



Alcadon Group

The Alcadon Way

Enabling Digitalization for a **better** world



2021

January - June

INTERIM REPORT

INTERIM REPORT

1 January – 30 June 2020

Refinancing and several major customer agreements provide opportunities

SECOND QUARTER 2021

- Net sales increased by 35.3 percent to MSEK 177.4 (131.1). In unchanged currency levels, net sales increased by 36.4 percent.
- Operating profit after depreciation/amortization decreased by 2.3 percent to MSEK 17.2 (17.6) including negative currency effects of MSEK -0.4 (2.5).
- Cash flow from operating activities amounted to MSEK 14.9 (24.3).
- Earnings per share decreased to SEK 0.70 (0.73).
- Solidity decreased to 45.7 percent from 46.3 percent in Q1 2021.

FIRST HALF OF 2021

- Net sales increased by 32.7 percent to MSEK 347.4 (261.7). In unchanged currency levels, net sales increased by 34.9 percent.
- Operating profit after depreciation/amortization indecreased by 23.6 percent to MSEK 33.4 (27.0) including negative currency effects of MSEK -0.9 (-1.0). Operating profit was negatively impacted by acquisition costs of MSEK -1.5.
- Cash flow from operating activities amounted to MSEK 34.9 (27.1).
- Earnings per share increased to SEK 1.31 (1.11).
- Solidity decreased to 45.7 percent from 51,9 percent in Q2 2020.

| | Quarter 2 | | January - June | | Full Year |
|---|-----------|-------|----------------|-------|-----------|
| | 2021 | 2020 | 2021 | 2020 | 2020 |
| Operating income, MSEK | 177.4 | 131.1 | 347.4 | 261.7 | 467.6 |
| Gross margin, % | 28.7 | 30.0 | 28.8 | 27.2 | 28.7 |
| Operating profit after depreciation/amortization (EBIT), MSEK | 17.2 | 17.6 | 33.4 | 27.0 | 43.1 |
| Operating margin after depreciation/amortization (EBIT), % | 9.7 | 13.4 | 9.6 | 10.3 | 9.2 |
| Profit or loss for the period, MSEK | 12.5 | 12.3 | 23.3 | 18.7 | 29.0 |
| Earnings per share, SEK | 0.70 | 0.73 | 1,31 | 1.11 | 1.72 |

SIGNIFICANT EVENTS DURING THE QUARTER

- 26 employees have subscribed for their full allotment of warrants under an incentive scheme resolved upon by the annual general meeting in April.
- Alcadon deepens cooperation and enters into a new cooperation agreement with one of the leading installation companies in the Nordics.
- Alcadon concludes supply agreement for fiber optic accessories, in cooperation with Commscope, with Norlys in Denmark, with estimated sales worth MDKK 50-60 in 2021 and early 2022.
- Alcadon has been awarded three major procurement contracts for city network rollouts across the country. The contracts extend over 3-4 years with expected revenues of approximately MSEK 10 per annum.
- Alcadon concludes a framework agreement with Emtelle, one of the leading manufacturers of blown fiber, microduct and cable protection systems in Europe. The agreement covers the supply of fiber optic material for FTTH rollouts in Germany. The framework agreement extends over 18 months and has an estimated sales value of between MEUR 4 and 4.5 per annum. Deliveries are projected to commence in the third quarter of 2021.

SIGNIFICANT EVENTS AFTER THE PERIOD

- Alcadon enters into a new exclusive agreement with Norlys in Denmark for a period of 3+1 years, with estimated sales per annum of MDKK 30-35.
- Alcadon recently secured its 10th FTTH project in Germany, worth MEUR 1.
- Alcadon was refinanced in July 2021. The Group's new main bank is now SEB. The refinancing is estimated to reduce financing costs by approximately MSEK 2.5-2.7 before taxes, on an annual basis.
- Alcadon signs agreement with Deutsche Glasfaser, a leading German provider of FTTH, concerning delivery of products for the FTTH roll-out in Germany with an estimated value of EUR 20 mill per year.

Stockholm, 13 August 2021

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This information is information that Alcadon Group AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 am on 13 August 2021.



A word from the CEO

- **Several significant agreements concluded and marked progress within antenna solutions (FTTA)**
- **Net sales increase by 35 percent and stable performance during a quarter characterized by logistics disruptions**
- **Refinancing and European growth agenda makes for a positive development in the years ahead**

DEVELOPMENT DURING THE QUARTER

The acquisition and integration of 6X has thus far proved successful. A number of major projects were won, with expected sales totaling approximately MSEK 900. In particular, we have strengthened our positions significantly in the German market, which will be one of Europe's most important growth markets with regard to broadband in the coming years. We have also made progress in segments such as antenna solutions (Fiber-to-the-Antenna or FTTA) and cable systems in Sweden and Denmark, where the launch of ECS on the Danish market is progressing according to plan.

The outlook is looking good for the remainder of 2021 and 2022; the underlying demand in our markets is expected to grow at the same time as we start to deliver on the major projects in which agreements were signed in Q2.

The quarter was also characterized by a global

shortage of components, rising raw material prices and freight rates, and extended lead times. These disruptions have had a negative impact on the Group's net sales, primarily on the Swedish market, especially at the beginning of the quarter. Our assessment is that this aftermath of COVID-19 will decline gradually in the course of the rest of the year.

An increased level of activity combined with recruitments in support of an ambitious growth agenda have, according to plan, contributed to increased overhead in the Group.

During the quarter, a strategic agenda with detailed growth initiatives for the period up to 2025 was developed. The ambitions are to be presented towards the end of 2021 or early 2022. In conjunction with this updated financial targets will be presented.

Proprietary systems and products accounted for 27 (27) percent of net sales during Q2.

COMMERCIAL PROPERTY NETWORKS: 34 (45) PERCENT OF NET SALES DURING Q2

So far in 2021, overall construction activities have been on the rise. The trend is expected to continue throughout the year. However, the market is still adversely affected by the weak development of construction starts in 2020. Public sector investments and a strong data center market somewhat offset the weak development in commercial premises.

A number of product launches are planned for the autumn. ECS, the Group's cabling system for commercial properties, was launched in Denmark during the quarter. ECS was recently appointed one of Europe's top 10 cabling systems by the magazine Telecomtech Outlook.

The final customer segment of the business area comprises commercial properties such as offices, airports, hospitals, shopping centers, industrial premises and data centers.

RESIDENTIAL NETWORKS: 11 (15) PERCENT OF NET SALES DURING Q2

The market has developed well and a number of product launches are planned for 2021. Satellite TV distribution in Sweden and Norway has continued to underperform, especially in comparison to the relatively strong development in 2020.

A significant portion of the business area is constituted of concept selling, combining data communication and solutions for smart and safe homes.

FIBER NETWORKS/FTTX: 50 (36) PERCENT OF NET SALES DURING Q2

Denmark and Germany continue to exhibit a very strong development, and a number of major agreements have been concluded. The agreements relate to broadband and 5G rollouts. The Group's broadband concept has been favourably received in the German market.

The announced government subsidies for broadband are expected to stimulate broadband rollout in Sweden in 2022 and 2023, while development in 2021 is projected to be stable.

In Norway, the market has remained stable, and sales to operators performed strongly in particular.

Across all markets, the conditions for a continued positive development are good.

SERVICES & TRAINING: 5 (3) PERCENT OF NET SALES DURING Q2

The business area performed well during the quarter.

Clear synergies have materialized in the Danish market, where training and rental activities have expanded, following the 6X acquisition.

FINANCIALS

Net sales increased by 35.3 percent to MSEK 177.4 (131.1) during the quarter. In unchanged currency levels, net sales increased by 36.4 percent.

The quarter was characterized by strong gross margins and slightly increased overhead due to higher freight costs and new recruitments. Operating profit after depreciation/amortization (EBIT) amounted to MSEK 17.2 (17.6) during the quarter, a decrease of 2.4 percent. Foreign exchange losses of MSEK -0.4 (2.5) burdened the result. During 2020, EBIT was positively impacted by approximately MSEK 1.6 related to government support measures in Norway and Sweden and negatively impacted by MSEK -0.6 attributable to additional consideration for CableCom. Adjusted for the above, the operating profit increased by 24.9 percent during the quarter. Cash flow from operating activities amounted to MSEK 14.9 (24.3).

CONCLUDING REMARKS

The underlying need for infrastructure investments, in particular in digital infrastructure, is substantial across all our markets. Political awareness of this fact has increased during the year. The negative effects of the pandemic are also clearly in decline, and supply chains are likely to be restored gradually during the remainder of 2021. Consequently, there is much to suggest that investments in network infrastructure, and hence the digitalization of society and businesses, will increase in the future.

Alcadon is well positioned in all geographical markets where we are established. Clear synergies are achieved after the acquisition of 6X, and over the recent years, we have really established ourselves as a major player in our industry. This is shown not least by the agreements we have recently signed on the German market.

"Alcadon 2025," the Group's growth agenda up to 2025, is an ambitious and detailed plan for profitable growth. Supported by a strong market development, organic growth initiatives and a clear acquisition agenda, we have ambitious goals and a clear objective of becoming even more of a European player in the near future.



Sonny Mirborn
CEO and President
Alcadon Group AB

| INDICATORS FOR THE GROUP | Quarter 2 | | January - June | | Full Year |
|---|------------|------------|----------------|------------|------------|
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| Gross margin, % | 28,7 | 30,0 | 28,8 | 27,2 | 28,7 |
| Operating profit after depreciation/amortization (EBIT), MSEK | 17,2 | 17,6 | 33,4 | 27,0 | 43,1 |
| Operating margin after depreciation/amortization (EBIT), % | 9,7 | 13,4 | 9,6 | 10,3 | 9,2 |
| Profit or loss for the period, MSEK | 12,5 | 12,3 | 23,3 | 18,7 | 29,0 |
| Net margin, % | 7,1 | 9,4 | 6,7 | 7,1 | 6,2 |
| Solidity, % | 45,7 | 49,3 | 45,7 | 49,3 | 51,9 |
| Return on equity, % | 11,9 | 9,4 | 12,2 | 11,6 | 13,1 |
| Net interest-bearing liabilities, MSEK | 148,1 | 91,0 | 148,1 | 91,0 | 101,4 |
| Cash flow from operating activities, MSEK | 14,9 | 24,3 | 34,9 | 27,1 | 31,1 |
| Cash flow from operating activities per share, SEK | 0,8 | 1,4 | 2,0 | 1,6 | 1,8 |
| Equity per share, SEK | 16,0 | 13,2 | 16,0 | 13,2 | 17,0 |
| Earnings per share, SEK | 0,70 | 0,73 | 1,31 | 1,11 | 1,72 |
| Number of shares at the end of the period | 17 841 026 | 16 859 246 | 17 841 026 | 16 859 246 | 16 859 246 |
| Average number of shares | 17 841 026 | 16 859 246 | 17 759 211 | 16 859 246 | 16 859 246 |
| Number of employees at the end of the period | 84 | 61 | 84 | 61 | 65 |
| Average number of employees during the period | 85 | 60 | 84 | 60 | 61 |

DEFINITIONS

| | |
|--|---|
| Gross margin: | Gross result as a percentage of net sales for the period. |
| EBIT margin: | Operating result after depreciation as a percentage of net sales for the period. |
| Net margin: | Profit or loss for the period as a percentage of net sales. |
| Return on equity: | Net profit or loss for the last 12 months as a percentage of average equity. |
| Net interest-bearing liabilities: | The net total of financial assets including cash and cash equivalents less interest-bearing provisions and liabilities. |
| Solidity: | Equity as a percentage of total assets (excluding cash balance and financial assets) at the end of the period. |
| Earnings per share: | Net profit or loss for the period divided by the average number of shares during the period. |
| Cash flow from operating activities per share, SEK | Cash flow from operating activities divided by the average number of shares during the period. |

The Company applies the ESMA Guidelines on Alternative Performance Measures. An alternative performance measure is a financial measure other than those defined or specified in the applicable rules of financial reporting (such as IFRS and the Swedish Annual Accounts Act).

The alternative performance measures must therefore be explained in the financial reports. In accordance with these guidelines, the Group's alternative performance measures are defined above. The Group applies alternative performance measures as the Company has made the assessment that they provide valuable, additional information to the management and investors, since they are key to the understanding and evaluation of the Group's operations.