



The Social Chain AG<sup>®</sup>

# QUARTERLY GROUP STATEMENT

FOR THE PERIOD 1 JANUARY TO 31 MARCH 2022

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# Market environment

The market environment in which The Social Chain AG (hereinafter also referred to as “TSC AG” or “TSC Group”) operates is affected by the overall economic development and the resulting consumer power. In the past two years, the market has been shaped by the global Covid pandemic, to which TSC AG had the capacity to react promptly. Overall, the economic growth prospects for e-commerce are favorable – nevertheless, the TSC Group will continue to be exposed to conditions which are difficult to anticipate in 2022, such as ongoing delays in supply chains, rising inflation<sup>1</sup> as well as Covid 19 variants that continue to exist.

In its “World Economic Outlook”, the International Monetary Fund (IMF) forecasts a negative market trend (11 April 2022). This analysis shows that global GDP growth is expected to slow to 3.6% in both 2022 and 2023 (prior year: 6.1%).<sup>2</sup> Germany expects GDP to decrease by -0.7% to 2.1% in 2022 (prior year: 2.8%).<sup>3</sup> The main reasons are considered to be the rapid rise in the prices for raw materials, fuels and food. In its Consumer Climate Study for April 2022, GfK (“Growth from Knowledge”, formerly Gesellschaft für Konsumforschung) forecasts that the Consumer Climate Indicator will decline by -10.8 points to -26.5 points in May 2022 (April 2022: -15.7 / April 2021: -6.1).<sup>4</sup>

However, other sources also confirm the trend that Social Commerce continues to be a beacon of hope in a challenging market environment. According to “Federal Association of E-Commerce and Mail Order” (bevh), the purchasing volume has fallen considerably since the beginning of the war in Ukraine in 2022, with German consumers continuing to consume – albeit at

lower purchasing volumes (April 2022). Due to high revenues after the Christmas season, the merchandise e-commerce business recorded an overall growth of 8.2% to EUR 23.0 billion (prior year: EUR 21.1 billion) in the 1st quarter of 2022. Compared to the performance before the beginning of the war, growth rates were +11.5% before and +2.3% after if compared to the same quarter of the prior year.<sup>5</sup>

As part of these developments, it is expected that the revenue development of the Social Commerce sector will continue to rise steadily. “Accenture” predicts that global sales in Social Commerce will increase from USD 0.5 trillion to USD 1.2 trillion in 2025 in its study “Why Shopping’s Set for a Social Revolution” from January 2022. This corresponds to an average annual growth rate of 24%.<sup>6</sup>

<sup>1</sup> Inflation forecast for 2022: 5.7% in advanced economies and 8.7% in emerging economies and developing countries, which corresponds to an upward revision of 1.8 and 2.8 percentage points respectively as compared to the forecast in January (source: <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>)

<sup>2</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2022/April/English/text.ashx> (S.17)

<sup>3</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2022/April/English/text.ashx> (S.26)

<sup>4</sup> [https://www.gfk.com/hubfs/website/editorial\\_ui\\_pdfs/20220427\\_PM\\_Konsumklima\\_Deutschland\\_dfin.pdf](https://www.gfk.com/hubfs/website/editorial_ui_pdfs/20220427_PM_Konsumklima_Deutschland_dfin.pdf) (S.1,3)

<sup>5</sup> [https://www.bevh.org/fileadmin/content/05\\_presse/Pressemitteilungen\\_2022/Tables\\_100422\\_Q122.pdf](https://www.bevh.org/fileadmin/content/05_presse/Pressemitteilungen_2022/Tables_100422_Q122.pdf) (S.1)

<sup>6</sup> <https://www.accenture.com/il-en/insights/software-platforms/why-shopping-set-social-revolution>



# Revenue performance of TSC AG

TSC AG continues to grow in the first quarter of 2022. In total, TSC AG more than doubled its revenues to EUR 124.8 million in the period from 1 January 2022 to 31 March 2022 compared to the revenues (EUR 60.7 million) in the same period of the prior year.

In a year-on-year comparison, it should be considered that the revenues of the current reporting period include revenues of DS Holding GmbH (together with its subsidiaries „DS Group“), Stapelfeld, acquired on 8 December 2021, in the amount of EUR 54.8 million and revenues of MINT Marketing Agency LLC („MINT“), Los Angeles, USA, acquired as of 22 May 2021, in the amount of EUR 0.5 million. Even excluding the DS Group and MINT, TSC AG’s sales increased by EUR 8.9 million from EUR 60.7 million in the prior year to EUR 69.6 million, representing an increase of 14.6%.

Particularly noteworthy is the renewed growth of the „Food“ division with its companies Carl Wilhelm Clasen GmbH („Clasen Bio“), Schwarzenbek, and KoRo Handels GmbH („KoRo“), Berlin, with an increase in revenues of EUR 7.3 million (+27.2%) to EUR 34.2 million.

The agency business also doubled its revenues to EUR 19.0 million (excluding MINT) in the first quarter of 2022 compared to EUR 9.1 million in the first quarter of 2021.

In contrast, revenues in the „Beauty & Health“ division declined by EUR 7.4 million (-83.2%). Revenues resulting from sales of products aimed at containing the Covid pandemic in the prior year did not occur in the current quarter as planned.

However, the reluctance to consume in e-commerce (non-food) was significantly lower than in the case of many market competitors, but nevertheless caused revenues to decline in the „Home & Living“ division by EUR 0.8 million (-5.3%) to EUR 14.5 million.

The newly acquired DS Group contributed revenues of EUR 54.8 million (IFRS) in the first quarter of 2022. In an isolated comparison with the same period of the prior year, when the DS Group was not included in the TSC Group, a decline in revenues compared to the first

quarter of 2021 (HGB 68.7 million) is mainly attributable to sales of pandemic-related items which were no longer planned. The development of the „LANDMANN“ brand was particularly positive, with a revenue increase of 50% year-on-year (in accordance with HGB). The divisions and brands „DS Handel“, „Brand Chain“ and „BEEM“ developed in line with the overall market, slightly below expectations.



# Key operational events in the period from 1 January to 31 March 2022

## Disposal of majority stake in KoRo Handels GmbH

By notarized sale and transfer agreement dated 15 March 2022, TSC AG sold 19,249 of its 26,442 shares in KoRo Handels GmbH held directly and indirectly through its subsidiary The Social Chain Group AG. The disposal occurred as part of the entry of several internationally renowned institutional financial investors as well as various further angel investors in KoRo, with whom an investment and shareholder agreement was also concluded on the same date.

Since the completion of the sale and transfer of the shares, TSC AG continues to hold a stake in KoRo Handels GmbH as a significant strategic minority shareholder and has been given a permanent seat on the newly established Advisory Board under the chairmanship of Dr. Georg Kofler.

The TSCGroup deconsolidated KoRo at the end of Q1 2022 and will prospectively account for it as shares in other investments at fair value (FVTPL) through profit or loss. The deconsolidation gain resulting from the disposal and recognized in net income amounts to EUR 39.2 million.

## Disposal of FFLV Inc.

On 25 March 2022, The Social Chain AG sold its 49% stake in FFLV Inc., a company under the incorporation right of Delaware, USA, to the previous majority shareholder in accordance with a sale and transfer agreement against payment of a purchase price of USD 1.0 million. Instead of immediate payment of the purchase price for the shares in FFLV, a fully secured

promissory note was issued by the buyer and agreed by TSC AG.

Under the same agreement, SC Fun Inc., a subsidiary of FFLV Inc., sold its 10% stake in A4D Holdings II LLC to the majority shareholder of A4D Holdings II LLC against payment of a purchase price of USD 1.0 million. The purchase price for the investment in A4D Holdings II LLC was paid in full to TSC AG, whereby loans issued by the latter to FFLV Inc. (and subsequently by FFLV Inc. to SC Fun Inc.) were repaid in the same amount with a debt discharging effect for SC Fun Inc. and FFLV Inc. In the course of the transaction, an existing loan

of USD 1.5 million granted by TSC AG to A4D Holdings II LLC, including accrued interest, was fully repaid to TSC AG as of 31 March 2022.

## Sale- and Lease-back Land Stapelfeld DS Produkte GmbH

On 3 March 2022, DS Produkte GmbH, Stapelfeld, a 100% subsidiary of TSC AG, sold its entire operating property in Stapelfeld, with a total of 10,623 sqm of land area, at a sale price of EUR 11.7 million with a notarized sales contract, and leased it back from the buyers at an agreed term of 15 years (plus lessee extension option of five years time two).



# Key performance indicators

## Revenues, gross margin, EBITDA and adjusted EBITDA

in EUR thousand	01 January - 31 March 2022	01 January - 31 March 2021
Revenues	124,817	60,707
Gross margin <sup>1</sup> (absolute)	32,593	20,756
Gross margin <sup>1</sup> (% of revenues)	26.1%	34.2%
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>23,915</b>	<b>- 6,124</b>
Earnings before interest, tax, depreciation and amortization (EBITDA) – Margin	19.2%	- 10.1%
Adjustment	2,776	1,344
<b>Adjusted earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>26,691</b>	<b>- 4,780</b>

<sup>1</sup> The gross margin corresponds to revenues plus change in inventories, less material expenses.

As part of the purchase price allocations required under IFRS, for DS Group still preliminary, revaluation mark-ups of EUR 4,377 thousand were applied to inventories when DS Group was acquired on 8 December 2021, as orders had already been received for the majority of the inventories. In the first quarter of 2022, these mark-ups were realized after the sale of the goods and thus had a corresponding negative impact on the absolute and relative gross margin as well as EBITDA.

## Net liabilities

in EUR thousand	31 March 2022	31 March 2021
<b>Net financial liabilities (current)<sup>1</sup></b>	<b>229,314</b>	<b>55,239</b>
<b>Total liabilities<sup>2</sup></b>	<b>314,576</b>	<b>93,516</b>

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

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

## Net Working Capital

in EUR thousand	31 March 2022	31 March 2021
Inventories	114,509	26,139
Trade receivables	79,047	35,531
Other current assets without loans	72,407	18,745
Cash and cash equivalents	10,909	12,156
	<b>276,871</b>	<b>92,571</b>
Current provisions	14,708	4,414
Trade payables	57,664	32,391
Other current liabilities without bank liabilities, loans and liabilities from put options	54,889	21,492
	<b>127,261</b>	<b>58,297</b>
<b>Net Working Capital<sup>1</sup></b>	<b>149,610</b>	<b>34,274</b>

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

The increase in net working capital as well as net financial liabilities and total liabilities is mainly attributable to the acquisition of DS Group, the associated financing and working capital structure.

## Employee development



As of 31 March 2022,  
TSC AG had a total of

**1,305**  
employees

# Significant events after the quarterly reporting date

## Resignation of CFO Christian Senitz

With effect from the end of 30 April 2022, Christian Senitz resigned from his position as Chief Financial Officer (CFO) of TSC AG.

## Appointment of Andreas Schneider as CFO

By resolution of the Supervisory Board of 29 April 2022, Andreas Schneider was appointed Chief Financial Officer (CFO) of TSC AG with effect from 1 June 2022.



Foto: Rieka Anscheit

Andreas Schneider, CFO The Social Chain AG

## Disposal of stake in air up group GmbH, Munich

By means of a notarized sale and transfer agreement dated 28 April 2022, DS Impact GmbH, Stapelfeld, an indirectly wholly owned subsidiary of TSC AG, sold its investment in air up group GmbH, Munich. The invest-

ment has generated a total return on investment in the low double-digit million range in three stages. The current transaction represents the major part with more than 80%. The parties have contractually agreed not to disclose the other transaction conditions.



# Outlook for the financial year 2022

## Performance 2022

Based on the business performance to date, as well as the successful integration of DS Group and companies acquired to date and already sold in Q1 2022, management expects to increase revenues in the 2022 financial year above EUR 500 million despite difficult market conditions.

For the first time, the company plans a positive double-digit EBITDA before adjustments and pro forma adjustments for the 2022 financial year.

## Further development of the business model

In addition, TSC AG is exploring opportunities for additional targeted acquisitions to further develop the business model at home and abroad. Such M&A transactions will prospectively be realized in the second half of the year. Companies with annual revenues of up to EUR 50 million and a slightly positive EBITDA are projected to be acquired, which would then increase the revenue expectation for 2022 accordingly.

## Synergy gains

The continuing integration of the DS Group will also contribute to the positive development. The TSC Group is thus able to exploit cost-side synergy effects with increasing tendency. Such effects will only become fully apparent in the coming financial years. Cash flow from operating activities will be burdened by high expenses for post-merger integration. The corresponding financial requirements for finalized and planned acquisitions was and will be covered by bank borrowings as well as from net cash inflows from potential selective company disposals already carried out in Q1 2022 or to be carried out in the course of 2022.





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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.