

# Interim report for the third quarter 2021

**embellence**  
GROUP

## Today's presenters



**Olle Svensk**  
CEO

*Embellence Group since 2016*



**Pär Ihrskog**  
CFO

*Embellence Group since 2019*

## This is Embellence Group

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

### **Mission**

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

### **Vision**

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

## A competitive brand platform



### Boråstapeter

A classic, timeless brand that continuously develops to satisfy the market's interest in designs, colours and textures staying true to its roots



### Cole & Son

With a commitment and passion for design excellence the Cole & Son studio continues to produce innovative and beautiful wallpapers



### Wall&decò

A modern and innovative brand challenging the industry with extra-ordinary Italian design. Attracting architects, consumers and designers around the world



### Perswall

An emerging Scandinavian lifestyle brand based on D2C business model targeting women in the ages 25-45.



### Pappelina

An international brand in premium plastic rugs. Founded in 1999 by Lina Rickardsson.

## Focus on 3 strategic areas

1

Continued leverage on premium

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

2

Further international growth; organic and through acquisitions

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

3

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

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

## Q3 highlights

- **Net sales for the period reached 135.5 MSEK, corresponding to an increase of +3.6%**
  - Soft market affected by increased travelling and heatwave across Europe
  - Net sales after 9 months, 472.9 MSEK, +17.1% versus 2020.
- **Adjusted EBITA 18.3 MSEK, a decrease with -14.2%.**
  - Low corresponding cost levels in Q3 2020; no travelling or participation in fairs and general restraint
  - Adjusted EBITA after 9 months 69.4 MSEK, corresponding to a margin of 14.7% (13.0%)
- **Robert Shams Smolander appointed Head of Group Change Management & Sustainability**
- **Significant events after the end of the quarter**
  - Legal and operational change of Boråstapeter
  - Recruitment of CEO for Borås Tapetfabrik AB

Boråstapeter winner of SWEDISH DESIGN PRIZE, motion picture/advertising



*"A story from a unique perspective that shows that love is in the walls."*

## Tentative demand during warm summer months

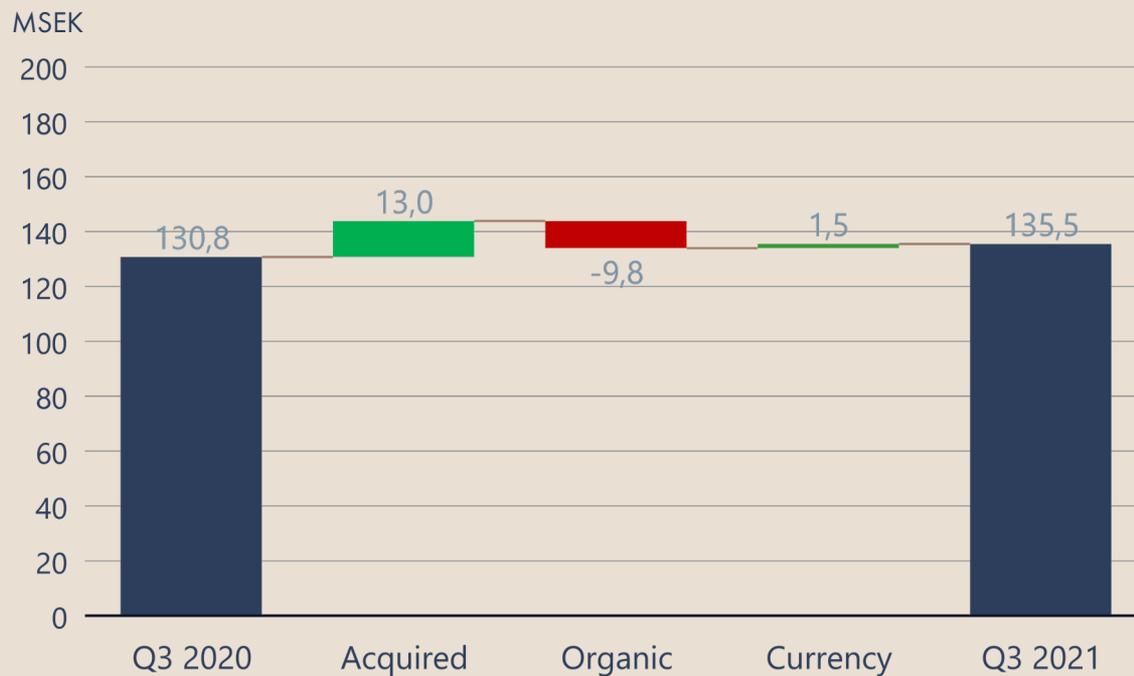
- **Net sales up 3,6%**
  - Organic, currency adjusted growth - 7.5%. Growth from acquisition +9.9%.
- **Adjusted EBITA 18.3 MSEK**
  - Higher cost of sales due to trade fair expenses and other marketing activities, as well as costs related to our e-commerce activities.
  - No major currency impact on EBITA
- **Operating cash flow 16.1 MSEK**
  - Negatively impacted mainly by lower operating income in the quarter

### KEY FIGURES

|                           | Q3 2021 | Q3 2020 | R12M  | 2020  |
|---------------------------|---------|---------|-------|-------|
| Net sales (MSEK)          | 135.5   | 130.8   | 639.0 | 569.9 |
| Adjusted EBITA (MSEK)     | 18.3    | 21.2    | 99.4  | 82.4  |
| Adjusted EBITA margin (%) | 13.6%   | 16.4%   | 15.6% | 14.5% |
| Operating Cash flow       | 16.1    | 18.9    | 66.3  | 67.1  |



## Increase in Group Net Sales driven by acquisitions and organic growth



## Nordics:

### Stable sales in a volatile market

- Net sales -1%.
  - Primarily an effect of increased travelling, and warm summer weather in Sweden
- Adjusted EBITA 7,7 MSEK (7,9)
  - Positively affected by the increasing share of premium sales in the Nordics
  - Negatively affected by cost increases for input materials and higher costs from digitalisation and e-commerce activities in the Nordics.



#### KEY FIGURES

|                           | Q3 2021 | Q3 2020 | R12M  | 2020  |
|---------------------------|---------|---------|-------|-------|
| Net sales (MSEK)          | 64,0    | 64,6    | 330,8 | 306,1 |
| Adjusted EBITA (MSEK)     | 7,7     | 7,9     | 52,0  | 46,6  |
| Adjusted EBITA margin (%) | 12%     | 12%     | 16%   | 15%   |



Europe:

## +5% growth in a soft market and return to trade fairs

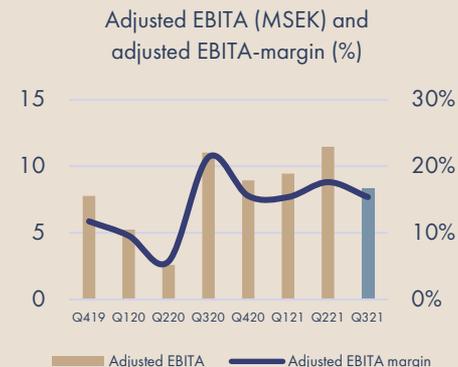
- Net sales 54.3 MSEK (51.7)
  - Positive contribution from acquisition of Pappelina AB and strong performance in Germany
  - Organic growth in Europe slightly negative
- Adjusted EBITA 8.3 MSEK (11.0)
  - Primarily driven by launches and trade fairs, as well as digitalisation and e-commerce activities



Q3 2021

### KEY FIGURES

|                           | Q3 2021 | Q3 2020 | R12M  | 2020  |
|---------------------------|---------|---------|-------|-------|
| Net sales (MSEK)          | 54.3    | 51.7    | 238.4 | 209,6 |
| Adjusted EBITA (MSEK)     | 8.3     | 11.0    | 38.2  | 27,8  |
| Adjusted EBITA margin (%) | 15%     | 21%     | 16%   | 13%   |



Rest of World:

## Continued strong sales in US

- Net sales up 19%
  - Positive organic growth and positive effects coming from the add-on acquisition of Pappelina AB.
- Adjusted EBITA 2.3 MSEK (2.4).
  - Positively affected by the higher net sales
  - Negatively affected by launches and e-commerce activities



Q3 2021

### KEY FIGURES

|                           | Q3 2021 | Q3 2020 | R12M | 2020 |
|---------------------------|---------|---------|------|------|
| Net sales (MSEK)          | 17.2    | 14.5    | 69.8 | 54,2 |
| Adjusted EBITA (MSEK)     | 2.3     | 2.4     | 9.2  | 8,0  |
| Adjusted EBITA margin (%) | 13%     | 17%     | 13%  | 15%  |



## Financial targets



**Net sales growth**  
SEK 1.2bn

**Outcome Q3 2021**  
3.6%

**Outcome 9M 2021**  
17.1%



**Operating margin**  
 $\geq 15\%$

**Outcome Q3 2021**  
13.5%

**Outcome 9M 2021**  
13.2%



**Leverage**  
 $< 2.5x$  Net Debt /  
EBITDA

**Outcome Q3 2021**  
1.0



**Dividend policy**  
30-50% after tax

**Outcome Q3 2021**  
N.A.

# Highlights

- Third quarter:
  - Continued growth with 3,6%, albeit much softer after +33% in second quarter. Demand affected by increased travelling and warm weather.
  - Goods supply strained but in better balance compared to 2020
  - New Head of Group Change Management & Sustainability
  - Legal and operational change of Boråstapeter AB
- First 9 months
  - Revenue +17,1% and in line with 5-year plan to grow revenue to 1,2 BSEK with solid profitability
  - Adjusted EBITA 14,7%, compared to 13,0% in 2020
  - High activity level in Digitalization and to improve our Sustainability offering

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# Q&A

THANK YOU!