

COMPANY ANNOUNCEMENT

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Interim report Q1 2023 (January 1 - March 31)

(All figures in brackets refer to the corresponding period in 2022)

Sales showing strong resilience in challenged market, but earnings negatively impacted by mix effects, higher operating costs and dealership restructuring costs. Full year revenue guidance reiterated, but EBIT guidance revised.

CEO Torben Paulin:

“We are pleased that sales showed strong resilience in Q1 despite challenging market conditions. Consumer demand in Q1 continued the soft trend from the second half of 2022, but due to TCM’s strong position in B2B and the sales price increases implemented during 2022, sales were broadly unchanged, decreasing by only 3% in Q1 compared to Q1 last year.

Our flagship Svane Køkkenet brand successfully defended its market position in Denmark with unchanged sales in a declining market, while both the private label business and the sale in the e-commerce channel showed good growth rates. In Norway the strong performance continued with a sales growth of 4.4% measured in local currency.

Despite the sales price increases implemented over the last 12 months, gross margin in the quarter was negatively impacted by mix effects stemming from an increasing share of lower margin B2B sales compared to Q1 last year. In addition, rising raw material prices and increases in the price of components such as fixtures and fittings also diluted the margin. In total direct input cost increased by more than 10% compared to Q1 last year. Furthermore, significantly higher energy and freight cost impacted gross profit negatively. Finally, SG&A costs were negatively affected in the quarter by DKK 3 million related to a number of dealership restructurings.

During the first quarter of 2023, and in line with the prior two quarters, TCM continued the restructuring of the organisation to reflect the development in consumer demand. As such the workforce in both production and staff functions was reduced by in total of 35 FTEs in the quarter. The reductions, which are expected to have full impact from Q3 2023, lead to a non-recurring restructuring cost of DKK 1.7 million.

We reiterate our full year revenue guidance, but we revise our adjusted EBIT-guidance: Full year revenue is still expected to be in the range DKK 950-1,050 million (unchanged), while we now expect an adjusted EBIT in the range DKK 60-90 million (previously DKK 70-100 million).”

Financial highlights Q1

- Revenue DKK 273.6 million (DKK 281.4 million) corresponding to a revenue decrease of 2.8%.
- Adjusted EBITDA DKK 17.9 million (DKK 30.3 million). Adjusted EBITDA margin was 6.6% (10.8%).
- Adjusted EBIT down DKK 12.9 million to DKK 13.1 million (DKK 26.0 million). Adjusted EBIT margin was 4.8% (9.3%).
- Non-recurring items had a total negative impact of DKK 1.7 million (DKK 5.4 million). Non-recurring items included costs related to organisational restructuring.
- EBIT down DKK 9.2 million to DKK 11.4 million (DKK 20.6 million), corresponding to an EBIT margin of 4.1% (7.3%).
- Net profit down DKK 11.2 million to DKK 5.4 million (DKK 16.6 million).
- Free cash flow was DKK -35.0 million (DKK -32.9 million).
- Cash conversion ratio was 68.2% (60.5%).
- Full-year guidance for the financial year 2023 is revenue in the range DKK 950-1,050 million, and adjusted EBIT in the range DKK 60-90 million.

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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 and Nettoline. Combined, the brands cater for the entire price spectrum, and are sold through c. 140 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 Woods. See www.tcmgroup.dk for more information.