

TCM Group Management's review

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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Key figures and ratios (incl. AUBO Production A/S from 3 July 2023)

DKK million	Q3 2023	Q3 2022	9mth 2023	9mth 2022	FY 2022
Income statement					
Revenue	257.6	265.0	795.3	871.2	1,146.1
Gross profit	47.0	49.7	150.6	178.9	234.0
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	10.1	20.8	51.1	92.7	114.9
Adjusted EBITDA	10.8	25.4	56.2	99.2	121.3
Earnings before interest, tax, and amortisation (EBITA)	3.3	15.9	34.2	79.2	96.9
Adjusted EBIT	2.5	20.6	37.8	85.7	103.4
Operating profit (EBIT)	1.8	15.9	32.7	79.2	96.9
Financial items	(4.1)	(3.4)	(12.3)	(6.7)	(8.8)
Profit before tax	(2.3)	12.4	20.8	73.4	89.4
Net profit for the period	(1.7)	9.7	15.9	58.6	70.5
Balance sheet					
Total assets	1,250.3	989.4	1,250.3	989.4	970.2
Net working capital (NWC)	33.5	(9.1)	33.5	(9.1)	(57.1)
Net interest-bearing debt (NIBD)	417.3	334.6	417.3	334.6	288.1
Equity	523.8	407.3	523.8	407.3	420.6
Cash Flow					
Free cash flow excl. acquisitions of operations	16.5	(6.3)	(19.9)	(12.7)	39.5
Cash conversion, %	88.1%	54.9%	88.1%	54.9%	61.0%
Growth ratios					
Revenue growth, %	(2.8%)	1.0%	(8.7%)	4.4%	3.4%
Gross profit growth, %	(5.4%)	(11.7%)	(15.8%)	(9.1%)	(8.1%)
Adjusted EBIT growth, %	(87.9%)	(35.2%)	(55.8%)	(21.2%)	(24.9%)
EBIT growth, %	(88.4%)	(63.6%)	(58.7%)	(32.8%)	(30.0%)
Net profit growth, %	(117.3%)	(74.4%)	(72.8%)	(38.1%)	(36.3%)
Margins					
Gross margin, %	18.3%	18.7%	18.9%	20.5%	20.4%
Adjusted EBITDA margin, %	4.2%	9.6%	7.1%	11.4%	10.6%
Adjusted EBIT margin, %	1.0%	7.8%	4.8%	9.8%	9.0%
EBIT margin, %	0.7%	6.0%	4.1%	9.1%	8.5%
Other ratios					
Solvency ratio, %	41.9%	41.2%	41.9%	41.2%	43.4%
Leverage ratio	5.21	2.52	5.21	2.52	2.35
NWC ratio, %	3.1%	(0.8%)	3.1%	(0.8%)	(5.0%)
Capex ratio excl. acquisitions, %	1.8%	1.3%	1.6%	1.4%	2.0%
Share information					
Number of outstanding shares	10,438,638	9,067,294	10,438,638	9,067,294	9,067,294
Weighted average number of outstanding shares	10,433,749	9,067,294	9,541,207	9,077,392	9,074,847
Number of treasury shares	75,000	75,000	75,000	75,000	75,000
Earnings per share before dilution, DKK	(0.16)	1.07	1.67	6.45	7.77
Earnings per share after dilution, DKK	(0.16)	1.07	1.67	6.45	7.75

Reference is made to the consolidated financial statements for 2022 prepared in accordance with IFRS for definitions of key figures and ratios.

Business review

(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)

Revenue in Q3 was DKK 257.6 million compared to DKK 265.0 million in Q3 last year, equal to a decline of 2.8%, and with an organic decline of 23.5%. Revenue in Q3 in AUBO Production A/S amounted DKK 55.0 million.

TCM Group's primary market is Denmark which contributed with 79.5% of Group revenue in Q3 2023. Revenue in Denmark was down 14.8% compared to Q3 last year. As expected, order intake for the B2B segment decreased compared to previous quarters, whereas order-intake in B2C stabilized compared to Q2.

Revenue outside Denmark increased by 114% compared to Q3 2022, driven by higher sales in Norway following the acquisition of AUBO Production A/S.

Gross margin decreased from 20.0% in Q2 2023 to 18.3% in Q3 2023. Adjusted for the correction in transit fees related to Q1 and Q2 (DKK 6.6 million) the gross margin was 20.3%. The improvement was due to the inclusion of AUBO Production A/S, whereas raw material prices and the price of components, such as fixtures and fittings only decreased slightly in the quarter.

During the quarter the Group incurred costs for dealership restructurings and provisions for potential losses on trade receivables of DKK 5.4 million, accounted for as selling expenses.

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

At the end of Q3 2023, the total number of branded stores was 112 (92), of which 21 stores were added through the AUBO Production A/S acquisition.

Total number of employees at the end of Q3 2023 was 496 (526).

Other events in Q3 2023

In connection with the closing of the acquisition of AUBO Production A/S on 3 July 2023 the Board of Directors decided to issue 149,925 shares as part of the payment to the sellers. The share capital of TCM hereafter consist of 10,513,638 shares of DKK 0.10 each, equivalent to a registered share capital of nominally DKK 1,051,363.80.

Events after the reporting period

No events of importance to the consolidated interim financial statements have occurred after the reporting period.

Financial outlook

We reiterate our full year guidance according to company announcement no. 181: a full year revenue guidance in the range DKK 1,040-1,090 million, and an adjusted EBIT in the range DKK 40-50 million. (incl. AUBO Production A/S as from 3 July 2023).

Forward looking statements

This interim report contains statements relating to the future, including statements regarding TCM Group's future operating results, financial position, cash flows, business strategy and plans for the future. The statements are based on management's reasonable expectations and forecasts at the time of the disclosure of the report. Any such statements are subject to risks and uncertainties, and a number of different factors, many of which are beyond TCM Group's control, could mean that actual performance and actual results will differ significantly from the expectations expressed in this interim report. Without being exhaustive, such factors include general economic and commercial factors, including market and competitive matters, supplier issues and financial issues.

Significant risks in the Group

TCM Group is exposed to strategic, operating, and financial risks, which are described in the management review and note 2 of the 2022 Annual Report prepared in accordance with IFRS. The macroeconomic turbulence following the Russian invasion of Ukraine combined with rising inflation and higher interest rates have had and can continue to have a short-term negative impact on demand for kitchens, and thereby impacting TCM Group's financial results negatively.

Financial review

(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)

Revenue

In Q3 2023 revenue decreased by 2.8% to DKK 257.6 million (DKK 265 million). Revenue in AUBO Production A/S amounted to DKK 55.0 million in Q3.

Revenue in Denmark in Q3 2023 was DKK 204.9 million (DKK 240.4 million) corresponding to a decrease of 14.8%. Revenue in other countries in Q3 2023 was up 114.3% to DKK 52.7 million (DKK 24.6 million) driven by the acquisition of AUBO Production A/S as of 3 July 2023.

Revenue for the first nine months of 2023 was down 8.7% to DKK 795.3 million (DKK 871.2 million). Revenue in Denmark for the first nine months of 2023 was down 11.7% to DKK 691.6 million (DKK 782.9 million) and revenue in other countries for the first nine months of 2023 was up 17.4% to DKK 103.6 million (DKK 88.3 million).

Gross profit

Gross profit in Q3 2023 was DKK 47.0 million (DKK 49.7 million), corresponding to a gross margin of 18.3% (18.7%). Adjusted for the correction related to transit fees for Q1 and Q2 the gross margin was 20.3%. AUBO Production A/S gross profit amounted to DKK 15.9 million in the quarter, corresponding to a gross margin of 29.0%.

Gross profit for the first nine months of 2023 was DKK 150.6 million (DKK 178.9 million), corresponding to a gross margin of 18.9% (20.5%).

Operating expenses

Operating expenses in Q3 2023 were DKK 44.5 million (DKK 29.1 million). Operating expenses represented 17.3% of revenue in Q3 2023 (11.0%). Operating expenses included provisions for restructuring of the store network and for potential losses on trade receivables of DKK 5.4. million (DKK 0.2 million) as mentioned above.

Operating expenses for the first nine months of 2023 were DKK 112.7 million (DKK 93.2 million), of which DKK 11.0 million (DKK 0.7 million) relates to provisions for restructuring of the store network and for potential losses on trade receivables. Operating expenses represented 14.2% of revenue for the first nine months of 2023 (10.7%).

Adjusted EBITDA

Adjusted EBITDA in Q3 2023 was DKK 10.8 million (DKK 25.4 million), corresponding to an adjusted EBITDA margin of 4.2% (9.6%).

Adjusted EBITDA for the first nine months of 2023 was DKK 56.2 million (DKK 99.2 million), corresponding to an adjusted EBITDA margin of 7.1% (11.4%).

Adjusted EBIT

Adjusted EBIT in Q3 2023 was DKK 2.5 million (DKK 20.6 million), corresponding to an adjusted EBIT margin of 1.0% (7.8%).

Adjusted EBIT for the first nine months of 2023 was DKK 37.8 million (DKK 85.7 million), corresponding to an adjusted EBIT margin of 4.8% (9.8%).

Non-recurring items

TCM Group presents non-recurring items separately to ensure comparability. Non-recurring items consist of income and expenses that are special and of a non-recurring nature. In Q3 2023 non-recurring items were restructuring costs. This is considered non-recurring by nature and material and is therefore presented as non-recurring items.

Non-recurring items, DKK m	Q3		9 months	
	2023	2022	2023	2022
Transaction costs related to business combinations	0.0	0.0	2.8	0.0
Costs related to Covid-19 and supply chain disruptions	0.0	0.0	0.0	5.4
Restructuring costs	0.7	4.7	2.4	4.7
Net gain from the Celebert/kitchn.dk transaction	0.0	0.0	0.0	(3.6)
Total	0.7	4.7	5.2	6.5

EBIT

EBIT in Q3 2023 decreased to DKK 1.8 million (DKK 15.9 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations in Q3 2023 were DKK 8.3 million (DKK 4.9 million), including amortisations on intangible assets recognized as part of the purchase price allocation related to the acquisition of AUBO Production A/S.

EBIT for the first nine months of 2023 decreased to DKK 32.7 million (DKK 79.2 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations for the first nine months of 2023 were DKK 18.3 million (DKK 13.5 million).

Net profit

Net profit in Q3 2023 decreased to DKK -1.7 million (DKK 9.7 million). Financial income and expenses in Q3 2023 were DKK 0.7 million higher than in Q3 2022, due to the higher level of interest-bearing debt during the quarter and higher interest rates, which was only partly offset by exchange rate gains of DKK 1.7 million (DKK -0.6 million).

Net profit for the first nine months of 2023 decreased to DKK 15.9 million (DKK 58.6 million). Financial income and expenses in the first nine months were DKK 5.6 million higher than the same period last year, due to the higher level of interest-bearing debt during the year and higher interest rates.

Free cash flow

Free cash flow in Q3 2023 was DKK 16.5 million (DKK -6.3 million). The cash flow in Q3 2023 was positively impacted by change in NWC of DKK 16.6 million compared to DKK -21.5 million in Q3 2022 as further described below. Investments were DKK 10.1 million in Q3 2023 compared to DKK 5.6 million last year. The increase in investments is primarily driven by investments into digitalisation and modernisation of the production equipment.

Free cash flow for the first nine months of 2023 was DKK -19.9 million (DKK -12.6 million). Cash conversion was 88.1% (54.9%).

Net working capital

Net working capital at the end of Q3 2023 was DKK 33.5 million (DKK -9.1 million). NWC ratio at the end of Q3 2023 was 3.1% (-0.8%).

DKK million	End of Q3	
	2023	2022
Inventories	108.0	91.7
Trade and other receivables	141.6	76.8
Trade and other payables	(216.1)	(177.6)
Net working capital	33.5	(9.1)
NWC ratio	3.1%	(0.8%)

The acquisition of AUBO Production A/S added inventories of DKK 34.3 million, hence the increase in inventories of DKK 16.3 million was fully driven by the acquisition. During the quarter inventories at all sites reduced as a result of the decision to decrease the stock of parts and raw materials after the supply situation in the market has stabilized.

Trade receivables and other receivables increased by DKK 64.8 million, where the acquisition of AUBO Production A/S added receivables of DKK 65.2 million. Other receivables are excluding the value of short-term lease receivables amounting to DKK 6.0 million, as this is not considered part of the net working capital.

Operating liabilities increased by DKK 38.6 million, where the acquisition of AUBO Production A/S added operating liabilities of DKK 42.1 million. The extended credit for payroll taxes provided in the government's inflation support package increased operating liabilities by c. DKK 10 million as of 30 September 2023.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 417.3 million at the end of Q3 2023 (DKK 334.6 million). Net interest-bearing debt (including IFRS 16 leasing liabilities) increased by DKK 158.6 million due to the acquisition of AUBO Production A/S. Leasing liabilities related to IFRS 16 increased net interest-bearing debt by DKK 10.0 million in the quarter as a result of the acquisition. Net interest-bearing debt excluding the leasing liabilities related to IFRS 16 amounted to DKK 334.7 million at the end of Q3 2023 (DKK 274.0 million).

Leverage ratio, measured as net interest-bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of Q3 2023 was 5.21 (2.52). Excluding the leasing liabilities related to IFRS 16, leverage ratio end of Q3 2023 was 4.55 (2.13).

Equity

Equity at the end of Q3 2023 amounted to DKK 523.8 million (DKK 407.3 million). The equity increased by DKK 7.8 million in Q3 2023, of which DKK 10.0 million was net proceeds from the issue of 149,925 new shares completed on 3 July 2023.

The solvency ratio was 41.9% at the end of Q3 2023 (41.2%).

Additional information

Financial calendar

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. related to the financial year 2023:

28 February 2024	Interim report Q4 2023 and Annual report 2023
11 April 2024	Annual General Meeting

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/kjgzgvp5>.

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/BIA56dd60898794c4c8eabf4e254ca5ee7>

About TCM Group A/S

TCM Group is Scandinavia's third largest kitchen manufacturer, with a major part of its business concentrated in Denmark. The product offering includes cabinets, table tops and storage.

Manufacturing is generally carried out in-house and more than 90% is manufactured to a specific customer order. Production sites are located in Denmark, with four factories in Tvis and Aulum (in the western part of Denmark).

The Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the secondary brands are Tvis Køkken, Nettoline, AUBO and private label. Combined, the brands cater for the entire price range. Products are mainly marketed through a network of franchise stores and independent kitchen retailers. Furthermore, 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.

Company information

TCM Group A/S

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Consolidated interim financial statements

Consolidated income statement

DKK m	Note	Q3		9 months	
		2023	2022	2023	2022
Revenue	2	257.6	265.0	795.3	871.2
Cost of goods sold		(210.5)	(215.3)	(644.7)	(692.3)
Gross profit		47.0	49.7	150.6	178.9
Selling expenses		(27.0)	(18.7)	(69.7)	(57.7)
Administrative expenses		(17.5)	(10.4)	(43.0)	(35.5)
Operating profit before non-recurring items		2.5	20.6	37.8	85.7
Non-recurring items	3	(0.7)	(4.7)	(5.2)	(6.5)
Operating profit		1.8	15.9	32.7	79.2
Share of profit/loss in associated companies		0.0	(0.1)	0.4	1.0
Financial income		1.4	0.0	1.9	0.4
Financial expenses		(5.5)	(3.4)	(14.2)	(7.1)
Profit before tax		(2.3)	12.4	20.8	73.4
Tax for the period		0.6	(2.7)	(4.8)	(14.9)
Net profit for the period		(1.7)	9.7	15.9	58.6
Earnings per share before dilution, DKK		(0.16)	1.07	1.67	6.45
Earnings per share after dilution, DKK		(0.16)	1.07	1.67	6.45

Consolidated statement of comprehensive income

DKK m	Q3		9 months	
	2023	2022	2023	2022
Net profit for the period	(1.7)	9.7	15.9	58.6
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Value adjustments of currency hedges before tax	(0.6)	(0.4)	0.3	(2.9)
Tax on value adjustments of currency hedges	0.1	0.1	(0.1)	0.6
Other comprehensive income for the period	(0.5)	(0.3)	0.2	(2.2)
Total comprehensive income for the period	(2.2)	9.5	16.1	56.3

Consolidated balance sheet

DKK m	Note	End of Q3 2023	2022	End of 2022
ASSETS				
Intangible assets				
Goodwill		427.8	369.8	369.8
Brand		183.0	172.0	172.0
Other intangible assets		46.2	10.7	14.2
		657.0	552.5	555.9
Tangible assets				
Land and buildings		179.4	121.1	127.1
Tangible assets under construction and prepayments		0.0	0.0	1.1
Machinery and other technical equipment		57.3	44.5	42.5
Equipment, tools, fixtures and fittings		10.6	7.1	8.9
		247.3	172.7	179.6
Investments in associated companies		47.3	47.3	48.7
Financial assets		23.1	24.6	26.7
Total non-current assets		974.8	797.1	811.0
Inventories		108.0	91.7	80.7
Current receivables				
Trade receivables		130.5	71.7	41.0
Receivables from associated companies		0.0	0.3	0.0
Other receivables		17.1	12.7	30.2
Prepaid expenses and accrued income		0.0	0.0	2.9
		147.5	84.7	74.1
Cash and cash equivalents		20.0	15.9	4.4
Total current assets		275.5	192.3	159.2
Total assets		1,250.3	989.4	970.2

Consolidated balance sheet

DKK m	Note	End of Q3 2023	2022	End of 2022
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		1.0	0.9	0.9
Treasury shares		(12.1)	(12.1)	(12.1)
Value adjustments of currency hedging		(0.7)	(2.3)	(0.9)
Retained earnings		535.6	420.8	432.7
Proposed dividend for the financial year		0.0	0.0	0.0
Total shareholders' equity		523.8	407.3	420.6
Deferred tax		55.7	53.9	53.4
Mortgage loans		23.1	25.8	25.1
Bank loans		129.8	0.0	0.0
Lease liabilities		61.9	50.1	48.8
Other liabilities		52.4	1.1	0.5
Total long-term liabilities		322.9	130.8	127.7
Mortgage loans		2.8	2.8	2.8
Bank loans		163.4	260.4	200.3
Lease liabilities		12.6	11.3	12.0
Trade payables		134.3	123.0	151.9
Liabilities to associated companies		0.5	0.0	0.1
Current tax liabilities		8.6	0.2	3.6
Other liabilities		81.3	53.5	51.2
Deferred income		0.0	0.2	0.0
Total short-term liabilities		403.6	451.3	421.8
Total shareholders' equity and liabilities		1,250.3	989.4	970.2

Change in consolidated shareholders' equity

	Share capital DKK m	Trea- sury shares DKK m	Value adjust- ments of currency hedges after tax DKK m	Retain- ed earn- ings DKK m	Propo- sed divi- dend DKK m	Total DKK m
Opening balance 01.01.2022	1.0	(136.0)	0.0	500.3	54.4	419.7
Net profit for the period	0.0	0.0	0.0	58.7	0.0	58.7
Other comprehensive income for the period	0.0	0.0	(2.3)	0.0	0.0	(2.3)
Total comprehensive income for the period	0.0	0.0	(2.3)	58.7	0.0	56.4
Dividend paid	0.0	0.0	0.0	0.0	(54.4)	(54.4)
Purchase of treasury shares	0.0	(14.4)	0.0	0.0	0.0	(14.4)
Reduction of share capital	(0.1)	138.3	0.0	(138.2)	0.0	0.0
Closing balance 30.09.2022	0.9	(12.1)	(2.3)	420.8	0.0	407.3
Opening balance 01.01.2023	0.9	(12.1)	(0.9)	432.7	0.0	420.6
Net profit for the period	0.0	0.0	0.0	15.9	0.0	15.9
Other comprehensive income for the period	0.0	0.0	0.2	0.0	0.0	0.2
Total comprehensive income for the period	0.0	0.0	0.2	15.9	0.0	16.1
Rights issue	0.1	0.0	0.0	88.6	0.0	88.8
Cost related to rights issue	0.0	0.0	0.0	(1.8)	0.0	(1.8)
Closing balance 30.09.2023	1.0	(12.1)	(0.7)	535.6	0.0	523.8

Consolidated cash flow statement

DKK m	Note	Q3		9 months	
		2023	2022	2023	2022
Operating activities					
Operating profit		1.8	15.9	32.7	79.2
Depreciation and amortization		8.2	4.9	18.3	13.5
Income tax paid		0.0	0.0	(10.7)	(7.4)
Change in net working capital		16.6	(21.5)	(31.3)	(79.4)
Cash flow from operating activities		26.6	(0.7)	9.0	5.9
Investing activities					
Investments in fixed assets		(10.1)	(5.6)	(28.9)	(18.6)
Acquisition of operations, net		(117.6)	0.0	(117.6)	(2.2)
Cash flow from investing activities		(127.7)	(5.6)	(146.5)	(20.8)
Financing activities					
Interest paid		(4.1)	(3.4)	(10.9)	(6.8)
Proceeds from loans		149.6	0.0	149.6	0.0
Repayments of loans		(0.6)	(0.7)	(2.0)	(2.1)
Repayments of lease liabilities		(1.7)	(1.1)	(4.0)	(3.1)
Purchase of treasury shares		0.0	0.0	0.0	(14.4)
Rights issue, net proceeds		0.0	0.0	77.0	0.0
Dividend paid		0.0	0.0	0.0	(54.4)
Cash flow from financing activities		143.2	(5.2)	209.7	(80.8)
Cash flow for the period		42.1	(11.5)	72.2	(95.7)
Cash and cash equivalents at the beginning of the period					
		(165.8)	(233.0)	(195.9)	(148.8)
Cash flow for the period		42.1	(11.5)	72.2	(95.7)
Cash and cash equivalents at the end of the period		(123.7)	(244.5)	(123.7)	(244.5)

Notes to the consolidated interim financial statements

1. Accounting policies

This interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and Danish disclosure requirements for listed companies. TCM Group has applied the same accounting policies in this interim report as were applied in the consolidated financial statements for 2022 prepared in accordance with IFRS, why reference is made to note 1 of these financial statements for accounting policies and for definitions of key figures and ratios on pages 46-51 and 65.

Impact from new IFRS standards

TCM Group A/S has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2023 as adopted by the European Union.

Implementation of the standards and amendments have not had any material impact on the Group’s Financial Statements and are likewise not expected to have any significant future impact.

2. Revenue and segment information

The Group’s business activities are managed within a single operating segment that is producing and selling kitchens, bathrooms and storage solutions. The result of the operating segment is monitored by the Group’s management to evaluate it and to allocate resources.

Revenue by region, DKK m	Q3		9 months	
	2023	2022	2023	2022
Denmark	204.9	240.4	691.6	782.9
Other countries	52.7	24.6	103.6	88.3
	257.6	265.0	795.3	871.2

Revenue by category, DKK m	2023	2022	2023	2022
Revenue, core business	185.2	180.5	597.2	646.8
Revenue, 3rd party	72.4	84.5	198.1	224.4
	257.6	265.0	795.3	871.2

Revenue consists of sale of goods and services.

3. Non-recurring items

Non-recurring items, DKK m	Q3		9 months	
	2023	2022	2023	2022
Transaction costs related to business combinations	0.0	0.0	2.8	0.0
Costs related to Covid-19 and supply chain disruptions	0.0	0.0	0.0	5.4
Restructuring	0.7	4.7	2.4	4.7
Net gain from the Celebert/kitchn.dk transaction	0.0	0.0	0.0	(3.6)
Total	0.7	4.7	5.2	6.5

4. Acquisition of operations (business combinations)

Acquisition of AUBO Production A/S

On 3 July 2023, TCM Group A/S acquired 100% of the share capital of AUBO Production A/S. The acquisition supports TCM Group's strategy of strengthening the market position of TCM in the core markets and grow the presence of TCM in Norway.

Purchase consideration	DKK m
Cash paid	122.0
Ordinary shares issued	10.0
Vender note	35.0
Contingent consideration	16.9
Purchase price	183.9

The fair value of the 149,925 shares issued as part of the consideration paid for AUBO Production A/S (DKK 10.0 million) was DKK 66.7 per share based on the share value calculated as the volume-weighted average closing price as shown by Nasdaq Copenhagen between and including 19 June 2023 and 23 June 2023.

Contingent consideration of potential DKK 60 million is linked to the performance of the company going forward. The fair value of the contingent consideration is estimated at DKK 17 million.

	Fair value DKK m	Acquired carrying amount DKK m
Assets and liabilities included in the acquisition (preliminary)		
Cash and cash equivalents	4.4	4.4
Tangible assets	57.0	47.0
Intangible assets	3.4	3.4
Intangible assets: Market access Norway	43.9	0.0
Intangible assets: Brand value Denmark	11.0	0.0
Financial assets	1.0	1.0
Inventories	34.3	34.3
Trade receivable and other receivables	65.2	65.2
Accounts payable and other operating liabilities	(42.1)	(42.1)
Interest-bearing liabilities	(36.0)	(26.0)
Deferred taxes, net	(16.2)	(4.1)
Net identifiable assets acquired	125.9	83.1
Goodwill	58.0	
Net assets acquired	183.9	

Goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

There were no acquisitions in the year ending 31 December 2022.

Revenue attributable to AUBO Production A/S since the date of acquisition amounts to DKK 55.0 million and net profit amounts to DKK 2.4 million. If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and profit for the period ended 30 September 2023 would have been approximately DKK 196 million and DKK 7 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2023, together with the consequential tax effects.

Fair value of trade receivable amounts to DKK 57.3 million. The gross contractual receivables amount to DKK 57.3 million of which DKK 0.0 million is considered uncollectible.

Purchase consideration - cash outflow

	<u>DKK m</u>
Purchase consideration paid in cash	122.0
Cash and cash equivalents in acquired subsidiaries	<u>(4.4)</u>
Reduction in the Group's cash and cash equivalents in conjunction with acquisition	<u>117.6</u>

Transaction costs for the acquisition amounted to DKK 2.8 million and are presented under non-recurring items. Of the transaction costs DKK 2.8 million was recognized in Q2 2023.

5. Related party transactions

Except for remuneration to senior executives and Board of Directors, there were no other transactions with related parties.

6. Events after the reporting period

No events of importance to the consolidated interim financial statements have occurred after the reporting period.

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management today considered and adopted the interim report of TCM Group A/S for the period 1 January 2023 – 30 September 2023.

The interim report, which has been neither audited nor reviewed by the company's auditors, was prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets and liabilities and financial position at 30 September 2023 and of the results of the Group's operations and cash flows for the period 1 January to 30 September 2023.

Furthermore, in our opinion, the management review includes a fair review of the development and performance of the business, the results for the period and of the Group's financial position in general and describes the principal risks and uncertainties that it faces.

Tvis, 17 November 2023

Executive Management

Torben Paulin
CEO

Thomas Hjannung
CFO

Board of Directors

Sanna Mari Suvanto-Harsaae
Chairman

Anders Tormod Skole-Sørensen
Deputy Chairman

Søren Mygind Eskildsen

Carsten Bjerg

Pernille Wendel Mehl

Jan Amtoft

Erika Hummel

Supplementary financial disclosure

Quarterly overview

DKK million	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Income statement					
Revenue	265.0	274.9	273.6	264.1	257.6
Gross profit	49.7	55.1	50.7	52.8	47.0
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	20.8	22.2	16.2	24.7	10.1
Adjusted EBITDA	25.4	22.2	17.9	27.5	10.8
Earnings before interest, tax and amortisation (EBITA)	15.9	17.7	11.4	19.5	3.3
Adjusted EBIT	20.6	17.7	13.1	22.3	2.5
Operating profit (EBIT)	15.9	17.7	11.4	19.5	1.8
Financial items	(3.4)	(2.0)	(4.8)	(3.4)	(4.1)
Profit before tax	12.4	16.0	6.8	16.3	(2.3)
Net profit for the period	9.7	11.9	5.4	12.2	(1.7)
Balance sheet					
Total assets	989.4	970.2	993.1	1,003.0	1,250.3
Net working capital	(9.1)	(57.1)	(22.3)	(11.7)	33.5
Net interest-bearing debt (NIBD)	334.6	288.1	315.0	258.7	417.3
Equity	407.3	420.6	426.0	516.0	523.8
Cash Flow					
Free cash flow excl. acquisitions of operations	(6.3)	52.2	(35.0)	(1.6)	16.5
Margins					
Gross margin, %	18.7%	20.1%	18.5%	20.0%	18.3%
Adjusted EBITDA margin, %	9.6%	8.1%	6.6%	10.4%	4.2%
Adjusted EBIT margin, %	7.8%	6.5%	4.8%	8.4%	1.0%
EBIT margin, %	6.0%	6.5%	4.1%	7.4%	0.7%
Other ratios					
Solvency ratio, %	41.2%	43.4%	42.9%	51.4%	41.9%