

OXE Marine AB (publ) joins forces with US distributor Diesel Outboards and Outdoor Network Manufacturing to significantly strengthen the focus on commercial and distribution development

OXE Marine AB (publ) (NASDAQ STO: OXE) (OTCQX: CMMCF) ("OXE" or the "Company") has entered into an agreement to acquire 100% of Diesel Outboards and Outdoor Network Manufacturing's US distribution and manufacturing business (the "Transaction"). Through the Transaction, OXE significantly strengthens its position in the US market, creating a direct to market model, gaining access to end-user, dealer, governmental and OEM network, following the successful ramp-up of production of OXE300 earlier this year.

The purchase price of USD 10.8 million, is to be financed through a share issue in kind to the selling entity Powersports Plus LLC (an Outdoor Network Group company), making them the largest shareholder in OXE. Additionally, Martin Polo, CEO of the Outdoor Network Group, will have a seat on the Board of OXE. The share issue is supported by a majority of shareholders, including the largest owners. The Transaction is subject to approval from the European Investment Bank, the holders of OXE's corporate bonds and Valley National Bank, the current bank for Diesel Outboards and Outdoor Manufacturing. Closing is expected to take place on 31 January 2022.

In conjunction with the transaction, Magnus Grönborg has decided to step-down as CEO due to personal reasons and the Board of Directors has appointed Anders Berg as acting CEO, commencing this role during January but no later than the 31st of January.

OXE Marine US

The US outboard market represents approximately 40% of the world-wide sales of outboard engines and between 40%-50% of OXE Marine's revenue.

Diesel Outboards (an Outdoor Network LLC company) is OXE Marine's largest distributor, with extensive marine experience and a network of 40+ dealers and 40+ OEM Boat Builders in the US. Through the Transaction, OXE will significantly strengthen its position in the US market, creating a direct-to-market model and gaining direct access to end-users, dealers, and OEM Boat Builders, including the important governmental sector. In addition, as a part of the transaction, OXE Marine will acquire Outdoor Network Manufacturing (an Outdoor Network LLC company) which is a dedicated OXE manufacturing facility in Albany, Georgia, currently manufacturing the OXE200 range of products.

As part of the transaction, OXE acquires a US team of 18 experienced resources and will be awarded the exclusive global distribution rights for Jet-Tech®, the world's first ultra-high-performance waterjet for outboards, as well as all rights for Diesel Outboards exclusive government containerized life cycle support for outboard deployment and support "C-CRES". Additionally, OXE will gain access to Outdoor Network LLC's web marketing, social media, and sales channels, including boats.net, a global marine parts and accessories retailer for the largest brands in the marine market.

The acquired businesses include assets with a net value of approx. USD 7.8 million and intangible assets of USD 3.0 million. Included in the tangible assets is a minimum cash balance of USD 0.7 million with the final cash balance determined on 31 December 2021. In addition, as part of the Transaction, Powersports Plus, LLC has agreed to be guarantor for a working capital facility of USD 5 million, to be taken up by the acquired entities post completion.

"Over the last months, we have reviewed our strategic position and core competencies of OXE, both from a product and organizational perspective. Stemming from that review, it is clear that we must further develop

the commercial side of our business to complement our strong engineering background as well as the recent progress made in our supply chain and production capabilities.” says Magnus Grönborg, CEO of OXE Marine.

“With the sustainable, disruptive and innovative products we have introduced to the marine market, we now want to intensify the focus on our end-users and customers, working substantially closer with them. With this deal we are confident that a direct model, offering direct relationships with the users and customers, combined with our current distributor model, will provide significant insight into the next steps of our growth and development. Close relationships with users and a full focus on leading service and support packages is imperative for our success.

Diesel Outboards has been very skilled, loyal, ambitious, and successful in their development of the market and have an impressive organization with significant application knowledge, complementing our current business with a passionate and seasoned marine team that we all welcome to OXE.

At the same time, we are very pleased to welcome Outdoor Network LLC (via Powersports Plus LLC) as the new industrial and majority owner of OXE.

No doubt, this is transformational for OXE, and we now have an operational and commercial platform in both Europe and USA that will serve as a steppingstone for further global growth. I am personally excited to see the innovation, growth, new business and products that this transaction will unlock for the future of OXE – we now really take the next step in our development.” says Anders Berg, Chairman of OXE Marine.

“The joining of our two companies through this merger will greatly strengthen OXE’s position in the marine diesel outboard world. With OXE’s superior engineering capabilities and Diesel Outboard LLC’s industry knowledge and advanced sales and marketing expertise, we are confident there will be a significant global increase in demand for OXE’s products. As one company, we solidify OXE’s position as the go-to trusted partner in the growing market for high torque and high horsepower diesel outboard motors.” says Tom D’Azevedo Executive Chairman Outdoor Network.

We regret to inform that in conjunction with the transaction, Magnus Grönborg has decided to step-down as CEO due to personal reasons. Magnus will continue to work with the company for the remainder of his contractual tenure. The Board of Directors has appointed Anders Berg as acting CEO, commencing this role during January but no later than the 31st of January. *“I have had the pleasure to work with Magnus over many years, not only in OXE Marine, and got to know Magnus very well. I fully respect his personal situation and no doubt, we have all enjoyed working with Magnus in his capacity as CEO and he has done an excellent job.”* says Anders Berg, Chairman of OXE Marine.

Financial Impacts

As a result of the transaction, a new Group of companies is formed. There is a positive impact on our gross margin which we expect to improve by approximately 10% for business generated from the US market, coming into effect over the course of 2022. The transaction will result in additional revenue via the vertical integration on current business between OXE and Diesel Outboards, which accounts for 51% of OXE revenue on an LTM basis (Q3 2021). In addition, we expect an increase in the number of motors delivered to the market, as a result of our direct presence in the market, increasing confidence in our ability to service and support commercial and governmental users.

“The transaction aligns our core competencies with those of Diesel Outboards. By effectively acquiring our distributor who is solely focused on developing the OXE brand in the US, we gain additional margin and develop our capabilities to increase sales of engines and parts & accessories in the US. Diesel Outboards has a healthy order book towards its dealers and OEM’s in the US. We expect a positive contribution to operating leverage in 2022 from the businesses Diesel Outboards and Outdoor Network Manufacturing. The transaction therefore further supports the hard work we have done in 2021 to control the Burn Rate and increase operating leverage in order to reach profitability in a steady manner.

From a cashflow point of view, the transaction is positive and will release cash in the short term, through cash transferred in the acquisition, as well as by delivering on the US order book in 2022, with inventory transferred in the acquisition. In addition, we will put in place a USD 5m revolving credit facility in the US in

the event further financing is needed for working capital to support growth in sales.” says Paul Frick, CFO of OXE Marine.

Our ability to generate positive operational cash flow has been steadily improving and it is too soon to determine whether this milestone will be achieved in Q4 as it is subject to working capital movements up to 31 December 2021. Going forward, the Company will revise its Financial Targets as a result of this transaction.

The purchase price of USD 10.8 million will be financed through a share issue in kind to the seller

The Transaction comprises of an asset transfer of all OXE related assets of Diesel Outboards LLC and Outdoor Network Manufacturing LLC to two newly established entities, in which OXE will acquire all outstanding shares from Powersports Plus LLC (the “Seller”) on closing.

The purchase price is fixed at USD 10.8 million and will be financed through a share issue in kind of 46,719,962 shares in OXE (“Consideration Shares”) to the Seller. The Consideration Shares will represent 18.3% of the total outstanding shares and votes in OXE post transaction and are issued at a share price of SEK2.11, corresponding to the volume weighted average share price during the 30 trading days between 9 November 2021 and 20 December 2021. Outdoor Networks’ total holdings will be 20.3% after the transaction. Additionally, Martin Polo, the CEO of the Outdoor Network Group, will be appointed to the Board.

The issue of the Consideration Shares is subject to approval by an extraordinary general meeting of shareholders in OXE (“EGM”), to be held on the closing date. The majority of shareholders, including the largest owners have committed to vote in favor of the issue of the Consideration Shares at the EGM.

Further information about the EGM and a formal notice will be provided by the Company in due course.

The Transaction is subject to approval from the EIB, the holders of OXE’s corporate bonds and Valley National Bank

The Transaction is subject to approval from the European Investment Bank (“EIB”) and the holder of OXE’s up to SEK 200 million Senior Secured Callable Fixed Rate Bonds with ISIN SE0010831545, SE0010831594 and NO0010815442. Also, Valley National Bank which provides a working capital loan to Diesel Outboards and Outdoor Network Manufacturing as well as various other lending facilities for the Outdoor Network Group.

OXE will now initiate discussions with the EIB and bondholders, with the expectation to have all consents in place for closing on 31 January 2022.

Certified Adviser

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OXE Marine AB (publ) is obligated to make this information public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 22 December 2021 at 01:00 CET.

OXE Marine AB (publ) (NASDAQ STO: OXE) (OTCQX: CMMCF) has, after several years of development, constructed the OXE Diesel, the world's first diesel outboard engine in the high-power segment. The Company's unique patented engine-to-propulsion power transmission solutions have led to high demand for the Company's engines worldwide.