

INTERIM REPORT QUARTER 2 2022




BORÅSTAPETER


Cole & Son

Wall&decò

pappelina®


alltoscapes
ANYMORE FOR YOUR WINDOWS.

embellence
GROUP

Navigating towards our long-term goal

Second quarter 2022

- Net sales amounted to MSEK 189.9 (160.0), up 18.7%
- Negative organic growth of -4.0%
- Adjusted EBITA* amounted to MSEK 24.4 (22.9), up 6.6%
- EBITA amounted to MSEK 22.0 (21.2), up 3.8%
- Net profit for the period** amounted to MSEK 2.0 (13.3), and earnings per share for the period before dilution were SEK 0.09 (0.62)
- Operating cash flow amounted to MSEK 26.5 (17.8).

Significant events during the quarter

- Hanna Graf Lund Sleyman and Karin Dennford elected as new members of the Board of Directors. Mattias Letmark declined re-election.

“In the second quarter, we delivered strong growth fuelled by sales in North America. High market activity for all brands left its mark in a slightly lower operating profit.

Olle Svensk
CEO
Embellence Group AB

MSEK	Apr–Jun 2022	Apr–Jun 2021	Jan–Jun 2022	Jan–Jun 2021	R12 July 2021– June 2022	Full-year 2021
Group						
Net sales	189.9	160.0	374.3	337.4	683.7	646.9
EBITA	22.0	21.2	52.8	44.2	96.9	88.3
Adjusted EBITA*	24.4	22.9	57.2	51.1	106.0	99.9
Profit before tax	3.3	17.1	35.4	37.0	72.7	74.3
Net profit for the period**	2.0	13.3	26.8	28.7	57.3	59.3
Operating cash flow	26.5	17.8	63.7	30.7	95.0	62.1
EBITA margin, %	11.6%	13.3%	14.1%	13.1%	14.2%	13.7%
Adjusted EBITA margin, %	12.8%	14.3%	15.3%	15.1%	15.5%	15.4%
Net debt	261.6	118.5	261.6	118.5	261.6	125.0
Net debt/EBITDA	–	–	–	–	2.2	1.2
Net debt/EBITDA excl. IFRS 16 effects	–	–	–	–	1.8	0.6
Equity ratio, %	42.4%	43.6%	42.4%	43.6%	42.4%	47.1%
Earnings per share for the period before dilution (SEK)	0.09	0.62	1.24	1.34	2.67	2.77
Earnings per share for the period after dilution (SEK)	0.09	0.61	1.24	1.32	2.64	2.72
Number of employees	261	211	261	211	261	236

*EBITA excluding acquisition costs related to the acquisition of Artscape, as well as restructuring costs in the Nordics.

**Net profit for the period were negatively impacted by net unrealised exchange rate losses totalling MSEK -11.8.

Speed up, slow down, and prepare for the unexpected

The second quarter of 2022 was marked by a strong performance in net sales. Growth of 19% is in line with our long-term target of achieving sales of SEK 1.2 bn by 2025. We still have far to go, but this isn't a 100-metre dash for us; it's a marathon. Higher revenue for the Group is a result of increased sales in the US, which in turn is a result of the acquisition of Artscape. In other geographic markets, sales decreased during the quarter.

Our gross margins continue to strengthen year-on-year. They are, however, somewhat lower than they were in the first quarter, which reflects an unfavourable sales mix in the Nordics.

Six months into 2022, we can sum up a growth close to +11%, and with an adjusted EBITA result of 15.3% - we are on the right track.

Changes in market dynamic

As regards the market dynamic, we note that sales to online retailers are decreasing. Many of them are struggling with lower demand, higher stock levels and – in certain cases – a complete halt to purchases. Furthermore, we note a shift to the physical retail trade, though not to an extent that fully offsets the decrease in online sales.

We can additionally state that the brands in our portfolio that are addressed primarily to end consumers are now confronted with a new, different reality of weaker sentiment. For us, this is predominantly affecting Pappelina and Artscape. As regards our other brands – Boråstapeter, Cole & Son and Wall&decò, which also have a share of sales to hotels, restaurants and the general public – we are seeing a different trend. Demand here is pent up after a sharp downturn during the pandemic.

Navigating against the wind

The aggregate 19% increase in sales during the quarter was in line with our expectations. Adjusted EBITA increased 6.6%. The weaker trend in profitability was due primarily to:

- *An unfavourable product mix in the Nordics.* Orders from the general public in Sweden were only from the value segment, where both the average sale price and gross margin are lower.

- *Increased costs related to input materials.* There are indications here, however, that we have reached a plateau with a dampening trend.
- *Increased investments in sales and marketing year-on-year.* Foremost among these were Wall&decò's launch of Sound System Wallpaper (SSW), a wall coverings system that improves the acoustic comfort of a room. Cole & Son launched a partnership with Stella McCartney, produced with our most environmentally friendly non-woven material to date. Moreover, activity for our sales teams has also palpably intensified, with increased travel and participation in various types of events in Europe and North America.

Major focus on efficiency and cost savings in the Nordics

Given the prevailing situation globally, we are now working actively on ensuring good cost levels. We recently launched a cost savings programme in the Nordics that is expected to have a full-year EBITA effect of at least MSEK 3. As regards the future, we remain cautiously optimistic but expect that the coming 9 to 12 months will be eventful and on occasion even challenging. Further actions therefore cannot be ruled out.

The integration of Artscape has begun

Four months have now passed since Artscape became part of the Embellence Group, thereby providing us with more geographic balance in our business. Though the integration process is still in its early stages, it has so far gone in accordance with plans.

As regards demand, Artscape experienced a lower order intake than estimated during the quarter while the cost of input materials increased. We are now conducting an initiative aimed at countering these cost increases. We have also begun preparations ahead of the launch of Artscape's products outside North America.

Future prospects

Rising interest rates and decreased activity in the housing market may dampen demand from private individuals in the coming quarters. However, we expect that this will be offset – at least in part – by stronger demand from customers in the hotel and restaurant industry.

The third quarter has historically been the weakest for Embellence Group. The summer holiday season across Europe, where consumers normally prioritise activities outside the home, usually results in decreased demand.

Carefully selected add-on acquisitions

Embellence Group's financial target is to reach SEK 1.2 bn in sales with an EBITA margin of at least 15% over a business cycle. Growth should occur organically but also through add-on acquisitions. We are continuing our efforts to identify and approach companies and brands that could potentially offer a good strategic and financial match with our existing operations. In the current market situation, we believe that exciting opportunities could arise.

Once again, my sincerest thanks to the entire organisation for yet another job well done while navigating through these unprecedented times. And to all our partners and customers around the world – my sincere thanks for your efforts and continued support.

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 52–56%, while in the premium segment they are 60–70%.

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
H1 2022, MSEK

374

Adjusted EBITA
margin, H1 2022

15.3%

Share of
Premium, H1 2022

62%

Our fantastic brand portfolio



Group performance second quarter 2022

Net sales and earnings

Net sales amounted to MSEK 189.9 (160.0), up 18.7% 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 fell in other geographic segments during the quarter, primarily a result of a decrease in sales to consumers. Net sales in the first two quarters amounted to MSEK 374.3 (337.4), up 10.9%.

Adjusted EBITA for the quarter amounted to MSEK 24.4 (22.9), up 6.6%. The weaker trend in profitability was due

primarily to an unfavourable product mix in the Nordics, increased costs for input materials, and investments in launches and marketing – primarily in Europe. Adjusted EBITA for the first half of the year amounted to MSEK 57.2 (51.1).

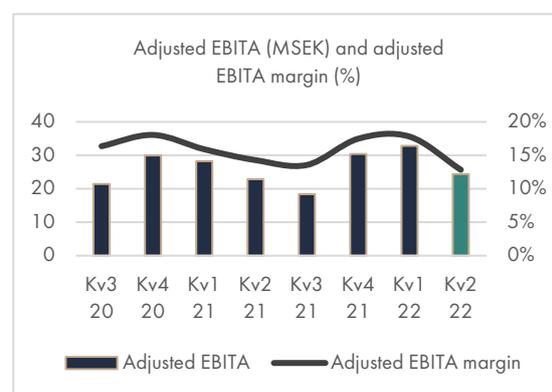
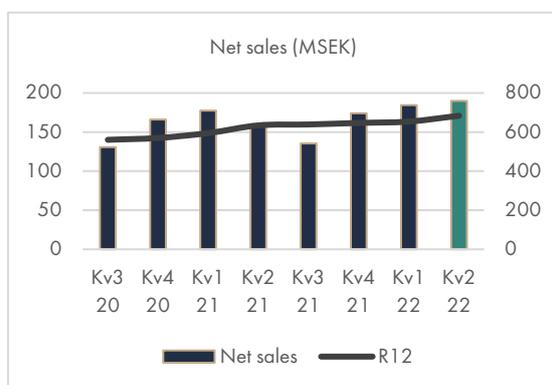
Net profit for the period amounted to MSEK 2.0 (13.3), resulting in earnings per share before dilution of SEK 0.09 (0.62). Earnings for the period were negatively impacted by net unrealised exchange rate losses totalling MSEK -11.8 related to the financing in USD that the Group raised in connection with the acquisition of Artscape.

Net sales per segment

MSEK	Apr–Jun 2022	Apr–Jun 2021	Jan–Jun 2022	Jan–Jun 2021	R12 July 2021–June 2022	Full-year 2021
Nordics	72.4	75.4	160.8	173.7	315.4	328.3
of which premium	27%	29%	29%	29%	29%	29%
Europe	63.4	65.1	127.9	126.6	243.1	241.8
of which premium	85%	82%	83%	82%	80%	80%
Rest of World	54.1	19.5	85.6	37.1	125.3	76.8
of which premium	94%	84%	93%	86%	90%	85%
Total	189.9	160.0	374.3	337.4	683.7	646.9

Adjusted EBITA per segment

MSEK	Apr–Jun 2022	Apr–Jun 2021	Jan–Jun 2022	Jan–Jun 2021	R12 July 2021–June 2022	Full-year 2021
Nordics	6.9	9.5	21.6	26.2	48.1	52.8
Europe	9.5	11.5	23.0	20.9	39.8	37.7
Rest of World	8.0	1.9	12.6	3.9	18.1	9.4
Total	24.4	22.9	57.2	51.1	106.0	99.9



Net financial items

Net financial items for the quarter were MSEK -14.1 (-2.2). The negative increase year-on-year was due primarily to unrealised exchange rate losses and increased interest expense for the financing in USD that the Group raised in connection with the acquisition of Artscape.

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 26.5 (17.8). Operating cash flow was relatively robust, due primarily to strong underlying earnings and a more advantageous change in working capital compared with the year-earlier period.

Cash flow from investing activities for the quarter amounted to MSEK -3.8 (-12.5).

Cash flow from financing activities for the quarter amounted to MSEK -3.7 (4.7), with the change compared with the year-earlier period due to the dividend disbursement in May 2022 as well as amortisation of loans.

Cash flow for the period amounted to MSEK 18.9 (10.0).

Investments and divestments

The company's investments in tangible and intangible assets amounted to MSEK 3.8 (4.3).

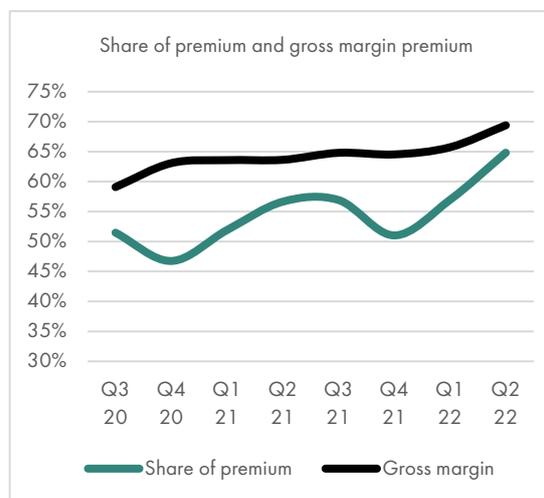
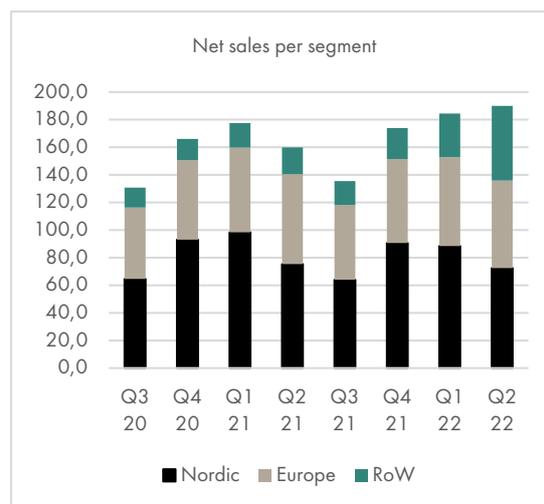
Financial position

The company's total assets amounted to MSEK 842.6 at the end of the quarter, compared with MSEK 589.8 in the year-earlier period. The equity ratio was 42.4% (43.6) and cash and cash equivalents at the end of the quarter amounted to MSEK 60.0 (83.4).

The company's net debt amounted to MSEK 261.6 at the end of the quarter, compared with MSEK 118.5 at the end of the year-earlier period. 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 2.2 times at the end of the quarter. (1.1).

Net sales trend

MSEK	Q2
Net sales 2021	160.0
Acquisitions	33.5
Organic growth	-6.3
Currency	2.7
Net sales 2022	189.9



MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	R12 July 2021-June 2022	Full-year 2021
Cash flow from operating activities	26.5	17.8	63.7	30.7	95.1	62.1
Cash flow from investing activities	-3.8	-12.5	-149.1	-42.1	-160.2	-53.2
Cash flow from financing activities	-3.7	4.7	85.5	44.5	38.7	-2.3
Cash flow for the period	18.9	10.0	0.1	33.1	-26.4	6.6

NORDICS: Focus on cost controls

Net sales and earnings

Net sales in the Nordics totalled MSEK 72.4 (75.4). The decrease in net sales was due primarily to lower levels of sales to consumers. In principle, orders from the general public in Sweden were only from the value segment, where both the average sale price and gross margin are lower. Sales in Sweden were in line with the year-earlier period. In the rest of the Nordics, especially Norway, we noted a decrease in demand.

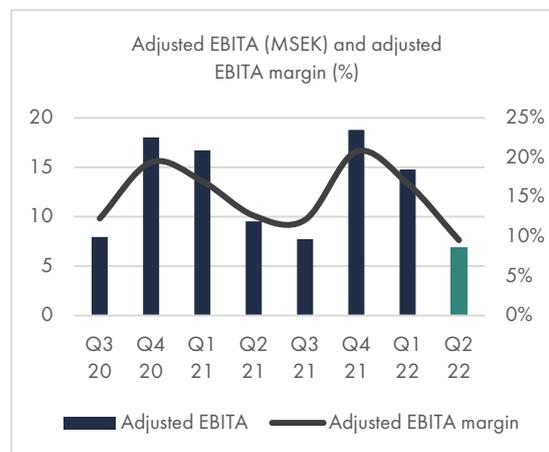
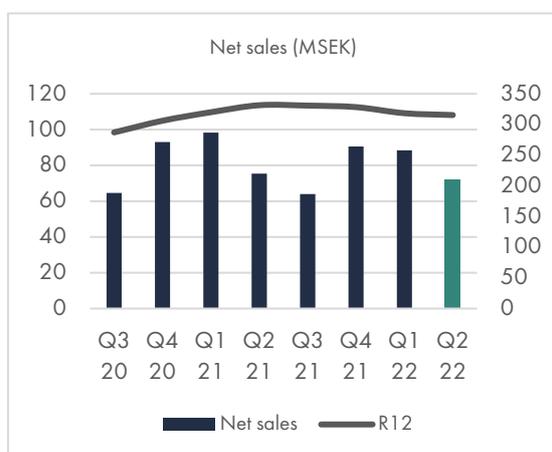
Adjusted EBITA amounted to MSEK 6.9 (9.5). This decrease was due primarily to changes in the sales mix as well as increased costs for input materials and marketing activities.

The share of premium for the quarter totalled 27%, compared with 29% in the year-earlier period. The downturn was largely due to changes in the sales mix.



Performance measures

MSEK	Apr–Jun 2022	Apr–Jun 2021	Jan–Jun 2022	Jan–Jun 2021	R12 July 2021 – June 2022	Full-year 2021
NORDICS:						
Net sales	72.4	75.4	160.8	173.7	315.4	328.3
Adjusted EBITA	6.9	9.5	21.6	26.3	48.1	52.8
Adjusted EBITA margin	10%	13%	13%	15%	15%	16%
Share of premium	27%	29%	29%	28%	29%	29%



EUROPE:

Major launches and increased marketing

Net sales and earnings

Net sales in Europe totalled MSEK 63.4 (65.1). The decrease was due primarily to dampened demand among private individuals, which was not completely offset by increased demand in the hotel and restaurant industry. The UK, our largest market, displayed robust growth. Germany, Spain and the Netherlands were marked by decreased demand. Since February 2022, there have been no new sales in Russia. Sales in Russia during the year-earlier period totalled MSEK 3.3.

Adjusted EBITA amounted to MSEK 9.5 (11.5). The decrease was due to a combination of lower net sales and increased marketing activities.

The share of premium for the quarter totalled 85%, compared with 82% in the year-earlier period. The increase was due to changes in the sales mix.

% of total sales

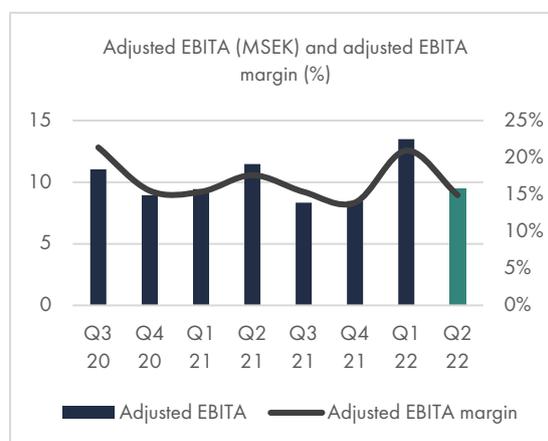
33%

Share of Premium

85%

Performance measures

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	R12 July 2021 - June 2022	Full-year 2021
EUROPE:						
Net sales	63.4	65.1	127.9	126.6	243.1	241.8
Adjusted EBITA	9.5	11.5	23.0	20.9	39.8	37.7
Adjusted EBITA margin	15%	18%	18%	17%	16%	16%
Share of premium	85%	82%	83%	82%	80%	80%



REST OF WORLD:

Increase sales as a result of the Artscape acquisition

Net sales and earnings

Net sales in Rest of World totalled MSEK 54.1 (19.5). This robust performance was due primarily to the acquisition of Artscape, but even excluding Artscape we noted growth in North America and Australia. In China, sales decreased slightly.

Adjusted EBITA amounted to MSEK 8.0 (1.9), an increase that was primarily driven by higher sales.

The share of premium for the first quarter was 93% as against 84% the preceding year. The increase in premium sales was driven primarily by the add-on acquisition.

% of total sales

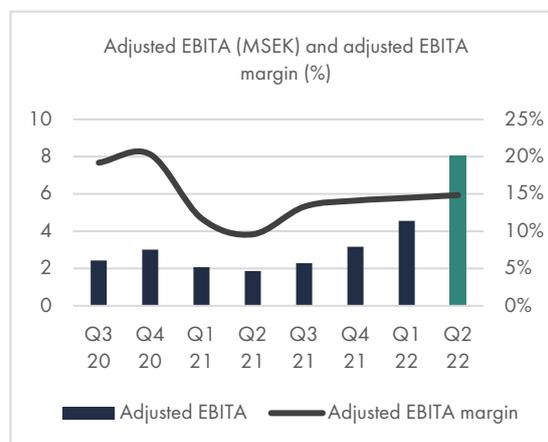
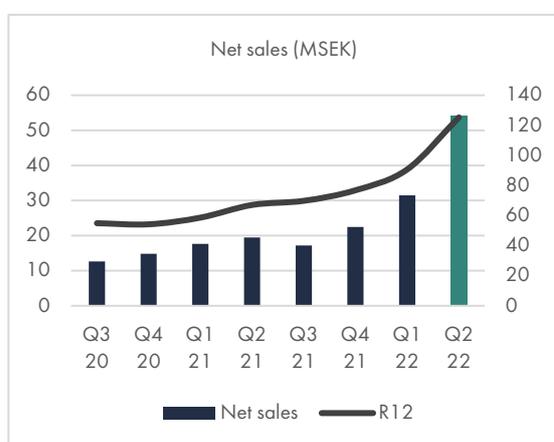
28%

Share of Premium

94%

Performance measures

MSEK	Apr–Jun 2022	Apr–Jun 2021	Jan–Jun 2022	Jan–Jun 2021	R12 July 2021– June 2022	Full-year 2021
REST OF WORLD:						
Net sales	54.1	19.5	85.6	37.1	125.3	76.8
Adjusted EBITA	8.0	1.9	12.6	3.9	18.1	9.4
Adjusted EBITA margin	15%	10%	15%	11%	14%	12%
Share of premium	94%	84%	93%	86%	90%	85%



Other Group

Organisation

The number of FTEs on 30 June 2022 was 261 (211), of whom 143 (104) were women and 118 (107) 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

- Hanna Graflund Sleyman and Karin Dennford were elected as new members of the Board of Directors. Former Board member Mattias Letmark declined re-election.

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

Second quarter 2022

The Parent Company's net sales amounted to MSEK 3.4 (2.9). Net loss for the period after tax amounted to -13.8 MSEK (-3.1). Earnings were negatively impacted by unrealised exchange rate losses totalling MSEK -11.9.

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 owner on the same date was Nordnet Pensionsförsäkring AB, which holds 13.34% of the number of shares and votes in Embellence Group. The previous principal owner, Litorina Coinvest 1 AB, sold all its shares in Embellence Group AB during the quarter.

The largest owners on 30 June 2022

	No. of shares	Share of capital and votes, %
NORDNET PENSIONS FÖRSÄKRING AB	3,011,831	13.3
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	933,422	4.1
T-KONSORTIET AB	792,216	3.5
CALYPTRA AB	750,000	3.3
FE SMÅBOLAGS SVERIGE	715,402	3.2
JERKER ADEBERG HOLDING AB	572,647	2.5
Total, ten largest owners	13,356,199	59.0
Other shareholders	9,227,678	41.0
Total	22,583,877	100.0

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, 18 July 2022

Morten Falkenberg
Chairman

Olle Svensk
CEO

Karin Dennford

Hanna Graflund Sleyman

Henrik Nyqvist

Paul Steene

Christina Ståhl

Condensed consolidated income statement

MSEK	Apr–Jun		January–June		Full-year
	2022	2021	2022	2021	2021
Net sales	189.9	160.0	374.3	337.4	646.9
Cost of goods sold	-80.0	-70.0	-155.0	-152.0	-287.8
Gross profit	109.9	90.0	219.3	185.4	359.1
Selling and administrative expenses	-92.0	-70.9	-175.1	-145.5	-282.1
Other operating income	1.4	1.2	3.7	1.7	5.1
Other operating expenses	-1.9	-1.0	-2.8	-1.2	-1.8
Operating profit	17.4	19.3	45.1	40.4	80.3
Net financial items	-14.1	-2.2	-9.7	-3.6	-6.0
Profit before tax	3.3	17.1	35.4	37.0	74.3
Tax	-1.3	-3.8	-8.6	-8.3	-15.0
Net profit for the period	2.0	13.3	26.8	28.7	59.3
Earnings per share for the period before dilution¹⁾ (SEK)	0.09	0.62	1.24	1.34	2.77
Earnings per share for the period after dilution¹⁾ (SEK)	0.09	0.61	1.24	1.32	2.72
Other comprehensive income					
Actuarial gains and losses after tax	0.0	0.0	0.0	0.0	0.2
Translation differences	27.5	-3.4	16.2	7.5	12.7
Total other comprehensive income	27.5	-3.4	16.2	7.5	12.9
Comprehensive income for the period	29.5	9.9	42.6	36.2	72.2

¹⁾ Refer to Note 1 on page 22.

Condensed consolidated balance sheet

MSEK	30 June		31 December
	2022	2021	2021
ASSETS			
Intangible non-current assets	379.9	206.8	208.8
Tangible non-current assets	69.7	67.0	69.8
Right-of-use assets	68.3	44.5	67.2
Deferred tax assets	0.8	4.7	0.6
Financial non-current assets	1.4	0.9	1.1
Total non-current assets	520.1	323.9	347.5
Inventories	137.6	86.6	86.9
Accounts receivable	98.4	75.7	104.8
Current tax assets	2.6	0.4	4.8
Other receivables	5.5	6.5	6.3
Prepaid expenses and accrued income	18.3	13.3	15.2
Cash and cash equivalents	60.0	83.4	58.0
Total current assets	322.5	265.9	276.0
Total assets	842.6	589.8	623.5

Condensed consolidated balance sheet (cont.)

MSEK	30 June		31 December
	2022	2021	2021
EQUITY AND LIABILITIES			
Share capital	56.5	53.5	53.5
Other contributed capital	84.7	39.4	48.8
Reserves	18.2	-3.4	2.0
Retained earnings, including net profit for the year	197.7	167.8	189.1
Equity attributable to Parent Company shareholders	357.1	257.4	293.4
Provisions for pensions	5.5	4.2	4.6
Deferred tax liabilities	11.6	13.2	14.4
Liabilities from credit institutions	82.0	0.0	0.0
Lease liabilities	55.0	33.6	55.0
Other non-current liabilities	21.9	0.0	0.0
Total non-current liabilities	176.0	51.0	74.0
Liabilities to credit institutions	14.6	0.0	0.0
Bank overdraft facility	133.9	158.2	116.0
Lease liabilities	14.1	10.0	12.0
Accounts payable	51.3	48.7	47.9
Other current liabilities	42.8	20.2	29.9
Accrued expenses and deferred income	52.7	44.3	50.3
Total current liabilities	309.5	281.4	256.1
Total liabilities	485.5	332.4	330.1
Total equity and liabilities	842.6	589.8	623.5

Indebtedness

MSEK	30 June		31 December
	2022	2021	2021
Lease liabilities	69.1	43.7	67.0
Bank overdraft facility	133.9	158.2	116.0
Other interest-bearing receivables and liabilities	118.6	0.0	0.0
Gross debt	321.6	201.9	183.0
Cash and cash equivalents	-60.0	-83.4	-58.0
Net debt	261.6	118.5	125.0
EBITDA	117.8	107.5	107.4
Net debt / EBITDA RTM	2.2	1.1	1.2
Net debt / EBITDA excl. IFRS 16 effects (LTM)	1.8	0.8	0.6
Equity ratio	42.4%	43.6%	47.1%
Quota value per share (SEK)	2.5	2.5	2.5

Condensed consolidated cash-flow statement

MSEK	Apr–Jun		January–June		Full-year
	2022	2021	2022	2021	2021
OPERATING ACTIVITIES					
Operating profit	17.4	19.3	45.1	40.4	80.3
<i>Adjustments for non-cash items</i>					
Depreciation and amortisation	10.6	6.6	19.0	13.4	27.2
Other	4.8	0.6	-1.7	4.6	7.7
Total	32.8	26.5	62.4	58.4	115.2
Interest received	0.6	0.2	0.8	0.4	1.0
Interest paid	-2.7	-2.7	-5.4	-4.1	-8.0
Tax paid	-4.9	-3.1	-9.3	-5.6	-9.4
Cash flow from operating activities before changes in working capital	25.8	20.9	48.5	49.1	98.8
Cash flow from changes in working capital	0.7	-3.1	15.2	-18.4	-36.7
Cash flow from operating activities	26.5	17.8	63.7	30.7	62.1
INVESTING ACTIVITIES					
Acquisition of tangible and intangible assets	-3.8	-4.3	-6.8	-7.7	-18.8
Acquisition of companies, less acquired cash and cash equivalents	0.0	-8.2	-142.3	-34.4	-34.4
Cash flow from investing activities	-3.8	-12.5	-149.1	-42.1	-53.2
FINANCING ACTIVITIES					
Change in bank overdraft facilities	21.0	7.5	17.9	50.3	8.1
Repayment of lease liabilities	-3.1	-2.8	-5.3	-5.8	-10.4
Loans raised	0.0	0.0	94.5	0.0	-9.4
Repayment of loans	-3.8	0.0	-3.8	0.0	-8.4
Option premiums received	0.3	0.0	0.3	0.0	-7.4
Dividend	-18.1	0.0	-18.1	0.0	-6.4
Cash flow from financing activities	-3.7	4.7	85.5	44.5	-2.3
Cash flow for the period	18.9	10.0	0.1	33.1	6.6
Cash and cash equivalents at beginning of period	39.8	73.9	58.0	49.0	49.0
Exchange rate differences in cash and cash equivalents	1.3	-0.5	1.9	1.3	2.4
Cash and cash equivalents at end of period	60.0	83.4	60.0	83.4	58.0

Consolidated statement of changes in equity

MSEK	2022
Opening equity 1 Jan 2022	293.4
Net profit for the period	26.8
Other comprehensive income	16.2
Issue in kind	38.5
Dividend	-18.1
Option premiums received	0.3
Closing balance 30 Jun 2022	357.1

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

Condensed Parent Company income statement

MSEK	Apr–Jun		January–June		Full-year
	2022	2021	2022	2021	2021
Net sales	3.4	2.9	6.4	5.8	11.9
Administrative expenses	-6.0	-6.6	-11.4	-17.5	-26.6
Operating loss	-2.6	-3.7	-5.0	-11.7	-14.7
Net financial items	-14.8	-0.2	-10.3	-1.2	24.6
Profit/loss after financial items	-17.4	-3.9	-15.3	-12.9	9.9
Group contributions	0.0	0.0	0.0	0.0	48.2
Other appropriations	0.0	0.0	0.0	0.0	-3.0
Profit/loss before tax	-17.4	-3.9	-15.3	-12.9	55.1
Tax	3.6	0.8	3.2	2.7	-6.0
Net profit/loss for the period	-13.8	-3.1	-12.1	-10.2	49.1

Condensed Parent Company balance sheet

MSEK	30 June		31 December
	2022	2021	2021
ASSETS			
Intangible non-current assets	1.6	0.8	1.6
Deferred tax assets	3.4	7.0	0.2
Financial non-current assets	635.4	409.2	409.5
Total non-current assets	640.4	417.0	411.2
Other receivables	0.2	0.2	0.3
Prepaid expenses and accrued income	2.2	0.7	1.4
Cash and cash equivalents	0.0	1.9	0.0
Total current assets	2.4	2.8	1.7
Total assets	642.8	419.8	413.0

MSEK	30 June		31 December
	2022	2021	2021
EQUITY AND LIABILITIES			
Share capital	56.5	53.5	53.5
Statutory reserve	10.0	10.0	10.0
Share premium reserve	101.9	56.9	66.3
Retained earnings, including net profit for the year	17.5	-2.4	47.5
Equity attributable to Parent Company shareholders	185.9	118.0	177.3
Untaxed reserves	3.0	0.0	3.0
Provisions for pensions	1.0	0.8	0.9
Liabilities to credit institutions	82.0	0.0	0.0
Other non-current liabilities	21.9	0.0	0.0
Total non-current liabilities	104.9	0.8	0.9
Liabilities to credit institutions	14.6	0.0	0.0
Bank overdraft facility	133.9	0.0	116.0
Accounts payable	0.9	1.3	0.5
Liabilities to Group companies	169.6	295.4	105.5
Other current liabilities	24.3	0.5	2.8
Accrued expenses and deferred income	5.7	3.8	7.1
Total current liabilities	349.0	301.0	231.8
Total liabilities	453.9	301.8	232.7
Total equity and liabilities	642.8	419.8	413.0

Quarterly overview

MSEK	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Net sales	130.8	166.1	177.5	160.0	135.5	174.0	184.4	189.9
Adjusted EBITA	21.4	30.0	28.2	22.9	18.4	30.4	32.8	24.4
Adjusted EBITA margin, %	16.4%	18.1%	15.9%	14.3%	13.6%	17.5%	17.8%	12.8%
Share of premium, %	51%	47%	52%	57%	57%	51%	57%	65%

Quarterly data per segment

MSEK	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Net sales per segment								
Nordics	64.6	93.0	98.3	75.4	64.0	90.6	88.4	72.4
Europe	51.7	57.6	61.5	65.1	54.3	60.9	64.5	63.4
Rest of World	14.5	15.5	17.7	19.5	17.2	22.5	31.5	54.1
TOTAL	130.8	166.1	177.5	160.0	135.5	174.0	184.4	189.9

MSEK	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Adjusted EBITA per segment								
Nordics	7.9	18.1	16.7	9.5	7.7	18.8	14.8	6.7
Europe	11.0	8.9	9.4	11.5	8.3	8.5	13.5	9.6
Rest of World	2.4	3.0	2.1	1.9	2.3	3.1	4.6	8.1
Total adjusted EBITA	21.3	30.0	28.2	22.9	18.3	30.3	32.8	24.4
Items affecting comparability			-5.3	-1.7	0.0	-4.6	-2.1	-2.4
EBITA			22.9	21.2	18.3	25.8	30.7	22.0
Impairment of intangible assets			-1.8	-1.9	-2.0	-2.2	-2.9	-4.6
Total EBIT			21.1	19.3	16.3	23.6	27.8	17.4

Notes

Note 1 Earnings per share

SEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Full-year 2021
Continuing operations					
Earnings per share before dilution	0.09	0.62	1.24	1.34	2.77
Earnings per share after dilution	0.09	0.61	1.24	1.32	2.72
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)					
Net profit for the period	2.0	13.3	26.8	28.7	59.3
<i>Profit above is attributable to Parent Company shareholders in its entirety.</i>					
Weighted average number of shares before and after dilution					
<i>Before dilution</i>					
Weighted average number of ordinary shares for calculation of earnings per share before dilution	21,518,388	21,400,000	21,518,388	21,400,000	21,400,000
<i>Warrants</i>					
Adjustment for calculation of earnings per share after dilution attributable to warrants	96,975	432,885	141,481	428,988	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	21,615,363	21,832,885	21,659,869	21,828,988	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 45.0 in net sales and MSEK 3.1 in profit after tax. If the acquisition had been completed on 1 January 2022, the company would have brought in MSEK 66.3 in net sales and MSEK 4.1 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
Total payment for shares	222.5

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
Total identifiable net assets	155.6
Goodwill	67.0
Total identifiable net assets	222.5

The acquisition-related costs amounted to a total of MSEK 3.5, of which MSEK 0.8 in the second 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

Embellence Group AB (publ)

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

Financial calendar

Interim Report Jul-Sep 2022	25 October 2022
Year-end Report 2022	21 March 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