

The Social Chain AG®

# CONSOLIDATED QUARTERLY STATEMENT

FOR Q1 2023

# Key Financial Figures Of The Group

## Overview Of The Social Chain AG

### Financial performance

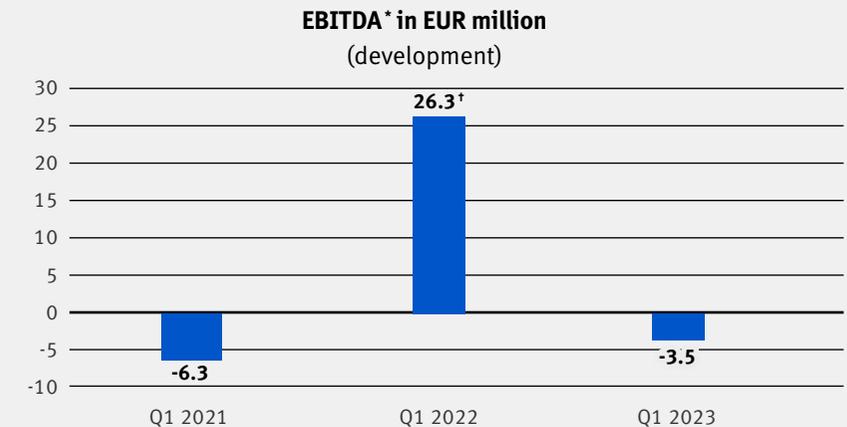
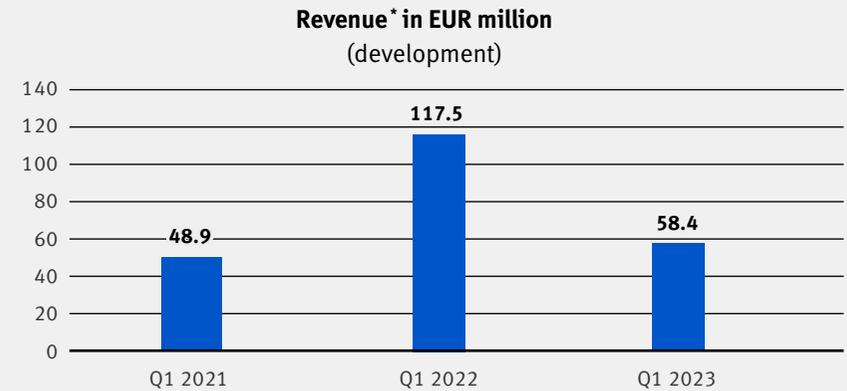
in EUR million	Q1 2023	Q1 2022	Change	
Revenue	58.4	117.5	-59.1	-50.3%
<b>Gross Margin</b>	<b>34.5%</b>	<b>25.4%</b>	<b>9.1%</b>	
<b>EBITDA<sup>1</sup></b>	<b>-3.5</b>	<b>26.3<sup>1</sup></b>	<b>-29.8</b>	<b>&gt; 100%</b>
EBITDA as percentage of revenue	-6.0%	22.4%	-28.4%	> 100%
<b>EBIT</b>	<b>-7.2</b>	<b>20.6</b>	<b>-27.8</b>	<b>&gt; 100%</b>
<b>Net result of the group from continued operations</b>	<b>-9.9</b>	<b>19.0</b>	<b>-28.9</b>	<b>&gt; 100%</b>
<b>Net result of the group from discontinued operations<sup>2</sup></b>	<b>-0.4</b>	<b>-2.9</b>	<b>2.5</b>	<b>-87.4%</b>
<b>Net result of the group</b>	<b>-10.3</b>	<b>16.1</b>	<b>-26.4</b>	<b>&gt; 100%</b>

### Financial position and other key figures

in EUR million	Q1 2023	Q1 2022	Change	
Equity ratio	14.2%	32.2%	-18.1%	-56.1%
Cash flow from operating activities	-1.3	-23.7	22.4	-94.6%
Cash flow from investing activities	4.7	-3.3	8.0	> 100%
Cash and cash equivalents	6.7	9.2	-2.5	-26.7%
<b>Employees (annual average)</b>	<b>795</b>	<b>1,305</b>	<b>-510.0</b>	<b>-39.1%</b>
<b>Basic earnings / diluted earnings per share (in EUR)</b>	<b>-0.66</b>	<b>1.11</b>	<b>-1.77</b>	<b>&gt; 100%</b>

<sup>1</sup> The financial year 2022 includes deconsolidation effects from partial sale of the KoRo group to the amount of EUR 39.2 million.

<sup>2</sup> The result from discontinued operations includes the results of Social Chain UK and Social Chain US.



\* The financial year 2022 includes deconsolidation effects from partial sale of the KoRo group to the amount of EUR 39.2 million.



\* from continued operations

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# 1 Market conditions

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The market environment in which The Social Chain AG (hereinafter also „TSC AG“ or - together with its subsidiaries, associates and joint ventures - „TSC Group“) operates is dependent on macroeconomic developments and the resulting consumer strength. Despite declining inflation rates and higher economic and income expectations in the first quarter of 2023, purchasing restraint remained noticeable and propensity to buy below the previous year’s level (source: GfK consumer climate study for April 2023), as past and ongoing events continue to cause uncertainty among consumers.<sup>1</sup>

The IMF (International Monetary Fund) also forecasts an overall economic development characterized by uncertainties for the 2023 financial year and subsequent years. The „World Economic Outlook“ of January 2023 forecasts global economic growth of 2.9% for 2023 with inflation remaining high at 6.6%, up from 8.8% the year before. In the advanced economies, average inflation is expected to reach 4.6% in 2023.<sup>2</sup>



<sup>1</sup> <https://www.gfk.com/de/presse/konsumklima-nimmt-wieder-fahrt-auf>  
<sup>2</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx>

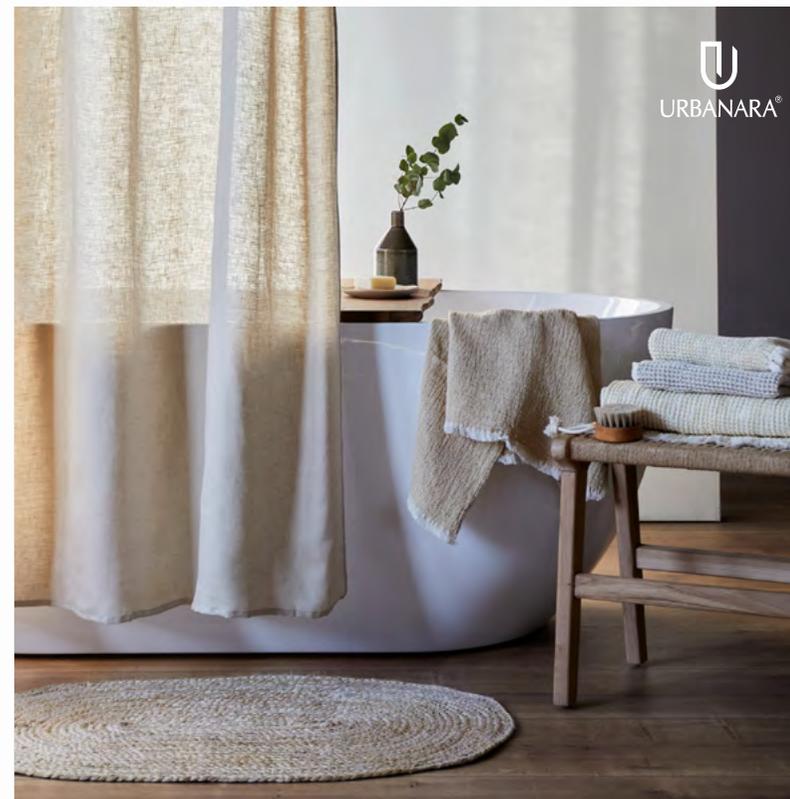
## 2 Revenue development of the TSC Group

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During the period from 1 January to 31 March 2023, the TSC Group's revenue decreased by EUR 59.1 million year-on-year to EUR 58.4 million. However, revenue is only partially comparable to the comparative period of 2022, as a large number of subsidiaries was sold due to the restructuring measures of the Group:

- On 15 March 2022, the KoRo Group was sold. The KoRo Group contributed EUR 19.8 million to revenue in the first quarter of 2022.
- In October 2022, the TSC Group sold all shares in the Clasen Bio Group. The group contributed EUR 14.4 million to revenue in the first quarter of 2022.
- Revenues from subsidiaries further sold in the 2022 financial year amounted to EUR 2.4 million in the first quarter of 2022.

Adjusted for these effects, in the first quarter of 2023 revenue decreased from EUR 80.8 million to EUR 58.4 million year-on-year. In addition to the weak consumer sentiment, the decline was caused in particular by full warehouses of retailers and deferrals of campaigns with important business partners.



<sup>1</sup> from continued operations

# 3 Significant operational events

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### Sale of the agency business in England and the USA

On 11 August 2022, the Executive Board of the TSC Group decided on measures to streamline the investment portfolio with the aim to further increase the profitability of the Group as a whole.

On 3 February 2023, the TSC Group sold its English-speaking agency business in England and the USA. A corresponding share purchase agreement was signed, under which all shares in Social Chain Ltd. (Manchester), including its direct subsidiary Social Chain USA Inc. (New York), were sold to Brave Bison Group PLC. As part of the transaction, all trademark rights to the term „Social Chain“ were sold and transferred to the buyer. The Company and the agency business in Germany have received a comprehensive license for the further use of the rights to the name. The Supervisory Board of the Company approved the transaction.

As consideration for the sale of the shares, the parties have agreed on a total purchase price of up to approximately EUR 20 million (based on a cash/debt-free calculation), of which an initial purchase price of approximately EUR 8.7 million (before cash/debt-free calculation) will be paid upon closing of the transaction. Further subsequent purchase price payments (earn-out) will be due – subject to corresponding consolidated business development of the target companies – on a staggered basis until 2025.

The consideration was financed by the purchaser via the issuance of new shares. The closing of the transaction was in particular subject to the condition precedent of the successful completion of the share placement by the purchaser which took place on 6 February 2023.

### Non-cash capital increase

On 1 March 2023, the Executive Board of TSC AG, with the approval of the Supervisory Board, decided to increase the company's share capital from EUR 15,527,775.00 by EUR 227,568.00 to EUR 15,755,343.00 via issuance of 227,568 new no-par value registered shares with a proportionate amount of the share capital of EUR 1 against contributions in kind by partially utilizing the authorized capital in accordance with Article 3 (6) of the Articles of Association (Authorized Capital 2022/I). The object of the contribution in kind are shares in drtv.agency GmbH based in Stuttgart. The shareholders' subscription rights were excluded in accordance with Article 3 (6) sentence 4 lit. cc) of the Articles of Association. The new shares will be issued at an issue price of EUR 15.38 per share and thus at a total issue price of EUR 3,499,995.84 and will be entitled to participate in profits from 1 January 2023. The capital increase was entered in the commercial register on 25 April 2023.

### Appointments and changes to the Supervisory Board and Executive Board

On 19 January 2023, Sebastian Stietzel was appointed as a member of the Supervisory Board of TSC AG. The appointment had become necessary after Dr. Georg Kofler had resigned from his position as a member of the Supervisory Board in order to be able to be appointed Chairman of the Company's Executive Board.

On 24 January 2023, immediately following its constituent meeting, the Supervisory Board of TSC AG appointed Dr. Georg Kofler as the Company's new Chief Executive Officer. The appointment was made for a full 36 calendar months. The previous Chairman of the Executive Board, Mr. Wanja Sören Oberhof, resigned from office with immediate effect.

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## Revenue, gross margin and EBITDA

<b>Group (total)</b>		
in EUR thousand	<b>Q1 2023</b>	<b>Q1 2022<sup>2</sup></b>
Revenue	58,368	117,460
Gross profit <sup>1</sup> (absolute)	20,132	29,831
Gross margin <sup>1</sup> (% of sales)	34.5%	25.4%
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)<sup>3</sup></b>	<b>-3,481</b>	<b>26,319</b>
EBITDA margin <sup>3</sup>	-6.0%	22.4%

<sup>1</sup> Gross profit corresponds to revenues plus changes in inventories and less material expenses from continued operations.

<sup>2</sup> The figures differ from those reported in the quarterly reporting for the first quarter of 2022, as the income and expenses of discontinued operations were retrospectively reclassified to income from discontinued operations.

<sup>3</sup> **The financial year 2022 includes deconsolidation effects from the partial sale of the KoRo group to the amount of EUR 39,174 thousand.**

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## Segment revenue and EBITDA

### Q1 2023 segments

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding / Other	Consolidation	Group
Revenue from external customers	15,853	25,082	9,725	7,632	75	0	58,368
thereof sale of merchandise	15,645	24,921	9,725	0	7	0	50,297
thereof agency business	0	0	0	6,165	0	0	6,165
thereof production	0	0	0	1,014	0	0	1,014
thereof events	205	0	0	454	0	0	659
thereof other revenue	3	162	0	0	68	0	233
Revenue with other segments	668	5,413	379	235	1,893	-8,588	0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>423</b>	<b>-1,554</b>	<b>-32</b>	<b>573</b>	<b>-15,462</b>	<b>12,570</b>	<b>-3,481</b>

### Q1 2022 segments

in EUR thousand	Core Brands	MAXX Group	Brand Chain	Social Marketing	Holding / Other	Consolidation	Group
Revenue from external customers	55,619	34,258	14,214	12,939	430	0	117,460
thereof sale of merchandise	55,536	34,233	14,214	0	0	0	103,983
thereof agency business	0	0	0	11,431	0	0	11,431
thereof production	0	0	0	1,299	415	0	1,714
thereof events	83	0	0	207	0	0	290
thereof other revenue	0	25	0	2	14	0	41
Revenues with other segments	1,462	6,170	829	268	7,316	-16,044	0
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>-3,716</b>	<b>-4,836</b>	<b>-1,485</b>	<b>37</b>	<b>34,892</b>	<b>1,427</b>	<b>26,319</b>

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### Net Working Capital

in EUR thousand	31/03/2023	31/03/2022
Inventories	72,886	114,509
Trade receivables	48,433	79,047
Other current assets excluding loans receivable	18,148	72,407
Cash and cash equivalents	7,847	10,909
	<b>147,314</b>	<b>276,871</b>
Current provisions	2,690	14,708
Bank overdrafts	2,001	2,000
Trade payables	30,923	57,664
Other current liabilities excluding liabilities to banks, bonds and liabilities from put options	29,644	54,889
	<b>65,258</b>	<b>129,261</b>
<b>Net Working Capital<sup>1</sup></b>	<b>82,056</b>	<b>147,610</b>

<sup>1</sup> Net working capital corresponds to current assets less current liabilities excluding loans receivable, liabilities to banks, bonds, liabilities from put options and assets and liabilities held for sale.

### Net debt

in EUR thousand	31/03/2023	31/03/2022
<b>Net financial debt (current)<sup>1</sup></b>	<b>51,978</b>	<b>229,314</b>
<b>Total debt<sup>2</sup></b>	<b>254,086</b>	<b>314,576</b>

<sup>1</sup> Net financial debt (current) corresponds to current financial liabilities less cash and cash equivalents and current financial assets.

<sup>2</sup> Total debt corresponds to net financial debt (current) plus non-current financial liabilities, non-current provisions and other non-current non-financial liabilities.

The decrease in net working capital resulted mainly from the optimization of inventories and portfolio streamlining as well as more efficient receivables management. The resulting freed up capital was used to repay loans, i.e. to reduce net financial debt and total debt, which on the whole also decreased as a result of the changes in the group.

Furthermore, debt was refinanced with long-term loans at the end of the previous financial year, so that current liabilities are now reported as non-current compared to the same quarter 2022.

### Employee development

As at 31 March 2023, the TSC Group had a total of 795 (previous year: 1,305) employees.

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## Corporate divestments

On 6 April 2023, Berlin-based Lions Chain GmbH was sold by TSC AG to Leverkusen-based HaWiCon GmbH. With the payment of the purchase price all receivables from shareholder loans were assigned to the buyer.

On 14 April 2023, TSC AG sold RAVENSBERGER Matratzen GmbH, headquartered in Berlin, to SCUR-Alpha 1576 GmbH (in future Perfect Sleep GmbH), headquartered in Munich, under the terms of a share purchase agreement.

On 3 May 2023, TSC AG sold its 4,198 shares held in KoRo Handels GmbH (Berlin).

On 11 May 2023, TSC AG sold its 25% stake in the share capital of mint performance marketing, Inc. (Wilmington, DE, USA).

There were no other events of particular significance for the net assets, financial and earnings position after the end of the reporting period.

# 6 Outlook for the full year 2023

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## Outlook 2023

The Social Chain AG expects revenue of around EUR 270 million, with EBITDA of around EUR 8 million for the current financial year. This updated forecast is at the lower end of the range published in the annual report and reflects the persistently weak consumer sentiment.

### Further development of the business model

As part of the post-merger restructuring, management is focusing on the three brand and commerce pillars Core Brands, Brand Chain and MAXX Group as well as social media and has disposed of several companies. This will contribute to increasing profitability in the medium term and reducing complexity within the Group.

The newly reorganized TSC Group will consistently focus on its core business: Innovative cutting-edge products for the mass market. Problem solvers for the everyday life of end consumers in the areas of household,

leisure, fitness and entertainment. Marketed and distributed using a modern omnichannel structure consisting of offline retail, online marketplaces, the Group's own digital flagship stores, social marketing and future marketplaces in the virtual world of Web 3.0.

With a view to the future growth of the TSC Group, management is focusing on four fields: continuous innovation of the product range, exploitation of all omnichannel commerce opportunities in analog and digital marketplaces, consistent internationalization of the topseller strategy and targeted acquisitions that can be integrated into the existing structure of the TSC Group with clearly defined synergy potential.

Berlin, 25 May 2023

Dr. Georg Kofler

Andreas Schneider



The Social Chain AG®

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**Disclaimer**

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The financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. However, this quarterly statement does not constitute an interim report as defined in International Accounting Standard (IAS) 34.

Due to the rounding of figures, it is possible that individual figures in this and other documents do not add up exactly to the totals given and that the percentages shown do not exactly reflect the absolute values to which they relate.