

W5 Solutions acquires ArcQor AB and issues 626 342 new shares

- Presence in Europe is strengthened by further access to more international clients in defence and civil protection

Today, the fast-growing and high-technology Swedish defence company W5 Solutions – listed on Nasdaq First North Growth Market – entered into an agreement to acquire 100 percent of the shares in defence-oriented company ArcQor AB, specialising in battery charging, for an initial consideration of SEK 65 million. The purchase price is paid partly through a directed share issue of 626 342 shares to the seller of ArcQor AB at a subscription price of SEK 55.88 per share (the “Consideration Share Issue”). With the acquisition, ArcQor AB adds an order book of SEK 105 million, of which SEK 96 million shall be delivered in 2023, and is expected to impact W5 Solutions' EBITA results in 2023 significantly.

The acquisition complements existing product segments, adds to the already high growth rate, and strengthens W5's export effort through ArcQor's strong international network. The shares in ArcQor will be acquired today, 31 January 2023, and consolidated in W5 Solutions' consolidated accounts from 1 February.

The initial purchase price amounts to SEK 65 million, corresponding to an EV/EBIT multiple of approximately 4 times based on ArcQor's normalised full-year EBIT forecast. The cash consideration amounts to SEK 30 million and will be paid with existing cash and cash equivalents. The remaining SEK 35 million will be paid with newly issued shares in W5 Solutions through the Consideration Share Issue. The shares will be subject to lock-up agreements for 12 months from the acquisition.

The Board of Directors of W5 Solutions has today, with the support of the issue authorisation, decided on the Consideration Share Issue. The reason for the deviation from the shareholders' preferential rights is to fulfil W5 Solutions' contractual obligations under the agreement with the seller of ArcQor AB and carry out the acquisition in a timely and cost-effective manner. The subscription price in the Consideration Share Issue is set at SEK 55.88 per share, corresponding to the volume-weighted average price (“VWAP”) of W5 Solutions' shares on the Nasdaq First North Growth Market during the 30 trading days immediately preceding the agreement date. The subscription price is determined following negotiations with the seller of ArcQor AB, and the Board of Directors considers that a VWAP over the 30 trading days immediately preceding the agreement date is a more accurate way of measuring the share's quoted value than a closing price at a certain trading day or the average price during only one trading day. Through the Consideration Share Issue, W5 Solutions' share capital will increase by SEK 31,317.10 from SEK 631,953.10 to SEK 663,270.20, and the number of shares will increase by 626,342, from 12,639,062 to 13,265,404, corresponding to a dilution for existing shareholders of approximately 4.7 percent.

In addition to the initial purchase price, one or more earn-outs will be added under certain conditions, which together are estimated to amount to approximately SEK 45 million. The earn-outs are mainly divided into two parts and are based on the target achievement of ArcQor's future operating profit (EBIT) during the period 2023–2027. A first earn-out based on ArcQor's operating profit (EBIT) in 2023 may be paid in 2024. A second earn-out based on ArcQor's total operating profit (EBIT) for the period 2024–2027 may be paid in different tranches depending on whether and, if applicable, when certain set targets have been achieved.

The additional consideration will be paid through newly issued shares, which may be issued during the period 2024–2028. The subscription price for shares issued in connection with the payment of an earn-out shall correspond to the volume-weighted average price of W5 Solutions' shares during the 30 trading days immediately preceding the day falling three business days before the date of the issue decision.

ArcQor is a leading and well-established manufacturer of battery charging systems and has provided the Swedish Armed Forces and the defence industry with its products since it was formed in 1993. Today, the products are sold to clients all over the world. ArcQor's business will continue to operate as a separate entity under the name ArcQor, while the process of realising commercial synergies and improving scalability will begin immediately. ArcQor has 37 employees and is based in Älmhult. In 2021, ArcQor's revenues amounted to SEK 50 million, with a loss of SEK -0.7 million EBIT. ArcQor is expected to enhance its revenues significantly in 2023, given its strong order book, compared to revenues in 2021, while increasing the EBIT margin to at least 15%.

"As ArcQor's order book for 2023 is strong and forecasts for the coming years are very good, the acquisition of ArcQor is strategically vital for our ongoing growth strategy and is expected to increase earnings per share significantly. We will continue to develop and grow together by creating synergies and economies of scale, which we expect to increase profitability. After collaborating for some time, I feel highly confident that we will create significant value together," says Daniel Hopstadius, CEO of W5 Solutions, and continues:

"Demand is growing strongly as the trend of using battery-based systems in the defence sector is increasing rapidly, which creates a need for 'rugged' battery charging systems where ArcQor probably has the world's best solution for battery charging. Among other things, ArcQor's unique system can charge batteries in arctic conditions with temperatures as low as minus 40 degrees Celsius."

"We complement each other and share similar company values. Therefore, I am confident that this transition will be smooth and that we will quickly increase sales and profits together," says Mikael Renegård, CEO of ArcQor.

The acquisition is expected to generate significant synergies, particularly in the power supply business.



"We will now have further opportunities to strengthen our presence in the European market while gaining access to more new international clients and diversifying our sources of revenue. The successful operations in Europe, especially in France and Finland, are exciting as we see good potential for a joint effort to grow this important market," says Robert Dahlqvist, W5 Solutions' Head of Sales.

The fast-growing Swedish high-technology company W5 Solutions develops, designs, and delivers cutting-edge civil protection and defence technology to government agencies and companies with a mission to protect democracy. Through close relationships with clients, we develop solutions and products that secure and improve the lives of individuals and communities worldwide.

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About: ArcQor

Since 1993, we have been building and designing the most durable and robust battery chargers. ArcQor is a leading and well-established manufacturer of battery chargers in the Nordic region and has provided the Swedish Armed Forces and the defence industry with our product since its inception. ArcQor has since then expanded and now serves clients all over the world. We specialise in making custom solutions tailored to the client's specific demands. Our goal is simple: to manufacture the best battery chargers in the world and exceed our customers' expectations.

Learn more at www.arcqor.com



About W5 Solutions

W5 Solutions supplies high-technology systems and solutions to government agencies and defense integrators.

We are experts in training and simulation, mission systems, communication, power supply, and integration. W5 Solutions' support & service team ensures high reliability through the longevity of the system.

Learn more at www.w5solutions.com.

The company is listed on the Nasdaq First North Growth Market Stockholm. Redeye AB is the company's Certified Advisor.

This information is information that W5 Solutions AB 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 2023-01-31 11:30 CET.

Image Attachments

[W5 Solutions Daniel Hopstadius](#)

[W5 Solutions Robert Dahlqvist](#)

[ArcQor Mikael Renegård](#)

[W5 Logo](#)

[ArcQor Logo](#)

Attachments

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