

TCM Group Management's review

Interim report Q4 2021 (October 1 - December 31)

(All figures in brackets refer to the corresponding period in 2020)

Underlying revenue growth of 8%, but earnings below expectations impacted by an unstable supply chain situation.

CEO Torben Paulin:

“In Q4 we delivered an organic like-for-like growth of 8%, and reported sales grew 4.3%, which included a negative impact from the divestment of the Svane Køkkenet store in Copenhagen to our franchisee, and the merge of the e-commerce activities in kitchn.dk and Celebert. We continue to see encouraging growth rates in revenue outside Denmark, which was up 16% compared to fourth quarter last year.

We have, however not been able to deliver earnings in line with our expectations as announced in January. Increasing raw material prices and an extremely unstable supply chain situation has impacted our earnings negatively. We deliver a full year EBIT of DKK 138m, overall on par with last year.

During the fourth quarter of 2021 adjustments to the sales prices have been introduced to mitigate the continued price increases on raw materials, but the positive effect hereof comes with some delay. A delay which is prolonged when many customers postpone the time of delivery of their orders.

We experienced an aggravation of the unstable supply chain situation during the fourth quarter, and specifically the quarter was characterized by a situation where the company's margin was negatively impacted by both a rise in the price of raw materials, and a, for the earnings, negative development in the sales mix. In the fourth quarter we saw customers postponing the delivery of high margin orders. The revenue was replaced by revenue from third party products which carried a lower margin.

For the upcoming Annual General Meeting we will propose to distribute an ordinary dividend of DKK 6 per share. Excluding treasury shares this corresponds to DKK 54 million. Furthermore, we will propose to the Annual General Meeting, that a mandate is provided to the Board of Directors with the option to distribute an extraordinary dividend during 2022 in the range DKK 25-75 million.

Coming into 2022, we continue to be negatively impacted by the supply chain situation, which has not yet stabilised. The uncertainty for the financial outlook is therefore higher than normal. We estimate a full year revenue guidance in the range DKK 1,150-1,225 million, corresponding to organic growth of 4-11%, and an adjusted EBIT in the range DKK 140-170 million.”

Financial highlights Q4

- Revenue DKK 274.2 million (DKK 262.8 million) corresponding to a revenue growth of 4.3%. Organic like-for-like growth was 8%.
- Adjusted EBITDA DKK 33.5 million (DKK 41.6 million). Adjusted EBITDA margin was 12.2% (15.8%).
- Adjusted EBIT down DKK 7.4 million to DKK 29.0 million (DKK 36.4 million). Adjusted EBIT margin was 10.6% (13.8%).
- Non-recurring items had a total negative impact of DKK 8.5 million (DKK 3.0 million). Non-recurring items included costs related to Covid-19 precautions and related supply chain disruptions, and cost related to the Celebert/kitchn.dk transaction.
- EBIT down DKK 12.8 million to DKK 20.5 million (DKK 33.4 million), corresponding to an EBIT margin of 7.4% (12.7%).
- Net profit down DKK 9.1 million to DKK 16.1 million (DKK 25.1 million).
- Free cash flow was DKK 28.6 million (DKK 29.9 million).
- Cash conversion ratio was 58.3% (85.8%).

Financial highlights 12 months 2021

- Revenue DKK 1,108.3 million (DKK 1,024.6 million) corresponding to a revenue growth of 8.2%. Organic like-for-like growth was 11%.
- Adjusted EBITDA DKK 155.4 million (DKK 156.1 million). Adjusted EBITDA margin was 14.0% (15.7%).
- Adjusted EBIT down DKK 2.0 million to DKK 137.8 million (DKK 139.7 million). Adjusted EBIT margin was 12.4% (13.6%).
- Non-recurring items had a positive impact of DKK 0.7 million (negative impact of DKK 5.0 million).
- EBIT up DKK 3.7 million to DKK 138.4 million (DKK 134.7 million), corresponding to an EBIT margin of 12.5% (13.1%).
- Net profit up DKK 8.5 million to DKK 110.7 million (DKK 102.2 million).
- Free cash flow was DKK 44.4 million (DKK 101.0 million).
- Full-year guidance for the financial year 2022 is revenue in the range DKK 1,150-1,225 million, and adjusted EBIT in the range DKK 140-170 million.

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Key figures and ratios

DKK million	Q4 2021	Q4 2020	FY 2021	FY 2020
Income statement				
Revenue	274.2	262.8	1,108.3	1,024.6
Gross profit	57.7	70.4	254.6	272.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	25.0	38.6	155.4	156.1
Adjusted EBITDA	33.5	41.6	154.7	161.1
Earnings before interest, tax and amortisation (EBITA)	20.5	35.3	139.7	142.3
Adjusted EBIT	29.0	36.4	137.8	139.7
Operating profit (EBIT)	20.5	33.4	138.4	134.7
Financial items	(0.7)	(1.2)	(3.3)	(4.0)
Profit before tax	20.0	32.2	135.7	130.7
Net profit for the period	16.1	25.1	110.7	102.2
Balance sheet				
Total assets	907.3	929.5	907.3	929.5
Net working capital (NWC)	(81.6)	(117.0)	(81.6)	(117.0)
Net interest-bearing debt (NIBD)	199.5	(42.9)	199.5	(42.9)
Equity	419.7	574.4	419.7	574.4
Cash Flow				
Free cash flow excl. acquisitions of operations	28.6	29.9	44.4	101.0
Cash conversion, %	58.3%	85.8%	58.3%	85.8%
Growth ratios				
Revenue growth, %	4.3%	0.5%	8.2%	1.8%
Gross profit growth, %	(17.9%)	(7.1%)	(6.7%)	(2.4%)
Adjusted EBIT growth, %	(20.2%)	(16.1%)	(1.4%)	(9.0%)
EBIT growth, %	(38.5%)	(15.2%)	2.8%	(8.1%)
Net profit growth, %	(36.1%)	(15.8%)	8.3%	(8.2%)
Margins				
Gross margin, %	21.1%	26.8%	23.0%	26.6%
Adjusted EBITDA margin, %	12.2%	15.8%	14.0%	15.7%
Adjusted EBIT margin, %	10.6%	13.8%	12.4%	13.6%
EBIT margin, %	7.5%	12.7%	12.5%	13.1%
Other ratios				
Solvency ratio, %	46.3%	61.8%	46.3%	61.8%
Leverage ratio	1.33	(0.23)	1.33	(0.23)
NWC ratio, %	(7.4%)	(11.4%)	(7.4%)	(11.4%)
Capex ratio excl. acquisitions, %	2.6%	6.4%	2.6%	3.0%
Share information				
Number of outstanding shares	9,174,073	10,000,000	9,174,073	10,000,000
Weighted average number of outstanding shares	9,224,249	10,000,000	9,584,933	10,000,000
Number of treasury shares	825,927	0	825,927	0
Earnings per share before dilution, DKK	1.74	2.51	11.55	10.22
Earnings per share after dilution, DKK	1.74	2.51	11.54	10.22

Reference is made to the consolidated financial statements for 2020 prepared in accordance with IFRS for definitions of key figures and ratios.

Business review

In Q4 2021 revenue increased by 4.3% to DKK 274.2 million (DKK 262.8 million). The organic growth in the quarter was 8% with total revenue growth being lower due to the divestment of the Svane Køkkenet store in Copenhagen to a franchisee and the merge of the e-commerce activities in kitchn.dk and Celebert.

TCM Group's primary market is Denmark which contributed with 91% of Group revenue in Q4 2021. Customer demand in the Danish kitchen market remained solid in the quarter. For TCM Group, revenue in Denmark was up 3.3% (organic like-for-like growth was 7%) driven by growth within all our three brands. The highest growth rates was achieved within our DIY segment (Nettoline and e-commerce).

Revenue outside Denmark increased by 16.3% compared to Q4 2020. The growth was driven by increased sales to the Norwegian market, both organic growth and growth from new stores, but also because Q4 2020 was a soft comparison.

Gross margin decreased from 26.8% in Q4 2020 to 21.1% in Q4 2021. The divestment of the Svane Køkkenet store in Copenhagen and the merge of the e-commerce activities in kitchn.dk and Celebert had a technical negative impact on gross margin of in total 2.1%-points in the quarter. Furthermore, the gross margin was negatively affected by significantly increased raw material prices, the unstable supply chain situation and a change in sales of mix. In the fourth quarter TCM Group saw many customers postponing the delivery of high margin orders. The revenue was replaced by revenue from third party products which carried a lower margin.

At the end of Q4 2021, the total number of branded stores was 93 (90). In Q4 2021 a new Svane Køkkenet store opened in Copenhagen, which will expand the store network in the city centre in addition to the current store. Furthermore, in Q4 2021 a Tvis Køkkener store opened in Roskilde. In 2022 further new stores will be added to our store network. Within Svane Køkkenet this includes a new store in Copenhagen expected to open during the summer, and three new Svane Køkkenet stores in Fredrikstad, Arendal and Oslo in Norway expected to open during Q1 and Q2 2022. Within Nettoline we expect a new store to open in 2022 in Næstved. The new stores will bring the number of branded stores to 98.

Total number of employees at the end of Q4 2021 was 500 (496).

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 present market conditions we estimate a full-year revenue for 2022 in the range of DKK 1,150-1,225 million. Furthermore, we estimate an adjusted EBIT outlook in the range of DKK 140-170 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 Covid-19 situation has led to a high focus on home improvement and thereby increased demand. There is a possible risk of this leading to significant cost inflation and challenges with raw material availability, both of which can impact TCM Group's financial results negatively.

Financial review

Revenue

In Q4 2021 revenue grew by 4.3% to DKK 274.2 million (DKK 262.8 million).

Revenue in Denmark in Q4 2021 was DKK 248.9 million (DKK 241.0 million) corresponding to a growth of 3.3%. The organic like-for-like growth was 7% in the quarter driven by all three brands with the highest growth rates within our DIY segment (Nettoline and e-commerce). Revenue in other countries in Q4 2021 was up 16.3% to DKK 25.3 million (DKK 21.8 million).

Revenue for 2021 was up 8.2% to DKK 1,108.3 million (DKK 1,024.6 million). Revenue in Denmark for 2021 was up 7.4% to DKK 1,011.4 million (DKK 941.6 million) and revenue in other countries for 2021 was up 16.7% to DKK 96.9 million (DKK 83.0 million).

Gross profit

Gross profit in Q4 2021 was DKK 57.7 million (DKK 70.4 million), corresponding to a gross margin of 21.1% (26.8%). The divestment of the Svane Køkkenet store in Copenhagen and the merge of the e-commerce activities in kitchn.dk and Celebert had a technical negative impact on gross margin of 2.1%-points in the quarter. Furthermore, the gross margin was negatively affected by significantly increased raw material prices, the unstable supply chain situation and a change in sales mix.

Gross profit for 2021 was DKK 254.6 million (DKK 272.8 million), corresponding to a gross margin of 23.0% (26.6%).

Operating expenses

Operating expenses in Q4 2021 were DKK 28.7 million (DKK 34.0 million). Operating expenses represented 10.5% of revenue in Q4 2021 (12.9%). The decline in operating expenses was primarily due to the divestment of the Svane Køkkenet store in Copenhagen and the merge of the e-commerce activities in kitchn.dk and Celebert.

Operating expenses for 2021 were DKK 116.8 million (DKK 133.1 million). Operating expenses represented 10.5% of revenue for 2021 (13.0%).

Adjusted EBITDA

Adjusted EBITDA in Q4 2021 was DKK 33.5 million (DKK 41.6 million), corresponding to an adjusted EBITDA margin of 12.2% (15.8%).

Adjusted EBITDA for 2021 was DKK 154.7 million (DKK 161.1 million), corresponding to an adjusted EBITDA margin of 14.0% (15.7%).

Adjusted EBIT

Adjusted EBIT in Q4 2021 was DKK 29.0 million (DKK 36.4 million), corresponding to an adjusted EBIT margin of 10.6% (13.8%). The Celebert/kitchn.dk transaction in Q3 2021 has a negative impact on adjusted EBIT compared to previous quarters, since the profit from the activities in kitchn.dk previously included in EBIT is now presented as profit in associated companies and thereby not included in EBIT. The full year technical impact from this is a lower single digit DKK million figure.

Adjusted EBIT for 2021 was DKK 137.8 million (DKK 139.7 million), corresponding to an adjusted EBIT margin of 12.4% (13.6%).

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 2021 non-recurring items included costs related to Covid-19 precautions and related supply chain disruptions, and costs related to the Celebert/kitchn.dk transaction. These items are considered non-recurring by nature and material, and are presented as non-recurring items.

Non-recurring items, DKK m	Q4		12 months	
	2021	2020	2021	2020
Costs related to Covid-19 and supply chain disruptions	6.5	3.0	14.0	5.0
Restructuring	0.0	0.0	1.3	0.0
Net gain from the Celebert/kitchn.dk transaction	2.0	0.0	(13.5)	0.0
Gain from the divestment of an own operated store	0.0	0.0	(2.5)	0.0
Total	8.5	3.0	(0.7)	5.0

EBIT

EBIT in Q4 2021 increased to DKK 20.5 million (DKK 33.4 million). The decrease was primarily due to the decrease in EBITDA. Depreciations and amortizations in Q4 2021 were DKK 4.5 million (DKK 5.2 million). The decline was primarily driven by lower amortizations, because our franchise setup was fully amortized during Q1 2021.

EBIT for 2021 increased to DKK 138.4 million (DKK 134.7 million). The increase was primarily due to the gain in non-recurring items of DKK 0.7 million (DKK -5.0 million) off-set by the decrease in EBITDA. Depreciations and amortizations for 2021 were DKK 16.9 million (DKK 21.3 million).

Net profit

Net profit in Q4 2021 decreased to DKK 16.1 million (DKK 25.1 million). Financial income and expenses in Q4 2021 were DKK 0.5 million lower than in Q4 2020.

Net profit for 2021 increased to DKK 110.7 million (DKK 102.2 million).

Free cash flow

Free cash flow in Q4 2021 was DKK 28.6 million (DKK 29.9 million). The cash flow in Q4 2021 was negatively impacted by lower operating profit compared to Q4 2020 off-set by lower investments of DKK 10.7 million (DKK 17.2 million).

Free cash flow for 2021 was DKK 44.4 million (DKK 101.0 million). Free cash flow was negatively impacted by change in NWC of DKK -38.3 million compared to DKK 7.3 million in 2020. The extended credit for VAT and payroll had a negative impact of DKK 9 million in 2021 compared to a positive impact of DKK 15 million in 2020. Cash conversion was 58.3% (85.8%).

Net working capital

Net working capital at the end of Q4 2021 was DKK -81.6 million (DKK -117.0 million). NWC ratio at the end of Q4 2021 was -7.4% (-11.4%).

DKK million	End of Q4	
	2021	2020
Inventories	77.8	49.8
Trade and other receivables	55.9	47.1
Trade and other payables	(215.3)	(213.8)
Net working capital	(81.6)	(117.0)
NWC ratio	(7.4%)	(11.4%)

The increase in inventory of DKK 28.0 million was due to impact from increased raw material prices, and a management decision to establish a buffer of parts and raw materials to ensure higher delivery assurance.

Trade receivables and other receivables increased by DKK 8.8 million. Other receivables as of 31 December 2021 is excluding the value of DKK 7.1 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 1.4 million. The extended credit for VAT and payroll taxes provided in the government's stimulus package impacted the operating liabilities positively by c. DKK 6 million as of 31 December 2021 compared to DKK 15.0 million last year. Furthermore, the transfer of the holiday allowance to the government fund lowered other payables by DKK 19 million in 2021.

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 199.5 million at the end of Q4 2021 (DKK -42.9 million). Net interest-bearing debt decreased by DKK 24.4 million in Q4 2021. Leverage ratio, measured as net interest bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of Q4 2021 was 1.33 (-0.23).

Equity

Equity at the end of Q4 2021 amounted to DKK 419.7 million (DKK 574.4 million). The equity decreased by DKK 5.2 million in Q4 2021 due to the implementation of a share buy back program, of which DKK 21.9 million has been carried out during Q4 2021 off-set by net profit for the period. As of 31 December 2021, DKK 136.0 million of the total share buy back program of DKK 150 million has been carried out.

The solvency ratio was 46.3% at the end of Q4 2021 (61.8%).

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:

5 April 2022	Annual General Meeting
18 May 2022	Interim report Q1 2022
19 August 2022	Interim report Q2 2022
15 November 2022	Interim report Q3 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 Friday 25 February at 9:30 CET in a teleconference that can be followed on TCM Groups website or on <https://edge.media-server.com/mmc/p/mkr6ebs7>.

To participate in the teleconference, and thus have the possibility to ask questions, call one of the following numbers:

Confirmation Code: **5257819**

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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 Køkkener, 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	Q4		12 month	
		2021	2020	2021	2020
Revenue	2	274.2	262.8	1,108.3	1,024.6
Cost of goods sold		(216.4)	(192.5)	(853.7)	(751.8)
Gross profit		57.7	70.4	254.6	272.8
Selling expenses		(17.2)	(20.6)	(70.1)	(78.4)
Administrative expenses		(11.5)	(13.4)	(46.7)	(54.7)
Other operating income		(0.0)	(0.0)	(0.0)	(0.0)
Operating profit before non-recurring items		29.0	36.4	137.8	139.7
Non-recurring items	3	(8.5)	(3.0)	0.7	(5.0)
Operating profit		20.5	33.4	138.4	134.7
Share of profit/loss in associated companies		0.1	0.0	0.6	0.0
Financial income		0.0	0.1	0.3	0.3
Financial expenses		(0.7)	(1.3)	(3.6)	(4.3)
Profit before tax		20.0	32.2	135.7	130.7
Tax for the period		(3.9)	(7.0)	(25.0)	(28.5)
Net profit for the period		16.1	25.1	110.7	102.2
Earnings per share before dilution, DKK		1.74	2.51	11.55	10.22
Earnings per share after dilution, DKK		1.74	2.51	11.54	10.22

Consolidated statement of comprehensive income

DKK m	Q4		12 month	
	2021	2020	2021	2020
Net profit for the period	16.1	25.1	110.7	102.2
Other comprehensive income				
Items that are or may be reclassified subsequent to profit or loss				
Value adjustments of currency hedges before tax	0.8	(0.8)	0.8	(0.8)
Tax on value adjustments of currency hedges	(0.2)	0.2	(0.2)	0.2
Other comprehensive income for the period	0.6	(0.6)	0.6	(0.6)
Total comprehensive income for the period	16.7	24.5	111.3	101.6

Consolidated balance sheet

DKK m	Note	End of	
ASSETS		2021	2020
Intangible assets			
Goodwill		369.8	369.8
Brand		172.0	172.0
Other intangible assets		4.6	1.7
		<u>546.3</u>	<u>543.5</u>
Tangible assets			
Land and buildings		85.1	87.1
Tangible assets under constructions and prepayments		11.8	11.9
Machinery and other technical equipment		42.5	27.7
Equipment, tools, fixtures and fittings		6.6	6.6
		<u>146.0</u>	<u>133.3</u>
Investments in associated companies		47.4	0.0
Financial assets		8.5	13.2
Total non-current assets		<u>748.3</u>	<u>689.9</u>
Inventories		<u>77.8</u>	<u>48.3</u>
Current receivables			
Trade receivables		28.2	24.4
Current tax receivables		6.4	5.0
Other receivables		31.5	23.7
Prepaid expenses and accrued income		3.2	0.4
		<u>69.4</u>	<u>53.6</u>
Cash and cash equivalents		11.9	125.9
Assets held for sale		0.0	11.8
Total current assets		<u>159.0</u>	<u>239.5</u>
Total assets		<u>907.3</u>	<u>929.5</u>

Consolidated balance sheet

DKK m	Note	End of	
		2021	2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1.0	1.0
Treasury shares		(136.0)	0.0
Value adjustments of currency hedging		0.0	(0.6)
Retained earnings		500.3	444.0
Proposed dividend for the financial year		54.4	130.0
Total shareholders' equity		419.7	574.4
Deferred tax		53.7	53.2
Mortgage loans		27.8	30.6
Bank loans		0.0	9.7
Lease liabilities		15.2	24.1
Other liabilities		1.1	24.2
Total long-term liabilities		97.8	141.8
Mortgage loans		2.8	2.8
Bank loans		160.7	9.9
Lease liabilities		11.2	10.9
Prepayments from customers		3.0	0.0
Trade payables		158.9	125.4
Liabilities to associated companies		0.9	0.0
Other liabilities		52.2	55.2
Liabilities held for sale		0.0	9.0
Total short-term liabilities		389.8	213.3
Total shareholders' equity and liabilities		907.3	929.5

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 01.01.2020*	1.0	0.0	0.0	471.7	0.0	472.7
Net profit for the period	0.0	0.0	0.0	(27.7)	130.0	102.3
Other comprehensive income for the period	0.0	0.0	(0.6)	0.0	0.0	(0.6)
Total comprehensive income for the period	0.0	0.0	(0.6)	(27.7)	130.0	101.7
Closing balance 30.09.2020	1.0	0.0	(0.6)	444.0	130.0	574.4
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	56.3	54.4	110.7
Other comprehensive income for the period	0.0	0.0	0.6	0.0	0.0	0.6
Total comprehensive income for the period	0.0	0.0	0.6	56.3	54.4	111.3
Dividend paid	0.0	0.0	0.0	0.0	(130.0)	(130.0)
Purchase of treasury shares	0.0	(136.0)	0.0	0.0	0.0	(136.0)
Closing balance 30.09.2021	1.0	(136.0)	0.0	500.3	54.4	419.7

*At the general meeting on 11 June 2020, it was concluded that no dividend were to be distributed regarding the financial year 2019.

Consolidated cash flow statement

DKK m	Note	Q4		12 month	
		2021	2020	2021	2020
Operating activities					
Operating profit		20.5	33.4	138.4	134.7
Depreciation and amortization		4.4	5.2	16.9	21.3
Other non-cash operating items		0.0	0.0	(17.3)	0.0
Income tax paid		(18.7)	(25.3)	(25.9)	(31.2)
Change in net working capital		33.0	33.8	(38.3)	7.4
Cash flow from operating activities		39.3	47.1	73.8	132.2
Investing activities					
Investments in fixed assets		(10.7)	(17.2)	(33.9)	(31.0)
Acquisition of operations, net	4	0.0	0.0	(23.2)	0.0
Divestments of operations		0.0	0.0	4.6	0.0
Cash flow from investing activities		(10.7)	(17.2)	(52.5)	(31.2)
Financing activities					
Interest paid		(0.6)	(0.7)	(2.9)	(3.3)
Repayments of loans		(0.8)	(98.2)	(22.8)	(100.3)
Repayments of lease liabilities		(1.2)	(1.4)	(4.2)	(5.1)
Purchase of treasury shares		(21.9)	0.0	(136.0)	0.0
Dividend paid		0.0	0.0	(130.0)	0.0
Cash flow from financing activities		(24.5)	(100.3)	(295.9)	(108.7)
Cash flow for the period		4.1	(70.4)	(274.7)	(7.7)
Cash and cash equivalents at the beginning of the period					
		(152.9)	202.1	125.9	139.4
Cash flow for the period		4.1	(70.4)	(274.7)	(7.7)
Cash and cash equivalents at the end of the period		(148.8)	131.7	(148.8)	131.7

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 44-49 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 2021 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	Q4		12 month	
	2021	2020	2021	2020
Denmark	248.9	241.0	1,011.4	941.6
Other countries	25.3	21.8	96.9	83.0
	274.2	262.8	1,108.3	1,024.6

Revenue consists of sale of goods and services.

3. Non-recurring items

Non-recurring items, DKK m	Q4		12 month	
	2021	2020	2021	2020
Costs related to Covid-19 and supply chain disruptions	6.5	3.0	14.0	5.0
Restructuring	0.0	0.0	1.3	0.0
Net gain from the Celebert/kitchn.dk transaction	2.0	0.0	(13.5)	0.0
Gain from the divestment of an own operated store	0.0	0.0	(2.5)	0.0
Total	8.5	3.0	(0.7)	5.0

4. Acquisition of operations (business combinations)

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.

Cost related to the transaction amounted to DKK 4.0 million and are presented under non-recurring items.

	<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 2021 – 31 December 2021.

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 2021 and of the results of the Group's operations and cash flows for the period 1 January to 31 December 2021.

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, 25 February, 2021

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

Supplementary financial disclosure

Quarterly overview

DKK million	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Income statement					
Revenue	262.8	281.1	290.7	262.4	274.2
Gross profit	70.4	66.0	74.6	56.3	57.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	38.6	36.3	46.2	47.8	25.0
Adjusted EBITDA	41.6	37.6	47.7	35.8	33.5
Earnings before interest, tax and amortisation (EBITA)	35.3	32.9	42.6	43.7	20.5
Adjusted EBIT	36.4	33.0	44.1	31.7	29.0
Operating profit (EBIT)	33.4	31.6	42.6	43.7	20.5
Financial items	(1.2)	(0.3)	(1.8)	(0.5)	(0.7)
Profit before tax	32.2	31.4	40.8	43.6	20.0
Net profit for the period	25.1	24.7	31.9	38.0	16.1
Balance sheet					
Total assets	929.5	944.6	838.9	903.2	907.3
Net working capital	(117.0)	(68.9)	(76.3)	(50.4)	(81.6)
Net interest-bearing debt (NIBD)	(42.9)	(14.1)	152.9	223.9	199.5
Equity	574.4	597.8	418.4	424.9	419.7
Cash Flow					
Free cash flow excl. acquisitions of operations	29.9	(24.6)	52.2	(11.7)	28.6
Margins					
Gross margin, %	26.8%	23.5%	25.7%	21.5%	21.1%
Adjusted EBITDA margin, %	15.8%	13.4%	16.4%	13.7%	12.2%
Adjusted EBIT margin, %	13.8%	11.7%	15.2%	12.1%	10.6%
EBIT margin, %	12.7%	11.3%	14.6%	16.6%	7.5%
Other ratios					
Solvency ratio, %	61.8%	63.3%	49.9%	47.0%	46.3%