

TCM Group Management's review

Interim report Q3 2022 (July 1 - September 30)

(All figures in brackets refer to the corresponding period in 2021)

Q3: Flat topline. Reduced earnings in Q3 due to sales mix.

CEO Torben Paulin:

“During Q3 and in particular towards the end of the quarter, the sales mix in TCM Group developed negatively with lower than expected B2C sales while B2B sales, albeit closer to expectations, mainly consisted of lower margin project based sales. In consequence, total revenue in Q3 was realised somewhat below expectations, with earnings being significantly lower than expected. Revenue in Q3 was DKK 265 million (DKK 262 million) corresponding to a growth of 1%. Adjusted EBIT in Q3 ended DKK 21 million (DKK 32 million).

As communicated in the company announcement October 20th we have lowered our guidance for both full year revenue and earnings. Based on the lower than expected sales and earnings in Q3 and given that an unfavorable sales mix is also expected in Q4, we estimate a full year revenue to be in the range DKK 1,120-1,160 million and a full year adjusted EBIT in the range DKK 100-130 million.

We have already undertaken a number of actions to address the situation and ensure the profitability of TCM Group going forward. To adjust production capacity and increase efficiency in the manufacturing process we decided to close down the third (night) shift at the Tvis facility from mid September. This will both cut costs and increase the operational efficiency of the company. In addition a reduction in the administrative staff of 10 FTEs was implemented in September. In view of the development, concrete actions to further improve efficiency and reduce costs have been initiated. Production capacity will be adjusted as needed. In order to combat the effect of rising energy costs in the new year, a further sales price increase with effect from December 2022 has been announced.

Given the current macro-economic uncertainty, we have chosen not to exercise the mandate to distribute an extraordinary dividend provided on the Annual General Meeting in April.”

Financial highlights Q3

- Revenue DKK 265.0 million (DKK 262.4 million) corresponding to a revenue growth of 1.0%. Organic like-for-like growth was 4% excluding revenue from third party products (core business).
- Adjusted EBITDA DKK 25.4 million (DKK 35.8 million). Adjusted EBITDA margin was 9.6% (13.7%).
- Adjusted EBIT DKK 20.6 million (DKK 31.7 million). Adjusted EBIT margin was 7.8% (12.1%).
- Non-recurring items had a total negative impact of DKK 4.7 million (positive impact of DKK 12.0 million). Non-recurring items included restructuring of the store network as well as restructuring costs related to organisational restructuring, whereas non-recurring items LY primarily included a technical gain from the Celebert/kitchn.dk transaction.
- EBIT DKK 15.9 million (DKK 43.7 million), corresponding to an EBIT margin of 6.0% (16.6%).
- Net profit DKK 9.7 million (DKK 38.0 million).
- Free cash flow was DKK -6.3 million (DKK -11.7 million).
- Cash conversion ratio was 54.9% (56.4%).

Financial highlights 9 months 2022

- Revenue DKK 871.2 million (DKK 834.1 million) corresponding to a revenue growth of 4.4%. Organic like-for-like growth was 8%.
- Adjusted EBITDA DKK 99.2 million (DKK 121.2million). Adjusted EBITDA margin was 11.4% (14.5%).
- Adjusted EBIT down DKK 23.1 million to DKK 85.7 million (DKK 108.7 million). Adjusted EBIT margin was 9.8% (13.0%).
- Non-recurring items had a negative impact of DKK 6.5 million (positive impact of DKK 9.2 million).
- EBIT DKK 79.2 million (DKK 117.9 million), corresponding to an EBIT margin of 9.1% (14.1%).
- Net profit DKK 58.6 million (DKK 94.6 million).
- Free cash flow was DKK -12.7 million (DKK 15.9 million).
- Full-year guidance for the financial year 2022 is revenue in the range DKK 1,120-1,160 million, and adjusted EBIT in the range DKK 100-130 million.

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Key figures and ratios

DKK million	Q3 2022	Q3 2021	9mth 2022	9mth 2021	FY 2021
Income statement					
Revenue	265.0	262.4	871.2	834.1	1,108.3
Gross profit	49.7	56.3	178.9	196.9	254.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20.8	47.8	92.7	130.4	155.4
Adjusted EBITDA	25.4	35.8	99.2	121.2	154.7
Earnings before interest, tax and amortisation (EBITA)	15.9	43.7	79.2	119.2	139.7
Adjusted EBIT	20.6	31.7	85.7	108.7	137.8
Operating profit (EBIT)	15.9	43.7	79.2	117.9	138.4
Financial items	(3.4)	(0.5)	(6.7)	(2.6)	(3.3)
Profit before tax	12.4	43.6	73.4	115.8	135.7
Net profit for the period	9.7	38.0	58.6	94.6	110.7
Balance sheet					
Total assets	989.4	903.2	989.4	903.2	907.3
Net working capital (NWC)	(9.1)	(50.4)	(9.1)	(50.4)	(81.6)
Net interest-bearing debt (NIBD)	334.6	223.9	334.6	223.9	199.5
Equity	407.3	424.9	407.3	424.9	419.7
Cash Flow					
Free cash flow excl. acquisitions of operations	(6.3)	(11.7)	(12.7)	15.9	44.5
Cash conversion, %	54.9%	56.4%	54.9%	56.4%	58.3%
Growth ratios					
Revenue growth, %	1.0%	6.1%	4.4%	9.5%	8.2%
Gross profit growth, %	(11.7%)	(13.3%)	(9.1%)	(2.8%)	(6.7%)
Adjusted EBIT growth, %	(35.2%)	(4.1%)	(21.2%)	5.2%	(1.4%)
EBIT growth, %	(63.6%)	36.2%	(32.8%)	16.4%	2.8%
Net profit growth, %	(74.4%)	56.2%	(38.1%)	22.7%	8.3%
Margins					
Gross margin, %	18.7%	21.5%	20.5%	23.6%	23.0%
Adjusted EBITDA margin, %	9.6%	13.7%	11.4%	14.5%	14.0%
Adjusted EBIT margin, %	7.8%	12.1%	9.8%	13.0%	12.4%
EBIT margin, %	6.0%	16.6%	9.1%	14.1%	12.5%
Other ratios					
Solvency ratio, %	41.2%	47.0%	41.2%	47.0%	46.3%
Leverage ratio	2.52	1.31	2.52	1.31	1.33
NWC ratio, %	(0.8%)	(4.6%)	(0.8%)	(4.6%)	(7.4%)
Capex ratio excl. acquisitions, %	1.3%	4.1%	1.4%	2.7%	2.6%
Share information					
Number of outstanding shares	9,067,294	9,307,632	9,067,294	9,307,632	9,174,073
Weighted average number of outstanding shares	9,067,294	9,410,710	9,077,392	9,706,482	9,584,933
Number of treasury shares	7,500	692,368	7,500	692,368	825,927
Earnings per share before dilution, DKK	3.55	4.04	5.37	9.75	11.55
Earnings per share after dilution, DKK	3.55	4.04	5.37	9.75	11.54

Reference is made to the consolidated financial statements for 2021 prepared in accordance with IFRS for definitions of key figures and ratios.

Business review

In Q3 2022 revenue increased by 1.0% to DKK 265.0 million (DKK 262.4 million). The organic like-for-like growth excluding third party revenue (core business) was 4% in the quarter.

TCM Group's primary market is Denmark which contributed with 91% of Group revenue in Q3 2022. For TCM Group, revenue in Denmark was down 1.7% (organic like-for-like growth excluding third party revenue (core business) was up 1%). The revenue in the quarter was influenced by growth within B2B sales offset by a decline in B2C sales, which led to lower average prices and thereby a negative impact on revenue and margin.

Revenue outside Denmark increased by 38.6% compared to Q3 2021. The growth was driven by increased sales to the Norwegian market, both organic growth and growth from new stores.

In Q3 high margin B2C sales declined compared to Q3 LY. The revenue shortfall was offset by growth within B2B sales, driven by growth in sales from lower margin B2B project sales. As a result, this led to an unfavourable change in sales mix with a significant negative impact on gross margin, which decreased from 21.5% in Q3 2021 to 18.7% in Q3 2022. The effect from the implemented sales price increases has a faster phase-in within B2C sales compared to B2B project sales. Therefore, the decline in B2C sales led to a lower than expected gross margin improvement from the sales price increases.

At the end of Q3 2022, the total number of branded stores was 92 (91). In Q3 2022, a new Svane Køkkenet flagship store opened in Alnabru, Oslo in Norway. In Denmark we have terminated the agreement with the store in Taastrup, and instead a new Svane Køkkenet flagship store opened in Glostrup in the greater Copenhagen area in Q4. During Q3 a new Tvis Køkken store opened in Slagelse and a new Nettoline store opened in Odense, while a minor Nettoline store in Copenhagen was closed. During Q4 2022 a new Svane Køkkenet store has opened in Arendal, Norway and a new Nettoline store has opened in Ringsted, Denmark.

During Q3 Tvis Køkken launched the new, beautiful kitchen design MG50, developed in cooperation with the Danish designer Morten Georgsen. The kitchen line is inspired by the Danish 1950's design classics. MG50 supports the positioning of the Tvis Køkken brand with its classic kitchen designs inspired by the golden age for Danish design and architecture. With its focus on high quality and classic design, Tvis Køkken's MG50 line is a durable choice of kitchen, and a clear result of TCM Group's ESG strategy to create products with extended life-time, designed for circularity. The initial customer reception of the new kitchen line has been very positive.

We continue our efforts in reducing our climate footprint and lower our CO2 emissions. During Q3 2022 we have taken the last step in the process of shutting down the acid hardening lacquering equipment. The production process has been moved to other more sustainable production processes or outsourced. This progress will support further reduction of our CO2 emissions and is part of our REduce-REuse-REthink mindset towards a CO2 neutral production by 2028.

Total number of employees at the end of Q3 2022 was 526 (527). The number of employees at the end of Q3 includes c. 40 FTEs affected by the restructuring of the organisation implemented in September.

Events after the reporting period

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

Financial outlook

Based on the current market conditions, which is subject to a high degree of uncertainty, we estimate a full year revenue guidance in the range DKK 1,120-1,160 million (Q2: DKK 1,150-1,225 million), and an adjusted EBIT in the range DKK 100-130 million (Q2: DKK 130-160 million).

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 2021 Annual Report prepared in accordance with IFRS. The Russian invasion of Ukraine has impacted the overall supply of raw materials in the European market. For TCM Group the impact has primarily been felt through the further pressure on raw material prices and higher energy and transportation costs. There is a possible risk, that the current high inflation and increasing interest levels among other macro economic indicators could impact the housing market and demand for kitchens, which can impact TCM Group's financial results negatively.

Financial review

Revenue

In Q3 2022 revenue grew by 1.0% to DKK 265.0 million (DKK 262.4 million).

Revenue in Denmark in Q3 2022 was DKK 240.4 million (DKK 244.7 million) corresponding to a decrease of 1.7%. The organic like-for-like growth excluding third party revenue (core business) in Denmark was up 1% in the quarter. Revenue in other countries in Q3 2022 was up 38.6% to DKK 24.6 million (DKK 17.7 million).

Revenue for the first nine months of 2022 was up 4.4% to DKK 871.2 million (DKK 834.1 million) driven by an organic like-for-like growth of 8% partly offset by a lower share of third party revenue in addition to the technical impact from the merge of the e-commerce activities in kitchn.dk and Celebert. Revenue in Denmark for the first nine months of 2022 was up 2.7% to DKK 782.9 million (DKK 762.5 million). The organic like-for-like growth excluding third party revenue (core business) in Denmark was 6%. Revenue in other countries for the first nine months of 2022 was up 23.3% to DKK 88.3 million (DKK 71.6 million).

Gross profit

Gross profit in Q3 2022 was DKK 49.7 million (DKK 56.3 million), corresponding to a gross margin of 18.7% (21.5%). In Q3 high margin B2C sales declined compared to Q3 LY. The revenue shortfall was offset by growth within B2B sales, driven by growth in sales from lower margin B2B project sales. As a result, this led to an unfavourable change in sales mix with a significant negative impact on gross margin. The effect from the implemented sales price increases has a faster phase-in within B2C sales compared to B2B project sales. Therefore, the decline in B2C sales led to a lower than expected gross margin improvement from the sales price increases.

Gross profit for the first nine months of 2022 was DKK 178.9 million (DKK 196.9 million), corresponding to a gross margin of 20.5% (23.6%).

Operating expenses

Operating expenses in Q3 2022 were DKK 29.1 million (DKK 24.6 million). Operating expenses represented 11.0% of revenue in Q3 2022 (9.4%). The increase in operating expenses was primarily due to the higher selling expenses a.o. driven by marketing spend related to the launch of the MG50 line in Tvis Køkken.

Operating expenses for the first nine months of 2022 were DKK 93.3 million (DKK 88.1 million). Operating expenses represented 10.7% of revenue for the first nine months of 2022 (10.6%).

Adjusted EBITDA

Adjusted EBITDA in Q3 2022 was DKK 25.4 million (DKK 35.8 million), corresponding to an adjusted EBITDA margin of 9.6% (13.7%).

Adjusted EBITDA for the first nine months of 2022 was DKK 99.2 million (DKK 121.2 million), corresponding to an adjusted EBITDA margin of 11.4% (14.5%).

Adjusted EBIT

Adjusted EBIT in Q3 2022 was DKK 20.6 million (DKK 31.7 million), corresponding to an adjusted EBIT margin of 7.8% (12.1%).

Adjusted EBIT for the first nine months of 2022 was DKK 85.7 million (DKK 108.7 million), corresponding to an adjusted EBIT margin of 9.8% (13.0%).

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 Q3 2022 non-recurring items consisted of costs related to restructuring of the store network as well as organisational restructuring. This is considered non-recurring by nature and material, and is presented as non-recurring items.

Non-recurring items, DKK m	Q3		9 months	
	2022	2021	2022	2021
Costs related to Covid-19 and supply chain disruptions	0.0	3.5	5.4	7.5
Restructuring	4.7	0.0	4.7	1.3
Net gain from the Celebert/kitchn.dk transaction	0.0	(15.5)	(3.6)	(15.5)
Gain from the divestment of an own operated store	0.0	0.0	0.0	(2.5)
Total	4.7	(12.0)	6.5	(9.2)

EBIT

EBIT in Q3 2022 decreased to DKK 15.9 million (DKK 43.7 million). The decrease was primarily due to the decrease in EBITDA, and a non-recurring technical gain related to the Celebert/kitchn.dk transaction in Q3 LY. Depreciations and amortizations in Q3 2022 were DKK 4.9 million (DKK 4.1 million).

EBIT for the first nine months of 2022 decreased to DKK 79.2 million (DKK 117.9 million). The decrease was primarily due to the decrease in EBITDA, and a non-recurring technical gain related to the Celebert/kitchn.dk transaction in Q3 LY. Depreciations and amortizations for the first nine months of 2022 were DKK 13.5 million (DKK 12.5 million).

Net profit

Net profit in Q3 2022 decreased to DKK 9.7 million (DKK 38.0 million). Financial expenses in Q3 2022 were DKK 2.6 million higher than in Q3 2021 primarily driven by higher interest levels as well as a higher balance a.o. following the exercised share buy back program of DKK 150 million.

Net profit for the first nine months of 2022 decreased to DKK 58.6 million (DKK 94.6 million).

Net working capital

Net working capital at the end of Q3 2022 was DKK -9.1 million (DKK -50.4 million). NWC ratio at the end of Q3 2022 was -0.8% (-4.6%).

	End of Q3	
	2022	2021
DKK million		
Inventories	91.7	72.3
Trade and other receivables	76.8	79.7
Trade and other payables	(177.6)	(202.4)
Net working capital	(9.1)	(50.4)
NWC ratio	(0.8%)	(4.6%)

The increase in inventories of DKK 19.4 million was due to impact from increased raw material prices, and a decision to increase the stock of parts and raw materials to ensure a high delivery assurance. The supply of raw material and components has now stabilised, and therefore we will reduce the buffer levels going forward.

Trade receivables and other receivables decreased by DKK 2.9 million. Other receivables as of 30 September 2022 is excluding the value of DKK 7.9 million, which relates to subleases due to the implementation of IFRS 16. This is not included in the net working capital.

The operating liabilities decreased by DKK 24.8 million. The development in operating liabilities was both due to lower trade payables and lower other payables. To mitigate the impact from higher input costs, we have to a greater extent than LY pursued cash discounts and thereby shorter payment terms. Other payables as of 30 September 2022 was compared to last year affected by the extended credit for VAT and payroll taxes provided in the government's stimulus package impacted the operating liabilities last year positively by c. DKK 10 million as of 30 September.

Free cash flow

Free cash flow in Q3 2022 was DKK -6.3 million (DKK -11.7 million). The cash flow in Q3 2022 was compared to Q3 last year negatively impacted by a decline in earnings. Operating profit in Q3 last year included a non-cash technical gain from the Celebert/kitchn.dk transaction of DKK 17.5 million. Change in NWC during the quarter had a negative impact on free cash flow of DKK -21.5 million compared to DKK -32.9 million in Q3 2021. Investments were DKK 5.6 million in Q3 2022 compared to DKK 10.9 million last year.

Free cash flow for the first nine months of 2022 was DKK -12.7 million (DKK 15.9 million). Free cash flow was negatively impacted by lower operating profit compared to the first nine months of 2021 and change in NWC of DKK -79.4 million compared to DKK -71.2 million in the first nine months of 2021. Cash conversion was 54.9% (56.4%).

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 334.6 million at the end of Q3 2022 (DKK 223.9 million). Net interest-bearing debt increased by DKK 1.2 million in Q3 2022. Net interest-bearing debt excluding the leasing liabilities related to IFRS 16 amounted to DKK 274.0 million at the end of Q3 2022 (DKK 186.6 million). Leverage ratio, measured as net interest bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of Q3 2022 was 2.52 (1.31). Excluding the leasing liabilities related to IFRS 16, leverage ratio end of Q3 2022 was 2.13 (1.18).

Equity

Equity at the end of Q3 2022 amounted to DKK 407.3 million (DKK 424.9 million).

The solvency ratio was 41.2% at the end of Q3 2022 (47.0%).

Additional information

Financial calendar

The financial year covers the period 1 January – 31 December, and the following dates have been fixed for releases etc. in the financial year 2022:

24 February 2023

Interim report Q4 2022 and Annual report 2022

13 April 2023

Annual General Meeting

Presentation

The interim report will be presented on Tuesday 15 November at 9:30 CET in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/m8mpdbfu>.

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/B1b1b53857db3d4e949cc61cd72a228149>

About TCM Group A/S

TCM Group is Scandinavia's third largest kitchen manufacturer, with the 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 manufactures to a specific customer order. Production sites are located in Denmark, with three 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 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	Q3		9 months	
		2022	2021	2022	2021
Revenue	2	265.0	262.4	871.2	834.1
Cost of goods sold		(215.3)	(206.1)	(692.3)	(637.2)
Gross profit		49.7	56.3	178.9	196.9
Selling expenses		(18.7)	(14.7)	(57.7)	(52.9)
Administrative expenses		(10.4)	(9.9)	(35.5)	(35.2)
Operating profit before non-recurring items		20.6	31.7	85.7	108.7
Non-recurring items	3	(4.7)	12.0	(6.5)	9.2
Operating profit		15.9	43.7	79.2	117.9
Share of profit/loss in associated companies		(0.1)	0.5	1.0	0.5
Financial income		0.0	0.2	0.4	0.3
Financial expenses		(3.4)	(0.7)	(7.1)	(2.9)
Profit before tax		12.4	43.6	73.4	115.8
Tax for the period		(2.7)	(5.6)	(14.9)	(21.2)
Net profit for the period		9.7	38.0	58.6	94.6
Earnings per share before dilution, DKK		3.55	4.04	5.37	9.75
Earnings per share after dilution, DKK		3.55	4.04	5.37	9.75

Consolidated statement of comprehensive income

DKK m	Q3		9 months	
	2022	2021	2022	2021
Net profit for the period	9.7	38.0	58.6	94.6
Other comprehensive income				
Items that are or may be reclassified subsequent to profit or loss				
Value adjustments of currency hedges before tax	(0.4)	0.4	(2.9)	(0.0)
Tax on value adjustments of currency hedges	0.1	(0.1)	0.6	0.0
Other comprehensive income for the period	(0.3)	0.3	(2.2)	(0.0)
Total comprehensive income for the period	9.5	38.4	56.3	94.6

Consolidated balance sheet

DKK m	Note	End of Q3 2022	2021	End of 2021
ASSETS				
Intangible assets				
Goodwill		369.8	369.8	369.8
Brand		172.0	172.0	172.0
Other intangible assets		10.7	0.8	4.6
		<u>552.5</u>	<u>542.6</u>	<u>546.3</u>
Tangible assets				
Land and buildings		121.1	92.0	85.1
Tangible assets under constructions and prepayments		0.0	0.0	11.8
Machinery and other technical equipment		44.5	44.2	42.5
Equipment, tools, fixtures and fittings		7.1	7.7	6.6
		<u>172.7</u>	<u>143.9</u>	<u>146.0</u>
Investments in associated companies		47.4	47.3	47.4
Financial assets		24.5	10.4	8.5
Total non-current assets		<u>797.1</u>	<u>744.2</u>	<u>748.3</u>
Inventories		<u>91.7</u>	<u>72.3</u>	<u>77.8</u>
Current receivables				
Trade receivables		71.7	73.7	28.2
Receivables from associated companies		0.3	0.0	0.0
Current tax receivables		0.0	0.0	6.4
Other receivables		12.7	13.1	31.5
Prepaid expenses and accrued income		0.0	0.0	3.2
		<u>84.7</u>	<u>86.8</u>	<u>69.4</u>
Cash and cash equivalents		15.9	0.0	11.9
Total current assets		<u>192.3</u>	<u>159.1</u>	<u>159.0</u>
Total assets		<u>989.4</u>	<u>903.2</u>	<u>907.3</u>

Consolidated balance sheet

DKK m	Note	End of Q3		End of
		2022	2021	2021
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital		0.9	1.0	1.0
Treasury shares		(12.1)	(114.1)	(136.0)
Value adjustments of currency hedging		(2.3)	(0.6)	0.0
Retained earnings		420.8	538.6	500.3
Proposed dividend for the financial year		0.0	0.0	54.4
Total shareholders' equity		407.3	424.9	419.7
Deferred tax		53.9	52.0	53.7
Mortgage loans		25.8	28.6	27.8
Lease liabilities		50.1	18.3	15.2
Other liabilities		1.1	0.8	1.1
Total long-term liabilities		130.8	99.7	97.8
Mortgage loans		2.8	2.8	2.8
Bank loans		260.4	152.9	160.7
Lease liabilities		11.3	11.4	11.2
Prepayments from customers		0.0	0.0	3.0
Trade payables		123.0	136.6	158.9
Liabilities to associated companies		0.0	0.0	0.9
Current tax liabilities		0.2	9.9	0.0
Other liabilities		53.7	65.0	52.2
Total short-term liabilities		451.3	378.6	389.8
Total shareholders' equity and liabilities		989.4	903.2	907.3

Change in consolidated shareholders' equity

	Share capital DKK m	Trea- sury shares DKK m	Value adjust- ments of currency hedges after tax DKK m	Retained earnings DKK m	Propo- sed divi- dend DKK m	Total DKK m
Opening balance 01.01.2021	1.0	0.0	(0.6)	444.0	130.0	574.4
Net profit for the period	0.0	0.0	0.0	94.6	0.0	94.6
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	94.6	0.0	94.6
Dividend paid	0.0	0.0	0.0	0.0	(130.0)	(130.0)
Purchase of treasury shares	0.0	(114.1)	0.0	0.0	0.0	(114.1)
Closing balance 30.09.2021	1.0	(114.1)	(0.6)	538.6	0.0	424.9
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

Consolidated cash flow statement

DKK m	Note	Q3		9 months	
		2022	2021	2022	2021
Operating activities					
Operating profit		15.9	43.7	79.2	117.9
Depreciation and amortization		4.9	4.1	13.5	12.5
Other non-cash operating items		0.0	(17.5)	0.0	(17.5)
Income tax paid		0.0	0.0	(7.4)	(7.2)
Change in net working capital		(21.5)	(32.9)	(79.4)	(71.2)
Cash flow from operating activities		(0.7)	(2.6)	5.9	34.5
Investing activities					
Investments in fixed assets		(5.6)	(10.9)	(18.6)	(23.2)
Acquisition of operations, net		0.0	(23.2)	(2.2)	(23.2)
Divestments of operations		0.0	1.8	0.0	4.6
Cash flow from investing activities		(5.6)	(32.3)	(20.8)	(41.8)
Financing activities					
Interest paid		(3.4)	(0.5)	(6.8)	(2.3)
Repayments of loans		(0.7)	(0.7)	(2.1)	(22.1)
Repayments of lease liabilities		(1.1)	(0.9)	(3.1)	(3.0)
Purchase of treasury shares		0.0	(31.8)	(14.4)	(114.1)
Dividend paid		0.0	0.0	(54.4)	(130.0)
Cash flow from financing activities		(5.2)	(34.0)	(80.8)	(271.5)
Cash flow for the period		(11.5)	(68.9)	(95.7)	(278.8)
Cash and cash equivalents at the beginning of the period					
		(233.0)	(84.0)	(148.8)	125.9
Cash flow for the period		(11.5)	(68.9)	(95.7)	(278.8)
Cash and cash equivalents at the end of the period		(244.5)	(152.9)	(244.5)	(152.9)

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 2021 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 45-49 and 64.

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 2022 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. 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	
	2022	2021	2022	2021
Denmark	240.4	244.7	782.9	762.5
Other countries	24.6	17.7	88.3	71.6
	265.0	262.4	871.2	834.1

Revenue consists of sale of goods and services.

3. Non-recurring items

Non-recurring items, DKK m	Q3		9 months	
	2022	2021	2022	2021
Costs related to Covid-19 and supply chain disruptions	0.0	3.5	5.4	7.5
Restructuring	4.7	0.0	4.7	1.3
Net gain from the Celebert/kitchn.dk transaction	0.0	(15.5)	(3.6)	(15.5)
Gain from the divestment of an own operated store	0.0	0.0	0.0	(2.5)
Total	4.7	(12.0)	6.5	(9.2)

4. Acquisition of operations (business combinations)

2021: Acquisition 45% af Celebert ApS

On 6 July 2021, TCM Group entered into a strategic partnership with, and acquired stake in the fast growing Danish e-commerce kitchen business Celebert. TCM Group merged its e-commerce activities in kitchen.dk with the activities of Celebert and has initially acquired a 45% stake in Celebert.

	<u>DKK m</u>
Purchase price	29.0
Merged activities	<u>32.2</u>
	61.2
Fair value of acquired net assets – 45%	<u>(15.5)</u>
Goodwill before elimination	45.7
Elimination of internal profit	<u>(14.3)</u>
Goodwill after elimination	<u>31.4</u>

Goodwill is attributable to future expected growth potential and expected synergies with the merger of our e-commerce activities in kitchen.dk with Celebert ApS.

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 2022 – 30 September 2022.

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 2022 and of the results of the Group's operations and cash flows for the period 1 January to 30 September 2022.

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, 15 November, 2022

Executive Management

Torben Paulin
CEO

Mogens Elbrønd Pedersen
CFO

Board of Directors

Sanna Mari Suvanto-Harsaae
Chairman

Anders Tormod Skole-Sørensen
Deputy Chairman

Søren Mygind Eskildsen

Carsten Bjerg

Danny Feltmann Espersen

Jan Amtoft

Supplementary financial disclosure

Quarterly overview

DKK million	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Income statement					
Revenue	262.4	274.2	281.4	324.8	265.0
Gross profit	56.3	57.7	60.0	69.3	49.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	47.8	25.0	24.8	47.1	20.8
Adjusted EBITDA	35.8	33.5	30.3	43.5	25.4
Earnings before interest, tax and amortisation (EBITA)	43.7	20.5	20.6	42.7	15.9
Adjusted EBIT	31.7	29.0	26.0	39.1	20.6
Operating profit (EBIT)	43.7	20.5	20.6	42.7	15.9
Financial items	(0.5)	(0.7)	(0.7)	(2.7)	(3.4)
Profit before tax	43.6	20.0	20.9	40.1	12.4
Net profit for the period	38.0	16.1	16.6	32.2	9.7
Balance sheet					
Total assets	903.2	907.3	971.5	1,006.4	989.4
Net working capital	(50.4)	(81.6)	(37.6)	(29.4)	(9.1)
Net interest-bearing debt (NIBD)	223.9	199.5	277.8	333.3	334.6
Equity	424.9	419.7	423.0	397.8	407.3
Cash Flow					
Free cash flow excl. acquisitions of operations	(11.7)	28.6	(32.9)	26.5	(6.3)
Margins					
Gross margin, %	21.5%	21.1%	21.3%	21.3%	18.7%
Adjusted EBITDA margin, %	13.7%	12.2%	10.8%	13.4%	9.6%
Adjusted EBIT margin, %	12.1%	10.6%	9.3%	12.0%	7.8%
EBIT margin, %	16.6%	7.5%	7.3%	13.1%	6.0%
Other ratios					
Solvency ratio, %	47.0%	46.3%	43.5%	39.5%	41.2%