

**COMPANY ANNOUNCEMENT**

No. 162/2023

Tvis, 24 February 2023

**Q4: Expectations met. Topline flat and earnings reduced in Q4 due to sales mix.****CEO Torben Paulin:**

“As previously communicated the development, we experienced during Q3 with lower B2C demand, continued into Q4, where B2C sales declined. Our strong position and pipeline in B2B ensured that overall sales remained solid in spite of the slowdown in B2C sales. Revenue in our core business was up 1% on Q4 last year, DKK 275 million compared to DKK 274 million in Q4 last year.

The change in sales mix with a lower share of high margin B2C sales offset by a higher share of lower margin B2B project sales had a negative impact on gross margin and earnings. Furthermore, gross margin was negatively impacted by significant higher cost prices on raw materials and components. The higher input costs were passed on to our customers through multiple sales price increases during the year. However, the mitigating impact on gross margin from the implemented sales price increases came with some delay. From January 2023, the sales price increases implemented during the year will have full mitigating impact.

Adjusted EBIT in Q4 ended at DKK 18 million compared to DKK 29 million Q4 last year, and Adjusted EBIT for the full year ended at DKK 103 million.

During Q3 and Q4 we have already undertaken a number of actions to address the situation and protect the profitability of TCM Group going forward. From mid September the third shift (night shift) was shut down and the organisation was restructured with a reduction in the administrative staff of 20 FTEs in two steps during Q3 and Q4. The restructuring was implemented to mitigate the slowdown in demand and the third shift was discontinued as increased efficiency at the production sites has raised the overall production capacity in the two remaining shifts. In view of the development, concrete actions to further improve efficiency and reduce costs have been initiated and we continue to monitor the development in the market closely. Production capacity is being adjusted as needed.

Furthermore, we have renegotiated the leverage covenant in our bank credit facility (NIBD compared to Adjusted EBITDA) from 3.0 to 4.0. With this proactive approach we have ensured that we have additional and sufficient headroom in our DKK 300 million bank credit facility.

The development in 2023 is characterised by a high degree of uncertainty with regards to the macro economic development and the derived effect on the demand for kitchens. Macro economic headwind during 2022 with high inflation a.o. following the war in Ukraine, higher energy costs, higher interest rates etc. has led to a slowdown of the Danish housing market with a significant drop in number of houses sold and order intake from house builders. This has impacted the kitchen market with lower demand especially within B2C. As a consequence of the above, we expect lower activity in 2023 in general and we believe B2C sales will continue to be low going into 2023.

Based on the above, we have widened our range for the financial outlook for 2023 compared to previous years. Our financial outlook for full year revenue for 2023 is in the range of DKK 950-1,050 million and adjusted EBIT in the range of DKK 70-100 million.

As a consequence of the higher degree of uncertainty, the Board of Directors has decided not to propose a distribution of an ordinary dividend, and instead propose to the upcoming Annual General Meeting, that a mandate is provided to the Board of Directors with the option to distribute a dividend during the second half of 2023 of up to DKK 30 million.”

#### **Financial highlights Q4**

- Revenue DKK 274.9 million (DKK 274.2 million) corresponding to a revenue growth of 0.3%. Organic like-for-like growth was 1% excluding revenue from third party products (core business).
- Adjusted EBITDA DKK 22.2 million (DKK 33.5 million). Adjusted EBITDA margin was 8.1% (12.2%).
- Adjusted EBIT DKK 17.7 million (DKK 29.0 million). Adjusted EBIT margin was 6.5% (10.6%).
- Non-recurring items had a total negative impact in Q4 LY of DKK 8.5 million, whereas Q4 2022 included no non-recurring items. Non-recurring items LY included costs related to supply chain disruptions and costs related to the Celebert/kitchn.dk transaction.
- EBIT DKK 17.7 million (DKK 20.5 million), corresponding to an EBIT margin of 6.5% (7.5%).
- Net profit DKK 11.9 million (DKK 16.1 million).
- Free cash flow was DKK 52.2 million (DKK 28.6 million).
- Cash conversion ratio was 61.0% (58.3%).

#### **Financial highlights 12 months 2022**

- Revenue DKK 1,146.1 million (DKK 1,108.3 million) corresponding to a revenue growth of 3.4%. Organic like-for-like growth was 6%.
- Adjusted EBITDA DKK 121.3 million (DKK 154.7 million). Adjusted EBITDA margin was 10.6% (14.0%).
- Adjusted EBIT down DKK 34.4 million to DKK 103.4 million (DKK 137.8 million). Adjusted EBIT margin was 9.0% (12.4%).
- Non-recurring items had a negative impact of DKK 6.5 million (positive impact of DKK 0.7 million).
- EBIT DKK 96.9 million (DKK 138.4 million), corresponding to an EBIT margin of 8.5% (12.5%).
- Net profit DKK 70.5 million (DKK 110.7 million).

- Free cash flow was DKK 39.4 million (DKK 44.5 million).
- 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 70-100 million.

### **Contact**

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### **Presentation**

The interim report will be presented on Friday 24 February at 9:30 CET in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/dbiqzu6n>

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/BI88fffedec29e499db963702af1f7a504>

### **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 Køkkener 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](http://www.tcmgroup.dk) for more information.