

COMPANY ANNOUNCEMENT

No. 182/2023

Tvis, 17 November 2023

Interim report Q3 2023 (July 1 - September 30)

(All figures in brackets refer to the corresponding period in 2022 – AUBO Production A/S is incl.in the figures as from 3 July 2023)

Q3 results confirmed, and outlook re-iterated.

CEO Torben Paulin:

“As stated in our Company Announcement no. 181 dated 18 October 2023, sales in Q3 and order intake in the first half of October had not met our expectations, despite a positive development in B2C sales in especially the Svane Køkkenet brand, and as a result we adjusted our sales outlook for 2023. Sales and order-intake has since the announcement developed in-line with our adjusted expectations.

In Q3 the underlying gross margin improved slightly compared to Q2, driven by an improved sales mix because of the AUBO acquisition, however this was not enough to offset the negative impact from the lower sales.

As a result of the weaker trading environment, we have as stated previously, as a precautionary measure, decided to increase our provisions for potential losses on our accounts receivables, amounting to DKK 5.4 million in the quarter.

As we have previously communicated, the 2023 budget overstated the expected transit fees to be received from 3rd party product suppliers and in the Q1 and Q2 financial reports the overstated budget numbers were used to estimate actual fees. This was corrected in Q3 (DKK 6.6 million), and also impacted the full year earnings estimate negatively by approximately DKK 10 million.

In Company Announcement no. 181 dated 18 October 2023, we adjusted the outlook for 2023 due to the weaker trading conditions, higher provisions for potential losses on accounts receivables, and the correction of transit fees. Trading has since developed in line with our revised expectations; hence we re-iterate the outlook: a full year revenue of DKK 1,040 – 1,090 million, and an adjusted EBIT in the range DKK 40 – 50 million.

To mitigate the impact of the weaker trading, we have reviewed our cost base in all areas to ensure that the Group can improve operating margins going forward. As a result of this we have in November 2023 further reduced our white-collar workforce with 20 full-time employees.

To create full transparency regarding our products environmental impact, we in Q3 released third party approved and validated Environmental Product declarations (EPDs) for all laminate worktops produced by TCM Group and for most of the kitchen products produced for and sold through the Svane Køkkenet, Tvis Køkken and Nettoline brands. As the first kitchen manufacturer in Scandinavia the EPDs disclose data of all stages of the life cycle assessment.”

Despite the reduction in earnings for 2023, the TCM Group remains and will remain compliant with the covenants included in the existing financing agreements for the TCM Group.

As stated in company announcement no. 167 dated 19 June 2023 part of the purchase price for the shares in AUBO Production A/S is linked to the performance of the company, and as a result of the current trading conditions the expected future earn-out payments will be lower. (i.e. fair market value of the earn-out has been reduced).

Financial highlights Q3

- Revenue DKK 257.6 million (DKK 265.0 million) corresponding to a revenue decrease of 2.8%.
- Adjusted EBITDA DKK 10.8 million (DKK 25.4 million). Adjusted EBITDA margin was 4.2% (9.6%).
- Adjusted EBIT of DKK 2.5 million (DKK 20.6 million). Adjusted EBIT margin was 1.0% (7.8%).
- Non-recurring items had a total negative impact of DKK 0.7 million (DKK 4.7 million). Non-recurring items included restructuring costs.
- EBIT of DKK 1.8 million (DKK 15.9 million), corresponding to an EBIT margin of 0.7% (6.0%).
- Net profit of DKK -1.7 million (DKK 9.7 million).
- Free cash flow was DKK 16.5 million (DKK -6.3 million).
- Cash conversion ratio was 88.1% (54.9%).

Financial highlights 9 months 2023

- Revenue DKK 795.3 million (DKK 871.2 million) corresponding to a revenue decrease of 8.7%.
- Adjusted EBITDA of DKK 56.2 million (DKK 99.2 million). Adjusted EBITDA margin was 7.1% (11.4%).
- Adjusted EBIT of DKK 37.8 million (DKK 85.7 million). Adjusted EBIT margin was 4.8% (9.8%).
- Non-recurring items had a negative impact of DKK 5.2 million (DKK 6.5 million).
- EBIT of DKK 32.7 million (DKK 79.2 million), corresponding to an EBIT margin of 4.1% (9.1%).
- Net profit of DKK 15.9 million (DKK 58.6 million).
- Free cash flow was DKK -19.9 million (DKK -12.7 million).
- Full-year guidance for the financial year 2023 is revenue in the range DKK 1,040-1,090 million, and adjusted EBIT in the range DKK 40-50 million (incl. AUBO Production A/S as from 3 July 2023).

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Presentation

The interim report will be presented on Friday 17 November 2023 at 9:30 CET in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/kjqzqvp5>

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/Bla56dd60898794c4c8eabf4e254ca5ee7>

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, billigskabe.dk, Celebert and Just Wood. See www.tcmgroup.dk for more information.