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## **engcon intends to list its class B shares on Nasdaq Stockholm**

**engcon AB ("engcon" or the "Company"), the world's leading manufacturer of tiltrotators with a global market share of approximately 45 per cent, today announces its intention to list its class B shares on Nasdaq Stockholm (the "Listing" or the "Offering"). The Offering is expected to comprise existing class B shares in the Company, offered by the Selling Shareholders (as defined below). The final price in the Offering is expected to amount to a maximum of SEK 46 per share (the "Offering Price"). AP2, funds managed and advised by Capital Research, Formica Capital, Handelsbanken Fonder, Nordstjernan, ODIN Funds, Strand Kapitalförvaltning and Svolder AB (publ) have, subject to certain customary conditions, undertaken to acquire class B shares in the Offering for a total amount of SEK 1,400 million at a price per share corresponding to a maximum of the Offering Price.**

The Board of Directors and the group management of engcon have, together with engcon's founder Stig Engström[1] and Monica Engström[2] (the "Principal Owners"), made the assessment that a listing of the Company's class B shares on Nasdaq Stockholm is an important step in the Company's continued development. It is the opinion of the Board of Directors and the group management that the Listing will increase general awareness of the Company, in particular internationally in connection with the Company's international expansion, which increases the Company's ability to attract and retain key employees, partners and customers as well as provides access to the Swedish and international capital markets. The admission to trading of the Company's class B shares also allows the Company to offer value-creating incentive programs to employees as well as facilitates a future succession for the Principal Owners.

Nasdaq Stockholm's listing committee has made the assessment that the Company fulfils Nasdaq Stockholm's listing requirements. Nasdaq Stockholm will therefore approve an application of admission to trading of the Company's class B shares on Nasdaq Stockholm, provided that certain conditions are fulfilled, including the distribution requirement for the Company's class B shares. The Listing is expected to be completed during the second quarter of 2022.

**Krister Blomgren, CEO of engcon, comments:**

*"engcon has built a strong position and is today world leading with its tiltrotator system that transforms the excavator into an effective and flexible multi-purpose tool carrier. Our niche is attractive as the market for excavators and tools is undergoing a structural transformation, and as a result the tiltrotator market is expected to have a strong growth for many years to come. We are also well-positioned with our innovative products that contribute to changing the world of digging through an effective and sustainable use of resources. We see great opportunities to take advantage of global trends such as urbanisation, lack of labour, sustainability focus and technological development on mature markets as well as on emerging markets. Our own sales organisation, with focus on the end-user and close collaboration with excavator manufacturers and dealers, gives us a solid platform to grow our business globally. The listing is a new exciting step and together with more than 400 committed employees, we look forward to continue to change the world of digging."*

**Annika Bärems, Chairman of the Board of engcon, comments:**

*"During many years, the management team has taken engcon on an impressive journey of strong, profitable and capital-efficient growth and established the company as the world's leading manufacturer of tiltrotators with advanced tools. engcon is well-suited to take the next step in its development by continuing to create value in a listed environment, for shareholders as well as customers, end-users, employees and the broader society. We are pleased to offer a broad group of new shareholders the possibility to participate on this excellent company's continued journey."*

**Stig Engström, founder and principal owner of engcon, comments:**

*"Since I founded engcon about 30 years ago, when the tiltrotator was a new innovation, I have been convinced that it would change the world of digging. From the very first beginning, we have had a strong focus on understanding the end-users' needs when developing our products and solutions, with the goal to optimise their everyday work through a smarter, more flexible and efficient way of digging. engcon is driven by employees who put their heart and soul into changing the world of digging. Our focus on innovation, the end-user and a strong corporate culture lays the foundation for engcon's successes and has given the company multiple accolades throughout the years. I am proud that engcon has developed into a global, profitable and high-growth company and I look forward towards seeing the company's developments in a listed environment."*

**The Offering in brief**

Should the Company proceed with the Listing, the Offering will be directed to qualified institutional investors in Sweden and, with certain exceptions, internationally, as well as to the general public in Sweden.

The Offering is expected to include existing class B shares in engcon corresponding to at least 25 per cent of the total number of outstanding shares in the Company (excluding the overallotment option described below) which are offered by the Principal Owners and certain employees of engcon (together with the Principal Owners, the "Selling Shareholders"). To cover any overallotment in connection with the Offering, the Selling Shareholders intend to issue an option to the Managers (as defined below) to acquire additional class B shares corresponding to a maximum of 15 per cent of the number of shares in the Offering ("Overallotment Option") that can be exercised in whole or in part for 30 days from the first day of trading of the Company's class B shares on Nasdaq Stockholm. The final price in the Offering is expected to amount to a maximum of SEK 46 per share, corresponding to a total market value of all outstanding shares in engcon of approximately SEK 7.0 billion.[3]

AP2, funds managed and advised by Capital Research, Formica Capital, Handelsbanken Fonder, Nordstjernan, ODIN Funds, Strand Kapitalförvaltning and Svolder AB (publ) have, subject to certain customary conditions, undertaken to acquire class B shares in the Offering for a total amount of SEK 1,400 million at a price per share corresponding to a maximum of the Offering Price.

Full terms, conditions and instructions for the Offering will be included in the prospectus expected to be published by the Company in connection with the Offering and the Listing. The prospectus will, if published, be available on engcon's website, [www.engcongroup.com](http://www.engcongroup.com).

## About engcon

engcon is the world's leading manufacturer of tiltrotators with a global market share of approximately 45 per cent, based on the number of tiltrotators sold in 2021.[4] The Company was founded in 1990 with the ambition to change the world of digging through product innovation and focus on end-users. The product offering includes tiltrotators, quick couplers, hydraulic and mechanical tools as well as control and safety systems that contribute to increased profitability, efficiency, flexibility, safety and sustainability for example when working with pipelines, road construction, water and sewerage works, railway constructions, electrical works, telecom and broadband works, construction sites and landscaping.

engcon develops innovative value-creating and sustainable solutions that are based on the needs of the end-user and contribute to increased resource efficiency, safety and profitability. A tiltrotator can increase the productivity of an excavator by approximately 25 per cent compared to excavation without a tiltrotator and can replace an average of 2.2 other construction machines.[5] Furthermore, the use of a tiltrotator can save approximately 6,000 litres of diesel per year, which corresponds to approximately 16,200 kilograms of annual carbon dioxide emissions and approximately 113,000 kilograms of carbon dioxide emissions during the excavator's

lifetime.[6] The tiltrotator with its advanced tools can help prevent work-related accidents as it allows excavator users to change tools from the excavator cabin and reduces the need for manual groundwork near the excavator. Since the inception of the Company, R&D has been a key element of the business and a prerequisite for the Company to achieve its product strategy over business cycles. Through a combination of good underlying profitability, strategic savings and investments, such as product development as well as streamlined production and procurement processes, engcon considers itself to have demonstrated a competitive strategy that has made the Company to come out stronger from both economic upturns and downturns.

engcon's head office is located in Strömsund, Sweden, and the Company had an average of 327 full-time employees globally during the financial year ended 31 December 2021. The Company has two production facilities, one in Strömsund and one in Niepruszewo, Poland. engcon's production mainly consists of assembly of purchased components, which allows for a low level of tied up capital and makes the production adaptable for new product innovations and improvements without larger costs.

### Strengths and competitive advantages

engcon considers itself to have a number of strengths and competitive advantages which contribute to the Company's ability to realise its strategic objectives and achieve its financial targets:

- ***Global market leader in an attractive and fast-growing niche driven by structural transformation of the excavator industry***
  - 45 per cent global market share.[7]
  - 19 per cent expected compounded annual growth rate on the tiltrotator market[8], of which an expected growth rate of 28 per cent on markets outside the Nordics, during the period 2021 to 2026.
- ***Strong value proposition through advanced tiltrotators, tools and integrated system solutions that create customer-value through increased profitability, efficiency, flexibility, safety and sustainability***
  - A tiltrotator can increase the productivity of an excavator by approximately 25 per cent on average and can replace an average of 2.2 other construction machines.[9]
  - The use of a tiltrotator can, depending on size, save up to approximately 6,000 litres of diesel per year, which corresponds to approximately 113,000 kilograms of carbon dioxide emissions during the excavator's lifetime.[10]
- ***Industry-leading innovator through strategic R&D partnerships with global OEMs and machine and control system developers combined with close relations with end-users***

- Close relations with end-users makes the Company a valuable partner for Original Equipment Manufacturers (“OEMs”) and machine and control system developers which overall lead to increased entry barriers and strengthens engcon's position as industry-leading innovator.
- Two thirds of net sales for the financial year ending 31 December 2021 originated from products that had been newly innovated or improved during the last five years.
- **End-user-focused go-to-market strategy with global sales network**
  - Local presence and sales organisation creating close relations with end-users and valuable insights for needs-oriented product development.
  - Sales and marketing through an established international network of dealers and OEMs, such as John Deere, Volvo, Kobelco, Doosan, and Hyundai.
- **Long track-record of high, profitable and capital-efficient growth**
  - 14.7 per cent compounded annual growth rate during the period 31 December 2012 to the rolling twelve-month period ended 31 March 2022.
  - 50.5 per cent return on capital employed (ROCE) and 22.3 per cent operating margin (EBIT margin)[11] for the rolling twelve-month period ended 31 March 2022.
- **Clear strategy for continued value-creating growth globally**
  - Continued focus on organic growth in existing geographies, increase up-selling and additional sale of new products as well as streamline production and purchasing processes.
  - In a longer perspective, continuously evaluate the opportunities to expand into new geographies and increase sales to the retrofit market.
- **Industry-experienced and qualified management and Board of Directors**
  - Group management with many years of, and broad, experience from engcon's business.
  - The group management and the Board of Directors have prior to the proposed Listing been expanded with key competences within strategic procurement, experience from relevant industries and stock exchange experience.

## Financial highlights

During the rolling twelve-month period ended 31 March 2022, the Company's net sales amounted to SEK 1,571 million and operating profit (EBIT)[12] to SEK 351 million, corresponding to an operating margin (EBIT margin) of 22.3 per cent. During the same period, engcon's return on capital employed (ROCE) amounted to 50.5 per cent. During the period 31 December 2012 to the rolling twelve-month period ended 31 March 2022, the compounded annual growth rate amounted to approximately 14.7 per cent. The operating margin (EBIT margin)[13] increased during the same period by approximately 11 percentage points.

	Financial year ended 31 December			Three-month period ended 31 March	
	2021	2020	2019	2022	2021
<b>SEK million (unless otherwise stated)</b>					
Order intake	1,967	1,114	1,109	585	421
<i>Order growth, %[14]</i>	76.6	0.5	<i>n/a</i>	39.0	<i>n/a</i>
<i>Organic order growth, %[15]</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	34.9	<i>n/a</i>
Net sales	1,488	1,077	1,194	447	364
<i>Net sales growth, %[16]</i>	38.2	-9.8	<i>n/a</i>	22.8	<i>n/a</i>
<i>Organic net sales growth, %[17]</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	19.2	<i>n/a</i>
Gross profit	626	459	447	180	154
<i>Gross margin, %</i>	42.1	42.6	37.4	40.3	42.3
Operating profit (EBIT)[18]	329	215	186	96	74
<i>Operating margin (EBIT-margin), %[19]</i>	22.1	20.0	15.6	21.5	20.3
Return on capital employed (last twelve-month period), %[20]	47.8	35.4	38.0	50.5	<i>n/a</i>

## Financial targets

engcon's targets are to;

- exceed the growth in existing markets through organic growth.
- have an operating margin (EBIT margin) in excess of 20 per cent, measured over a business cycle.
- continue to achieve an industry-leading capital efficiency. ROCE to exceed 40 per cent, measured over a business cycle.
- maintain a strong capital structure supporting further expansive organic growth and dividends to shareholders. Equity-to-asset ratio to be above 35 per cent.
- pay approximately 50 per cent of net profit in dividends. The dividend proposal will consider engcon's long-term development potential, financial position and investment needs.

**Advisors**

Nordea Bank Abp, filial i Sverige is Sole Global Coordinator and Joint Bookrunner in connection with the Offering. Carnegie Investment Bank AB (publ) is Joint Bookrunner in connection with the Offering (together with the Sole Global Coordinator, "Managers"). Advokatfirman Cederquist KB is legal advisor to the Company. White & Case Advokat AB is legal advisor to the Managers.

**For further information, please contact:**

Krister Blomgren, CEO

+46 70 529 92 65

**[krister.blomgren@engcon.se](mailto:krister.blomgren@engcon.se)**

Anne Vågström, Head of Investor Relations

+46 76 126 40 84

**[anne.vagstrom@engcon.se](mailto:anne.vagstrom@engcon.se)**

This announcement contains information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08:15 CEST on 31 May 2022.

**Important information**

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This press release is not a prospectus for the purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation") and has not been approved by any regulatory authority in any jurisdiction. A prospectus is intended to be prepared in connection with the Offering. The prospectus will be scrutinized and approved by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*), which is the national competent authority in Sweden under the Prospectus Regulation, and subsequently published by the Company.

In the EEA Member States, with the exception of Sweden, (each such EEA Member State a "Relevant State"), this press release and the information contained herein are intended only for and directed to qualified investors as defined in the Prospectus Regulation. The securities mentioned in this press release are not intended to be offered to the public in any Relevant State and are only available to qualified investors except in accordance with exceptions in the Prospectus Regulation. Any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such securities will only be processed for qualified investors. Persons in any Relevant State who are not qualified investors should not take any actions based on this press release, nor rely on it.

In the United Kingdom, this document and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, "qualified investors" (within the meaning of the United Kingdom version of the EU Prospectus Regulation (2017/1129/ EU) which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018) 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)-(d) of the Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, any investment or investment activity to which this communication relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this press release and should not act or rely on it.

This press release does not identify, or purport to identify, risks (direct or indirect) that may be associated with an investment in securities. Any investment decision to acquire securities in connection with the Offering must be made only on the basis of publicly available information relating to the Company or the Company's securities, which has not been verified by the Managers. The Managers are acting for the Company and the Selling Shareholders in connection with the transaction and no one else and will not be responsible to anyone other than the Company or Selling Shareholders for providing the protections afforded to its clients nor for giving advice in relation to the transaction or any other matter referred to herein.

This press release does not constitute an invitation to warrant, subscribe, or otherwise acquire or transfer securities in any jurisdiction. This press release does not constitute a recommendation for any investors' decisions regarding the Offering. Each investor or potential investor should conduct its own examination, analysis and evaluation of the business and information described in this press release and all publicly available information. The price and value of the securities can decrease as well as increase. Achieved results do not provide guidance for future results. Neither the contents of the Company's website nor any other website accessible through hyperlinks on the Company's website are incorporated into or form part of this press release.

### **Forward-looking statements**

This press release contains certain forward-looking statements reflecting the Company's current view on future events and anticipated financial and operational performance. Forward-looking statements are in general all statements other than statements of historical or present facts. The words "may", "shall", "anticipates", "expect", "believe", "estimates", "plans", "calculates", "prepares", "intends", "predicts", "attempts", "could" or, in each case, their negative or similar expressions or comparable terminology, constitute forward-looking statements. These forward-looking statements are made only as of the date of this press release. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein. Neither the Company nor the Selling Shareholders undertakes to publicly release any revisions or updates to forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under applicable law.

[1] Through Ommapo förvaltning AB.

[2] Through Monen Holding AB.

[3] The market value is based on 151,788,000 outstanding shares in engcon, of which 35,344,778 class A shares and 116,443,222 class B shares.

[4] Based on a market study from Strategy& (PwC), produced on behalf of the Company, dated 11 February 2022 (the "Market study").

[5] Based on the Market Study.

[6] Based on the Market Study. Yearly fuel savings are based on a diesel-powered 30-ton excavator. The excavator's lifetime is assumed to be seven years on average.

[7] Based on the Market Study. Based on number of sold tiltrotators 2021.

[8] Based on the Market Study. Total value of the number of sold tiltrotators including sale to newly manufactured excavators and existing excavators on engcon's focus market consisting of excavators within the weight class of 2 to 33 tonnes within the geographical markets the Nordics, Europe (EU countries, United Kingdom and Switzerland, excluding the Nordics), Americas (North America) and Asia/Oceania (Japan, South Korea and Australia). engcon offers tiltrotators in eight different sizes designed for excavators from 1.5 to 33 tonnes.

[9] Based on the Market Study. The productivity improvement of 25 per cent excludes the effect that fewer construction machines are needed.

[10] Based on the Market Study. Yearly fuel savings are based on a diesel-powered 30-ton excavator. Based on the assumption that the excavator's lifetime on average is seven years.

[11] Operating margin (EBIT margin) prior to costs attributable to the Offering of approximately SEK 4 million during the period 1 October 2021 to 31 December 2021 and approximately SEK 5 million during the period 1 January 2022 to 31 March 2022.

[12] Operating profit (EBIT) prior to costs attributable to the Offering of approximately SEK 4 million during the period 1 October 2021 to 31 December 2021 and approximately SEK 5 million during the period 1 January 2022 to 31 March 2022.

[13] Operating margin (EBIT margin) prior to costs attributable to the Offering of approximately SEK 4 million during the period 1 October 2021 to 31 December 2021 and approximately SEK 5 million during the period 1 January 2022 to 31 March 2022.

[14] Order growth is missing for the financial year ended 31 December 2019 and the three-month period ended 31 March 2021 since comparative figures are missing for the financial year ended 31 December 2018 and the three-month period ended 31 March 2020.

[15] Organic order growth is only available for the three-month period ended 31 March 2022 since engcon initiated reporting on the key performance measure in 2022.

[16] Net sales growth is missing for the financial year ended 31 December 2019 and the three-month period ended 31 March 2021 since comparative figures are missing for the financial year ended 31 December 2018 and the three-month period ended 31 March 2020.

[17] Organic net sales growth is only available for the three-month period ended 31 March 2022 since engcon initiated reporting of the key performance measure in 2022.

[18] Operating profit (EBIT) prior to costs attributable to the Offering of approximately SEK 4 million during the period 1 October 2021 to 31 December 2021 and approximately SEK 5 million during the period 1 January 2022 to 31 March 2022.

[19] Operating margin (EBIT margin) prior to costs attributable to the Offering of approximately SEK 4 million during the period 1 October 2021 to 31 December 2021 and approximately SEK 5 million during the period 1 January 2022 to 31 March 2022.

[20] Return on capital employed is missing for the three-month period ended 31 March 2021 since opening capital employed is missing for the twelve-month period ended 31 March 2021.

### **Attachments**

**engcon intends to list its class B shares on Nasdaq Stockholm**