

COMPANY ANNOUNCEMENT

No. 179/2023

Tvis, 17 August 2023

Interim report Q2 2023 (April 1 - June 30)

(All figures in brackets refer to the corresponding period in 2022, and unless stated otherwise all figures are excl. Aubo Production A/S which was acquired effective 3 July 2023)

Margins improved in Q2 compared to Q1 while revenue in the quarter developed in line with expectations. Financial outlook on revenue and EBIT specified with narrower ranges.

CEO Torben Paulin:

“The Danish market for new kitchens showed signs of a potential recovery as the rate of decline in sales slowed in Q2. In TCM revenue declined by 3.5% compared to Q1, in line with our expectations. The decline in revenue was 19% compared to the same quarter last year, which, it must be recalled, was the strongest quarter ever for the TCM Group in terms of revenue.

We are pleased that order-intake for the B2B business remained stable in Q2 compared to Q1, while the order-intake for B2C decreased slightly in the quarter.

Gross margin was 20.0% in Q2 compared to 21.3% in Q2 last year, with the decline being attributable to a higher share of B2B sales and higher input cost. Compared to Q1 2023 gross margin improved by 1.5 percentage points due to increasing average sales prices, and the effect of cost reduction initiatives implemented during Q1. Raw material prices and the price of components, such as fixtures and fittings, remained high in the quarter with year-on-year increases of more than 10%, however we expect prices to start declining in Q3 supporting our margins further. As consumer demand is expected to remain soft in the second half of 2023 further capacity reductions were initiated towards the end of Q2 by reducing the blue-collar workforce by approximately 5% (equal to 20 FTE's).

During the quarter the Group incurred costs for dealership restructurings of DKK 2.4 million, accounted for as selling expenses.

On 19 June 2023 the Group announced the acquisition of 100% of the shares in Aubo Production A/S. This strategic acquisition will further strengthen the Groups market position primarily in Norway. The transaction was completed on 3 July 2023, and Aubo Production A/S will form part of the consolidated figures for the Group as from 3 July 2023. In connection with the acquisition of Aubo Production A/S the Group completed a directed rights issue on 26 June 2023 providing proceeds of DKK 77.0 million, and we are very pleased with the strong support shown by several existing shareholders in this connection.

Reflecting on both the information gained from the results for the first half of 2023 and the continued high degree of uncertainty characterising the current market conditions we adjust our financial outlook for the 2023 as follows: a full year revenue guidance in the range DKK 1,050-1,125 million (previously DKK 1,050-1,175 million), and an adjusted EBIT in the range DKK 68-90 million (previously DKK 68-102 million). The financial outlook includes figures for Aubo Production A/S as from 3 July 2023.”

Financial highlights Q2

- Revenue DKK 264.1 million (DKK 324.8 million) corresponding to a revenue decrease of 18.7%.
- Adjusted EBITDA DKK 27.5 million (DKK 43.5 million). Adjusted EBITDA margin was 10.4% (13.4%).
- Adjusted EBIT of DKK 22.3 million (DKK 39.1 million). Adjusted EBIT margin was 8.4% (12.0%).
- Non-recurring items had a total negative impact of DKK 2.8 million (positive impact of DKK 3.6 million). Non-recurring items included transaction costs related to the acquisition of Aubo Production A/S.
- EBIT of DKK 19.5 million (DKK 42.7 million), corresponding to an EBIT margin of 7.4% (13.1%).
- Net profit of DKK 12.2 million (DKK 32.2 million).
- Free cash flow was DKK -1.6 million (DKK 26.5 million).
- Cash conversion ratio was 56.1% (49.5%).

Financial highlights H1 2023

- Revenue DKK 537.7 million (DKK 606.2 million) corresponding to a revenue decrease of 11.3%.
- Adjusted EBITDA of DKK 45.5 million (DKK 73.8 million). Adjusted EBITDA margin was 8.5% (12.2%).
- Adjusted EBIT of DKK 35.4 million (DKK 65.1 million). Adjusted EBIT margin was 6.6% (10.7%).
- Non-recurring items had a negative impact of DKK 4.5 million (DKK 1.8 million).
- EBIT of DKK 30.9 million (DKK 63.3 million), corresponding to an EBIT margin of 5.7% (10.4%).
- Net profit of DKK 17.6 million (DKK 48.8 million).
- Free cash flow was DKK -36.6 million (DKK -6.4 million).
- Full-year guidance for the financial year 2023 is revenue in the range DKK 1,050-1,125 million, and adjusted EBIT in the range DKK 68-90 million (incl. Aubo Production A/S as from 3 July 2023).

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Presentation

The interim report will be presented on Friday 18 August 2023 at 9:30 CEST in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/veywy6gg>.

To participate in the teleconference, and thus have the possibility to ask questions, participants are required to register in advance of the conference using the link provided below. Upon registering, each participant will be provided with Participant Dial In Numbers, and a unique Personal PIN.

Online Registration to the call: <https://register.vevent.com/register/Bl6e79fdd84c1c43cf9c86b92e26fe5415>

About TCM Group

TCM Group is Scandinavia's third largest manufacturer of kitchens and furniture for bathrooms and storage. The products are designed and produced in Denmark and rooted in a proud tradition of good quality and good craftsmanship. TCM Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the other brands are Tvis Køkken, Netto-line and AUBO. Combined, the brands cater for the entire price spectrum, and are sold through c. 220 dealers in Denmark and the rest of the Scandinavia. TCM Group sells private label kitchens through DIY stores in Denmark and independent kitchen stores in Norway. TCM Group is supplier to the 45% owned e-commerce kitchen business Celebert, which operates under the brands kitchn.dk, billigskafe.dk, Celebert and Just Wood. See www.tcmgroup.dk for more information.