

**COMPANY ANNOUNCEMENT**

No. 1/2017

Tvis, 30 October 2017

NOT FOR RELEASE OR DISTRIBUTION OR PUBLICATION IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, AUSTRALIA, CANADA OR JAPAN OR ANY OTHER JURISDICTION WHERE THE DISTRIBUTION OR RELEASE WOULD BE UNLAWFUL

This announcement does not constitute a prospectus and nothing herein contains an offering of securities. No one should purchase any securities in TCM Group A/S ("TCM Group" or the "Company") except on the basis of information in any prospectus published by the Company in connection with the potential offering and admission of such securities to trading and official listing on Nasdaq Copenhagen A/S ("Nasdaq Copenhagen"). Copies of any such prospectus will, following publication, be available at the Company's registered office and, subject to certain exceptions, through the website of the Company.

**TCM Group announces intention to launch an Initial Public Offering on Nasdaq Copenhagen**

TCM Group, Scandinavia's third largest kitchen manufacturer and owner of the Svane Køkkenet brand, today announced its intention to launch an Initial Public Offering ("IPO") and to list its shares on Nasdaq Copenhagen.

Chairman of the board of directors, Sanna Suvanto-Harsaae, said:

"The contemplated IPO will be a milestone for TCM Group. It will provide a strong platform for continued growth in Denmark and in the rest of Scandinavia, by enhancing the visibility of the company, further strengthen our brands and improve the ability to attract and retain key employees. We are excited about inviting investors to participate in this important next phase for TCM Group."

CEO, Ole Lund Andersen, said:

"TCM Group has a very strong market position based on our focus on innovation and kitchens of high quality at affordable prices designed and produced in Denmark. We have grown both organically and by acquisitions since 2010, while at the same time improving profitability significantly, and we have clear plans for continued growth and further improvement of the profitability."

The contemplated IPO is expected to consist of a sale of existing shares by the Company's existing majority shareholder. The Company will not receive any proceeds from the Offering. The current majority shareholder of TCM Group is Innovator International S.à r.l. (the "Selling Shareholder") owned by IK Small Cap I Fund and certain co-investors being limited partner entities. IK Small Cap I Fund is advised by European private equity firm IK Investment Partners Ltd. In addition, members of the board of directors, the executive management and certain other employees own shares in the Company.

**TCM Group in brief**

TCM Group is Scandinavia's third largest manufacturer of kitchens and furniture for bathrooms and storage in terms of revenue, while the vast majority of its business is concentrated in Denmark. The product offering includes cabinets, table tops, sliding doors, and other related products such as accessories and white goods.

Manufacturing is mainly carried out in-house and all production is located in Denmark, with well-invested factories in Tvis and adjacent Aulum close to Holstebro in Jutland. Manufacturing is mainly based on a 'made-to-order' business model, where the majority of the parts and products enter production when a

confirmed order is received. A key benefit from the 'made-to-order' business model is the ability to retain relatively low levels of net working capital.

TCM Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and other brands are Tvis Køkkener, Nettoline, kitchn and private label. Combined, the brands are intended to cater for the entire price spectrum. In addition to price segments, TCM Group services both B2C and B2B (including social housing, property developers, professional house builders) customer groups, with revenues roughly split equally between the two segments.

Innovation plays a pivotal part for TCM Group and its brand positioning. A new Svane kitchen line is launched every year, representing a mixture of novelty through design and functionality.

Svane and Tvis kitchens are sold through a network of 60 single-brand stores in Denmark and Norway, which all operate under franchise or dealer agreements (except from one store that is owned by the TCM Group). TCM Group has a close dialogue with store owners and dealers to ensure optimal customer experience in the store network. In addition to branded stores, TCM Group sells kitchens through independent retail specialty stores in Denmark and Norway under the Nettoline brand and in Sweden under the kitchn brand. Also, TCM Group sells private label kitchens through a total of more than 150 DIY stores in Denmark and independent kitchen stores in Norway. Finally, through kitchn.dk, TCM Group has an online sales channel; a minor but high-growth segment of the kitchen market, especially in the low-price segment of the market.

To ensure continued future growth in revenue and profitability, TCM Group has identified five overall strategic focus areas:

- Increase store sales through focus on operational excellence and brand building.
- Increase organic growth through expanding geographical footprint, in particular in Norway and Sweden.
- Facilitate and expand the online sales channel.
- Acquisitions, which strengthen or expand TCM Group's market presence and/or contribute potential synergies.
- Continued optimization of the production, including increased automation.

## **Financials**

Over the past years, TCM Group has shown solid financial performance with revenue growth, improved profitability and high cash generation. From 2014 to 2016 (pro forma\*), revenue rose annually 17.2% on average (CAGR), while the adjusted EBITA margin rose to 14.4% from 9.7%. The cash conversion ratio was on average 119.8% in the period 2014 to 2016 (pro forma). The ability to generate cash is mainly a result of a negative net working capital and low capital expenditure requirements.

In the financial year 2016 (pro forma), TCM Group generated DKK 600 million in revenue, of which 92% was in Denmark, and realised DKK 86 million in adjusted EBITA (EBITA before non-recurring items), corresponding to an adjusted EBITA margin of 14.4%.

As of end January 2017, TCM Group acquired all shares in Nettoline A/S, with DKK 102 million in revenue and DKK 13 million in EBITA in the financial year 2016.

Total revenue for TCM Group for the first nine months of 2017 was DKK 602 million, an increase of 38% compared to DKK 437 million (pro forma) in the same period in 2016. The increase was primarily due to the acquisition of Nettoline as well as organic growth of 18.7% in the first nine months of the year.

Adjusted EBITA for the first nine months of 2017 was DKK 83.4 million, up 43% from DKK 58.2 million (pro forma) in the same period in 2016, corresponding to an adjusted EBITA margin of 13.9%. Non-recurring items in the first nine months of 2017 of DKK 21.7 million mainly consists of impairment of a sold building, costs related to integration of Nettoline and costs related to listing of the company.

Net profit for the first nine months of 2017 rose to DKK 35.7 million from DKK 14.0 million (pro forma) in the same period last year.

The number of full-time employees (FTE) employees as of 30 September 2017 was 434.

The table below summarises the key financials for the nine months ending on 30 September 2017 and 2016 (pro forma), as well as for the financial years 2014-2016 (pro forma).

Key figures and ratios (DKKm)	Nine months ended 30 September		Financial year ended 31 December		
	Proforma		Proforma		
	2017	2016	2016	2015	2014
Revenue	602.3	437.4	599.7	536.5	436.9
EBIT (operating profit)	56.0	34.1	60.0	66.8	35.2
Adjusted EBIT (before non-recurring items) <sup>1</sup>	77.8	52.5	78.7	66.8	35.2
Adjusted EBITA <sup>1</sup>	83.4	58.2	86.2	73.9	42.2
Net interest-bearing debt	185.0	219.9	170.5	-52.7	32.0
Net working capital <sup>1</sup>	-48.5	-29.9	-59.3	-47.3	-20.4
Capex <sup>1,2</sup>	5.3	1.6	4.4	5.5	6.0
Revenue growth	37.7%	14.3%	11.8%	22.8%	9.5%
EBIT margin	9.3%	7.8%	10.0%	12.5%	8.1%
Adjusted EBIT margin	12.9%	12.0%	13.1%	12.5%	8.1%
Adjusted EBITA margin	13.9%	13.3%	14.4%	13.8%	9.7%
Net working capital (% of revenue)	-6.3%	-5.1%	-9.9%	-8.8%	-4.7%
Capex <sup>2</sup> (% of revenue)	0.9%	0.4%	0.7%	1.0%	1.4%
Cash Conversion	108.8%	98.8%	108.1%	126.4%	124.8%

1) Non-IFRS 2) Excl. acquisitions

\*The actual business activity of the legal entity TCM Group started on 1 March 2016. The pro forma numbers includes business activity from the previous legal entity from 1 January 2016 to cover the full period.

## Financial outlook for 2017 and medium-term targets

TCM Group expects net sales for the financial year 2017 to be in the range DKK 795-805 million, adjusted EBITA in the range DKK 116-122 million and EBIT in the range DKK 76-86 million.

In the medium-term, TCM Group targets organic growth above market growth and an improvement of the EBITA margin to exceed 15%.

**Bank syndicate**

Carnegie Investment Bank, branch of Carnegie Investment Bank AB (Publ), Sverige (“Carnegie”) and Danske Bank A/S (“Danske Bank”) have been appointed to act as Joint Global Coordinator, and Carnegie and Danske Bank will together with ABG Sundal Collier Denmark, branch of ABG Sundal Collier ASA, Norge (“ABG Sundal Collier”) act as Joint Bookrunners in the intended Offering.

**For additional information, please contact:**

CEO, Ole Lund Andersen, TCM Group, +45 97 43 52 00

**About TCM Group**

TCM Group is Scandinavia’s third largest manufacturer of kitchens and furniture for bathrooms and storage. The products are Danish design, produced in Denmark and rooted in a proud tradition of good quality and good craftsmanship. TCM Group pursues a multi-brand strategy, under which the main brand is Svane Køkkenet and the other brands are Tvis, Nettoline, kitchen. Combined, the brands cater for the entire price spectrum, and are sold through 125 dealers in Denmark and the rest of the Scandinavia. In addition, TCM Group sells private label kitchens through a total of more than 150 DIY stores in Denmark and independent kitchen stores in Norway. See [www.tcmgroup.dk](http://www.tcmgroup.dk) for more information.

**Important information:**

This announcement is not an offer to sell or a solicitation of any offer to buy any securities in TCM Group in any jurisdiction where such offer or sale would be unlawful and the announcement and the information contained herein are not for distribution or release, directly or indirectly, in or into such jurisdictions.

In any member state of the European Economic Area (“EEA Member State”), other than Denmark, that has implemented Directive 2003/71/EC as amended (together with any applicable implementing measures in any member state, the “Prospectus Directive”), this announcement is only addressed to and is only directed at investors in that EEA Member State who fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors within the meaning of the Prospectus Directive as implemented in each such EEA Member State.

Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States absent registration or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There is no intention to register any securities referred to herein in the United States or to make a public offering of the securities in the United States.

In the United Kingdom, this announcement and any other materials in relation to the securities described herein are only being distributed to, and are only directed at, and any investment or investment activity to which this announcement relates is available only to, and will be engaged in only with, “qualified investors” (as defined in section 86(7) of the Financial Services and Markets Act 2000) and who are (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this announcement and should not act or rely on it.

This announcement does not constitute a prospectus and nothing herein contains an offering of securities. No one should purchase any securities in the Company, except on the basis of information in any prospectus published by the Company in connection with the potential offering and admission of such securities to trading and official listing on

Nasdaq Copenhagen A/S. Copies of any such prospectus will, following publication, be available from the Company's registered office and, subject to certain exceptions, through the website of the Company.

The Joint Bookrunners and their affiliates are acting exclusively for the Company and the Selling Shareholder and no-one else in connection with the intended offering. They will not regard any other person as their respective clients in relation to the intended offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients, nor for providing advice in relation to the intended offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the contemplated offering, the Joint Bookrunners and any of their affiliates, acting as investors for their own accounts, may purchase shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such shares and other securities of the Company or related investments in connection with the contemplated offering or otherwise. Accordingly, references in the prospectus, if published, to the shares being offered, acquired, placed or otherwise dealt in should be read as including any offer to, or acquisition, placing or dealing by, such Joint Bookrunner and any of their affiliates acting as investors for their own accounts. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and that can be identified by words such as “believe”, “expect”, “anticipate”, “intends”, “estimate”, “will”, “may”, “continue”, “should”, and similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date, and are subject to change without notice.