

TCM Group Management's review
Interim report Q4 2022 (October 1 - December 31)

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

Q4: Expectations met. Topline flat and earnings reduced in Q4 due to sales mix.

CEO Torben Paulin:

“As previously communicated the development, we experienced during Q3 with lower B2C demand, continued into Q4, where B2C sales declined. Our strong position and pipeline in B2B ensured that overall sales remained solid in spite of the slowdown in B2C sales. Revenue in our core business was up 1% on Q4 last year, DKK 275 million compared to DKK 274 million in Q4 last year.

The change in sales mix with a lower share of high margin B2C sales offset by a higher share of lower margin B2B project sales had a negative impact on gross margin and earnings. Furthermore, gross margin was negatively impacted by significant higher cost prices on raw materials and components. The higher input costs were passed on to our customers through multiple sales price increases during the year. However, the mitigating impact on gross margin from the implemented sales prices increases came with some delay. From January 2023, the sales price increases implemented during the year will have full mitigating impact.

Adjusted EBIT in Q4 ended at DKK 18 million compared to DKK 29 million Q4 last year, and Adjusted EBIT for the full year ended at DKK 103 million.

During Q3 and Q4 we have already undertaken a number of actions to address the situation and protect the profitability of TCM Group going forward. From mid September the third shift (night shift) was shut down and the organisation was restructured with a reduction in the administrative staff of 20 FTEs in two steps during Q3 and Q4. The restructuring was implemented to mitigate the slowdown in demand and the third shift was discontinued as increased efficiency at the production sites has raised the overall production capacity in the two remaining shifts. In view of the development, concrete actions to further improve efficiency and reduce costs have been initiated and we continue to monitor the development in the market closely. Production capacity is being adjusted as needed.

Furthermore, we have renegotiated the leverage covenant in our bank credit facility (NIBD compared to Adjusted EBITDA) from 3.0 to 4.0. With this proactive approach we have ensured that we have additional and sufficient headroom in our DKK 300 million bank credit facility.

The development in 2023 is characterised by a high degree of uncertainty with regards to the macro economic development and the derived effect on the demand for kitchens. Macro economic headwind during 2022 with high inflation a.o. following the war in Ukraine, higher energy costs, higher interest rates etc. has led to a slowdown of the Danish housing market with a significant drop in number of houses sold and order intake from house builders. This has impacted the kitchen market with lower demand especially within B2C. As a consequence of the above, we expect lower activity in 2023 in general and we believe B2C sales will continue to be low going into 2023.

Based on the above, we have widened our range for the financial outlook for 2023 compared to previous years. Our financial outlook for full year revenue for 2023 is in the range of DKK 950-1,050 million and adjusted EBIT in the range of DKK 70-100 million.

As a consequence of the higher degree of uncertainty, the Board of Directors has decided not to propose a distribution of an ordinary dividend, and instead propose to the upcoming Annual General Meeting, that a mandate is provided to the Board of Directors with the option to distribute a dividend during the second half of 2023 of up to DKK 30 million.”

Financial highlights Q4

- Revenue DKK 274.9 million (DKK 274.2 million) corresponding to a revenue growth of 0.3%. Organic like-for-like growth was 1% excluding revenue from third party products (core business).
- Adjusted EBITDA DKK 22.2 million (DKK 33.5 million). Adjusted EBITDA margin was 8.1% (12.2%).
- Adjusted EBIT DKK 17.7 million (DKK 29.0 million). Adjusted EBIT margin was 6.5% (10.6%).
- Non-recurring items had a total negative impact in Q4 LY of DKK 8.5 million, whereas Q4 2022 included no non-recurring items. Non-recurring items LY included costs related to supply chain disruptions and costs related to the Celebert/kitchn.dk transaction.
- EBIT DKK 17.7 million (DKK 20.5 million), corresponding to an EBIT margin of 6.5% (7.5%).
- Net profit DKK 11.9 million (DKK 16.1 million).
- Free cash flow was DKK 52.2 million (DKK 28.6 million).
- Cash conversion ratio was 61.0% (58.3%).

Financial highlights 12 months 2022

- Revenue DKK 1,146.1 million (DKK 1,108.3 million) corresponding to a revenue growth of 3.4%. Organic like-for-like growth was 6%.
- Adjusted EBITDA DKK 121.3 million (DKK 154.7 million). Adjusted EBITDA margin was 10.6% (14.0%).
- Adjusted EBIT down DKK 34.4 million to DKK 103.4 million (DKK 137.8 million). Adjusted EBIT margin was 9.0% (12.4%).
- Non-recurring items had a negative impact of DKK 6.5 million (positive impact of DKK 0.7 million).
- EBIT DKK 96.9 million (DKK 138.4 million), corresponding to an EBIT margin of 8.5% (12.5%).
- Net profit DKK 70.5 million (DKK 110.7 million).
- Free cash flow was DKK 39.4 million (DKK 44.5 million).
- Full-year guidance for the financial year 2023 is revenue in the range DKK 950-1,050 million, and adjusted EBIT in the range DKK 70-100 million.

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Key figures and ratios

DKK million	Q4 2022	Q4 2021	FY 2022	FY 2021
Income statement				
Revenue	274.9	274.2	1,146.1	1,108.3
Gross profit	55.1	57.7	234.0	254.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	22.2	25.0	114.9	155.4
Adjusted EBITDA	22.2	33.5	121.3	154.7
Earnings before interest, tax and amortisation (EBITA)	17.7	20.5	96.9	139.7
Adjusted EBIT	17.7	29.0	103.4	137.8
Operating profit (EBIT)	17.7	20.5	96.9	138.4
Financial items	(2.0)	(0.7)	(8.8)	(3.3)
Profit before tax	16.0	20.0	89.4	135.7
Net profit for the period	11.9	16.1	70.5	110.7
Balance sheet				
Total assets	970.2	907.3	970.2	907.3
Net working capital (NWC)	(57.1)	(81.6)	(57.1)	(81.6)
Net interest-bearing debt (NIBD)	288.1	199.5	288.1	199.5
Equity	420.6	419.7	420.6	419.7
Cash Flow				
Free cash flow excl. acquisitions of operations	52.2	28.6	39.5	44.5
Cash conversion, %	61.0%	58.3%	61.0%	58.3%
Growth ratios				
Revenue growth, %	0.3%	4.3%	3.4%	8.2%
Gross profit growth, %	(4.5%)	(17.9%)	(8.1%)	(6.7%)
Adjusted EBIT growth, %	(38.9%)	(20.2%)	(24.9%)	(1.4%)
EBIT growth, %	(13.7%)	(38.5%)	(30.0%)	2.8%
Net profit growth, %	(25.9%)	(36.1%)	(36.3%)	8.3%
Margins				
Gross margin, %	20.1%	21.1%	20.4%	23.0%
Adjusted EBITDA margin, %	8.1%	12.2%	10.6%	14.0%
Adjusted EBIT margin, %	6.5%	10.6%	9.0%	12.4%
EBIT margin, %	6.5%	7.5%	8.5%	12.5%
Other ratios				
Solvency ratio, %	43.4%	46.3%	43.4%	46.3%
Leverage ratio	2.35	1.33	2.35	1.33
NWC ratio, %	(5.0%)	(7.4%)	(5.0%)	(7.4%)
Capex ratio excl. acquisitions, %	3.9%	2.6%	2.0%	2.6%
Share information				
Number of outstanding shares	9,067,294	9,174,073	9,067,294	9,174,073
Weighted average number of outstanding shares	9,074,847	9,224,2249	9,074,847	9,584,933
Number of treasury shares	75,000	825,927	75,000	825,927
Earnings per share before dilution, DKK	1.31	1.74	7.77	11.55
Earnings per share after dilution, DKK	1.31	1.74	7.75	11.54

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

Business review

In Q4 2022 revenue increased by 0.3% to DKK 274.9 million (DKK 274.2 million). The organic like-for-like growth excluding third party revenue (core business) was 1% in the quarter.

TCM Group's primary market is Denmark which contributed with 91% of Group revenue in Q4 2022. For TCM Group, revenue in Denmark was up 0.3% (organic like-for-like growth excluding third party revenue (core business) was up 1%). The revenue in the fourth quarter was as expected influenced by a change in sales mix with lower B2C sales offset by growth within B2B sales, which led to lower average prices and thereby a negative impact on revenue and margin.

Revenue outside Denmark was DKK 25.3 million and on par with Q4 LY. Growth in revenue to the branded Svane Køkkenet stores in Norway was offset by a decline within the DIY segment.

In Q4 high margin B2C sales declined compared to Q4 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 21.1% in Q4 2021 to 20.1% in Q4 2022. The mitigating effect on gross margin from the implemented sales price increases has a faster phase-in within B2C sales compared to B2B project sales. From January 2023, the sales price increases implemented in Q2 2022 will have full mitigating impact.

At the end of Q4 2022, the total number of branded stores was 94 (93). In Q4 2022, a new unique Svane Køkkenet flagship store opened in Glostrup, in the Greater Copenhagen area. Furthermore, a new Svane Køkkenet store opened in Q4 in Arendal, Norway. During Q4 a new Nettoline store opened in Ringsted, while a Tvis køkken store in Randers was closed. During Q1 2023 a new Tvis køkken store will open in Lyngby in Greater Copenhagen area.

In Q4 Svane Køkkenet launched the new kitchen design INFINITY. The new kitchen design is based on circular design principles and renewable materials. Hence the name INFINITY. The primary material in INFINITY is chipboard which consists of more than 90% recycled timber. To ensure durability of the edges, a new developed edge band has been developed together with our supplier, being the first edge band with minimum 50% certified recycled content.

During Q4 TCM Group took yet another important step towards our goal of ensuring that all our kitchen designs are third party validated and certified regarding their impact on the indoor climate in our customers' homes, as we renewed all our existing certifications and expanded it to include all kitchen designs that we have in our assortment. Furthermore, we have extended our scope to include also laminated table tops.

Total number of employees at the end of Q4 2022 was 482 (502). The number of employees at the end of Q4 includes 10 FTEs affected by the restructuring of the organisation implemented in November.

Events after the reporting period

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

Financial outlook

The development in 2023 is characterised by a high degree of uncertainty with regards to the macro economic development and the derived effect on the demand for kitchens. Macro economic headwind during 2022 with high inflation a.o. following the war in Ukraine, higher energy costs, higher interest rates etc. has led to a slowdown of the Danish housing market with a significant drop in number of houses sold and order intake from house builders. This has impacted the kitchen market with lower demand especially within B2C. As a consequence of the above, we expect lower activity in 2023 in general and we believe B2C sales will continue to be low going into 2023.

Based on the above, we have widened our range for the financial outlook for 2023 compared to previous years. Our financial outlook for full year revenue for 2023 is in the range of DKK 950-1,050 million and adjusted EBIT in the range of DKK 70-100 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 2022 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 Q4 2022 revenue grew by 0.3% to DKK 274.9 million (DKK 274.2 million).

Revenue in Denmark in Q4 2022 was DKK 249.6 million (DKK 248.9 million) corresponding to an increase of 0.3%. 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 Q4 2022 was DKK 25.3 million and on par Q4 last year.

Revenue for the full year 2022 was up 3.4% to DKK 1,146.1 million (DKK 1,108.3 million) driven by an organic like-for-like growth of 6% 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 full year 2022 was up 2.1% to DKK 1,032.5 million (DKK 1,011.4 million). The organic like-for-like growth excluding third party revenue (core business) in Denmark was 4.5%. Revenue in other countries for the full year 2022 was up 17.2% to DKK 113.6 million (DKK 96.9 million).

Gross profit

Gross profit in Q4 2022 was DKK 55.1 million (DKK 57.7 million), corresponding to a gross margin of 20.1% (21.1%). In Q4 high margin B2C sales declined compared to Q4 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.

Gross profit for the full year 2022 was DKK 234.0 million (DKK 254.6 million), corresponding to a gross margin of 20.4% (23.0%).

Operating expenses

Operating expenses in Q4 2022 were DKK 37.4 million (DKK 28.7 million). Operating expenses represented 13.6% of revenue in Q4 2022 (10.5%). The increase in operating expenses was primarily due to the higher marketing spend a.o. related to product launches, higher costs related to new stores opened during the year, and an increase in the provisions made to cover potential losses on debtors given the higher macro economic uncertainty.

Operating expenses for the full year 2022 were DKK 130.6 million (DKK 116.8 million). Operating expenses represented 11.4% of revenue (10.5%).

Adjusted EBITDA

Adjusted EBITDA in Q4 2022 was DKK 22.2 million (DKK 33.5 million), corresponding to an adjusted EBITDA margin of 8.1% (12.2%).

Adjusted EBITDA for the full year 2022 was DKK 121.3 million (DKK 154.7 million), corresponding to an adjusted EBITDA margin of 10.6% (14.0%).

Adjusted EBIT

Adjusted EBIT in Q4 2022 was DKK 17.7 million (DKK 29.0 million), corresponding to an adjusted EBIT margin of 6.5% (10.6%).

Adjusted EBIT for the full year 2022 was DKK 103.4 million (DKK 137.8 million), corresponding to an adjusted EBIT margin of 9.0% (12.4%).

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. This is considered non-recurring by nature and material, and is presented as non-recurring items. Q4 2022 included no non-recurring items.

Non-recurring items, DKK m	Q4		12 months	
	2022	2021	2022	2021
Costs related to Covid-19 and supply chain disruptions	0.0	6.5	5.4	14.0
Restructuring	0.0	0.0	4.7	1.3
Net gain from the Celebert/kitchn.dk transaction	0.0	2.0	(3.6)	(13.5)
Gain from the divestment of an own operated store	0.0	0.0	0.0	(2.5)
Total	0.0	8.5	6.5	(0.7)

EBIT

EBIT in Q4 2022 decreased to DKK 17.7 million (DKK 20.5 million). The decrease was primarily due to the decrease in EBITDA, partly offset by non-recurring items, which amounted to DKK 8.5 million in Q4 LY. Depreciations and amortizations in Q4 2022 were DKK 4.4 million (DKK 4.4 million).

EBIT for the full year 2022 decreased to DKK 96.9 million (DKK 138.4 million). The decrease was primarily due to the decrease in EBITDA and non-recurring items described above. Depreciations and amortizations for the full year 2022 were DKK 18.0 million (DKK 16.9 million).

Net profit

Net profit in Q4 2022 decreased to DKK 11.9 million (DKK 16.1 million). Financial expenses in Q4 2022 were DKK 1.3 million higher than in Q4 2021 primarily driven by higher interest levels as well as a higher bank balance.

Net profit for the full year 2022 decreased to DKK 70.5 million (DKK 110.7 million).

Net working capital

Net working capital at the end of Q4 2022 was DKK -57.1 million (DKK -81.6 million). NWC ratio at the end of Q4 2022 was -5.0% (-7.4%).

DKK million	End of Q4	
	2022	2021
Inventories	80.7	77.8
Trade and other receivables	65.8	55.9
Trade and other payables	(203.6)	(213.8)
Net working capital	(57.1)	(81.6)
NWC ratio	(5.0%)	(7.4%)

The increase in inventories of DKK 2.9 million was due to impact from increased raw material prices. During the unstable supply situation during the Covid-19 pandemic it was decided to increase inventory levels to create a buffer against supply chain disruptions. As the supply chain situation normalised during 2022, the buffer levels for inventory were reduced towards the end of the year.

Trade receivables and other receivables increased by DKK 9.9 million. The increase was driven by higher trade receivables due to accruals as a result of the normal production shutdown during Christmas holidays starting later than previous years leading to a higher number of outstanding debtor days at 31 December compared to 2021. Other receivables as of 31 December 2022 is excluding the value of DKK 8.3 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 11.8 million driven by lower trade payables due to a reduction in supply of raw materials towards the end of the year as the buffer levels for inventory were reduced.

Free cash flow

Free cash flow in Q4 2022 was DKK 52.2 million (DKK 28.6 million). The cash flow in Q4 2022 was compared to Q4 last year positively impacted by change in NWC during the quarter. Change in NWC during the quarter had a positive impact on free cash flow of DKK 43.5 million compared to DKK 33.0 million in Q4 2021. Furthermore, free cash flow was positively impacted by lower income tax payments in the quarter compared to Q4 2021. Investments were DKK 14.0 million in Q4 2022 compared to DKK 10.7 million last year.

Free cash flow for the full year 2022 was DKK 39.5 million (DKK 44.5 million). Free cash flow was negatively impacted by a lower operating profit and a change in NWC of DKK -35.9 million compared to DKK -38.3 million in 2021. Cash conversion in 2022 was 61.0% (58.3%).

Net interest-bearing debt

Net interest-bearing debt amounted to DKK 288.1 million at the end of Q4 2022 (DKK 199.5 million). Net interest-bearing debt decreased by DKK 46.5 million in Q4 2022. Net interest-bearing debt excluding the leasing liabilities related to IFRS 16 amounted to DKK 228.3 million at the end of Q4 2022 (DKK 174.6 million). Leverage ratio, measured as net interest bearing debt excluding tax liabilities divided by adjusted EBITDA LTM, end of Q4 2022 was 2.35 (1.33). Excluding the leasing liabilities related to IFRS 16, leverage ratio end of Q4 2022 was 1.91 (1.20).

Equity

Equity at the end of Q4 2022 amounted to DKK 420.6 million (DKK 419.7 million).

The solvency ratio was 43.4% at the end of Q4 2022 (46.3%).

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 2023:

13 April 2023	Annual General Meeting
17 May 2023	Interim report Q1 2023
18 August 2023	Interim report Q2 2023
17 November 2023	Interim report Q3 2023
28 February 2024	Interim report Q4 2023 and Annual report 2023
11 April 2024	Annual general Meeting

Presentation

The interim report will be presented on Friday 24 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/dbiqzu6n>.

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/BI88fffedec29e499db963702af1f7a504>

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	Q4		12 months	
		2022	2021	2022	2021
Revenue	2	274.9	274.2	1,146.1	1,108.3
Cost of goods sold		(219.8)	(216.4)	(912.0)	(853.7)
Gross profit		55.1	57.7	234.0	254.6
Selling expenses		(21.9)	(17.2)	(79.6)	(70.1)
Administrative expenses		(15.4)	(11.5)	(51.0)	(46.7)
Operating profit before non-recurring items		17.7	29.0	103.4	137.8
Non-recurring items	3	0.0	(8.5)	(6.5)	0.7
Operating profit		17.7	20.5	96.9	138.4
Share of profit/loss in associated companies		0.3	0.1	1.3	0.6
Financial income		0.0	0.0	0.4	0.3
Financial expenses		(2.1)	(0.7)	(9.2)	(3.6)
Profit before tax		16.0	20.0	89.4	135.7
Tax for the period		(4.1)	(3.9)	(18.9)	(25.0)
Net profit for the period		11.9	16.1	70.5	110.7
Earnings per share before dilution, DKK		1.31	1.74	7.77	11.55
Earnings per share after dilution, DKK		1.31	1.74	7.75	11.54

Consolidated statement of comprehensive income

DKK m	Q4		12 months	
	2022	2021	2022	2021
Net profit for the period	11.9	16.1	70.5	110.7
Other comprehensive income				
Items that are or may be reclassified subsequent to profit or loss				
Value adjustments of currency hedges before tax	1.7	0.8	(1.1)	0.8
Tax on value adjustments of currency hedges	(0.4)	(0.2)	0.3	(0.2)
Other comprehensive income for the period	1.4	0.6	(0.9)	0.6
Total comprehensive income for the period	13.3	16.7	69.6	111.3

Consolidated balance sheet

DKK m	Note	End of Q4	
		2022	2021
ASSETS			
Intangible assets			
Goodwill		369.8	369.8
Brand		172.0	172.0
Other intangible assets		14.1	4.6
		<u>555.9</u>	<u>546.3</u>
Tangible assets			
Land and buildings		127.1	85.1
Tangible assets under constructions and prepayments		1.1	11.8
Machinery and other technical equipment		42.5	42.5
Equipment, tools, fixtures and fittings		8.9	6.6
		<u>179.6</u>	<u>146.0</u>
Investments in associated companies		48.7	47.4
Financial assets		26.8	8.5
Total non-current assets		<u>811.0</u>	<u>748.3</u>
Inventories		<u>80.7</u>	<u>77.8</u>
Current receivables			
Trade receivables		41.0	28.2
Current tax receivables		0.0	6.4
Other receivables		30.2	31.5
Prepaid expenses and accrued income		2.9	3.2
		<u>74.1</u>	<u>69.4</u>
Cash and cash equivalents		4.4	11.9
Total current assets		<u>159.2</u>	<u>159.0</u>
Total assets		<u>970.2</u>	<u>907.3</u>

Consolidated balance sheet

DKK m	Note	End of Q4	
		2022	2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		0.9	1.0
Treasury shares		(12.1)	(136.0)
Reserve for cash flow hedges		(0.9)	0.0
Retained earnings		432.7	500.3
Proposed dividend for the financial year		0.0	54.4
Total shareholders' equity		420.6	419.7
Deferred tax		53.4	53.7
Mortgage loans		25.1	27.8
Lease liabilities		48.8	15.2
Other liabilities		0.5	1.1
Total long-term liabilities		127.7	97.8
Mortgage loans		2.8	2.8
Bank loans		200.3	160.7
Lease liabilities		12.0	11.2
Prepayments from customers		0.0	3.0
Trade payables		151.9	158.9
Liabilities to associated companies		0.1	0.9
Current tax liabilities		3.6	0.0
Other liabilities		51.2	52.2
Total short-term liabilities		421.8	389.8
Total shareholders' equity and liabilities		970.2	907.3

Change in consolidated shareholders' equity

	Share capital DKK m	Trea- sury shares DKK m	Reserve for cash flow hedges DKK m	Retai- ned ear- nings 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	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 31.12.2021	1.0	(136.0)	(0.0)	500.3	54.4	419.7
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 programe	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

Consolidated cash flow statement

DKK m	Note	Q4		12 months	
		2022	2021	2022	2021
Operating activities					
Operating profit		17.7	20.5	96.9	138.4
Depreciation and amortization		4.4	4.4	18.0	16.9
Other non-cash operating items		2.1	0.0	2.1	(17.3)
Income tax paid		(1.5)	(18.7)	(8.9)	(25.9)
Change in net working capital		43.5	33.0	(35.9)	(38.3)
Cash flow from operating activities		66.2	39.3	72.2	73.8
Investing activities					
Investments in fixed assets		(14.0)	(10.7)	(32.7)	(33.9)
Acquisition of operations, net		0.0	0.0	(2.2)	(23.2)
Divestments of operations		0.0	0.0	0.0	4.6
Cash flow from investing activities		(14.0)	(10.7)	(34.9)	(52.5)
Financing activities					
Interest paid		(2.0)	(0.6)	(8.8)	(2.9)
Repayments of loans		(0.7)	(0.8)	(2.8)	(22.8)
Repayments of lease liabilities		(1.0)	(1.2)	(4.1)	(4.2)
Purchase of treasury shares		0.0	(21.9)	(14.3)	(136.0)
Dividend paid		0.0	0.0	(54.4)	(130.0)
Cash flow from financing activities		(3.7)	(24.5)	(84.4)	(295.9)
Cash flow for the period		48.5	4.1	(47.1)	(274.7)
Cash and cash equivalents at the beginning of the period					
		(244.4)	(152.9)	(148.8)	125.9
Cash flow for the period		48.5	4.1	(47.1)	(274.7)
Cash and cash equivalents at the end of the period		(195.9)	(148.8)	(195.9)	(148.8)

Notes to the consolidated interim financial statements

1. Accounting policies

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

Impact from new IFRS standards

TCM Group A/S has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 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	Q4		12 months	
	2022	2021	2022	2021
Denmark	249.6	248.9	1,032.5	1,011.4
Other countries	25.3	25.3	113.6	96.9
	274.9	274.2	1,146.1	1,108.3

Revenue consists of sale of goods and services.

3. Non-recurring items

Non-recurring items, DKK m	Q4		12 months	
	2022	2021	2022	2021
Costs related to Covid-19 and supply chain disruptions	0.0	6.5	5.4	14.0
Restructuring	0.0	0.0	4.7	1.3
Net gain from the Celebert/kitchn.dk transaction	0.0	2.0	(3.6)	(13.5)
Gain from the divestment of an own operated store	0.0	0.0	0.0	(2.5)
Total	0.0	8.5	6.5	(0.7)

4. Related party transactions

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

5. 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 – 31 December 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 31 December 2022 and of the results of the Group's operations and cash flows for the period 1 January to 31 December 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, 24 February, 2023

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	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Income statement					
Revenue	274.2	281.4	324.8	265.0	274.9
Gross profit	57.7	60.0	69.3	49.7	55.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	25.0	24.8	47.1	20.8	22.2
Adjusted EBITDA	33.5	30.3	43.5	25.4	22.2
Earnings before interest, tax and amortisation (EBITA)	20.5	20.6	42.7	15.9	17.7
Adjusted EBIT	29.0	26.0	39.1	20.6	17.7
Operating profit (EBIT)	20.5	20.6	42.7	15.9	17.7
Financial items	(0.7)	(0.7)	(2.7)	(3.4)	(2.0)
Profit before tax	20.0	20.9	40.1	12.4	16.0
Net profit for the period	16.1	16.6	32.2	9.7	11.9
Balance sheet					
Total assets	907.3	971.5	1,006.4	989.4	970.2
Net working capital	(81.6)	(37.6)	(29.4)	(9.1)	(57.1)
Net interest-bearing debt (NIBD)	199.5	277.8	333.3	334.6	288.1
Equity	419.7	423.0	397.8	407.3	420.6
Cash Flow					
Free cash flow excl. acquisitions of operations	28.6	(32.9)	26.5	(6.3)	52.2
Margins					
Gross margin, %	21.1%	21.3%	21.3%	18.7%	20.1%
Adjusted EBITDA margin, %	12.2%	10.8%	13.4%	9.6%	8.1%
Adjusted EBIT margin, %	10.6%	9.3%	12.0%	7.8%	6.5%
EBIT margin, %	7.5%	7.3%	13.1%	6.0%	6.5%
Other ratios					
Solvency ratio, %	46.3%	43.5%	39.5%	41.2%	43.4%