

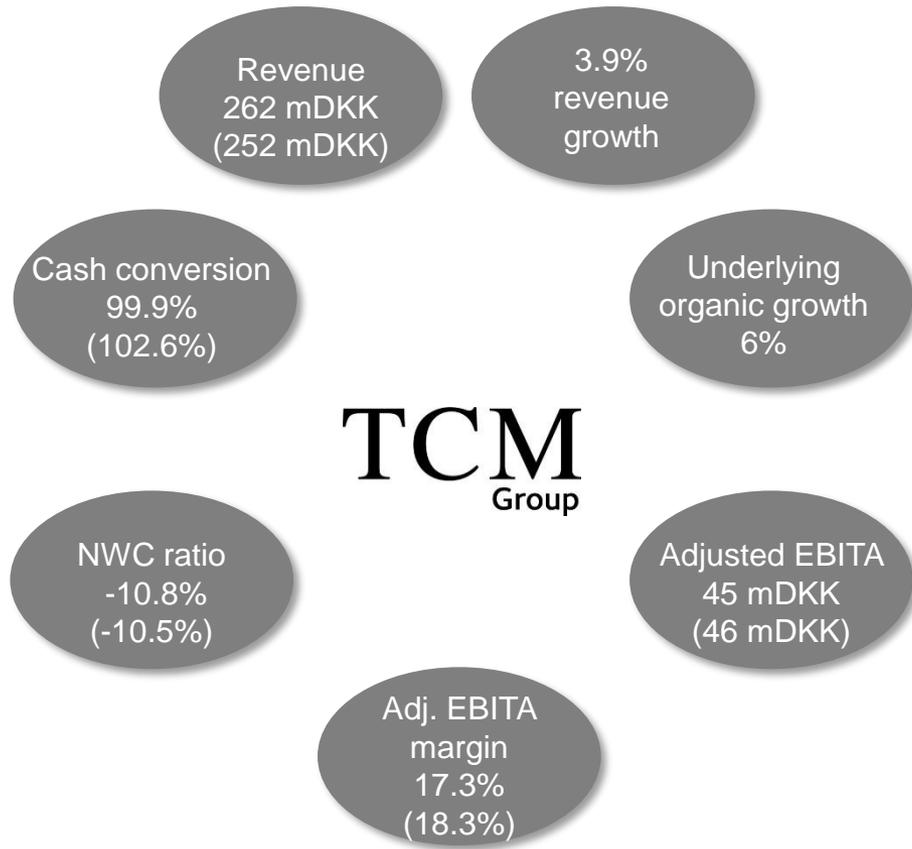


**TCM Group A/S**

**Interim Report October-December 2019**

February 26, 2020

# Fourth quarter growth takes TCM Group above the DKK 1 billion revenue milestone



- ❑ In Q4 the underlying organic growth was 6%.
- ❑ Growth primarily driven by B2B through the branded stores in Denmark
- ❑ Positive Danish market development in 2019 of 1-2%, and TCM Group achieved 13.4% growth in the Danish market in 2019, thus continued to gain market share
- ❑ Number of branded stores increased to 68 (65)
- ❑ Production setback following a lightning strike with non-recurring impact in Q4. Production was back to normal during Q4.
- ❑ Revenue and earnings within the guided ranges



- ❑ Investments in lacquering department in Q4 as the first step in an expansion of the current production setup. The investment will enable higher capacity, higher quality and at the same time the total CO<sub>2</sub> emission will be reduced by c. 5% - next step in this project will be implemented during Q2 2020.
- ❑ We have signed an option to buy land in connection with our main factories in Tvis, which can enable us to build an additional highly automated factory.



## Q4 2019

- ❑ Net revenue 262 mDKK (252)
- ❑ Revenue growth of 3.9%
- ❑ Underlying organic growth of 6%, adjusted for divestment of own store to franchisee
  
- ❑ Adjusted EBITA 45 mDKK (46)
- ❑ Adjusted EBITA margin 17.3% (18.3%)
- ❑ EBIT 39 mDKK (44)
- ❑ EBIT margin 15.0% (17.6%)
- ❑ Adjusted EBIT 43 mDKK (44)



## Full year 2019

- ❑ Net revenue 1,007 mDKK (900)
- ❑ Organic growth of 11.9%
  
- ❑ Adjusted EBITA 161 mDKK (148)
- ❑ Adjusted EBITA margin 16.0% (16.4%)
- ❑ EBIT 147 mDKK (138)
- ❑ EBIT margin 14.6% (15.3%)
- ❑ Adjusted EBIT 154 mDKK (140)



# Fourth quarter growth takes TCM Group above the DKK 1 billion revenue milestone

|                    | 2019<br>Oct-Dec | 2018<br>Oct-Dec | 2019<br>Jan-Dec | 2018<br>Jan-Dec |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| Net revenue (mDKK) | 268             | 252             | 1,007           | 900             |
| - Organic growth   | 3.9%            |                 | 11.9%           |                 |

## Revenue:

- ❑ Revenue growth in Denmark was +4.1% - underlying growth 6% adjusted for divestment of own store to franchisee
- ❑ Growth driven by B2B and a higher share of revenue from 3rd party products
- ❑ Revenue outside Denmark increased by 2.0%
- ❑ Full year revenue in Denmark was +13.4% in a Danish market, that we estimate grew by 1-2%
- ❑ Full year revenue outside Denmark fell by 1.8%

4.1% growth  
in DK revenue

2.0% increase  
in revenue  
outside DK

|                               | 2019<br>Oct-Dec | 2018<br>Oct-Dec | 2019<br>Jan-Dec | 2018<br>Jan-Dec |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net revenue (mDKK)            | 262             | 252             | 1,007           | 900             |
| - <i>Gross Margin</i>         | 28.9%           | 30.9%           | 27.8%           | 29.2%           |
| Adjusted EBITA (mDKK)         | 45              | 46              | 161             | 148             |
| - <i>Adj. EBITA margin</i>    | 16.4%           | 16.1%           | 15.5%           | 15.7%           |
| EBIT (mDKK)                   | 39              | 44              | 147             | 138             |
| - <i>EBIT margin</i>          | 15.0%           | 17.6%           | 14.6%           | 15.3%           |
| Adjusted EBIT (mDKK)          | 43              | 44              | 154             | 140             |
| - <i>Adjusted EBIT margin</i> | 16.6%           | 17.6%           | 15.3%           | 15.6%           |

## Q4 comments

- ❑ Gross margin negatively affected by sales mix partly offset by a lower cost ratio
- ❑ Lower cost ratio due to increased leverage
- ❑ EBIT in Q4 2019 impacted by non-recurring costs of 4mDKK. For the full year non-recurring costs amounted to 7mDKK compared to 2mDKK last year

|                            | 2019<br>Dec | 2018<br>Dec |
|----------------------------|-------------|-------------|
| Net working capital (mDKK) | -109        | -94         |
| NWC ratio                  | -10.8%      | -10.5%      |
|                            |             |             |
| NIBD (mDKK)                | 52          | 91          |
| Leverage (x EBITDA)        | 0.3         | 0.6         |

## Q4 comments

- ❑ NWC ratio improved compared to last year driven by lower trade receivables
- ❑ NIBD decreased by 67mDKK during Q4.
- ❑ At the end of Q4 NIBD was impacted by 40mDKK due to implementation of IFRS 16
- ❑ Solid balance sheet with a leverage at 0.3 compared to 0.6 last year

|   | 2019<br>Oct-Dec | 2018<br>Oct-Dec | 2019<br>Jan-Dec | 2018<br>Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|
| Operating profit (mDKK)                       | 39              | 44              | 147             | 138             |
| Depreciation and amortization (mDKK)          | 5               | 4               | 21              | 15              |
| Change in NWC (mDKK)                          | 36              | 39              | 15              | 13              |
| Tax a.o (mDKK)                                | -31             | -29             | -35             | -33             |
| Capex excl. acquisitions (mDKK)               | -6              | -5              | -15             | 8               |
| Operating cash flow excl. acquisitions (mDKK) | 45              | 54              | 132             | 142             |
| Cash conversion                               |                 |                 | 99.9%           | 102.6%          |
| Capex ratio                                   |                 |                 | 1.5%            | 1.0%            |

## Q4 comments

- ❑ Profit decreased compared to last year primarily due to non-recurring costs
- ❑ Higher depreciations primarily due to the implementation of IFRS 16
- ❑ Change in NWC in the quarter was 3mDKK lower than Q4 2018
- ❑ Capex was 1mDKK higher than Q4 2018. Investments in the quarter primarily related to the lacquering department
- ❑ Free cash flow excl. acquisitions was 45mDKK compared to 54mDKK Q4 2018
- ❑ Cash conversion continues to be high - around 100%

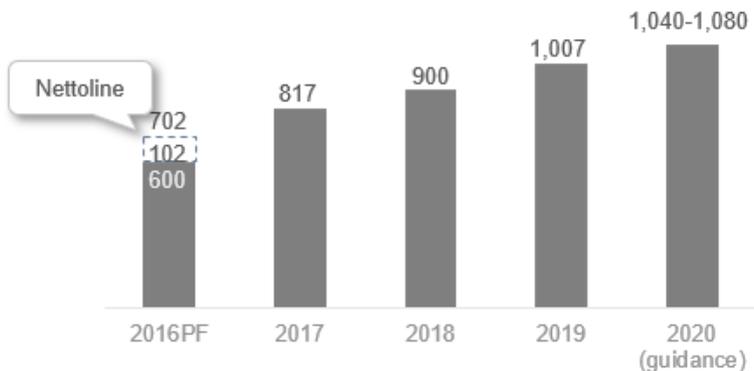
## TCM Group

- ❑ Full-year guidance for 2020 is:
- ❑ Net revenue: 1,040-1,080mDKK corresponding to growth of 3-7%
- ❑ EBIT: 158-170mDKK corresponding to growth of 3-11%  
*(EBIT excluding non-recurring items)*



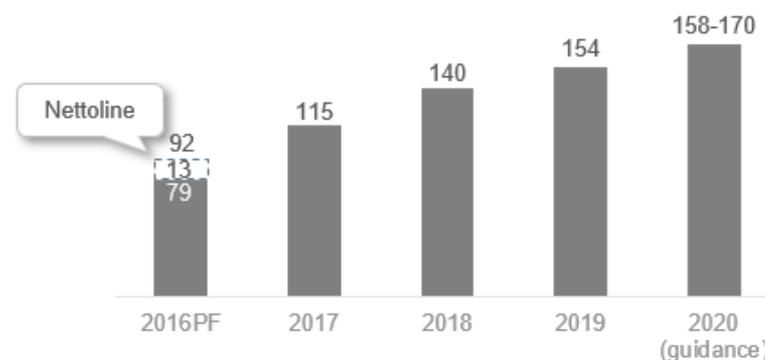
## Revenue development

DKKm



## Adjusted EBIT development

DKKm



- ❑ The Board of Directors for TCM Group proposes to pay an ordinary dividend of 5.25 DKK per share corresponding to 47% of net profit.
- ❑ The dividend distribution will be up for approval at the Annual General Meeting on 31 March 2020



- ❑ CEO Ole Lund Andersen steps down and is replaced by new CEO Torben Paulin as of 1 March 2020





Q&A