

TCM Group Management's review

Interim report Q4 2023 (October 1 - December 31)

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

Q4 results confirmed.

CEO Torben Paulin:

“As stated in our Company Announcement no. 185 dated 18 January 2024, the kitchen market in Denmark developed more positively in Q4 than previously expected. Performance was better across all brands, leading to sales exceeding our previous expectations. Revenue in Q4, which included sales from Aubo, was DKK 316 million compared to DKK 275 million in Q4 last year, corresponding to an organic decline of 7.6% in the quarter.

In Q4 the gross margin improved on Q4 last year, driven by an improved sales mix, which in turn was due to the inclusion of AUBO sales and the full impact of the sales price increases implemented earlier.

Earnings in Q4 were negatively affected by an increase in our provisions for potential losses on our accounts receivables, amounting to DKK 5.7 million in the quarter. This increase was carried out as a precautionary measure in light of the uncertain trading environment in which we find ourselves at present.

Adjusted EBIT in Q4 ended at DKK 18 million compared to DKK 18 million Q4 last year, and adjusted EBIT for the full year ended at DKK 56 million compared to DKK 103 million last year.

As previously communicated, we further reduced the white-collar workforce with 20 full-time employees in November 2023, to reflect our expectations to the overall activity level in the coming year, and to ensure that the Group can improve operating margins going forward. Considering the short-term market headwinds, and to consolidate the business following the strategic acquisition of AUBO Production A/S, the Board of Directors has decided not to propose a distribution of an ordinary dividend for 2023.”

For TCM Group, expectations for the development in 2024 are characterized by a high degree of uncertainty with regards to both the macro-economic development and the geopolitical situation. The effect this uncertainty will have on consumer confidence in general, and the demand for kitchens in particular is difficult to quantify. Market expectations are that inflation will continue to fall, and that short term interest rates will start to decline in 2024, which should support the Danish housing market and thereby the demand for kitchens, especially within B2C sales. However, the timing as to when and by how much short-term interest rates will fall remains highly uncertain, and in addition the present slowdown in B2B sales seem poised to continue well into 2024. In view of this TCM Group does not expect the kitchen market in neither Denmark nor Norway to make a speedy recovery in 2024.

Based on the above, the financial outlook for 2024 for the TCM Group contains fairly wide ranges both with respect to sales and earnings, in line with last year. Our financial outlook for full year revenue for 2024 is in the range of DKK 1,000-1,150 million with earnings (adjusted EBIT) in the range of DKK 55-85 million.

Financial highlights Q4 2023

- Revenue DKK 316.1 million (DKK 274.9 million) corresponding to a revenue increase of 15.0%.
- Adjusted EBITDA DKK 29.0 million (DKK 22.2 million). Adjusted EBITDA margin was 9.2% (8.1%).
- Adjusted EBIT of DKK 17.8 million (DKK 17.7 million). Adjusted EBIT margin was 5.6% (6.5%).
- Non-recurring items had a total negative impact of DKK 4.7 million (DKK 0.0 million). Non-recurring items included restructuring costs and write-down of capitalized of ERP-development cost in AUBO Production A/S.
- EBIT of DKK 13.1 million (DKK 17.7 million), corresponding to an EBIT margin of 4.1% (6.5%).
- Net profit of DKK 5.6 million (DKK 11.9 million).
- Free cash flow was DKK 59.9 million (DKK 52.3 million).
- Cash conversion ratio was 37.6% (53.3%).

Financial highlights full year 2023

- Revenue DKK 1,111.3 million (DKK 1,146.1 million) corresponding to a revenue decrease of 3.0%.
- Adjusted EBITDA of DKK 85.3 million (DKK 121.3 million). Adjusted EBITDA margin was 7.7% (10.6%).
- Adjusted EBIT of DKK 55.6 million (DKK 103.4 million). Adjusted EBIT margin was 5.0% (9.0%).
- Non-recurring items had a negative impact of DKK 9.8 million (DKK 6.5 million).
- EBIT of DKK 45.8 million (DKK 96.9 million), corresponding to an EBIT margin of 4.1% (8.5%).
- Net profit of DKK 21.5 million (DKK 70.5 million).
- Free cash flow was DKK 39.9 million (DKK 39.5 million).

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

DKK million	Q4 2023	Q4 2022	FY 2023	FY 2022
Income statement				
Revenue	316.1	274.9	1,111.3	1,146.1
Gross profit	69.5	54.6	218.3	230.6
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	26.3	22.2	77.4	114.9
Adjusted EBITDA	29.0	22.2	85.3	121.3
Earnings before interest, tax, and amortisation (EBITA)	18.1	17.7	52.3	96.9
Adjusted EBIT	17.8	17.7	55.6	103.4
Operating profit (EBIT)	13.1	17.7	45.8	96.9
Financial items	(8.6)	(2.0)	(20.9)	(8.8)
Profit before tax	6.3	16.0	27.1	89.4
Net profit for the period	5.6	11.9	21.5	70.5
Balance sheet				
Total assets	1,200.9	970.2	1,200.9	970.2
Net working capital (NWC)	(16.0)	(47.6)	(16.0)	(47.6)
Net interest-bearing debt (NIBD)	349.3	288.1	349.3	288.1
Equity	529.7	420.6	529.7	420.6
Cash Flow				
Free cash flow excl. acquisitions of operations	59.9	52.3	39.9	39.5
Cash conversion, %	37.6%	53.3%	37.6%	53.3%
Growth ratios				
Revenue growth, %	15.0%	0.3%	(3.0%)	3.4%
Gross profit growth, %	27.3%	(5.5%)	(5.3%)	(9.4%)
Adjusted EBIT growth, %	0.1%	(38.9%)	(46.2%)	(24.9%)
EBIT growth, %	(26.2%)	(13.7%)	(52.7%)	(30.0%)
Net profit growth, %	(53.2%)	(25.9%)	(69.5%)	(36.3%)
Margins				
Gross margin, %	22.0%	19.9%	19.6%	20.1%
Adjusted EBITDA margin, %	9.2%	8.1%	7.7%	10.6%
Adjusted EBIT margin, %	5.6%	6.5%	5.0%	9.0%
EBIT margin, %	4.1%	6.5%	4.1%	8.5%
Other ratios				
Solvency ratio, %	44.1%	43.4%	44.1%	43.4%
Leverage ratio	4.08	2.35	4.08	2.35
NWC ratio, %	(1.4%)	(4.2%)	(1.4%)	(4.2%)
Capex ratio excl. acquisitions, %	2.8%	3.9%	1.9%	2.0%
Share information				
Number of outstanding shares	10,438,638	9,067,294	10,438,638	9,067,294
Weighted average number of outstanding shares	10,438,638	9,067,294	9,767,408	9,074,847
Number of treasury shares	75,000	75,000	75,000	75,000
Earnings per share before dilution, DKK	0.53	1.31	2.20	7.77
Earnings per share after dilution, DKK	0.53	1.31	2.20	7.76

Reference is made to the consolidated financial statements for 2023 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 Q4 was DKK 316.1 million compared to DKK 274.9 million in Q4 last year, equal to an increase of 15.0%, but representing an organic decline of 7.6%. Revenue in Q4 in AUBO Production A/S amounted DKK 62.0 million.

TCM Group's primary market is Denmark which contributed with 79.4% of Group revenue in Q4 2023. Revenue in Denmark was down 0.6% compared to Q4 last year, with an organic decline of 8.2%. Order intake in Denmark remained largely flat compared to Q4 last year, but with positive trends on the B2C order intake.

Revenue outside Denmark increased by 157% compared to Q4 2022, driven by higher sales in Norway following the acquisition of AUBO Production A/S. Organically revenue outside Denmark declined by 1.3% in the quarter.

Gross margin increased from 19.9% in Q4 2022 to 22.0% in Q4 2023. The improvement was due to a positive impact from the inclusion of AUBO Production A/S, the effect of sales price increases implemented in 2022 and to a lesser degree a small positive effect from a slight decrease in the price of raw materials and the price of components, such as fixtures and fittings in the quarter.

During the quarter the Group incurred costs for dealership restructurings and decided to increase provisions for potential losses on trade receivables. In total this affected earnings negatively by DKK 5.7 million, accounted for as selling expenses.

In Q4 TCM Group committed to Science Based Target Initiative (SBTi) and the SBTi has approved TCM Group's near-term science-based emission reduction target. Having our target approved by SBTi also means we have committed to map our scope 3 emissions, a process that we have already started.

At the end of 2023, the total number of branded stores was 110 (94). Three smaller stores closed during the quarter, two in Denmark and one in Norway.

Total number of employees at the end of 2023 was 486 (482).

Events after the reporting period

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

Financial outlook

For TCM Group, expectations for the development in 2024 are characterized by a high degree of uncertainty with regards to both the macro-economic development and the geopolitical situation. The effect this uncertainty will have on consumer confidence in general, and the demand for kitchens in particular is difficult to quantify. Market expectations are that inflation will continue to fall, and that short term interest rates will start to decline in 2024, which should support the Danish housing market and thereby the demand for kitchens, especially within B2C sales. However, the timing as to when and by how much short-term interest rates will fall remains highly uncertain, and in addition the present slowdown in B2B sales seem poised to continue well into 2024. In view of this TCM Group does not expect the kitchen market in neither Denmark nor Norway to make a speedy recovery in 2024.

Based on the above, the financial outlook for 2024 for the TCM Group contains fairly wide ranges both with respect to sales and earnings, in line with last year. Our financial outlook for full year revenue for 2024 is in the range of DKK 1,000-1,150 million with earnings (adjusted EBIT) in the range of DKK 55-85 million.

From 2024 TCM Group will change the classification of certain income types from Revenue to reduction in Cost of Goods Sold. The change in classification will reduce the revenue in the range of DKK 20-25 million annually. Comparative figures in 2024 financial reports will be restated accordingly.

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 2023 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 Q4 2023 revenue increased by 15.0% to DKK 316.1 million (DKK 274.9 million). Revenue in AUBO Production A/S amounted to DKK 62.0 million in Q4.

Revenue in Denmark in Q4 2023 was DKK 251.1 million (DKK 249.6 million) corresponding to an increase of 0.6%. Revenue in Norway in Q4 2023 was up 184.7% to DKK 61.5 million (DKK 21.6 million) driven by the acquisition of AUBO Production A/S as of 3 July 2023. Revenue in other countries in Q4 2023 was DKK 3.5 million (DKK 3.7 million).

Revenue for the full year was down 3.0% to DKK 1.111.3 million (DKK 1.146.1 million). Revenue in Denmark for the full year was down 8.7% to DKK 942.7 million (DKK 1,032.5 million), revenue in Norway for the full year was up 59.1% to DKK 155.8 million (DKK 97.9 million), and revenue in other countries for the full year was down 18.5% to DKK 12.8 million (DKK 15.7 million).

Gross profit

Gross profit in Q4 2023 was DKK 69.5 million (DKK 54.6 million), corresponding to a gross margin of 22.0% (19.9%).

Gross profit for the full year 2023 was DKK 218.3 million (DKK 230.6 million), corresponding to a gross margin of 18.6% (20.1%).

Operating expenses

Operating expenses in Q4 2023 were DKK 55.1 million (DKK 37.5 million). Operating expenses represented 17.8% of revenue in Q4 2023 (13.6%). Operating expenses included provisions for restructuring of the store network and for potential losses on trade receivables of DKK 5.7 million (DKK 2.5 million).

Operating expenses for the full year 2023 were DKK 169.1 million (DKK 131.1 million), of which DKK 16.4 million (DKK 3.2 million) relates to provisions for restructuring of the store network and for potential losses on trade receivables. Operating expenses represented 15.2% of revenue in 2023 (11.4%).

Adjusted EBITDA

Adjusted EBITDA in Q4 2023 was DKK 29.0 million (DKK 22.2 million), corresponding to an adjusted EBITDA margin of 9.2% (8.1%).

Adjusted EBITDA for full year 2023 was DKK 85.3 million (DKK 121.3 million), corresponding to an adjusted EBITDA margin of 7.7% (10.6%).

Adjusted EBIT

Adjusted EBIT in Q4 2023 was DKK 17.8 million (DKK 17.7 million), corresponding to an adjusted EBIT margin of 5.6% (6.5%).

Adjusted EBIT for the full year 2023 was DKK 55.6 million (DKK 103.4 million), corresponding to an adjusted EBIT margin of 5.0% (9.0%).

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 Q4 2023 non-recurring items were restructuring costs and a write-off of capitalized development cost related to a cancelled ERP Project in AUBO Production A/S. These costs are considered non-recurring by nature and material and are therefore presented as non-recurring items.

Non-recurring items, DKK m	Q4		12 months	
	2023	2022	2023	2022
Transaction costs related to business combinations	0.0	0.0	2.8	0.0
Write-off ERP Project, AUBO Production A/S	1.9	0.0	1.9	0.0
Costs related to Covid-19 and supply chain disruptions	0.0	0.0	0.0	5.4
Restructuring costs	2.8	0.0	5.1	4.7
Net gain from the Celebert/kitchn.dk transaction	0.0	0.0	0.0	(3.6)
Total	4.7	0.0	9.8	6.5

EBIT

EBIT in Q4 2023 was DKK 13.1 million (DKK 17.7 million). The decrease was due to higher depreciations, amortisations and impairment charges. Depreciations, amortizations, and impairment charges in Q4 2023 were DKK 13.2 million (DKK 4.4 million), including amortisations on intangible assets recognized as part of the purchase price allocation related to the acquisition of AUBO Production A/S, and including an impairment of acquired goodwill related to a joint-venture store in Norway, DKK 3.4 million.

EBIT for the full year 2023 decreased to DKK 45.8 million (DKK 96.9 million). The decrease was primarily due to the decrease in EBITDA. Depreciations, amortizations, and impairment charges for the full year 2023 were DKK 31.6 million (DKK 18.0 million).

Net profit

Net profit in Q4 2023 decreased to DKK 5.6 million (DKK 11.9 million). Financial income and expenses in Q4 2023 were DKK 6.6 million higher than in Q4 2022, due to the higher level of interest-bearing debt during the quarter, higher interest rates and foreign exchange rate losses.

Net profit for full year 2023 decreased to DKK 21.5 million (DKK 70.5 million). Financial income and expenses were DKK 12.1 million higher than the same period last year, primarily due to the higher level of interest-bearing debt during the year and higher interest rates.

Free cash flow

Free cash flow in Q4 2023 was DKK 59.9 million (DKK 52.3 million). The cash flow in Q4 2023 was positively impacted by change in NWC of DKK 55.5 million compared to DKK 43.5 million in Q4 2022 as further described below. Investments were DKK 14.5 million in Q4 2023 compared to DKK 14.0 million last year. The investments related primarily to digitalisation and modernisation of the production equipment.

Free cash flow for the full year 2023 was DKK 39.9 million (DKK 39.5 million).

Net working capital

Net working capital at the end of 2023 was DKK -16.0 million (DKK -47.6 million). NWC ratio at the end 2023 was -1.4% (-4.2%).

DKK million	End of Q4	
	2023	2022
Inventories	92.5	80.7
Trade and other receivables	114.5	75.3
Trade and other payables	(223.1)	(203.6)
Net working capital	(16.0)	(47.6)
NWC ratio	(1.4%)	(4.2%)

During the quarter inventories at all sites reduced with a total amount of DKK 15.5 million through reduction of buffer stocks and improved procurement processes.

Trade receivables and other receivables was reduced by DKK 33.8 million in the quarter. Other receivables are measured excluding the value of short-term lease receivables amounting to DKK 8.5 million, as this is not considered part of the net working capital.

Operating liabilities increased by DKK 7.0 million in the quarter.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 349.3 million at the end 2023 (DKK 288.1 million). Net interest-bearing debt excluding the leasing liabilities related to IFRS 16 amounted to DKK 287.4 million at the end of Q4 2023 (DKK 228.3 million).

Leverage ratio, measured as net interest-bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of 2023 was 4.08 (2.35). Excluding the leasing liabilities related to IFRS 16, leverage ratio end of 2023 was 3.61 (1.91).

Equity

Equity at the end of 2023 amounted to DKK 529.7 million (DKK 420.6 million). The solvency ratio was 44.1% at the end of 2023 (43.4%).

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 2024:

11 April 2024	Annual General Meeting
16 May 2024	Interim report Q1 2024
21 August 2024	Interim report Q2 2024
22 November 2024	Interim report Q3 2024
26 February 2025	Interim report Q4 2024 and Annual report 2024
9 April 2025	Annual General Meeting

Presentation

The interim report will be presented on Wednesday 28 February 2024 at 9:30 CET in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/nakdsgbb>.

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/B19d06d3bc957e4564957721176e19ebc6>

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

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Consolidated interim financial statements

Consolidated income statement

DKK m	Note	Q4		12 months	
		2023	2022	2023	2022
Revenue	2	316.1	274.9	1,111.3	1,146.1
Cost of goods sold		(246.6)	(220.3)	(893.0)	(915.4)
Gross profit		69.5	54.6	218.3	230.6
Selling expenses		(36.5)	(22.0)	(107.2)	(80.0)
Administrative expenses		(18.6)	(15.5)	(61.9)	(51.1)
Other operating income		3.3	0.7	6.4	3.8
Operating profit before non-recurring items		17.8	17.7	55.6	103.4
Non-recurring items	3	(4.7)	0.0	(9.8)	(6.5)
Operating profit		13.1	17.7	45.8	96.9
Share of profit/loss in associated companies		1.8	0.3	2.2	1.3
Financial income and expenses		(8.6)	(2.0)	(20.9)	(8.8)
Profit before tax		6.3	16.0	27.1	89.4
Tax for the period		(0.7)	(4.1)	(5.6)	(18.9)
Net profit for the period		5.6	11.9	21.5	70.5
Earnings per share before dilution, DKK		0.53	1.31	2.20	7.77
Earnings per share after dilution, DKK		0.53	1.31	2.20	7.76

Consolidated statement of comprehensive income

DKK m	Q4		12 months	
	2023	2022	2023	2022
Net profit for the period	5.6	11.9	21.5	70.5
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Value adjustments of currency hedges before tax	(0.3)	1.7	(0.0)	(1.1)
Tax on value adjustments of currency hedges	0.1	(0.4)	0.0	0.3
Other comprehensive income for the period	(0.2)	1.4	0.0	(0.9)
Total comprehensive income for the period	5.4	13.3	21.5	69.6

Consolidated balance sheet

DKK m	Note	End of	
		2023	2022
ASSETS			
Intangible assets			
Goodwill		412.0	369.8
Brand		178.7	172.0
Customer contract		45.1	0.0
Other intangible assets		2.8	1.9
Other intangible assets in progress		33.7	12.2
		672.3	555.8
Tangible assets			
Land and buildings		128.9	95.2
Tangible assets under construction and prepayments		6.1	1.1
Machinery and other technical equipment		54.0	42.5
Equipment, tools, fixtures and fittings		7.1	5.7
Right-of-use assets		41.5	35.2
		237.6	179.7
Financial assets			
Investments in associated companies		48.0	48.7
Lease receivables		10.8	16.4
Other financial assets		11.1	10.4
		69.9	75.5
Total non-current assets		979.8	811.0
Inventories		92.5	80.7
Current receivables			
Trade receivables		80.6	41.0
Lease receivables		8.5	8.3
Receivables from associated companies		1.9	0.0
Other receivables		23.1	21.9
Prepaid expenses and accrued income		1.2	2.9
		115.2	74.1
Cash and cash equivalents		13.3	4.4
Total current assets		221.1	159.2
Total assets		1,200.9	970.2

Consolidated balance sheet

DKK m	Note	End of 2023	2022
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1.1	0.9
Treasury shares		(12.1)	(12.1)
Value adjustments of currency hedging		(0.9)	(0.9)
Retained earnings		541.6	432.7
Proposed dividend for the financial year		0.0	0.0
Total shareholders' equity		529.7	420.6
Deferred tax		68.0	53.4
Mortgage loans		22.7	25.1
Bank loans		145.3	0.0
Lease liabilities		48.1	48.8
Other liabilities		52.5	0.5
Total long-term liabilities		336.8	127.7
Mortgage loans		2.5	2.8
Bank loans		93.0	200.3
Lease liabilities		14.2	12.0
Trade payables		144.7	151.9
Liabilities to associated companies		0.0	0.1
Current tax liabilities		1.7	3.6
Other liabilities		77.8	51.2
Deferred income		0.6	0.0
Total short-term liabilities		334.5	421.8
Total shareholders' equity and liabilities		1,200.9	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	Retai- ned ear- nings 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	70.5	0.0	70.5
Other comprehensive income for the period	0.0	0.0	(0.9)	0.0	0.0	(0.9)
Total comprehensive income for the period	0.0	0.0	(0.9)	70.5	0.0	69.6
Dividend paid	0.0	0.0	0.0	0.0	(54.4)	(54.4)
Share based incentive program	0.0	0.0	0.0	0.1	0.0	0.1
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 31.12.2022	0.9	(12.1)	(0.9)	432.7	0.0	420.6
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	21.5	0.0	21.5
Other comprehensive income for the period	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income for the period	0.0	0.0	0.0	21.5	0.0	21.5
Share based incentive program	0.0	0.0	0.0	0.5	0.0	0.5
Share capital increase	0.1	0.0	0.0	88.6	0.0	88.8
Cost related to share capital in- crease	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	Q4		12 months	
		2023	2022	2023	2022
Operating activities					
Operating profit		13.1	17.8	45.8	96.9
Depreciation and amortization		13.2	4.4	31.6	18.0
Other non-cash operating items		0.0	2.1	0.0	2.1
Income tax paid		(7.5)	(1.5)	(18.3)	(8.9)
Change in net working capital		53.2	43.5	21.8	(35.9)
Cash flow from operating activities		72.0	66.3	80.9	72.2
Investing activities					
Investments in fixed assets		(14.5)	(14.0)	(43.4)	(32.7)
Sale of fixed assets		0.2	0.0	0.2	0.0
Acquisition of operations, net		(0.2)	0.0	(100.9)	(2.2)
Dividends from associates		2.2	0.0	2.2	0.0
Cash flow from investing activities		(12.3)	(14.0)	(141.9)	(34.9)
Financing activities					
Interest paid		(10.0)	(2.0)	(20.9)	(8.8)
Proceeds from loans		0.0	0.0	149.6	39.6
Repayments of loans		(55.5)	(60.8)	(131.0)	(2.8)
Repayments of lease liabilities		(0.9)	(1.0)	(4.8)	(4.1)
Purchase of treasury shares		0.0	0.0	0.0	(14.3)
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		(66.4)	(63.8)	69.9	(44.8)
Cash flow for the period		(6.7)	(11.5)	8.9	(7.5)
Cash and cash equivalents at the beginning of the period					
		20.0	15.9	4.4	11.9
Cash flow for the period		(6.7)	(11.5)	8.9	(7.5)
Cash and cash equivalents at the end of the period		13.3	4.4	13.3	4.4

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 2023 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 43-47 and 66.

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	Q4		12 months	
	2023	2022	2023	2022
Denmark	251.1	249.6	942.7	1,032.5
Norway	61.5	21.6	155.8	97.9
Other countries	3.5	3.7	12.8	15.7
	316.1	274.9	1,111.3	1,146.1

Revenue by category, DKK m	2023	2022	2023	2022
Revenue, core business	233.6	192.9	830.8	839.7
Revenue, 3rd party	82.4	82.0	280.5	306.4
	316.0	274.9	1,111.3	1,146.1

Revenue consists of sale of goods and services.

3. Non-recurring items

Non-recurring items, DKK m	Q4		12 months	
	2023	2022	2023	2022
Transaction costs related to business combinations	0.0	0.0	2.8	0.0
Impairment of ERP Project, AUBO Production A/S	1.9	0.0	1.9	0.0
Costs related to Covid-19 and supply chain disruptions	0.0	0.0	0.0	5.4
Restructuring costs	2.8	0.0	5.1	4.7
Net gain from the Celebert/kitchn.dk transaction	0.0	0.0	0.0	(3.6)
Total	4.7	0.0	9.8	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	105.1
Ordinary shares issued	10.0
Vendor note	35.0
Contingent consideration	18.5
Purchase price	168.6

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 18.5 million as of the acquisition date.

	Fair value DKK m	Acquired carrying amount DKK m
Assets and liabilities included in the acquisition		
Cash and cash equivalents	4.4	4.4
Tangible assets	55.4	47.0
Intangible assets	3.4	3.4
Intangible assets: Customer contract	47.5	0.0
Intangible assets: Brand value	7.5	0.0
Financial assets	1.0	1.0
Inventories	34.9	34.3
Trade receivable and other receivables	65.2	65.2
Accounts payable and other operating liabilities	(42.1)	(42.1)
Tax payable	(9.1)	(9.1)
Debt to parent company	(16.8)	(16.8)
Interest-bearing liabilities	(8.4)	0.0
Deferred taxes, net	(16.4)	(4.1)
Net identifiable assets acquired	126.4	83.1
Goodwill	42.2	
Net assets acquired	168.6	

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 117.0 million and net profit amounts to DKK 1.5 million.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and profit for the period ended 31 December 2023 would have been approximately DKK 260 million and DKK 6 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 amortization 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	105.1
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>100.7</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 – 31 December 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 31 December 2023 and of the results of the Group's operations and cash flows for the period 1 January to 31 December 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, 28 February 2024

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	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Income statement					
Revenue	274.9	273.6	264.1	257.6	316.1
Gross profit	55.1	50.7	52.8	47.0	69.5
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	22.2	16.2	24.7	10.1	26.3
Adjusted EBITDA	22.2	17.9	27.5	10.8	29.0
Earnings before interest, tax and amortisation (EBITA)	17.7	11.4	19.5	3.3	18.1
Adjusted EBIT	17.7	13.1	22.3	2.5	17.8
Operating profit (EBIT)	17.7	11.4	19.5	1.8	13.1
Financial items	(2.0)	(4.8)	(3.4)	(4.1)	(8.6)
Profit before tax	16.0	6.8	16.3	(2.3)	6.3
Net profit for the period	11.9	5.4	12.2	(1.7)	5.6
Balance sheet					
Total assets	970.2	993.1	1,003.0	1,250.3	1,200.9
Net working capital	(47.6)	(15.5)	(0.6)	40.2	(16.0)
Net interest-bearing debt (NIBD)	288.1	315.0	258.7	417.3	349.3
Equity	420.6	426.0	516.0	523.8	529.7
Cash Flow					
Free cash flow excl. acquisitions of operations	52.2	(35.0)	(1.6)	16.5	59.9
Margins					
Gross margin, %	20.1%	18.5%	20.0%	18.3%	22.0%
Adjusted EBITDA margin, %	8.1%	6.6%	10.4%	4.2%	9.2%
Adjusted EBIT margin, %	6.5%	4.8%	8.4%	1.0%	5.6%
EBIT margin, %	6.5%	4.1%	7.4%	0.7%	4.1%
Other ratios					
Solvency ratio, %	43.4%	42.9%	51.4%	41.9%	44.1%