

Embellence Group

Winds of change are blowing

- CEO Andgren's network could help DTC efforts
- Breaking into hospitality market could be complex
- Capacity in digital print is 2x current sales

More clarity on how to leverage e-com experience

Last week, we visited Borås and Embellence Group's Borås Tapetfabrik (eng. Borås wallpaper factory), and met CEO Johan Andgren and CFO Karin Lidén. Our impression from the meeting is that the new-to-the-role Mr Andgren is wasting no time learning the business, having met the Cole & Son team the week prior. We spoke of the opportunity that is DTC (direct to consumer) sales, boasting vastly different better metrics according to our [research](#) and comments by management. Mr Andgren suggested building the e-commerce platform infrastructure through an HQ-dispatched task force put together using his network from previous e-commerce experience. The CFO furthermore noted that Borås is a hotspot for Swedish e-commerce (RVRC, Care of Carl, Ellos, Vanbruun, Bubbleroom were all founded there), making recruiting of key competencies a bit easier. Within the Group, Pappelina is running ahead in terms of DTC share and in the number of countries it sells to, and it is possible that Pappelina could have experience to share internally. Embellence Group does not share hard data or forecasts on the current (or future) profitability of the DTC business, however.

Hospitality is a complex market, ready for digital print

In its 2024 CMD, Embellence Group's Wall&decò CCO, Gianluca Laganá, spoke about adding more emphasis to B2B hospitality sales. Several of Wall&decò's products (which are highly technical) are well-suited to this market, being e.g. wear-resistant, waterproof, sustainable and/or fire rated. During our visit, we got the impression that hospitality sales can take many forms. It could mean selling wallpaper to one specific hotel, to a centralised hotel chain management or to decorators that are the elected suppliers to these hotel chains. The market is thus highly complex, and we find it unlikely that the changed strategy in hospitality will be apparent as quickly as in DTC. We toured the factory as well, seeing a second digital printing machine for digital print-on-demand wallpaper that has been installed since our previous visit. Embellence Group currently runs one-shift operations in digital print, meaning available capacity is sufficient to (at least) double production. While we do not know the share of production that is for Boråstapeter's digital print assortment and what share is to external customers, our understanding is the available capacity allows for at least ~SEK 50m more in annual digital print sales (Embellence Group reports ~SEK 90m in external wallpaper sales in 2024, we assess ~half could be digital print).

Well-invested in digital print

The Embellence share is trading at 7-6x our '25e-'26e EV/EBITA (11x-10x '25e-'26e P/E) vs. a historical 5.5-8.5x NTM EV/EBITA trading range. We believe Embellence Group could reach its 15% EBITA margin target in 2025e, growing EBITA by 5%, and we forecast 11-15% FCF yields to shareholders at the current valuation for '25e-'27e.

Fast comment

Commissioned research

Not rated

Retail

EMBELL-SE/EMBELL SS

Share price (SEK)	30/5/2025	35.00
MCap (SEKm)		824
MCap (EURm)		76
No. of shares (m)		23.5
Free float (%)		48.0
Av. daily volume (k)		25

Next event Q2 Report 17 July 2025

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Embellence Group

SEKm	2023	2024	2025e	2026e	2027e
Sales	740	777	778	815	859
<i>Sales growth (%)</i>	2.8	5.0	0.1	4.8	5.4
EBITDA	119	138	143	151	162
<i>EBITDA margin (%)</i>	16.0	17.8	18.4	18.5	18.8
EBIT adj.	73	93	98	104	115
<i>EBIT adj. margin (%)</i>	9.9	11.9	12.5	12.8	13.4
Pretax profit	52	72	94	98	109
EPS	1.74	2.54	3.22	3.35	3.72
<i>EPS growth (%)</i>	-31.5	46.1	26.7	4.1	10.8
EPS adj.	1.88	2.54	3.22	3.35	3.72
DPS	0.00	1.25	1.50	1.75	2.00
EV/EBITDA (x)	8.4	6.5	5.9	5.2	4.5
EV/EBIT adj. (x)	13.7	9.7	8.7	7.6	6.3
P/E (x)	20.1	13.8	10.9	10.4	9.4
P/E adj. (x)	18.6	13.8	10.9	10.4	9.4
EV/sales (x)	1.35	1.15	1.09	0.97	0.85
FCF yield (%)	6.1	12.5	11.0	13.8	14.6
Le. adj. FCF yld. (%)	3.9	10.6	9.0	11.7	12.6
Dividend yield (%)	0.0	3.6	4.3	5.0	5.7
Net IB debt/EBITDA (x)	1.8	0.7	0.4	-0.0	-0.4
Le. adj. ND/EBITDA (x)	1.4	0.3	-0.0	-0.4	-0.8

Source: ABG Sundal Collier, Company Data

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