

# WallVision

WA WallVision AB (publ), corp. no. 556809-6191

Interim report January 1, 2016 – March 31, 2016

*All figures pertain to the Group unless otherwise stated. Comparisons in the interim report refer to the corresponding period in the 2015 fiscal year, unless otherwise stated.*

## First quarter (January 2016 – March 2016)

- Net Sales amounted to SEK 136.6 million (143.4), down 4.8% compared with the preceding year.
- EBITDA amounted to SEK 16.3 million (19.0), reaching an EBITDA-margin of 12.0% (13.3).
- EBITA amounted to SEK 10.9 million (13.2), reaching an EBITA-margin of 8.0% (9.2).

FINANCIAL INFORMATION IN SUMMARY	3 months		12 months
	Jan-March		Jan-Dec
SEK million	2016	2015	2015
Net Sales	136.6	143.4	528.4
Reported EBITDA	16.3	19.0	77.1
Adj. EBITDA	16.3	19.0	77.5
Reported EBITA	10.9	13.2	54.7
Adj. EBITA	10.9	13.2	55.1
Operating profit / Reported EBIT	8.4	10.7	44.7
Reported EBITDA margin	12.0%	13.3%	14.6%
Adj. EBITDA margin	12.0%	13.3%	14.7%
Reported EBITA margin	8.0%	9.2%	10.4%
Adj. EBITA margin	8.0%	9.2%	10.4%

## The Business

WallVision is a Sweden-based designer and manufacturer of premium wallpaper, which the Group distributes and sells on the international market through four separate brands. Founded in 1905, the Company has developed into the leading wallpaper group in the Nordic region, where its market share exceeds 50 percent. WallVision's vision is to become the internationally leading supplier in the premium segment for wallpaper, in terms of being largest, most profitable and with the best brands.

## SIGNIFICANT EVENTS

### The market

The start of the year on the Group's main markets was quite mixed. Some markets showed strong sales growth while other markets had a weaker development during the first three months of the year. Sales in Sweden decreased by 6% mainly due to lower demand of construction wallpaper. According to HUI Research, retail sales in the company's primary distribution channel in Sweden, specialty stores for paint and wallpapers, decreased sales by 2.1% during the first quarter 2016. Sales in Norway, Finland, Russia and China continued to struggle due to weak market conditions. Sales in the UK and on our export markets such as USA, France, Belgium, Italy, Germany showed good growth.

### Other significant events

The Group Management Team was from January 1 organized to better support the new business plan and Kirstie Carey, CEO Cole & Son Ltd, and Gustaf Löwbäck, E-commerce Director, were added to the team.

WallVision successfully launched the Front/Jaime Hayon collection in Paris, Stockholm and Singapore with great coverage among press and interior designers. End March Boråstapeter organized a pre-launch press event in Stockholm for the coming collection *Scandinavian Designers II* with patterns from the famous designers Stig Lindberg and Arne Jacobsen among others from the 40s, 50s and the 60s. The collection will be launched June 15 in stores and is a sequel to the first collection *Scandinavian Designers* which has been a great success.

Last year WallVision intensified its promotional activities, mainly in Sweden and Norway, in order to generate sales through raising demand and increase awareness of wallpaper and the brands from WallVision among end consumers. This has continued during the first quarter and generated a lot of press cover and interest in media that usually does not cover wallpaper. A new position as Brand Communication Manager was created and a new person recruited early February.

## COMMENTS ON THE CONSOLIDATED INCOME STATEMENT, BALANCE SHEET AND CASH FLOW

### Net Sales

The Group's total net sales decreased during the first quarter by 4.8% to SEK 136.6 million (143.4). Excluding exchange rate fluctuations, the net sales decreased 2.8%. Sales in Sweden decreased by 6% during the first quarter. Sales to the export markets, excluding Russia and Finland, grew by 11% while export sales to Russia and Finland was weak. Sales in the UK came in 6% above last year in local currency during the quarter. Sales in China decreased by 9% and sales in Norway decreased by 15% during the first quarter.

### Earnings

Reported EBITDA amounted to SEK 16.3 million (19.0) for the first quarter corresponding to an EBITDA margin of 12.0% (13.3). During the first quarter gross margin was 1.0 percentage points higher than last year due to purchasing cost savings and product mix. During the same period costs for marketing and sales increased.

### Cash Flow

Cash flow from operating activities before changes in working capital, paid taxes and paid/received interest amounted to SEK 16.4 million (18.9) during the first quarter. Changes in net working capital during the quarter amounted to SEK -9.1 million compared to SEK -6.8 million last year. Operating

cash flow before investments for the first quarter amounted to SEK 4.3 million (8.7). Investments during the quarter amounted to SEK 2.4 million (3.6).

### **Financial position**

On March 31, 2016, cash and cash equivalents amounted to SEK 34.2 million (32.3). Net debt, defined as interest bearing debt less cash and cash equivalents, amounted to SEK 364.4 million (360.7). Shareholder loans, subordinated loans from WallVision's shareholders, amounted to SEK 6.8 million (404.7) at the end of March and are excluded from the net debt definition.

The covenants from creditors as of March 31 2016 were met.

### **Goodwill**

The Goodwill value in the consolidated balance sheet amounted to SEK 532.7 million (532.7) and was impairment tested at the end of 2015. The impairment test was based on value in use, taking into account future cash flows. These calculations use pre-tax cash flow projections based on financial budgets and business plans approved by the board.

### **Transactions with related parties**

No transactions have taken place between WallVision Group and related parties that has significantly affected the Group's financial position and performance during the reported period.

### **Average number of employees in the Group**

The average number of employees in the Group during the fiscal year was 193 (193).

### **Risks and uncertainties**

Several factors could affect the Group's earnings and operations, most of which can be managed through internal procedures but some of which are controlled by external factors. Risks and uncertainties include suppliers, seasonal variations and currencies, new market entries, changes in market conditions and changes in consumer spending behavior. As with other segments of the home furnishings industry, WallVision's net sales, operating profit and cash flow from operating activities fluctuate throughout the year. This is because costs are relatively constant, while net sales vary. The Group's strongest earnings are normally generated during the spring and the autumn, with the major peak in wallpaper sales during the autumn.

The Annual Report contains a more comprehensive description of the risks and uncertainty factors affecting the Group.

## **OTHER**

### **Events after the closing date**

In Maj 2016 Olle Svensk was appointed as new CEO for WA WallVision AB. Olle Svensk comes from a position as Nordic Director of the Sanitec Group. He also has a long experience from Electrolux where he had the role of VP Sales Europe, Middle East & Africa. Åke Stråberg returned to the role as chairman of the company after five year as CEO of WA WallVision AB.

In May a new CEO for the subsidiary in the Norway, John O. Borge AS, was appointed and she will start her new job in August.

### **Reporting dates**

The interim report for January 1, 2016 – June 30, 2016 will be published on August 26, 2016.

The interim report for January 1, 2016 – September 30, 2016 will be published on December 9, 2016.

### **Accounting Principles**

This report has been prepared in accordance with 'IAS 34 Interim Financial Reporting' and the 'Annual Accounts Act'. The accounting policies in the Group's consolidated financial statements and the parent company's financial statements have been prepared according to the same accounting policies and calculation methods as the 2015 annual accounts.

The interim report for the parent company has been prepared in accordance with the 'Annual Accounts Act'.

Concerning information about estimations, assessments, risks and risk management see the Annual Report for 2015.

This report has not been reviewed by the company's auditors.

Borås, May 26, 2016.

The Board of Directors

### **Further information**

Olle Svensk, President and CEO.

Esko Österbacka, CFO.

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## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(SEK 000s)	3 months		Full year
	Jan-March		Jan-Dec
	2016	2015	2015
Revenue	136,562	143,428	528,423
Cost of sales	<u>-63,044</u>	<u>-67,741</u>	<u>-239,257</u>
<b>Gross profit</b>	<b>73,518</b>	<b>75,687</b>	<b>289,166</b>
<i>Operating expenses</i>			
Distribution costs	-52,440	-53,415	-194,950
Administrative expenses	-12,625	-11,657	-48,756
Other income	58	157	484
Other losses/gains – net	<u>- 67</u>	<u>- 89</u>	<u>- 1,253</u>
<b>Operating profit</b>	<b>8,444</b>	<b>10,683</b>	<b>44,691</b>
<i>Result from financial items</i>			
Finance income	320	257	874
Finance costs	<u>- 8,386</u>	<u>- 19,956</u>	<u>- 75,868</u>
Finance costs – net	- 8,066	- 19,699	- 74,994
<b>Profit before tax</b>	<b>378</b>	<b>- 9,016</b>	<b>- 30,303</b>
Income tax expenses	<u>- 928</u>	<u>- 719</u>	<u>- 3,124</u>
<b>Net profit/loss for the period</b>	<b>- 550</b>	<b>- 9,735</b>	<b>- 33,427</b>
<b>Net profit/loss attributable to:</b>			
Owners of the parent	- 550	- 9,735	- 33,427
Non-controlling interests	-	-	-
<i>Other comprehensive income</i>			
Translation differences	-3,174	3,776	- 460
<b>Total comprehensive income for the period</b>	<b>- 3,724</b>	<b>- 5,959</b>	<b>- 33,887</b>

## CONSOLIDATED CASH-FLOW STATEMENT (CONDENSED)

(SEK 000s)	3 months		Full year
	Jan-March		Jan-Dec
	2016	2015	2015
<b>Cash flow from operating activities before taxes, paid/received interest and changes in working capital</b>	<b>16,374</b>	<b>18,945</b>	<b>72,550</b>
Paid/received interest	- 1,523	- 937	- 36,778
Paid taxes	- 1,412	- 2,590	- 6,245
Changes in working capital	<u>- 9,112</u>	<u>- 6,763</u>	<u>570</u>
<b>Cash flow from operating activities</b>	<b>4,327</b>	<b>8,655</b>	<b>30,097</b>
Cash flow from investing activities	<u>- 2,456</u>	<u>- 3,634</u>	<u>- 14,304</u>
<b>Cash flow for the period after investments</b>	<b>1,871</b>	<b>5,021</b>	<b>15,793</b>
Cash flow from financing activities	<u>- 11,000</u>	<u>- 5,787</u>	<u>- 4,446</u>
<b>Cash flow for the period</b>	<b>- 9,129</b>	<b>- 766</b>	<b>11,347</b>
Net debt at the end of the period	364,437	360,720	357,973

## CONSOLIDATED BALANCE SHEET (CONDENSED)

(SEK 000s)	March 31		December
	2016	2015	2015
Intangible fixed assets <sup>1)</sup>	653,944	664,770	656,938
Tangible fixed asset	98,411	110,400	102,176
Financial assets	1,090	2,385	1,077
Inventories	93,105	83,432	93,851
Current receivables	84,187	94,560	66,355
Cash and cash equivalents	<u>34,249</u>	<u>32,287</u>	<u>43,379</u>
<b>Total assets</b>	<b>964,986</b>	<b>987,834</b>	<b>963,776</b>
Shareholders' equity	432,535	40,211	436,259
<i>Long-term liabilities</i>			
Shareholder loans	6,756	404,699	6,591
Other long-term liabilities <sup>2)</sup>	321,491	424,729	316,071
Short-term liabilities <sup>2)</sup>	<u>204,204</u>	<u>118,195</u>	<u>204,855</u>
<b>Total equity and liabilities</b>	<b>964,986</b>	<b>987,834</b>	<b>963,776</b>
<sup>1)</sup> Of which, goodwill	532,701	532,701	532,701
<sup>2)</sup> Of which, interest bearing liabilities	398,686	393,007	401,357

## STATEMENT OF CHANGES IN EQUITY

(SEK 000s)	3 months		Full year
	Jan-March		Jan-Dec
	2016	2015	2015
<b>Total shareholders' equity at the beginning of the period</b>	<b>436,259</b>	<b>46,170</b>	<b>46,170</b>
Profit for the period	- 550	- 9,735	- 33,427
Other comprehensive income	<u>- 3,174</u>	<u>3,776</u>	<u>- 460</u>
Total comprehensive income for the period	- 3,724	-5,959	- 33,887
New share issue	-	-	423,976
Premiums from warrants	-	-	-
<b>Total shareholders' equity at the end of the period</b>	<b>432,535</b>	<b>40,211</b>	<b>436,259</b>

## PARENT COMPANY'S INCOME STATEMENT

(SEK 000s)	3 months		Full year
	Jan-March	Jan-March	Jan-Dec
	2016	2015	2015
Revenue	2,114	-	8,627
<i>Operating expenses</i>			
Distribution costs	- 1,487	- 1,442	- 5,425
Administrative expenses	<u>- 3,120</u>	<u>- 2,568</u>	<u>- 9,816</u>
<b>Operating profit</b>	<b>- 2,493</b>	<b>- 4,040</b>	<b>- 6,614</b>
<i>Result from financial items</i>			
Result from participations in Group companies	-	-	33,692
Finance income	-	-	-
Finance costs	<u>- 7,682</u>	<u>- 18,700</u>	<u>- 70,073</u>
Finance costs – net	- 7,682	- 18,700	- 36,381
<b>Profit before tax</b>	<b>- 10,175</b>	<b>- 22,710</b>	<b>- 42,995</b>
Appropriations	-	-	-
<b>Profit/loss before tax</b>	<b>- 10,175</b>	<b>- 22,710</b>	<b>- 42,995</b>
Income tax expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net profit/loss for the period</b>	<b>- 10,175</b>	<b>- 22,710</b>	<b>- 42,995</b>

## PARENT COMPANY'S BALANCE SHEET

(SEK 000s)	March 31		December 31
	2016	2015	2015
Financial assets	926,993	885,542	926,993
Current receivables	757	733	792
Cash and cash equivalents	<u>597</u>	<u>779</u>	<u>403</u>
<b>Total assets</b>	<b>928,347</b>	<b>887,054</b>	<b>928,188</b>
Shareholders' equity	445,263	51,746	455,438
<i>Long-term liabilities</i>			
Shareholder loans	49,490	404,699	48,283
Other long-term liabilities <sup>1)</sup>	280,900	370,789	274,425
Short-term liabilities <sup>1)</sup>	<u>152,694</u>	<u>59,820</u>	<u>150,042</u>
<b>Total equity and liabilities</b>	<b>928,347</b>	<b>887,054</b>	<b>928,188</b>
<sup>1)</sup> Of which, interest bearing liabilities	280,900	370,789	274,425

KEY RATIOS	3 months		12 months
	Jan-March		Jan-Dec
SEK million	2016	2015	2015
Net Sales	136.6	143.4	528.4
Reported EBITDA	16.3	19.0	77.1
Adj. EBITDA	16.3	19.0	77.5
Reported EBITA	10.9	13.2	54.7
Adj. EBITA	10.9	13.2	55.1
Operating profit / Reported EBIT	8.4	10.7	44.7
Reported EBITDA margin	12.0%	13.3%	14.6%
Adj. EBITDA margin	12.0%	13.3%	14.7%
Reported EBITA margin	8.0%	9.2%	10.4%
Adj. EBITA margin	8.0%	9.2%	10.4%
Ajd. Equity/assets ratio	46%	45%	46%

<b>Quarterly data</b>	2014	2014	2014	2014	2015	2015	2015	2015	2016
SEK million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Sales	140.0	112.9	141.1	132.9	143.4	120.8	125.9	138.2	136.6
Reported EBITDA	17.3	11.3	27.4	17.5	19.0	12.1	20.0	26.0	16.3
Adj. EBITDA	19.0	12.2	28.1	20.5	19.0	12.1	20.0	26.4	16.3
Reported EBITA	11.3	5.1	21.3	11.5	13.2	5.8	14.4	21.3	10.9
Adj. EBITA	13.0	6.0	22.0	14.5	13.2	5.8	14.4	21.7	10.9
Operating profit / Reported EBIT	9.6	1.9	18.8	9.0	10.7	3.3	11.9	18.8	8.4
Net Sales growth, %	-3,9%	-6,7%	11,3%	-7,4%	2,4%	7,0%	-10,8%	4,0%	-4,8%
Reported EBITDA margin	12,3%	10,0%	19,4%	13,2%	13,3%	10,0%	15,9%	18,8%	12,0%
Adj. EBITDA margin	13,6%	10,8%	19,9%	15,5%	13,3%	10,0%	15,9%	19,1%	12,0%
Reported EBITA margin	8,1%	4,5%	15,1%	8,7%	9,2%	4,8%	11,5%	15,4%	8,0%
Adj. EBITA margin	9,3%	5,3%	15,6%	10,9%	9,2%	4,8%	11,5%	15,7%	8,0%
Adj. Equity/assets ratio, %	43%	43%	43%	46%	45%	45%	45%	46%	46%



## DEFINITIONS

**Adj. EBITA** - Earnings before interest, tax and amortisation, adjusted for non-recurring items.

**Adj. EBITDA** – Earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items.

**Adj. EBITA-margin** – Adj. EBITA as a percentage of net sales.

**Adj. EBITDA-margin** – Adj. EBITDA as a percentage of net sales.

**Adj. Equity/assets ratio** – Equity and shareholder loans as a percentage of total assets.

**Cash flow after investments** – Profit before depreciation/amortization plus/minus financial items less tax paid plus/minus changes in operating capital minus investments.

**EBITA** – Earnings before interest, tax and amortisation.

**EBITDA** – Earnings before interest, tax, depreciation and amortisation.

**EBITA-margin** – EBITA as a percentage of net sales.

**EBITDA-margin** – EBITDA as a percentage of net sales.

**Equity/assets ratio** – Shareholders' equity as a percentage of total assets, including shareholder loans, subordinated loans from WallVision's shareholders as equity.

**Net debt** – Interest-bearing liabilities less cash and bank balances excluding shareholder loans, subordinated loans from WallVision's shareholders.

**Non-recurring items** – Items during the year being non-recurring and extraordinary to the Group's business

**Number of annual employees** – The total number of hours of attendance divided by the normal working hours for the particular country.