.5	3.2	7.1
<b>Total current liabilities</b>	<b>337.8</b>	<b>274.4</b>	<b>231.8</b>
<b>Total liabilities</b>	<b>448.9</b>	<b>275.2</b>	<b>232.7</b>
<b>Total equity and liabilities</b>	<b>628.9</b>	<b>418.5</b>	<b>413.0</b>



# Quarterly overview

MSEK	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Net sales	166.1	177.5	160.0	135.5	174.0	184.4	189.9	<b>169.0</b>
Adjusted EBITA	30.0	28.2	22.9	18.4	30.4	32.8	24.4	<b>23.4</b>
Adjusted EBITA margin, %	18.1%	15.9%	14.3%	13.6%	17.5%	17.8%	12.8%	<b>13.8%</b>
Share of premium, %	47%	52%	57%	57%	51%	57%	65%	<b>67%</b>

## Quarterly data per segment

MSEK	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
<b>Net sales per segment</b>								
Nordics	93.0	98.3	75.4	64.0	90.6	88.4	72.4	<b>64.3</b>
Europe	57.6	61.5	65.1	54.3	60.9	64.5	63.4	<b>53.6</b>
Rest of World	15.5	17.7	19.5	17.2	22.5	31.5	54.1	<b>51.1</b>
<b>TOTAL</b>	<b>166.1</b>	<b>177.5</b>	<b>160.0</b>	<b>135.5</b>	<b>174.0</b>	<b>184.4</b>	<b>189.9</b>	<b>169.0</b>

MSEK	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
<b>Adjusted EBITA per segment</b>								
Nordics	18.1	16.7	9.5	7.7	18.8	14.8	6.7	5.7
Europe	8.9	9.4	11.5	8.3	8.5	13.5	9.6	9.2
Rest of World	3.0	2.1	1.9	2.3	3.1	4.6	8.1	8.5
<b>Total adjusted EBITA</b>	<b>30.0</b>	<b>28.2</b>	<b>22.9</b>	<b>18.3</b>	<b>30.3</b>	<b>32.8</b>	<b>24.4</b>	<b>23.4</b>
Items affecting comparability		-5.3	-1.7	0.0	-4.6	-2.1	-2.4	-2.4
<b>EBITA</b>		<b>22.9</b>	<b>21.2</b>	<b>18.3</b>	<b>25.8</b>	<b>30.7</b>	<b>22.0</b>	<b>21.0</b>
Impairment of intangible assets		-1.8	-1.9	-2.0	-2.2	-2.9	-4.6	-4.9
<b>Total EBIT</b>		<b>21.1</b>	<b>19.3</b>	<b>16.3</b>	<b>23.6</b>	<b>27.8</b>	<b>17.4</b>	<b>16.1</b>

# Notes

## Note 1 Earnings per share

SEK	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Full-year 2021
<b>Continuing operations</b>					
Earnings per share before dilution	0.92	0.57	2.15	1.91	2.77
Earnings per share after dilution	0.92	0.56	2.14	1.87	2.72
<b>Performance measures used in the calculation of earnings per share before and after dilution (MSEK)</b>					
Net profit for the period	20.7	12.2	47.5	40.9	59.3
<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	21,400,000	22,054,076	21,400,000	21,400,000
<i>Warrants</i>					
Adjustment for calculation of earnings per share after dilution attributable to warrants	0	439,368	141,481	434,174	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	21,839,368	22,195,557	21,834,174	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 222.5. The cash flow effect of the acquisition was MSEK 142.3. On acquisition, the company had net cash/cash and cash equivalents of MSEK 3.9. Since the acquisition, the company has contributed MSEK 76.2 in net sales and MSEK 4.5 in profit after tax. If the acquisition had been completed on 1 January 2022, the company would have contributed MSEK 98.1 in net sales and MSEK 5.8 in profit after tax.

### Purchase consideration Artscape Inc., MSEK:

Cash and cash equivalents	146.2
Promissory note	20.9
Embellence shares	38.6
Earnout*	16.9
<b>Total payment for shares</b>	<b>222.5</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 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	-9.6
<b>Total identifiable net assets</b>	<b>155.6</b>
Goodwill	67.0
<b>Total identifiable net assets</b>	<b>222.5</b>

The acquisition-related costs amounted to a total of MSEK 3.7, of which MSEK 0.3 in the third 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 is estimated according to the fair value of the liability, since the discount effect is not significant. The earnout is 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 were 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 leasing 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.



## Contact

Pär Ihrskog, CFO  
Tel: +46(0)33-236400  
Email: [ir@embellencegroup.com](mailto:ir@embellencegroup.com)

### **Embellence Group AB (publ)**

Ryssnäsgratan 8  
SE-504 64 Borås, Sweden  
Tel: +46(0)33-236400  
Email: [info@embellencegroup.com](mailto:info@embellencegroup.com)  
[www.embellencegroup.com](http://www.embellencegroup.com)

## Financial calendar

Year-end Report 2022

21 February 2023

## About Embellence Group AB

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

## Certified Adviser

FNCA Sverige AB  
Humlegårdsgatan 5  
SE-114 46 Gothenburg, Sweden

## Public disclosure

This information is information that Embellence Group AB (publ) is obliged to disclose under the EU Market Abuse Regulation. The information was released for public disclosure, through the contact person above, on October 25, 2022, at 08.00 CEST.