

COMPANY ANNOUNCEMENT

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TCM GROUP A/S releases preliminary Q3 numbers and downgrades outlook.

TCM Group releases the preliminary financial numbers for Q3 2023 and downgrades the outlook for the financial year 2023. The downgrade is due to weaker trading conditions, increased provisions for accounts receivables, and a correction of estimates on transit-fees received from 3rd party suppliers pertaining to the financial year as a whole, including the first two quarters.

Revenue in Q3 was DKK 258 million compared to DKK 265 million in Q3 last year, equal to a decline of 2.8%, where it should be noted that Aubo Production is consolidated in the financial figures from 3 July 2023 onwards. Adjusted EBIT in the quarter was DKK 3 million, with a material negative impact from the correction of third-party transit fees (DKK 8 million) pertaining to the first three quarters of the financial year and higher provisions for potential losses on accounts receivables. (DKK 5 million).

The reasons for the outlook adjustment are weaker trading conditions with lower than expected sales in all brands and markets in the second half of 2023, combined with a correction of estimates on transit fees received from third party suppliers. During the budget process, the company overestimated the transit fees to be received from third party suppliers, who supplies white goods, tabletops, and accessories. The budget numbers were, due to an error, used to estimate actual fees in the Q1 and Q2 financial reports. In connection with the Q3 closing process, the error was identified leading to a downgrade of the expected transit fee income of approximately DKK 10 million for the year as a whole, of which app. DKK 8 million relates to the first three quarters. In addition, and as a result of the weaker trading outlook, it has been decided to increase provisions for potential losses on accounts receivables by DKK 5 million in Q3. Lastly, amortizations on intangible assets recognized in connection with the purchase price allocation for Aubo Productions A/S technically impacts EBIT negatively by DKK 3 million for the full year. The amortizations are an accounting technicality nature and has no cash-impact.

Based on the above we adjust our financial outlook for 2023 as follows: a full year revenue of DKK 1,040 – 1,090 million (previously DKK 1,050-1,125 million), and an adjusted EBIT in the range DKK 40 – 50 million (previously DKK 68 – 90 million).

CEO Torben Paulin comments: "Sales in Q3 and order intake so far for Q4 have not met our expectations, despite a positive development in B2C sales in especially the Svane Køkkenet brand. Underlying gross margin improved slightly compared to Q2, driven by an improved sales mix, 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 a precautionary measure, decided to increase our provisions for potential losses on our accounts receivables. In the 2023 budget the expected transit fees to be received from 3rd party product suppliers were overstated and in the Q1 and Q2 financial reports the overstated budget numbers were used to estimate actual fees. We are now correcting this error, which unfortunately is impacting the full year earnings estimate negatively by approximately DKK 10 million compared to our previous outlook."

Preliminary Financials Q3

- Revenue DKK 258 million (DKK 265 million) corresponding to a revenue decrease of -2.8%.
- Adjusted EBITDA DKK 11 million (DKK 25 million). Adjusted EBITDA margin was 4.2% (9.6%).
- Adjusted EBIT of DKK 3 million (DKK 21 million). Adjusted EBIT margin was 1.0% (7.8%).
- EBIT of DKK 2 million (DKK 16 million), corresponding to an EBIT margin of 0.7% (6.0%).
- Free cash flow was DKK 17 million (DKK -6 million).

Preliminary Financials 9 months 2023

- Revenue DKK 795 million (DKK 871 million) corresponding to a revenue decrease of 8.7%.
- Adjusted EBITDA of DKK 56 million (DKK 99 million). Adjusted EBITDA margin was 7.1% (11.4%).
- Adjusted EBIT of DKK 38 million (DKK 86 million). Adjusted EBIT margin was 4.8% (9.8%).
- EBIT of DKK 33 million (DKK 79 million), corresponding to an EBIT margin of 4.1% (9.1%).
- Free cash flow was DKK -20 million (DKK -13 million).
- Net interest-bearing debt as of 30 September 2023 of DKK 417 million.

The company will release its full quarterly financial report for Q3 2023 on 17 November 2023 as planned.

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Teleconference

There will be a teleconference where management will discuss the elements in this announcement. The teleconference will be held on Thursday 19 October 2023 at 13:00 CEST, and the teleconference can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/p9v5r3m3>

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/BI97a6db18cc5f45b5a42992fa95f73a4d>

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.