

Vestum carries out strategic divestment, announces its intention to redeem bond and updates the group's financial targets regarding profitability and capital structure

Vestum AB (publ) ("Vestum") has – through Lakers Group AB (publ) – entered into an agreement to divest a portfolio of companies that were previously part of the Lakers Group (the "Company Portfolio") and which are now part of Vestum's Water segment. Through the divestment, Vestum receives a purchase price of SEK 326.5 million on a cash and debt-free basis, and Vestum intends to, in connection with the execution of the transaction, fully redeem the secured bond of NOK 950 million issued by Vestum's group company Lakers Group AB (publ). The intention is to settle the bond with funds from the purchase price and bank debt from Vestum's existing banks. Due to the transaction, Vestum's Board has also decided to update the group's financial targets regarding profitability and capital structure.

About the divestment of the Company Portfolio

The purchase price amounts to SEK 326.5 million on a cash and debt-free basis and will be paid in cash. The Company Portfolio consists of 20 operating companies in Sweden, Norway, Finland, Denmark and Germany that were previously part of the Lakers Group but are now part of Vestum's Water segment. The buyer of the Company Portfolio is the Nordic private equity firm Equip Capital. Closing of the transaction is expected to take place in the second quarter of 2023 and the transaction is subject to customary closing conditions, including merger control clearance in Norway. In connection with the closing of the transaction, Vestum intends to fully redeem the secured bond of NOK 950 million issued by Vestum's group company Lakers Group AB (publ). The intention is to settle the bond with funds from the purchase price and bank debt from Vestum's existing banks.

During the financial year 2022, the Company Portfolio, with certain associated group functions, generated accumulated sales of SEK 838 million and an accumulated EBITA of SEK 27 million, corresponding to an accumulated EBITA margin of 3.2 percent. The Company Portfolio generated an accumulated EBITA of SEK 47 million before costs for associated group functions.

All referenced figures are according to IFRS, which is the standard applied by Vestum and are unaudited.

About Vestum's Water segment after the divestment of the Company Portfolio

Within the Water segment, the largest and most profitable businesses remain, which means that the segment generates very high profitability. The businesses are leading suppliers of water pumps, water filters, pump equipment and accessories for the entire water and wastewater industry. These businesses have a well-developed structural capital and considered platforms for carrying out add-on acquisitions. The businesses are located in Sweden, Norway, Denmark and the United Kingdom. The Water segment will continue to be Vestum's spearhead for international growth outside the core markets of Sweden and Norway, and the focus of this growth will be on Denmark and the United Kingdom.

During the financial year 2022, the remaining Water segment generated sales of SEK 640 million and an EBITA of SEK 125 million, corresponding to an EBITA margin of 19.5 percent.

All referenced figures are according to IFRS, which is the standard applied by Vestum and are unaudited.

The purpose of the divestment and its financial and organisational effects

Vestum's overall strategy

Vestum strives to constantly improve the group's profitability and cash flow generation, streamline the capital structure and use the group's financial and operational resources in the best way. The divestment is an important step in this direction. The effects of the divestment can be summarised as follows.

Improved profitability

- The divested businesses generated during the financial year 2022, with certain associated group functions, accumulated sales of SEK 838 million with an accumulated EBITA margin of 3.2 percent. Vestum reported an EBITA margin of 9.8 percent in the same period. The effect of the divestment is thus that the EBITA margin in the remaining group increases.
- The divestment, which among other things mean that several smaller businesses outside of Sweden leave Vestum, gives Vestum the opportunity to streamline the organisation and reduce costs for group functions. Carl-Johan Callenholm, who was previously part of Vestum's management team, will leave his role at Vestum in connection with the divestment of the Company Portfolio and instead accompany the new buyer of the businesses.

Improved cash flow and more efficient capital structure

- The divested businesses tie up more working capital in relation to their sales than the Vestum group as a whole. The effect of the divestment is thus that the tied-up working capital in Vestum is reduced.
- The purchase price for the divestment contributes to reducing Vestum's net debt and will be used to settle the secured bond of NOK 950 million issued by Vestum's group company Lakers Group AB (publ). The bond has an interest rate of NIBOR plus 550 basis points, which at current interest rates means an annual interest cost of NOK 84 million. Settling the bond will mean significantly lower interest costs for Vestum and lead to a more efficient capital structure. A goal-oriented sustainability work has also meant that the sustainability targets linked to the bond have been achieved faster than originally estimated, which enables the bond to be resolved in a cost-effective manner.

Increased resource efficiency

- Several of the businesses in the Company Portfolio are of smaller size and have limited resources in finance and administration. A consequence of this is that Vestum's central and operational functions must devote more time to these activities than its size justifies. The divested businesses generate average sales of SEK 42 million, while Vestum's other businesses generate average sales of SEK 151 million. The effect of the divestment is thus that resource efficiency increases as Vestum's central and operational functions can devote more time and focus to Vestum's larger core businesses.
- Through the divestment, Vestum is leaving Finland and Germany. The operations in these countries have, in relation to Vestum's operations in general, been relatively small but at the same time resource-intensive. Through the divestment, Vestum can focus on the core markets of Sweden and Norway, while additional resources can be allocated to Denmark and the United Kingdom, in which countries Vestum already has successful businesses with solid growth potential within the Water segment.

Earnings impact of the divestment

- The assessment is that the divestment does not have any significant earnings impact from gains or losses of disposable assets.

Updated financial targets

Vestum's Board has, due to the transaction, decided to update the group's financial targets regarding profitability and capital structure. The Board's decision means that Vestum's profitability target is raised from achieving an EBITA margin of at least 10.0 percent to in the medium term

achieving an EBITA margin of at least 12.0 percent. The financial target regarding capital structure is lowered from a financial net debt in relation to EBITDA of 2.5-3.5x to a financial net debt in relation to EBITDA of maximum 2.5x. The updated financial targets mean an increased focus on improving the group's profitability and cash flow generation.

The Board's decision means that Vestum's financial targets are as follows:

- **Profit growth:** Vestum's target in the medium term is to generate an average annual growth in EBITA per share of at least 15.0 percent.
- **Profitability:** Vestum's target in the medium term is to achieve an EBITA margin of at least 12.0 percent.
- **Capital structure:** The financial net debt in relation to EBITDA shall be maximum 2.5x.

Vestum's financial targets were previously as follows:

- **Profit growth:** Vestum's target in the medium term is to generate an average annual growth in EBITA per share of at least 15.0 percent.
- **Profitability:** Vestum's target is to achieve an EBITA margin of at least 10.0 percent.
- **Capital structure:** The financial net debt in relation to EBITDA shall be 2.5-3.5x.

CEO comment

Comments from Conny Ryk, CEO of Vestum:

Vestum demonstrates strength by acting in a market where we feel we can generate higher returns by allocating capital to the debt side, which significantly lowers our interest costs and streamlines our capital structure and flexibility. The divested businesses are solid companies that we believe can be developed in an excellent way with the new owner. During Vestum's ownership these companies, together with other Vestum companies, have among other things carried out target-oriented sustainability work which now enables the sustainability-linked bond issued by Lagers Group AB (publ) to be resolved in a cost-effective manner. However, a divestment of the businesses provide several advantages for Vestum, such as improved profitability and cash flow and increased resource efficiency.

Vestum's strategy is to achieve profitable and sustainable growth by developing and acquiring niche companies with extensive experience in providing services and products to civic infrastructure. After the divestment, Vestum will consist of niched businesses within three segments – Water, Services and Infrastructure – in four countries: Sweden, Norway, Denmark and the United Kingdom. We also see that the share of product companies within Vestum is increasing, and after the divestment represents over 20% of remaining Group sales, which is in line with Vestum's ambition to strengthen its offering in niched products.

After the divestment, Vestum is a strengthened group. We already have an attractive position within civic infrastructure with an underlying organic growth driven by strong market trends such as energy efficiency improvements and other types of measures to reduce the climate footprint, as well as infrastructure projects in rail and public transport, which are needed to sustainably meet population growth. Through the divestment, Vestum streamlines its capital structure while, among other things, improving profitability and cash flow. Vestum's position for the future is strong and we look forward to an active 2023 and the continued work to achieve the vision of being the leading industrial group in sustainable civic infrastructure.

Adviser

Svalner provides financial advice and Cirio Advokatbyrå as well as Advokatfirmaet Thommessen act as legal advisers to Vestum in connection with the divestment.

For additional information, please contact:

Conny Ryk, CEO, Vestum AB (publ)
Phone: +46 70 775 53 10
Email: conny.ryk@vestum.se

About Vestum

Vestum is an industrial group that provides niche services and products to civic infrastructure. Our portfolio of leading specialists has extensive industry experience, broad competence and strong local presence. Vestum has over 2,300 employees in the Nordics, Germany and the UK.

For additional information, please visit: www.vestum.se

Vestum's share is traded under the short name VESTUM on Nasdaq Stockholm.

This information is information that Vestum AB (publ) 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 2023-04-03 18:00 CEST.

Attachments

Vestum carries out strategic divestment, announces its intention to redeem bond and updates the group's financial targets regarding profitability and capital structure